

Sri Lanka Telecom PLC

Annual Report

2017



Unleashing digital  
lifestyle



Sri Lanka Telecom



## Our Vision

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

## Our Mission

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

## Our Values

### Customer Caring

We put our customers at the centre of everything we do

### Trustworthy

We are true to our promises

### Innovative

We continuously invent new opportunities through creative thinking

### Responsive

We are ready to listen and act promptly

### Teamwork

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

### Excellence

We are committed to exceptional performance

### Results Driven

We are committed to enhancing shareholder value

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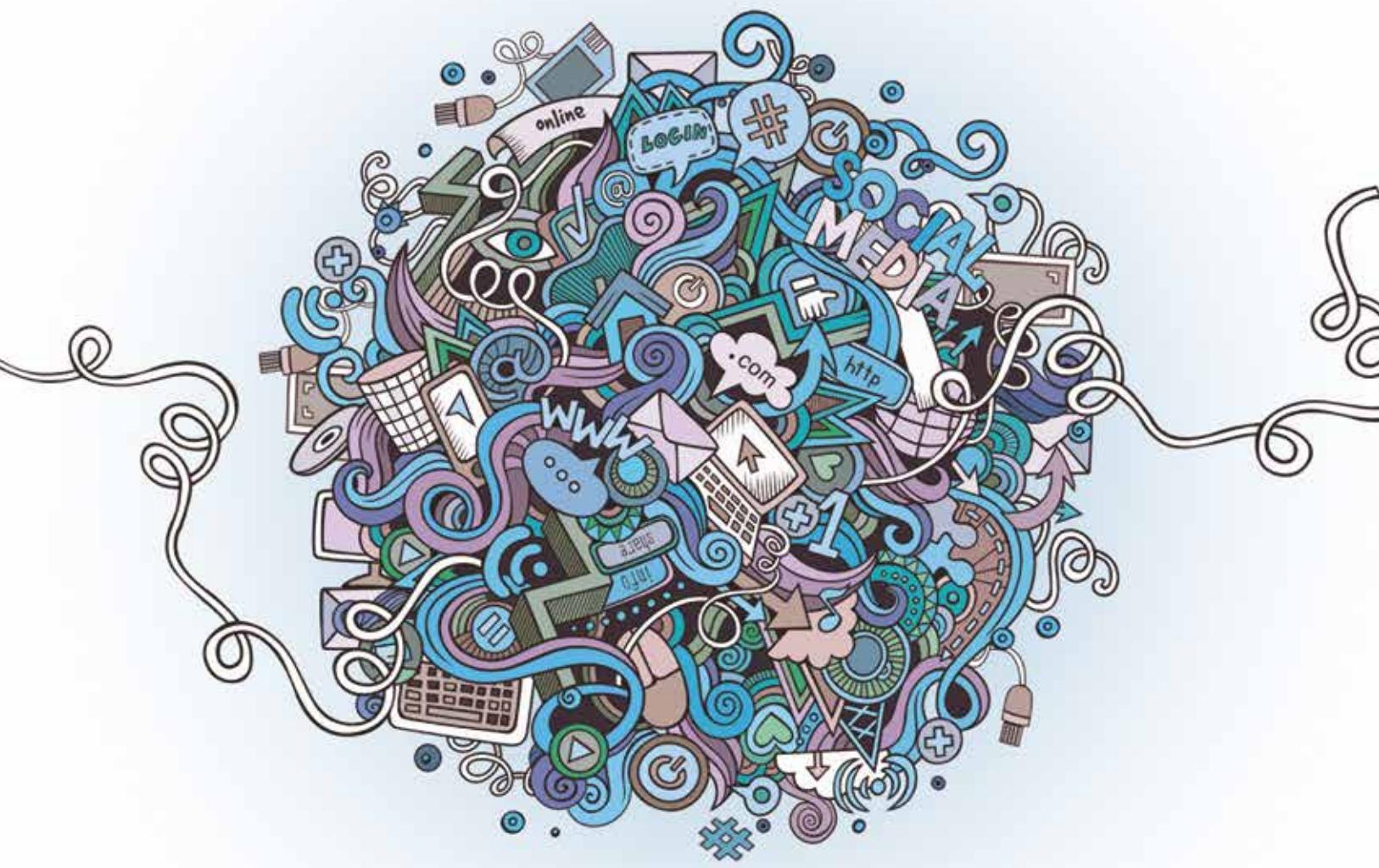
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**As we become more and more connected, as the boundaries between the physical, biological, and digital worlds become increasingly blurred, the digital has become the new way of life. SLT navigates this new digital ecosystem by transforming from a communications provider to an infotainment provider, and beyond, to a digital services provider.**

**We have harnessed the power of state-of-the-art ICT infrastructure ranging from data centres to submarine cables that connect us with the rest of the world. We also speak the language of IoT... the Internet of Things ranging from smart living to cloud services. We have leveraged the innovative technology of the day to facilitate enterprises on to digital platforms.**

**We cannot predict the future, but we can imagine it. Your future life is digital and we are unleashing it.**



# Welcome to Sri Lanka Telecom PLC's Annual Report 2017

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

The section on Business Model (page 20), outlines the concepts that build-up the structure of our reporting approach. We continually elaborate on the importance of value creation and capital formation throughout the Annual Report.

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

- Global Reporting Initiative (GRI) Sustainability Reporting Guidelines GRI Standards
- International Integrated Reporting Framework (IIRC)
- Smart Integrated Reporting Methodology™

## → Report boundary

This Annual Report addresses the operations of Sri Lanka Telecom PLC and its subsidiaries. As such, they are identified as "SLT" or the "Company" on an individual basis; and "Group" on a collective one. Following on from the preceding years, key financial aspects are to be discussed in the context of the Group and the Company. The SLT Group's business operations are made up of fixed ICT operations and mobile ICT operations. Consequently, these two segments are identified separately in the Management Discussion and Analysis section. Where appropriate, they may be aggregated and termed as "ICT business" and correctly identified as such.

## → Compliance

This Report covers the 12-month period 1 January to 31 December 2017, and as such is concordant with our habitual reporting cycle for financial and sustainability reporting. We do not notice any noteworthy changes in scope nor aspect boundaries from preceding reporting periods. The immediate preceding Annual Report, dated 17 April 2017, covering the 12-month period ending 31 December 2016, is available on the corporate website

[www.slt.lk](http://www.slt.lk)

## → Precautionary principle

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

## → Queries

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

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

# About us

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

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



## → Principal lines of business

The Sri Lanka Telecom Group provides a comprehensive suite of ICT products in fixed and mobile ICT domains, broadband, data services, Internet Protocol Television (IPTV), cloud computing, hosting services, and networking solutions. The aforementioned are categorised under fixed ICT operations, mobile operations, and other segment operations. In 2017, fixed and mobile ICT operations made up the bulk of our business as in the preceding years. This accounted for 99% of revenue. It also represented 99% of our total assets and 100% of the capital expenditure of the Group.

## → Products and markets

### Fixed ICT operations →

The Group's holding Company, SLT, operates in the fixed ICT business. SLT provides telecommunications networks and ICT services to Internet Service Providers (ISP) and households, companies at any level across all sectors of the economy, government institutions, associated telecommunications operators, and ISPs. These services encompass voice, data, broadband, wholesale, enterprise, cloud, international, and TV. We aspire to enhance broadband-backed consumer and enterprise services by increasing and sustaining the broadband footprint of the country. This is to be achieved through the Next Generation Network (NGN) and the National Backbone Network (NBN), supplemented by the latest technologies of ADSL2+, VDSL2, optical fibre, carrier-grade Wi-Fi, and 4G-LTE technologies. We also use our international undersea cable networks of the five international submarine cable systems; SEA-ME-WE 3, SEA-ME-WE 4, SEA-ME-WE 5, Bharat-Lanka and Dhiraagu-SLT submarine cable systems to open up our businesses to international clients, and hence secure our position as a forefront company in both Asia and the world.

### Mobile ICT operations →

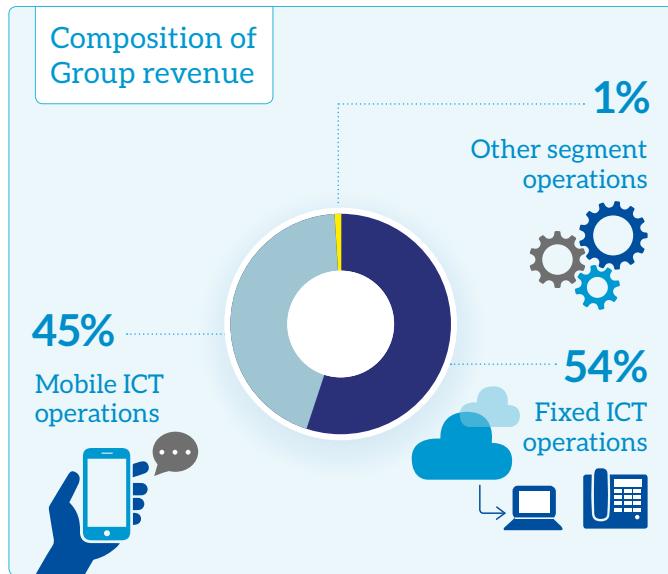
Sri Lanka Telecom Mobitel (Private) Limited ("Mobitel") is a 100% owned subsidiary of SLT. It offers mobile services, high-speed broadband, enterprise solutions, IDD services, and a range of supplementary value added services. SLT Mobitel has always broken boundaries in the region: the launch of the first Super-3.5G HSPA network in South Asia in December 2007, successful trial of HSPA+, MIMO

(Multiple Input Multiple Output) in 2009, another first in the region. SLT Mobitel also went on to demonstrate 4G-LTE technology, another first for South Asia in 2011. Accordingly, SLT Mobitel launched its 4G-LTE Network in 2013 to provide unparalleled broadband experience to Sri Lankans. Keeping ahead with pioneering new technologies, SLT Mobitel trialled 4.5G LTE-Advanced Pro Technology again for the first time in South Asia in June 2016. In 2017, SLT Mobitel was able to deploy the first Sub-1G Mobile Broadband Network in Sri Lanka by using the 900MHz spectrum innovatively to provide superior coverage across the country. On 1 February 2018 SLT Mobitel launched the First Commercial 4.5G/4G+ Mobile Network in South Asia. With this introduction and being the only 4.5G/4G+ Mobile Network in Sri Lanka, SLT Mobitel possess the fastest broadband speeds in the country. The award received from Ookla Speedtest for being the Fastest Mobile Network in Sri Lanka attests to SLT Mobitel's unparalleled broadband network experience. SLT Mobitel's coverage extends nationwide and includes international roaming with the partnership of a global web of over 600 networks. Mobitel has also proved its IT and Software capabilities by architecting and implementing strategic ICT solutions for the Enterprise and Government sectors. International award winning Electronic Visa (Electronic Travel Authorisation) Solution for the Department of Immigration and Emigration and the National Railway Ticket Reservation solution which is used by Sri Lanka Railway and all the telecommunication operators in the country are two examples of Mobitel's proven ICT capabilities.

## → Scale of operations

### SLT Group revenue, financial year 2017 →

The aggregate revenue of the SLT Group increased by 2.6% to Rs. 75.7 billion during the year. This was backed by a growth in revenue of 3.3% at SLT, and a matching growth of 1.5% at Mobitel. In terms of business lines, the fastest growth rates with regards to revenue were accounted by broadband, enterprise solutions, TV, and for enterprises, households and individuals of both fixed and mobile ICT segments.



Our mobile network connects over 6.8 million subscribers across Sri Lanka with voice and broadband wireless services. Mobile subscribers can connect using GSM/EDGE (2G/2.5G), UMTS/HSPA/HSPA+/DC-HSPA+(3G/3.5G/3.75G), LTE/LTE-Advanced (4G/4.5G) technologies via our mobile arm.

### Capabilities →

Our fixed broadband options provides speeds of up to 100 Mbps with monthly data capacities exceeding 3000GB. Customers in the SME segment and individual users requiring greater bandwidth at high speed are provided with a segmented facility which extends speed beyond 20 Mbps. Mobile broadband is capable of providing download burst speeds of 300 Mbps with 4.5G LTE-Advanced, 105 Mbps with 4G LTE and 40 Mbps with 3G.

### Towards 5G

We have successfully trialled 4.5G LTE-Advanced pro technology in Sri Lanka. This is capable of delivering speeds exceeding 1 Gbps. We were the first organisation to trial this technology in South Asia. Subsequent to the trial we commercially deployed the first 4.5G LTE-Advanced Mobile Network in South Asia on 1 February 2018. We look forward to deploy 5G Network in the near future.

### NB-IoT

SLT Mobitel showcased the Nascent Narrowband Internet of Things (NB-IoT) technology for the first time in South Asia at the 2017 Techno Exhibition in Sri Lanka. SLT Mobitel showcased NB-IoT as a powerful technology in urban farming and home safety systems. SLT Mobitel's innovative deployment of NB-IoT interleaved on its 900MHz spectrum ensured an increased mobile coverage, enabling its use for sensors deep within concrete structures or underground such as required for smart meters or disaster monitoring sensors.

### Global connectivity →

With our unmatched global connectivity options, our ISP network is the premier in the country and meets the standards of the global ICT industry. With five International submarine cable systems: SEA-ME-WE 3, SEA-ME-WE 4, SEA-ME-WE 5, Bharat-Lanka and Dhiraagu-SLT submarine cable systems, we are well poised to compete with international players in the industry. This will help secure Sri Lanka as a regional digital hub, and add the country to the world's PoP network. We can also refine the country as the choicest IT-BPO/data centre destination.

### Market capitalisation →

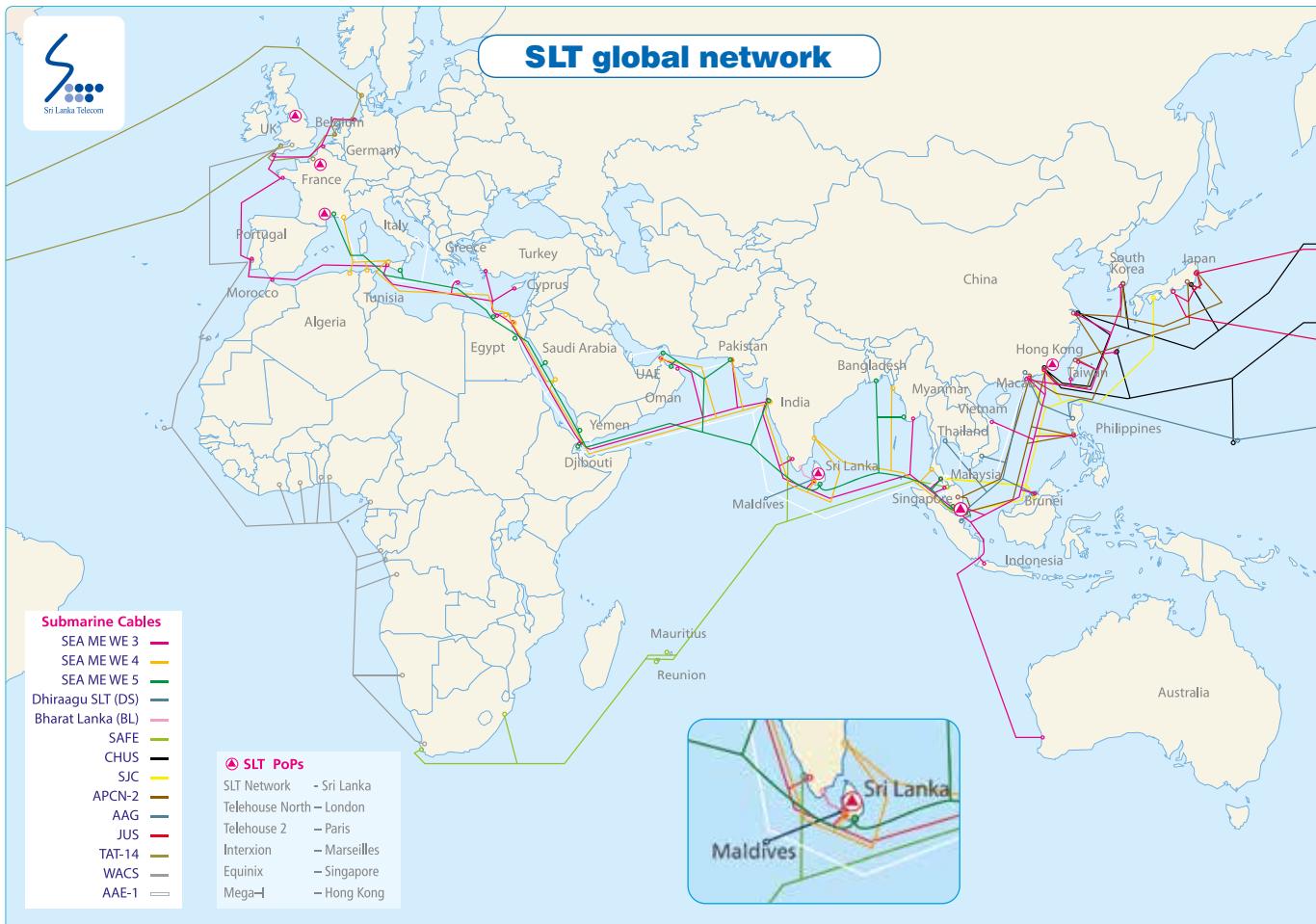
SLT is one of Sri Lanka's foremost blue-chip companies, with a market capitalisation of Rs. 51.44 billion as of 31 December 2017.

### → Our reach and offering

The SLT Group has island-wide coverage and distributes its services to over seven million recipients across fixed and mobile ICT services in our road map to Vision 2022, SLT invested over Rs. 75 billion in the last three years to develop our ICT infrastructure. Our island-wide network of optical fibre, with broadband speeds of up to 100 Mbps, extends to nearly 30,000 km fibre optic length. Under the i-Sri Lanka project, Sri Lanka is now one of the most ICT-connected countries in South Asia. We served around two million households through fibre optic connectivity by the end of 2017 using multiple fixed and mobile broadband technologies.

### Network connectivity →

We possess nearly 30,000 km of optical fibre dispersed throughout the island, constituting 2.5 million loops. We equally possess over 300 nodes connected throughout the country which accumulates all traffic from various points in the island. Thus, based on requirements we can route information to the required place in a few milliseconds. The core transmission network is equally built with an ultra high-speed capacity and cutting-edge routers.

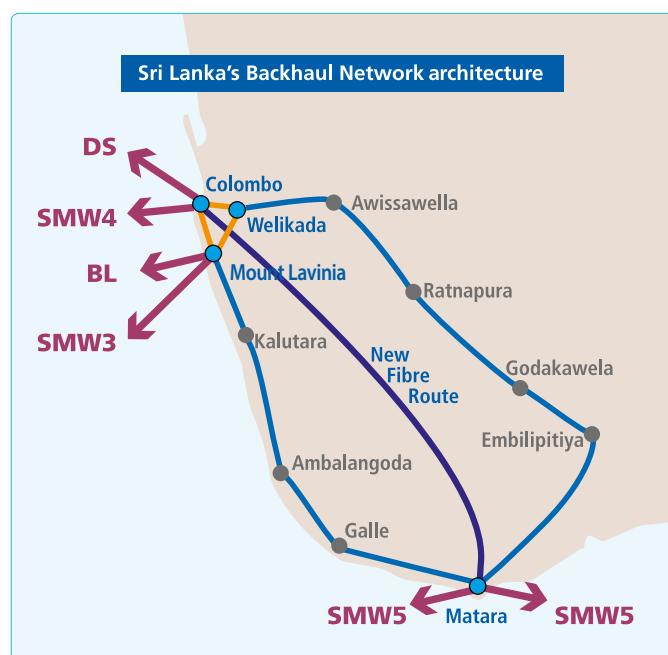


### International backhauling network

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

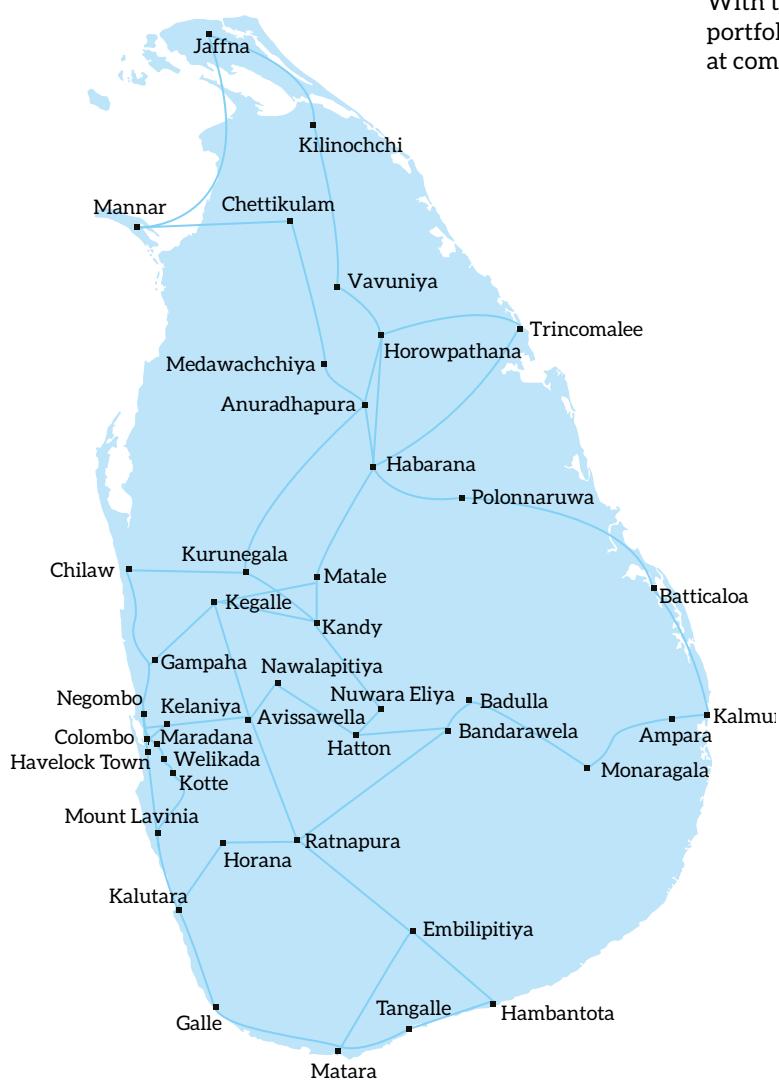
### South Asia's first submarine cable depot in Galle

Galle Submarine Cable Depot (Private) Limited (GSCDPL), managed by SLT, is South Asia's first submarine cable depot. This is a joint venture with IOCPL (Indian Ocean Cableship Private Limited) which is a ship service provider for SEAIOCMA (South East Asia and Indian Ocean Cable Maintenance Agreement). Newly formed GSCDPL will be a depot service provider under the SEAIOCMA from 1 January 2018.



## The National Backbone Network →

Our backbone network is made up of 100G technology, 300 carrier Ethernet nodes, and 64 SLBN nodes. It is available and functioning at all times due to a comprehensive 1+2 redundancy system. Our network is of high quality speed and capacity backed with a low latency; and is a veritable asset in the country's development. The NBN aims to cater to the future needs of all ICT operators in the country.



## Multiple inter-connected data centres →

Recognised as the "national data centre", the newly established data centre at Pitipana is the country's first purpose-built, Tier III data centre. Currently in operation, the data centre will enhance the provision of a secure and reliable data hosting facility and cloud computing services in Sri Lanka. Multiple data centres have been interconnected, including the data centres at SLT headquarters and at Welikada, via the national fibre optics backbone network. With this new development, SLT is able to offer a broader portfolio of robust co-location and data hosting facilities at competitive prices.

# Productivity

The digital platform will allow a single person to accomplish more in less time than ever before

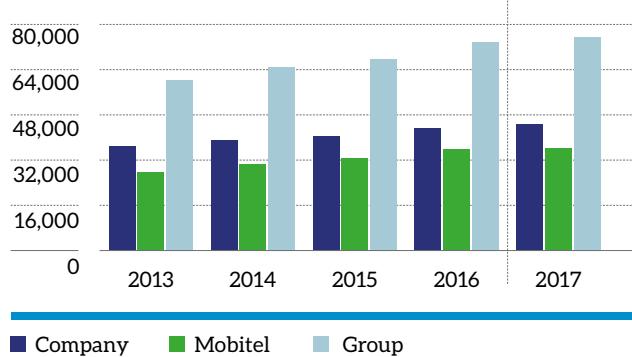


# Highlights

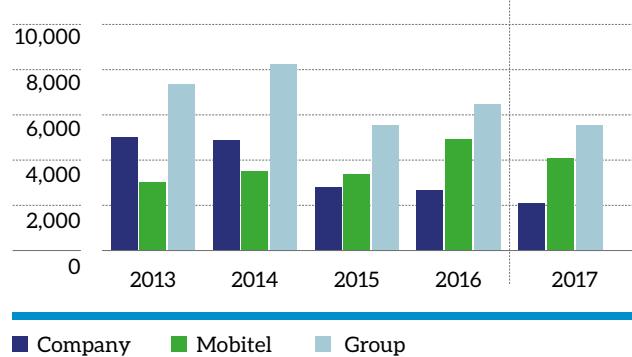
## Financial highlights

	2017	2016	Change (%)
<b>Group</b>			
Revenue (Rs. billion)	75.74	73.80	2.57
EBITDA (Rs. million)	21,205	20,126	5.36
Operating profit (Rs. million)	3,918	5,726	-31.58
Profit before tax (Rs. million)	5,528	6,497	-14.91
Profit after tax (Rs. million)	3,940	4,790	-17.75
Earnings per share (Rs.)	2.18	2.65	-17.75
<b>Company</b>			
Revenue (Rs. billion)	44.54	43.13	3.27
EBITDA (Rs. million)	11,379	9,903	14.90
Operating profit (Rs. million)	258	1,167	-77.89
Profit before tax (Rs. million)	2,129	2,643	-19.45
Profit after tax (Rs. million)	1,428	1,725	-17.22
Earnings per share (Rs.)	0.79	0.96	-17.22

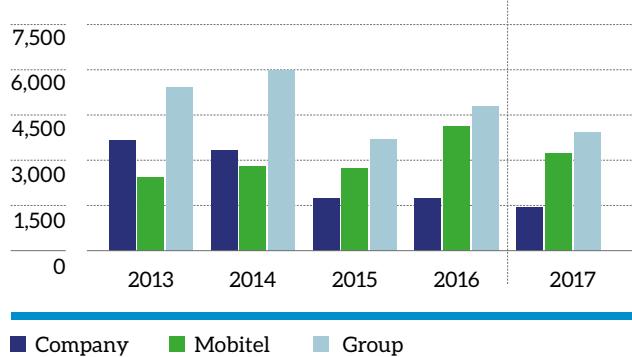
**Revenue** (Rs. million)



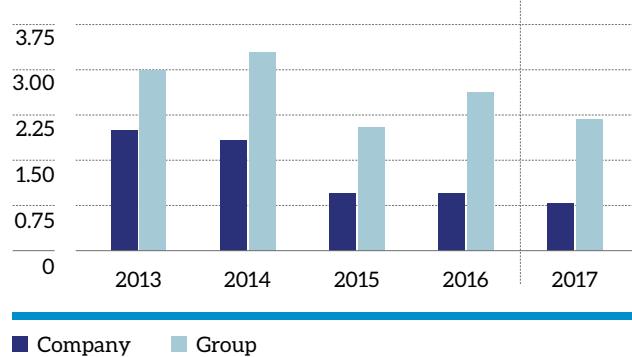
**Profit before tax** (Rs. million)



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



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



## Non-Financial highlights

Contributed  
**Rs. 38.58 billion**  
in levies, taxes and licence fees to the Government of Sri Lanka

Access to over  
**21 million**  
Wi-Fi hotspots globally for SLT subscribers through FON

**1st in South Asia**  
SLT to initiate the roll out of the 4.5G network

SLT Mobitel was recognised as the  
**“Fastest Mobile Network in Sri Lanka”**  
by Ookla Speedtest

## Customer growth

### Fixed ICT

Broadband  
**28.0%**   
809,917 (2017)

PEO TV  
**31.0%**   
352,360 (2017)      269,458 (2016)

### Mobile ICT

Mobile subscribers  
**6.0%**   
6,800,000 (2017)      6,400,000 (2016)

## Customer care

**12 million**

calls received in 2017

**90%**

Customer satisfaction rate

## Employees

333 new recruits in 2017

3,193 employees with over 21 years of service

Nearly 150,000 hours of local and international training along with nearly 200 foreign training programmes

## Community

The “160 School Development Programme” was held at 197 schools island wide in Sinhala and Tamil languages with the participation of more than 12,000 students

## Environment

Through recycling of CFL bulbs and tube lamps, prevented over 12,868 mg. of mercury from being added to the environment and protected 96 million litres of water

## New projects

### The Lanka Government Network (LGN 2.0)

LGN 2.0 covers 315 Government establishments. This will expand to 860 in 2018

### South Asia's first submarine cable depot in Galle

South Asia's first submarine cable depot managed by the SLT Group is operational in Galle

### “National Data Centre” at Pitipana

Sri Lanka's first purpose-built, Tier III data centre is now in operation at Pitipana

### Significant MoUs

Signed MoUs with Indocean Developers (Private) Limited, Colombo City Centre (CCC), Colombo Port City, Techno City and Megapolis, and others to provide ICT infrastructure

# Group Chairman's Review



As the national telecommunication provider, the SLT Group continues to add to its iconic status in Sri Lanka. By seizing the opportunities brought about by the digital economy, SLT is well poised to lead Sri Lanka into the digital future.

The plethora of digital innovations at our customer's fingertips attest to our claim of being the preferred digital lifestyle provider. As a Group, we continue to excel by delivering sound business performance, exemplary corporate governance, and fulfilling our social responsibility.

The year 2017 was another turbulent year for the global and local telecommunication industry as revenue from IDD and other traditional avenues declined due to the threat from OTT players. The margins from data is decreasing while the capital expenditure in infrastructure is on the rise. The world has witnessed a digital revolution that ushers in huge change at an accelerated rate. The worldwide shift towards digitalisation will continue to transform the way the world communicates, conducts business, socialises, receives healthcare, and education.



→ **Group Chairman's Review**

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 **SLT Group Vision 2022**

The SLT Group has anticipated these transformations and strategically prepared ourselves to meet the challenges of the future, today. Initiated in 2016, Vision 2022 will transform the Group from a communication service provider (CSP) to a digital service provider (DSP). It will enable the Group to become the most preferred digital lifestyle provider by the year 2022. The Group has implemented a Capital Expenditure (CAPEX), Operating Expenses (OPEX), and services plans and has identified other KPIs in the roadmap to Vision 2022. We have also set a digital services revenue target of 15% by 2022.

In line with our strategy, the SLT Group offers a suite of exciting new digital products and services like cloud computing, data centres, global connectivity projects, and smart living solutions, etc., to our customers.

An integral part of Vision 2022 is achieving complete Group synergy. Through different initiatives, the Group will combine all operations into one enterprise. Furthermore, it will include the streamlining of the internal structure, systems, and processes. Vision 2022 will position the SLT Group as a market leader with one face, one view across all integrated Group platforms.

 **Accolades in 2017**

The numerous accolades that were bestowed on the SLT Group in 2017, attest to our leadership as the national telecommunication service provider. We were judged to be 12th among the Best Sri Lankan brands in 2017 by Interbrand. Lanka Monthly Digest ranked SLT 10th of LMD top 100 entities. We were also ranked 10th in Business Today's Top 30 entities in Sri Lanka.

Ookla, a popular, independent internet testing tool, recognised SLT Mobitel as the winner of the Speedtest Award as the fastest mobile network in Sri Lanka, further strengthening SLT Mobitel's network leadership in the country.

 **Recognising digital excellence and innovations**

The SLT Zero One Awards is a unique programme that recognises and rewards excellence in digital initiatives across the island. We are happy to announce that the first edition was a huge success with over 450 entries which recognised individuals as well as corporates. The second edition of the Zero One awards will take place later in the year.

Sri Lanka's first ever, innovation and entrepreneurship-based tech reality show, realised by SLT Mobitel in partnership with Sirasa TV, returned for its second season in 2017. This popular and highly-anticipated programme inspires brilliant individuals to address real life challenges through the power of modern technology. Our winners are given financial assistance and guidance to venture into business startups which will develop the young entrepreneurial spirit of the country.

## → Investing in innovative network technologies

The SLT Group has recognised that investing in fibre and upgrading the fixed network ensure that our infrastructure remains best-in-class. We have invested over Rs. 75 billion in the last three years in providing the nation with state-of-the-art ICT infrastructure: the ultra high speed National Backbone Network (NBN) with 100G technology was built to cater to the future needs of all ICT operators in the country. The SEA-ME-WE 5 submarine cable's advanced 100Gbps technology will easily facilitate the quadrupling of bandwidth demand between Europe and Asia. We see our high capital expenditure as investments. With our state-of-the-art infrastructure - extensive optical network extending nearly 30,000 km, the link to the SMW 5, and the venturing into 5G, we have made great leaps in laying the ground work for the digital transformation outlined in Vision 2022.

## → Building on the human capital

Our employees form the heart of the SLT Group with a workforce of over 10,000. Over the years, we have created meaningful relationships with our employees. There is healthy, regular engagement between the Management and our dynamic workforce. Over 22% of Group revenue is dedicated to our staff, since we consider our human capital to be our greatest strength.

In 2017, SLT invested in targeted professional training for its employees and managers to ensure that they will be ready to face future changes in technology and market conditions and to improve our competitiveness in the sector. There were over 122,149 hours of local and international training along with 109 foreign training programmes.

With dedicated, intrinsically motivated employees, we aspire to offer an even better customer experience, resulting in greater customer loyalty.

## → Our financial performance

During the reporting year Group Operating Profit Before Interest Tax Depreciation and Amortization (EBITDA) improved by 5.4% to Rs. 21.2 billion. This improvement is a result of revenue growth and minimum escalation of operational costs.

SLT Group recorded a Rs. 75.7 billion in revenue for the year which is a year on year growth of 2.6% despite the challenges on mobile revenue due to indirect taxes levied on mobile usages. As a result of several initiatives, the operational costs were reported at Rs. 54.5 billion with a YoY increase of 1.6%.

**With our state-of-the-art infrastructure – extensive optical network extending nearly 30,000 km, the link to the SMW 5, and the venturing into 5G, we have made great leaps in laying the ground work for the digital transformation outlined in Vision 2022.**

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The Group operating profit was reported at Rs. 3.9 billion with a 31.6% drop due to the increase in depreciation and amortisation. We continued to invest in state-of-the-art infrastructure to provide world-class services to our customers. This investment is reflected in our Group operating profit for the year 2017. The Group profit after tax for the year 2017 was reported at Rs. 3.9 billion which is a YoY increase drop of 17.7%.

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→ **SLT: The national ICT service provider**

Access to telecommunications is critical to the development of all aspects of a nation's economy including manufacturing, banking, education, agriculture, and Government. The synergy effect of the digital economy where information becomes more accessible and available makes communication a lot easier.

As the nation's telecommunication carrier, our Vision 2022 is aligned with the Government's Digital Economy Strategy and other policies. The SLT Group has contributed immensely to the national economy and nation building. In 2017, we were able to contribute an impressive Rs. 38.58 billion in levies, taxes and license fees to the Government of Sri Lanka.

Apart from our investments in bolstering the nation's ICT infrastructure, we have served the nation through numerous initiatives. SLT was chosen as the communications provider for the eGovernment initiative: The Lanka Government Network (LGN 2.0). SLT has set up the LGN fibre optic network to cover 315 Government establishments. SLT will connect 860 Government institutions by the end of 2018.

I am proud to state that Sri Lanka's first purpose-built, Tier III data centre is now in operation at Pitipana. It is named as the "national data centre", since it provides secure, reliable data hosting facilities, and cloud services to all Sri Lankans.

To celebrate our 160th year anniversary, SLT implemented the "160 School Development Programme". The project's focus was to provide ICT infrastructure: broadband connection with 12-month rental free with a free Wi-Fi router. By providing access to ICT to school children, we serve the nation and the future of our nation.

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→ **For a sustainable future**

The SLT Group is aware of the role of telecommunication providers in reaching the UN Sustainable Development Goals. Broadband powered digital services and ICTs in Sri Lanka have a unique potential to support to meet the SDGs. ICT is a powerful enabler for each of the 17 goals, and an essential catalyst in driving rapid transformation. The principles of sustainability and the drive to achieve SDGs are embedded in our Vision 2022.

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→ **Our future looks bright and digital**

In the coming years we are excited to reap the rewards from the ground work laid during the past few years: our heavy investments on ICT infrastructure, preparation for the digital transformation, streamlining of internal processes, our digital offering, improvements in customer care, drive towards excellence in governance, incorporation of global best practices, alignment with the national policies, strategic future planning, and investments on human capital. We will continue to invest in these areas, but I am happy to report that the foundation has been laid and it is strong and stable for achieving the objectives of Vision 2022.

Group Chairman's Review ←  
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We have also become a trusted provider of ICT services to top enterprises in the country. We have provided them with seamless and sophisticated connectivity to carry out local and global business operations. We will continue to expand our enterprise customer base in 2018. Our objective to become a key regional player providing ICT services will also come to fruition through our link with multiple international undersea cable systems such as SEA-ME-WE 3, SEA-ME-WE 4, SEA-ME-WE 5, Bharat-Lanka and Dhiraagu-SLT submarine cable systems.

In 2017, SLT became the first telco to successfully field test pre-5G LTE advanced pro-technology in South Asia achieving 855.9 Mbps user throughput using Advanced Carrier Aggregation in TD-LTE 2500 MHz band. This throughput was further improved up to 999.9 Mbps at subsequent field tests. SLT Mobitel was also the first to initiate the roll out of the 4.5G network to revolutionise the industry and to significantly enhance user experience for its valued customers. 4.5G will act as a bridge for the eventual adoption of the 5G standard, while bringing significant improvements to SLT and Mobitel's existing 4G networks.

In terms of the telco industry, growth will focus on broadband-related digital services. Broadband revenues will dominate the Income Statement within the next three years. Improvements of revenues from digital services will drive our Company for the next eight years and beyond, as technology unlocks unprecedented potential to build seamless digital ecosystems, reshaping the way we live, work, and interact.

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→ **A final note of thanks**

In a time of change and accelerated transformation, moving towards a digital future, our stakeholders, including our shareholders, customers, employees, the Government, regulatory bodies, and others have come together to create a Group that serves the nation. To our customers, we thank you for your continued trust and loyalty. We also extend our sincere thanks to our employees whose enthusiasm and service deserve our heartfelt gratitude. The SLT Group will continue to deliver landmark innovations in the sector to create greater value for all our stakeholders and our nation.



**P G Kumarasinghe Sirisena**  
Group Chairman

29 March 2018

# Smart Living

## with SLT

**It is predicted that by 2050, more than six billion people across the world will live in cities. That is 70% of the world's population. Spurred by the exponential growth of the digital economy and Internet of Things (IoT), major cities around the world are developing rapidly into smart cities. Smart living in smart cities no longer belongs to science fiction, it is a reality and in the future it will be a reality experienced by a majority in the world.**



### **What is smart living?**

Smart living harnesses the power of information communications technology, and the Internet of Things through real-time data communication. Smart homes enhance traditional networks and services with the use of digital platforms and telecommunication technologies, creating convenience and benefits for its inhabitants as well as businesses. It is a combination of things rather than one item on its own. A system that uses a singular point, such as a phone or a tablet, whereby all the digital operations and solutions are managed and made to work together through Wi-Fi and mobile technologies.

### **Smart cities and sustainability**

As cities grow bigger and bigger, they need to become smarter. Within the global digital ecosystem, smart city initiatives are being implemented around the world. More than 100 cities at present are introducing some form of smart solutions. Smart cities, through the use of digital technology, have the potential to provide better use of resources, better management of energy, and better public services to citizens: smarter water supply and waste disposal, energy management, urban transportation network, while it can also incorporate the public health system, law enforcement, and other community services. Thus, smart living will contribute to achieving the UN Sustainability Goals. One example of this is energy management; cities are known to consume 75% of the global energy, with buildings accounting for 40%, experts estimate that this could be greatly reduced through the use of smart solutions.

## The role of SLT in smart living

The role of telecommunication operators in smart living, smart homes, and smart cities is quintessential. It will be the telecommunication operators that will supply the infrastructure and deliver real-time data analytics and all smart living solutions to the public, businesses, and even governments. SLT, as the national ICT service provider, has become the catalyst for knowledge sharing and the development of best practices across IoT initiatives. The strategies outlined in our SLT Group Vision 2022 will equip us to embrace the digital revolution and be digitally ready.

## SLT and smart living initiatives

In 2017, SLT signed a number of agreements with high-profile property developers to redefine the experience of luxury living and introduce smart living solutions to all Sri Lankans. The MoU signed with Indocean Developers (Pvt) Limited, the development of the iconic Altair building in Colombo, is one such example. SLT will provide smart living solutions which will include high speed broadband services up to the speed of 100 Mbps and high definition television content through the IPTV platform to the residents of this landmark property. Occupants will have access to all digital (cloud and IoT) services provided by SLT. Wi-Fi access in common areas and a number of smart and mobile applications will also be offered to seamlessly and remotely manage connected homes from anywhere, at anytime, on any screen in real time.

We will also provide fibre infrastructure and IPTV platform along with smart living and smart building solutions to the residents of the Colombo City Centre (CCC).

SLT has also partnered with Government bodies to provide digital infrastructure to macro-scale projects around the island. The Lanka Government Network (LGN) connecting Government institutions through fibre optics is already under way, covering 315 establishments which will expand to 860 by the end of this year. SLT, in partnership with the Ministry of Megapolis and Western Development, will provide the digital backbone and smart solutions to the ministry's flagship project, Techno City will comprise five technology institutes including the National Science Centre, Satellite Centre, and Technology University.

Built on the latest sustainable city designs and smart city concepts, the Colombo Port City will comprise five different precincts including the Financial District, Central Park Living, Island Living, The Marina, and the International Island. SLT will provide the necessary fibre infrastructure and all our digital services to make the Colombo Port City the premier smart city of South-East Asia.

## A “smart” future with SLT

While eagerly anticipating all the technological advances in the digital ecosystem, we are preparing to meet all challenges the digital, smart future may hold for us. As the national ICT service provider, we are cognisant of our responsibility to the nation and its people to provide services to our utmost capacity, while sharing global best practices in the sector to take our nation to the future.

## Operating environment

### Global telecommunication industry

The world has witnessed a digital revolution that ushers in huge change at an accelerated rate. The worldwide shift towards digitalisation will continue to transform the way the world communicates, conducts business, socialises, receives healthcare, and education. This will seep into the way we plan, design, and build our cities to support the future smart cities.

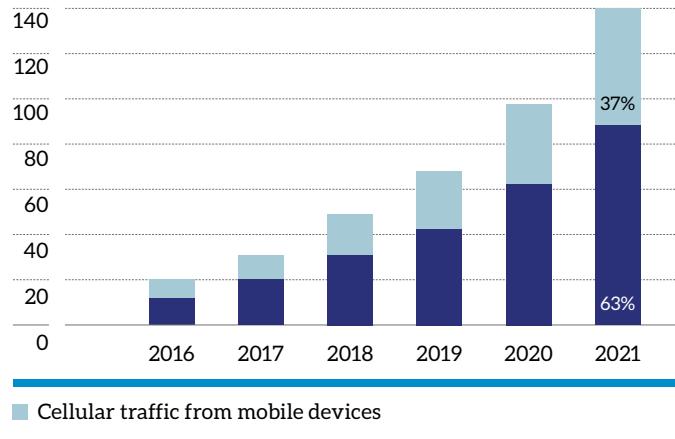
In the year 2018, the global telecommunication industry will be driven by developments related to the Internet of Things (IoT), also known as the Internet of Everything (IoE), the actualisation of 5G technology, big data analytics, cloud computing, Network Functions Virtualisation (NFV), and Software-Defined Networking (SDN).

In 2017, 46.8% of the global population accessed the Internet. This figure is projected to grow to 53.7% in 2021. The technological advances in 2017 saw a higher demand for data and video. However, intense competition and high capital spending required for the enhancement of broadband infrastructure, limited the opportunity to benefit from these trends. In the wireline industry, traditional landline phone service is being hurt by wireless. In cable, consumers have increasingly reduced conventional television in favour of over the top (OTT) video. The boundary between cable and telecom operators will continue to fade, with the telco companies expanding into the cable market. This will better position the industry towards future sustainable revenue growth.

Mobile penetration rate will increase from 111% in 2017 to 115% in 2018 which will demand an increased capital expenditure. Yet the stiff competition in the industry will reduce prices which is great news for the consumers. Though there will be a clear growth in connectivity, telco companies will find it difficult to benefit from it. The total telecom revenue in the 60 biggest markets are expected to fall by 2% in US dollar terms to USD 1.2 trillion.

In 2018, operators will have to adapt to this new ecosystem. They will need to develop more partnerships with OTT players, offer new differentiated OTT services, and enable a wider range of mobile applications. Investments in infrastructure and network improvements will be critical to face the dynamic, competitive environment.

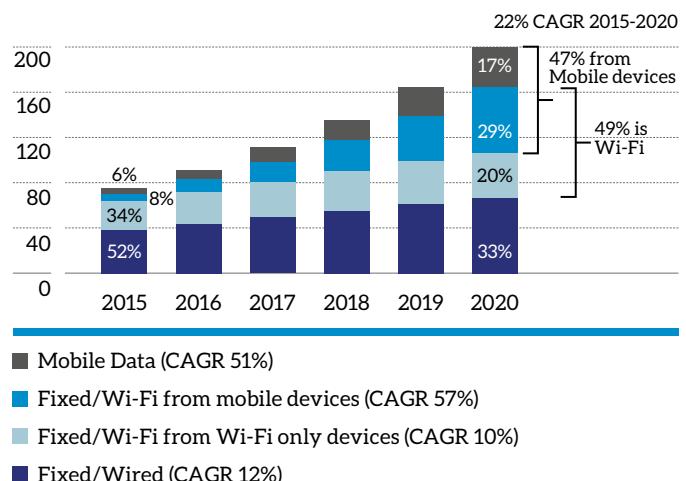
### By 2021, 63% of total mobile data traffic will be offloaded (Exabytes per month)



Note: Offload pertains to traffic from dual-mode devices (excluding laptops) over Wi-Fi or small-cell networks.

Source: Cisco VNI Mobile, 2017

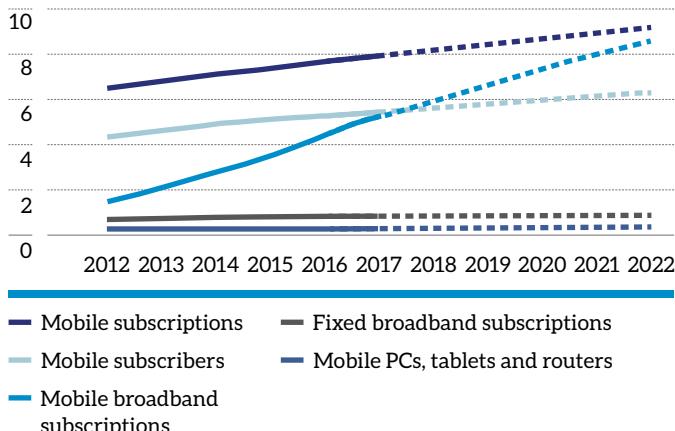
### IP traffic by Access Technology (Exabytes per month)



Note: Fixed/Wi-Fi from Mobile devices may include a small amount of fixed/wired from mobile devices.

Source: Cisco VNI Mobile, 2017

## Subscription/lines, Subscribers (billion)



Source: Ericsson Mobility Report, June 2017

## → Local telecommunication industry

Sri Lankan telecommunication and ICT sectors have grown exponentially in the last few years. Similar growth was recorded in 2017. While the local industry faces similar challenges as the global, there is an increased demand for multifaceted services with greater focus on digital services. The Government's vision to develop the digital economy and to become a high-income, knowledge-based economy by 2030, has stressed the need for innovation, technology, and the necessary infrastructure to sustain the digital transformation.

In 2017, Sri Lanka was ranked 85th in the Global Competitive Index published by the World Economic Forum and secured the 106th place in technological readiness. Sri Lanka's internet penetration stands at 32%, 6.71 million Internet users in 2018 which is a growth of 7%. Mobile penetration too grew by 4% to reach 131 per 100. There are 6 million active users of social media, out of which 5.5 million access social media via mobile devices. Mobile phones account for 76% share of web traffic by device.

The year also saw the development of the IoT in various areas such as cloud computing, data centres, global connectivity projects, National Fibre Optic Backbone Network, broadband technology deployments leading to a range of digital services such as smart living solutions. The SEA-ME-WE 5 high-capacity submarine cable exceeding 100 Gbps, enhances global connectivity and raises the potential for business process and knowledge process outsourcing. It will promote multiregional economic development.

## Challenges →

The ICT sector is heavily regulated and taxed by the Government. This is one of the principal challenges faced by all service providers of the industry.

Similar to the previous years, the influence of OTT operators has caused a decline in revenues in the traditional areas of the industry. Service providers have turned the threat into an opportunity by shifting focus to developing bespoke OTT solutions and focusing on delivering higher volumes of data. Data has become the currency of the global digital economies and service providers concentrate more on providing fast mobile and broadband connectivity. Sri Lankan Telcos have expanded 4G connectivity to cover the island and hope to expand LTE coverage from cities to the rural areas. The successful rollout of 4.5G services by SLT Mobitel is expected to strengthen the country's emerging ICT industry.

Intense competition and higher capital expenditure for developing the necessary telecommunication infrastructure are other challenges in the industry. In such an environment, the customer has benefited the most. With the speed of innovations and change, the expenditure on infrastructure will not slow down.

## Outlook →

The Government hopes to launch the proposed digital economy strategy in April 2018 which will uplift the nation's economic growth by around 1% to 3 % in 2019. The strategy will focus on the development of the agriculture, tourism, and manufacturing sectors. This will directly contribute to the growth of the telecommunication sector of Sri Lanka.

The Government will continue to implement e-government initiatives like the digital integration of all Government establishments through the Lanka Government Network (LGN 2.0). This will help reduce waste and contribute towards eco-friendly, sustainable development.

2018 will continue to see the growth of the digital economy and the better integration of Internet of Things and digital services. Sri Lanka's global connectivity via undersea cables and rollout of 4.5G, and fibre optic broadband services will strengthen the emerging ICT sector. The highly competitive environment will result in wide coverage, fast speeds, and low retail tariffs which will benefit customers and usher the country towards digital economic growth.

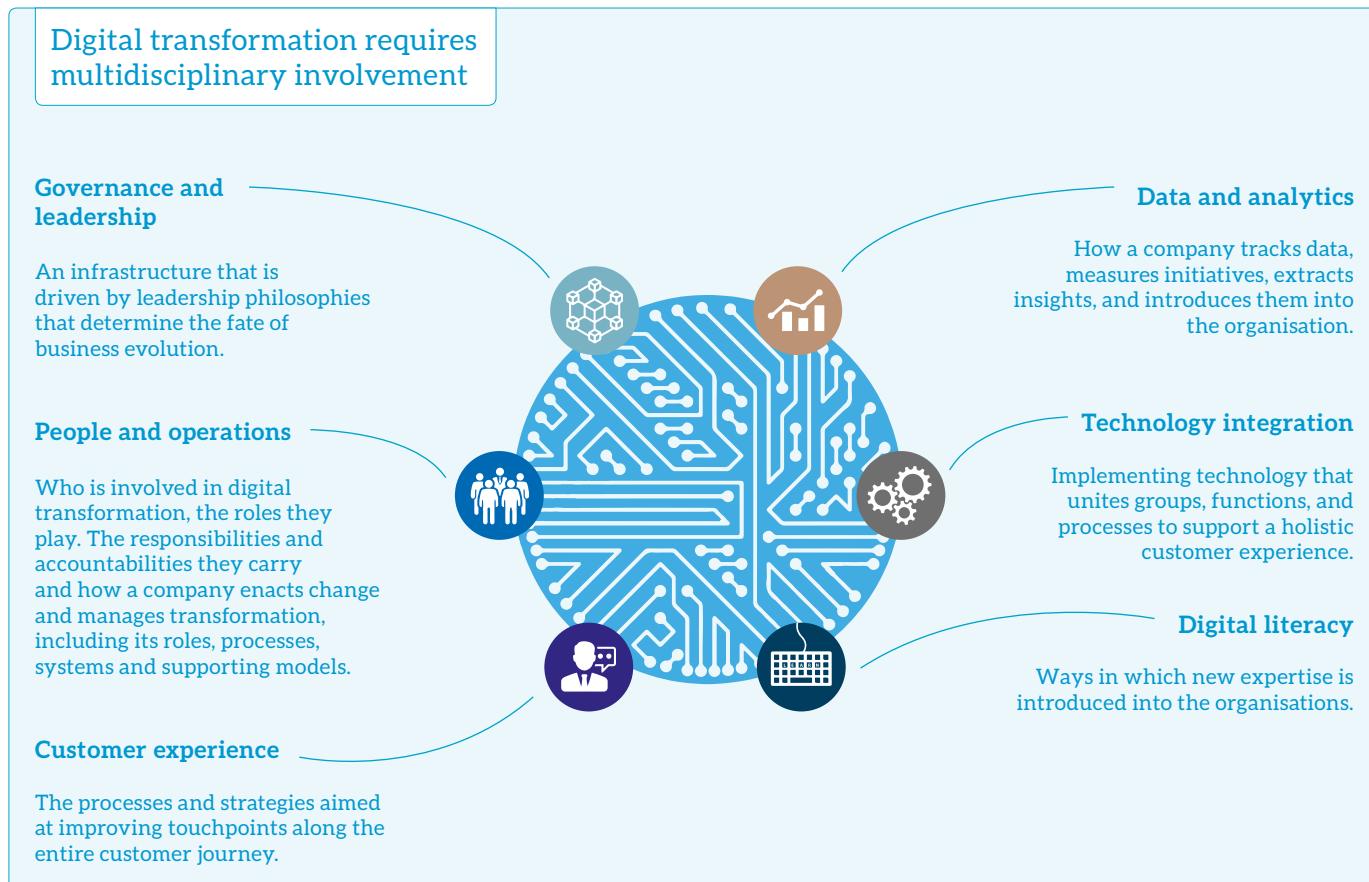
Digital transformation is a key driver of sweeping change in the modern world. The digital market is developing into a global digital economy. Digitalisation has the potential to improve the quality of life and move towards greater societal good. The telecommunication industry is at the heart of global digitalisation as a key enabler by providing the essential connectivity infrastructure for functioning in the digital economy.

The SLT Group, as the national ICT service provider, has recognised the need to evolve in order to facilitate the national digital transformation. In the coming years SLT will address the challenges of IoT or IoE, fibre optic expansion, and 5G technology.

SLT Group Vision 2022 was initiated in 2016 to transform the Group from a communication service provider (CSP) to a digital service provider (DSP) and to enable the Group to become the most preferred digital lifestyle provider by the year 2022. The Group has implemented a Capital Expenditure (CAPEX), Operating Expenses (OPEX), and services plans and has identified other KPIs in the Roadmap to Vision 2022. There is already a digital services revenue target of 15% by 2022. The Group has a five-year window for any adjustments and improvements of the strategy.

Vision 2022 will position the SLT Group as a market leader with one face, one view across all integrated Group platforms. The following are the main components of Vision 2022:

## → Completing the DSP transformation





By 2022, SLT hopes to complete the transformation from a CSP to DSP. The Group has integrated the TeleManagement Forum's (TM Forum) internationally-recognised Digital Maturity Model (DM Model), a step-by-step model compiled by the thought leaders in the industry. The TM Forum is the global industry association that drives collaboration and collective problem-solving, to maximise the business success of communication and digital service providers and their ecosystem of suppliers.

The DM Model is split into five dimensions:



**Customer** – Providing an experience where customers view the organisation as their digital partner using their preferred channels of interaction to control their connected future on and offline.

**Strategy** – Focuses on how the business transforms or operates to increase its competitive advantage through digital initiatives; it is embedded within the overall business strategy.

**Technology** – Underpins the success of digital strategy by helping to create, process, store, secure, and exchange data to meet the needs of customers at low cost and low overheads.

**Operations** – Executing and evolving processes and tasks by utilising digital technologies to drive strategic management and enhance business efficiency and effectiveness.

**Culture, people, and organisation** – Defining and developing an organisational culture with governance and talent processes to support progress along the digital maturity curve and the flexibility to achieve its growth and innovation objectives.

Each of these five dimensions contain subdimensions representing different aspects of digital maturity. Each subdimension contains a number of criteria statements, 179 in total, that can be rated to provide a view of the current level of digital maturity and a target level.

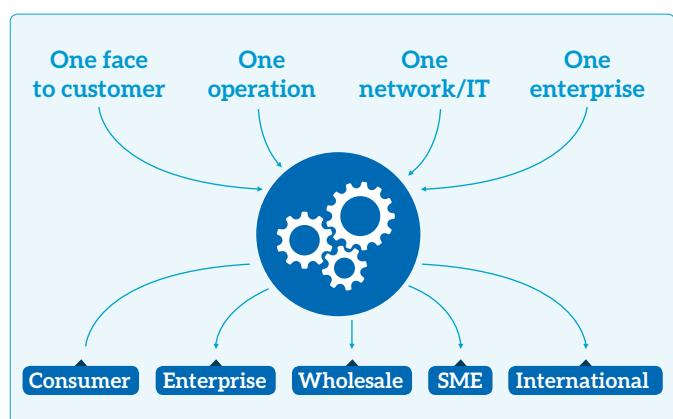
The groundwork required for the DM Model has already been implemented by SLT. An initial grading will be conducted early 2018 by an accredited consultancy institution to determine SLT's current digital maturity grading. The results of the initial grading will be shared among the Group. This will give the opportunity to streamline operations and fill any gaps in order to achieve a higher digital maturity grading.

## → Achieving complete Group synergy

The initial steps to streamline Group structure and synergy were taken in 2016. The ultimate objective is for the Group to be the market leader with one face, one view across all integrated Group platforms. The positions of Group CEO, Group CPO, Group CMO, Group CEWO, Group CIO were established and they are responsible for the activities of the entire operations of the Group.

## Strengthening the Group operations model →

Through different initiatives, the Group aspires to combine all operations into one enterprise. In doing so, profit can be derived from one consolidated network equipped with all relevant infrastructure ready to handle any and all customer requirements, encompassing the entire range from consumer to enterprises and SMEs. SLT Group will present one face to our customers, while SLT Group will also see one customer. This will be backed by strong and effective promotional and advertising campaigns that highlight the creation of one dynamic entity from all operations.



Group Chairman's Review  
Smart Living with SLT

→ **Business Model**

Management Discussion and Analysis  
Stewardship  
Financial Reports  
Supplementary Information

## → Consolidating network leadership in 2022

SLT Group hopes to become the most preferred digital lifestyle provider by 2022. This will be the underlying focus of SLT's operations in the years going forward. The existing product portfolio will be enriched with new and innovative digital lifestyle solutions, content, and collaborations with ICT service providers.

The influence of OTT players in the industry is not a threat but an opportunity for SLT. The usage boosted by OTT consumption will fill up the broadband "pipes", thereby contributing towards a better return on investment. While collaborating with OTT players, SLT will create its own OTT platform to deliver "carrier-grade" OTT services. Rich Communications Suite (RCS) technology will be developed further to deliver a carrier-grade alternative to OTT based services currently popular for voice, text, audio, picture, and video messaging; leveraging on SLT's IP Multimedia System (IMS) platform.

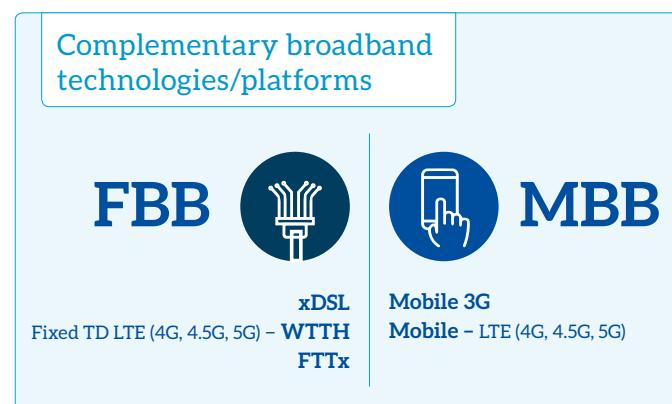
SLT Mobitel will maintain its strong market position, by identifying market segments that it can capitalise on. It will continue to upgrade its branches to ensure that they are capable of delivering exceptional performances. The SLT and Mobitel brands will integrate into a holistic group branding approach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

The development and promotion of info-communications services will be of key concern to Mobitel as well. These efforts will be supplemented with the continuing expansion of business interests into diverse industries like banking, healthcare, transport, and education.

## Investing in the future →

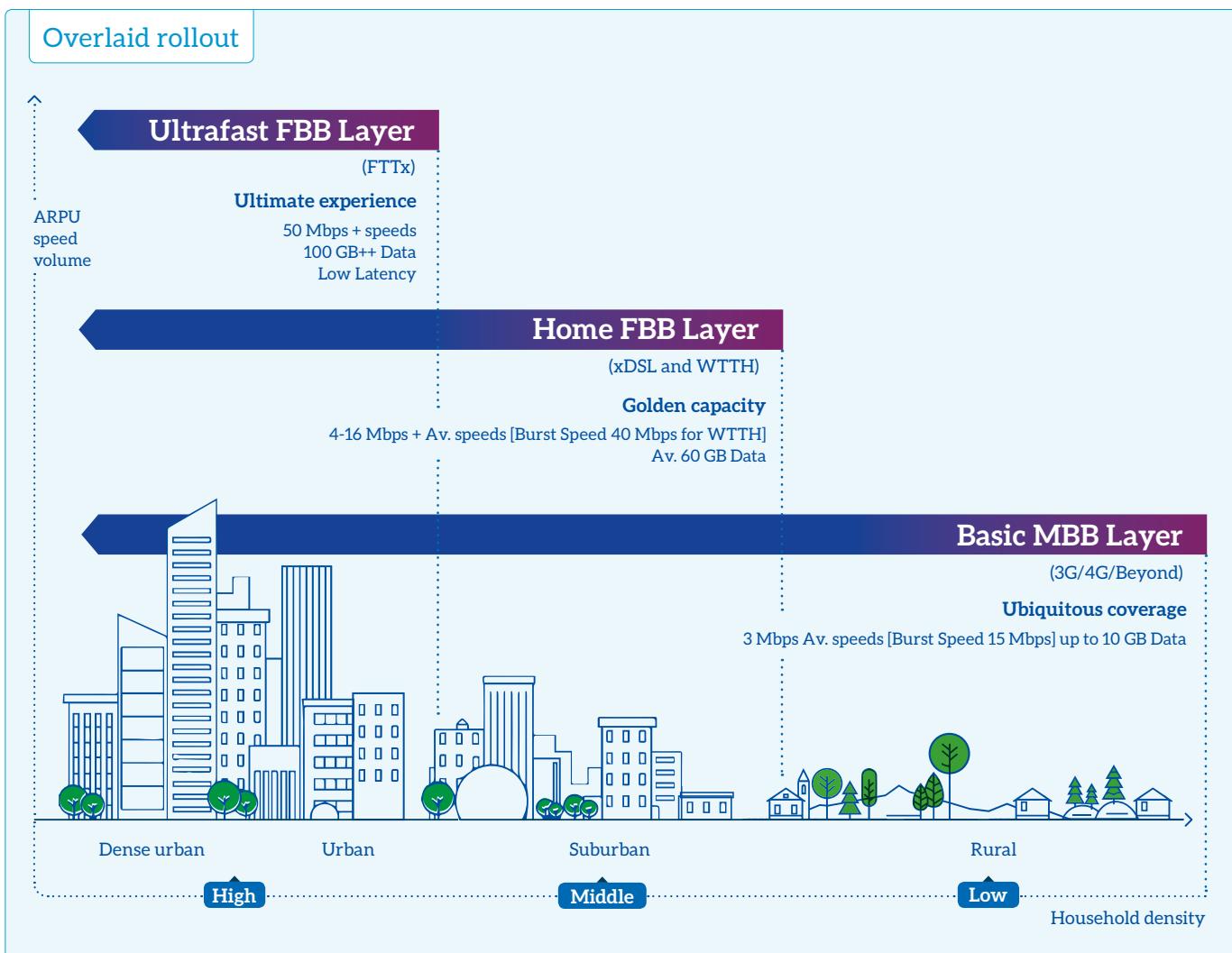
SLT understands that customers need more and more bandwidth to accommodate the increasing demands of their digital lifestyles. SLT has invested over Rs. 70 billion over the last two years in network and IT infrastructure which has enabled to further expand SLT's reliability, seamless data speeds, coverage, and customer service. SLT can assure its customers that SLT is already 90% network ready for the DSP transformation which will take place in 2022. The Group will continue to invest in order to consolidate network leadership in 2022.

The following diagram details SLT's rollout strategy. SLT pays close attention to factors such as household density to optimise operations in line with securing the maximum reciprocal returns.



Vision 2022 will position the SLT Group as a market leader with one face, one view across all integrated Group platforms.

**Rs. 70 Bn.**  
Invested over Rs. 70 Bn. over the last three years in network and IT infrastructure.



The influence of OTT players in the industry is not a threat but an opportunity for SLT. The usage boosted by OTT consumption will fill up the broadband “pipes”, thereby contributing towards a better return on investment.

**90%** network ready for the DSP transformation which will take place in 2022.

## **Enhancing global connectivity →**

With the advent of the SEA-ME-WE 5 cable system and landing station, Sri Lanka is well-poised to position itself as a regional digital hub. Sri Lanka can be added to the world's point of presence (PoP) network which counts Singapore, USA, and the EU amongst its members. This will strengthen the country's status as a key IT, BPO and data centre destination. SLT will oversee South Asia's first cutting-edge submarine cable depot in the Galle Port in Southern Sri Lanka. This cable maintenance station will oversee the repairing of all cables in the region, even those pertaining to external telecommunications operators.

## **→ Government of Sri Lanka and Vision 2022**

We remain committed to assuring SLT's role as the national ICT services provider. The Sri Lankan Government has taken significant measures to transform Sri Lanka into a digital economy. One such initiative is being undertaken by the Ministry of Telecommunication & Digital Infrastructure with the support of McKinsey and Company who will work on the process of developing Sri Lanka's Digital Economy Strategy. As the national ICT service provider, SLT welcomes the Government's initiatives and is ready to render all the support needed to implement such measures.

SLT has partnered with the Sri Lankan Government on many national projects like the Lanka Government Network 2.0 (LGN 2.0), signing a memorandum of understanding (MoU) with the Megapolis and the Western Development programme, and also SLT hopes to sign an MoU with Colombo Port City project in the near future. SLT also works very closely with the Telecommunications Regulatory Commission of Sri Lanka (TRCSL).

SLT has also enabled online vehicle registration through the Department of Motor Traffic, online VISA, e-NIC, e-Pension, Foreign Affairs and Tourism, Banking services, 1919 Government Information Centre – GIC, SL Police surveillance system, and mRailway ticketing and reservations.

## **Lanka Government Network (LGN) 2.0 →**

SLT was chosen as the total communication service provider and communication infrastructure provider to the project LGN 2.0. This is a project initiated by the Government in partnership with SLT to connect all the government establishments and institutes into one network. SLT has already set up an LGN fibre optic network covering 315 government establishments which will expand to 860 institutes by the end of the year.

## **→ Vision 2022 and Sustainable Development Goals (SDGs)**

The UN Sustainable Development Goals (SDGs) adopted in 2015 invite global action by 2030 in three overarching areas: end poverty, combat climate change, and fight injustice and inequality. ICT is a powerful enabler for each of the 17 goals, and an essential catalyst in driving rapid transformation. The spread of information and communication technology and global interconnectedness has great potential to accelerate human progress, to bridge the digital divide and to develop knowledge societies, and promote inclusive and sustainable economic growth. IoT will have a major impact in areas such as grassroots delivery of healthcare and education, positively transforming communities within a time frame that would have been unimaginable just a few years ago.

SLT is cognisant of the role of telecommunication providers in reaching the SDGs. The principles of sustainability and the drive to achieve SDGs are embedded in Vision 2022. SLT recognises that creating an inclusive digital economy is vital to achieving the SDGs which is embedded in SLT Vision 2022.

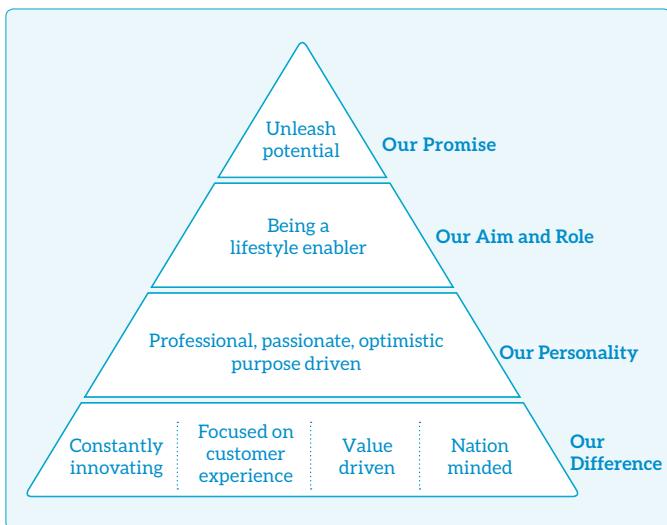
## → Vision 2022 and SLT brand positioning

The prolific growth of digital technology has led to an evolution in the role of technology in people's lives. Technology has gone from fulfilling lower order needs such as connectivity, access, convenience, and speed to fulfilling higher order of needs such as community, bonding, creativity to fulfilment of human potential through empowerment, empathy, and activism.

The SLT Vision 2022 of becoming the preferred digital lifestyle enabler in Sri Lanka, will address these higher order needs and help our people reach their full potential. Thus, the SLT brand is positioned in such a way.

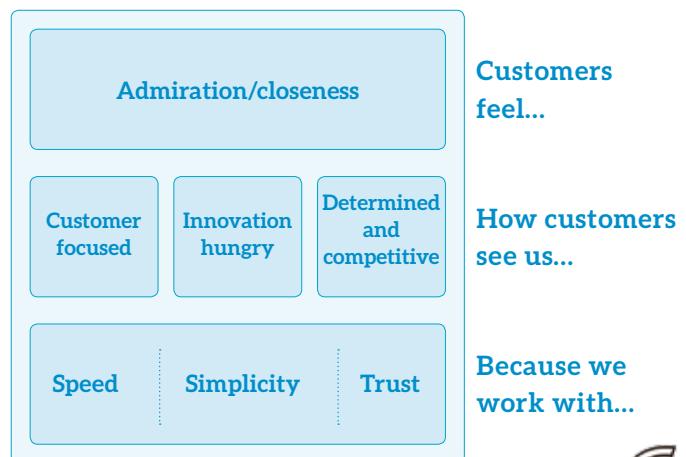
## Our brand framework →

We believe that incredible things will happen when you unleash people by fuelling aspiration and opportunity. Our brand framework shows how we make our brand stand out. It explains our brand strategy and how we bring it to life in everything that we do. This is the promise we make to our customers and other stakeholders everyday.



## Fulfilling the SLT brand promise →

The following chart describes the things we must focus on. We value intelligent, quick decisions and actions. We try to keep things simple. We are customer focused, innovation hungry, and determined and competitive. We operate across the entire need spectrum more robustly than any of our competitors, so we can give our customers both amazing innovations and incredible value.



**Stakeholders are individuals and organisations who may be influenced by our operations, products, and services. Likewise, their reciprocal actions can affect the implementation of our strategies and the fulfilment of our objectives. Our key stakeholders are our shareholders, customers, business partners, employees, and the society and environment in which we operate, Government authorities and industry regulators, and media and advocacy groups.**

**The execution of our operations, at both SLT and Mobitel, touches on the lives of all Sri Lankans in one way or another. Through the various engagement platforms that we have established, we seek to understand our stakeholders' views, communicate effectively with them, and respond to their concerns. We identify and prioritise our key stakeholders to assure short-term and long-term successes for all invested parties. We do this through a comprehensive mapping strategy. This usually follows a detailed analysis of our operating environment and any related industry opportunities and threats.**

## → Stakeholder engagement

### We communicate clearly and consistently with our shareholders →

While delivering shareholder returns is one of the foremost priorities of our Group, we also ensure clear, consistent dialogue with our shareholders. We value transparency and our shareholders are well-informed throughout the year through quarterly results, media releases, and rating reviews. The Annual General Meeting affords the opportunity for direct interaction with our shareholders, where they can review the past year's performance and engage in discussions with the Management. Moreover, our Annual Report communicates clearly with our investors, business partners, and potential investors. We also encourage our investors to communicate with us through a designated email address.

### We interact frequently with our customers →

Our relationship with our customers is interdependent. In return for their loyalty we strive to serve them to the best of our ability. In the highly competitive telecommunication sector, the quality of the customer service will ensure customer loyalty and retention. We have established meaningful, mutually beneficial relationships with our customers and drawn them closer to our brand by engaging with them in a number of ways.

Through our numerous, island-wide customer touch points, our customers can directly communicate with us. We also engage with our customers through social media and our regularly updated website.

Traditional forms of engagement like newsletters, brochures, and mailers are also used. Quarterly or need-based customer satisfaction surveys and customer feedback are other forms of customer engagement. Further, we capture the Voice of the Customer (VOC) via Real time Customer Voice Surveys and take action on the customer pain points to strengthen a positive customer engagement.

We also regularly engage with our Small and Medium Enterprise (SME) customers through customer forums and visits, product awareness programmes, ICT workshops for SME business, newsletters, and other forms.

### We have established meaningful relationships with our employees →

Healthy, regular engagement between the Management and our dynamic, diverse workforce affects the overall performance as well as employee loyalty and retention. Therefore, we have made employee engagement of the highest priority.

There are annual performance assessment systems which facilitate transparent evaluation. There is also a regular employee satisfaction survey conducted to better serve our team. We recognise the achievements of our team through annual award ceremonies. There are local/foreign training programmes that are initiated based on career development and career progression needs. We also hold various cultural and religious events during the year.

Other methods of engagement included departmental meetings/briefings, involvement in community projects, and internal newsletters.



## We engage proactively with the community, society, and environment →

SLT has a long-standing commitment to responsible behaviour in everything we do since our businesses play an integral role in the daily lives of our customers. In order to build a sustainable business, we engage proactively with the community, society, and environment. Numerous community projects that are aimed at preserving the environment are carried out on a regular basis. There are also other events that are aimed at spreading awareness among the public about responsible corporate behaviour. We also utilise our website, social media, and media releases in our engagement.

## We engage positively with Government regulatory bodies →

Being recognised as the national ICT service provider, affiliated to the Government of Sri Lanka, we have an obligation to maintain exemplary compliance standards with the relevant laws, industry regulations, and business ethics.

Through various means of engagement like meetings with Treasury, TRCSL, BOI, Customs and other regulatory bodies, annual and quarterly reports, strategy and operational presentations, and customer forums, we ensure compliance to statutory requirements.

A more detailed version on SLT's engagement with its stakeholders is available in SLT's online report on <http://slt.lk/sites/default/files/reports-html/annual/2017/>.

Shareholders	Customers	Business partners	Employees	Government and regulatory authorities
<ul style="list-style-type: none"> <li>→ Quarterly results</li> <li>→ Annual Report</li> <li>→ CSE filings</li> <li>→ Annual General Meetings</li> <li>→ Media releases</li> <li>→ Rating reviews</li> </ul>	<ul style="list-style-type: none"> <li>→ One-to-one interactions</li> <li>→ Engage and interact through the website and social media</li> <li>→ Newsletters</li> <li>→ Brochures</li> <li>→ Contact Centre</li> <li>→ Customer satisfaction survey</li> <li>→ Mailers</li> </ul>	<ul style="list-style-type: none"> <li>→ Partner meetings</li> <li>→ Projects and events</li> <li>→ Post evaluation reviews</li> <li>→ Dealer meetings</li> <li>→ Dealer satisfaction surveys</li> <li>→ Dealer review and awareness sessions</li> <li>→ Dealer reward programmes</li> </ul>	<ul style="list-style-type: none"> <li>→ Employee satisfaction survey</li> <li>→ Grievance handling</li> <li>→ Emails, Notice boards</li> <li>→ Cultural and religious associations</li> <li>→ Award ceremonies</li> <li>→ Knowledge sharing sessions after foreign visits for training</li> </ul>	<ul style="list-style-type: none"> <li>→ Meetings with Treasury, TRCSL, BOI, Customs and other regulatory bodies</li> <li>→ Annual Report and quarterly reports</li> <li>→ Strategy and operational presentations</li> <li>→ Media releases</li> <li>→ Customer forums</li> </ul>

## → External initiatives

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

### National

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

### International

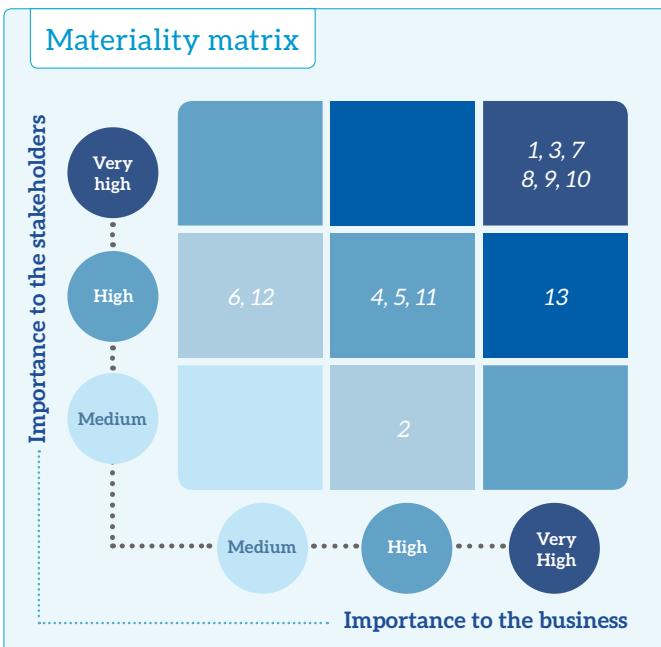
- SEA-ME-WE connectivity consortium from its inception
- IPv6 Execution Committee
- Global Internet Exchange Network
- International PoP Community
- Commonwealth Telecommunications Organisation (CTO)
- International Telecommunication Union (ITU)
- Fibre-to-the-Home Community
- Carrier Ethernet Forum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

## Approach

Through an identification process and a materiality analysis we have determined certain aspects as material to the SLT Group and our stakeholders. The “importance” of such an aspect takes into consideration both its relevance and significance. “Significance” takes into account the probability of an adverse event occurring, in relation to a particular aspect, as well as the severity of such an event taking place. The identification of these aspects are facilitated as a result of our effective engagement with our stakeholders.

As such, these aspects can be represented in a tabulated form as shown below; and can consequently be identified as being of “medium”, “high”, or “very high” importance to the business and its stakeholders. The aspects are further cross-referenced with the GRI Content Index featured on pages 186 to 190.

## Rating of material aspects



No. Topics	Importance to the business	Importance to the stakeholder
<b>Economic</b>		
1. Economic performance	Very High	Very High
2. Market presence	High	Medium
3. Indirect economic impacts	Very High	Very High
4. Procurement practices	High	High
5. Anti-competitive behaviour	High	High
<b>Environmental</b>		
6. Energy	Medium	High
<b>Social</b>		
7. Employment	Very High	Very High
8. Occupational health and safety	Medium	Medium
9. Training and education	Very High	Very High
10. Diversity and equal opportunity	Very High	Very High
11. Freedom of association and collective bargaining	High	High
12. Local communities	Medium	High
13. Marketing and labelling	High	Medium

# Value creation and capital formation

## → The dual aspects of value creation

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

## → Capital formation

The process of value creation then leads to the establishment of capital. Capital stores value, and in the milieu of integrated reporting, references the resources and relationships that influence our operations. Capital that is owned by the business is termed "internal" and that which falls outside of this domain is titled "external". The business has holistic access to and utilises all relevant capitals to create sustainable and reciprocal value. Internal capital consists of financial and institutional capitals. Financial capital is discussed in the financial statements. Institutional capital comprises intangible assets such as integrity, trust, and brand image. External forms of capital focus on key stakeholders. They are subdivided as investor, customer, business partner, employee, and social and environmental capitals.

## → An integrated view of our business model

The diagram below is a visual representation of the key components of our business model. SLT's corporate vision and mission, as detailed in the inner cover, underpins all our operations. These are developed through strategic

operations (page 22), which explain the objectives we seek to fulfil in the short, medium, and long-terms. These objectives are consequently transformed into plans of action, which are detailed on pages 22 to 27. SLT's strategies are effectuated through its operations; the results of which are measured through key performance indicators (KPIs). KPIs are influenced by time-frames. A more detailed view of our business is exemplified through the outcomes of value creation and capital formation. Both of these aspects are comprehensively discussed in the Management Discussion and Analysis section commencing from page 32.

The creation of value is equally dependent on the close observance and evaluation of systems at several levels. These activities include Corporate Governance (pages 96 to 107), Risk Management (pages 110 to 114), and Operating Environment (pages 20 to 21). The results of these activities influence the further refinement of our overall objectives.

## → Management approach

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



# Management Discussion and Analysis

## Financial capital

Financial capital is the legal ownership of all physical capital, as well as the monetary value of any asset that could be liquidated. Financial capital works in tandem with the other capitals to create value over the short, medium, and long-term for the Company as well as our stakeholders. This section is an overview of SLT Group's operating performance, providing a commentary on how revenue and the adjusted EBITDA performance of the Group and its operating segments fared in 2018. The information presented below is duly supplemented with the Financial Statements and Notes.

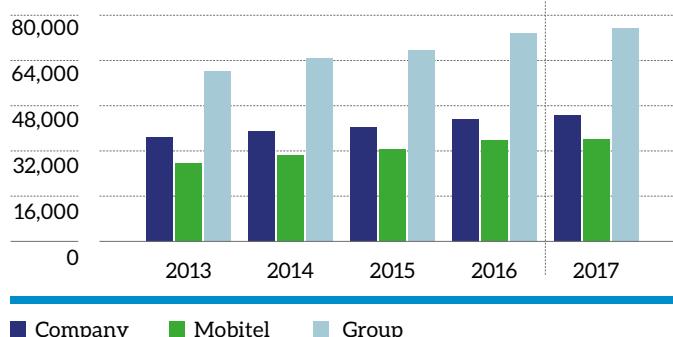
### → Profitability

#### Revenue →

The revenue of the Group increased year on year (YoY) by 2.6%, to record a figure of Rs. 75.7 billion. SLT, as a company, recorded a revenue of Rs. 44.5 billion, representing an increase of 3.3% from the preceding year. The revenue growth was impacted by the increased taxes imposed by the Government.

Our subsidiary company, SLT Mobitel, reported a marginal growth of 2%, to demonstrate a revenue of Rs. 36.5 billion in 2017 from Rs. 35.9 billion in 2016.

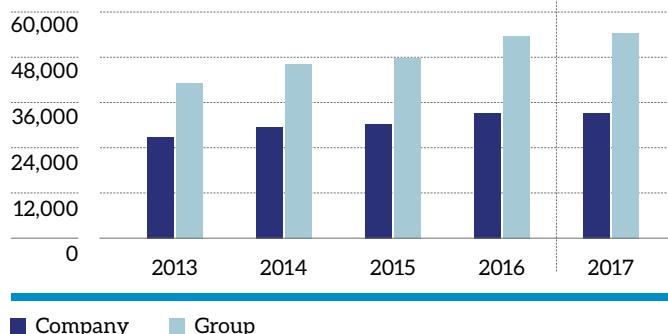
#### Revenue (Rs. million)



### Expenditure →

The operating costs of the Group increased by 1.6% to Rs. 54.5 billion. The operating costs of SLT decreased from Rs. 33.2 billion to Rs. 33.1 billion which was a drop of 1%. This was a clear indication that SLT had managed its costs well.

#### Operating expenses (Rs. million)



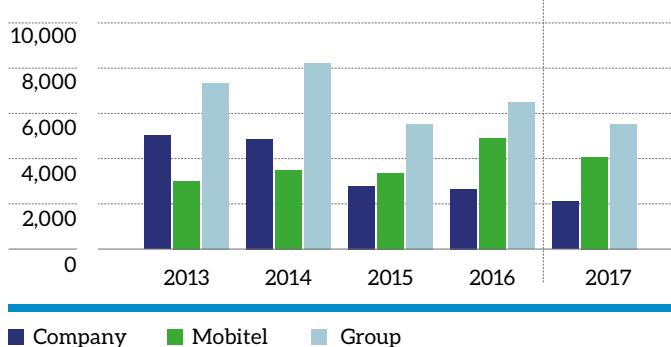
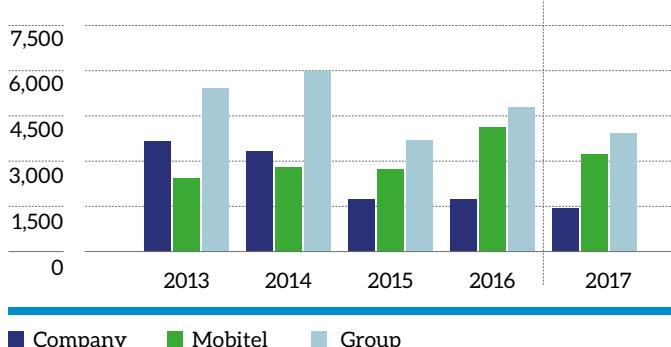
### Profits →

The Group recorded a profit before tax (PBT) of Rs. 5.5 billion for the financial year 2017. This was a YoY decrease of 8.5%, when compared with the figure of Rs. 6.5 billion recorded in 2016. The PBT was impacted by higher depreciation where the charge was Rs. 1 billion above 2016. The reason for the higher depreciation was due to the higher capital expenditure which was incurred by the Company during the last three years in order to build capacity and investments in new products.

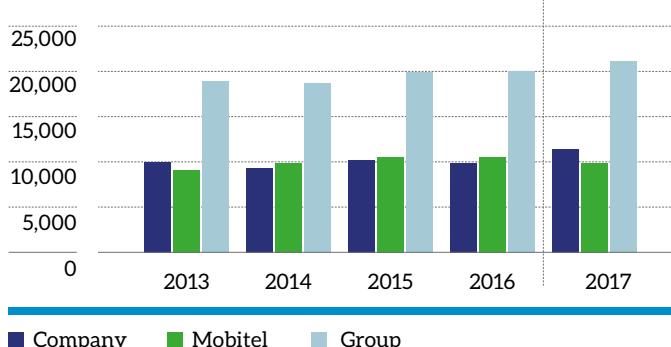
The profit after tax (PAT) of the Group was recorded at Rs. 3.9 billion. When compared with the corresponding figure for the preceding year of Rs. 4.8 billion, this represented a YoY decrease of 17.7%. The drop in profitability was due to the increased depreciation.

At Company level, the PBT and PAT of SLT declined to Rs. 2.1 billion and Rs. 1.4 billion respectively due to the increased depreciation.

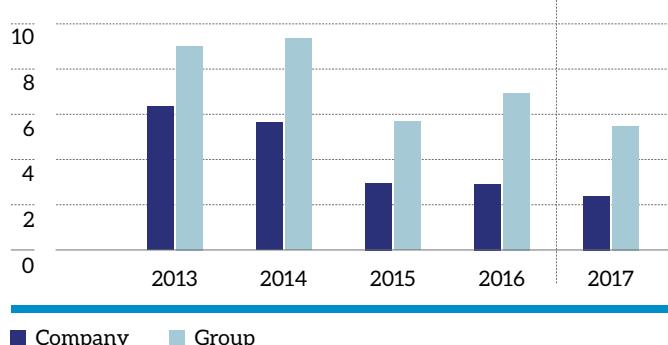
SLT Mobitel recorded a PAT of Rs. 3.3 billion in 2017, compared to Rs. 4.1 billion recorded in the preceding year.

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

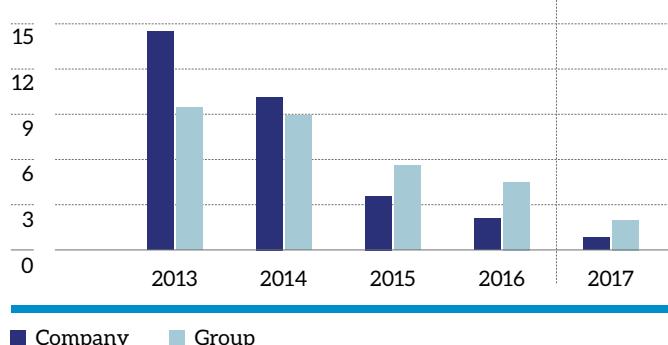
The Group EBITDA improved to Rs. 21.2 billion from Rs. 20.1 billion which was an increase of 5.4%. The Company EBITDA increased to Rs. 11.4 billion from Rs. 9.9 billion an increase of 14.9%.

**EBITDA** (Rs. million)**Return on equity →**

The return on equity (RoE) measures the profit attributable to shareholders as a percentage of their equity. The RoE in 2017 stood at 5.5% from 6.9% in 2016. For SLT as a Company, the ROE was 2.4% for 2017 and 2.9% in 2016. The main reason for the drop in the ROE was due to the increased depreciation and the increase in the asset base.

**Return on equity (ROE) (%)****Interest cover →**

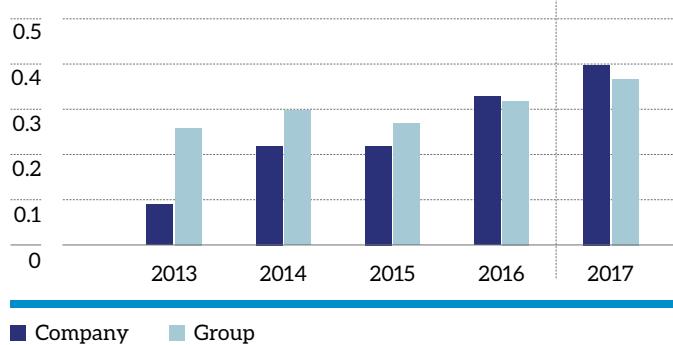
The Group interest cover was at 2.02 times in 2017, compared to 4.3 times in 2016. For SLT, this was .8 times in 2017; contrasted with 2.1 times in 2016. The Company's borrowings increased in 2017 compared to 2016 due to higher capital expenditure. The fall in profitability due to increased depreciation also had an adverse impact.

**Interest cover** (Times)

## → Gearing

The gearing ratio measures the proportion of a company's borrowed funds to its equity. For the Group this ratio was 0.37 in 2017, compared to 0.32 in 2016. At the Company level, it was 0.40 in 2017; an increase from 0.33 in 2016. The main reason for the increased gearing was due to the increase in the borrowings in order to fund capital expenditure.

### Gearing ratio (Times)



## → Assets

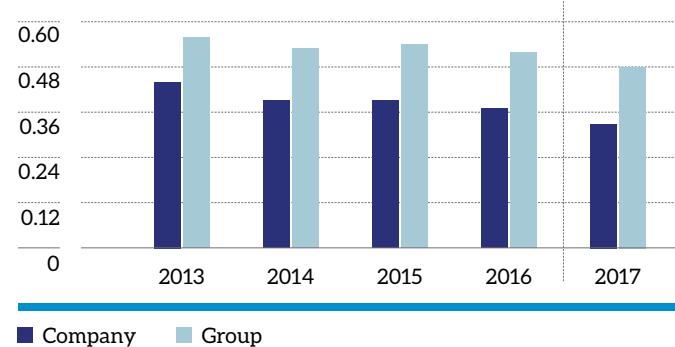
### Non-current assets →

The total non-current assets of the Group were Rs. 128.16 billion as at 31 December 2017. This was an increase of 11.0% from the figure of Rs. 115.45 billion recorded at the end of 2016. For SLT as a company, the total non-current assets were recorded at Rs. 109.88 billion, from Rs. 99.64 billion recorded in 2016; which represents an increase of 10.3%.

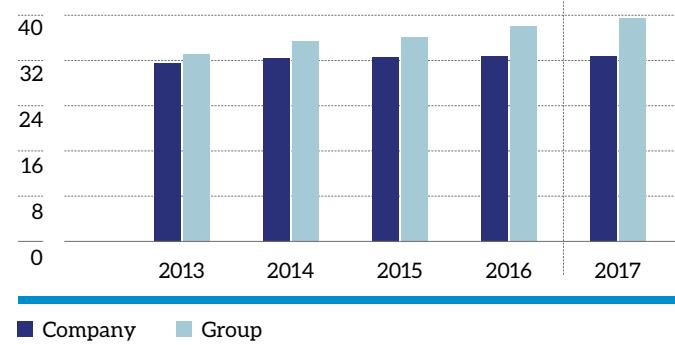
### Property, plant, and equipment →

The property, plant, and equipment of the Group increased to Rs. 117.0 billion in 2017, from Rs. 108.6 billion in 2016. This represented an increase of 7.7% at an increase of Rs. 8.4 billion. Of this figure, SLT accounted for Rs. 91.45 billion, compared to Rs. 81.5 billion recorded in 2016, representing an increase of 12.1%.

### Assets turnover (Times)



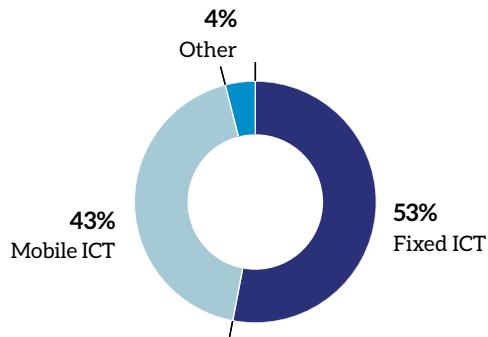
### Net assets per share (Rs.)



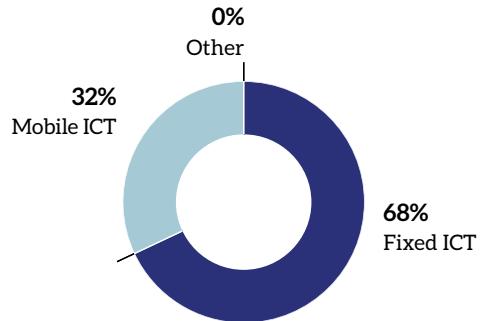
## → Segmental performance

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

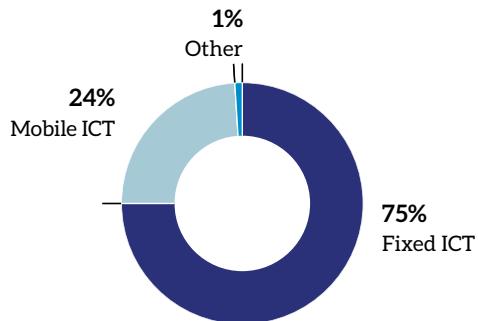
### Reportable segment revenue



### Reportable segment capital expenditure

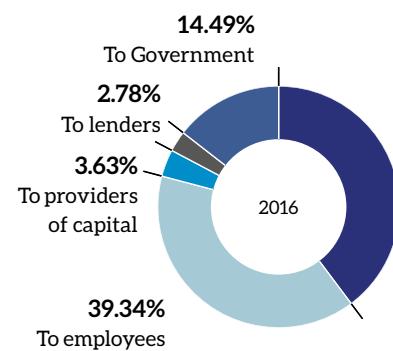
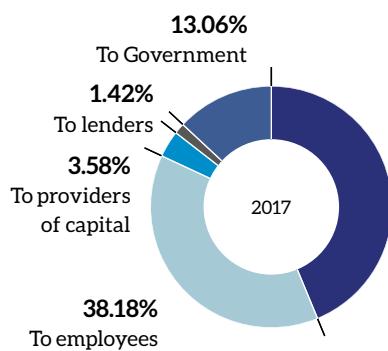


### Reportable segment assets



	2017 Rs. million	%	2016 Rs. million	%
<b>Value added</b>				
Revenue	75,741		73,801	
Other income	2,247		2,000	
	<b>77,988</b>		<b>75,801</b>	
Goods and services purchased from other sources	(33,152)		(31,581)	
<b>Value creation</b>	<b>44,836</b>		<b>44,220</b>	
<b>Distribution of value added</b>				
<b>To employees</b>				
- Salaries, wages and other benefits	17,117	38.18	17,398	39.34
<b>To providers of capital</b>				
- Dividend to shareholders	1,606	3.58	1,606	3.63
<b>To Government</b>				
- Taxes and regulatory fees	5,855	13.06	6,403	14.49
<b>To lenders</b>				
- Interest and related charges	637	1.42	1,229	2.78
<b>To business expansion and growth</b>				
- Depreciation	17,287	38.56	14,400	32.56
- Retained income	2,334	5.21	3,184	7.20
	<b>44,836</b>	<b>100.00</b>	<b>44,220</b>	<b>100.00</b>

## Distribution of value added



## → Subsidiaries review

### **SLT VisionCom (Private) Limited →**

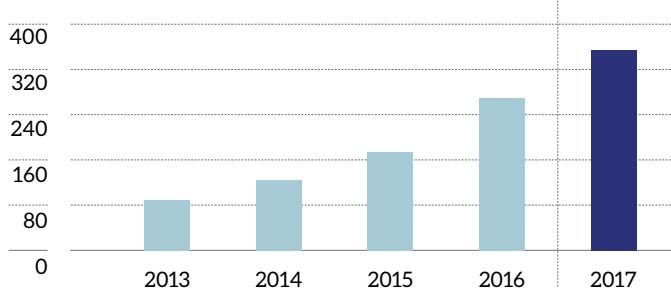
SLT VisionCom is a fully-owned subsidiary of SLT group and the company mainly focuses on delivering services through SLT PEO TV, spearheading the PAY TV market with advanced features such as Time Shift TV, Video on Demand, Subscription Video on Demand, High quality digital imaging and many more. Company has shown a substantial stance in sourcing HD (High Definition) content to enhance customer viewing experience over the year.

SLT VisionCom has taken a step ahead to redefine its business in Video Content Aggregation, Development, and Broadcasting to align with the new strategic intent of being the largest Video Content Hub of the Country in entertainment, education, and information by year 2022. Company expanded its revenue streams by setting up brand new strategic business units in media buying, creative, sales, and PEO TV provisioning. The formation of new business units contributed to the growth of Company revenue by 93% YoY.

### **Business growth →**

An impressive growth was shown in PEO TV subscriber base of 31% YoY and revenue YoY grew by 29%. PEO TV has increased its contribution for SLT PLC revenue from 6% to 8% from prior year.

### **IPTV subscriber base (Nos. '000)**



SLT PEO TV has increased its market share to 40% of the post-paid Pay TV market among licensed operators.

### **Performance review →**

#### Channels and content

→ The channel offering was strengthened with the introduction of multilingual, sports, educational, business news, and international variety channels.

- The number of High Definition Channels was increased to enhance the viewing experience of SLT Fibre customers.
- As a whole On-Demand library has extended its diversity with the latest addition of Music on Demand (MOD) and has gained a substantial collection of new movies, tele-series for TVOD, and other content including many TV movie Premieres offered.
- Channel 365 and Event TV (fully-owned channels of PEO TV) have expanded generating a loyal following of viewers by increasing its content line-up.

Event TV has established its position as the only television channel dedicated for events and has set its platform to facilitate recorded and live events covering corporate functions, product launches, award ceremonies, musical events to live sports events including cricket, rugby, tennis, and many more.

Channel 365 has just passed its initial stages in defining its sphere as a unique variety channel formulating an all-in-one combination of many segments such as music, infotainment, business, sports, movies, education, and lifestyle. Channel 365 has taken initiatives in developing its own content to meet the growing desire of local content.



### **Enterprise solutions →**

PEO TV has reached over 8,000 TV points connected with enterprise solutions including hotels, hospitals, banks, apartments, sports centres, and Government authorities. An awareness campaign for Enterprise customers was executed to share knowledge and information targeting potential business areas such as Negombo, Nuwara Eliya, and Weligama.

### **IP Television system and new products →**

- Continuous improvements were made to TV Broadcasting to provide superior services to the valued subscribers and also making timely capacity enhancements to meet the growing demand.
- Offering multiple PEO TV connections over single line via fibre connectivity was introduced to meet the demand of high net individuals.

### Challenges →

New sales and usage of PEO TV services have been challenged by the prevailing tax of 49.67% to the end user. Further the increase of non-licensed operator businesses has been a growing threat to the Pay TV industry.

### SLT Human Capital Solutions (Private) Limited →

SLT Human Capital Solutions provide total HR solutions to both local and foreign markets. The Company headhunts on behalf of the SLT Group and other companies in both private and public sectors. The Company also sources skilled employees to foreign markets. The HR IT solutions for customers are provided through the web-based eMpower system which helps to automate all HR-related processes from recruitment to retirement. The Company also provides HR consultancy services in areas such as industrial relations, HR operations, HR strategy, and process development.

### 2017 Highlights →

- Recorded a revenue of over Rs. 2 billion.
- Under the theme "Diversification and beyond", the Company acquired reputed external clientele.
- Successfully established BPO solutions and entered into an agreement for providing services with a prominent company in the banking sector.
- Donated the 5th house under "*Sihina Niwasa*" housing project, teamed with the HCS Welfare Society, to an employee in Keppettipola.

### Sri Lanka Telecom (Services) Limited →

Sri Lanka Telecom (Services) provides ICT-based infrastructure solutions and acts as a system integrator to corporate customers and small businesses. With the realignment of the Company's competitive strategies, the Company is focusing on strengthening its business areas, such as providing enterprise solutions, CCTV/Surveillance systems, PABX, Networking and Data Storage Solutions, Managed Services, Servers and the expansion of Regional Operations island-wide.

### 2017 Highlights →

- Recorded a profit of Rs. 3 million. Compared to the marginal performances of the previous years, this can be considered as a stupendous achievement.
- Discovered new business opportunities through the Parent Company in FTTH PAT, Quality Checks Ongoing, and Broadband and PSTN Faults Clearing.

- Collaborating with SLT Enterprise Business Division and external entities from the public and private sector, SLTS began SI business.
- To monitor the behaviour of elephants and their habitat in the Elephant Orphanage at Pinnawala, SLTS installed the first sophisticated surveillance system.
- The staff from SLT PML joined with SLTS to further expand our operations.

### SLT Digital Services (Private) Limited →

The Company annually publishes SLT Rainbow Pages – The National Business Directory and it has diversified its publications where it publishes industry-specific directories such as the tourist directory and wedding directory etc. The Company also develops web portals, apps, call centre services, directory CDs, and e-Directory using digital technologies. Apart from the directory business, the Company offers total advertising solutions and event management and activation solutions. Since the services which the Company offer have diversified into various fields the SLT Group decided to rebrand the Company by changing its name SLT Publications (Private) Limited to SLT Digital Services (Private) Limited which encompasses the broad spectrum which the Company operations cover and paves the way forward to create an impact in the sphere of digital services.

As the national directory information provider for the nation we have further increased accessibility to information. By dialing 444, directory services have been made available to Dialog, Mobitel, and Etisalat customers as well, while directory services are available to SLT customers when they dial 1212.

In addition, the Rainbow Pages' highly diversified business information is regularly updated, to provide the most accurate and most comprehensive information to the general public. The classified business section of the directory contains over 1,300 product and service categories and contact information of over 16,000 supplier listings. In addition, information on Government institutions, religious organisations, and other organisations is also available. This directory is also available in all Sri Lankan embassies throughout the world.

The Rainbow Pages achieved a major milestone in 2010 with the Government conferring the noteworthy title of its being the only source directory for all public departments and institutions. Named by the Government as the common directory for the listing of suppliers of goods and services to all state institutions, the Finance Ministry recommended that all state institutions including ministries, Provincial Councils, Government departments, state corporations statutory boards, local government institutions, authorities, and state-owned companies use the Rainbow Pages to find suppliers for their procurement needs.



## 2017 Highlights >

- The flagship directory: SLT Rainbow Pages Western Province was published and distributed during the year.
- The Rainbow Pages web portal and mobile application saw informational and technological improvements throughout the year and show a remarkable growth of visitors and display advertisements.
- The Company continued to expand our event management and activation solutions and was able to undertake almost all the major SLT events during the year.
- The Company will introduce a wide range of digital products such as search engine marketing, online display advertising, social media marketing, website creations, and other IT services for customers in addition to the existing Rainbow Directory products. This will align with SLT Group Vision 2022.

## SLT Campus (Private) Limited >

SLT Campus (SLTC) is the first corporate powered, fully residential engineering university in Sri Lanka. SLTC distinguishes itself from other universities with its heavy focus on research. Office of Research and Innovation Services (ORIS) employs more than 15 research assistants working on cutting-edge research projects. SLTC allocates a significant funding for research and part of it comes from collaborations. ORIS has established research partnerships both locally and internationally.

SLTC's custom-designed Engineering and Technology Degree programmes are ideal platforms for those students with good national or London A/L results in the streams of Physical Science, Biology, ICT and Agriculture. The Engineering Degree programmes offered by SLTC are fully-accredited by the Ministry of Higher Education and Highways and recognised by the University Grants Commission (UGC).



## 2017 Highlights >

- SLTC ended the financial year 2017 by securing a formidable place in the Engineering Higher Education Industry. The third batch of the campus enrolled in March 2017 with a total intake of 250+ students. The revenue and student population of the Campus from its inception in 2016 is shown below:

### Revenue (Rs. million)



### Growth in student population (Nos.)



- SLTC has commenced the construction of a state-of-the-art hostel facility for 400 students.
- Annual International Research Symposium on Industrial Systems (INSYS) was held in 2017. The first event, INSYS 2017 under the theme of Innovations for a Sustainable Future was organised by ORIS with over 200 participants, on 18 December 2017.
- Academic partnerships were established with Lancaster University UK, Deakin University in Australia, Lincoln University in New Zealand, and the Royal Melbourne Institute of Technology (RMIT).
- ZTE Corporation has set up a state-of-the art telecommunication laboratory at SLTC with modern mobile communication devices.

- Xtera Corporation in UK has also donated a list of equipment to enhance the telecommunications lab. This includes network analysers, function generators, oscilloscopes, and many other items related to optical fibre communications.
- There were a number of extra-curricular activities conducted during the year by Student Interactive Society, LEO Club, the Media Unit, Art Circle, and the Gavel Club, etc.
- SLTC talent show dubbed EL MISTICO 2017 was held in October at the SLTC auditorium. Colleges competed against each other in the categories of debate, quiz, singing (solo and group), dancing (solo and group) and art.
- The following degree programmes will be introduced in 2018: BTech (Hons) in Agriculture Technology and BTech (Hons) in Environmental Technology.

### Galle Submarine Cable Depot (Private) Limited →

This will be South Asia's first state-of-the-art Submarine Cable Depot in Galle port which will be operated and managed by SLT.

SLT will operate the cable depot in Sri Lanka as a Joint Venture, "Galle Submarine Cable Depot Private Limited" (GSCDPL) with IOCPL (Indian Ocean Cables Pte Limited) which is a ship service provider for SEAIOCMA (South East Asia & Indian Ocean Cable Maintenance Agreement). IOCPL is a Joint Venture Company of Singtel Singapore and Orange France. Newly formed GSCDPL will be a depot service provider under the SEAIOCMA from 1 January 2018 onwards.

SEAIOCMA is the international consortium for maintaining the undersea cables. Sri Lanka is an important destination where multiple cable systems are already in operation passing the country. Sri Lanka will be the only Submarine Cable Depot in the South Asian region. SEAIOCMA is an agreement among the telecom submarine cable operators, cable ship operators and cable depot operators for providing submarine cable maintenance spanning the area between Djibouti in the west, Perth in the South, Guam in the East and the northern tip of Taiwan. Prior to this initiative, Singapore was overlooking the Submarine Cable Depot to facilitate international cable systems. Through this operation in the South Asian region, SLT believes in the possibility of bringing in foreign currency to strengthen the country's economy in the future.

Galle Port has been selected to set up a submarine cable depot by the cable consortium with the participation of a number of countries and Sri Lanka will facilitate the cable maintenance ship berth and warehouse facility.

### eChannelling →

eChannelling PLC is the pioneer software development and ICT service provider to the Healthcare industry in Sri Lanka. It is the largest channelling network in Sri Lanka with over 4,500 medical professionals. The eChannelling platform connects over 210 hospitals island-wide. It bridges the gap between healthcare providers and the public by improving effectiveness and efficiency of service consumption in a user-friendly way. Patients can make appointments via eChannelling by dialling 225 from any mobile network and 1225 from an SLT phone. Appointments can also be made through the eChannelling Mobile App, web and 2000+ agents islandwide (Post offices, SLT branches, banks, and pharmacies). The service is not limited to channelling doctors, and users can contact various third parties and health service providers for additional benefits.

### 2017 Highlights →

- In 2017, SLT extended the eChannelling service to Smartline and 4G LTE customers with a call charge of Rs. 1.50 per minute.
- eChannelling earned the ISO 9001:2015 certification and version upgrade as a measure of the consistent quality of the products and services it offers in order to enhance service standards.
- Revenue - Rs. 129,009,036/-
- NPAT - Rs. 35,571,692/-
- ROE - 14.78%
- Total Assets - Rs. 328,414,485/-

### SLT Property Management (Private) Limited →

Management of SLT's real estate resources. SLTPM was floated in 2013 with the aim of developing the large number of unutilised/underutilised properties under SLT's ownership. Given the growing demand for property in Sri Lanka, it was strongly felt that such idle lands could ideally be channeled towards more lucrative avenues that would not only enhance the value of the property, but also have a positive impact on the SLT Group bottom line.

# Infotainment

Digital protocols bring the world closer; allows more materials, both informative and entertaining to reach more people than ever before



**Institutional capital is largely intangible in nature and covers a broad spectrum of non-financial aspects which are a direct result of exemplary governance. It includes components such as organisational knowledge, brand and reputation, internal systems, internal ethical standards, and the corporate culture that SLT Group uses to create value.**

## → Our values

There are seven core values (inner front cover) that lie at the heart of SLT. We aim to be customer-oriented, trustworthy, innovative, and responsive. We ensure that we work together as a team to deliver exceptional results. Our values are inculcated in our new employees through our induction schemes. We offer refresher programmes to complement these as well. We possess written policies on all legal and ethical protocols. These cover the entire breadth of material from whistle-blowing to individual employee grievances.

## → Corporate culture

The corporate culture that you find at SLT is a culture of professionalism which encourages communication and engagement with employees. SLT hosts a variety of team building activities that enrich our unique corporate culture. We further encourage employee contribution through suggestion schemes, registers, and brainstorming sessions. Our subsidiary, Mobitel also shares an open working environment. It possesses a flat organisational framework, and even encourages lifelong employment amongst its peers.

## → Systems and processes

### Improvements in internal efficiency →

Following SLT Vision 2022, SLT Group is engaged in a process of organisational restructuring to improve internal efficiencies. The aim of Vision 2022, as detailed in our Business model section is to achieve Group-wide synergy which will help in reducing costs through the sharing of resources and the elimination of duplicate investments.

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

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

the governance boards as such, led to several benefits. Decisions in capital investments were improved.

The supply chain management saw similar enhancements, and there was better utilisation of resources.

### Project management and benefit realisation management →

Reports on the progress of projects are compiled on a monthly basis for the top 25 projects. These are then duly communicated to the Board of Directors. The financial benefits of all investments are captured at the level of the programme. These are then reported on a quarterly basis to the senior management. The outcomes are measured and reported at the level of the project.

### Operational excellence →

#### ERP →

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

#### Big data analytics →

Mobitel initiated a project to harness the value of large amounts of transactional and other data elements by establishing a focused unit on "Big Data, machine learning and advanced analytics". With this, Mobitel has implemented capabilities to better understand customers, their behaviour patterns and predictive capabilities in managing and providing customers a better service. This capability is extended across the group companies as part of the group synergy activities.

#### Service Oriented Architecture (SOA) & Application Program Interface (API) Gateway →

In order to become a Digital Services provider Mobitel & SLT has fully adopted the industry standard SOA for all business system integrations. As part of the initiative API gateway is implemented in order to facilitate products and services as APIs for partner organizations and external developers. This is a bold step towards becoming a Digital Service provider.

#### Mobile Application Development & Hosting platform →

Mobile applications is the most demanding application area in the global context as well as locally. In order to meet the demands of the Mobile App market, Mobitel has deployed a leading MADP platform as a group initiative which will reduce the development time for cross platform mobile



Applications and also provide the proactive management of customer experience.

### Contingencies →

Through international consultancy, Disaster Recovery (DR) systems in ICT and networking and cyber security mechanisms, SLT possesses a stringent business continuity plan that can successfully navigate unforeseen events and serve customers without any interruptions in service. Finally, the increased adoption of our data centre and cloud services can bolster local enterprises to compete amongst global players in their industries.

### → Brand image

As the national ICT service provider and ICT service provider for Sri Lanka, SLT enjoys respect and approval amongst Sri Lankans. Our investments in creating the National Backbone Network (NBN) and our numerous partnerships with the Sri Lankan Government and Government institutions have also boosted our reputation. Our island-wide connectivity, and strong regional presence further contribute to this distinction. To supplement all this, we maintain an active media and social media presence.

Our brand is further strengthened by the numerous accolades that were bestowed upon SLT. In 2017, we received National long-term rating at "AAA(lka)". We were judged to be 12th among the Best Sri Lankan brands in 2017 by Interbrand. Lanka Monthly Digest ranked SLT 10th of LMD top 100 entities. We were also ranked 10th in Business Today's Top 30 entities in Sri Lanka. Furthermore, SLT's company website ([www.slt.lk](http://www.slt.lk)) received the Gold Medal in recognition of being the "Best Corporate Website" as well as the Award for the "Most Popular Corporate Website" at the 7th annual BestWeb.lk competition for the year 2017.

Our subsidiary Mobitel is equally renowned as being the leading national mobile service provider. With carefully-executed marketing and promotional programmes, we wield an influential position on all sections of society. We wish to extend this in the years to come by positioning ourselves as a bespoke digital lifestyle services provider. Our customers will be able to integrate all aspects of their lives; from their workplace to their home and beyond, with the services we provide, to benefit from the entirety of what we offer.

### → Quality assurance and certification

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

In 2017, BSI India, an external auditor, confirmed that SLT ISMS has complied with international standards and the ISO 27011:2013 certifications will continue. Furthermore, the SLT Quality Circle team won the National Quality Award and was selected to the International Competition. SLT QC won a Gold Medal at the International Quality Circle Competition held in the Philippines in 2017. SLT completed implementation of a fully-fledged Business Continuity Plan compliant with the ISO 22301:2012 international standard covering critical operational areas of SLT.

### → Information security

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

### → Compliance

SLT possesses separate regulatory and legal divisions that monitor all regulatory and statutory ratifications. Employees are kept aware of relevant developments through the SLT Intranet portal. All our human resource practices are compliant with labour regulations and related statutory collateral. We also ensure the compliance of our outsourced operations, such as making contributions to Employees' Provident Funds (EPFs) and Employees' Trust Funds (ETFs). SLT takes every effort to fully comply with all Government regulations. As a listed company, SLT closely follows the rules and regulations imposed on it by the Colombo Stock Exchange. All company policies, procedures, and guidelines have been developed in compliance with regulatory and statutory requirements. Our compliance is audited by Auditors both internally and externally. For the period under review, SLT did not default in relation to issues of non-compliance with laws and regulations pertaining to the provision and use of our products and services. Similarly, we did not receive any complaints on discordances in customer privacy. Finally, we ensure that all our activities are compliant with established guidelines on environmental protection.

### → Risks and contingencies

The Board of Directors bears total responsibility for the setting up and monitoring of the Group's Risk Management Framework (page 110). The Audit Committee inspects management's monitoring of compliance with the Group's risk management processes. Aspects of financial risk management are covered under Note 4 to the Financial Statements commencing on page 143. Any other extraneous aspects are discussed under Note 32 to the Financial Statements on page 176.

# Awards

Annual Report 2017

Sri Lanka Telecom PLC

Group Chairman's Review  
Smart Living with SLT  
Business Model

→ Management Discussion and Analysis  
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Financial Reports  
Supplementary Information

## Medal for Excellence 2017

Sri Lanka Telecom Training Centre –  
City & Guild

(Recognition) High Standard Teaching  
and Training – Outstanding Performance  
as a Lecture/Trainer in Level 3 Diploma  
in Applied Engineering - Electrical and  
Electronic Engineering

## Medal for Excellence 2017

Sri Lanka Telecom Training Centre –  
City & Guild

(Recognition) High Standard Teaching  
and Training – Outstanding Performance  
in Technician Diploma in Applied  
Telecommunication System



Best SriLankan  
Brands – 2017  
No. 12 of Interbrand

Bronze Award Winner –  
National Level – Extra Large Category  
Service Sector – CNCI Achiever of  
Industrial Excellence 2017 – Achiever

Winner of Special  
Achiever Award – 2017  
Achiever of Industrial  
Excellence

## Medal for Excellence 2017

Sri Lanka Telecom Training Centre - City & Guild

(Recognition) High Standard Teaching and  
Training – Outstanding Performance as  
a Lecture/Trainer in Level 3 Diploma in  
Telecommunication Systems

## Medal for Excellence 2017

Sri Lanka Telecom Training Centre - City & Guild

(Recognition) High Standard Teaching and  
Training – Outstanding Performance in Level  
3 Diploma in Engineering - Electrical and  
Electronic Engineering

Among Top 10  
Business Today Top  
30 Business ranking



Best Corporate Website  
BestWeb.lk 2017

Most Popular  
Corporate Website  
BestWeb.lk 2017

Best Corporate Citizen  
Sustainability Award – 2017  
Sector Award Winner  
The Ceylon Chamber of  
Commerce

No. 10 of LMD  
Top 100 entities  
Lanka Monthly  
Digest (LMD)

Gold Plaque of Recognition  
2017 International  
Convention on Quality  
Control Circles

Bronze Winner – Concept Photography  
Telecommunication Sector – 2017

International ARC Awards –  
Annual Celebration of the  
World's Best Annual Reports

First Runner Up  
Communication and  
Information Technology Sector  
SAFA Best presented  
Annual Report



Honours –  
Concept Design  
Telecommunication  
Sector 2017  
International  
ARC Awards  
Annual Celebration  
of the World's Best  
Annual Reports

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**Management Discussion and Analysis** ←  
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**Silver Award -**  
Television, Innovation –  
**Kotiyak Vatina Adahasak**  
Asian Customer  
Engagement Forum &  
Awards, ACEF Awards 2017

**Gold Award - Best Display of**  
**Engineering Services**  
National Engineering and  
Technology Exhibition, Techno  
Awards 2017 organised by  
Institute of Engineers Sri Lanka

**Sri Lanka's Best Employer**  
**Brand Awards 2017**  
The Employer Branding  
Institute, World HRD  
Congress & Stars of the  
Industry Group, India

**Online Brand of the year**  
for mCash - Silver  
SLIM Brand Excellence  
Awards 2017

**Service Brand**  
of the year - Gold  
SLIM Brand Excellence  
Awards 2017

**Asia's Best Employer**  
**Brand Awards 2017**  
The Employer Branding  
Institute, World HRD  
Congress & Stars of the  
Industry Group, India

**CSR Brand**  
of the year - Bronze  
SLIM Brand Excellence  
Awards 2017

**Local Brand of**  
the year - Bronze  
SLIM Brand Excellence  
Awards 2017



**Merit Award -**  
General Application  
Category for mGate  
National Best Quality  
ICT Awards 2017

**Winner -**  
Digital Entertainment  
Category for "Kotiyak  
Vatina Adahasak"  
The Digital Social  
Impact Awards,  
eSwabhimani 2017  
by the Information  
Communication  
Technology Agency  
(ICTA)

**Winner -**  
Government &  
Citizen Engagement  
Category for  
"Tell the President"  
The Digital Social  
Impact Awards,  
eSwabhimani 2017  
by the Information  
Communication  
Technology Agency  
(ICTA)

**Silver Award -**  
Events and  
Promotion,  
Innovate Loyalty  
Programme -  
Mobitel Cash  
Bonanza  
Asian Customer  
Engagement  
Forum & Awards,  
ACEF Awards  
2017

**Winner -**  
Health and Well-being  
Category for  
Digital Application  
Processes -  
The Digital Social  
Impact Awards,  
eSwabhimani 2017  
by the Information  
Communication  
Technology Agency  
(ICTA)

**Silver Award -**  
Best Demonstration  
National Engineering  
and Technology  
Exhibition, Techno  
Awards 2017  
organised by Institute  
of Engineers  
Sri Lanka

**Mobitel 4G Named as the Fastest**  
**Mobile Network In Sri Lanka**  
in the Speedtest Awards by Ookla  
– the global leader in Internet  
performance testing

# Investor capital

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We have nurtured quality relationships with our investors. Our investors constitute individuals and institutions that provide us with financial capital, seeking reciprocal returns for the short, medium, and long-term. Through the interaction of various forms of financial and non-financial capital, we create value for the Company and in turn deliver value to our key stakeholders. Our relationship with our investors is one of mutual trust and accountability.

## → Shareholder profile

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

### Government of Sri Lanka →

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

### Distribution of shares →

Shareholdings	Resident			Non-resident			Total		
	No. of shareholders	No. of shares	(%)	No. of shareholders	No. of shares	(%)	No. of shareholders	No. of shares	(%)
1 - 1,000 shares	9,677	2,907,550	0.16	15	5,847	0.00	9,692	2,913,397	0.16
1,001 - 10,000 shares	2,291	9,003,371	0.50	23	115,490	0.01	2,314	9,118,861	0.51
10,001 - 100,000 shares	218	4,743,067	0.26	7	228,134	0.01	225	4,971,201	0.27
100,001 - 1,000,000 shares	6	1,041,065	0.06	1	179,407	0.01	7	1,220,472	0.07
Over 1,000,000 shares	8	974,878,200	54.01	1	811,757,869	44.98	9	1,786,636,069	98.99
	12,200	992,573,253	54.99	47	812,286,747	45.01	12,247	1,804,860,000	100.00

## Global Telecommunication Holdings N.V. →

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

## → Stability

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

### Fitch rating →

National long-term rating of AAA(lka).

### Standard and Poor's rating →

Long-term corporate credit rating of B+.

## → Investor relations

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

## Categories of shareholders →

Category	No. of shareholders	No. of shares
Individual	12,114	16,034,991
Institution	133	1,788,825,009
	12,247	1,804,860,000

## List of 20 major shareholders as at 31 December 2017 →

Name	Shareholding	(%)
1. Secretary to the Treasury	893,405,709	49.50
2. Global Telecommunications Holdings NV	811,757,869	44.98
3. Employees Provident Fund	25,324,104	1.40
4. Bank of Ceylon A/C Ceybank Unit Trust	18,426,582	1.02
5. Sri Lanka Insurance Corporation Ltd-Life Fund	17,713,735	0.98
6. National Savings Bank	13,158,700	0.73
7. Employees Trust Fund	3,302,188	0.18
8. Sri Lanka Insurance Corporation Ltd-General Fund	2,041,538	0.11
9. Bank of Ceylon A/C Ceybank Century Growth Fund	1,505,644	0.08
10. The Incorporated Trustees of the Church of Ceylon	223,590	0.01
11. Bank of Ceylon No. 1 Account	214,000	0.01
12. Pinnacle Trust (Pvt) Limited	183,984	0.01
13. Elgin Investment Limited	179,407	0.01
14. Ceylon Biscuits Limited	162,000	0.01
15. People's Leasing & Finance PLC / Mr C N Jayasooriya	150,000	0.01
16. Sinharaja Hills Plantation Pvt Limited	107,491	0.01
17. Mr Tanaka	100,000	0.01
18. Mrs Edirisinghe	100,000	0.01
19. Mr Van Starrex	97,638	0.01
20. Mr Weerasinghe	70,000	0.00
	1,788,224,179	99.08

Float adjusted Market Capitalisation as at 31 December 2017 – Rs. 2.83 billion.

Percentage of public holding as at 31 December 2017 – 5.52%.

Number of shareholders representing the public holding as at 31 December 2017 – 12,245.

**Share price trend →**

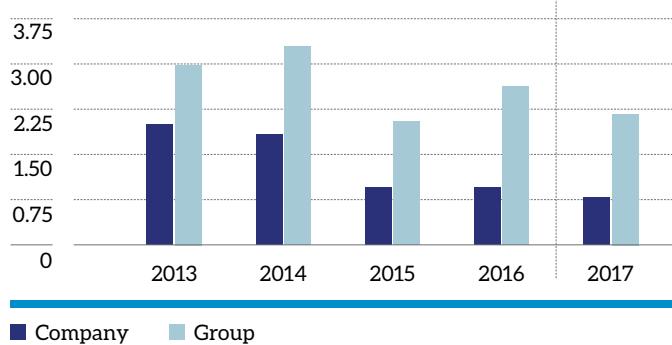
	2017	2016	2015	2014	2013	2012	2011	2010
Highest value (Rs.)	36.70	46.40	54.90	57.30	50.00	50.00	64.50	51.00
Lowest value (Rs.)	27.00	31.20	43.00	33.33	36.10	34.00	44.00	35.00
Last traded price (Rs.)	28.50	36.00	47.00	49.90	37.00	44.50	48.00	49.00
Market capitalisation (Rs. billion)	51.43	64.97	84.83	90.00	66.78	80.32	86.63	88.44

**Trading activity →**

	2017	2016
No. of transactions	3,149	3,328
No. of shares traded	1,463,787	3,082,282
Value of shares traded (Rs.)	46,137,965	112,724,951.40

**Highlights →**

	2017	2016
Earnings per share (Rs.)	2.18	2.65
Net assets per share (Rs.)	39.56	38.05
Gearing ratio (Debt to Rs. 1/- of total equity)	0.37	0.32
Quick asset ratio (No. of times current liabilities)	0.48	0.57
Interest cover (Earnings before interest and taxes divided by interest expense)	2.02	4.53
Dividend payout ratio (%)	40.8	33.5
Dividend per share (Rs.)	0.89	0.89

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

We, at SLT, take a customer-first approach when serving our customer base. SLT Group is privileged to serve a customer base of over seven million including multinational corporations, large and small corporates, the public sector, and retail and domestic customers. Our customers come in all shapes and sizes with a wide variety of needs. In an intensively competitive telecommunication environment which is undergoing disruption and digital transformation, delivering quality, and consistent customer service is quintessential. SLT has understood the critical role customer service plays in customer loyalty and retention. We are sensitive to the voice of the customers in real time by offering feedback and service in real time. We have streamlined our processes in order to offer a fully-fledged, 360° experience to our customers. Our trained, dynamic team of professionals across the island deliver outstanding service while being mindful about each customer's unique set of circumstances.

As outlined in our Vision 2022, SLT Group is in the process of transforming into a digital service provider. With our state-of-the-art infrastructure – the extensive optical fibre network extending nearly 30,000 km, the link to the SMW 5, and the venturing into 5G, we have made great leaps in laying the ground work for digital transformation. The solid and robust infrastructure we possess, ensures that all Sri Lankans get the best of modern digital services.

We engage with our customers through over 200 customer touch points across the island and through social media and our regularly updated website. Traditional forms of engagement like newsletters, brochures, and mailers are also used. Quarterly or need-based customer satisfaction surveys and customer feedback are other forms of customer engagement.

## We offer an exciting suite of fixed ICT products and services

In our journey towards transforming into a digital service provider, SLT has brought a suite of exciting new products to its customers.

### Broadband →

SLT offers the highest monthly data volumes to customers, up to 3,000 GBs. We also possess the highest download speeds of up to 100 Mbps, and are equally capable of offering shared data for multiple Wi-Fi enabled devices. The capacity of the ultra high speed National Backbone Network (NBN) was boosted with 100 G technology, aiming to cater the future needs of all ICT operators in the country.

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

#### Volume enhancement

SLT increased the data volume of all its offered packages up to 75%. SLT introduced off-peak data volumes for the first time in 2011 as a free offer in addition to standard monthly data volume and maintained annual data volume enhancement continuously.

#### Speed and data volume enhancement

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

#### On demand data

This feature enables customers to add extra gigabytes of data to their existing package. They can do so online through the SLT broadband value-added services portal and via self-dialling IVR 0112 121212.

#### SLT Fibre

Fibre to the home (FTTH) services were expanded across all main cities and suburb areas under this feature to raise Internet speeds up to 100 Mbps.

### Value added services →

#### SLT Filmhall – OTT entertainment platform →

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

#### SLT digisolutions →

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

## PEO TV - Impacting people's lifestyles →

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

## PEO TV on the go through SLT Mobitel →

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

## Multiple PEO TV offers at one location →

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

## Carrier-grade Wi-Fi →

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

## Web hosting packages →

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

## Enterprise solutions →

Our solutions cover the breadth of next generation voice, networking, data hosting, and managed services. This allows local businesses the opportunity to stand edge to edge with global competitors. Our services are tailored to the needs of entrepreneurs of all sizes with powerful capabilities in convergence, extended reliability, improved scalability, and much more.

## Akaza →

Our drive towards a digital tomorrow is facilitated by the introduction of Akaza, Sri Lanka's premier automated cloud computing platform. It provides end-to-end cloud computing services to enterprises to guarantee the maximum possible ROI. Akaza's technology integrates all of its cloud services inclusive of IaaS, PaaS, DaaS, SaaS, and CaaS with the business management platform of corporate enterprises. Effectively, a gamut of services ranging from infrastructure to software can be accessed by way of a self-service catalogue online, centralising user management.

Our cloud is hosted locally within our data centre. Users can access, store and utilise data through remote means using public internet, a secured internet protocol (IP) address or a virtual private network (VPN). This national cloud system will lead to a range of benefits for the national economy, such as by minimising an outflow of foreign currency, reducing the consumption of paper, and increasing the eco-friendliness of everyday business operations. It will further contribute to the development of an ICT-reinforced "Smart" Sri Lanka, and could extend its reach to global audiences as well.

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

We are sensitive to the voice of the customers by offering feedback and service in real time.

**200** Customer touch points across Sri Lanka.

## SME solutions →

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

### Kiyawamu.lk – SLT digital book store →

[www.kiyawamu.lk](http://www.kiyawamu.lk) is an online book reading portal and multi-vendor printed book store. A range of eBooks and printed books are available to purchase online under different categories. eBooks are available in ePub and PDF versions.

### 01awards.lk – SLT Zero One Awards for Digital Excellence →

The SLT Zero One Awards is a unique programme that recognises and rewards excellence in digital initiatives across the island. The awards recognises outstanding digital products and services, and the corporates and individuals who have made that possible. The first edition was a success with over 450 entries. Digital excellence of corporates and individuals were recognised through the awards of Best Digital-enabled Product/Service, Best Digital-Integrated Campaign, Best Community Empowerment Programme, Best Digital Media Agency, Best Website or Microsite, and Best Use of Mobile.

### Guru.lk – eLearning content →

Sri Lanka's leading eLearning portal has signed up with SLT to enable SLT broadband customers to pay for online study courses through the platform. The online portal emphasises on the value of digital education as it eliminates barriers imposed on learning as a result of non-availability of material across geographies. Alongside the convenience it offers, this model of education is also cost and time effective.

With our state-of-the-art infrastructure: the extensive optical fibre network extending nearly 30,000 km, the link to the SMW 5, and the venturing into 5G, we have made great leaps in laying the ground work for digital transformation.

## → Our mobile ICT products and services

### Mobile broadband: We are the “Fastest Broadband Network” →

We remain committed to upholding the broadband penetration rate in Sri Lanka by continuing to provide exceptional user experience and affordable options to consumers. SLT Mobitel was ranked the "Fastest Broadband Network" on 4G by the Telecommunication Regulatory Commission of Sri Lanka (TRCSL). Furthermore, SLT Mobitel was awarded the "Fastest Mobile Network in Sri Lanka" by Ookla Speedtest. With the roll-out of LTE technology, Mobitel customised its portfolio of products to adapt to this network and gave customers incentives to move onto it as well through the introductions of tariff plans and device plans. The initiatives have been successful in migrating customers from the 3.75G network to the 4G/4.5G network.

### Digital services →

#### mCash →

Our mCash service continues to deliver exceptional results. We celebrated the 4th year anniversary in November 2017. During the year, we expanded our retailer network to reach 16,000+ island-wide touch points including Mobitel branches, SLT Teleshops and Singer Mega outlets, supermarkets, leading banks, 650+ Commercial Bank ATMs for cardless withdrawals, and 300+ Pay & Go Kiosks located in central areas for mCash services. Furthermore, in 2017, SLT Mobitel partnered with Keells Super outlets to enable mobile users to pay utility bills and make mCash deposits at Keells Super outlets. At the Slim Brand Excellence Awards 2017, mCash was awarded the Online Brand of the Year Silver Award.

Over **200** hospitals linked with the eChannelling platform

### Car Doctor →

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

### Healthcare →

We acquired eChannelling PLC in September 2016. This connects us with over 210 hospitals linked with the platform, giving customers access to the largest channelling network in Sri Lanka with over 4,500 medical professionals. The network possesses over 2,000 channelling agents. Channelling is possible through SLT landlines as well as over 650 post offices island-wide. The service is not limited to channelling doctors, and users can contact various third parties and health service providers for additional benefits. In 2017, SLT extended the eChannelling service to Smartline and 4G LTE customers with a call charge of Rs. 1.50 per minute. This year, eChannelling earned the ISO 9001:2015 certification and version upgrade as a measure of the consistent quality of the products and services it offers in order to enhance service standards.

### mLearning →

SLT Mobitel's mLearning platform continues to empower and drive education in Sri Lanka. It is the only comprehensive platform in Sri Lanka that gives a student the opportunity to follow an entire university course in a virtual environment. The platform has been embraced by numerous universities and educational institutes in Sri Lanka.

### mTicketing →

SLT Mobitel introduced a new feature in this service, whereupon a user can obtain electronic tickets to sites of interest in Sri Lanka. The project covers several noteworthy tourist destinations in the country like the Pinnawala Elephant Orphanage and Victoria Park in Nuwara Eliya. Mobitel plans to extend this feature to all relevant attractions in the country, thereby creating a national electronic ticketing system. We have extended our mTicketing platform for Railways, to all telecommunications operators in Sri Lanka. Therefore, any user can obtain railway reservations through their preferred network.

### Other value added services →

We introduced a device manager platform that furnished all data-enabled devices with GPRS settings to improve data penetration. Our Mobitel TV portfolio provides customers with a greater variety of entertainment options. A "bus booking" service enables customers to book bus tickets via carrier billing. Carrier billing also affords customers the opportunity to subscribe to online magazines.

AirTicketing via the mobile is a unique value innovation pioneered by Mobitel, for the first time in the Asian Region. In 2017, Mobitel obtained the prestigious IATA license for AirTicketing becoming the number one IATA licensed Mobile network provider in Asia, partner of Sri Lankan Airlines, Emirates, Qatar Airways, Singapore Airlines, Cathay Pacific and Jet Airways.

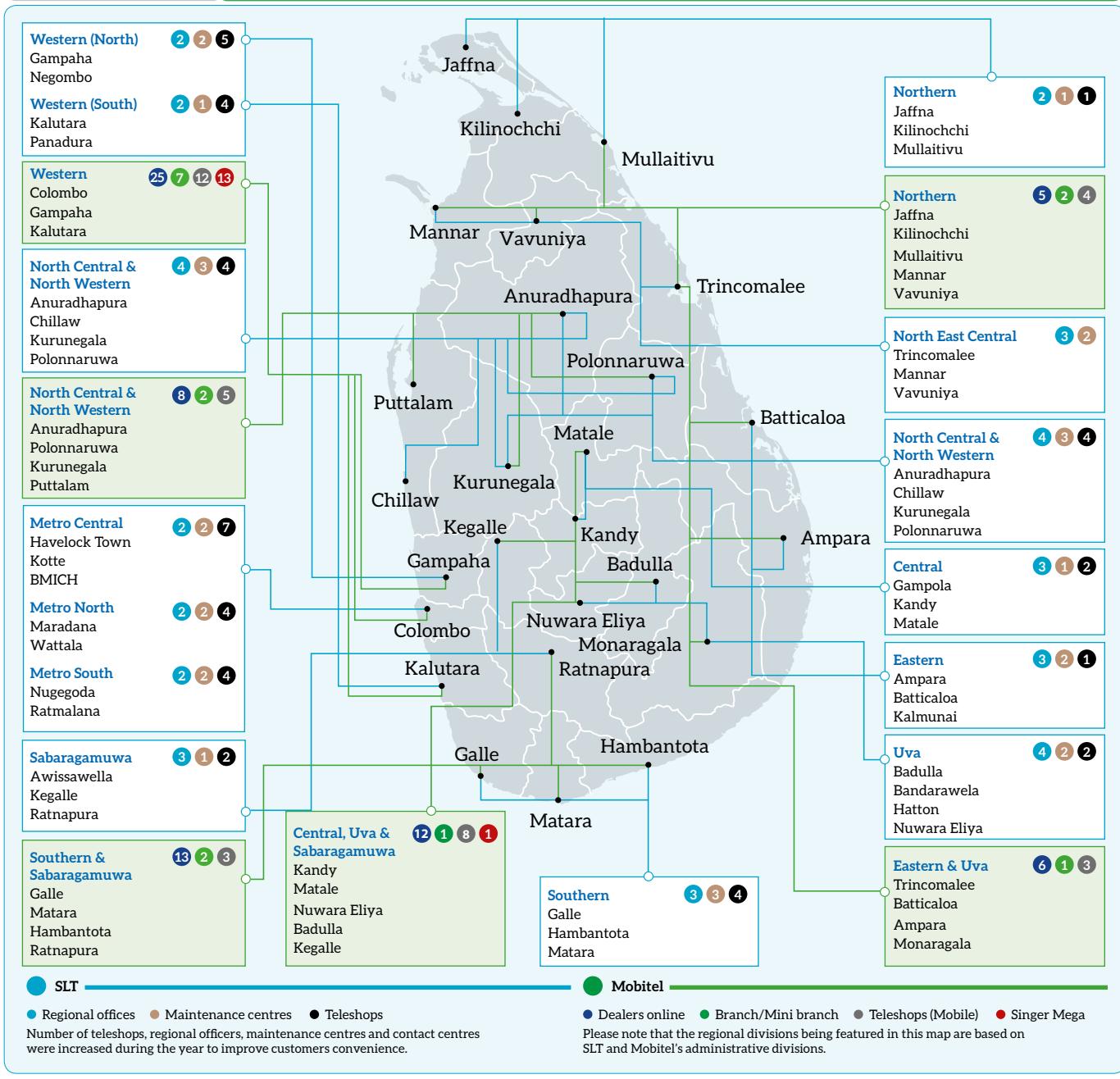
### Voice initiatives →

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

## → Our market presence

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

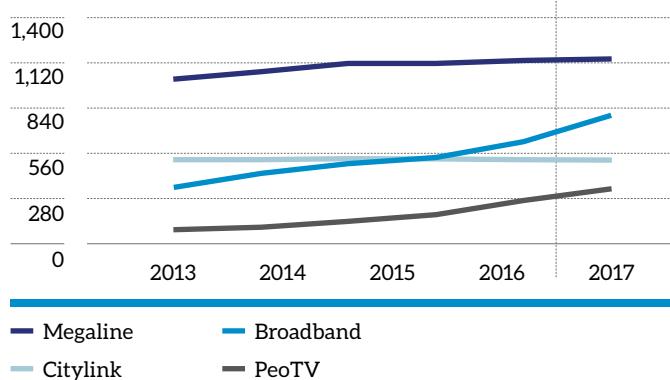
Customers can pay their bills at all relevant banking institutions, supermarkets, and sales outlets and selected companies.



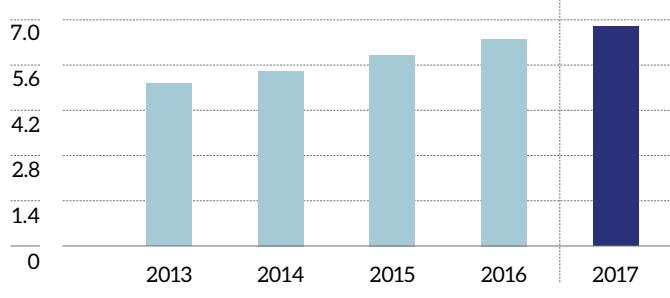
## → Our customer base growth

In 2017, SLT provided over 137,500 fixed line connections. We also provided over 297,500 broadband connections, which is an exceptional achievement, compared to previous year. In addition, we provided over 113,000 PEO TV connections. All above achievements were supported by our up-to-date FTTN, FTTH and 4G LTE (Fixed) technologies. We recorded an increase of 28% in the uptake in broadband connections for this period. New PEO TV connections equally increased by 31%. In our Mobile operations our customer base grew up to 6,800,000 an increase of 6%.

### Fixed ICT operations customer base (Nos. '000)



### Mobile subscribers (Nos. million)



## → We provide a superior customer experience by engaging with our customers in real time

At SLT, we have recognised the importance of providing an overall customer experience. The customers' opinion of SLT is influenced by everything we do from responding to a complaint, fixing a fault, greeting a customer at an SLT Teleshop to marketing new products, or fulfilling a contract. The total customer experience matters. Especially with our strategic direction to create synergy within our Group to present one face to the customer, it is of paramount importance that the Group works together, in all our business lines, to cater to the needs of the customer and enhance the overall customer experience. Our substantial investments over the past few years, have emphasised our willingness to offer to our customers a superior network and customer service levels, supported by a very wide range of mobile and fixed products. We are sensitive to the voice of the customers and provide feedback and service in real time.

In a highly competitive industry, we have to be extra mindful of the needs of the customers. Our customers want a consistent, responsive, reliable service and a telecom provider that offers a great experience and products that improve their lives. SLT Group has made great progress in these areas and we are committed to continue delivering superior customer service in the future.

### Information on products and services are provided through multiple channels →

We engage with customers through diversified means to provide accurate and relevant information on our products and services. They include: one on one interactions, our Contact Centre, SLT's corporate website and social media accounts, mailers and newsletters, brochures, our customer satisfaction survey, ICT workshops, enterprise customer forums, and customer visits and meetings. Traditional media channels are also used to market and advertise our products and services to the general public.



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

### Contact Centre →

Our Contact Centre recorded a total of over 12 million calls in 2017; of which circa 8 million were to agents. A customer satisfaction rate of 90% was recorded throughout the year; we were also able to fulfil the service level KPIs established by the Government Information Centre, GIC (1919) and the Sri Lanka Insurance Corporation (SLIC) in this domain. (GIC and SLIC have outsourced their contact centre operation to SLT Contact Centre).

Our Contact Centre launched the "Knowledge Hub", as a tool to facilitate Contact Centre officers in answering calls. There was improvement in quality monitoring and call quality throughout the year. Call quality has improved by 2.39% YoY, from 87.65% in 2016 to 90.04% in 2017. Our Contact Centre also recorded a 100% availability with zero down time over the year.



### There is a stringent process in place to manage complaints →

Effective management of customer complaints and providing resolutions is a vital part which contributes to the overall customer experience. We have a stringent process in dealing with all complaints. Any complaint received by the contact centre and enterprise help desk are entered to the OSS, and forwarded to the corresponding work group. A trouble report will remain in the system unless it is attended to and the matter resolved. The officer in charge of the work group oversees the system and organises resources to address the issue. The officers are themselves monitored by deputy general managers.

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

The Plant Maintenance and Customer Service (PM and CS) Unit conducts an age analysis of existing trouble reports and conveys results to relevant senior officers. Samples of closed trouble reports are selected, and relevant feedback is obtained from the customers who lodged the initial, corresponding complaint. Further steps are taken if the customer is not satisfied.

### Customer experience is the key differentiator →

Our customer loyalty depends on customer satisfaction. We maintain a superior customer experience in order to keep our customers happy. SLT Group has realised that offering a superior customer service is an integral part of the digital transformation and Vision 2022. For the past few years, SLT has conducted a Customer Satisfaction Index (CSI) studies to identify and measure the key expectations of customers, evaluate the level of satisfaction across all touch points, and to identify any other issues. Currently we are practicing Ron Kaufman Service Architecture model to deliver superior customer service to our valued customers.

This year too, SLT conducted a customer satisfaction study conducted by a reputed market research agency to maintain objectivity, high standards, quality assurance, and data accuracy. The sample size of 2,500 is a representation of all customer segments (SME, Consumer, Enterprise), business verticals, and geographical areas. A face-to-face interview, lasting about 45 minutes, were followed by an extensive questionnaire. The findings were shared among all the stakeholders of the company and awareness sessions were conducted internally to make our team aware of the principal pain points of our customers. The progress on the customer pain points were further reviewed internally at the Customer Experience Management (CEM) Forum chaired by the GCEO.

<b>CSI (Customer Satisfaction Index) Overall Score</b>		79%
CSI - Consumer		81%
CSI - SME		76%
CSI - Enterprise		71%
<b>NPS (Net Promoter Score) Overall Score</b>		40%
NPS Consumer		47%
NPS - SME		32%
NPS - Enterprise		31%

This year we have introduced a globally practiced model to calculate CSI to benchmark with the industry.

### Service assurance KPIs in 2017

Average 2017	SFI* (%)	USI** (%)	SRI*** (%)
Megaline	73	82	59
Citylink	74	90	50
Broadband	79	84	63

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

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

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

### → Knowledge sharing

We engage in knowledge sharing activities with enterprise customers through customer forums, individual discussions, product launches, and the inauguration of national initiatives. We conduct customer forums and annual conferences for the benefit of SME customers. These events allow decision-makers to meet the top management at SLT. We equally get the opportunity of receiving direct customer feedback during these times.

### → Marketing campaigns

We rolled out several marketing campaigns and promotions to drive awareness of our products and services to the general public. The following are some selected marketing campaigns undertaken by the SLT Group in the year 2017:

We engage with customers through diversified means to provide accurate and relevant information on our products and services.

**137,574**

new fixed line connections in 2017.

## **Fixed ICT – Marketing campaigns and promotions →**

### **"Buy 1 Get 1 Free" – Broadband promotion →**

The campaign offered SLT broadband customers the chance of getting an equal amount of free GB for each extra GB top-up they purchased.

### **Free internet from SLT public Wi-Fi hotspots →**

SLT offered unlimited Internet for SLT broadband customers who login from SLT public Wi-Fi hotspots around the country.

### **"Social Media Free Week" →**

Under the "Social Media Free Week" from 10 to 16 April 2017, we offered free access to social media platforms like Facebook, Youtube, Twitter, Linkedin, Instagram, etc. We also launched "My Phone" package, a low monthly rental voice package. There were also a number of broadband promotions where our customers were able to win free data from SLT.

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

## **Mobile ICT – Marketing campaigns and promotions →**

### **Promoting mCash →**

There were a number of campaigns to encourage customers to engage with mCash and mCash transactions: Discount promotions for Valentines Day, Ramazan, Mothers' Day, seasonal holidays, mCash app promo, standing orders via mCash Promo, mCash Ceylinco, mCash Sathosa, Union Assurance Premium payments, NSB i-Saver, etc.

## **Kotiyak Watina Adahasak →**

To drive innovation in the digital era and to support the entrepreneurial spirit of the country SLT Mobitel partnered with Sirasa TV to create a reality TV programme for inventors and young entrepreneurs. The programme recognised technology-related ideas. Contestants were rewarded with financial assistance and technical expertise to make their dream a reality to create a commercially viable product.

## **Launch of X-Station →**

SLT Mobitel launched X-Station, the first hi-tech Internet of things (IoT) concept store of its kind in the country. It showcases the latest technologies and gadgets that are trending around the world today and provides users the opportunity to experience them. The X-Station features smart home, 3D printing, AR, smart health, VR, smart kids zone, and drones.

## **Upahara →**

There was an Upahara Avurudu campaign to promote postpaid services during the season which was coupled with a range of latest smartphones along with a special Upahara connection. The same campaign was also revamped mid-year to boost Upahara sales.

### **"Cash Bonanza" season 2 →**

The highly anticipated SLT Mobitel's "Cash Bonanza Montero Extravaganza" season 2 was launched.

We have realised that offering a superior customer service is an integral part of the digital transformation and Vision 2022.

Over **12 Mn.**  
calls recorded by our Contact Centre  
in 2017.

SLT Mobitel's prepaid, postpaid, and broadband customers can take part in the competition. During 2016 and 2017, the Cash Bonanza Extravaganza created immense excitement and anticipation amongst its customers, gifting 24 luxury Montero jeeps through the two years to 24 lucky winners. In addition, cash prizes were awarded to over 800,000 lucky customers throughout the two years. SLT Mobitel customers received Rs. 700 million throughout 2016 and 2017.

### **Nethrabhimana →**

SLT Mobitel together with Sri Lanka Federation of the Visually Handicapped launched "Nethrabhimana". In the first phase of the project, the visually-impaired were able to experience the beauty of Vesak by listening to Vesak Pandol stories. The second phase of the project will incorporate donors and sponsors to donate money towards building a "Voice Library" for the community of the visually-impaired.



### **Digital services promotions →**

To drive the digital services category various promotions with prize giveaways were conducted throughout the year: mQuiz promo, Starfriends promotions, mTunes promotions, movie tickets, Astrology-related services, Junior promotions, News alert promo, CELEBZONE promos, Fairfirst Insurance cover, Workforce promo, etc.

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

### **SLT understands the needs of the digital natives →**

SLT has recognised that the digital age belongs to the younger generation. This demographic make-up of digital natives is changing the telecommunication industry. The increasing mobile penetration, the rise of OTT players, and the popularity of social media have transformed the sector. SLT is geared to provide the future of tomorrow with all possible opportunities to thrive through our varied digital offerings. In 2017, there were a number of initiatives taken to cater to the needs of the younger generation ranging from online gaming competitions, selfie competitions to social media campaigns. The following are some of those initiatives aimed at digital natives:

### **"SLT 4G Digital Cycle Tour" →**

SLT Facebook fans were able to play "Avurudu Cycle Tour" game daily and the game leaderboard was updated in real-time. The top 15 players were ranked in the game everyday. Extra GBs were added to the winners' broadband accounts.

### **ROG Masters 2017 →**

ROG Masters 2017 is a professional world-class gaming tournament. The Sri Lankan qualifiers for this event was held at Crescat Boulevard from 29 to 30 July 2017.

SLT was the network partner facilitating high speed SLT Fibre connectivity for this event highlighting SLT as the premier network provider for gaming.

### **Sri Lanka Robo Games 2017 →**

This competition was organised by the Institution of Engineers of Sri Lanka and the University of Moratuwa with the partnership of SLT, challenging the youth of Sri Lanka to use their creativity to construct and programme autonomous robots. The games comprised of an undergraduate category and a school category. Team "Code" of ICBT were adjudged the winners whilst the "Titans" from SAITM were the 1st runners up and the "White Walkers" from the Faculty of Engineering of the University of Ruhuna were the 2nd runners up in the Undergraduate category. In the "open" category, team "Zenith" from Royal College Colombo were adjudged the winners, Team "LHAMO" from Thalawakele T.M.V. and Team "Curiosity" from Kuliyapitiya Central were adjudged 1st and 2nd runners-up respectively.

### SLIoT Challenge 2017 →

Sri Lanka's first dedicated IoT competition "SLIOT Challenge" was held at Techno 2017 Exhibition, a collaborative effort between SLT, University of Moratuwa, and the Institution of Engineers of Sri Lanka (IESL). This was the ideal platform to demonstrate the opportunities and challenges with the emerging IoT concept.

The challenge was held under "Graduate" and "Open" categories. Team "ASDF" of University of Moratuwa, won first place in the Graduate category showcasing an innovative solution for a monitoring system for the usage of water for plants. 1st runner-up was team "Innovation Seekers" from the Institute of Vocational Technology who proposed a monitoring system for machinery condition. Team "Zeon" won the Open category with their IoT based agriculture management system, whilst team "Smart Paddy Fields" were the 1st runner-up for their creative solution in paddy field management.

### eSports Championship 2017 →

SLT organised the eSports Championship 2017 at INFOTEL exhibition, Sri Lanka's largest ever gaming tournament, powered by SLT's next-level fibre optic broadband from 2 to 5 November 2017. Over 1,500 gamers that participated in the competition while over 20,000 people visited the SLT eSports championship stall. Event TV covered the event live. It was also streamed live on Facebook. The winners walked away with cash prizes.



### SLT eSports GamerFest 2017 →

This was another gaming event sponsored by SLT. This event was conducted in ICBT Campus on 12 August 2017 with SLT as the network partner.



### → New enterprise business ICT solutions and MoUs

In 2017, SLT Group engaged with numerous high profile clients to provide them with ICT solutions and related services. The following are some of the high profile contracts that we acquired over the course of 2017:

- SLT provided the Avaya hosted call centre solution to Cinnamon Hotels, Union Assurance of John Keells Group, and to Fair First Insurance.
- Expo Lanka Group has reformed their IT arm as a new company and has obtained an Oracle VM infrastructure from our Akaza Cloud platform to serve their group companies.
- SLT provided an audio streaming solution over IP-based MPLS network Maharajah Broadcasting Corporation (MBC) of the Capital Maharajah Group. This is the first solution of this nature developed by SLT.
- The branch and ATM network of the Hatton National Bank (HNB) are connected via SLT data network. SLT upgraded the total data network of HNB in order to increase the efficiency of their banking service.

- Seylan Bank, in partnership with SLT, launched online Learning Management System (LMS), a cloud-based eLearning solution. The solution is a part of the SLT Akaza platform, which operates in collaboration with i-Context Content Convergence (Pvt) Limited. This service will facilitate employee training and development to deliver an exceptional customer service.
- SLT upgraded the Sampath Bank total data network to 228 locations.

We have a number of medium-scale enterprise customers with whom SLT has partnered to provide a number of services as follows:

Customer	Service
Araliya Green City Hotel, Nuwara Eliya	Hospitality IPTV Solution
Grand Mountain Hotel, Matale	Total Communication Solutions
Regional Development Bank	HRM Solution Implemented on AKAZA Cloud
Trymass Media	Total Data Solution including Infrastructure and VPN Network
Damro	CommuniGate Pro Mail Solution
Sathosa	CommuniGate Pro Mail Solution

## Partnerships and MoUs with the Government of Sri Lanka →

- Lanka Government Network LGN 2.0. Under this project 860 Government establishments will be connected.
- SLT is developing the telecommunication infrastructure facility and modern ICT solutions to the iconic Lotus Tower.
- Core-banking solution provided to the Co-operative Rural Bank in Polonnaruwa District.
- SLT is developing state-of-the-art ICT solutions for a new administrative complex of Western Provincial Council in Battaramulla.
- Under the *Pibidemu* Polonnaruwa Project, total ICT solutions to the museum and library in Polonnaruwa will be provided by SLT.
- SLT has partnered with Central Engineering Consultancy Bureau to provide ICT solutions as the primary solutions provider.
- SLT entered into a partnership with the BMICH, becoming the iconic venue's official ICT partner. Wi-Fi coverage of the premises will be provided by 23 Access Points (APIs) and will cover a multiple number of locations. This project aligns with the public free Wi-Fi initiative by the Government.

## → Special initiatives undertaken in 2017

### Lanka Government Network (LGN 2.0) →

The LGN is a strategic project that is designed and implemented to link and upgrade Government entities, using a single network. SLT has set up an LGN fibre optic network to cover 315 Government establishments, and will provide these with Internet speeds of up to 100 Mbps,

SLT is geared to provide digital natives with all possible opportunities to thrive through our varied digital offerings.

**31% YoY**  
 increase in new PEO TV connections.

along with a host of other benefits. The network will significantly increase the efficiency and productivity of Government processes; which will consequently benefit the public as well. SLT hopes to connect 860 Government institutions (331 divisional secretariat divisions, 25 district secretaries, 50 ministries, 87 departments, 48 hospitals, and 321 other state establishments) by the end of the year 2018.

#### [Data Centre \(Tier III\) opened in Pitipana →](#)



Sri Lanka's first purpose-built, Tier III data centre is now in operation. This is dubbed the national data centre, since it provides secure, reliable data hosting facility, and cloud services to all Sri Lankans. This move is aligned with Sri Lanka's journey into digital transformation and SLT's Vision 2022. The data centre will benefit SLT's enterprise customers as well as Government entities. SLT will also provide our expertise to our users.

#### [Roadside Wi-Fi panels →](#)



As another initiative of expanding Wi-Fi footprint in Sri Lanka, SLT launched Roadside Wi-Fi panels in partnership with Mobile Media Ads (Pvt) Limited. Initially 21 sites will be deployed in prominent locations at Colombo metropolitan area. Our customers can access the following SSIDs: Public Wi-Fi, SLT Broadband, SLT Prepaid, through our Wi-Fi panels. They will also be equipped with a smart recycle bin, phone charging outlets, and an advertisement panel.

Sri Lanka's first purpose-built, Tier III data centre, now in operation, will benefit enterprise customers as well as Government entities.

**90%** customer satisfaction rate in 2017.



## Techno City and Megapolis



Under the primary objectives of transforming urban community and its lifestyle, maintaining a high level in quality of life, and to create green, sustainable, and smart urban settlements the Ministry of Megapolis and Western Development has initiated an array of development projects. The ministry's flagship project Techno City which will comprise of five technology institutes including the National Science Centre, Satellite Centre, and Technology University.

SLT has been appointed as the digital infrastructure provider for this project. SLT will design, implement, and maintain the required wired and wireless transport while distributing infrastructure for all licensed ICT service providers in Sri Lanka.

## Port City



The Colombo Port City project, which covers 233 hectares has been planned for two stages and will be completed in eight years. It will include all related facilities such as access roads, electricity, communication, and all other infrastructure facilities. The development will comprise of five different precincts including the Financial District, Central Park Living, Island Living, The Marina, and the International Island. Built on the latest sustainable city designs and smart city concepts, Port City Colombo will be one of the most unique sites in South Asia. SLT has signed an agreement where SLT is committed to provide the required ICT infrastructure for the Port City including high speed broadband services provided through the fibre network, television content through IPTV platform, cloud services, and smart living solutions.



## “Smart living” at Altair



With SLT’s goal to offer smart living to Sri Lankans, the Group came to an agreement with Indocean Developers (Pvt) Limited to provide SLT smart living solutions to the iconic Altair Tower that is nearing completion in Colombo. This will include high speed broadband services up to the speed of 100 Mbps and high definition television content through the IPTV platform to the residents of this landmark property. Occupants will have access to all digital (cloud and IoT) services provided by SLT. Wi-Fi access in common areas and a number of smart and mobile applications will also be offered to seamlessly and remotely manage connected homes from anywhere, at anytime, on any screen in real time.

SLT’s smart living and smart building solutions are offered to many of the high-rise building complexes in Sri Lanka.

## SLT revamps the Sumathi network



Sporting Star under the U W Sumathipala & Sons (Private) Limited is the premier betting chain in the country. Sporting Star has its own racing publication and telecasts UK horse races from their betting centres. They required simultaneous delivery of private content through two dedicated channels from a centralised studio complex to 175 of their branches.

SLT proposed to deliver the required channel list including the two dedicated TV channels over an IP platform to the requested locations. In addition, 20 PEO TV channels (sports pack) will also be provided.

In total, there will be 350 TV points at 175 different locations island-wide connected to SLT network via our fibre network. There will also be a bandwidth upgrade of existing IPVPN to 1 Mbps through fibre.

# Business partner capital

Annual Report 2017

Sri Lanka Telecom PLC

Group Chairman's Review  
Smart Living with SLT  
Business Model

→ **Management Discussion and Analysis**  
Stewardship  
Financial Reports  
Supplementary Information

As outlined in the above sections, SLT, as the national ICT service provider provides ICT services to the Government and domestic and enterprise customers in Sri Lanka. During the year, we signed or renewed a number of significant contracts with diverse local and global enterprises. We also worked with a number of business partners to construct a business ecosphere of coexistence, co-innovation, and collaboration. We share reciprocal relationships and mutual successes with all our partners. A list of our business partnerships with enterprise and the Government is mentioned in the section "New enterprise business ICT solutions and MoUs" (page 59).

## → New strategic alliances, collaborations and joint ventures

The following are some selected alliances, collaborations, and joint-ventures of the SLT Group in 2017:

### SLT and Ubique Networks to provide a lagless gaming experience →

SLT partnered with Ubique Networks Inc., a Canadian eSports company, to launch South Asia's first ultimate eSports platform to provide a complete and lagless gaming experience for gamers and fans in Sri Lanka. It is the only platform that completely integrates a network technology to tackle one of the major irritants for eSports players, tournament organisers, and publishers - lag. Ubique's proprietary global lagless infrastructure IQNet - The International Certification Network geo-optimises the game servers in real time to deliver the ultimate gaming experience for gamers.

### Partnerships with high-end property developers →

In 2017, SLT signed a number of agreements with high-profile property developers to redefine the experience of luxury living. SLT entered into agreements with Indocean Developers (Pvt) Limited, currently developing the iconic Altair building in Colombo, and the Colombo City Centre (CCC), to provide fibre infrastructure with broadband services

In 2017, SLT signed a number of agreements with high-profile property developers to redefine the experience of luxury living.

up to the speed of 100 Mbps and high definition television content. SLT will also offer smart living and smart building solutions to the residents of these landmark properties.

### SLT partners with Fon for global Wi-Fi connectivity and roaming →

The SLT Group signed an agreement with Fon to deliver seamless Wi-Fi connectivity and roaming services to its subscribers. SLT Group will use Fontech's carrier Wi-Fi solution to provide Wi-Fi access locally. Further, the agreement with Fon will grant SLT subscribers international access to Wi-Fi in over 21 million locations (Wi-Fi hotspots) globally.

### SLT Mobitel partners with Ericsson for 5G technology →

Ericsson in collaboration with SLT Mobitel and the Ministry of Telecommunication and Digital Infrastructure formally signed the 5G Island of Innovation Memorandum of Understanding (MoU). This represents a landmark strategic ICT partnership that aims to bring 5G Internet of Things (IoT) innovation and entrepreneurship to Sri Lanka for the first time in South Asia.

### SLT hosted Management Committee meeting of two submarine cable maintenance consortiums →

The Consortium parties of the South East Asia and Indian Ocean Cable Maintenance Agreement (SEAIOCMA) and the Pacific and Indian Ocean Cable Maintenance Agreement (PIOCMA) met during the Management Committee meeting at the Hotel Galadari in Colombo hosted by SLT. SLT has been a partner of the cable maintenance consortium since the early 80s, investing in SEA-ME-WE and two other submarine cable systems. A total of 37 foreign delegates and 2 local parties, representing various international submarine cable maintenance authorities as well as facility providers such as cable ships and submarine cable spare storage depots attended the meeting.

Aceess to over 21Mn. Wi-Fi hotspots globally through FON.

## **South Asia's first state-of-the-art submarine cable depot in Galle →**

Galle Submarine Cable Depot (Private) Limited (GSCDPL), managed by SLT, is South Asia's first submarine cable depot. This is a joint venture with IOCPL (Indian Ocean Cableship Private Limited) which is a ship service provider for SEAIOCMA (South East Asia and Indian Ocean Cable Maintenance Agreement). Newly formed GSCDPL will be a depot service provider under the SEAIOCMA from 1 January 2018.

SEAIOCMA is the international consortium for maintaining the undersea cables. Sri Lanka is an important destination where multiple cable systems are already in operation. Galle Port has been selected to set up a submarine cable depot by the cable consortium with the participation of a number of countries and Sri Lanka will facilitate the cable maintenance, ship berth and warehouse facility. Prior to this initiative, Singapore was overlooking the submarine cable depot to facilitate international cable systems. Through this operation in the South Asian region, SLT will bring in foreign revenue to strengthen Sri Lankan economy.

## **SLT to take digital education to the next level with Guru.lk →**

Sri Lanka's leading eLearning portal has signed up with SLT to enable SLT broadband customers to pay for online study courses through the platform. The online portal emphasises on the value of digital education, as it eliminates barriers imposed on learning as a result of non-availability of material across geographies. Alongside the convenience it offers, this model of education is also cost and time effective.

## **→ Continuing partnerships**

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

services to a multitude of organisations. Our cyber security solutions are co-ordinated with Cyren. The Ruckus/Aleppo carrier-class Wi-Fi service continues to improve our ADSL data services with an island-wide network of hotspots. We engage with Synchronoss to meliorate customer service for our broadband network. We continue to partner with Microsoft to offer services in cloud computing and enterprise mobility management (EMM) to our customers.

## **→ Supplier relations highlights**

We conducted a supplier forum recently to inform our partners about the relevant developments in supply chain management (SCM). Furthermore a new enterprise resource management (ERP) system has been implemented at SLT. This streamlines operations in SCM, finance, human resources, and all other relevant departments into one platform. We integrated the relevant third parties to include our business partners, into the system as well.

## **→ Procurement policies and standards for business partners**

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

## **→ Dealer support**

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

Ericsson in collaboration with SLT Mobitel and the Ministry of Telecommunication and Digital Infrastructure formally signed the 5G Island of Innovation Memorandum of Understanding (MoU), a landmark ICT partnership.

# Employee capital

Annual Report 2017

Sri Lanka Telecom PLC

Group Chairman's Review  
Smart Living with SLT  
Business Model

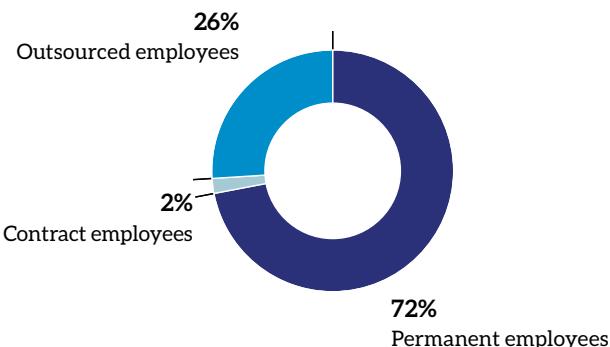
→ Management Discussion and Analysis  
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The working culture that persists at the SLT Group is aimed at realising our vision of becoming a “trusted partner” delivering a higher communication experience with “passion, quality, and commitment”. SLT has developed a number of HR initiatives in the area of talent management, development, diversity, and leadership to provide our team with the best possible working environment which will transform into contentment and excellence in customer service.

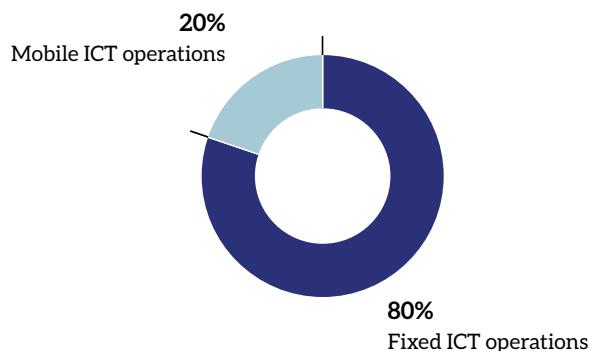
In the ever-changing digital world, the employee experience, expectations, and relationships are among the top challenges that we face. The telecommunication sector with its rapid pace of change has affected our employees the most. They had to experience the major technological transformation of our time: the shift from analogue to digital. The SLT Group Vision 2022 is also aligned with facing the challenges of becoming a digital services provider to our customers. In our drive to change into a DSP, our team of dynamic, dedicated individuals will be supported at every step of the way. We conduct training and awareness programmes to better manage the pace of technological advances in our sector.

SLT is committed to provide a rewarding working environment and to strengthen the value proposition by improving our employee experience in an open and transparent manner.

## Employee composition by type



## Total workforce by business segment



## Workforce profile

### Total workforce by employment type →

Type of employment	2017			2016		
	Fixed ICT operations	Mobile ICT operations	Overall ICT business	Fixed ICT operations	Mobile ICT operations	Overall ICT business
Permanent employees	5,390	1,147	6,537	5,684	1,127	6,811
Contract employees	23	189	212	31	31	62
Outsourced employees	2,148	196	2,344	2,204	268	2,472
<b>Total</b>	<b>7,561</b>	<b>1,532</b>	<b>9,093</b>	<b>7,919</b>	<b>1,426</b>	<b>9,345</b>

Note: Includes Mobitel part-time employees.

## Total workforce by gender →

Type of employment	Female	Female %	Male	Male %	Total 2017
Fixed ICT operations	1,863	79.85	5,698	84.29	7,561
Mobile ICT operations	470	20.15	1,062	15.71	1,532
Overall ICT business	2,333	100	6,760	100	9,093

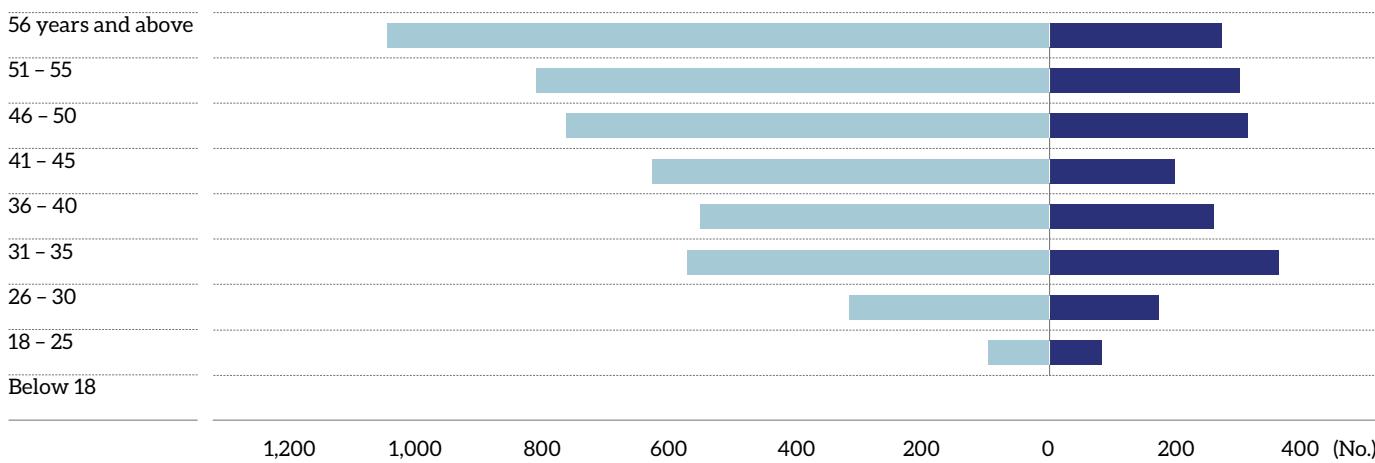
Note: Includes outsourced and part-time employees.

## Analysis by gender, grade, and business segment →

Grade	Female			Male		
	Fixed ICT operations	Mobile ICT operations	Overall ICT business	Fixed ICT operations	Mobile ICT operations	Overall ICT business
Senior management	10	8	18	55	61	116
Middle management	24	60	84	94	268	362
Executives	285	297	582	564	533	1,097
Non-executive staff	1,219	58	1,277	3,162	51	3,213
<b>Total</b>	<b>1,538</b>	<b>423</b>	<b>1,961</b>	<b>3,875</b>	<b>913</b>	<b>4,788</b>

Note: Excludes outsourced employees.

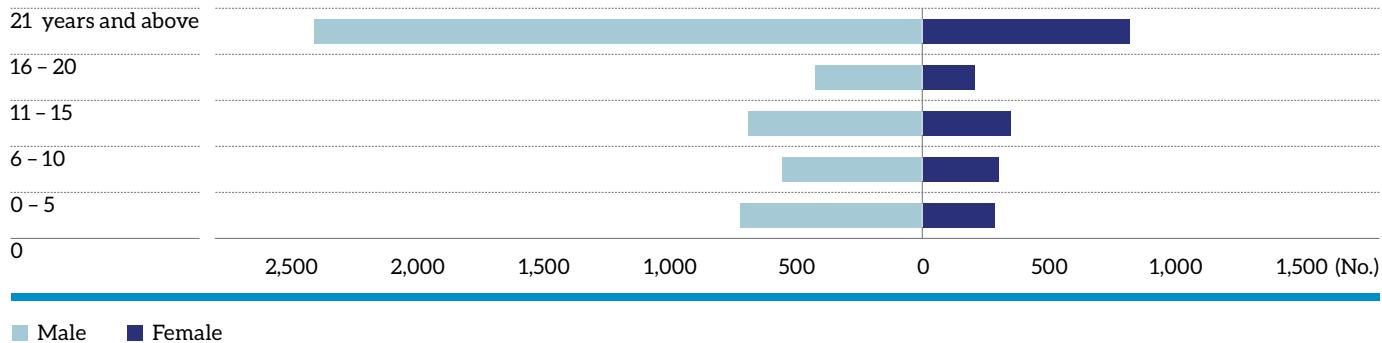
## Overall ICT business – Age analysis of staff



■ Male ■ Female

Note: Excludes Mobitel outsourced employees.

## Service analysis



Note: Excludes Mobitel outsourced employees.

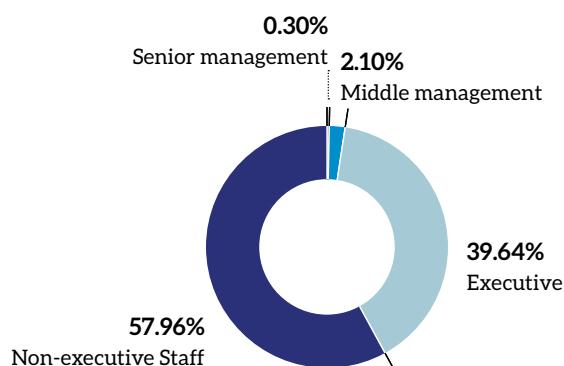
## Recruitment and turnover

### Employee recruitment by grade and business segment →

Grade	2017			2016		
	Fixed ICT operations	Mobile ICT operations	Overall ICT business	Fixed ICT operations	Mobile ICT operations	Overall ICT business
Senior management	1	0	1	1	1	2
Middle management	0	7	7	0	3	3
Executives	0	132	132	41	67	108
Non-executive staff	1	192	193	149	0	149
<b>Total</b>	<b>2</b>	<b>331</b>	<b>333</b>	<b>191</b>	<b>71</b>	<b>262</b>

Note: Excludes SLT and Mobitel outsourced employees.

### Employee recruitment by grade and business segment



## Employee recruitment by age and business segment →

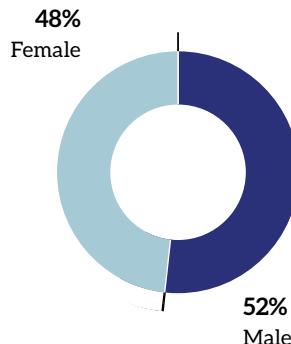
Age category	2017			2016		
	Fixed ICT operations	Mobile ICT operations	Overall ICT business	Fixed ICT operations	Mobile ICT operations	Overall ICT business
Below 18	0	5	5	0	0	0
18-25 years	0	227	227	37	34	71
26-30 years	1	77	78	59	28	87
31-35 years	0	17	17	47	7	54
36-40 years	0	5	5	46	2	48
41-45 years	0	0	0	1	0	1
46-50 years	1	0	1	1	0	1
51-55 years	0	0	0	0	0	0
56 years and above	0	0	0	0	0	0
Total	2	331	333	191	71	262

Note: Excludes SLT and Mobitel outsourced employees.

## Turnover by gender →

Grade	2017			2016		
	Fixed ICT operations	Mobile ICT operations	Overall ICT business	Fixed ICT operations	Mobile ICT operations	Overall ICT business
Female	19	78	97	24	32	56
Male	26	75	101	31	47	78
Total	45	153	198	55	79	134

## Turnover by gender



## Employee turnover by grade and business segment →

Grade	2017		
	Fixed ICT operations	Mobile ICT operations	Overall ICT business
Senior management	0	1	1
Middle management	0	11	11
Executives	9	55	64
Non-executive staff	36	86	122
<b>Total</b>	<b>45</b>	<b>153</b>	<b>198</b>

Note: Excludes outsourced employees.

## Occupational health and safety – Fixed ICT →

No. of Injuries 2017	
Female	Male
3	5

## → Training and development

Focusing on the key priorities of our strategic road map in transforming into a digital service provider, SLT continued to strengthen the skill and talent development of our staff in 2017. Employee training opportunities are essential to the growth of the Company and it will also be beneficial to employee retention and loyalty. At SLT, we provide a

combination of formal training, on-the-job experiences, and regular feedback from managers. Our appraisal system helps us identify the areas that need more focus. Training is conducted at an individual level as well as at departmental level.

In 2017, a total of 122,149 hours of training were conducted for our workforce. Over 52,000 hours were spent on introducing new skills to improve operational efficiency. To facilitate the digital transformation under Vision 2022, we hope to train and re-skill our existing workforce. Over 26,000 hours were spent on business automation and IT system related training and an additional 20,000 hours were spent on FTTH, Wi-Fi, LTE, ADSL, IPTV, OSP, Optical Fibre and access technology related training.

SLT is committed to provide a rewarding working environment and to strengthen the value proposition by improving our employee experience in an open and transparent manner.

**3,193**  
employees with  
over 21 years of  
service.

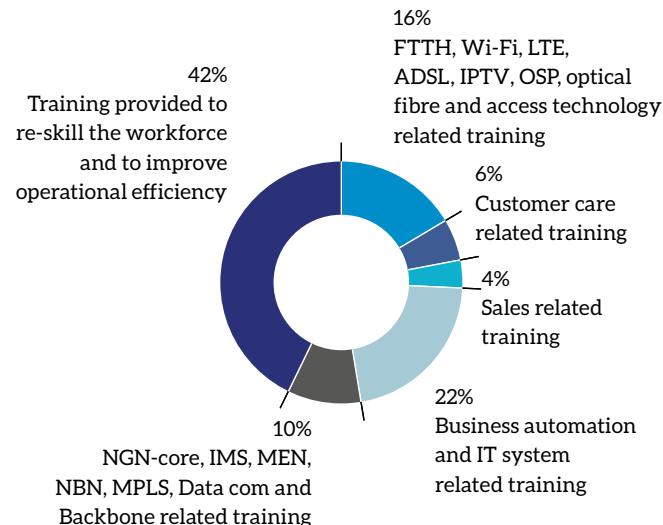
**333**  
new recruits  
in 2017.

There were also a total of 109 foreign training programmes conducted during 2017. They included technical training as well as conferences, workshops, seminars, forums etc. Our team was afforded valuable opportunities to gain experience on a wide array of fields through these foreign programmes.

### Fixed ICT training composition →

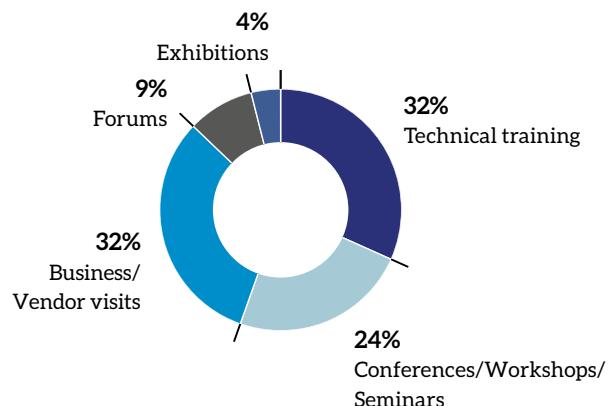
Each year, we allocate a significant portion of our budget for training and development. We possess four training centres, supplemented with a team of dedicated staff, to carry out these programmes. SLT conducts most of its training programmes using internal and local resources.

### Fixed ICT training composition



Focusing on the key priorities of our strategic road map in transforming into a digital service provider, SLT continued to strengthen the skill and talent development of our staff in 2017.

### Mobile ICT training composition



### Mobile ICT training composition →

SLT Mobitel continues to encourage and support a learning culture among staff from the time of joining where the recruits are given a debrief of SLT and its culture followed by a formal induction and orientation with the participation of Senior Management and HR to provide more insights into the operational aspects of the Divisions.

We encourage and support our employees to gain professional qualifications and join professional bodies as members, after the completion of a minimum period of employment. Opportunities are also provided for enrollment in seminars, conferences, workshops, and customised trainings periodically dependent upon its relevance and priority. Employees are selected according to the Training Needs Identification process or on need basis to cover changes in technology.

Nearly  
**150,000**  
hours of training.

Nearly  
**200**  
foreign  
training  
programmes

An Executive Development Programme (mEDP) was launched in 2017 to develop executive staff cross-functionally. A platform for sharing knowledge online is available via the intranet.

Product awareness and Customer Service Excellence trainings are conducted by Marketing, Sales and Customer Care staff periodically. Further, we join with leading universities, professional institutes, technical colleges, and recognised institutes in providing internships and work experience opportunities to undergraduates.

### Local training: Mobile ICT →

Subject area	Total hours	%
Business English	2,193	19
CCNA routing and switching	2,048	17
Decision-making	408	3
Executive development programme	1,524	13
Lightning protection	288	2
Negotiation skills	200	2
Oracle ERP training	864	7
Teambuilding	1,136	10
Train the trainer	333	3
Customer service excellence	821	7
Performance management	464	4
Mobile technologies for non-technical professionals	220	2
Leadership development	1,234	11
<b>Total</b>	<b>11,733</b>	<b>100</b>

### Foreign training – Mobile ICT →

Key areas of focus	No. of participants	No. of sessions	%
Technical training	93	25	32
Conferences/workshops/seminars	51	19	24
Business/Vendor visits	67	25	32
Forums	16	7	9
Exhibitions	4	3	4
<b>Total</b>	<b>231</b>	<b>79</b>	<b>100</b>

### Training and development by grade and gender – Mobile ICT →

Grade	No. of hours of training	
	Female	Male
Senior management	234	2,054
Middle management	2,240	10,117
Executives	2,872	4,099
Non-executive staff	741	3,296
<b>Total</b>	<b>6,086</b>	<b>19,566</b>

### Professional support →

The SLT Group lends its support to staff wishing to join accredited professional bodies. Our employees are thus affiliated with a plethora of institutions and professional bodies; both domestic and international. Our employees can equally further their professional development by following qualifications offered by these institutions; and can similarly be approved for the reimbursement of incurred costs following approval.

### Exhibitions and conferences →

SLT ensures that its staff attend all relevant exhibitions and conferences in the telecommunications industry and beyond. Some of the overseas events that we attended in 2017 are

The global challenges in the telecom industry are manifold and technological advances are showcased in major international events. In order to gain exposure and provide networking opportunities, SLT Mobitel team participated in major foreign and local exhibitions and conferences. The following is list of events in which SLT Mobitel participated in 2017:

#### Foreign

- The 10th Annual Rural Marketing Digital and Omnichannel Transformation
- 30th Law Asia Conference
- Asia Pacific Regional Conference on Operational Technologies (APRICOT), Broadband World Forum 2017
- Global Mobile Vision 2017
- Global Sources – Consumer Electronics /Hong Kong Electronics Fair



- GSMA Asia Pacific 2017
- GSMA Mobile World Congress 2017
- IoT Solutions World Congress 2017
- Oracle Open World and Tower Xchange Meetup Asia 2017

#### **Local**

- 10th Annual National Conference on Cyber Security
- 17th CIM Annual Conference 2017
- 38th National Conference of Chartered Accountants
- Bank Tech Asia 2017 Conference, National IT Conference 2017
- National Law Conference 2017
- The Institute of Internal Auditors – 7th National Conference.

#### **Fostering knowledge →**

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

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

#### **Performance appraisal →**

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

We target organisational strategic objectives to individuals through their departments. An individual metric is based on both an individual's key performance indicator (KPI) and an average of targets and competencies. The ERP process leads to increased efficiency. It also aids us in being more environmentally conscious by reducing our usage of paper.



#### **Employee relations and engagement**

Employees want to be involved in their work, enthusiastic about the organisation they work for, and committed to their fellow workers. Statistics prove that employees who are engaged at work are more likely to be productive on a consistent basis. There is an intrinsic link between employee engagement and retention. Low engagement can be caused by several factors including lack of recognition by managers, poor company communication, and not being aligned with the mission of the Company. At SLT, we consider employee engagement as paramount and a strategic business objective.

We engage our employees on issues related to our strategy. Our team plays a crucial role in achieving the Group's Vision 2022. Our employees are actively engaged in the overall strategy of the SLT Group to transform into a digital service provider. There are annual performance assessment systems which facilitate transparent evaluation. There is also a regular employee satisfaction survey conducted to better serve our team. We recognise the achievements of our team through annual award ceremonies. As mentioned above, there are local and foreign training programmes that are initiated based on career development and career progression needs. We also hold various cultural and religious events during the year. Other methods of engagement included departmental meetings, briefings, involvement in community projects, and internal newsletters.

#### **HR blog →**

Our bespoke HR blog is an outlet to our employees to offer insight, comment, and suggest on any HR-related matter. The activity on the blog is continually monitored. The blog is used as a primary method of engaging directly with our employees.

#### **Meetings →**

We elaborate on important decisions through meetings and memoranda. Our internal newsletter "Amathuma" supplements these efforts by disseminating information on company activities as well as novel developments in information technology. The Management conducts meetings with union representatives to make them aware of new developments. The HR division periodically meets unions to discuss and reconcile any issues that may be present.

### Grievance handling procedure →

There is a systematic, comprehensive mechanism in place for handling and resolving all employee grievances. We understand that handling grievances in a quick and efficient manner can lead to maintaining good employment relationships, prevent small issues escalating, and ensure a healthy, productive working environment. Any issue can be reported to supervisors or line managers, which will consequently be brought to the notice of the HR department. If a supervisor or manager is related to the matter, the employee can directly contact the HR department. The HR department will respond promptly and handle the issue objectively, fairly, and confidentially. Appropriate measures will be taken to correct the issue under concern, to the benefit of all invested parties.

### Whistle-blowing policy →

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

### Employee recognition →

We are continuously committed to recognising our employees' efforts. We hold an Annual Quality Award Ceremony to felicitate the winners of SS Implementation, QC and CI teams, ISO 9001 QMS Implementation etc. Each group possesses its unique evaluation framework to identify outstanding performance. Corresponding annual award ceremonies (Service Excellence awards, Sales awards, etc.), are then conducted to reward the nominees. In the coming years, we aspire to organise a more elaborate awards ceremony to recognise, amongst others, the long-standing employees of SLT who have shown their dedication for over twenty-five to thirty years.



### Benefits and welfare initiatives →

Welfare initiatives and employee well-being contribute greatly to creating an engaging working environment, while various benefits provide employees with an additional incentive. The SLT Group offers a range of benefits and effective welfare initiatives to our employees. These activities focus on improving the work-life balance of our employees. Throughout the year, we organised a range of social and sporting activities, as well as voluntary initiatives. Some of these included the Telecom games, Provincial meets, and Regional awareness programmes designed to improve the relationships amongst regional staff. SLT possesses holiday bungalows in numerous locations throughout Sri Lanka. We aim to operate additional units at new locations, as well as improve the conditions of existing ones. We further grant funds for any annual divisional trips that may take place.

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

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

### Employee satisfaction

Employee satisfaction is essential for an organisation to achieve and sustain themselves if they want to remain competitive. We conduct employee attitude surveys that provide our team with the opportunity to give confidential feedback, to measure job satisfaction, and to identify particular organisational issues, opinions and attitudes. We believe that having an overall picture of the needs, pain points, and wants of our employees can be a key catalyst for driving organisational change.

Every year the SLT Group conducts an employee satisfaction survey with the assistance of Great Place to Work. This is a global research, consulting, and training firm operating in more than 46 countries, that helps organisations

identify, create and sustain great workplaces through the development of high-trust workplace cultures.

The following are the results of the "Employee satisfaction survey" conducted by Great Place to Work Institute in 2017.



**69%** of the respondents believe SLT is a great workplace



**56%** is the trust index of SLT



Employees express "Pride in the Organisation" and "Want to work here for a long time"

## → Health and safety

SLT is committed to create a safe, healthy working environment. We understand that poor safety standards affect the working experience of our employees. We have systems set up in place to assess and minimise risks that may impact health, safety, or welfare of our employees in the workplace.

Our Health and Safety Division bears responsibility for upholding all health and safety standards of SLT. Health and Safety Division was operating chiefly at headquarters, communicating to employees through circulars and memoranda. To further their efforts, SLT plans to increase their coverage to regional and outstation employees. For as far as safety is concerned, we understand that most workplace-related accidents occur at the regional and outstation level.

### Health and safety policy →

#### Objective →

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

#### Goals →

The following will be achieved:

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

#### Campaign trail →

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

#### Web publication →

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

#### Fire and safety →

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

#### Health and safety for engineering staff →

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

#### Storage practices →

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

#### Slips and trips →

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

# Social and environmental capital

SLT, as the national ICT service provider in Sri Lanka, is a responsible corporate citizen. We believe in giving back to the community. SLT has become an important participant in the communities it operates in. Our exemplary care also extends to the environment. The digital transformation that SLT is undergoing will directly support the UN Sustainable Development Goals as environmental protection is embedded in the digital sphere. Our CSR programmes are designed and executed under the strict framework of the SDGs. Our strategic direction outlined in the SLT Group Vision 2022 is committed to aligning our business operations and strategies to the universally acceptable principles.

We firmly believe that the digital world should be open to everyone. With that objective in mind, we actively work towards reducing the "digital gap" to promote the ease and convenience of digitisation to the common public. We support and initiate a number of social projects that are geared towards achieving this objective.

## SLT's social responsibility policy

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

## → SLT is an important participant in the community

### 160 School Development Programme →

To celebrate our 160 year anniversary, SLT implemented the special community outreach project: "160 School Development Programme" to contribute to the well-being of the Sri Lankan society. The project's focus was to provide ICT infrastructure: broadband connection with 12-month rental free with a free Wi-Fi router. We also conducted awareness programmes and lectures on ICT (which is offered as a subject for Ordinary Level Examinations). We also provided books to the school libraries. It also included awareness programmes on SLT's recycling of CFL and fluorescent tube lights to prevent the adding of mercury into the environment.

The "160 School Development Programme" was held at 197 schools island-wide in Sinhala and Tamil languages with the participation of more than 12,000 students, teachers of respective schools, and some zonal education officers. The following are some of the key areas covered by the

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programme: Anuradhapura, Gampola, Kandy, Hambantota, Elpitiya, Matara, Chillaw, Nuwara Eliya, Bandarawela, Dambulla, Hatton, Ranna, Kegalle, Puttalam, Moneragala, Ginigathenna, Ratnapura, Hokandara, Badalkumbura, etc.

## "Sisu Abhiman" programme recognises top achievers in the GCE A/L Examination →

Under the *Sisu Abhiman* scheme, the top five students of each of the seven Advanced Level streams were recognised. The selected students were felicitated by Hon. President Maithripala Sirisena and received SLT's ultra-high speed broadband connection package equipped with all necessary devices to facilitate their undergraduate studies and empower their academic life. The service will be provided to them free of charge during the entire period of their undergraduate studies.

## Book donation programme →

SLT and the Asia Foundation collaborated to help the proliferation of English language education and professional education in Sri Lanka. We have donated over 100,000 books yearly. Last year, the agreement between SLT and the Asia Foundation was renewed for the 13th consecutive year.

## SLT Customer clubs have gone from strength to strength →

The customer 2.0 is not only digital savvy but greatly aware of the present needs of the society and the environment. They believe in creating a sustainable society and environment for the future generation. The SLT Group has a customer base of over six million in Sri Lanka. We have recognised that our customers wish to give back and therefore, we work together towards the betterment of the country. The SLT Customer Club initiative was created to empower our customers and provide them an outlet for their altruism. Though they are under our purview, we have given complete autonomy and independence to the executive committees of these clubs. At present, there are 20 customer clubs. In 2017, there were 92 meetings held and 22 CSR events were organised by the SLT Customer Clubs.

Programmes and activities covered knowledge sharing sessions on the following topics: disaster management, road safety, good food habits for schoolchildren, and water container distribution project for rural villages. There were motivation programmes held for thalassaemia-affected children. There was a drama show organised for children at an orphanage, elderly citizens, and disabled soldiers.



### **Protecting our heritage through the "Ape Uruma Vee" project →**



The 2017 calendar of SLT was produced under the theme “Preserving heritage for tomorrow” and a sub-theme “Traditional Rice of Sri Lanka”. Our aim was to raise awareness about preserving our rich heritage, especially our ancient methods of cultivation. As a part of this programme, SLT implemented a particular CSR project to preserve traditional rice varieties in Sri Lanka.

Under this project cultivation of traditional rice was carried out in 80 villages. More than 40 acres were cultivated in 19 districts which resulted in farmers gaining over 40,000 kg of traditional rice. A competition was also held to encourage farmers. It was judged by personnel from the Food Production National Programme at the Presidential Secretariat.

### **We provided assistance when the nation was in need →**

The SLT Group carried out various programmes during flood and drought times in the year 2017. Our technical teams worked throughout the day with the local agencies and DMS. We offered mobile phones for free to agency officers and free credit to all Mobitel users in the affected areas. In the aftermath of the disaster we helped clean the wells to ensure clean water and we implemented a disaster relief programme in collaboration with the Ministry of Telecommunication.

### **Supporting sports →**

The SLT Group understands that sports play a vital role in teaching our children fundamental values like a strong work ethic, teamwork, and good sportsmanship. SLT Mobitel sponsors national level and school level rugby, rugby 7s tournaments, and many other school rugby events. We also sponsored Sunday Observer Schoolboy Cricketer of the Year for the 13th consecutive year. As mentioned above, throughout the year, we have promoted e-sports and e-sporting events throughout the country.

### **Bolstering national healthcare →**

In our effort to bolster the national healthcare services, we acquired eChannelling PLC. Together with eChannelling and other government institutes, SLT Mobitel conducted health camps across the island. The following steps were taken throughout the last year to support national health care services:

- Spectacle donation camps (Over 20,000 spectacles were donated).
- Human tissue donor registration programmes.
- Communication platform for the Organ Transplant Unit.
- Kidney awareness campaign.
- Dengue awareness campaigns.
- Wi-Fi capability was introduced to the National Cancer Institute.
- A dedicated hotline was launched for the Diabetics Unit.
- Sri Lanka's first ever medical hackathon “MedHack” was organised to innovate solutions for the health sector.

### Collaboration with healthcare bodies →

SLT Mobitel collaborated with the University of Kelaniya and Arthur C. Clarke Institute for Modern Technologies to launch two interactive mobile apps for stoma care and breast cancer care. These apps have been developed as a platform for communication between consultants, respective care nurses, and their patients, both on an individual and a country-wide basis. They will serve as a platform for patient education and training in stoma care and breast cancer care. Furthermore, data obtained from such an app would provide opportunities for research in medicine and healthcare.

### Religious programmes →

The SLT Group conducted various religious programmes throughout the year.

#### **Manudam Paramitha programmes – 2017**

*Manudam Paramitha* programmes are conducted on all the poya days of the year with the collaboration of different parties. The 12 programmes conducted across the island include dhamma discussions, book donations, awareness programmes, and other types of charitable work.

#### **Nethrabhimana**

SLT Mobitel together with Sri Lanka Federation of the Visually Handicapped launched "Nethrabhimana" to assist the visually handicapped community of Sri Lanka. The 1st phase commenced with a programme that allowed the visually impaired to experience the beauty of Vesak by hearing Vesak padol stories. The 2nd phase saw various donors from around the country contributing to create a new "Voice library" for the community.

### Planting of Bo Trees

SLT donated 28 sacred Bo plants to temples for planting. This was to commemorate 28 lord Buddha and also an initiative directed towards environment protection.

### SLT celebrates Ifthar and Christmas

We held Ifthar celebrations at Kalutara with the participation of a large number of people. School bags and stationeries were also donated to 125 students. Further, SLT provided books to the library of Musilm Balika Vidyalaya – Kalutara.

Christmas was celebrated at *Samata Sevana* Elders' Home at Mattakkuliya. The establishment accommodates around 40 elders who are living in the locality. We gave away gifts and provided a Christmas meal and dinner packs to the elders. This was held in Kalutara.

### → **SLT is committed to preserve the environment**

As mentioned above, we are cognisant of the fact that our operations inevitably impact on the environment in a number of ways. Thus, we are committed to mitigate any adverse effects on the environment and operate in a manner that is environmentally responsible and economically sustainable.

Our digital transformation, where we envision to increase the revenue from digital services to as much as 15% of our overall operations, leads to the protection of the environment. Digitalisation will automatically eliminate the need for paper-based systems and storage space. Similarly, our e-work, e-commerce, e-health, e-learning, and e-banking conversions help minimise the carbon footprint by contributing to, amongst other factors, decreases in transport and commuting, and saving physical space.

The digital transformation that SLT is undergoing will directly support the UN Sustainable Development Goals as environmental protection is embedded in the digital sphere.

More than **20,000**  
participants at the "160 School Development Programme".

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

The following are initiatives undertaken by the SLT Group towards the preservation of the environment in 2017:

### **World Environment Day Commemoration Programme →**

To commemorate the World Environment Day the SLT Energy Council organised an awareness session titled "Nature, Environment and Importance of World Environment Day" on 5 June 2017. The seminar was conducted by Mr Nimal Perera, an expert in the field.

### **Energy management →**

Using our resources efficiently makes sound environmental and economic sense. That is why we are exploring new ways of improving our energy efficiency to reduce our emissions while saving costs.

We engaged in the following measures throughout the year:

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

We launched an experimental project to study the viability of using solar power as the main source for several service access gateways. Under this scheme 17 sites were inspected.

### **SLT contributes to saving over 96 million litres of water from pollution →**

SLT implemented a CFL and FTL recycling programme to prevent environmental pollution and to help preserve the ecological balance. The main objective behind the project was to keep mercury out of the environment. Under Phase I of this programme, during the last six months, the Company has successfully collected a total of 3,217 CFL and fluorescent tube lamps for recycling from the Company's head office as well as from the Company's head office employees. This amounts to a total of 16,152,000 litres of water being saved from mercury pollution. Under Phase II, SLT has extended this programme to collect CFL and FTL bulbs for recycling from its regional offices and employees of regional offices islandwide. We reduced over 12,868mg. of mercury from being added to the environment and protected 96 million litres of water. Under Phases III and IV, the company expects to extend this to SLT's customers and then to the general public.



### **Employee awareness programmes →**

We regularly conduct employee awareness programmes to enlighten our staff in the best practices in preserving the environment and the importance of conservation. These programmes will be implemented this year as well.

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

**17** sites were inspected for solar energy installations.

The Sri Lankan telecommunication industry is heavily regulated. There exists several authorities covering areas such as spectrum allocation, roaming charges, consumer rights, copyright, data protection, cyber security, and the wholesale fees that operators charge each other. These regulatory measures are in place to protect consumers and the industry. There have been some regulatory requirements that have hindered the development of the sector. When there are such measures, the telecommunication operators voice their issues with the relevant authorities. These lead to fruitful discussions and favourable amendments.

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

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

- Handling interconnections.
- Negotiating with Government entities.
- Monitoring the actions of other regulators to identify and correct any issues of malpractice.
- Managing customer relations and complaints.
- Ensuring quality of service.

## → **Regulatory assets of SLT**

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

- Island-wide copper network.
- Fibre network extending nearly 30,000 km.
- 4G LTE network.
- Spectrum radio frequencies (Maritime radio, CDMA, Wi-Fi, LTE etc.).
- Telecommunications towers (262 island-wide).
- Telecommunications exchanges island-wide.
- Brand names.
- Goodwill.

## → **Regulatory risks faced by SLT**

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

## → **Regulatory licensing**

Licensing is an important component of regulatory measures, as it authorises an entity to provide services or operate facilities. A telecommunications licensee is permitted to provide a distinct service over a specific type of network for a pre-determined period of time. A wide range of licensing approaches are available world wide. SLT currently possesses an operator licence from the TRCSL that is valid for ten years, with an expiration date of 8 February 2022.

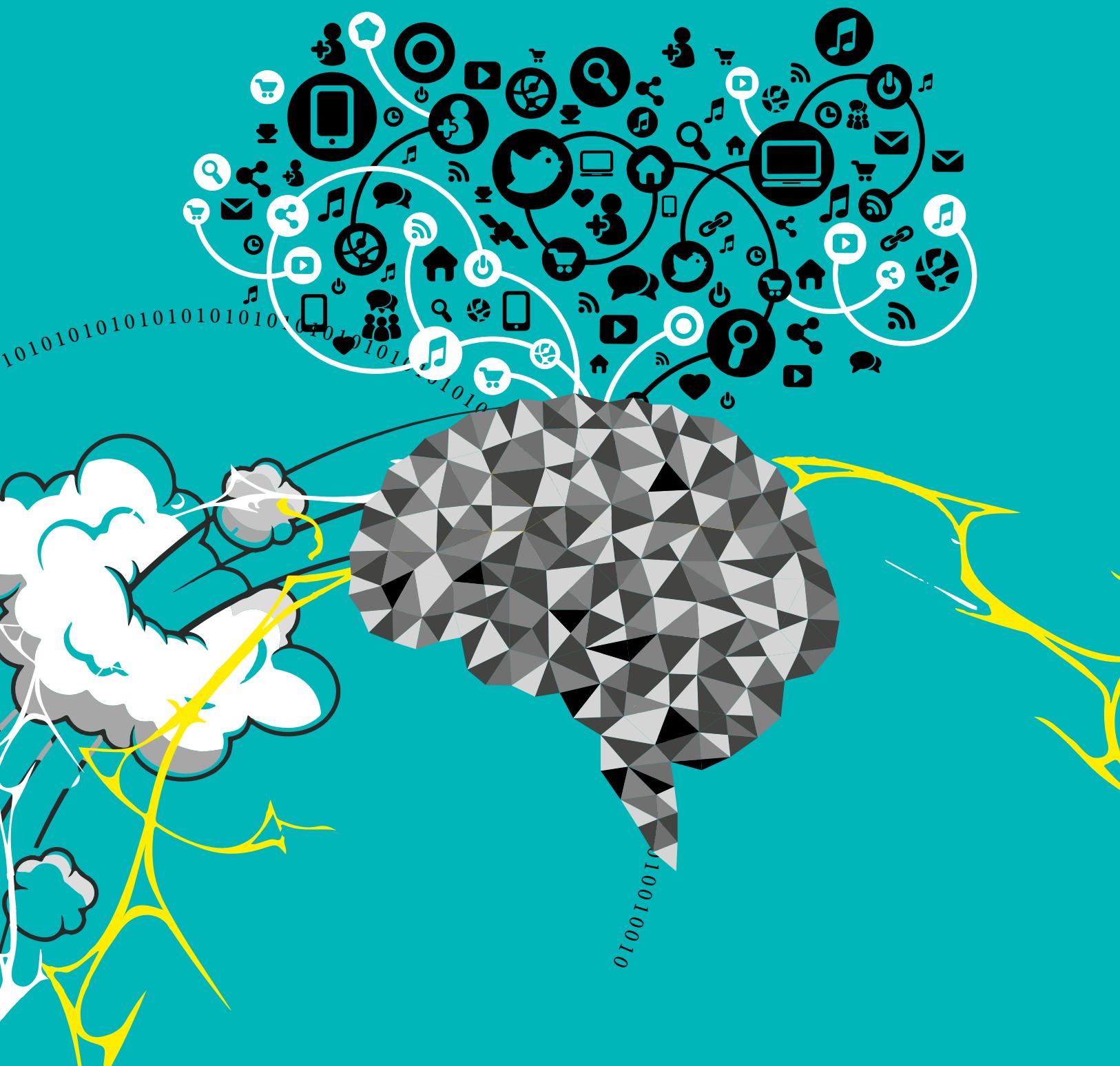
## → **Functions and activities of the Regulatory Division of SLT**

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

- Obtaining necessary licences (operator, spectrum, vendor, etc.) from the regulator.
- Assuring regulatory compliance with all relevant bodies.
- Administration of TRC directives.
- Regulating tariffs.

# Speed

The “digital brain” that lies at the core of digitalisation will allow more to happen faster and more comprehensively than ever before



# Stewardship

## Board of Directors

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### Mr P G Kumarasinghe Sirisena

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Chairman

Mr Kumarasinghe Sirisena was appointed to the Board as an Independent Non-Executive Director and Chairman of the Board on 23 January 2015. He also serves as Director/Chairman of Mobitel (Private) Limited, eChanneling PLC, SLT Digital Services (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, SLT Campus (Private) Limited, and Director of Galle Submarine Cable Depot (Private) Limited as well. He also serves as a member of the Remuneration and Nomination Committee and the Executive Committee of the Board.

Mr Kumarasinghe Sirisena holds a BSc Honours (Special) Degree in Management from the University of Sri Jayewardenepura. In addition, he holds an MBA from the University of Wayamba and a Master of Public Management from the Sri Lanka Institute of Development Administration. He is a Postgraduate Diploma holder in accountancy, financial management, 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 Sirisena counts over 25 years of experience in general management, financial management, and human resource management both in private and government sectors.

In addition, Mr Kumarasinghe Sirisena 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 of Sri Lanka (HM - IPM), and an associate member of Association of FIR Professionals of Sri Lanka (AM - HRP).

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

**Mr Chan Chee Beng**

Director

Mr Chan Chee Beng 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 Remuneration and Nomination Committee and a member of the Executive Committee of the Board.

He possesses over 39 years of experience in investment banking, general and financial management and accounting. He worked at Ernst & Young and Morgan Grenfell & Company Limited prior to joining the Usaha Tegas Sdn Bhd ("UTSB") Group in 1992 as head of corporate finance. He serves on the Boards of several companies including Bumi Armada Berhad, Binariang GSM Sdn Bhd, Maxis Communications Berhad of Malaysia, and Yu Cai Foundation.

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

**Mr Lawrence Paratz**

Director

Mr Lawrence Paratz was appointed to the Board of Sri Lanka Telecom PLC as an Independent Non-Executive Director with effect from 26 May 2010. Mr Lawrence Paratz 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. He also holds Bachelor's Degrees in Science and Engineering (Honours). In 2011, he was elected as a Fellow of the Australian Academy of Technological Sciences and Engineering (ATSE).

Mr Paratz has more than 30 years experience in all facets of the telecommunication industries including mobile, fixed, broadband, satellite, and international networks both domestic and international. This includes capital and infrastructure development, operations, sales, customer service, and regulatory issues. As a Director and Chief Executive of Acacia Australia (Private) Limited, he was responsible for development of an integrated proposal for delivery of national broadband communication for Australia.

He has served as a Director of Maxis Communication Berhad, Chairman of the Technology Committee of the Board, as a Director of Vernet (Private) Limited, a company providing ultra high speed broadband to Universities and Research Establishments in Australia, and a former Senior Executive of Telstra Corporation. He is a Director of Mobitel (Pvt) Limited, e-channelling PLC, Sky Networks (Private)



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### Ms Lai Choon Foong

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Director

Limited, SLT Property Management (Private) Limited, SLT Campus (Private) Limited, Sri Lanka Telecom (Services) Limited, SLT Visioncom (Private) Limited, and SLT Digital Services (Private) Limited. He is also a Director of Real Thing Entertainment (Private) Limited, an Australian high technology company and Razorback (Private) Limited, a company incorporated in Victoria, Australia. Mr Paratz serves as the Chairman of the Technology Subcommittee and is a member of the Senior Tender Board, Remuneration and Nomination Committee and the Executive Committee of the Board.

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

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

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

She has over 35 years of experience in finance, procurement and auditing in telecommunications, banking, and Government sector. She was previously with Maxis Berhad and is currently the Finance Head of Maxis Communications Berhad.

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

**Ms Nilanthi Pieris**

Director

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

Ms. Pieris is an Attorney-at-Law of the Supreme Court of Sri Lanka and counts over 30 years of experience including 30 years of practice at the Bar. At present, she serves as a Partner of Paul Ratnayake Associates. She has held several positions at the Bar Association, including the post of Assistant Secretary.

**Mr W K H Wegapitiya**

Director

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

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

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

Mr Wegapitiya was awarded the lifetime honourable title of "Deshabandu" for his valuable contribution to the nations development and entrepreneurial efforts. Also, he recently won the Entrepreneur of the Year 2017 at the ACES Awards.



### Mr A R Desapriya

Director

Mr Desapriya was appointed to the Board on 3 October 2017 as a Non-Executive Director. He is also a member of the Audit Committee, Related Party Transactions Review Committee, and the Executive Committee of the Board.

He has 30 years of work experience in the public sector. During which, period he worked in different areas of the public sector activities and held various positions of the General Treasury in the capacity of Director, Additional Director General, and Director General. Mr Desapriya is now a special grade officer of the Sri Lanka Administrative Service (SLAS).

He also serves as a member on the Board of the Insurance Regulatory Commission of Sri Lanka, Director to the Board of Regional Development Bank, and a member of the Welfare Benefits Board. Mr. Desapriya has a BSc Degree in Public Administration from the University of Sri Jayewardenepura, Sri Lanka and an MBA from University of Lublijana, Slovenia.



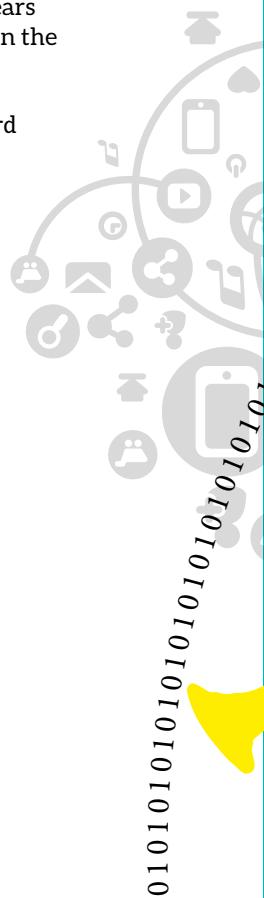
### Mr Mahesh Athukorale

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.

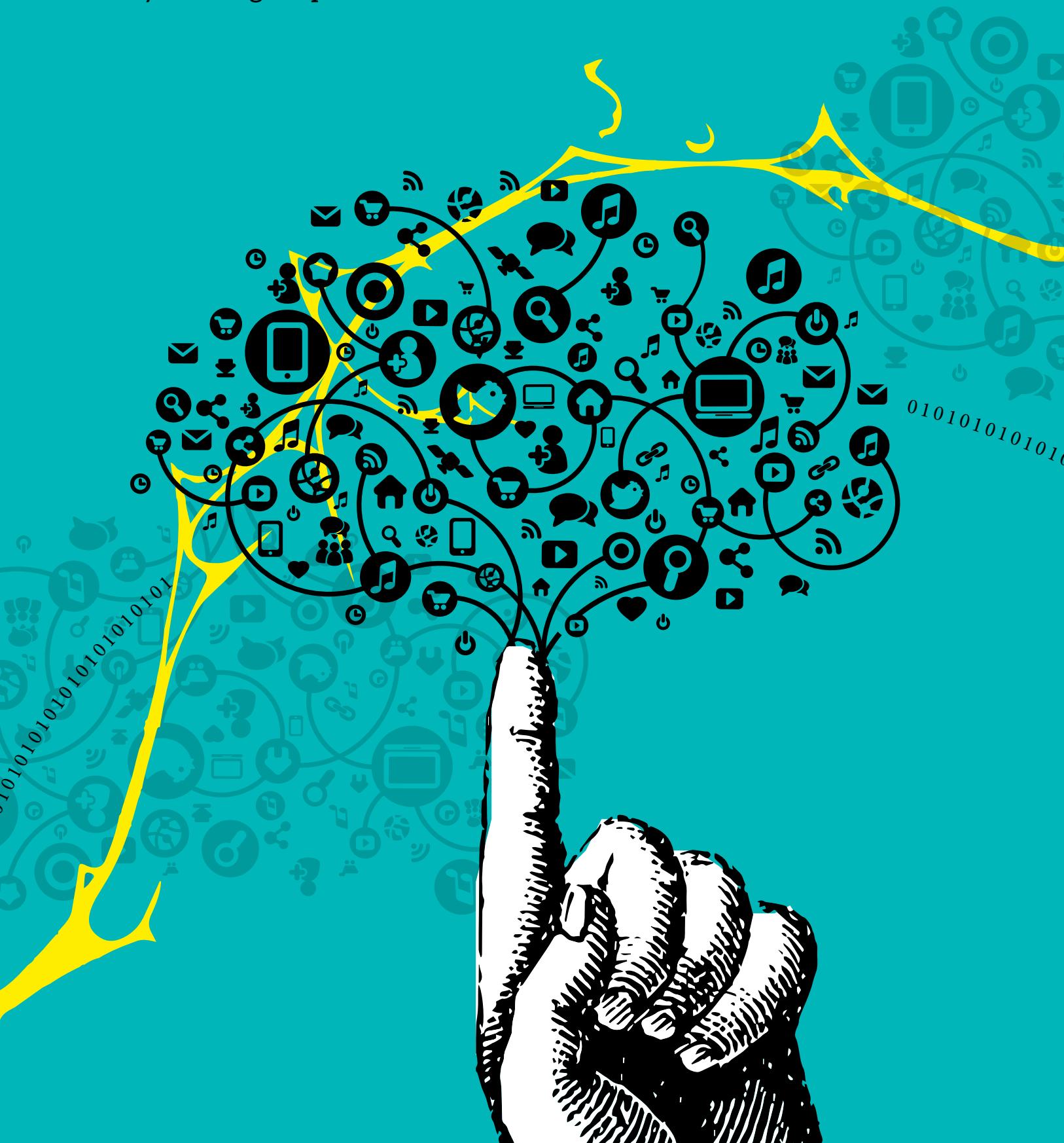
In his career spanning over 20 years he has 13 years of experience in the SLT Group and seven years in the mercantile and financial sector.

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



# Convenience

Digitalisation places more of life at your fingertips than ever before



# Leadership team

Annual Report 2017  
Group Chairman's Review  
Smart Living with SLT  
Business Model  
Management Discussion and Analysis  
→ **Stewardship**  
Financial Reports  
Supplementary Information

## Leadership team - Group and SLT



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### 1 Mr K A Kiththi Perera

Group Chief Enterprise and Wholesale Officer and Acting Chief Commercial Officer

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

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

### 2 Mr M B P Fernandez

Chief Network Officer and Acting Chief Technology Officer

Mr Fernandez joined SLT in 1991; following his roles in various multinational telecommunications organisations. He holds a BSc (Eng.) in Electronics and Telecommunications from the University of Moratuwa, Sri Lanka; and an MBA from the University of Sri Jayewardenepura, Sri Lanka. He is a Chartered Engineer and Fellow of The Institution of Engineers Sri Lanka.

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

He has held a string of senior positions within SLT, culminating in his current position as the Acting Chief Technology Officer. In this role he oversees entire planning, operation and maintenance of SLT network and projects of SLT in Sri Lanka. In addition, he has overseen the design, implementation and operation of SLT's Call Centre in line with improving customer experience. He has played a leading role for planning and

deploying very large scale programmes for SLT Network transformation. New Generation Network (NGN), Sri Lanka Backbone Network (SLBN), Fiber To The Home (FTTH), LTE (4G), National Broadband Programme (i-Sri Lanka), National Data Centre, and Submarine Cable Systems are some of the flagship projects in which he made his contributions felt.

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

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

### 3 Mr Mahinda B Herath

Group Chief Planning Officer

Mr Herath is a Chartered Engineer with an Honours Degree in Engineering from the University of Moratuwa and a Master's Degree in Industrial Mathematics from the University of Sri Jayewardenepura. In his career at SLT spans over 33 years. He has gained multidisciplinary exposure in the fields of Engineering, Management, Regulation, and Business. He has previously held a number of senior positions at SLT, including the Chief Planning Officer, General Manager, International Business, General Manager, Regulatory Affairs, and Deputy General Manager, Colombo Metro. Mr Herath has gained extensive training offered by reputed international operators, including Telia AB of Sweden, France Telecom, AT&T of USA, and KDD of Japan. He has also gained certifications in Telecommunication Regulation from the Commonwealth Telecommunications Organisation (CTO), Australian Communication and Media Authority (ACMA), and University of Florida. He has also been involved in the activities of ITU study groups, Sri Lanka Association for the Advancement of Science (SLAAS), and International Development Research Centre (IDRC), with several research papers and a book chapter to his credit. Mr Herath is currently heading the Planning Group which is being developed as a centre of excellence in strategy and planning for both network and information technology, spanning the entire SLT Group. He also provides leadership to SLT Group's ongoing Digital Transformation.

### 4 Mr Ajantha Seneviratne

Group Chief Marketing Officer

Mr Seneviratne joined SLT in 1993. He holds a BSc in Electronics and Telecommunications from the University of Moratuwa and a Postgraduate Diploma in Industrial Engineering from OUSL. In addition, he holds an MBA from the University of Sri Jayewardenepura. He is a Chartered Engineer and a member of The Institution of Engineers Sri Lanka as well. He counts over 15 years of experience in marketing. He is also the Chief Executive Officer of SLT VisionCom (Private) Limited.

### 5 Mr Saman Perera

Group Chief Information Officer

Mr Perera with over 24 years of experience in telecommunication industry has extensive experience in the full spectrum of Strategic IT Management, ranging from Systems and Technology Strategy, Software Development, Operations, Business Process Innovation, HRM to Risk, and IT Investment. Prior to his appointment as the Group CIO, he served as Senior General Manager – Information Systems at Mobitel transforming its IT Group to a key strategic unit that shaped Mobitel's business and its entire value chain by infusing a powerful professional IT team that fuelled many innovations in digital services while bringing down TCO for many critical systems.

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

### 6 Mr Chandrasiri Kalupahana

Group Chief Internal Auditor

Mr Kalupahana joined SLT in September 2016 as the Group Chief Internal Auditor. Immediately prior to joining SLT, he was the Chief Financial Officer at Regional Development Bank which is a 100% Government-owned bank having 265 branches island wide.

He has worked as Head of Audit at several companies. In addition, he has held senior positions at both local and overseas companies serving at a number of key positions including; Chief Financial Officer, Senior Deputy General Manager and General Manager/CEO in the fields of Banking, Finance, Insurance, Manufacturing, Civil Engineering, Aviation, Trading, Entertainment, Auto Mobile etc. He has more than 34 years experience in both private and public sector. He holds valuable international exposure working in British, American and Irish Companies for several years in countries such as Tanzania, Angola/UK and Saudi Arabia, in addition to Companies in Sri Lanka. He had worked as the CEO/GM for three regulated Companies; an American Company in Tanzania, British Company in Angola/UK and Insurance Company in Sri Lanka.

He is a Fellow member of The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) trained at KPMG – Sri Lanka and a Fellow member of the Association of Accounting Technicians of Sri Lanka, a Fellow member of the Professional Managers of Sri Lanka and had membership at the Board of Certified Public Accountants & Auditors of Tanzania whilst he was employed there. He has received extensive local and overseas training in different fields.

Mr Kalupahana is a Council member of CA Sri Lanka appointed for 2018/19.

#### **7 Mr Tilak De Silva**

Chief Business Innovation and Development Officer

Mr De Silva joined SLT in 1984 and counts over 34 years of experience in IT and Communication sectors. He is a pioneer in transforming SLT to an IT-enabled company. He has gained multidisciplinary exposure in the fields of engineering, information technology and global telecom business. Mr De Silva has held key positions including Head of IT, Chief Global Officer, Chief Network Officer, and Advisor to CEO on Technology Strategies at SLT. He has also held the position of CEO, SLT Hong Kong which was a subsidiary of SLT. He introduced latest residential fibre optic technology, Fibre To The Home (FTTH) to SLT. Currently, he is the in charge of Information Security, Quality Management, and Business Innovation.

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

#### **8 Mr P Roshan Kaluarachchi**

Chief Customer Officer

Mr Kaluarachchi joined SLT in 2010 as Chief Marketing Officer. He is a Chartered Marketer, holding a Postgraduate Diploma in Marketing – CIM, a Fellow of Chartered Institute of Marketing (FCIM), and a Fellow of The Sri Lanka Institute of Marketing (FSLIM). He is a Fellow of the Certified Professional Managers, Sri Lanka (FCPM). He holds a Master's in Business Studies from the University of Colombo. He is a member of the advisory board of CMO Council, Asia Pacific Region. He is a Board Director of the Chartered Institute of Marketing Sri Lanka Region and had been a judge at the SLIM Brand Excellence Awards. Currently, he is reading for PhD in Management and Business Studies at the University of Colombo.

He is a veteran in the field of Marketing and Business Management with over 24 years of practice in the entire spectrum of Marketing, Sales Management, and Strategic Business Management in both multinational and blue-chip Companies in Sri Lanka. He has cross-industry experience covering FMCG, Consumer Durables, and over 12 years in telecommunications, both Fixed and Mobile categories in Sri Lanka. He is the Former Chief Marketing Officer at SLT from November 2010 to March 2015. He is also the Chief Executive Officer of SLT Human Capital Solutions (Private) Limited.

#### **9 Mr Udeni K Samaratne**

Chief Financial Officer

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

#### **10 Ms Indrani Hissalle**

Chief Human Resources Officer

She joined SLT in 1993 and after obtaining professional qualifications as a Chartered Engineer in 1998, she diverted her career path towards management and administration as Regional Telecommunication Engineer. She was promoted as the Head of Sabaragamuwa Province and during her eight years of service she improved staff productivity and customer satisfaction levels.

## Leadership team

Ms Hissalle was the Human Resources Management Gold winner at the 7th Professional and Career Women's awards. She is a executive member of Association of Human Resource Professionals.

Ms Hissalle is a recognised speaker at IQPC International Quality & Productivity Centre and a visiting lecturer of University of Peradeniya since year 2006. The corporate trainings received on coaching, solving human and organisational problems and industrial and labour laws made her success in Human Resources Management. She is a well-recognised social worker in International Rotary world and currently appointed as the Secretary of Rotary E-club Infinity. Currently, she is engaged with a Postgraduate education on Employment Relationships with the International Labour Organisation.

### 11 Mr D W R Wijeweera

Chief Information Officer

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

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

### 12 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 wide experience in the telecommunications industry, in areas such as Operations, Maintenance, Sales, Marketing, Customer Service, Quality Management, and Project Management.

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

### 13 Mr Imantha Wijekoon

Chief Sales Officer

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

### 14 Mrs Geetha Indrani Samaratunga

Chief Logistics Officer

Mrs Samaratunga was appointed as Chief Logistics officer since November 2017. She held a number of senior positions in SLT, including Deputy Chief Logistics Officer/General Manager (Procurement) from 2014 to 2017 and Deputy Chief Admin Officer/General Manager (Administration) from 2008 to 2013.

She has the experience in Global arena working as Head of Division-Global Business Development from 2006 to 2008. During that period she served as Member of the procurement Group of SEA ME WE 4 submarine cable project. She was appointed as a committee member of Bharat Lanka undersea cable project between India and Sri Lanka and a committee member of Dhiraggu Sri Lanka undersea cable project between Maldives and Sri Lanka. She has been working as General Manager-Projects since 2002 to 2006. She has the regional experience as she held the positions of Deputy General Manager (Western, North Central and North Western) Provinces. She was the head of EDCF (Economic Development Cooperation Funded) project during the period from 1998 to 2001. Her vast experience in different arena includes as DGM/Datacom, DGM/P&AC and Chief Engineer-Switching counts more than 34 years of experience in various senior positions in the Company.

Mrs Samaratunga holds a Bachelor of Engineering Degree in Electronics and Telecommunication Engineering from the University of Moratuwa. She is a Chartered Engineer and a fellow member of Institution of Engineers in Sri Lanka.

## Leadership team - Subsidiaries



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### 1 Mr Nalin Perera

Chief Executive Officer, Mobitel (Private) Limited

A dynamic catalyst in Sri Lanka's Mobile Telecommunications space, Mr Perera has powerfully influenced the industry's landscape and evolution, cementing his credentials as an industry veteran and front liner. In a stellar career spanning three decades with leading international and local telecoms, his professional growth and success in the Mobile Telecommunication industry is synonymous with the industry's rise to prominence.

A versatile leader, Mr Perera played a crucial role in pioneer operator Celltel's introduction of mobile telephony to Sri Lanka in 1989, rising rapidly within the Millicom Group to General Manager-Sales and Marketing within a short period of time. The launch of the Mobile Pre-Paid concept and its business model in Sri Lanka can be directly attributed to Mr Perera's unique brand of leadership. An irrepressible ideas man, he has subsequently revolutionised the industry with innovative value added services and enterprise business solutions.

An inspirational leader, Mr Perera functions as the Chief Executive Officer of Mobitel, powering the Company from one milestone to the next as one of the most profitable and successful Mobile Service Operators. He was appointed as Chief Marketing Officer and Chief Operating Officer at Mobitel previously.

Mr Perera possesses strong insights into brand management, product and channel development and human resource management, leveraging on a wealth of experience in the mobile telephony industry, while having insights on the pulse of key stakeholders and changing customer behaviours. His vibrant leadership has earned Mobitel a host of local and international awards and accolades over the years.

Mr Perera holds a Postgraduate Diploma in Marketing (UK) and is a Chartered Marketer (UK). He earned a Master of Business Studies from University of Colombo. He is also a well recognised sports personality in the country.

### 2 Mr Ajantha Seneviratne

Chief Executive Officer,  
SLT VisionCom (Private) Limited

Please refer to page 90 for the profile.

### 3 Mr Prabath Gunathunge

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

Mr Gunathunge is a Civil Engineer graduated from University of Moratuwa in 1993. Prior to his present assignment, with Sri Lanka Telecom, he was the General Manager of Walkers Pilling PLC. Further to that, he has obtained an MBA from the Postgraduate Institute of Management in 2000.

Throughout his inspiring management career, he has served for both public and private sector companies over 25 years. As the key attainments in his professional expedition, he initiated his management career as a Business Development Manager at EDS Lanka and subsequently, as a General Manager in Sri Lanka State Trading Corporation. Moreover, while using his proficiency in Sales and Marketing field, he also performed as the Director Sales in Colombo Communication. With his unwavering efforts to expand the exposure and persuade individuals, he became the Country Director/ Technical Representative of USAEP - Sri Lanka of Technology Corporation, funded by USAID Washington, DC and then the CEO of Business Learning Centre.

Presently, Mr Gunathunge functions as the Chief Executive Officer of Sri Lanka Telecom (Services) Limited and has steered the company to derive and generate profits to SLT, whilst adding values to the Group synergy.

**4 Mr Malraj Balapitiya**

Chief Executive Officer,  
 SLT Digital Services (Private) Limited

Mr Balapitiya is a Chartered Engineer and a Fellow of the Institution of Engineers Sri Lanka. He counts over 34 years of work experience at various strata of the SLT administration and has swiftly climbed the corporate ladder from Technical Officer to Regional Telecom Engineer, the Head of the Province, and the General Manager prior to his appointment as the CEO of SLT Publications (Private) Limited.

He is a dynamic personality with managerial, marketing, and entrepreneurial skills and has helped Rainbow Pages to reach the highest echelons to become the only directory publisher recognised by the Government of Sri Lanka.

Owing to his strong expertise and experience in the local search and media space and his networking in South Asia, he has been appointed a Member of the Board of Trustees of the Asian Local Search and Media Association.

In 2011, he was appointed as the CEO of SLT VisionCom (Private) Limited, in addition to his present position of the CEO of SLT Publications (Private) Limited, he has used his marketing skills and charisma to augur support for the SLT network to push PEO TV to greater levels of productivity and make it a viable and dynamic entity that has made a significant impact on the Pay TV industry in Sri Lanka.

Today, both Rainbow Pages and PEO TV are thriving businesses that earn substantial revenue for the SLT Group.

**5 Mr P Roshan Kaluarachchi**

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

Please refer to page 91 for the profile.

**6 Mr Ranjith Ganganath Rubasinghe**

Founder President/Chief Executive Officer,  
 Sri Lanka Technological Campus

Mr Rubasinghe has been with Sri Lanka Telecom for over 15 years and holds a wealth of experience in the fields of Organisational Development, Telecommunication and IT, Human Resources, and Marketing. He has served as the Vice-President of the Institution of Engineers Sri Lanka (IESL). Mr Rubasinghe has also served as a Council Member of the University of Colombo and the Council of the Board of Management at University of Colombo School of Computing.

With an MBA from the University of Colombo, a Postgraduate Diploma in Electronics and Telecommunications Engineering, and a BSc Engineering in Electrical and Electronics, Mr Rubasinghe is a Chartered Engineer and a Fellow of the Institution of Engineers Sri Lanka (IESL), Certified Member of the Sri Lanka Institute of Marketing (SLIM), and an Associate Member of the Institute of Personnel Management (IPM).

He is the Founder President and CEO of Sri Lanka Technological Campus (SLTC), the first and only fully residential, research-based, Engineering University in Sri Lanka.

Mr Rubasinghe held the positions of Chief Executive Officer of Mobitel (Private) Limited (June 2014–October 2015). Founder CEO of SLT Manpower Solutions (Private) Limited (2008–2015), which he transformed into SLT Human Capital Solutions (Private) Limited in 2013, and he served as head of section "Rainbow Pages" (2006–2008).

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

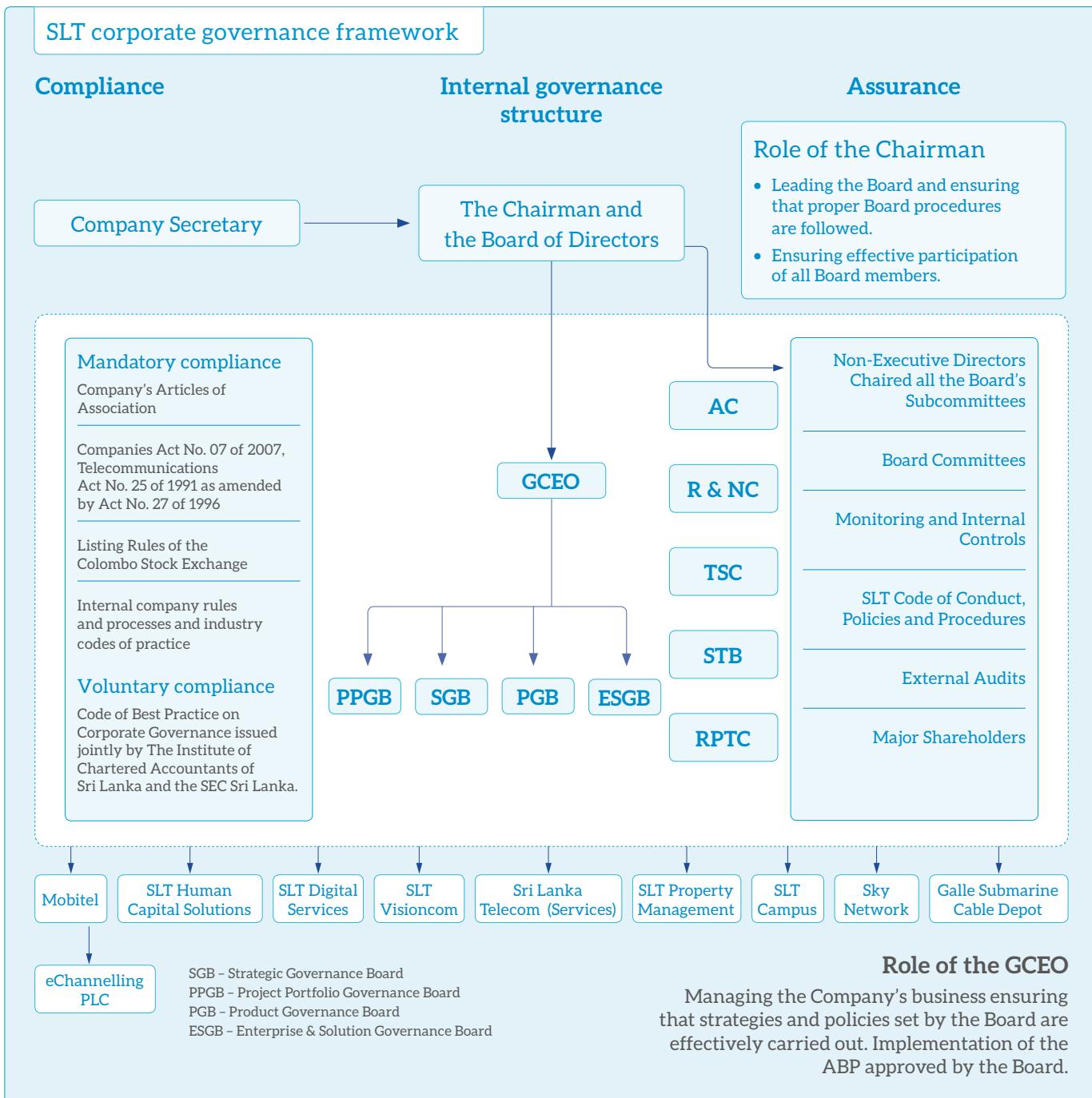
Corporate governance is the system of common rules, practices and processes under which companies can operate effectively. It generally focuses on the composition and workings of Company Boards and the engagement with shareholders, but also looks at the relationships companies have with other stakeholders. It covers factors such as having appropriate internal controls in place to mitigate and manage risks and making use of Independent Non-Executive Directors with different perspectives to challenge and develop Company strategy.

The Board of Directors of Sri Lanka Telecom PLC ("SLT") firmly believes that strong governance underpins a healthy culture, and demonstrate good practice in the Boardroom and promote good governance throughout the business. The importance of contextual factors has been recognised by those who have attempted to measure the effectiveness of corporate governance.

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

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





## → The Board of Directors

### Composition of the Board →

The Board comprised eight Non-Executive Directors with six of them being independent. The independence of the Directors has been determined in accordance with the requirements of the CSE Listing Rules.

### Providing strategic leadership →

The Board is aware of both internal and external issues, short-term pressure and longer-term trends and development. The Board, while addressing certain current issues in strategic planning and contemporary issues and challenges in order to remain competitive, provide strategic directions leading the road ahead and visioning. They plan for the future while being flexible when changes are required.

Key steps in Board's processes on development and strategic leadership:



### Ownership and Directors →

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

### The role of the Board →

The Board is responsible for the overall conduct of the Group's business towards the success of the Company. They act within the powers and authority as vested in it by and pursuant to the relevant laws of the Country and the AoA of the Company.

The Board:

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

Other specific responsibilities are delegated to Board committees which operate within clearly defined Terms of Reference. Details of the responsibilities and operations of the Subcommittees are given on pages 100 to 102.

### Operation of the Board →

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

The Chairman, along with the Group Chief Executive Officer ("GCEO") and the Company Secretary, ensures that the Board functions effectively and has established Board processes



designed to maximise its performance and effectiveness. Key aspects of these processes are:

- All Directors receive accurate, relevant, timely clear and balanced information in order to ensure informed deliberation and effective decision-making. Briefing papers are distributed to the Directors usually four days prior to the meeting. The Board papers are made available in electronic format keeping in line with the Group's sustainability initiatives.
- The GCEO along with the respective Chief Officers and the Heads of Division present their submissions to the Board and provide the necessary clarifications requested by the Board.

- The Directors all being NEDs are able to access independent professional advice whenever it is required at the Company's expense.
- The Directors have access to the advice and services of the Company Secretary, who advises the Board on appropriate procedures for the management of meetings and their duties, as well as the implementation of corporate governance and compliance with the requirement of the Companies Act, Listing Rules of the CSE and the Articles of Association of the Company.

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

Board member	Status	Meetings attended as a percentage						
		Board	Audit Committee	Remuneration & Nomination Committee	Technology Subcommittee	Senior Tender Board	Related Party Transactions Review Committee	
Mr Sirisena Kumarasinghe – Chairman	INED	7/7	-	5/5	-	-	-	-
Mr Chan Chee Beng	NED	6/7	3/6	5/5	-	-	-	2/3
Mr Lawrence Michael Paratz	INED	7/7	-	5/5	8/8	7/7	-	-
Ms Lai Choon Foong	INED	7/7	8/8	-	-	7/7	-	4/4
Ms Chandra Ekanayake (Resigned w.e.f. 1 August 2017)	NED	3/3	4/5	-	-	-	-	2/2
Ms Nilanthi Pieris	INED	7/7	7/8	-	-	7/7	-	4/4
Mr W K H Wegapitiya	INED	5/7	-	-	0/8	0/4	-	-
Mr Rohan De Silva (Resigned w.e.f. 19 December 2017)	INED	2/6	2/6	-	0/8	0/7	-	2/3
Mr A R Desapriya (Appointed w.e.f. 3 October 2017)	NED	3/3	1/1	-	-	-	-	-

NED: Non-Executive Director.

INED: Independent Non-Executive Director.

## → Delegation to Board subcommittees

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

Committee	Composition and role	Meeting frequency
<b>Audit Committee</b>	<p>The Audit Committee ("AC") comprise Non-Executive Directors majority of whom are independent. The Chairperson of the Committee is a member of a recognised accounting body.</p> <p>The members of the Committee are:      Ms Lai Choon Foong – Chairperson      Ms Nilanthi Pieris      Mr A R Desapriya (Appointed w.e.f. 3 October 2017)</p> <p>Mr Chan Chee Beng stepped down as the Chairman and member of the Committee with effect from 10 August 2017</p> <p>Pursuant to the resignation from the directorate of the Board, Ms Chandra Ekanayake and Mr Rohan De Silva ceased to become members of the Committee effective 1 August 2017 and 19 December 2017 respectively.</p> <p>The GCEO, Chief Financial Officer and Chief Internal Auditor attend the meetings by invitation. The AC assists the Board in its oversight and monitoring of financial reporting, Group's risks management and internal controls. The AC report on pages 122 to 124 of the Annual Report sets out in detail the Committee's policies, practices and areas of focus.</p>	A minimum of four meetings per annum and at such other times as the Chairman of the Committee shall require.
<b>Remuneration and Nomination Committee</b>	<p>The Remuneration and Nomination Committee ("R&amp;NC") comprises Non-Executive Directors majority of whom are independent.</p> <p>The members of the Committee are:</p> <p>Mr Chan Chee Beng – Chairman      Mr Kumarasinghe Sirisena      Mr Lawrence Paratz</p> <p>The activities of the R&amp;NC include nomination, selection and appointment of Non-Executive Directors, GCEO and key senior officers, succession planning for the GCEO and Senior Management and reviewing the composition of the Board, particularly in relation to the diversity of background, skills and experience.</p> <p>It also provides support and guidance with regard to the Group's policy for determining the fees for Non-Executive Directors and remuneration of GCEO, CEOs of subsidiary companies and Senior Management.</p> <p>The GCEO attends meetings by invitation, except when his own remuneration package is being discussed.</p>	Atleast once a year and at such other times as the Chairman of the Committee shall require.



Committee	Composition and role	Meeting frequency
<b>Related Party Transactions Review Committee</b>	<p>The Related Party Transactions Review Committee ("RPT – RC") comprises Non-Executive Directors of whom two Directors were independent. The Chairperson of the Committee is an Independent Director.</p> <p>The members of the Committee are:</p> <ul style="list-style-type: none"> <li>Ms Nilanthi Pieris – Chairperson</li> <li>Ms Lai Choon Foong</li> <li>Mr A R Desapriya (Appointed w.e.f. 03 October 2017)</li> </ul> <p>Pursuant to the resignation from the directorate of the Board, Ms Chandra Ekanayake and Mr Rohan De Silva ceased to become members of the Committee, effective 1 August 2017 and 19 December 2017 respectively.</p> <p>The objective of the Committee is to ensure that the interest of shareholders are taken into account when entering into related party transactions and to enhance corporate transparency and promote fair transactions between SLT, its subsidiaries and other related parties.</p> <p>The related party relationship with its subsidiaries is disclosed in the Notes to the Financial Statements. However, the Board believes that those transactions are exempted in accordance with the exceptions specified in the CSE Listing Rules.</p>	Minimum of four meetings per annum and at such other times as the Chairman of the Committee shall require.
<b>Technology Subcommittee</b>	<p>The Technology Subcommittee ("TSC") comprises Independent Non-Executive Directors.</p> <p>The members of the Committee are:</p> <ul style="list-style-type: none"> <li>Mr Lawrence Paratz – Chairman</li> <li>Mr W K H Wegapitiya</li> </ul> <p>Pursuant to the resignation from the directorate of the Board, Mr Rohan De Silva ceased to become a member of the Committee effective 19 December 2017.</p> <p>The TSC comprise Directors with technical expertise who are assigned the task of studying available technology and providing a platform for engaging in intense technical discussions and looking at roadmaps with a long-term perspective. GCEO and Senior Management members of SLT and Mobitel attend meetings of the TSC as permanent members in order to maintain Group synergies when major decisions are made. If required, the CEOs of subsidiary companies too are invited to attend meetings.</p> <p>Therefore, TSC primarily focuses on best strategies to increase organisational efficiencies; support the advancement of professional staff capabilities and develop a flexible delivery system to effectively respond to new technological advances and information. It is also the responsibility of the Committee to review the existence and appropriateness of plans and processes, planned and achieved Network performance and methods of assessment and the Company's technology, people and skill plans and their implementation.</p>	As and when required

Committee	Composition and role	Meeting frequency
<b>Senior Tender Board</b>	<p>The Senior Tender Board ("STB") comprises Non - Executive Directors.</p> <p>The members of the Committee are:</p> <p>Ms Lai Choon Foong – Chairperson  Mr Lawrence Paratz  Mr W K H Wegapitiya  Ms Nilanthi Pieris  Mr Rohan De Silva (Resigned w.e.f. 19 December 2017)</p> <p>Mr W K H Wegapitiya stepped down as a member of the Committee with effect from 3 October 2017. Pursuant to the resignation from the directorate of the Board, Mr Rohan De Silva ceased to become a member of the Committee effective 19 December 2017.</p> <p>The GCEO and the CFO are appointed to the Committee by the Board to review the Group procurement needs.</p> <p>The procurement function involves a standard procurement process approved by the Board where, all common procurement processes are consolidated at the Group level for SLT and its subsidiaries. Therefore in order to increase efficiencies and reduce risk, the Board has delegated the approval limits for procurement as follows:</p> <p>Board of Directors – value exceeding Rs. 50 Mn.  Senior Tender Board – value between Rs. 25 Mn. and Rs. 50 Mn.  Junior Tender Board – value less than Rs. 25 Mn.</p>	Prior to every Board meeting

## Independence of Directors and segregation of duties →

Non-Executive Directors provide an independent and clear voice for key interested Groups as a formal part of the Board structure by means of directly inputting that voice into the boardroom discussion.

They do not hold shares in the Company and have not worked in an executive capacity for the Company or any subsidiaries of the Company.

Their biographies on pages 82 to 86 of the Annual Report demonstrate a range of experience and sufficient calibre to bring the independent judgement on issues of strategy, performance, resources and standards of conduct which is vital to the Group.

## Indemnities to Directors →

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

## Appointment and re-election of Directors →

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

## **Role of the Chairman and Group Chief Executive Officer →**

Distinction between strategic and operational matters is clearly established in terms of division of responsibility of the Chairman and the Chief Executive. The Chairman of SLT is a Non-Executive appointment and is responsible for leading the Board effectively ensuring that it meets its obligations and responsibilities. He ensures that Board procedures are followed and all Board members effectively participate during meetings.

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

## **The Company Secretary →**

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

The role of the Company Secretary includes:

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

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

## **→ Internal control and risk management**

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

## **→ Strategic Governance Boards ("SGB")**

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

## **→ Code of Conduct and practice**

SLT has a Code of Conduct that applies to all employees and third parties who deal with the Company. The Code sets out principles to guide employees in carrying out their duties and responsibilities to the highest standards of personal and corporate integrity when dealing with SLT, its competitors, customers, suppliers and the community. The processes and standards in the Code are intended to enhance investor confidence and rapport, and to ensure that decision making is properly carried out in the best interests of the Group. The Code covers areas such as equal opportunity employment practices, workplace health and safety, conduct in the workplace, business conduct, protection of SLT's assets, proprietary information and intellectual property, data protection, confidentiality, conflict of interest, and non-solicitation of customers and employees. The Code is posted on SLT's internal website. Policies and standards are clearly stipulated to guide employees in carrying out their daily tasks.

## → Material contracts

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

## → Remuneration

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

## → Remuneration of Non-Executive Directors

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

The fees for Non-Executive Directors other than the Chairman comprised a basic monthly fee for attendance of Board and Board's subcommittee meetings. Additional fee is not paid for Directors for attending Subcommittee meetings.

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

The aggregate Directors' fees paid to Non-Executive Directors for the financial year ended 31 December 2017 was Rs. 12 million.

Mr W K H Wegapitiya, has declined to accept a Director fee and offered his monthly Director fee to a charitable organisation.

## → Remuneration of Senior Management

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

The following are the principles for remuneration to Senior Management:

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

## → Constructive use of the Annual General Meeting

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

## → Major transactions

The Board of Directors, as required by the Companies Act, to disclose to shareholders all proposed corporate transactions detailing all facts associated with such transactions that are of material value to SLT. There were no major transactions entered into by SLT for the year 2017.

## → Related party transactions

The Board of Directors has applied the rules issued by the CSE on related party transactions throughout its decision making process to avoid any conflicts of interest that may occur. The Board has recognised the importance of a Related Party Transactions Review Committee under the Board of Directors to enhance corporate transparency and promote fair transactions between SLT and its subsidiaries.

The Company has a related party relationship with its subsidiaries disclosed in Note 34 to the Notes to the Financial Statements. However, the Board believes those transactions are exempted in accordance with exceptions specified in the Listing Rules. All these are recurrent transactions and are in the ordinary course of business of the Company.

## → Statement of compliance

SLT is fully compliant with the requirements stipulated in Section 7.10 on "Corporate Governance" of the Continuing Listing Requirements of the Colombo Stock Exchange issued in 2010 and subsequent amendments/guidelines thereto issued by the Securities and Exchange Commission of Sri Lanka. See the tables on pages 106 and 107 for the rules on "Corporate Governance Principles" and the degree of compliance to the said rules.

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



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

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

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

CSE Rule No.	CSE Rule	Compliance Status	SLT Action
(c)	<b>Disclosure in the Annual Report</b>		
	Names of Directors comprising the RC	✓	Refer Section on Board Subcommittees on the Corporate Governance Report
	Statement of Remuneration Policy	✓	Refer Section on Board Subcommittees on the Corporate Governance Report
	Aggregated remuneration paid to EDs and NEDs	✓	Refer Section on Board Subcommittees on the Corporate Governance Report and Note 7 to the Financial Statements
7.10.6	<b>Audit Committee ("AC")</b>		
(a)	<b>Composition</b>		
	The Committee shall comprise of a minimum of two IDs or of NEDs, a majority of whom shall be Independent	✓	The AC comprise of 3 NEDs out of whom two NEDs are considered Independent
	One NED shall be appointed as the Chairman of the Committee	✓	The Chairman of the Committee is a ID
	CEO and Chief Financial Officer (CFO) should attend AC meetings	✓	The GCEO, CFO, GCIA and the External Auditors attended the meetings by invitation
	Chairman of the AC or one member should be a member of a professional accounting body	✓	Chairman and a member of the AC are members of professional accounting bodies
(b)	<b>Functions</b>		
	Overseeing of the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Accounting Standards	✓	The AC assists the Board in fulfilling its oversight responsibilities for the integrity of the Financial Statements of the Company and the Group
	Overseeing of the compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements	✓	The AC has the overall responsibility for overseeing the preparation of Financial Statements in accordance with the laws and regulations of the country and also recommending to the Board, on the adoption of best accounting policies
	Overseeing of the processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards	✓	The AC assesses the effectiveness of internal control and risk management
	Assessment of the independence and performance of the External Auditors	✓	The AC assesses the External Auditor's performance, qualifications and independence
	Make recommendations to the Board pertaining to appointment, reappointment and removal of External Auditors, and approve the remuneration and terms of engagement of the External Auditor	✓	The Committee is responsible to recommend for appointment, reappointment, removal of External Auditors and also the approval of the remuneration and terms of engagement
(c)	<b>Disclosure in the Annual Report</b>		
	Names of Directors comprising the AC	✓	Refer Section on Board Subcommittees on the Corporate Governance Report
	The AC shall make a determination of the independence of the Auditors and disclose the basis for such determination	✓	Refer the Report of the AC in the Annual Report of the Board of Directors
	Aggregated remuneration paid to EDs and NEDs	✓	Refer the Report of the AC in the Annual Report of the Board of Directors

# Remuneration and Nomination Committee Report

Annual Report 2017  
Group Chairman's Review  
Smart Living with SLT  
Business Model  
Management Discussion and Analysis  
→ **Stewardship**  
Financial Reports  
Supplementary Information

Sri Lanka Telecom PLC

## → Composition of the Committee

The Remuneration and Nomination Committee during the financial year comprised the following members.

- Mr Chan Chee Beng – Non-Executive Director (Chairman)
- Mr P G Kumarasinghe Sirisena – Independent Director
- Mr Lawrence Paratz – Independent Director

The Company Secretary functions as the Secretary of the Committee.

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

## → Role and responsibilities

The principal tasks of the Committee include;

- formulating proposals to the Board of Directors with respect to the remuneration policy of Non-Executive Directors, Chief Executive Officer and Executive Management.
- nominate for Board's approval suitable candidates to fill casual vacancies from time to time arising in the Board.
- 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 Committee is available on the Company's website – [www.slt.lk](http://www.slt.lk).

## → Activities carried out during 2017

The Committee met on five occasions during the year 2017 and the activities carried out are summarised below.

- Recommendation for appointments/promotions to the position of Senior Management.
- Recommending extension of services of senior officers.
- Performance Review of Senior Management
- Recommending payment of annual bonus and increments for employees of SLT and its subsidiaries.
- Making recommendation for reconstitution of Board subcommittees and the Boards of subsidiary companies.
- Performance evaluation of the Group Chief Executive Officer
- Review of the Staff Recruitment and Promotion Scheme for revision.

On behalf of the Remuneration and Nomination Committee



**Chan Chee Beng**  
Chairman

29 March 2018

# Report of the Related Party Transactions Review Committee

We are pleased to present our report for the financial year ended 31 December 2017.

## → Composition of the Committee

The Committee comprise Non-Executive Directors whom two are independent. The members of the Committee are as follows;

- Ms Nilanthi Pieris - Chairperson
- Ms Lai Choon Foong
- Mr A R Desapriya (Appointed with effect from 3 October 2017)

Mr Chan Chee Beng stepped down as a member of the Committee with effect from 3 October 2017. Subsequent to the resignation from the Board, Ms Chandra Ekanayake and Mr Rohan De Silva, ceased to be members of the Committee with effect from 1 August 2017 and 19 December 2017 respectively.

The composition of the Committee met the requirements of the rule 9.2.2 of Listing Rules of the Colombo Stock Exchange.

The Company Secretary functions as the Secretary of the Committee.

## → Meetings of Committee

The Committee had four meetings during the financial year 2017 and the attendance at these meetings is showed in the Corporate Governance Report on page 99. The Group Chief Executive Officer, Chief Financial Officer attended all meetings by invitation.

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

## → Objective of the Committee

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

## → Policies and procedures

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

## → Related party transactions during 2016

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

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

On behalf of the Related Party Transactions Review Committee



**Nilanthi Pieris (Ms)**  
 Chairperson  
 Related Party Transactions Review Committee

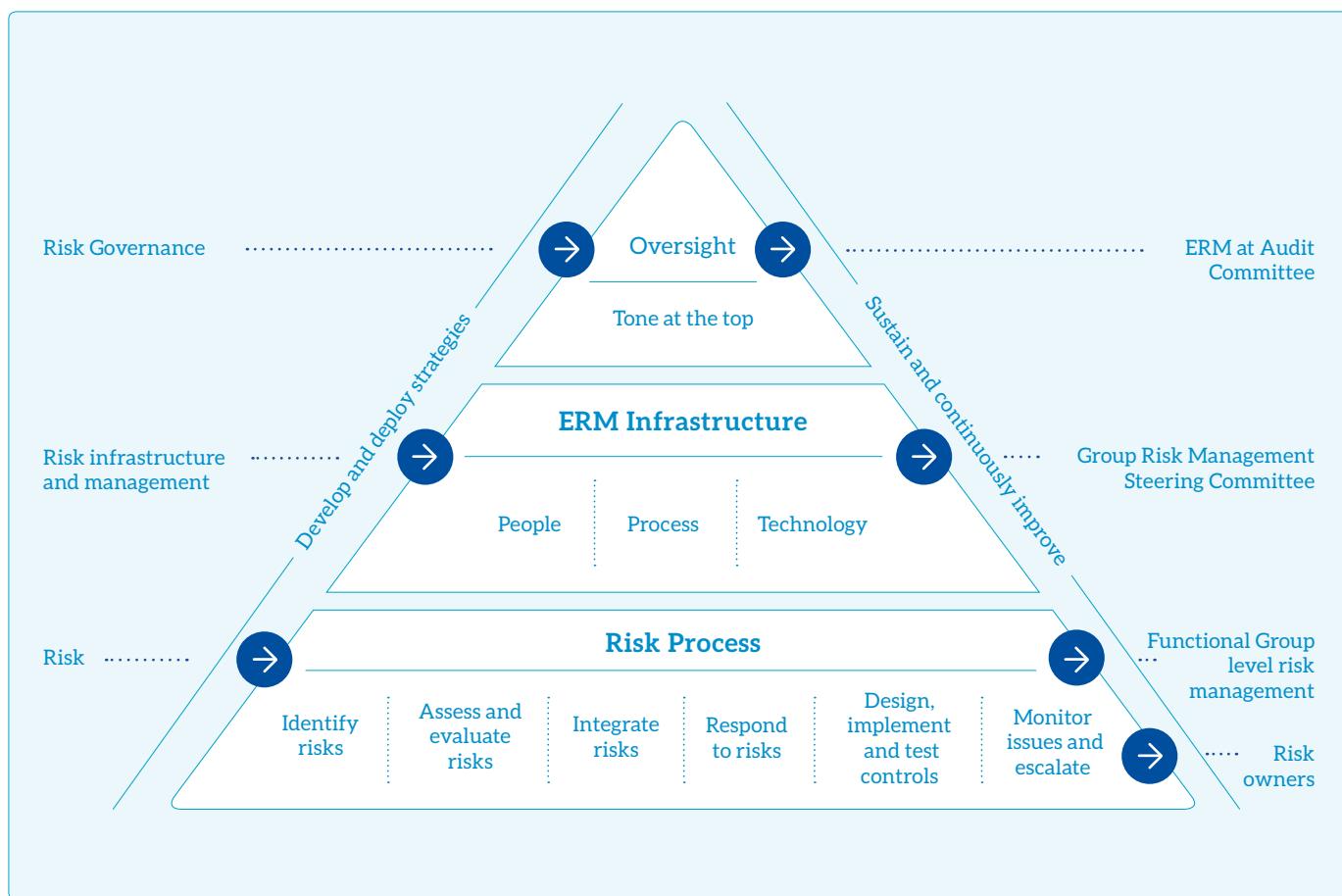
29 March 2018

## → Enterprise Risk Management (ERM)

Key factors such as highly competitive and volatile business environments, market saturation of telecommunications operators, OTT Players, fast-changing technology, and economic uncertainties are exerting pressure on business operations. It is vital for an organisation to foresee business-critical risks and manage them effectively. Having considered the importance, the Board of Directors (BOD) has given directions to strengthen the risk management processes across the organisation. Complying with the boards' direction, the Enterprise Risk Management (ERM) process and the ERM framework were developed. References have been made to the best practices of ERM such as ISO 31000 and COSO and due guidance has been obtained from Messrs. Deloitte. The implementation of the ERM process within SLT has been commenced to identify, manage functional risks and to create a risk management culture marked as Business-as-Usual (BAU).

A formal risk reporting process to the board was introduced with the aim of enhancing and driving the ERM process. In order to support this process, a Risk Management Steering Committee (RMSC) was formed under the Chairmanship of the Group CEO. This was to aid analysing any escalated risks from functional groups and to identify any business-critical risks as such. Further, the ERM process has been extended to our subsidiaries including Mobitel and the Board reviews Group risks at the Audit Committee meeting.

Risk management has now reached maturity at both functional units and project management and it has become an important (BAU) process. It encourages senior executives to embed the risk management process into functional units. This has empowered them to take appropriately calculated positive risks (rewarded risks) and accept, mitigate, avoid or transfer any negative risks (unrewarded risks). The figure below illustrates the organization of the ERM, its responsibilities and the relevant reaches of the responsible groups.



Below summarises top business-critical risks, both industry-specific and company-specific with a brief description of each risk, their potential impact and the actions taken to mitigate them.

## → Financial risks

The main risks arising from our financial assets and liabilities are risks associated with foreign exchange, fund management and increased operating costs. Financial markets continue to be volatile and this may heighten execution risk for funding activities and credit risk premiums for market participants.

### **Exposure to foreign exchange fluctuation →**

Telecommunication operators in Sri Lanka collaborate with international vendors in obtaining services for telecommunication systems implementation and maintenance additional to procuring hardware and software applications inclusive of telecommunication systems. Thus, a significant portion of our capital expenditure as well as operational expenditure are incurred in foreign currencies leading to foreign exchange translation losses.

We are consistently working on improving foreign currency inflows from our services provided to international operators. Through this we are establishing a natural hedge to minimise our exposure to foreign exchange fluctuations. Furthermore, we explore the possibility of limiting non-business critical capital expenditure and other liabilities to control cash outflows in terms of foreign currencies.

### **Fund management →**

The dynamic nature of the industry with fast changing technologies makes products and systems obsolete fast. It is vital to maintain shorter pay-back periods for the investments. Increased asset depreciation values erode profits margins. Scarcity of funding requires us to prioritise the investments against expected returns. Subsequently, our investment portfolio is funded with the most appropriate funding sources with the aim of maintaining a healthy cash flow.

We also explore the possibilities of vendor financing options and effective working capital management practices. Effective and efficient cash flow management is a challenge for us. We have addressed this challenge through revising collection periods and launching attractive promotional campaigns to ascertain higher collection rates.

## **Escalating operating costs exceeding revenue growth →**

Intense price competition among the competitors has compelled the operators to maintain low profit margins despite the increasing operational expenditure. Increase of consumers' power and low switching cost has pressurised the operators to invest on unique product features as well as offering discounts and promotions, further cutting down profits.

As the largest wire-line telecommunication operator in Sri Lanka, our operation and maintenance cost on services provided to domestic customers is significant. We thrive to provide the best after-sales service while keeping our operational cost low through continuous improvements ("kaizen") of business process, business process re-engineering and better utilisation of human resources. We look into optimizing sub-contractor management, renegotiating for lowering the rates of Annual Maintenance Contracts (AMCs), and introducing OPEX based vendor financing options for controlling operational and capital expenditure.

## → Economic risks

Changes in domestic, regional and global economic conditions may have a material adverse effect on the demand for telecommunication, information technology (IT) and related services, digital services, and hence, on our financial performance and operations.

The economic headwinds that prevailed in former year and the resulting uncertainty in the macro-economic environment, diminished by the latter part of the year. This reflected on long-term corporate credit rating of "B+", revision of its outlook on the Democratic Socialist Republic of Sri Lanka from "Negative" to "Stable".

### **Taxation →**

Government's heavy taxation policy on telecommunication services has an adverse impact on business of the Company. Government has revised the financial levies imposed on internet services during the year by removing the Telecommunication Levy of 10% in view of improving the affordability of the service. Yet, Telecommunication Levy (TL) of 25% except for Internet Services, Value Added Tax (VAT) of 15%, Nation Building Tax (NBT) of 2% and CESS Levy of 2% is continued to be imposed on the telecommunication services. In addition, International Telecommunication Levy and IDD Levy are applied on international services. Since,

the burden of such levies and taxes are borne by (passed to) the customer, demand and usage of telecommunication services could be adversely affected in a critical manner.

We, Sri Lanka Telecom including our mobile arm, Mobitel comprehend the price sensitive nature of our customers and take proactive actions to prevent such potential revenue losses.

### → Regulatory and legal risks

We are exposed to the risk of regulatory or litigation actions by regulator and other parties. Our operations aligning with Government's vision on good governance are subjected to regulatory conditions, various other laws and regulations such as those relating to customer data privacy and protection, anti-bribery and corruption as well as workplace safety and health.

#### Regulatory risks on licence conditions →

Telecommunication businesses operate based on licences issued by Sri Lanka Telecommunication Regulatory Commission under the Telecommunication Act. Failure to meet regulatory requirements may result in fines or other sanctions including ultimately, litigation. Furthermore, such licenses, either right to access a band of spectrum or right to use a particular access technology secured by us provide a competitive advantage in business. Violation of licence conditions or exploiting beyond authorised scope of licence by some operators create unfair competition in the market including call bypass and may affect our business and/or our capacity to operate in line with our business objectives.

We closely work with the Management and our partners in the business to comply with the regulatory requirements. We closely monitor new developments in the regulatory framework and regularly participate in discussions and consultations with the respective regulatory authorities and the industry to propose changes and provide feedback on regulatory reforms and developments in the telecommunications and media industry.

#### Legal risks →

We are exposed to the risk of regulatory or litigation action by regulators and other parties. Examples of such litigation are disclosed in Notes to the Financial Statements under "Contingent Liabilities".

The following are some of the legal proceedings the SLT Group faced during the reporting period:

- (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 28 March 2018.
- (b) Appeal Case filed by Directories Lanka Private Limited (DLPL) against SLT against the dismissal of CHC 2/2006(3) claimed damages of Rs. 250 million, for alleged unfair competition with regard to artwork on the cover page of the Directory by SLT. The proceedings have not commenced. DLPL appealed against the above order.
- (c) 12/2008 CBCU, an inquiry by Sri Lanka Customs – A consignment of CDMA equipment was detained in October 2008 by the Customs Authority. Subsequently the equipment were cleared pending the Inquiry, based on a cash deposit and bank guarantee submitted by SLT. The Order was delivered in October 2014 imposing a mitigated forfeiture of Rs. 1,820,502,062.00 on SLT. SLT has filed Case in Court of Appeal under CA/writ/387/2014 against this Order and interim order was issued by Court on 09 March 2016, precluding Respondents from enforcing order dated 17 October 2014. Next date of the case is 22 June 2018.
- (d) Customs Case No. ADP/031/2009 – Goods valued at USD 996,785.65, which was imported under the last consignment of equipment for NGN Phase II expansion project, was detained by the Customs in May 2009. Subsequently, the equipment was cleared in July 2009. Pending the Inquiry. Presently awaiting the decision of the Customs Department.



- (e) Debt Recovery Officers who were attached to SLT had filed legal proceedings in Labour Department (Labour Commissioner) and Labour Tribunal and number of proceedings initiated under each forum are 47 and 21 respectively. The relief claimed includes EPF, ETF, and compensation with regard to proceedings initiated before the Labour Commissioner and includes reinstatement or compensation under the proceedings before Labour Tribunal. An appeal is pending (WR232/2015) filed against the proceeding before Labour Commission. Appeals filed in High Court in regard to the proceedings before Labour Tribunal.
- (f) On 18 July 2017 DBN filed a Case against SLT under Case Number HC/Civil/23/2017 in the Commercial High Court regarding alleged violation of Intellectual Property Rights, on the basis that SLT used an RFP floated by Dialog. An ex-parte interim injunction was obtained from Court by DBN on 19 July 2017 requiring SLT to disclose the source/ party who revealed the RFP and to furnish the original under the provisions of Intellectual Property Act. Further permanent injunction and a claim of damages of Rs. 7,800,000,000.00 was made under the petition by DBN. SLT filed revocation paper on 10 August 2017. This case is coming up on 26 March 2018 for objection of SLT and fixed for inquiry in to interim measure on 16 May 2018.

Our investment governance framework and the other policies guide the project managers and management in managing contractual arrangements with vendors and customers. We are focused on maintaining high standards in operations with respective to governing laws since litigation actions may have a material effect on our financial position and results of operations.

## → **Information security risks**

In this information society, an organisation's systems and data are crucial for business continuity. Loss of sensitive information or any data breach may lead to loss of competitive advantage and loss of customer confidence. DDOS attacks, malware and other cyber-attacks may damage company systems as well as company reputation. During the year several ransomware attacks and hacking incidents were reported globally. Unfortunately, such cyber-security incidents are becoming more and more common whilst the need for enhanced sophisticated level of information security systems are emphasised.

## **Cyber security and information security →**

As our businesses and operations rely heavily on information technology, we have established an Information Security Management System (ISMS) within the organisation. This ensures internal audits are conducted on a regular basis complying with ISO 27001 standard, vulnerability assessment of critical services, penetration testing, compromise assessment, and security architecture review. Remedial actions are taken for identified vulnerabilities. We are currently working on information security posture assessment for our business sector to ensure the growth plans are executed without any interruption.

## → **Business risks**

As we move into new growth areas in ICT to create additional revenue streams through products and solutions such as OTT applications, managed services, cloud services, infrastructure services, cyber security, IoT services, data analytics and digital services, it alters the business model.

New businesses place new demands on people, processes and systems. We respond by continually updating our organisation structure, reviewing human resource recruitment plan, training and development plan, policies and processes and by investing in new technologies to meet changing needs.

## **Human resource management and transformation →**

Organisational cultural and mindset change will be a primary factor in transforming the incumbent telecommunication operator in Sri Lanka to adopt innovative business models which require creativity as we seek new avenues of growth.

Attracting and sustaining talent including new skills and capabilities amidst the retirement of significant number of experienced staff during the forthcoming years is a challenge to us. We are in the process of preparing our five year training and development plan aligning with the organisational five year strategic plan. Necessary project related trainings are offered to our employees to enhance their technical skills and to update themselves with the latest technologies. Further out bound training opportunities, foreign tours, soft-skill enhancement programmes are offered to enhance employee motivation level. We are consistently focused on making Sri Lanka Telecom a Great Place to Work.

### **Threat from OTT →**

Over-the-Top (OTT) applications are gradually becoming a threat to traditional voice and data revenues of telecommunication operators especially the international on-net traffic as consumers of generation Y including millennials, generation Z, the digital natives are more comfortable with social networking and communication over Internet platforms rather than using traditional communication channels. Although OTT applications tend to decline traditional voice revenues, it also becomes complementary on high broadband adoption and increased internet usages. We are developing a series of OTT applications to realise this opportunity.

### **Threat from competitors →**

The telecommunication industry in Sri Lanka is nearly saturated due to existence of several telecommunication operators. In addition to the competition among those traditional telecommunication operators, non-traditional competitors such as Over-the-Top (OTT) players have entered into the market, flooding the market creating intense competition. The competition in the domestic market has broadened to the international market.

We thrive to create a unique value proposition for our customers and win their loyalty through continuous product feature enhancements, product line extensions, and product bundling offers as well as through our novel products based on Internet of Things (IoT) and connected devices. e-Sports events, robotics/machine-to-machine based new technology campaigns, location based product campaigns exhibit our capabilities and our team is well-equipped in developing more and more innovative products.



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

The Directors are pleased to present their report and the Audited Financial Statements of the Company, Sri Lanka Telecom PLC and the Group for the financial year 2017.

## → Formation

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

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

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

## → Principal group activities and review of the business

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

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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 service
eChannelling PLC	Information infrastructure for the healthcare industry
Sri Lanka Telecom (Services) Limited	Total network solutions
SLT Digital Services (Private) Limited [formerly known as SLT Publications (Private) Limited]	Directory information, event management & activation and digital services
SLT Human Capital Solutions (Private) Limited	Human resources solutions
SLT VisionCom (Private) Limited	IPTV support services
Sky Network (Private) Limited	Wireless broadband operations
SLT Property Management (Private) Limited	Management SLT's real estate resources
SLT Campus (Private) Limited	Higher education
Galle Submarine Cable Depot (Private) Limited	Repair and maintenance of submarine telecommunications cable systems to third parties.

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

## → Board of Directors

In terms of Section 168 (1) (h) of the Companies Act No. 07 of 2007, the names of persons who held the office as Directors of the Company as at 31 December 2017 are given below:

Name of Director	Position	Date of appointment	Date of re-election
Mr P G Kumarasinghe Sirisena	Chairman/ INED	23.01.2015	13.05.2015
Mr Chan Chee Beng	NED	05.06.2008	12.05.2016
Mr Lawrence Paratz	INED	26.05.2010	12.05.2016
Ms Lai Choon Foong	INED	09.05.2014	24.05.2017
Ms Nilanthi Pieris	INED	03.02.2015	13.05.2015
Mr W K H Wegapitiya	INED	02.12.2015	12.05.2016
Mr A R Desapriya	NED	30.10.2017	-

NED - Non-Executive Director

INED - Independent Non-Executive Director

## **Resignations →**

Ms Chandra Ekanayake, Non-Executive Director tendered her resignation from the Directorate with effect from 1 August 2017 while Mr Rohan De Silva, Independent Non-Executive Director resigned with effect from 19 December 2017.

Mr Dileepa Wijesundare, Group Chief Executive Officer resigned with effect from 11 March 2018.

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

## **→ Appointment and re-election of Directors**

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

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

Ms Nilanthi Pieris, who has 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 herself for re-election.

## **→ Board subcommittees**

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

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

Information on the subcommittees is given under "Corporate Governance" on pages 100 to 102.

## **→ Directors' indemnities and insurance**

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

## **→ Interest register and Directors' interest in contracts with the Company**

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

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

The Directors have no direct or indirect interest in any contract or proposed contact with the Company for the year ended 31 December 2017 other than those disclosed in Note 33.2 to the Financial Statements.

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

## **→ Related party transactions**

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

The Board in terms of the Listing Rules has appointed a Related Party Transactions Review Committee ("RPTRC") to review transactions carried out between related entities except those do not fall within the ambit of Rule 9.5 of Listing Rules set out in Rule 9.5 of the Listing Rules.

## **→ Directors and Chief Executive Officer's shareholding**

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

## → Remuneration and other benefits of Directors

The remuneration and other benefits received by the Directors are given in Note 7 to the Financial Statements on page 150 as required by Section 168 (1) (f) of the Companies Act.

The significant accounting policies adopted by the Group and Company in preparing the Financial Statements are set out in 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 Consolidated Financial Statements for 2017. The policies adopted are consistent with those adopted in the previous financial year.

## → Stated capital

The Stated Capital of the Company as at 31 December 2017 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.

The aforementioned Financial Statements for the year ended 31 December 2017 certified by the Chief Financial Officer and signed by two Directors are given on page 127 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 121 while the Independent Auditors' Report is set out in page 125 of this Report.

## Substantial shareholding →

The following shareholders held more than 5% of the issued shares as at 31 December 2017.

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

## Voting rights →

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

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

## → Financial results and appropriations

	2017		2016	
	Company Rs. million	Group Rs. million	Company Rs. million	Group Rs. million
Revenue	44,537	75,741	43,131	73,801
Profit	1,428	3,940	1,725	4,790
Reserves	59,220	71,309	59,000	68,587

Results of the Company and of the Group are given in the Income Statement on page 126.

The movement of the reserves are given in the Statement of Changes in Equity on pages 128 and 129 of the Annual Report.

## → Dividends

The Directors recommend the payment of a first and final dividend of Rs. 0.89 per share (2016 - Rs. 0.89 per share) for the financial year ended 31 December 2017 payable on 18 May 2018 to the shareholders registered as at 9 May 2018, subject to the approval of the shareholders.

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

## → 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.

## → Property, plant and equipment

The movements in property, plant and equipment during the year are set out in Note 13 to the Financial Statements. Current status of value of properties is disclosed on page 156.

## → Auditors

M/s Ernst & Young, 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:

	2017 Rs. million	2016 Rs. million
Audit fees	7	-
Fees for non-audit services	3	2

M/s Ernst & Young was appointed Auditors of the Company in 2017. SLT Group Audit Committee having considered M/s Ernst & Young performance and their independence recommend to the shareholders the reappointment of M/s Ernst & Young as the Auditors of the Company for the ensuing year.

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

M/s Ernst & Young have expressed their willingness to continue in office. A resolution to reappoint them and to authorise the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

## → Statutory payments and compliance with laws and regulations

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

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

## → Environmental protection

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

## → Donations

The Company has not made any donations for charitable purposes during the year 2017.

## → Employment policies

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

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

The number of persons employed by SLT is given in Note 7.1 on page 151.

## → Sustainability reporting

The Group is conscious of the direct and indirect impact on the environment due to its business activities. Every endeavour is made to minimise the adverse effects on the environment to ensure sustainable continuity of our natural resources. The activities undertaken by the Group in recognition of its responsibility as a corporate citizen are disclosed more fully on pages 76 to 79 of this Report.

## → Post balance sheet events

Except for matters disclosed in Note 35 to the Financial Statements, there are no material events as at the date of the Auditors' Report which require adjustments to or disclosure in the Financial Statements.

## → Going concern

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

## → Annual General Meeting (AGM)

The AGM will be held at 10.00am. on Wednesday, 9 May 2018 at the Main Hall of the Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 07. 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

**A R Desapriya**  
Director

**Mahesh Athukorale**  
Company Secretary

29 March 2018  
Colombo

# Statement of Directors in relation to their responsibility for the preparation of Financial Statements

The responsibility of the Directors in relation to the Financial Statements of the Company and the Group is set out in the following statement. The responsibility of the Independent Auditors, in relation to the Financial Statements, prepared in accordance with the provisions of the Companies Act No. 07 of 2007 ("the Act"), is set out in the Independent Auditors' Report on page 125.

The Financial Statements comprise:

- 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 SLRFS.

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

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

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

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

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

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

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

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

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

## → Compliance report

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

By Order of the Board,

Sri Lanka Telecom PLC



**Mahesh Athukorale**  
Company Secretary

29 March 2018  
Colombo

# Audit Committee Report

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As at 31 December 2017

We are pleased to report on the Committee's activities and areas of focus for the year ended 31 December 2017.

## **1.1 Audit Committee terms of reference and internal audit charter →**

The Committee conducts its affairs in compliance with the Terms of Reference adopted and reviewed by the Board time to time in terms of best practices. The TOR is available on the Company's website [www.slt.lk](http://www.slt.lk).

## **1.2 Composition of Audit Committee →**

The Committee comprise of three NEDs of whom 2 are Independent Directors. The biographical details are set out on pages 84 to 86.

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

Ms Lai Choon Foong – Chairperson

Ms Nilanthi Pieris

Mr A R Desapriya

Mr Chan Chee Beng resigned as the Chairman and member of the Committee with effect from 3 October 2017.

Ms Chandra Ekanayake and Mr Rohan De Silva ceased to be members consequent to their resignation from the Board of SLT with effect from 1 August 2017 and 19 December 2017.

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

The Company Secretary functions as the Secretary of the Committee.

## **1.3 Activities of Audit Committee →**

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

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

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

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

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

### **1.3.b Financial reporting →**

The Committee reviewed the quarterly financial results and annual audited Financial Statements of the Group with the Management and discussed with the External Auditor, before recommending their approval by the Board of SLT who approves the release of the financial results to the CSE.

The Committee discussed with the Management to ensure that matters relating to financial reporting set out in its Terms of Reference, Listing requirements of the CSE, provisions of the Companies Act No. 7 of 2007 and Sri Lanka Accounting and Auditing Monitoring Board had been complied with.



### 1.3.c External audit →

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

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

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

After reviewing the effectiveness of the External Auditors, the Committee recommends that Ernst & Young be reappointed as the Auditor of the Company for the financial year 2018 subject to the approval of the shareholders at the AGM.

### 1.3.d Group internal audit function →

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

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

The Group Chief Internal Auditor ("GCIA") presented the key audit or investigation findings and recommendations arising from the internal audits or investigations conducted to the Committee and ensured that timely corrective action was taken by the Management to address the issues.

### 1.4 Meetings of Committee →

The Committee met on eight occasions during the financial year 2017 and their attendance at these meetings is shown in the Corporate Governance Report. The Chairman, Group Chief Executive Officer, Group Chief Internal Auditor and Chief Financial Officer attended all meetings by invitation. The External Auditor was requested to attend the meetings as and when required.

Key matters considered during the meetings held during the year are:

Month of Meeting	Key Activities
February 2017	<ul style="list-style-type: none"> <li>→ Reviewed internal audit findings, recommendations and management action presented by the GCIA with the Management</li> <li>→ Reviewed and approved the revised Internal Audit Plan</li> <li>→ Reviewed the key findings from the quarterly reviews presented by previous External Auditor and the Management's responses</li> <li>→ Reviewed the External Audit Plan and Auditor's Fee proposal for 2017 presented by Ernst &amp; Young</li> <li>→ Recommended the appointment of Ernst &amp; Young as new Auditor of the Group for the year 2017</li> </ul>
April 2017	<ul style="list-style-type: none"> <li>→ Reviewed internal audit findings, recommendations and management action presented by the GCIA with the Management</li> <li>→ Reviewed the key enterprise risks and mitigating action taken by Management</li> <li>→ Reviewed the revenue assurance findings and initiatives</li> </ul>
April 2017	<ul style="list-style-type: none"> <li>→ Reviewed the findings and recommendations of the External Auditor on the Interim Financial Statements and recommended the Financial Statements for financial year ended 31 December 2016 for approval of the Board</li> </ul>
May 2017	<ul style="list-style-type: none"> <li>→ Reviewed the findings and recommendations of the External Auditor on the Interim Financial Statements for 1st quarter of 2017 and recommended the Financial Statements for approval of the Board</li> </ul>
May 2017	<ul style="list-style-type: none"> <li>→ Reviewed internal audit findings, recommendations and management action presented by the GCIA with the Management</li> <li>→ Reviewed the scope of work of Group Internal Audit and recommended the revised Internal Audit Charter for approval of the Board</li> <li>→ Reviewed the key enterprise risks and progress of mitigating action by Management</li> <li>→ Reviewed the revenue assurance findings, recommendations and management action</li> </ul>
August 2017	<ul style="list-style-type: none"> <li>→ Reviewed internal audit findings, recommendations and management action presented by GCIA with the Management</li> <li>→ Reviewed the findings and recommendations of the External Auditor on Interim Financial Statements for the 2nd quarter of 2017 and recommended the Financial Statements for approval of the Board</li> <li>→ Reviewed the audit proposal presented by the External Auditor</li> </ul>
October 2017	<ul style="list-style-type: none"> <li>→ Reviewed internal audit findings, recommendations and management action presented by GCIA with the Management</li> <li>→ Reviewed the External Audit Plan for 2017 presented by the External Auditor</li> <li>→ Reviewed the update on key enterprise risks and progress of mitigating action by Management</li> <li>→ Reviewed the revenue assurance findings, recommendations and management action</li> </ul>
November 2017	<ul style="list-style-type: none"> <li>→ Reviewed internal audit findings, recommendations and management action presented by GCIA with the Management</li> <li>→ Reviewed the findings and recommendations of the External Auditor on their review of the Interim Financial Statements for the 3rd quarter of 2017 and recommended the Financial Statements for approval of the Board</li> </ul>

## 1.5 External Auditor's fees →

The fees paid to the External Auditor during the financial year 2017 are disclosed in Note 7 to the Financial Statements.

On behalf of the Audit Committee,



**Ms Lai Choon Foong**  
 Chairperson  
 Audit Committee

29th March 2018

# Independent Auditors' Report



Ernst & Young  
 Chartered Accountants  
 201 De Saram Place  
 P.O. Box 101  
 Colombo 10  
 Sri Lanka

Tel : +94 11 2463500  
 Fax Gen : +94 11 2697369  
 Tax : +94 11 5578180  
 eysl@lk.ey.com  
 ey.com

## → To the shareholders of Sri Lanka Telecom PLC

### Report on the Financial Statements →

We have audited the accompanying Financial Statements of Sri Lanka Telecom PLC ("the Company"), and the Consolidated Financial Statements of the Company and its subsidiaries ("Group"), which comprise the Statement of Financial Position as at 31 December 2017, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### 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.

### Auditor's 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 auditor's judgement, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the Auditor considers internal control relevant to the entity's preparation of the Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used

and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the Financial Statements.

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

### Opinion →

In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position of the Group as at 31 December 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Report on other legal and regulatory requirements →

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

- (a) The basis of opinion, scope and limitations of the audit are as stated above.
- (b) In our opinion:
  - we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
  - the Financial Statements of the Company give a true and fair view of its financial position as at 31 December 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, and
  - 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.

29 March 2018

Colombo

# Statement of Profit or Loss and Other Comprehensive Income

(All amounts in Sri Lanka rupees million)

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	Notes	2017	2016	Group	Company
For the year ended 31 December				2017	2016
Revenue	6	75,741	73,801	44,537	43,131
Operating costs	7	(54,536)	(53,675)	(33,158)	(33,228)
Operating profit before depreciation and amortisation		21,205	20,126	11,379	9,903
Depreciation	13	(16,461)	(13,776)	(10,926)	(8,509)
Amortisation of intangible assets	14	(826)	(624)	(195)	(227)
<b>Operating profit</b>		3,918	5,726	258	1,167
Other income		1,207	988	1,059	874
Dividend income		-	-	733	749
Interest expense and finance costs	9	(159)	(250)	(12)	(25)
Foreign exchange (loss)/gain	9.a	(478)	(979)	(471)	(570)
Interest income	10	1,040	1,012	562	448
<b>Profit before tax</b>		5,528	6,497	2,129	2,643
Income tax expenses	11	(1,588)	(1,707)	(701)	(918)
<b>Profit for the year</b>		3,940	4,790	1,428	1,725
<b>Other comprehensive income to be reclassified to profit and loss in subsequent periods (net of tax)</b>		-	-	-	-
<b>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</b>					
Defined benefit plan actuarial (losses)/gain	26	543	233	553	249
Tax on other comprehensive income	23	(155)	(70)	(155)	(70)
<b>Other comprehensive income for the year not to be reclassified to profit and loss in subsequent periods (net of tax)</b>		388	163	398	179
<b>Total comprehensive income for the year</b>		4,328	4,953	1,826	1,904
<b>Profit attributable to:</b>					
Owners of the Company		3,940	4,790	1,428	1,725
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		4,328	4,953	1,826	1,904
Earnings per share					
- Basic (Rs.)	12	2.18	2.65	0.79	0.96

The Notes on pages 131 to 180 form an integral part of these Financial Statements.

# Statement of Financial Position

(All amounts in Sri Lanka rupees million)

As at 31 December	Notes	Group		Company		
		2017	2016	2017	2016	
<b>Assets</b>						
<b>Non-current assets</b>						
Property, plant and equipment	13	117,035	108,649	91,453	81,524	
Intangible assets and goodwill	14	7,861	3,713	1,067	879	
Investments in associates	15	28	-	28	-	
Investments in subsidiaries	16	-	-	14,206	14,220	
Deferred tax assets	23	84	51	-	-	
Other receivables	18	3,150	3,033	3,127	3,021	
<b>Total non-current assets</b>		<b>128,158</b>	<b>115,446</b>	<b>109,881</b>	<b>99,644</b>	
<b>Current assets</b>						
Inventories	19	3,161	1,585	2,228	1,146	
Trade and other receivables	20	20,731	18,287	17,854	16,162	
Current tax receivable		1,035	146	1,035	146	
Other investments	17	1,844	764	1,780	705	
Cash and cash equivalents	21	4,277	6,682	796	314	
<b>Total current assets</b>		<b>31,048</b>	<b>27,464</b>	<b>23,693</b>	<b>18,473</b>	
<b>Total assets</b>		<b>159,206</b>	<b>142,910</b>	<b>133,574</b>	<b>118,117</b>	
<b>Equity</b>						
Stated capital	29	18,049	18,049	18,049	18,049	
Insurance reserve	27	691	680	691	680	
Retained earnings		52,569	49,858	40,480	40,271	
Equity attributable to equity holders of the Company		71,309	68,587	59,220	59,000	
Non-controlling interest		95	91	-	-	
<b>Total equity</b>		<b>71,404</b>	<b>68,678</b>	<b>59,220</b>	<b>59,000</b>	
<b>Liabilities</b>						
<b>Non-current liabilities</b>						
Grants	28	3	9	3	9	
Borrowings	22	14,920	14,859	14,492	13,809	
Deferred income	24	2,239	2,340	2,208	2,297	
Deferred tax liabilities	23	5,956	4,517	5,945	4,507	
Employee benefits	26	4,355	4,538	3,719	3,984	
Trade and other payables	25	2,444	2,743	532	252	
<b>Total non-current liabilities</b>		<b>29,917</b>	<b>29,006</b>	<b>26,899</b>	<b>24,858</b>	
<b>Current liabilities</b>						
Borrowings	22	26,891	18,081	24,486	14,726	
Deferred income	24	2,143	1,435	468	576	
Current tax liabilities		401	413	-	-	
Trade and other payables	25	28,450	25,297	22,501	18,957	
<b>Total current liabilities</b>		<b>57,885</b>	<b>45,226</b>	<b>47,455</b>	<b>34,259</b>	
<b>Total liabilities</b>		<b>87,802</b>	<b>74,232</b>	<b>74,354</b>	<b>59,117</b>	
<b>Total equity and liabilities</b>		<b>159,206</b>	<b>142,910</b>	<b>133,574</b>	<b>118,117</b>	

The Notes on pages 131 to 180 form an integral part of these Financial Statements.

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

**Udeni K Samaratne**  
Chief Financial Officer

The Board of Directors is responsible for the Financial Statements. These Financial Statements were approved by the Board of Directors on 29 March 2018.

Signed for and behalf of the Board,

**P G Kumarasinghe Sirisena**  
Chairman  
29 March 2018

**A R Desapriya**  
Director

# Statement of Changes in Equity – Group

(All amounts in Sri Lanka rupees million)

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	Notes	Stated capital	Insurance reserve	Retained earnings	Total equity	Non-controlling interest	Attributable to owners of the Company
<b>Balance as at 1 January 2016</b>		18,049	605	46,586	65,240	-	65,240
Non-controlling interest		-	-	-	-	91	91
<b>Total comprehensive income for the year</b>							
Net profit for the year 2016		-	-	4,790	4,790	-	4,790
<b>Other comprehensive income</b>							
Defined benefit plan actuarial (loss)/gain net of tax		-	-	163	163	-	163
<b>Total other comprehensive income</b>		-	-	163	163	-	163
<b>Total comprehensive income for the year</b>		-	-	4,953	4,953	-	5,044
<b>Transactions with owners, recorded directly in equity</b>							
<b>Contribution by and distribution to owners</b>							
Dividends to equity shareholders (Rs. 0.89 per share)		-	-	(1,606)	(1,606)	-	(1,606)
<b>Insurance reserve</b>							
Transfer to insurance reserve	27	-	75	(75)	-	-	-
<b>Balance as at 31 December 2016</b>		18,049	680	49,858	68,587	91	68,678

	Notes	Stated capital	Insurance reserve	Retained earnings	Total equity	Non-controlling Interest	Attributable to owners of the Company
<b>Balance as at 1 January 2017</b>		18,049	680	49,858	68,587	91	68,678
Non-controlling interest		-	-	-	-	4	4
<b>Total comprehensive income for the year</b>							
Net profit for the year 2017		-	-	3,940	3,940	-	3,940
<b>Other comprehensive income</b>							
Defined benefit plan actuarial (loss)/gain net of tax		-	-	388	388	-	388
<b>Total other comprehensive income</b>		-	-	388	388	4	388
<b>Total comprehensive income for the year</b>		-	-	4,328	4,328	4	4,322
<b>Transactions with owners, recorded directly in equity</b>							
<b>Contribution by and distribution to owners</b>							
Dividends to equity shareholders (Rs. 0.89 per share)		-	-	(1,606)	(1,606)	-	(1,606)
<b>Insurance reserve</b>							
Transfer to insurance reserve	27	-	11	(11)	-	-	-
<b>Balance as at 31 December 2017</b>		18,049	691	52,569	71,309	95	71,404

The Notes on pages 131 to 180 form an integral part of these Financial Statements.

# Statement of Changes in Equity – Company

(All amounts in Sri Lanka rupees million)

	Notes	Stated capital	Insurance reserve	Retained earnings	Attributable to owners of the Company Total equity
<b>Balance as at 1 January 2016</b>	18,049	605	40,048	58,702	
<b>Total comprehensive income for the year</b>					
Net profit for the year 2016	-	-	1,725	1,725	
<b>Other comprehensive income</b>					
Defined benefit plan actuarial (loss)/gain net of tax			179	179	
<b>Total other comprehensive income</b>	-	-	179	179	
<b>Total comprehensive income for the year</b>	-	-	1,904	1,904	
<b>Transactions with owners, recorded directly in equity</b>					
<b>Contribution by and distribution to owners</b>					
Dividends to equity shareholders (Rs. 0.89 per share)	-	-	(1,606)	(1,606)	
<b>Insurance reserve</b>					
Transfer to insurance reserve	27	-	75	(75)	-
<b>Balance as at 31 December 2016</b>	18,049	680	40,271	59,000	

	Notes	Stated capital	Insurance reserve	Retained earnings	Attributable to owners of the Company Total equity
<b>Balance as at 1 January 2017</b>	18,049	680	40,271	59,000	
<b>Total comprehensive income for the year</b>					
Net profit for the year 2017	-	-	1,428	1,428	
<b>Other comprehensive income</b>					
Defined benefit plan actuarial (loss)/gain net of tax	-	-	398	398	
<b>Total other comprehensive income</b>	-	-	398	398	
<b>Total comprehensive income for the year</b>	-	-	1,826	1,826	
<b>Transactions with owners, recorded directly in equity</b>					
<b>Contribution by and distribution to owners</b>					
Dividends to equity shareholders (Rs. 0.89 per share)	-	-	(1,606)	(1,606)	
<b>Insurance reserve</b>					
Transfer to Insurance Reserve	27	-	11	(11)	-
<b>Balance as at 31 December 2017</b>	18,049	691	40,480	59,220	

The Notes on pages 131 to 180 form an integral part of these Financial Statements.

# Statement of Cash Flow

(All amounts in Sri Lanka rupees million)

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For the year ended 31 December	Notes	Group		Company	
		2017	2016	2017	2016
<b>Cash flows from operating activities</b>					
Cash generated from operations	30	21,734	21,269	13,693	11,236
Interest received		1,039	995	561	431
Interest paid		(2,989)	(1,487)	(2,665)	(1,243)
Tax paid		(1,238)	(1,053)	(307)	(236)
Gratuity paid	26	(322)	(258)	(305)	(223)
<b>Net cash generated from operating activities</b>		<b>18,224</b>	<b>19,466</b>	<b>10,977</b>	<b>9,965</b>
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment		(22,049)	(23,800)	(18,057)	(20,610)
Acquisition of intangible assets	14	(4,974)	(1,363)	(383)	(22)
Proceeds from disposal of property, plant and equipment		701	404	679	388
Proceeds/(purchase) of short-term investments		(1,065)	412	(1,062)	67
Investments in Associate company		(28)	-	(28)	-
<b>Net cash (used) in investing activities</b>		<b>(27,415)</b>	<b>(24,347)</b>	<b>(18,851)</b>	<b>(20,177)</b>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		16,242	9,513	13,798	9,032
Finance lease principal repayments		(14)	(72)	(55)	(50)
Repayment of borrowings		(13,866)	(8,195)	(9,644)	(3,626)
Dividends paid to the equity shareholders		(1,606)	(1,606)	(1,606)	(1,606)
<b>Net cash (used) and generated from financing activities</b>		<b>756</b>	<b>(360)</b>	<b>2,493</b>	<b>3,750</b>
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(8,435)</b>	<b>(5,241)</b>	<b>(5,381)</b>	<b>(6,462)</b>
<b>Movement in cash and cash equivalents</b>					
Cash and cash equivalents at the beginning of the year		(616)	4,620	(6,234)	223
Effect of exchange fluctuation on cash and cash equivalents		5	5	5	5
		(611)	4,625	(6,229)	228
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(8,435)</b>	<b>(5,241)</b>	<b>(5,381)</b>	<b>(6,462)</b>
<b>At the end of year</b>	21.a	<b>(9,046)</b>	<b>(616)</b>	<b>(11,610)</b>	<b>(6,234)</b>

The Notes on pages 131 to 180 form an integral part of these Financial Statements.

# Notes to the Financial Statements

(All amounts in Sri Lanka rupees million)

## **1 Reporting entity**

Sri Lanka Telecom PLC (the "Company") is a company domiciled in Sri Lanka. The address of the Company's registered office is Lotus Road, Colombo 1. The separate Financial Statements relates to Sri Lanka Telecom PLC. The Consolidated Financial Statements of the Company as at and for the year ended December 2017 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 2017.

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.

### **Parent enterprise and ultimate parent enterprise →**

Sri Lanka Telecom PLC does not have an identifiable parent of its own.

## **2 Basis of preparation**

### **(a) Statement of compliance →**

The Financial Statements of the Group and the Company which comprises the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS and LKAS) as laid down by The Institute of Chartered Accountants of Sri Lanka (ICASL) and the requirements of the Companies Act No. 07 of 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 2018.

### **(c) Basis of measurement →**

The Financial Statements have been prepared on the historical cost basis applied consistently with no adjustments

being made for inflationary factors affecting the Financial Statements except for the following item:

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

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

### **(d) Functional and presentation currency →**

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

### **(e) Use of estimates and judgements →**

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following Notes:

- Note 13 – Property, plant and 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 2017.

### 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:

**(a) Basis of consolidation →**

**(i) Business combinations →**

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

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

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

**(ii) Subsidiaries →**

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

**(ii-a) Critical judgements in applying the entity's accounting policies →**

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

**(ii-b) Interest in subsidiaries →**

Set out below are the Group's subsidiaries as at 31 December 2017:

Name of entity	Place of business/ country of incorporation	Percentage of ownership	Principal activities
Mobitel (Private) Limited	Colombo/Sri Lanka	100.00%	Mobile service provider
Sri Lanka Telecom (Services) Limited	Colombo/Sri Lanka	99.99%	Providing network solutions for corporate customers and small business
SLT VisionCom (Private) Limited	Colombo/Sri Lanka	100.00%	Providing IPTV support service
SLT Digital Services (Private) Limited	Colombo/Sri Lanka	100.00%	Directory information, event management & activation and digital services
SLT Human Capital Solutions (Private) Limited	Colombo/Sri Lanka	100.00%	Providing workforce solutions
Sky Network (Private) Limited	Colombo/Sri Lanka	99.94%	Wireless broadband operations
SLT Property Management (Private) Limited	Colombo/Sri Lanka	100.00%	Managing SLT real estate resource
SLT Campus (Private) Limited	Colombo/Sri Lanka	100.00%	Higher education services and business management
Galle Submarine Cable depot (Private) Limited	Colombo/Sri Lanka	40.00%	Maintenance of Marine Cables

**(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: 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 →**

**Held-to-maturity financial assets** These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

**Loans and receivables** These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method. Loans and receivables comprise cash and cash equivalents, staff loans, and trade and other receivables, including related party receivables.

**Available-for-sale financial assets** These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, are recognised in other comprehensive income and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to Statement of Profit or Loss and Other Comprehensive Income.

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

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

**(i-iii) Fair value measurement →**

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

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

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

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

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

**Determination of fair values**

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

→ **Level 1**

Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

→ **Level 2**

Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

→ **Level 3**

Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs).

**Amortised cost**

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

**(i-iv) Reclassifications →**

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

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

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

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

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

**(i-v) 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 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, investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

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

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

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

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

## **(d) Property, plant and equipment →**

### **(i) Recognition and measurement →**

Items of property, plant and 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 and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

### **(ii) Subsequent costs →**

The cost of replacing part of an item of property, plant and equipment is 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 and 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 and 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 and equipment when the entity expects to use them during more than one period and are used in connection with specific items of property, plant and equipment.

**(v) Derecognition →**

The carrying amount of an item of property, plant and equipment is derecognised on disposal. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are 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 and equipment, the remaining carrying amount of the replaced part is derecognised. Major inspection costs are capitalised. At each such capitalisation, the remaining carrying amount of the previous cost of inspections is derecognised.

**(vi) Borrowing cost →**

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

**(e) Intangible assets →**

**(i) Goodwill →**

Goodwill arises on the acquisition of subsidiaries.

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

**Subsequent measurement →**

Goodwill is measured at cost less accumulated impairment losses.

**(ii) Other intangible assets →**

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

**(iii) Licenses →**

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

**(iv) Subsequent expenditure →**

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

**(v) Amortisation →**

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

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

**(f) Leased assets →**

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

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

**(g) Inventories →**

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

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

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

**(i) Government grants →**

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

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

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

**Employees' Provident Fund →**

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

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

**Employees' Trust Fund →**

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

**(ii) Defined benefit plans →**

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

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

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

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

**(iii) Termination benefits →**

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

**(iv) Short-term benefits →**

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

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

**(k) Trade and other payables →**

Trade and other payables are stated at their amortised cost.

**(l) Commitments and contingencies →**

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

**(m) Revenue →****(i) Goods →**

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

**Equipment sale →**

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

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

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

**Sale of directories →**

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

**(ii) Services →**

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

**Domestic and international call revenue and rental income →****Fixed line →**

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

**Mobile revenue →**

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

**Revenue from other network operators and international settlements →**

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

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

**Revenue from broadband →**

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

## Revenue from other ICT services →

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

## Deferred income →

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

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

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

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

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

## CDMA revenue →

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

## (n) Expenditure →

The expenses are recognised on an accrual basis. All expenses incurred in the ordinary course of business and in maintaining property, plant and 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 in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity or other comprehensive income.

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

**(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 non-taxable profit or loss and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets/liabilities will be realised simultaneously.

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

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

**(iii) Economic Service Charge (ESC) →**

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

**(iv) Sales tax →**

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

**(r) Earnings per share →**

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

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

**(s) Insurance reserve →**

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

**(t) Dividend distribution →**

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

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

**(u) Comparatives →**

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

**(v) Statement of cash flow →**

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

**(w) Events after the reporting period →**

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

**(x) Directors' Responsibility Statement →**

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

**(y) Critical accounting estimates,  
assumptions and judgements →**

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

**(i) Depreciation of property, plant and equipment →**

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

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

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

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

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

**(iii) Revenue recognition →**

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

**(iv) Valuation of receivables →**

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

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

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards which will become applicable for the financial periods beginning on or after 1 January 2018. The Group has not assessed the potential impact on its Financial Statements resulting from their application.

### **SLFRS 9 – Financial Instruments: Classification and Measurement**

The objective of this SLFRS is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of Financial Statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This standard will be effective for financial periods beginning on or after 1 January 2018.

### **SLFRS 15 – Revenue from contract with customers**

Establishes the principles that an entity shall apply report useful information to users of Financial Statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. This standard will be effective for financial period beginning on or after 1 January 2018.

A preliminary evaluation of the existing contracts which are categorised as revenue of the Group has been performed in relation to the adoption of SLFRS 15. The Group is currently in the process of evaluating and quantifying the accounting impact, any impacts on the current systems and processes will be modified where necessary. The Group will reflect the cumulative impact of SLFRS 15 in equity on the date of adoption.

### **SLFRS 16 – Leases**

SLFRS 16 provides a single lessee accounting model, requiring leases to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value even though lessor accounting remains similar to current practice. This supersedes: LKAS 17 – "Leases", IFRIC 4 determining whether an arrangement contains a lease, SIC 15 – "Operating Leases" –Incentives; and SIC 27 evaluating the substance of transactions involving the legal form of a lease. Earlier application is permitted for entities that apply SLFRS – 15 "Revenue from Contracts with Customers".

SLFRS 16 also requires lessees and lessors to make more extensive disclosures than under LKAS 17.

SLFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies SLFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group will continue to assess the potential effect of SLFRS 16 on its Consolidated Financial Statements and the impact on the implementation of the above standard has not been quantified yet.

## **4 Financial Risk Management**

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

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

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

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

- Credit risk
- Liquidity risk
- Market risk

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

### **4.1 Credit risk →**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation, and arise principally from the Group's receivables from customers.

Carrying amount of financial assets represents the maximum credit exposure.

## 4.1.1 Trade receivables →

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

Domestic service is offered to a new customer only after scrutinising through a internal blacklisted data base. The Group has a well-established credit control policy and process to minimise the credit risk. Customers are categorised according to the segments and credit limit has been fixed as per their average monthly bill value. Customer usage and bill payments are monitored as per the credit limit. Credit limit will be periodically revised as per the past monthly bill value. High risk voice customers are subjected to auto disconnection when they reached the threshold limit. Credit control actions and recovery actions are taken for the overdue customers and defaulted customers to minimise the credit risk. High revenue-generated customers including corporate customers are monitored individually.

As at 31 December 2017, the maximum exposure to credit risk for trade by geographic region was as follows:

Rs. million	Group		Company	
	2017	2016	2017	2016
Sri Lanka	20,225	18,278	14,500	12,853
Middle East	285	499	223	263
Asia	1,268	1,449	799	654
Europe	1,164	1,433	1,007	1,339
Australia	66	173	54	102
Other	262	161	180	125
<b>Total trade receivables</b>	<b>23,270</b>	<b>21,993</b>	<b>16,763</b>	<b>15,336</b>

As at 31 December 2017, the maximum exposure to credit risk for trade receivables by type of counterparty was as follows:

Rs. million	Group		Company	
	2017	2016	2017	2016
Wholesale customers	3,582	4,390	3,468	3,795
Retail customers	17,107	14,439	12,597	10,945
Others	2,581	3,164	698	596
<b>Total</b>	<b>23,270</b>	<b>21,993</b>	<b>16,763</b>	<b>15,336</b>

As at 31 December the Group's most significant customer was Lanka Government Information Infrastructure (Private) Limited which accounted for Rs. 421 million of trade receivables (2016 – Rs. 256 million).

## Impairment →

As at 31 December 2017, the aging of trade receivables that were not impaired was as follows:

Rs. million	Group		Company	
	2017	2016	2017	2016
Past due 1 year	171	104	73	25
Past due 2 years and above	96	51	96	51
	<b>267</b>	<b>155</b>	<b>169</b>	<b>76</b>

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

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

Rs. million	Group		Company	
	impairment	Group	impairment	Company
Balance as at 1 January 2015		7,565		5,780
– Impairment loss recognised		1,358		871
– Amounts written off		(1,254)		(1,254)
Balance as at December 2016		7,669		5,397
– Impairment loss recognised		1,653		1,086
– Amounts written off		(1)		-
<b>Balance as at 31 December 2017</b>		<b>9,321</b>		<b>6,483</b>

## 4.1.2 Other investments →

The Group limits its exposure to credit risk by investing only in Government Debt Securities, Repos and in short-term deposits with selected bankers with Board approval.

## 4.1.3 Cash and cash equivalents →

The Group held cash and cash equivalents of Rs. 4,277 million as at 31 December 2017 (2016 – Rs. 6,682 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 discounted:

Rs. million	Carrying value	Up to 1 year	Up to 2 years	Up to 5 years	Over 5 years
<b>Group</b>					
<b>As at 31 December 2017</b>					
Bank overdrafts	13,323	13,323	-	-	-
Bank borrowings and others	26,525	12,036	6,285	6,564	1,640
Vendor financing	1,803	1,432	268	103	-
Lease liabilities	160	100	34	26	-
	<b>41,811</b>	<b>26,891</b>	<b>6,587</b>	<b>6,693</b>	<b>1,640</b>

Rs. million	Carrying value	Up to 1 year	Up to 2 years	Up to 5 years	Over 5 years
<b>As at 31 December 2016</b>					
Bank overdrafts	7,298	7,298	-	-	-
Bank borrowings and others	21,883	8,136	6,948	6,799	-
Vendor financing	3,583	2,564	678	341	-
Lease liabilities	176	83	87	6	-
	<b>32,940</b>	<b>18,081</b>	<b>7,713</b>	<b>7,146</b>	<b>-</b>
<b>Company</b>					
<b>As at 31 December 2017</b>					
Bank overdrafts	12,406	12,406	-	-	-
Bank borrowings and others	26,502	12,013	6,285	6,564	1,640
Lease liabilities	70	67	3	-	-
	<b>38,978</b>	<b>24,486</b>	<b>6,288</b>	<b>6,564</b>	<b>1,640</b>
<b>As at 31 December 2016</b>					
Bank overdrafts	6,548	6,548	-	-	-
Bank borrowings and others	21,862	8,115	6,948	6,799	-
Lease liabilities	125	63	62	-	-
	<b>28,535</b>	<b>14,726</b>	<b>7,010</b>	<b>6,799</b>	<b>-</b>

#### **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 31 December 2017**

Foreign trade receivables	20
Secured bank loans	(12)
Unsecured loans	(103)
Trade payables	(13)
<b>Net statement of financial position exposure</b>	<b>(108)</b>

**As at 31 December 2016**

Foreign trade receivables	26
Secured bank loans	(24)
Unsecured loans	(129)
Trade payables	(11)
<b>Net statement of financial position exposure</b>	<b>(138)</b>

	Company USD million
--	------------------------

**As at 31 December 2017**

Foreign trade receivables	15
Secured bank loans	-
Unsecured loans	(103)
Trade payables	(8)
<b>Net statement of financial position exposure</b>	<b>(96)</b>

**As at 31 December 2016**

Foreign trade receivables	18
Secured bank loans	-
Unsecured loans	(129)
Trade payables	(4)
<b>Net statement of financial position exposure</b>	<b>(115)</b>

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

Rs.	Average rate		Year end spot rate	
	2017	2016	2017	2016
USD	152.40	145.60	153.23	149.75
EUR	171.73	161.16	191.18	157.93

**Sensitivity analysis →**

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

Rs. million	Profit or loss		Balance sheet	
	Strengthening	Weakening	Strengthening	Weakening
<b>Group</b>				
2017 December USD (10%)	(2,064)	2,064	(2,064)	(2,064)
2016 December USD (10%)	(2,543)	2,543	(2,543)	(2,543)
<b>Company</b>				
2017 December USD (10%)	1,581	(1,581)	1,581	(1,581)
2016 December USD (10%)	(1,937)	1,937	(1,937)	1,937

**4.3.2 Interest rate risk →**

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

To minimise the adverse impact of variable interest rate borrowings due to an upward movement of USD interest rates in the market, the Company has obtained an interest rate SWAP and arrangements are being made to obtain an interest rate CAP.

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

Interest rate sensitivity of the Company was computed within the floor interest rate (Minimum) of 2.5% as stipulated in the loan agreement. The Group interest rate sensitivity was computed based on a 100 basis point increase or decrease. This analysis assumes that all other variables, in particular,

foreign currency exchange rates, remain constant. The sensitivity of interest rate movement is shown below:

Rs. million	Profit or loss	
	Increase in interest rate	Decrease in interest rate
<b>Group</b>		
<b>2017 December</b>		
Variable rate instruments	-181	181
<b>2016 December</b>		
Variable rate instruments	(115)	111
<b>Company</b>		
<b>2017 December</b>		
Variable rate instruments	(18)	18
<b>2016 December</b>		
Variable rate instruments	(80)	75

#### 4.4 Analysis of financial instruments by measurement basis →

##### Financial liabilities →

Type of the Financial Instrument (2017)	Note	Loans and receivables (Note 4.4.1)	
		Group	Company
Trade and other payables	25	30,894	23,033
Borrowings	22	41,811	38,978
<b>Total</b>		<b>72,705</b>	<b>62,011</b>

Type of the Financial Instrument (2016)	Note	Loans and receivables (Note 4.4.1)	
		Group	Company
Trade and other payables	25	28,040	19,209
Borrowings	22	32,940	28,535
<b>Total</b>		<b>60,980</b>	<b>47,744</b>

**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 2017 and 2016 were as follows:

	Group		Company	
	2017	2016	2017	2016
Total borrowings	41,811	32,940	38,978	28,535
Total equity	71,309	68,587	59,220	59,000
Total capital	113,120	101,527	98,198	87,535
Gearing ratio (%)	37.0	32.4	39.7	32.6

## 5 Operating segments

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

- Fixed ICT operations includes supply of fixed telecommunication services.
- Mobile ICT operations includes supply of mobile telecommunication services.

→ Other segment operations includes Directory publication and support services. None of these segments meet the quantitative thresholds for determining reportable segments in 2017 or 2016.

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 2017 →

(All amounts in Sri Lanka rupees million)

#### Information about reportable segments →

	Fixed ICT operations		Mobile ICT operations		Other segments operations		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
External revenues	40,616	39,766	34,037	33,556	1,088	479	75,741	73,801
Inter-segment revenue	3,921	3,365	2,462	2,401	2,352	2,383	8,735	8,149
Reportable segment revenue	44,537	43,131	36,499	35,957	3,440	2,862	84,476	81,950
Reportable segment								
Profit before tax	2,129	2,643	4,113	4,909	135	(206)	6,377	7,346
Interest revenue	562	448	439	529	39	35	1,040	1,012
Interest expenses	(12)	(25)	(121)	(206)	(26)	(19)	(159)	(250)
Depreciation and amortisation	(11,121)	(8,736)	(6,077)	(5,581)	(89)	(83)	(17,287)	(14,400)
Reportable segment assets	133,574	118,117	43,601	45,464	2,173	1,868	179,348	165,449
Capital expenditure	18,440	20,632	8,531	4,492	39	39	27,010	25,163
Reportable segment liabilities	74,354	59,117	17,948	22,335	1,846	1,617	94,148	83,069

	2017	2016	
<b>Revenue</b>			
Total revenue for reportable segments	81,036	79,088	
Revenue for other segments	3,440	2,862	
<b>Reportable segment revenue</b>	<b>84,476</b>	81,950	
Elimination of inter-segment revenue	(8,735)	(8,149)	
<b>Consolidated revenue</b>	<b>75,741</b>	73,801	
<b>Profit or loss</b>			
Total profit or loss for reportable segments	6,242	7,552	
Profit or loss for other segments	135	(206)	
Reportable segment profit before tax	6,377	7,346	
Elimination of inter-segment profits	(849)	(849)	
Consolidated profit before tax	5,528	6,497	
<b>Assets</b>			
Total assets for reportable segments	177,175	163,581	
Assets for other segments	2,173	1,868	
	<b>179,348</b>	165,449	
Elimination of inter-segment assets	(20,142)	(22,539)	
Consolidated total assets	<b>159,206</b>	142,910	
<b>Liabilities</b>			
Total liabilities for reportable segments	92,302	81,452	
Liabilities for other segment	1,846	1,617	
	<b>94,148</b>	83,069	
Elimination of inter-segment liabilities	(6,346)	(8,837)	
Consolidated total liabilities	<b>87,802</b>	74,232	
	Reportable segment totals	Adjustments	Consolidated totals
<b>Other material items (2017)</b>			
Interest revenue	1,040	-	1,040
Interest expense	(159)	-	(159)
Capital expenditure	27,010	-	27,010
Depreciation and amortisation	(17,287)	-	(17,287)
<b>Other material items (2016)</b>			
Interest revenue	1,012	-	1,012
Interest expense	(250)	-	(250)
Capital expenditure	25,163	-	25,163
Depreciation and amortisation	(14,400)	-	(14,400)

## 6 Revenue

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

	Group			Company
	2017	2016	2017	2016
Release of deferred connection charges	434	480	434	480
Rental income	7,194	6,746	4,852	5,000
Domestic call revenue	23,706	24,585	4,485	4,684
Receipts from other network operators - Domestic	1,896	1,802	597	683
International call revenue	960	1,477	403	563
Receipts from other network operators - International	112	100	-	-
International settlements (in-payments)	8,305	10,233	5,879	7,162
CDMA revenue	912	1,075	912	1,075
Broadband revenue	16,497	12,753	9,297	7,235
Data and other services	15,725	14,550	17,678	16,249
	<b>75,741</b>	73,801	<b>44,537</b>	43,131

## 7 Operating costs

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

	Group			Company
	2017	2016	2017	2016
Staff costs (Note 7.1)	17,117	17,398	11,864	12,232
Directors' emoluments	31	31	12	18
Payments to international network operators	1,119	1,515	1,119	1,515
Payments to other network operators				
- International	1,323	2,051	1,247	1,827
- Domestic	2,675	2,507	936	847
International Telecommunication Operators Levy (Note 8)	2,157	2,807	1,129	1,599
Auditors' remuneration				
Audit				
- Ernst & Young	11	5	7	-
- Other Auditors	2	12	2	11

	Group		Company	
	2017	2016	2017	2016
Non-audit				
- Ernst & Young	3	2	3	2
- Other Auditors	5	13	5	13
Repairs and maintenance expenditure	6,134	4,387	4,446	3,142
Provision for doubtful debts	1,767	1,417	1,266	912
Impairments/(reversals) of inventory	97	370	68	325
Impairment of property, plant and equipment (Note 13)	100	137	100	137
Other operating expenditure	21,995	21,023	10,954	10,648
	54,536	53,675	33,158	33,228

## 7.1 Staff costs →

	Group		Company	
	2017	2016	2017	2016
Salaries, wages, allowances and other benefits	15,064	15,456	10,283	10,727
Post-employment benefits				
- Defined contribution plans	1,371	1,266	988	941
- Defined benefit obligations (Note 26)	682	676	593	564
	17,117	17,398	11,864	12,232
Average number of persons employed	9,632	9,775	5,576	5,734

## 8 International Telecommunication Operators Levy (ITOL)

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

The TDC refund received in 2014 corresponds to the period from April 2009 to July 2010 which was the last claim obtained under the respective regulation. As the said regulation was received with effect from July 2010 while eliminating the reimbursement process, the final claim requested from TRC applicable for the above period was received on year 2014.

First revision to this regulation was introduced with effect from 15 July 2010 with an International Telecommunication Operators Levy (ITOL) TDC rate change from USD cents 3.80 to USD cents 1.50. Through the same revision, the disbursement process of TDC was removed from the regulation. As stated above the revised ITOL rate prevailed until such time the rate was revised to USD cents 3.00 per minute with effect from January 2012, in accordance with the Budget Proposal for 2012 and ITOL rate was further revised again to USD cents 6.00 per minute with effect from January 2016 in accordance with the Budget Proposal for 2016.

Mobitel (Private) Limited Recognises Telecommunications Development Charge (TDC) in profit or loss on a straight-line basis over 10 years, as disclosed in Note 34.

## 9 Interest expense and finance costs

	Group		Company	
	2017	2016	2017	2016
Rupee loans [see Note (a) below]	1,058	165	1,038	148
Foreign currency loans [see Note (a) below]	904	1,010	790	812
Other charges [see Note (b) below]	847	314	834	304
<b>Total interest and finance cost</b>	<b>2,809</b>	<b>1,489</b>	<b>2,662</b>	<b>1,264</b>
Interest capitalised	(2,650)	(1,239)	(2,650)	(1,239)
<b>Net total interest and finance cost</b>	<b>159</b>	<b>250</b>	<b>12</b>	<b>25</b>

- (a) Interest cost of the Company relates to the USD loans and Rupee loans. Interest cost of the Group relates to Rupee loans, USD loans and vendor financing.
- (b) Other charges mainly include interest cost of finance leases and overdraft facilities.

### 9. a Foreign exchange (loss)/gain →

	Group		Company	
	2017	2016	2017	2016
Net foreign exchange (loss)/gain	(478)	(979)	(471)	(570)

**(a) Foreign currency (loss) or gain of the Company mainly includes –**

- Exchange gain of Rs. 17 million (2016 – Rs. 132 million) arising from revaluation of receivables, fixed deposits and bank balances maintained in USD.
- Exchange loss of Rs. 33 million on payment to foreign suppliers (2016 – gain Rs. 41 million).
- Exchange loss of Rs. 455 million (2016 – Rs. 702 million) arising from revaluation of USD syndicate loan.

**(b) Foreign currency (loss) or gain of the Group mainly includes –**

- Exchange gain of Rs. 63 million (2016 – of Rs. 139 million) arising from revaluation of the receivables, fixed deposits and bank balances maintained in USD.
- Exchange loss of Rs. 70 million on payment to foreign suppliers (2016 – Rs. 147 million).
- Exchange loss of Rs. 471 million (2016 – Rs. 971 million) arising from revaluation of USD syndicate loan and other term loans.

## 10 Interest income

	Group		Company	
	2017	2016	2017	2016
<b>Interest income from:</b>				
Treasury Bonds	1	-	-	-
Treasury Bills	-	1	-	-
Repurchase agreement - Repos	404	527	3	13
Fixed deposits	183	98	108	52
Staff loan interest	452	386	451	383
	<b>1,040</b>	<b>1,012</b>	<b>562</b>	<b>448</b>

The interest income on bank deposits reflect the prevailing rates on the date of respective investments.

- (a) The weighted average interest rates on restricted funds in bank deposits and Government Securities in Sri Lankan Rupees were 12.33% and 8.65% (2016 – 9.07% and 7.12%) and USD was 2.86% (2016 – 2.76%).
- (b) The weighted average interest rates on investments in Government Securities were Nil (2016 – 6.16%).
- (c) The weighted average interest rates on staff loans are between 12% and 14% (2016 – 12% and 14%).

(d) According to the Section 137 of the Inland Revenue Act No. 10 of 2006, any person who derives income from the secondary market transactions in Government Securities is entitled to a notional tax credit in relation to the tax payable by such a person. Notional tax credit would be determined by grossing up of the income from the secondary market transactions to an amount equal to 1/9th. Accordingly, Company has accounted for Rs. 0.3 million as notional tax credit for the year 2017 (2016 – Rs. 1 million). The Group has accounted for Rs. 1 million as notional tax credit for the year 2017 (2016 – Rs. 1 million).

## 11 Income tax expenses

Tax recognised in statement of profit or loss

Current tax expense	Group		Company	
	2017	2016	2017	2016
Current year	<b>966</b>	881	<b>73</b>	75
	<b>966</b>	881	<b>73</b>	75
Tax losses	(636)	(1,706)	(655)	(1,706)
<b>Deferred tax expense</b>				
Origination and reversal of temporary differences	1,258	2,532	1,283	2,549
<b>Tax expense</b>	<b>1,588</b>	1,707	<b>701</b>	918

**Tax recognised in other comprehensive income - Group →**

	2017			2016		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
Defined benefit plan actuarial (loss)/gain	543	(155)	388	233	(70)	163
	543	(155)	388	233	(70)	163

**Tax recognised in other comprehensive income - Company →**

	2017			2016		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
Defined benefit plan actuarial (loss)/gain	553	(155)	398	249	(70)	179
	553	(155)	398	249	(70)	179

Reconciliation of effective tax rate	Group/2017		Group/2016	
	%		%	
<b>Profit before tax</b>	-	5,528	-	6,497
Tax using the Company's domestic tax rate	28.00	1,548	28.00	1,819
Effect of different tax rates [Notes (a) and (b) below]	-5.59	(309)	-8.93	(580)
Non-deductible expenses	12.41	686	11.84	769
Income not subject to tax	-6.10	(337)	-4.65	(301)
	28.72	1,588	26.26	1,707

Reconciliation of effective tax rate	Company/2017		Company/2016	
	%		%	
<b>Profit before tax</b>	-	2,129	-	2,643
Tax using the Company's domestic tax rate	28.00	596	28.00	740
Non-deductible expenses	19.21	409	17.52	463
Income not subject to tax	-14.28	(304)	-10.78	(285)
	32.93	701	34.73	918

Current income tax charge of the Group/Company is made up as follows:

	Group	Company		
	2017	2016	2017	2016
Sri Lanka Telecom PLC	73	75	73	75
Mobitel (Private) Limited	844	800	-	-
Sri Lanka Telecom (Services) Limited	5	-	-	-
SLT Human Capital Solutions (Private) Limited	4	4	-	-
SLT Digital Services (Private) Limited	17	-	-	-
SLT VisionCom (Private) Limited	23	2	-	-
Sky Network (Private) Limited	-	-	-	-
SLT Property Management (Private) Limited	-	-	-	-
SLT Campus (Private) Limited	-	-	-	-
	<b>966</b>	881	<b>73</b>	75

(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 2016/17, 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		
	2017	2016	2017	2016
Net profit attributable to equity holders (Rs. million)	3,940	4,790	1,428	1,725
Weighted average number of ordinary shares in issue (million)	1,805	1,805	1,805	1,805
Basic earnings per share (Rs.)	2.18	2.65	0.79	0.96

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 and equipment

Group	Freehold land	Freehold buildings	Ducts, cables and other outside plant	Telephone exchanges	Transmission equipment	Other fixed assets	Capital work-in-progress	Total
<b>Cost</b>								
As at 1 January 2016	357	3,303	95,319	22,640	76,696	38,445	28,165	264,925
Additions at cost	-	-	416	33	34	2,231	20,571	23,285
Transfers from capital work-in-progress	-	193	9,051	3,966	5,211	10,288	(28,709)	-
Disposals	-	-	(184)	-	(65)	(80)	-	(329)
<b>As at 31 December 2016</b>	<b>357</b>	<b>3,496</b>	<b>104,602</b>	<b>26,639</b>	<b>81,876</b>	<b>50,884</b>	<b>20,027</b>	<b>287,881</b>

### Accumulated depreciation

As at 1 January 2016	-	(1,930)	(74,763)	(16,978)	(41,571)	(30,400)	-	(165,642)
Disposals	-	-	181	-	64	78	-	323
Impairment loss	-	(1)	(9)	(83)	-	(44)	-	(137)
Depreciation charge	-	(95)	(3,141)	(1,340)	(6,008)	(3,192)	-	(13,776)
<b>As at 31 December 2016</b>	<b>-</b>	<b>(2,026)</b>	<b>(77,732)</b>	<b>(18,401)</b>	<b>(47,515)</b>	<b>(33,558)</b>	<b>-</b>	<b>(179,232)</b>
<b>Carrying value as at 31 December 2016</b>	<b>357</b>	<b>1,470</b>	<b>26,870</b>	<b>8,238</b>	<b>34,361</b>	<b>17,326</b>	<b>20,027</b>	<b>108,649</b>

Group	Freehold land	Freehold buildings	Ducts, cables and other outside plant	Telephone exchanges	Transmission equipment	Other fixed assets	Capital work-in-progress	Total
<b>Cost</b>								
As at 1 January 2017	357	3,496	104,602	26,639	81,876	50,884	20,027	287,881
Additions at cost	-	-	546	1,925	1,854	5,567	15,064	24,956
Transfers from capital work-in-progress	-	229	4,317	134	1,629	4,450	(10,759)	-
Disposals	-	(2)	(770)	(114)	(33)	(232)	-	(1,151)
<b>As at 31 December 2017</b>	<b>357</b>	<b>3,723</b>	<b>108,695</b>	<b>28,584</b>	<b>85,326</b>	<b>60,669</b>	<b>24,332</b>	<b>311,686</b>

### Accumulated depreciation

As at 1 January 2017	-	(2,026)	(77,732)	(18,401)	(47,515)	(33,558)	-	(179,232)
Disposals	-	2	770	114	27	229	-	1,142
Impairment loss	-	-	(62)	(28)	(10)	-	-	(100)
Depreciation charge	-	(99)	(3,726)	(1,499)	(6,208)	(4,929)	-	(16,461)
<b>As at 31 December 2017</b>	<b>-</b>	<b>(2,123)</b>	<b>(80,750)</b>	<b>(19,814)</b>	<b>(53,706)</b>	<b>(38,258)</b>	<b>-</b>	<b>(194,651)</b>
<b>Carrying value as at 31 December 2017</b>	<b>357</b>	<b>1,600</b>	<b>27,945</b>	<b>8,770</b>	<b>31,620</b>	<b>22,411</b>	<b>24,332</b>	<b>117,035</b>

Company	Freehold land	Freehold buildings	Ducts, cables and other outside plant	Telephone exchanges	Transmission equipment	Other fixed assets	Capital work-in-progress	Total
<b>Cost</b>								
As at 1 January 2016	357	3,276	94,547	22,662	24,430	36,083	26,741	208,096
Additions at cost	-	-	416	33	34	1,827	17,781	20,091
Transfers from capital work-in-progress	-	193	9,051	3,966	2,552	10,031	(25,793)	-
Disposals	-	-	(184)	-	-	(16)	-	(200)
<b>As at 31 December 2016</b>	<b>357</b>	<b>3,469</b>	<b>103,830</b>	<b>26,661</b>	<b>27,016</b>	<b>47,925</b>	<b>18,729</b>	<b>227,987</b>

<b>Accumulated depreciation</b>								
As at 1 January 2016	-	(1,930)	(74,121)	(17,004)	(16,126)	(28,834)	-	(138,015)
Accumulated depreciation on disposals	-	-	182	-	-	16	-	198
Impairment loss	-	(1)	(9)	(83)	-	(44)	-	(137)
Depreciation charge	-	(95)	(3,079)	(1,340)	(1,173)	(2,822)	-	(8,509)
<b>As at 31 December 2016</b>	<b>-</b>	<b>(2,026)</b>	<b>(77,027)</b>	<b>(18,427)</b>	<b>(17,299)</b>	<b>(31,684)</b>	<b>-</b>	<b>(146,463)</b>
<b>Carrying value as at 31 December 2016</b>	<b>357</b>	<b>1,443</b>	<b>26,803</b>	<b>8,234</b>	<b>9,717</b>	<b>16,241</b>	<b>18,729</b>	<b>81,524</b>

Company	Freehold land	Freehold buildings	Ducts, cables and other outside plant	Telephone exchanges	Transmission equipment	Other fixed assets	Capital work-in-progress	Total
<b>Cost</b>								
<b>As at 1 January 2017</b>	<b>357</b>	<b>3,469</b>	<b>103,830</b>	<b>26,661</b>	<b>27,016</b>	<b>47,925</b>	<b>18,729</b>	<b>227,987</b>
Additions at cost	-	-	546	1,925	428	4,678	13,380	20,957
Transfers from capital work-in-progress	-	229	4,317	134	91	4,450	(9,221)	-
Disposals	-	(2)	(770)	(114)	(1)	(154)	-	(1,041)
<b>As at 31 December 2017</b>	<b>357</b>	<b>3,696</b>	<b>107,923</b>	<b>28,606</b>	<b>27,534</b>	<b>56,899</b>	<b>22,888</b>	<b>247,903</b>

<b>Accumulated depreciation</b>								
As at 1 January 2017	-	(2,026)	(77,027)	(18,427)	(17,299)	(31,684)	-	(146,463)
Accumulated depreciation on disposals	-	2	770	114	-	153	-	1,039
Impairment loss	-	-	(62)	(28)	(10)	-	-	(100)
Depreciation charge	-	(99)	(3,663)	(1,499)	(1,281)	(4,384)	-	(10,926)
<b>As at 31 December 2017</b>	<b>-</b>	<b>(2,123)</b>	<b>(79,982)</b>	<b>(19,840)</b>	<b>(18,590)</b>	<b>(35,915)</b>	<b>-</b>	<b>(156,450)</b>
<b>Carrying value as at 31 December 2017</b>	<b>357</b>	<b>1,573</b>	<b>27,941</b>	<b>8,766</b>	<b>8,944</b>	<b>20,984</b>	<b>22,888</b>	<b>91,453</b>

- (a) On 1 September 1991, the Department of Telecommunications (DoT) transferred its entire telecommunications business and related assets and liabilities to SLT. A valuation of the assets and liabilities transferred to SLT was performed by the Government of Sri Lanka. The net amount of those assets and liabilities represents SLT's Contributed Capital on incorporation and the value of property, plant and equipment as determined by the Government of Sri Lanka. Valuers were used to determine the opening cost of fixed assets on 1 September 1991 in the first statutory accounts of SLT. Further, SLT was converted into a public limited company, Sri Lanka Telecom Limited (SLTL), on 25 September 1996 and on that date, all 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 2017 was Rs. 69,661 million (2016 – Rs. 58,346 million). The cost of fully-depreciated assets still in use in the Group as at 31 December 2017 was Rs. 78,715 million (2016 – Rs. 64,027 million).
- (c) No assets have been mortgaged or pledged as security for borrowings of the Group.
- (d) The Directors believe, pertaining to lands and buildings which were vested from the corporation to the Company, that the Company has freehold title to land and buildings transferred at incorporation of the Company (to take
- (h) The property, plant and equipment includes assets acquired under finance leases, the net book value of which is made up as follows:

	Group		Company	
	2017	2016	2017	2016
Cost	667	557	440	440
Accumulated depreciation	(493)	(423)	(396)	(349)
<b>Carrying value</b>	<b>174</b>	<b>134</b>	<b>44</b>	<b>91</b>

- (i) Property, plant and equipment include submarine cables. The total cost and accumulated depreciation of all cables under this category are as follows:

	Group/Company	
	2017	2016
Cost	11,873	11,189
Accumulated depreciation as at 1 January	(5,197)	(5,045)
Depreciation charge for the year	(363)	(152)
<b>Carrying amount</b>	<b>6,313</b>	<b>5,992</b>

## 14 Intangible assets

**Group →**

	Goodwill	Licences	Software	Others	Total
<b>Cost</b>					
Balance as at 1 January 2016	394	4,061	2,775	367	7,597
- Acquisitions	410	22	813	118	1,363
<b>Balance as at 31 December 2016</b>	<b>804</b>	<b>4,083</b>	<b>3,588</b>	<b>485</b>	<b>8,960</b>
Balance as at 1 January 2017	804	4,083	3,588	485	8,960
- Acquisitions	-	4,822	152	-	4,974
<b>Balance as at 31 December 2017</b>	<b>804</b>	<b>8,905</b>	<b>3,740</b>	<b>485</b>	<b>13,934</b>
<b>Accumulated amortisation</b>					
Balance as at 1 January 2016	253	1,659	2,464	330	4,706
- Amortisation	-	381	157	3	541
<b>Balance as at 31 December 2016</b>	<b>253</b>	<b>2,040</b>	<b>2,621</b>	<b>333</b>	<b>5,247</b>
Balance as at 1 January 2017	253	2,040	2,621	333	5,247
- Amortisation	-	727	99	-	826
<b>Balance as at 31 December 2017</b>	<b>253</b>	<b>2,767</b>	<b>2,720</b>	<b>333</b>	<b>6,073</b>
<b>Carrying Amounts</b>					
<b>December 2017</b>	<b>551</b>	<b>6,138</b>	<b>1,020</b>	<b>152</b>	<b>7,861</b>
December 2016	551	2,043	967	152	3,713

The goodwill in the Group consists of goodwill arising on acquisition of Mobitel (Private) Limited and eChannelling PLC.

Goodwill is allocated to the Group's Cash-Generating Units (CGUs). A summary of the goodwill allocation is presented below:

	2017	2016
Mobitel (Private) Limited	141	141
eChannelling PLC	410	410
<b>Total</b>	<b>551</b>	<b>551</b>

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections, based on financial budgets approved by Management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

The key assumptions used for value-in-use calculations are as follows:

	2017 %	2016 %
Growth rate	2 - 7	8 - 10
Discount rate	12	12

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 2017 for the above CGU (2016 - Nil).

## Company →

	Licences	Software	Others	Total
<b>Cost</b>				
Balance as at 1 January 2016	1,430	1,705	330	3,465
- Acquisitions	-	22	-	22
<b>Balance as at 31 December 2016</b>	<b>1,430</b>	<b>1,727</b>	<b>330</b>	<b>3,487</b>
Balance as at 1 January 2017	1,430	1,727	330	3,487
- Acquisitions	383	-	-	383
<b>Balance as at 31 December 2017</b>	<b>1,813</b>	<b>1,727</b>	<b>330</b>	<b>3,870</b>
<b>Accumulated amortisation</b>				
Balance as at 1 January 2016	460	1,591	330	2,381
- Amortisation	143	84	-	227
Balance as at 31 December 2016	603	1,675	330	2,608
Balance as at 1 January 2017	603	1,675	330	2,608
- Amortisation	195	-	-	195
<b>Balance as at 31 December 2017</b>	<b>798</b>	<b>1,675</b>	<b>330</b>	<b>2,803</b>
<b>Carrying amounts</b>				
<b>December 2017</b>	<b>1,015</b>	<b>52</b>	<b>-</b>	<b>1,067</b>
December 2016	827	52	-	879

**14.a Financial Prepayments →**

	Group	
	2017	2016
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	1,097	1014
Amortisation for the year	-	83
As at 31 December	1,097	1,097
Carrying amount - Current	-	-
Carrying amount - Non-current	-	-
As at 31 December	-	-

**15 Investments in associates**

The Company has a 40% interest in Galle Submarine Cable Depot (Private) Limited situated at Galle, which is involved in maintenance of marine cables. The Company's interest in Galle Submarine Cable Depot (Private) Limited is accounted for using the equity method in the Company's Financial Statements. The Company did not have operations during the financial year.

**16 Investments in subsidiaries**

	2017	2016
Opening net book amount	14,220	14,220
Impairment of investment	14	-
Additions	-	-
<b>Closing net book amount</b>	<b>14,206</b>	<b>14,220</b>

Details of the subsidiary companies in which the Company had control as at 31 December are set out below:

Name of the Company	2017		2016	
	Investment Rs. million	Company holding %	Investment Rs. million	Company holding %
Mobitel (Private) Limited [See Note (b) below]	13,980	100.00	13,980	100.00
SLT VisionCom (Private) Limited [See Note (e) below]	100	100.00	100	100.00
SLT Digital Services (Private) Limited [See Note (c) below]	50	100.00	50	100.00
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	100.00	1	100.00
Sky Network (Private) Limited [See Note (f) below]	-	99.94	-	99.94
SLT Property Management (Private) Limited [See Note (g) below]	-	100.00	14	100.00
SLT Campus (Private) Limited [See Note (h) below]	50	100.00	50	100.00
	14,206		14,220	
<b>Sub-subsidiaries</b>				
eChannelling PLC [see Note (i) below]	642	87.59	642	87.59

The Directors believe that the fair value of each of the companies listed above do not differ significantly from their book values.

- (a) This investment in subsidiary company consists of 2,500,000 shares representing 99.99% of stated capital of Sri Lanka Telecom (Services) Limited.
- (b) The Company owns 1,320,013,240 shares representing 100% of the entire ordinary share capital of Mobitel (Private) Limited.
- (c) This investment in subsidiary company consists of 5,000,000 shares representing the entire stated capital of SLT Digital Services (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. The investment is fully impaired.

(h) This investment in subsidiary company consists of 5,000,001 shares representing the entire stated capital of SLT Campus (Private) Limited. Rs. 10 million was impaired from the investment during the year.

(i) This investment in subsidiary Company consists of 106,974,618 shares representing the 87.59% holding of the issued Share Capital of eChannelling PLC.

All the subsidiaries are audited by M/s Ernst & Young except for eChannelling PLC audited by KPMG.

## 17 Other investments

### Current investments →

	Group		Company	
	2017	2016	2017	2016
Fixed deposits/Repo	1,842	762	1,780	705
Investment in equity shares	2	2	-	-
	1,844	764	1,780	705

Fixed deposits and Repo are classified as loans and receivables and measured at amortised cost. Fixed deposits of foreign currency with carrying value of Rs. 1,111 million (2016 - Nil) and Fixed deposits and Repo with a carrying value of Rs. 669 million (2016 - Rs. 705 million) are restricted at bank.

Investment in equity shares comprises of investment made by eChannelling PLC in other companies.

Interest rates of other investments are as follows:

	Group		Company	
	2017 %	2016 %	2017 %	2016 %
Fixed deposits - Restricted at bank	<b>12.33</b>	9.07	<b>12.33</b>	9.07
Repurchase agreement - Restricted at bank	<b>8.65</b>	7.12	<b>8.65</b>	7.12
Fixed deposits - LKR	-	10.00-12.00	-	Nil
Fixed deposits - USD	<b>2.86</b>	2.00-2.76	<b>2.86</b>	2.76
Repurchase agreement - Repo	-	6.00- 10.75	-	6.16

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	
	2017	2016	2017	2016
Non-current	<b>3,150</b>	3,033	<b>3,127</b>	3,021
Current	<b>677</b>	701	<b>676</b>	700
	<b>3,827</b>	3,734	<b>3,803</b>	3,721
Employee loans	<b>3,355</b>	3,247	<b>3,331</b>	3,234
Prepaid staff cost	<b>472</b>	487	<b>472</b>	487
	<b>3,827</b>	3,734	<b>3,803</b>	3,721
Prepaid staff cost 1 January	<b>487</b>	531	<b>487</b>	531
Additions	<b>186</b>	199	<b>186</b>	199
Amortisation	(201)	(243)	(201)	(243)
Prepaid staff cost at 31 December	<b>472</b>	487	<b>472</b>	487

The Group provides loans to employees at concessionary rates. These employee loans are fair valued at initial recognition using Level 2 inputs. The fair value of the employee loans are determined by discounting expected future cash flows using market-related rates for the similar loans.

The difference between the cost and fair value of employee loans is recognised as prepaid staff cost.

The employee loans are classified as loans and receivable and subsequently measured at amortised cost.

**19 Inventories**

	Group		Company	
	2017	2016	2017	2016
CDMA equipment	20	69	20	69
Cable and networks	393	468	393	468
Other consumables	3,915	2,118	2,868	1,594
	4,328	2,655	3,281	2,131
Provision for change in carrying value of inventories	(1,167)	(1,070)	(1,053)	(985)
	3,161	1,585	2,228	1,146

(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	
	2017	2016	2017	2016
Domestic trade receivables	20,196	18,265	14,471	12,840
Foreign trade receivables	3,074	3,728	2,292	2,496
	23,270	21,993	16,763	15,336
Less: Provision for bad and doubtful receivables	(9,321)	(7,669)	(6,483)	(5,397)
Less: Interest/revenue in suspense	(19)	(19)	-	-
Trade receivables - Net	13,930	14,305	10,280	9,939
Amount due from subsidiaries [Note 33.1 (k)]	-	-	3,460	4,441
Amount due from related companies [Note 33.2 (b)]	38	103	38	103
Advances and prepayments [See Note (a) below]	5,101	1,833	3,266	610
Employee loans (Note 18)	677	701	676	700
Other receivables [See Note (b) below]	985	1,345	134	369
<b>Amounts due within one year</b>	<b>20,731</b>	<b>18,287</b>	<b>17,854</b>	<b>16,162</b>

(a) Advances and prepayments of the Company mainly consist of advances on foreign and local suppliers advances Rs. 2,843 million (2016 – Nil), payments for software maintenance of Rs. 341 million (2016 – Rs. 457 million). Advances and prepayments of the Group mainly consist of advances on foreign and local suppliers advances Rs. 3,393 million (2016 – Nil), payments for software maintenance of Rs. 341 million (2016 – Rs. 457 million advances), on building and tower rent of Rs. 107 million (2016 – Rs. 133 million), prepaid

TRC Frequency Rs. 246 million (2016 – Rs. 216 million) and free phone offer Rs. 249 million (2016 – Rs. 144 million).

(b) Other receivables of the Company consist of refundable deposits of Rs. 125 million (2016 – Rs. 132 million). Other receivables of the Group mainly consist of refundable deposits of Rs. 125 million (2016 – Rs. 132 million), receivables from sales agents Rs. 128 million (2016 – Rs. 127 million) and site rentals receivables from other operators Rs. 302 million (2016 – Rs. 457 million).

## 21 Cash and cash equivalents

	Group		Company	
	2017	2016	2017	2016
Cash at bank and in hand	1,973	909	796	314
Call deposits	-	-	-	-
Fixed deposits	258	244	-	-
Repurchase agreements - Repo	2,046	5,529	-	-
	4,277	6,682	796	314

### 21 a. For cash flow purpose →

#### Cash and cash equivalents

	Group		Company	
	2017	2016	2017	2016
Cash and cash equivalents	4,277	6,682	796	314
Bank overdrafts	(13,323)	(7,298)	(12,406)	(6,548)
	(9,046)	(616)	(11,610)	(6,234)

## 22 Borrowings

	Group		Company	
	2017	2016	2017	2016
<b>Current (due within one year)</b>				
Bank overdrafts	13,323	7,298	12,406	6,548
Bank borrowings and others [See Note 22 (e) below]	12,036	8,136	12,013	8,115
Vendor financing	1,432	2,564	-	-
Lease liabilities	100	83	67	63
	26,891	18,081	24,486	14,726
<b>Non-current (due after one year)</b>				
Bank borrowings and others [See Note 22 (e) below]	14,489	13,747	14,489	13,747
Vendor financing	371	1,019	-	-
Lease liabilities	60	93	3	62
	14,920	14,859	14,492	13,809
<b>Total borrowings</b>	<b>41,811</b>	<b>32,940</b>	<b>38,978</b>	<b>28,535</b>

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(a) The interest rate exposure of the borrowings of the Group and the Company were as follows:

	Group		Company	
	2017	2016	2017	2016
Total borrowings				
- At fixed rates	23,097	18,774	23,008	18,726
- At floating rates	18,714	14,166	15,970	9,809
	41,811	32,940	38,978	28,535

The currency exposure of the borrowings of the Group and the Company as at the reporting date were as follows:

	Group		Company	
	2017	2016	2017	2016
Foreign currency	17,613	22,950	15,811	19,367
Local currency	24,198	9,990	23,167	9,168
	41,811	32,940	38,978	28,535

(b) Effective interest rates of the Group and the Company are as follows:

	Group		Company	
	2017 %	2016 %	2017 %	2016 %
<b>Average effective interest rates:</b>				
- Bank overdrafts	10.00 – 14.00	10.00 – 13.23	11.88	11.37
- Bank borrowings (USD loan)	4.30	1.24 – 4.22	4.30	4.22
- Bank borrowings	12.22	7.65 – 10.93	12.22	10.93
- Lease liabilities	8.00 – 16.00	8.00 – 16.00	8.00 – 10.00	8.00 – 10.00
- Vendor financing	5.51 – 5.85	3.21 – 3.81	–	–

(c) Maturity analysis of the Group and the Company is as follows:

	Group		Company	
	2017	2016	2017	2016
<b>Maturity of non-current borrowings (excluding finance lease liabilities):</b>				
- Between 1 and 2 years	6,553	7,626	6,285	6,948
- Between 3 and 5 years	8,307	7,140	8,204	6,799
- Over 5 years	–	–	–	–
	14,860	14,766	14,489	13,747

(d) Analysis of the finance lease liabilities of the Group and the Company as follows:

	Group		Company	
	2017	2016	2017	2016
Finance lease liabilities – minimum lease payments				
– Not later than 1 year	115	103	72	74
– Later than 1 year and not later than 5 years	73	99	3	67
	<b>188</b>	<b>202</b>	<b>75</b>	<b>141</b>
Less: future finance charges on finance leases	(28)	(26)	(5)	(16)
<b>Present value of finance lease liabilities</b>	<b>160</b>	<b>176</b>	<b>70</b>	<b>125</b>
Representing lease liabilities:				
– Current	99	83	67	63
– Non-current	61	93	3	62

- (e) During the year, the Company drew down USD 10 million (equivalent to Rs. 1,518 million) from the term loan of USD 75 million.
- (f) The loan covenants include submission of Audited Financial Statements to the lenders within a specified period from the financial year end, maintenance of covenant ratios and to maintain adequate accounting records in accordance with Sri Lanka Accounting Standards.
- (g) The Directors believe that the Company and the Group will have sufficient funds available to meet its present loan commitments.
- (h) Lease liabilities of the Company and the Group are effectively secured by the lessor against the rights to the title of the asset.
- (i) Bank borrowings and supplier credits of Mobitel (Private) Limited, a subsidiary of the Company, are secured, *inter alia*, by corporate guarantees given by the Company.
- (j) Mobitel (Private) Limited has borrowed Rs. 2,444 million during the year for the purpose of Capital Expansion Projects.
- (k) Guarantee facilities amounting to Rs. 26 million (2016 - Rs. 26 million) were provided to Sri Lanka Telecom (Services) Limited to obtain facilities for working capital requirements.

## 23 Deferred income tax liabilities and assets

### Recognised deferred income tax (assets) and liabilities →

Deferred income tax (assets) and liabilities are calculated on all taxable and deductible temporary differences arising from differences between accounting bases and tax bases of assets and liabilities. Deferred income tax is provided under the liability method using the principal tax rate of 28% (for the year 2016 - 28%).

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The movement in the deferred income tax account is as follows:

	Group		Company	
	2017	2016	2017	2016
At beginning of the year	4,459	3,563	4,507	3,594
Release to Statement of Comprehensive Income	1,258	826	1,283	843
Release to Statement of Other Comprehensive Income	155	70	155	70
(Over)/under provision of DT relevant to previous years	-	-	-	-
At end of year	5,872	4,459	5,945	4,507

The amounts shown in the Statement of Financial Position represents the following:

	Group		Company	
	2017	2016	2017	2016
Deferred tax liabilities	5,956	4,517	5,945	4,507
Deferred tax assets	(84)	(51)	-	-
	5,872	4,459	5,945	4,507

The taxable and deductible temporary differences mainly arise from property, plant and equipment, deferred income, provision for defined benefit obligations and other provisions.

Deferred tax assets and liabilities of the Group are attributable to the following:

Group	Assets		Liabilities		Net	
	2017	2016	2017	2016	2017	2016
Property, plant and equipment	-	-	10,466	10,012	10,485	10,012
Defined benefit obligations	(670)	(982)	-	-	(670)	(982)
Provisions	(2,552)	(2,094)	-	-	(2,552)	(2,094)
Deferred income	(736)	(771)	-	-	(736)	(771)
Tax losses	-	-	(636)	(1,706)	(655)	(1,706)
<b>Tax (assets) liabilities before set-off</b>	<b>(3,958)</b>	<b>(3,847)</b>	<b>9,830</b>	<b>8,306</b>	<b>5,872</b>	<b>4,459</b>
Set-off of tax	3,958	3,847	(3,958)	(3,847)	-	-
<b>Net tax (assets) liabilities</b>	<b>-</b>	<b>-</b>	<b>5,872</b>	<b>4,459</b>	<b>5,872</b>	<b>4,459</b>

### Movement in deferred tax balances during the year – Group

	Balance 1 January 2016	Recognised in comprehensive income	Recognised in other comprehensive income	Recognised directly in equity	Balance 31 December 2016	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 December 2017
Property, plant and equipment	7,626	680	–	–	10,012	1,524	–	10,485
Defined benefit obligations	(1,096)	44	70	–	(982)	157	155	(670)
Provisions	(2,181)	87	–	–	(2,094)	(458)	–	(2,552)
Deferred income	(786)	15	–	–	(771)	35	–	(736)
Tax losses	–	–	–	–	(1,706)	–	–	(655)
	3,563	826	70	–	4,459	1,258	155	5,872

Deferred tax assets and liabilities of the Company are attributable to the following:

Company	Assets		Liabilities		Net	
	2017	2016	2017	2016	2017	2016
Property, plant and equipment	–	–	10,479	10,006	10,479	10,006
Defined benefit obligations	(663)	(975)	–	–	(663)	(975)
Provisions	(2,479)	(2,046)	–	–	(2,479)	(2,046)
Deferred income	(737)	(772)	–	–	(737)	(772)
Tax loss	–	–	(655)	(1,706)	(655)	(1,706)
<b>Tax (assets) liabilities before set-off</b>	<b>(3,879)</b>	<b>(3,793)</b>	<b>9,824</b>	<b>8,300</b>	<b>5,945</b>	<b>4,507</b>
Set-off of tax	3,879	3,793	(3,879)	(3,793)	–	–
<b>Net tax (assets) liabilities</b>	<b>–</b>	<b>–</b>	<b>5,945</b>	<b>4,507</b>	<b>5,945</b>	<b>4,507</b>

Movement in deferred tax balances during the year – Company

	Balance 1 January 2016	Recognised in comprehensive income	Recognised in other comprehensive income	Recognised directly in equity	Balance 31 December 2016	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 December 2017
Property, plant and equipment	7,620	680	–	–	10,006	1,524	–	10,479
Defined benefit obligations	(1,089)	44	70	–	(975)	157	155	(663)
Provisions	(2,150)	104	–	–	(2,046)	(433)	–	(2,479)
Deferred income	(787)	15	–	–	(772)	35	–	(737)
Tax losses	–	–	–	–	(1,706)	–	–	(655)
	3,594	843	70	–	4,507	1,283	155	5,945

## 24 Deferred Income

- The connection fees relating to Public Switch Telephone Network (PSTN) are deferred over a period of 15 years. Revenue is recognised on an annual basis irrespective of the date of connection.
- Revenue from the sale of prepaid credit, 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, Dhiraagu 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	
	2017	2016	2017	2016
<b>At end of year</b>				
Representing deferred income - Current	2,143	1,435	468	576
Representing deferred income - Non-current	2,239	2,340	2,208	2,297
	4,382	3,775	2,676	2,873

## 25 Trade and other payables

	Group		Company	
	2017	2016	2017	2016
<b>Amounts due within one year</b>				
Domestic trade payables	2,841	2,743	508	307
Foreign trade payables	1,990	1,562	1,175	480
Amount due to subsidiaries [Note 33.1 (k)]	-	-	2,540	3,954
Amount due to related companies [Note 33.2 (b)]	32	87	32	87
Capital expenditure payables [See Note (a) below]	9,345	10,462	7,249	7,749
Social security and other taxes [See Note (b) below]	1,511	1,090	602	1,062
Interest payable	33	210	-	-
Other payables [See Note (c) below]	12,698	9,143	10,395	5,318
	28,450	25,297	22,501	18,957
<b>Amounts due after one year</b>				
International direct dialling deposits	232	232	232	232
PSTN guarantee deposits	20	20	20	20
Advances on LGN project	280	-	280	-
Domestic trade payables	848	794	-	-
Capital expenditure payables	1,064	1,697	-	-
	2,444	2,743	532	252

(a) Capital expenditure payables of the Company mainly consist of contractors' payables and retention of Rs. 6,218 million (2016 – Rs. 6,743 million) and advances on network restoration after road works of Rs. 1,019 million (2016 – Rs. 1,017 million). Capital expenditure payables of the Group mainly consist of contractors' payable and retention of Rs. 8,178 million (2016 – Rs. 11,163 million) and advances on network restoration after road works of Rs. 1,017 million (2016 – Rs. 1,017 million).

(b) Social security and other taxes of the Company mainly consist of Telecommunication Levy (TL) of Rs. 417 million (2016 – Rs. 498 million), Cess Rs. 64 million (2016 – Rs. 74 million), IDD Levy of Rs. 7 million (2016 – Rs. 8 million), EPF payable of Rs. 112 million (2016 – Rs. 117 million). Social security and other taxes of the Group mainly consist of Telecommunication Levy (TL) of Rs. 792 million (2016 – Rs. 913 million), Cess of

Rs. 150 million (2016 – Rs. 146 million), IDD Levy payable of Rs. 9 million (2016 – Rs. 8 million), EPF payable of Rs. 112 million (2016 – Rs. 117 million) and NBT payable Rs. 119 million (2016 – Rs. 120 million)

(c) Other payables of the Company mainly consist of dividend payable to the Government of Sri Lanka of Rs. 244 million (2016 – Rs. 244 million), payable for unpaid supplies of Rs. 7,570 million (2016 – Rs. 2,169 million), International Telecommunication Operators' Levy payable of Rs. 148 million (2016 – Rs. 207 million) and accrued expenses and other payables of Rs. 214 million (2016 – Rs. 1,217 million). Other payables of the Group mainly consist of dividend payable to the Government of Sri Lanka of Rs. 244 million (2016 – Rs. 244 million), payable for unpaid supplies of Rs. 7,570 million (2016 – Rs. 2,169 million), International Telecommunication Operators' Levy payable of Rs. 148 million (2016 – Rs. 207 million), and accrued expenses and other payables of Rs. 1,739 million (2016 – Rs. 3,662 million).

## 26 Employee benefits

	Group		Company	
	2017	2016	2017	2016
Total employee benefit liability as at 1 January	4,538	4,353	3,984	3,892
<b>Movement in present value of employee benefit liabilities</b>				
Current service cost	461	455	438	389
Interest cost	221	221	155	175
Actuarial loss/(gain)	(543)	(233)	(553)	(249)
Benefit paid during the year	(322)	(258)	(305)	(223)
Balance as at 31 December	4,355	4,538	3,719	3,984
<b>Expenses recognised in the Income Statement</b>				
Current service cost	461	455	438	389
Interest cost	221	221	155	175
	682	676	593	564
<b>Recognised in Other Comprehensive Income</b>				
Actuarial (gain)/loss	(543)	(233)	(553)	(249)
	(543)	(233)	(553)	(249)

The principal actuarial assumptions used were as follows:

	Group		Company	
	2017 %	2016 %	2017 %	2016 %
Discount rate (long-term)	10.0 – 10.4	10.0 – 12.0	10.4	11.0
Future salary increases	8.5 – 10.0	8.5 – 9.5	8.5	8.5

In addition to above, demographic assumptions such as mortality, withdrawal, retirement age were considered for the actuarial valuation. In 2017, 1967/70 Mortality Table issued by the Institute of Actuaries (2016 – 1967/70 Mortality Table) was taken as the base for the valuation.

The provisions for defined obligations of Sri Lanka Telecom PLC, SLT Human Capital Solution (Private) Limited, SLT Digital Services (Private) Limited, Sri Lanka Telecom (Services) Limited and Mobitel (Private) Limited are actuarially valued by Messrs Actuarial and Management Consultants (Private) Limited and Messrs Piyal S Goonetilleke and Associates respectively. The employee benefit liability of all other companies in the Group are based on gratuity formula.

The provision for defined benefit obligations is not externally funded.

### Sensitivity analysis →

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amount shown below.

The sensitivity of the Statement of Profit or Loss and Other Comprehensive Income and the Statement of Financial Position is the effect of the assumed changes in discount rate and salary increment rate as depicted in the given table.

**Sri Lanka Telecom PLC →**

	Effect on charge to the Statement of Profit or Loss and Other Comprehensive Income		Effect on net defined benefit liability	
	Increase	Decrease	Increase	Decrease
<b>2017</b>				
Discount rate (Change by 1%)	(132)	144	(132)	144
Salary increment rate (Change by 1%)	167	(156)	167	(156)
<b>2016</b>				
Discount rate (Change by 1%)	(168)	186	(168)	186
Salary increment rate (Change by 1%)	208	(191)	208	(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
<b>2017</b>				
Discount rate (Change by 1%)	(31)	35	(31)	35
Salary increment rate (Change by 1%)	37	(33)	37	(33)
<b>2016</b>				
Discount rate (Change by 1%)	(24)	27	(24)	27
Salary increment rate (Change by 1%)	27	(24)	27	(24)

**27 Insurance reserve**

	Group/Company	
	2017	2016
As at 1 January	680	605
Transferred from retained earnings	11	75
As at 31 December	691	680

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 and equipment to an insurance reserve. An equal amount is invested in a sinking fund to meet any funding requirements for potential losses from uninsured property, plant and equipment.

Management regularly monitors the charges made against the insurance reserve and the adequacy of the provision made.

## 28 Grants

	Group		Company	
	2017	2016	2017	2016
Balance at 1 January	9	16	9	16
Grant credited to profit or loss	(6)	(7)	(6)	(7)
Balance at 31 December	3	9	3	9

Grant in Company and Group consists of exchange equipment received from Alcatel CIT France in 2005.

## 29 Stated capital

	Company	
	2017	2016
Issued and fully paid		
1,804,860,000 ordinary shares	18,049	18,049

The stated capital is made up as follows:

	2017		2016	
	Holding Percentage	Number of shares	Holding Percentage	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
	100.00	1,804,860,000	100.00	1,804,860,000

## 30 Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

	Group		Company	
	2017	2016	2017	2016
Profit before tax	5,528	6,497	2,129	2,643
<b>Adjustments for:</b>				
Depreciation (Note 13)	16,461	13,776	10,926	8,509
Grant received less amortisation (Note 28)	(6)	(7)	(6)	(7)
Amortisation of intangible assets (Note 14)	826	541	195	227
Amortisation of financial prepayments (Note 14 a)	-	83	-	-
Provision/write-off of bad and doubtful debts	1,767	1,417	1,266	912
Provision for falling value of inventories	97	370	68	325

	Group			Company
	2017	2016	2017	2016
Interest expense and finance costs (Note 9)	159	250	12	25
Foreign exchange (loss)/gain ( Note 9.a)	478	979	471	570
Interest income (Note 10)	(1,040)	(1,012)	(562)	(448)
Connection fees less amortisation	607	(622)	(197)	(103)
Profit on sale of property, plant and equipment	(681)	(404)	(677)	(388)
Impairment of assets (Note 13)	100	137	100	137
Impairment of investment (Note 16)	14	-	14	-
Provision for Retirement benefit obligations (Note 26)	682	676	593	564
	<b>24,992</b>	22,681	<b>14,332</b>	12,966
Changes in working capital				
- Receivables and prepayments	(4,318)	(5,796)	(3,064)	(4,096)
- Inventories	(1,923)	679	(1,400)	850
- Payables	2,983	3,705	3,825	1,516
Cash generated from operations	21,734	21,269	13,693	11,236

## 31 Capital commitments

The Group and the Company have purchases commitments in the ordinary course of business as at 31 December 2017 are as follows:

	Group			Company
	2017	2016	2017	2016
Property, plant and equipment				
- Approved but not contracted	25,984	19,261	25,984	19,261
- Approved and contracted	1,774	13,229	1,400	12,863
	<b>27,758</b>	32,490	<b>27,384</b>	32,124

### Operating lease commitments

The future minimum lease payments and other commitment payments are as follows:

- Not later than 1 year	93	116	93	116
- Later than 1 year and not later than 5 years	160	191	160	191
	<b>253</b>	307	<b>253</b>	307

### 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 disclosures.

## 32 Contingencies

- (a) Global Electroteks Limited initiated legal action under High Court Case No. 20/2006 claiming damages of USD 12 million from Sri Lanka Telecom PLC ("SLT") for alleged unlawful disconnection of interconnection services. Further trial will be held on 22 June 2018.
- (b) Appeal Case filed by Directories Lanka (Private) Limited (DLPL) against SLT against the dismissal of CHC 2/2006(3) claimed damages of Rs. 250 million, for alleged unfair competition with regard to artwork on the cover page of the Directory by SLT. The proceedings have not commenced. DLPL appealed against the above order.
- (c) 12/2008 CBCU, an inquiry by Sri Lanka Customs – A consignment of CDMA equipment was detained in October 2008 by the Customs Authority. Subsequently the equipment were cleared pending the inquiry, based on a cash deposit and bank guarantee submitted by SLT. The Order was delivered in October 2014 imposing a mitigated forfeiture of Rs. 1,820,502,062 on SLT. SLT has filed Case in Court of Appeal under CA/writ/387/2014 against this Order and interim order was issued by court on 09 March 2016, precluding Respondents from enforcing order dated 17 October 2014. Next date of the case is 22 June 2018.
- (d) Customs Case No. ADP/031/2009 – Goods valued at USD 996,785.65, which was imported under the last consignment of equipment for NGN Phase II expansion project, was detained by the Customs in May 2009. Subsequently, the equipment was cleared in July 2009. Pending the Inquiry. Presently awaiting the decision of the Sri Lanka Customs Department.
- (e) Debt Recovery Officers who were attached to SLT had filed legal proceedings in Labour Department (Labour Commissioner) and Labour Tribunal and number of proceeding initiated under each forum are 47 and 21 respectively. The relief claimed includes EPF, ETF and compensation with regard to proceedings initiated before the Labour Commissioner and includes reinstatement or compensation under the proceedings before Labour Tribunal. An appeal is pending (WR232/2015) filed against the proceeding before Labour Commission. Appeals filed in high court in regard to the proceedings before Labour Tribunal.
- (f) On 18 July 2017 DBN filed a case against SLT under Case Number HC/Civil/23/2017 in the Commercial High Court regarding alleged violation of Intellectual Property Rights, on the basis that SLT used an RFP floated by Dialog. An ex parte interim injunction was obtained from court by DBN on 19 July 2017 requiring SLT to disclose the source/party

who revealed the RFP and to furnish the original under the provisions of Intellectual Property Act. Further permanent injunction and a claim of damages of Rs. 7,800,000,000 was made under the petition by DBN. SLT filed revocation paper on 10 August 2017. This case is coming up on 16 May 2018 for objection of SLT and fixed for inquiry in to interim measure on 16 May 2018.

In addition to the above referred cases there are other claims by employees and third parties for damages and other relief. In the opinion of the Directors' none of these actions are likely to result in a material liability to the Company and its subsidiaries.

The Company has provided guarantees on behalf of its subsidiaries for following credit and trade finance facilities.

- (i) USD 102 million (2016 – USD 102 million) for Mobitel (Private) Limited for the GSM rollout stages 6 and 7
  - (ii) Facilities amounting to Rs. 26 million (2016 – 26 million) for Sri Lanka Telecom (Services) Limited to obtain facilities for working Capital requirement.
- 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 2017.

## 33 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. A related party transaction takes place with a transfer of resources or obligations between related parties, regardless of whether a price is charged.

### 33.1 →

	Company	
	2017	2016
<b>(a) Mobitel (Private) Limited →</b>		
<b>Sale of goods and services</b>		
Provision of E1 links	3,572	2,910
Interconnection charges	282	295
TDM, VOIP platform and transit	27	129
	<b>3,881</b>	3,334

	Company	
	2017	2016
<b>Purchase of goods and services</b>		
Call charges on official mobile phone	97	87
Interconnection charges	1,243	1,479
Antenna tower space	846	798
Building rent	4	4
Commission on bill collection	6	6
	<b>2,196</b>	<b>2,374</b>

As per the TRC approval dated 19 May 2014, Mobitel is entitled to receive discounts if the Company uses more than 3,500 E1 Links.

Further, Mobitel receives discounts on infrastructure services provided by Sri Lanka Telecom PLC.

The Company has provided guarantees on behalf of Mobitel for the following loans and obligations:

USD 102 million (2016 – USD 102 million) for Mobitel (Private) Limited for the GSM rollout stages 6 and 7.

	Company	
	2017	2016
<b>(b) SLT Digital Services (Private) Limited →</b>		
<b>Sale of goods and services</b>		
Supply of services	6	5
<b>Purchase of goods and services</b>		
Directory distribution and other services	8	-

SLT Digital Services (Private) Limited provides event management services to SLT PLC. As per the agreement, SLT Digital Services (Private) Limited entitle to receive a retainer for the services provided.

	Company	
	2017	2016
<b>(c) Sri Lanka Telecom (Services) Limited →</b>		
<b>Sale of goods and services</b>		
Supply of services	5	5
<b>Purchase of goods and services</b>		
Project-related services	190	150

The Company has provided guarantees on behalf of Sri Lanka Telecom (Services) Limited for the following loans and obligations:

Facilities amounting to Rs. 26 million (2016 – Rs. 26 million) for Sri Lanka Telecom (Services) Limited to obtain facilities for working capital requirements.

	Company	
	2017	2016
<b>(d) SLT Human Capital Solutions (Private) Limited →</b>		
<b>Sale of goods and services</b>		
Supply of services	4	3
<b>Purchase of goods and services</b>		
Provision of manpower service	1,650	1,791
<b>(e) SLT VisionCom (Private) Limited →</b>		
<b>Sale of goods and services</b>		
Supply of services	10	5
<b>Purchase of goods and services</b>		
Service provisioning	330	139

**Ad-insertion revenue →**

Sri Lanka Telecom received an ad-insertion revenue from SLT VisionCom (Private) Limited amounting to Rs. 10 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 a unit rate based fee computed at the rate of Rs. 65/- per cumulative billable subscriber which amounted to Rs. 254 million in 2017. (Total cost incurred plus a 5% margin in 2016)

	Company	
	2017	2016

**(f) SLT Campus (Private) Limited →**

**Sale of goods and services**

Supply of services	15	13
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**Purchase of goods and services**

Service provisioning	-	11
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**(g) Fees for secondment of personnel and services provided to/by SLT PLC →**

SLT Digital Services (Private) Limited	46	45
	46	45

**(h) Outstanding balances arising from sale/purchase of services →**

**Receivable from subsidiaries**

Mobitel (Private) Limited	2,684	3,861
SLT Digital Services (Private) Limited	136	167
SLT Human Capital Solutions (Private) Limited	157	152
SLT VisionCom (Private) Limited	-	18
Sri Lanka Telecom (Services) Limited	150	41
Sky Network (Private) Limited	11	6
SLT Property Management (Private) Limited	38	23
SLT Campus (Private) Limited	284	173
	<b>3,460</b>	<b>4,441</b>

**Payable to subsidiaries**

Mobitel (Private) Limited	1,681	3,389
SLT Digital Services (Private) Limited	212	119
SLT Human Capital Solutions (Private) Limited	306	373
SLT VisionCom (Private) Limited	130	-
Sri Lanka Telecom (Services) Limited	190	52
Sky Network (Private) Limited	1	1
SLT Campus (Private) Limited	20	20
	<b>2,540</b>	<b>3,954</b>

### **33.2 Transactions with other related parties →**

	Group		Company	
	2017	2016	2017	2016
<b>(a) Maxis Communications Berhad and its subsidiaries →</b>				
<b>Sale of goods and services</b>				
Sale of SEA-ME-WE 3 cable capacity	16	11	16	11
International incoming traffic	42	74	38	74
	<b>58</b>	<b>85</b>	<b>54</b>	<b>85</b>
<b>Purchase of goods and services</b>				
International outgoing traffic	33	40	33	40
<b>(b) Outstanding balances arising from sale/purchase of services →</b>				
<b>Receivable from related companies</b>				
Maxis Communications Berhad and its subsidiaries	38	103	38	103
<b>Payable to related company</b>				
Maxis Communications Berhad and its subsidiaries	32	87	32	87

### **(c) Government-related key institutions →**

The Government of Sri Lanka holds 49.5% of the voting rights of the Company as at 31 December 2017 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 2017, the Company has carried out transactions with the Government of Sri Lanka and other Government-related entities in the ordinary course of business.

The Company identified individually significant transactions with Key Government related entities as given below:

- (i) Revenue from provision of telecommunication services during the year ended 31 December 2017 amounted to Rs. 3,769 million (2016 - Rs. 3,845 million) and credit receivables as at 31 December 2017 amounted to Rs. 1,606 million (2016 - Rs. 1,695 million).
- (ii) Deposits, repurchase agreements (Repo) and Borrowings of the Group at/from Government banks amounted to Rs. 1,790 million (2016 - Rs. 5,666 million ) and Rs. 11,532 million (2016 - Rs. 3,532 million) as at 31 December 2017.
- (iii) Dividend payable to the Government amounting to Rs. 244 million (2016 - Rs. 244 million).

### 33.3 Transactions with key management personnel →

Key Management Personnel comprise the Directors and Chief Officers of the Company and the Group.

	Group		Company	
	2017	2016	2017	2016
Short-term benefits	<b>268</b>	234	<b>227</b>	209
Post-employment benefits	<b>26</b>	22	<b>22</b>	21
Salaries and other benefits	<b>294</b>	256	<b>249</b>	230

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 Digital Services (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  
 Galle Submarine Cables Depot (Private) Limited  
 eChannelling PLC

Related party transactions disclosed above should be read in conjunction with Note 16 to the Financial Statements.

### 34 Non-uniform accounting policies

The impact of non-uniform accounting policies adopted by the subsidiary company has been adjusted in the Consolidated Financial Statements as set out below:

#### Adjustment due to different accounting policies of the Parent and the Group entities →

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	
	2017	2016
Reversal of deferred revenue recognised in the Statement of Profit or Loss and Other Comprehensive Income by Mobitel (Private) Limited	(98)	(100)

### 35 Events after the reporting date

The Board of Directors of the Company has recommended a first and final dividend of Rs. 0.89 per share (2016 – 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 2017.

Further, this dividend is to be approved at the Annual General Meeting to be held on 9 May 2018. This proposed final dividend has not been recognised as a liability as at 31 December 2017. 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 2018 has been audited by M/s Ernst & Young.

Except as disclosed above, no other events have arisen since the Statement of Financial Position date which require changes to, or disclosure in the Financial Statements.

# Ten year progress – Group

(All amounts in Sri Lanka rupees million)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Financial position – Group</b>										
Property, plant and equipment	<b>117,035</b>	108,649	99,283	90,935	80,506	73,602	67,705	61,258	65,896	57,073
Total assets	<b>159,206</b>	142,910	126,545	122,604	108,047	104,510	96,603	87,030	90,220	93,199
Current assets	<b>31,048</b>	27,464	21,426	25,343	20,598	25,712	24,341	21,238	19,764	32,389
Current liabilities	<b>57,885</b>	45,226	33,082	29,031	26,526	28,091	23,948	22,691	27,403	32,819
Borrowings	<b>41,811</b>	32,940	24,395	27,122	20,690	17,852	14,709	11,316	13,351	21,716
Equity	<b>71,404</b>	68,678	65,240	63,900	59,789	55,987	53,660	49,849	46,311	47,525
<b>Performance</b>										
Revenue	<b>75,741</b>	73,801	68,022	65,040	60,144	56,771	51,644	50,250	48,077	47,044
Operating profit	<b>3,918</b>	5,726	6,789	5,711	6,491	6,055	5,169	5,144	2,547	7,809
Finance cost	<b>637</b>	1,229	2,398	211	1,177	2,233	841	1,012	2,024	2,130
Earnings before tax	<b>5,528</b>	6,497	5,515	8,251	7,365	5,851	6,162	5,961	1,395	9,560
Taxation	<b>1,588</b>	1,707	1,791	2,250	1,946	1,930	1,657	2,018	617	2,193
Earnings after tax	<b>3,940</b>	4,790	3,724	6,001	5,419	3,921	4,505	3,943	778	7,367
<b>Cash flow</b>										
Net operating cash flows	<b>18,224</b>	19,466	21,265	20,047	15,386	16,094	20,250	15,260	18,213	16,214
Net cash used in investing activities	<b>27,415</b>	24,347	14,375	23,524	16,507	15,362	22,968	7,975	7,238	15,288
Net cash used in/(from) financing activities	<b>756</b>	360	6,065	(5,039)	57	174	1,494	3,965	11,408	526
<b>Key financial indicators</b>										
Earnings per share (Rs.)	<b>2.18</b>	2.65	2.06	3.32	3.00	2.17	2.50	2.18	0.44	4.08
Return on assets (%)	<b>2.47</b>	4.01	5.36	4.66	6.01	5.79	5.36	5.91	2.82	8.38
Return on equity (%)	<b>5.52</b>	6.97	5.71	9.39	9.06	7.00	8.40	7.91	1.68	15.50
Operating margin (%)	<b>5.17</b>	7.76	9.98	8.78	10.79	10.67	10.01	10.24	5.30	16.60
Asset turnover (No. of times)	<b>0.48</b>	0.52	0.54	0.53	0.56	0.54	0.54	0.58	0.53	0.50
Current ratio (No. of times C.L.)	<b>0.54</b>	0.61	0.65	0.87	0.78	0.92	1.02	0.94	0.72	0.99
Quick asset ratio (No. of times C.L.)	<b>0.48</b>	0.57	0.62	0.86	0.69	0.84	0.93	0.88	0.65	0.91
Gearing ratio (Debt to Rs. 1/- of total equity)	<b>0.37</b>	0.32	0.27	0.30	0.26	0.24	0.21	0.19	0.22	0.31
Interest cover (No. of times interest)	<b>2.02</b>	4.53	5.62	8.94	9.44	6.73	11.43	6.89	1.69	5.49

1. **Earnings per share** – Earnings per ordinary share (EPS) – Profit attributable to ordinary shareholders divided by the number of ordinary shares in use.
2. **Return on Assets** – Return on assets (ROA) – Profit after tax expressed as a percentage of the average assets; indicates overall effectiveness in generating profits with available assets.
3. **Return on Equity** – Return on equity (ROE) – Net profit attributable to owners, expressed as percentage of average ordinary shareholders' equity.
4. **Operating Margin** – Operating margin is a measurement of what proportion of a company's revenue is left over after paying for variable costs of production such as wages, raw materials, etc.
5. **Asset Turn Over** – Asset turnover ratio measures the value of a company's sales or revenues generated relative to the value of its assets.
6. **Current Ratio** – The current ratio measures the ability of a company to cover its short-term liabilities with its current assets.
7. **Quick Asset Ratio** – The Quick Ratio, also known as the Acid-test or liquidity ratio, measures the ability of a business to pay its short-term liabilities by having assets that are readily convertible into cash.
8. **Gearing Ratio** – The gearing ratio measures the proportion of a company's borrowed funds to its equity.
9. **Interest Cover** – Interest cover – Number of times interest expense is covered by earnings before interest and tax.

# Portfolio of lands

The following values are based on valuation reports submitted by a firm of incorporated Valuers in 2011, on lands transferred on incorporation (conversion of SLT into a public limited company in 1996) and lands acquired after the incorporation. The said lands valued over LKR 500,000/- with their respective values given below:

Location	Extent (Hectare)	Value of land (Rs. million)	Location	Extent (Hectare)	Value of land (Rs. million)
No. 108 & 109, Walawwaththa Road, Anuradhapura	0.2434	24	Nalandarama Road, Nugegoda	0.1970	156
Maithripala Senanayake Mawatha, Anuradhapura	0.1125	56	High Level Road, Nugegoda	0.1170	116
Maithripala Senanayake Mawatha, Anuradhapura	0.3355	166	Polhengoda Road, Narahenpita	0.3030	240
Galkandehena, Kekirawa	0.1310	12	Pottode, Katunayaka	0.3039	12
No. 14, Nivanthaka Chethiya Road, Anuradhapura	0.0466	4	Thimbirigaskatuwa, Pottode, Negombo	0.6037	24
Mannar Road, Medawachchiya	0.3315	5	Thimbirigaskatuwa, Pottode, Negombo	1.7160	68
Medawachchiya Road, Medawachchiya	0.1468	2	St. Joseph's Street, Negombo	0.6787	191
Nochchiyagama Idama, Nochchiyagama	0.1800	9	Queen Elizabeth Drive, Nuwara Eliya	0.2354	93
Behind the Mosque, Maithripala Senanayake Mawatha, Anuradhapura	0.1769	24	Main Street, Panadura	0.2542	126
Nivanthaka Chethiya Road, Anuradhapura	0.0971	12	Bandaragama	0.2803	55
Galkantha Mawatha, Ampara	0.7657	91	Anguruwatta Road, Horana	0.2177	52
Ratnapura Road, Eheliyagoda	0.0802	14	Sri Gunarathana Mawatha, Panadura	0.2952	47
Station Road, Batticaloa	0.4383	61	Hotel Road, Mount Lavinia	0.1913	95
Lower King's Street, Badulla	0.4020	48	Airport Junction, Ratmalana	0.2076	62
Batticaloa Road, Bibile	0.0890	9	Main Street, Ratnapura	0.3645	86
Lower King's Street, Badulla	0.0340	4	Old Negombo Road, Ja-Ela	0.0870	43
Ridikotaliyagama, Mahiyanganaya	0.0790	5	Minuwangoda Road, Kotugoda	8.0937	440
Circuit Bangalow, Namunukula	0.2100	10	Ragama Road, Ragama	0.2048	40
Senanayake Mawatha, Bandarawela	0.0705	11	Negombo Road, Welisara	2.2280	484
Anduwakelepathana, Haputale	0.4080	32	Old Negombo Road, Wattala	0.1012	80
No. 6, Senanayake Mawatha, Bandarawela	0.2380	56	Aliyamalagala, Anuradhapura	0.2027	2
No. 8, Wakwella Road, Galle	0.1697	50	Post Office Road, Eppawela	0.0914	3
Court Road, Gampaha	0.1523	54	Kuda Galnewa Road, Galnewa	0.1453	1
Lotus Road, Colombo	1.3154	2,600	Police Station Road, Horowpothana	0.4180	2
Dickmans Road, Colombo 5	0.3360	291	Kahatagasdigiliya, Anuradhapura	0.0993	1
No. 5, Anderson Road, Colombo 5	0.1889	299	Padaviya Road, Kebithigollewa	0.2628	8
No. 7, Anderson Road, Colombo 5	0.1363	216	Anuradhapura-Kurunegala Road, Thambuttegama	0.0860	7
No. 9, Anderson Road, Colombo 5	0.1949	308	Hospital Road, Inginiyagala	0.0470	1
No. 17, Sugathodaya Mawatha, Colombo 2	0.2190	346	Badulla Road, Padiyatatalawa	0.1020	2
Main Street, Kalutara	0.3035	108	Panama Road, Pottuvil	0.2570	15
Primrose Hill, Kandy	0.0534	4	No. 63, Cemetery Road, Veedukkadu, Batticaloa	0.1019	5
Prince Street, Kandy	0.2251	89	Ketawala Road, Hali Ela	0.0940	22
Punchi Borella, Maradana	0.2625	212	Ella Road, Namunukula	0.1485	9
Baseline Road, Welikada	3.0880	1,099	Dammeria Estate Road, Passara	0.2460	17
Tangalle Road, Matara	0.2880	148	Poonagala Road, Balagala	0.1264	5
Satellite Earth Station, Padukka	13.8960	165	Railway Station Road, Ella	0.0330	4
			Haputalegama Road, Diyathalawa	0.0226	6

Location	Extent (Hectare)	Value of land (Rs. million)	Location	Extent (Hectare)	Value of land (Rs. million)
Wellawaya Road, Koslanda	0.0440	3	Debathgama Road, Gevilipitiya	0.1200	1
Ettampitiya Road, Pattiyagedara	0.1568	6	Kandy Road, Ballapana	0.1031	4
Wellawaya Road, Monaragala	0.3160	41	Bulathkohupitiya Road, Kegalle	1.4515	244
Vishaka Hill, Bandarawela	0.0958	11	Kegalle Road, Ampe North, Kotiyakumbura	0.1012	6
Divitotawela, Welimada	0.1112	11	Aranayaka Road, Mawanella	0.0910	6
Ella Road, Wellawaya	0.1300	10	Nawa Rohala Road, Warakapola	0.0867	6
Kurunegala Road, Mukalanhena Village	0.3190	9	Alawwa-Giriulla Road, Alawwa	0.0760	3
Old Town-Madampe Road, Ihalagama Village	0.1048	12	No. 67, Gettuwana, Kurunegala	0.2730	27
Marawila-Nattandiya Road, Ihalagama Village	0.0507	5	No. 116/53, Tank Circular Road, Kurunegala	0.2060	24
Puttalam	0.3054	42	Galgamuwa-Ehetuwewa Road, Arsonwewa	0.1580	2
Galle Main Street, Baddegama	0.1340	8	Pannala-Kurunegala Road, Pahala Narangamuwa	0.1010	1
Galle Road, Elpitiya	0.1460	6	Hettipola Road, Dolahamuna	0.0980	5
Galle Road, Gintota	0.0513	5	No. 7, Gattuwana Circular Road, Gattuwana, Kurunegala	0.1210	12
Galle Road, Habaraduwa	0.0796	8	Madampe-Narammala Road, Kuliayapitiya	0.2298	45
Akuressa Road, Imaduwa	0.2150	4	No. 139, Kandy Road, Kurunegala	0.9200	164
Galle Road, Kosgoda	0.0920	6	Wariyapola Road, Narammala	0.0970	5
Galle Road, Nagoda	0.1230	1	Anuradapura Road, Nikadalupotha	0.1180	1
Church Street, Galle	0.2520	50	Puttalum Road, Nikaweratiya	0.0850	4
Donald Janz Road, Galle	0.0510	5	Negombo Road, Pannala	0.0940	3
Makumbura Road, Udugama	0.1391	3	Polgahawela-Kegalle Road, Galaboda, Polgahawela	0.1998	8
Dunaly Estate, Galaha	0.1253	2	Wariyapola-Ganewatta Road, Wariyapola	0.1077	4
Gonahena, Nawalapitiya	0.2782	22	Kalmunai Road, Akkaraipattu	0.2050	49
No. 6, Galaha Road, Peradeniya	0.1089	28	Yard Road, Kalmunai	1.2250	170
Pussellewa Exchange, Nuwara Eliya Road	0.2155	9	Telecom Road, Paiyagala North	0.0253	3
Udawalagedara Watta, Gampola	0.0285	6	Mangala Road, Beruwala	0.2100	21
Nittambuwa Road, Kirindiwela	0.2129	17	Telecom Road, Palligoda, Matugama	0.0597	8
Naligama Road, Mirigama	0.1874	15	Telecom Road, Pahala Welgama, Bulathsinhala	0.1934	1
Kandy Road, Pasyala	0.0534	4	Telecom Road, Meegahatenna	0.2618	2
Negombo Road, Veyangoda	0.0889	7	Digana	0.1986	8
New Kandy Road, Waliveriya	0.0438	7	Galagedara Exchange, Rambukkana Road	0.1386	5
Rideeyagama Road, Ambalanthota	0.1720	3	Kadugannawa Exchange, Kandy Road	0.0356	3
No. 66, Barrak Street, Hambantota	0.1920	7	Primrose Hill, Kandy	0.1233	2
No. 6, Tower, Hill Road, Hambantota	0.2150	11	Rikillagaskada	0.1300	4
Kotuwegoda Road, Tangalle	0.1960	31	Station Road, Mannar	0.3238	10
Tissamaharama Road, Tissamaharama	0.0820	5	Akuressa	0.0711	14
Beliatta Road, Walasmulla	0.0803	8	Matugoba, Kotapola	0.1770	2
Kotabo Road, Weeraketiya	0.1700	10	Dickwella	0.1554	2
Danbar Road, Hatton	0.8306	41	Beruwewela, Hakmana	0.1260	6
Pundaluoya	0.2620	2	Kamburupitiya	0.0890	7
Talawakelle	0.1813	9			

## Portfolio of lands

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Sri Lanka Telecom PLC

Location	Extent (Hectare)	Value of land (Rs. million)	Location	Extent (Hectare)	Value of land (Rs. million)
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 Watta	0.2317	1
Akuramboda Watta, 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, Kuruwikkulam	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, Kantala	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
Saviapragasa Vidyasalai Veethy Road, Vavuniya	0.4047	40	Godaporagahalanda, Malabe	0.0248	3
Eramadu Road, Pulmoddai	0.3103	5	Madiwela, Kotte	0.0278	4
Nilaveli Road, Nilaveli	0.0581	2	Kongahawatta, Talawathugoda, Kotte	0.0278	4
Temple Road, Mutur	0.2838	8	Battaramulla, Kotte	0.0185	6
Pulmoddai Road, Kuchchaveli	0.0690	1	No. 478, Kaduwela Road, Thalangama North	0.0354	8
Periyathumunai Road, Kinniya	0.1080	7	Udumullahena Watta, Kotuwegoda, Kotte	0.0311	5

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Location	Extent (Hectare)	Value of land (Rs. million)	Location	Extent (Hectare)	Value of land (Rs. million)
Bogahawtta, Nawala	0.0304	12	Telecom Road, Dodangoda	0.1510	9
Millennium City, Athurugiriya	0.0197	2	Namadagala Village, Medamahanuwara	0.1247	1
Asdiyapokunawatta, Mulleriyawa, Angoda	0.0379	4	Pallekele-Kundasale	0.0899	9
Primrose Hill, Kandy	0.0751	6	Pugoda Road, Giridara, Dompe	0.0050	1
Heiyantuduwa, Biyagama	0.0506	7	Mandawala Road, Owitigama, Pugoda	0.0253	2
Hettiyaoavita, Biyagama	0.0374	5	Ukuwela, Matale	0.0506	1
Walawewwatta, Delgoda	0.0320	3	Magammana, Homagama	0.0151	1
Ketakelagahawatta, Ranmuthugala, Kadawatha	0.0329	5	Telecom Road, Mahaaruggoda	0.0759	4
Ihala Karagahamuna, Kadawatha	0.0430	3	Kudugalla Road, Wattegama	0.1511	7
Puwakgahalanda, Siyambalape	0.0202	2	No. 27, Station Road, Batticaloa	0.0585	9
Mawaramandiya Road, Makola North	0.0192	2	Karainagar	0.0507	1
Pitipana North, Homagama	0.0253	2	Ariyalai, Jaffna	0.0658	4
Panagoda, Homagama	0.0253	3	Point Pedro, Jaffna	0.0809	3
Mattegoda, Nugegoda	0.1265	36	Pandathirippu, Jaffna	0.0514	1
No. 320/2, Old Kottawa Road, Embuldeniya, Nugegoda	0.0234	7	Pesalei	0.0908	1
Gangodawila, Nugegoda	0.0186	7	Dalupothawatta, Pillewatta, Udugampola	0.0025	1
Sudharshi Mawatha, Kalubowila	0.0241	10	<b>Total</b>		11,995
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			
Kahatagalhanda 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			
Puttalam Road, Chilaw	0.2708	54			
Kiribathkumbura, Pilimathalawa	0.5805	11			
No. 47/1A, Church Road, Mattakkuliya	0.0303	15			
Nawalapitiya Road, Giniigathena	0.1420	3			
Alpitiya Road, Alpitiya	0.1789	2			
Dambulla Road, Ibbagamuwa	0.1011	2			

# GRI content index

Annual Report 2017  
 Group Chairman's Review  
 Smart Living with SLT  
 Business Model  
 Management Discussion and Analysis  
 Stewardship  
 Financial Reports  
 → **Supplementary Information**

Sri Lanka Telecom PLC

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# Abbreviations

<b>4G</b>	-	Fourth Generation	<b>MIMO</b>	-	Multiple-Input and Multiple-Output
<b>5G</b>	-	Fifth Generation	<b>MoU</b>	-	Memorandum of Understanding
<b>ADSL</b>	-	Asymmetric Digital Subscriber Line	<b>MPLS</b>	-	Multi Protocol Label Switching
<b>BPO</b>	-	Business Process Outsourcing	<b>NB-IoT</b>	-	Narrowband Internet of Things
<b>BSS</b>	-	Billing Support System	<b>NBN</b>	-	National Backbone Network
<b>CAPEX</b>	-	Capital Expenditure	<b>NED</b>	-	Non-Executive Director
<b>CCC</b>	-	Colombo City Centre	<b>NFV</b>	-	Network Functions Virtualisation
<b>CDMA</b>	-	Code Division Multiple Access	<b>NGN</b>	-	Next Generation Network of Sri Lanka
<b>CRM</b>	-	Customer Relationship Management	<b>OPEX</b>	-	Operating Expenses
<b>CSP</b>	-	Communication Service Provider	<b>OSS</b>	-	Operational Support System
<b>DC HSPA+</b>	-	Dual-Carrier High Speed Packet Access	<b>OTT</b>	-	Over the Top
<b>DSP</b>	-	Digital Service Provider	<b>PEO TV</b>	-	Personalised Entertainment Option Television
<b>EBITDA</b>	-	Earnings Before Interest, Taxes, Depreciation and Amortisation	<b>PIOCMA</b>	-	Pacific and Indian Ocean Cable Maintenance Agreement
<b>EPF</b>	-	Employees' Provident Fund	<b>PoP</b>	-	Point of Presence
<b>ERP</b>	-	Enterprise Resource Planning	<b>PSTN</b>	-	Public Switched Telephone Network
<b>ETF</b>	-	Employees' Trust Fund	<b>RCS</b>	-	Rich Communications Suite
<b>FBB</b>	-	Fixed Broadband	<b>SAFA</b>	-	South Asian Federation of Accountants
<b>FTTH</b>	-	Fibre-To-The-Home	<b>SDN</b>	-	Software-Defined Networking
<b>FTTN</b>	-	Fibre-To-The-Node	<b>SEA ME WE</b>	-	South East Asia-Middle East-West Europe
<b>Gbps</b>	-	Gigabits per second	<b>SEAIOCMA</b>	-	South East Asia and Indian Ocean Cable Maintenance Agreement
<b>GRI</b>	-	Global Reporting Initiative	<b>SLBN</b>	-	Sri Lanka Telecom Broadband Network
<b>GTH</b>	-	Global Telecommunications Holdings	<b>SLFRS</b>	-	Sri Lanka Accounting Standards
<b>HDTV</b>	-	High Definition Television	<b>SLIM</b>	-	Sri Lanka Institute of Marketing
<b>HSPA</b>	-	High Speed Packet Access	<b>SME</b>	-	Small and Medium Enterprise
<b>ICT</b>	-	Information and Communication Technologies	<b>SOA</b>	-	Service Oriented Architecture
<b>ICTA</b>	-	Information and Communication Technology Agency			
<b>IDD</b>	-	International Direct Dialling			
<b>IMS</b>	-	IP Multimedia Subsystem			
<b>INED</b>	-	Independent Non-Executive Director			
<b>IoE</b>	-	Internet of Everything			
<b>IoT</b>	-	Internet of Things			
<b>IPTV</b>	-	Internet Protocol Television			
<b>ISP</b>	-	Internet Service Provider			
<b>ITU</b>	-	International Telecommunication Union			
<b>KPI</b>	-	Key Performance Indicator			
<b>KPO</b>	-	Knowledge Process Outsourcing			
<b>LED</b>	-	Light Emitting Diode			
<b>LGN</b>	-	Lanka Government Network			
<b>LTE</b>	-	Long-Term Evolution			
<b>MBB</b>	-	Mobile Broadband			
<b>Mbps</b>	-	Megabits per second			

# Notice of Annual General Meeting

**SRI LANKA TELECOM PLC**  
(Company Registration No. PQ 7)  
Lotus Road, Colombo 01.

NOTICE IS HEREBY GIVEN that the Twenty-First (21st) Annual General Meeting of Sri Lanka Telecom PLC will be held on Wednesday, 9 May 2018 at 10.00 am at the Main Hall of the Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 7 for the purpose of conducting the following Ordinary Business:

## Agenda

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Statement of Accounts for the year ended 31 December 2017 with the Report of the Auditors thereon.
2. To declare a first and final dividend of Eighty Nine Cents (89 Cents) per share as recommended by the Directors.
3. To elect as a Director, Mr A R Desapriya, who retires in terms of Article 97 of the Articles of Association.
4. To re-elect as a Director, Ms Nilanthi Pieris, who retires by rotation in terms of Articles 91 and 92 of the Articles of Association.
5. To re-appoint Messrs, Ernst & Young, Chartered Accountants as Auditors for the ensuing year and to authorise the Directors to determine their remuneration.
6. To authorise the Directors to determine and make donations to charities.
7. To transact any other business of which due notice has been given.

By Order of the Board,

Sri Lanka Telecom PLC



**Mahesh Athukorale**  
Company Secretary

29 March 2018  
Colombo

## Notes

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her.
2. A proxy need not be a member of the Company.
3. A Form of Proxy accompanies this Notice.

# Form of proxy

I/We ..... (holder of NIC No. ....) of ..... being a member/members of Sri Lanka Telecom PLC hereby appoint ..... (holder of NIC No. ....) of ..... whom failing\*

Mr P G Kumarasinghe Sirisena	whom failing*
Mr Chan Chee Beng	whom failing*
Mr Lawrence Michael Paratz	whom failing*
Ms Lai Choon Foong	whom failing*
Ms Nilanthi Pieris	whom failing*
Mr W K H Wegapitiya	whom failing*
Mr A R Desapriya	

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 21st Annual General Meeting of the Company, to be held on 9 May 2018 and at any adjournment thereof and at every poll which may be taken in consequence thereof.

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 2017 with the Report of the Auditors thereon
2. To declare a first and final dividend of Eighty Nine Cents (89 Cents) per share as recommended by the Directors
3. To elect as a Director, Mr A R Desapriya, who retires in terms of Article 97 of the Articles of Association
4. To re-elect as a Director, Ms Nilanthi Pieris, who retires by rotation in terms of Articles 91 & 92 of the Articles of Association
5. To re-appoint Messrs Ernst & Young, Chartered Accountants as Auditors for the ensuing year and to authorise the Directors to determine their remuneration
6. To authorise the Directors to determine and make donations to charities

For	Against

In witness my/our hand/seal given on this ..... day of ..... Two Thousand and Eighteen.

.....  
Signature

\*Please delete what is inapplicable.  
Note: Instruction as to completion appears overleaf.

### Instructions as to completion of form of proxy

1. Kindly perfect the Form of Proxy by filling in legibly your full name, address and the National Identity Card number and signing in the space provided and filling in the date of signature.
2. Please indicate with an "X" in the space provided, how your proxy is to vote on each resolution. If no indication is given the proxy in his/her discretion will vote as he/she thinks fit.
3. In the case of a corporate member the proxy must be executed in accordance with the Articles of Association. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should also accompany the completed Form of Proxy, if it has not already been registered with the Company.
4. The completed Form of Proxy should be deposited at the Registered Office of the Company, Sri Lanka Telecom PLC, Lotus Road, Colombo 01 not later than 48 hours before the time fixed for the holding of the meeting.

# Corporate Information

## Name of the Company

Sri Lanka Telecom PLC

## Legal Form

A public limited liability company incorporated in Sri Lanka in September 1996, under the Conversion of Public Corporations of Government-Owned Business Undertakings into Public Limited Companies Act No. 23 of 1987 and quoted on the Colombo Stock Exchange in January 2003.

## Company Registration Number

PQ 7

## Stock Exchange Listing

1,804,860,000 Ordinary Shares of the Company are listed in the Colombo Stock Exchange.

## Registered Address

Telecom Headquarters, Lotus Road,  
Colombo 01.

## Board of Directors

Mr P G Kumarasinghe Sirisena – Chairman  
Mr Chan Chee Beng  
Mr Lawrence Paratz  
Ms Lai Choon Foong  
Ms Nilanthi Pieris  
Mr W K H Wegapitiya  
Mr A R Desapriya

## Audit Committee

Ms Lai Choon Foong – Chairperson  
Ms Nilanthi Pieris  
Mr A R Desapriya

## Remuneration and Nomination Committee

Mr Chan Chee Beng – Chairman  
Mr P G Kumarasinghe Sirisena  
Mr Lawrence Paratz

## Technology Subcommittee

Mr Lawrence Paratz – Chairman  
Mr W K H Wegapitiya

## Senior Tender Board

Ms Lai Choon Foong – Chairperson  
Mr Lawrence Paratz  
Ms Nilanthi Pieris

## Related Party Transactions Review Committee

Ms Nilanthi Pieris – Chairperson  
Ms Lai Choon Foong  
Mr A R Desapriya

## Auditors

Ernst & Young (Chartered Accountants),  
201, De Saram Place,  
Colombo 10.

## Company Secretary

Mr Mahesh Athukorale

## Credit Rating

By Fitch Ratings Lanka Limited

AAA (lka)  
(National long-term rating)

### Fitch Rating

National long-term rating of AAA(lka)

### Standard & Poor's rating

Long-term corporate credit rating of B+  
By Standard & Poor's

### B+

Long-term corporate credit rating

## 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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