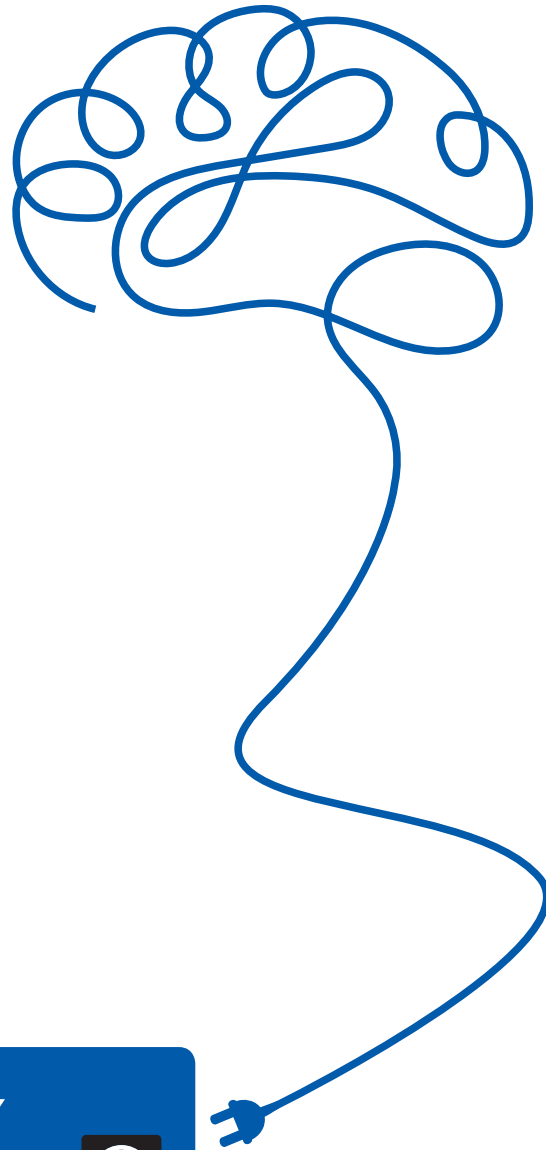


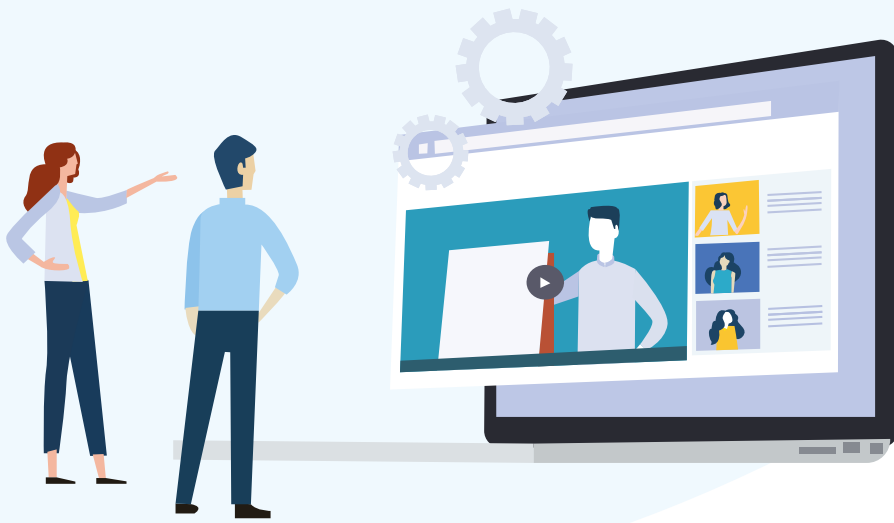


**Sri Lanka Telecom PLC**  
Annual Report  
2018



**DIGITALLY  
BEING**





## Vision

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

## Mission

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

## 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



# DIGITALLY BEING...

SLT is in the vanguard of an emerging “digital existence” that is already changing life in Sri Lanka. This new way of life leverages the technology of today...and tomorrow...providing era changing detail, perspective and opportunity across the gamut of life.

In journeying towards our goal of becoming Sri Lanka’s preferred digital lifestyle provider by 2022, we’re honoured to guide the Nation and its people into an exciting new digital world.



# CONTENTS

## 03

Introducing the report

---

## 04

About SLT

---

## 10

Highlights of the year

---

## 12

Group Chairman's review

---

## 14

Chief Executive Officer's review

---

## 16

Chief Operating Officer's review

---

## 18

A Smarter Sri Lanka with SLT

---

## 21-24

Operating environment

---

## 25

Our strategy

---

## 28

Our value creation model

---

## 30

Stakeholders

---

## 34-69

Management discussion and analysis

Financial capital - **34**

Institutional capital - **42**

Awards - **46**

Investor capital - **48**

Customer capital - **51**

Business partner capital - **58**

Employee capital - **60**

Social and environmental capital - **64**

Regulatory capital - **68**

## 70-102

Stewardship

Board of Directors - **70**

Leadership Team - **74**

Corporate Governance - **84**

Audit Committee Report **95**

Remuneration and nomination committee report - **97**

Report of the related party

transactions review committee - **98**

Risk management - **99**

---

## 103

Financial reports

Annual Report of the Board of Directors on  
the Affairs of the Company - **104**

Statement of Directors in Relation to their Responsibility  
for the Preparation of Financial Statements - **109**

Independent Auditors' Report - **110**

Statement of Profit or Loss and  
Other Comprehensive Income - **114**

Statement of Financial Position - **115**

Statement of Changes in Equity - Group - **116**

Statement of Changes in Equity - Company - **117**

Cash Flow Statement - **118**

Notes to the Consolidated Financial Statements - **119**

---

## 174

Supplementary information

Ten year progress - Group - **174**

Portfolio of lands - **175**

GRI content index - **179**

Abbreviations - **183**

Notice of Annual General Meeting - **184**

Form of Proxy - **Enclosed**

Corporate Information - **Inner Back Cover**

# INTRODUCING THE REPORT



This integrated Annual Report communicates the relationships and interdependence of the many aspects of our business – such as strategy, governance, performance and prospects – in the context of creating value over time.

The approach to reporting we have adopted balances the need to communicate effectively through concise, relevant information (to a large and diverse stakeholder group), while at the same time providing comprehensive compliance-related disclosures (that would interest only a few). Our Annual Report thus is presented in two primary formats.

## Report boundary and compliance

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

This Report covers the 12-month period 1 January to 31 December 2018 and is consistent with our usual annual reporting cycle for financial and sustainability reporting.

The information contained herein, as in the past, is in compliance with all applicable laws, regulations, and standards.

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

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

## Precautionary principle

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

## Queries

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



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Company Secretary,  
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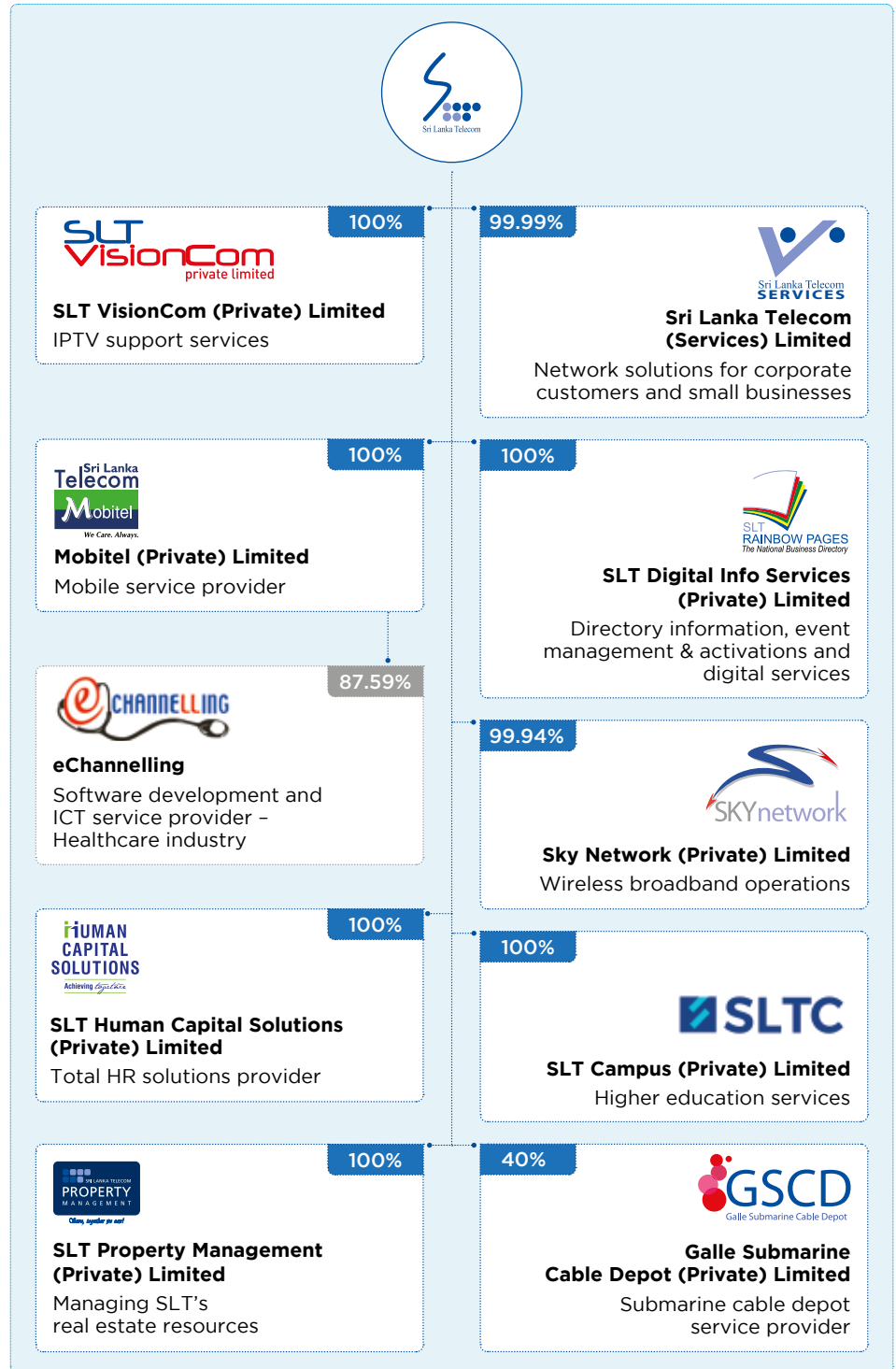


This Annual Report is also  
available on our website  
<http://slt.lk/en/about-us/investors/financial-reports/annual>

# ABOUT SLT

Sri Lanka Telecom PLC (“SLT” or the “Company”) is the national Information and Communications Technology (ICT) solutions provider and the leading broadband and backbone infrastructure services provider in Sri Lanka. For over 160 years, SLT has been enabling opportunities and fulfilling the dreams and aspirations of all Sri Lankans – from delivering basic connectivity to an ever-evolving range of applications that distinguish the ICT industry today. Today, SLT is on a transformational journey to transition from a communications service provider into a digital service provider and become the nation’s preferred digital lifestyle provider.

## Group structure



## Principal lines of business

The Sri Lanka Telecom Group provides diversified services and an entire range of ICT solutions that cover fixed and mobile telephony, broadband, data services, Internet Protocol Television (IPTV), cloud computing, hosting services, and networking solutions to its varied customers via the latest technologies.

The SLT Group primarily focuses on three operating segments which are the Group's strategic segments:

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

Fixed and mobile ICT operations constitute the SLT Group's core business. In 2018, they collectively accounted for 95% of revenue, 98% of total assets, and nearly 100% of capital expenditure of the SLT Group.

## Products and markets

### Fixed ICT operations

The Group's holding company, SLT, operates in the fixed ICT business. It provides telecom networks and ICT services to organisations of all sizes across all economic sectors, other telecommunications operators and Internet Service Providers (ISPs), public sector institutions, and domestic customers.

ICT facilities and services provided include voice, data, broadband, wholesale, enterprise, cloud, international, and IPTV.

One of the SLT Group's key strategic objectives is to drive adoption of broadband-based consumer and enterprise services by expanding the broadband footprint through the Next Generation Network (NGN) and National Backbone Network (NBN). These efforts are supplemented by an array of technologies including optical fibre, ADSL2+, VDSL2, carrier-grade Wi-Fi, and both fixed and mobile 4G LTE technologies. The Company also uses its multiple international submarine cable networks to offer state-of-the-art global services, securing its position as a key global player in the telecom industry.

### Mobile ICT operations

Sri Lanka Telecom Mobitel (Private) Limited (Mobitel), a fully-owned subsidiary of SLT, offers mobile ICT services including mobile telephony services, high-speed broadband, enterprise solutions, international services, and a range of value-added services. SLT Mobitel has been the pioneer in South Asia:

- To launch a Super 3.5G HSPA network
- To successfully demonstrate HSPA+ MIMO (Multiple Input Multiple Output) technology
- To successfully trial 4.5G LTE-Advanced Pro technology, and
- To launch the first commercial 4.5G/4G+ mobile network

With this introduction and being the only 4.5G/4G+ Mobile Network in Sri Lanka, SLT Mobitel possesses 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.

Further Mobitel was the first to deploy a Sub-1G Mobile Broadband Network by using 900MHz spectrum in Sri Lanka. In the year 2018 Mobitel commenced rolling out its largest ever 4G LTE Expansion Project with over 1,600 LTE sites across the nation together with VoLTE (Voice over LTE) service which enables the ability to make high quality voice calls over the LTE network for its customers.

Leading the way in 5G in Sri Lanka, Mobitel publicly demonstrated Sri Lanka's first 5G Massive MIMO deployment over 3.5GHz spectrum.

Taking another innovative step towards the digital transformation, Mobitel provided a state-of-the-art LTE Critical Communications solution to a leading container terminal operator for the first time in Sri Lanka.



SLT Mobitel's coverage extends nationwide and includes international roaming with the partnership of a global web of over 650 networks.

### Towards 5G

Leading the way in 5G in Sri Lanka, Mobitel publicly demonstrated Sri Lanka's first 5G deployment over 3.5GHz spectrum which is globally recognized as the primary frequency band for 5G. This 5G Massive MIMO (Multiple Input Multiple Output) technology demonstration utilized 64x64 MIMO configuration with commercially available user devices and commercially available network equipment. We look forward to commercially deploying a 5G Network to Sri Lankans in the near future.

### Scale of operations

#### SLT group revenue in 2018

Total revenue of the SLT Group grew by 7.5% to LKR 81.4 Bn. during the year, driven by 6.4% revenue growth by SLT and a corresponding 6.5% growth at SLT 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.

### Market capitalisation

SLT is one of Sri Lanka's most valuable blue-chip companies with a float adjusted market capitalisation of LKR 2.33 Bn. as at 31 December 2018, ranking 16th among the listed companies on the Colombo Stock Exchange.

### Our reach

The SLT Group covers the whole country and serves a customer base of over seven million accounts across fixed and mobile ICT services. Our customers include domestic users, small and medium enterprises (SMEs), retail customers, multinationals and enterprises, public sector institutions, as well as other operators and wholesale customers.

Our fibre optic network, with broadband speeds of up to 100 Mbps, extends nearly 45,000 kms across the island.

### 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.

Our mobile network connects over 7.6 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.

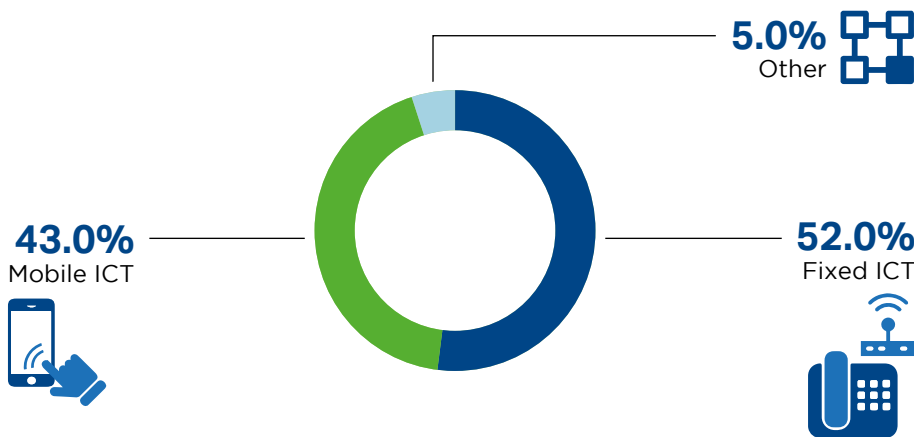
### The National Broadband network

Our backbone network is built on 100G technology, 300 nodes, and 64 SLBN nodes. It is always available and functioning due to a comprehensive 1+2 redundancy system. Our network offers the fastest broadband speeds in Sri Lanka with the lowest latency and is a veritable asset in the development of the country. The NBN aims to cater to the future needs of all ICT operators in the country.

### Multiple inter-connected data centres

SLT launched the "National Data Centre" in 2018, which joins SLT's established data centres at SLT headquarters and Welikada to offer customers secure and reliable data hosting and cloud computing services. The data centres are interconnected via SLT's fibre optic network. SLT's data centres and Akaza cloud platform offers enterprises a scalable and cost-effective alternative to deploying their own dedicated computing resources in-house.

### Composition of group revenue





### National Backbone Network

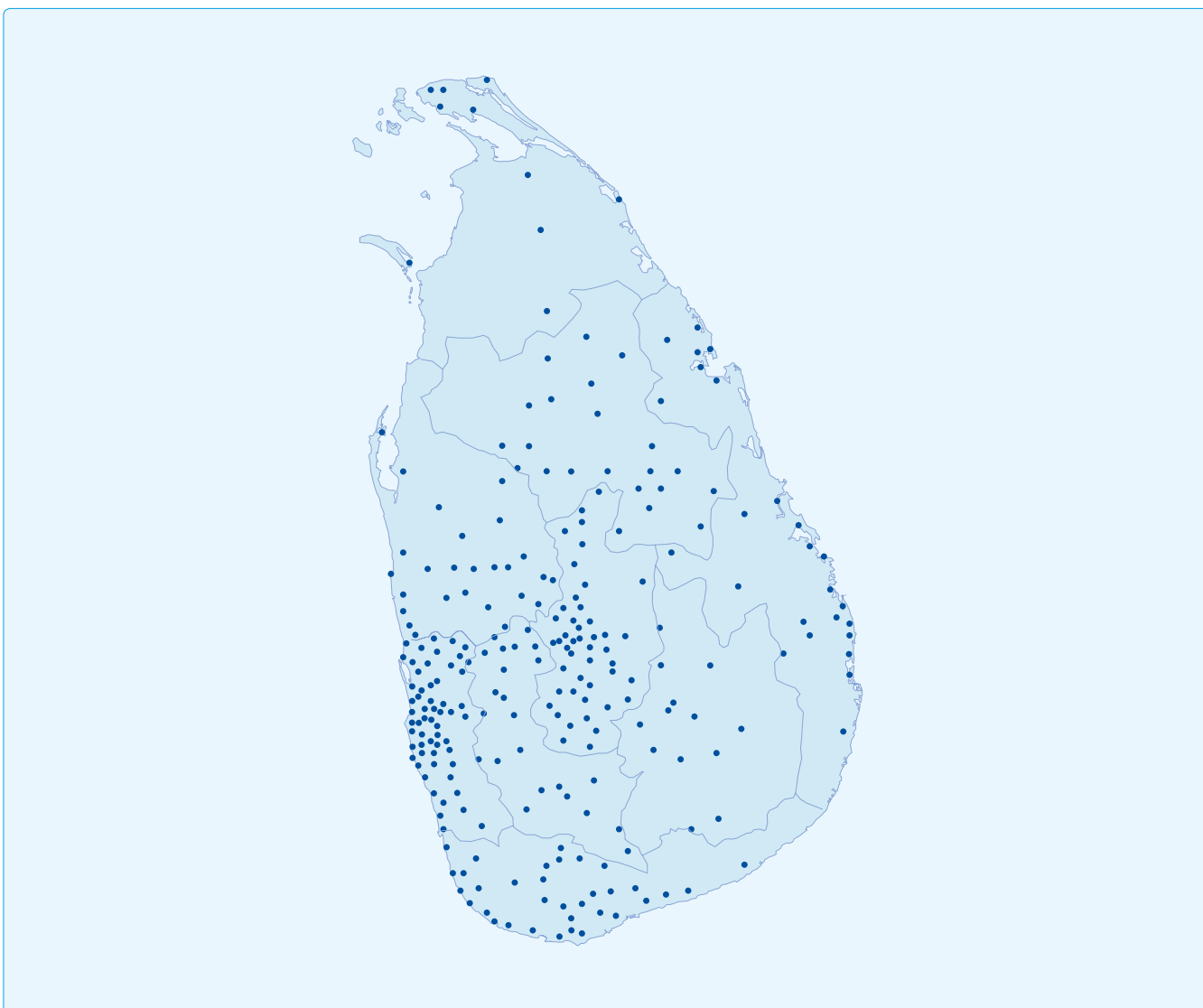
Our advanced fibre optic based nation-wide telecommunication main backbone network comprises 64 SLBN nodes which are functioning at all times due to availability of comprehensive Protection schemes such as Automatically Switched Optical Network (ASON). Further our network is of high quality, speed and capacity that comprises

8Tbps backed with a low latency; and is a veritable asset in the country's development.

SLT's IP Network provides intelligent IP transport services for all various platforms, which are related to delivering SLT's retail products (Broadband, PEO TV, 4G and WiFi) and connecting government, enterprise and carrier business. It is also, connected

to international carriers with multiple back-up paths to provide global connectivity for businesses. The network is comprised of an n\*100 Gbps backbone, metro rings, and multiple access rings consisting of over 400 high-capacity nodes and over 3,000 service segregation nodes, making it the largest network in the Island.

### IP network

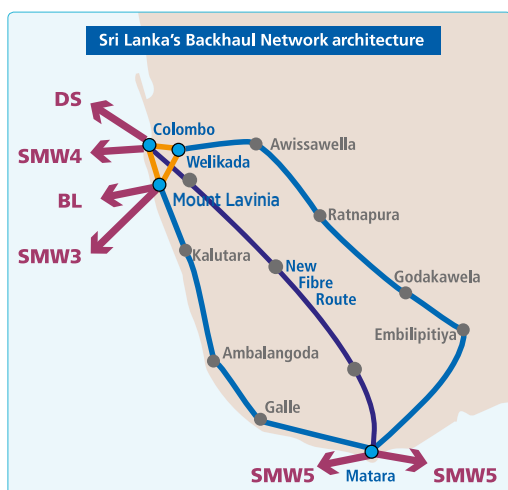
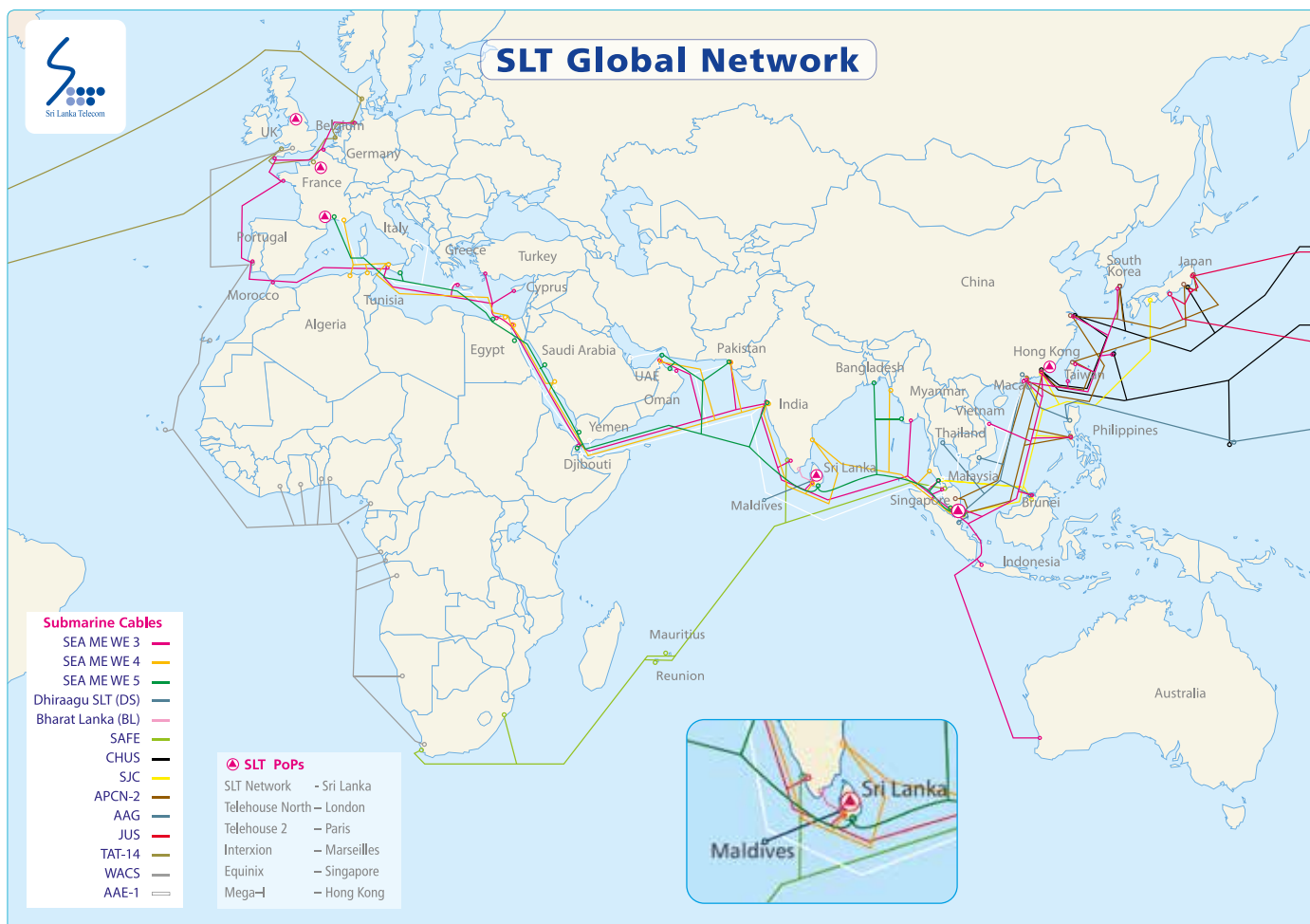


## SLBN network



## Global connectivity

SLT connects Sri Lanka to the world through five international submarine cable systems: SEA-ME-WE 3, SEA-ME-WE 4, SEA-ME-WE 5, Bharat-Lanka, and the Dhiraaugu-SLT system. SLT is a key member of the SEA-ME-WE 5 cable consortium with a full cable landing station at Matara with a capacity to connect to the East and West cable segments at 24 Tbps each. Our joint venture with Singapore-based Indian Ocean Cable Ship Private Limited, Galle Submarine Cable Depot Private Limited, handles submarine cable maintenance for the region, reducing service restoration times and rendering SLT a key global player in the telecom industry.



## South asia's first submarine cable depot in galle

Galle Submarine Cable Depot Private Limited is a joint venture formed with Indian Ocean Cables Ship Private Limited (IOCPL) and Sri Lanka Telecom (SLT) to operate the South Asia's first Submarine Cable Depot in Galle dedicated for providing submarine cable spare storage facilities for the regional telecom operators under South East Asia Indian Ocean Cable Maintenance Agreement (SEAIOCMCA) zone. The Submarine cable depot will be commercially operational from 1st of Jan 2019 onwards and the Depot will be ceremonially opened in March 2019.

# HIGHLIGHTS OF THE YEAR

**94.3%**

Group operating profit growth

**LKR 81.4 Bn.**

Group revenue

**LKR 30.0 Bn.**

contributed in levies, taxes, and license fees to the Government of Sri Lanka



**1,717,200**

New fixed line connections



**415,000**

PEO TV connections



**966,925**

Broadband connections



**800,000**

Mobile subscriber growth



**33%**

Non-voice and enterprise segment growth



**623**

New recruits

**86.99%**

Quality level reached for First-Call Resolution (FCR)

**95%**

Positive feedback from customer satisfaction surveys

**270+**

Touch points island-wide

**10.1**

Million calls received

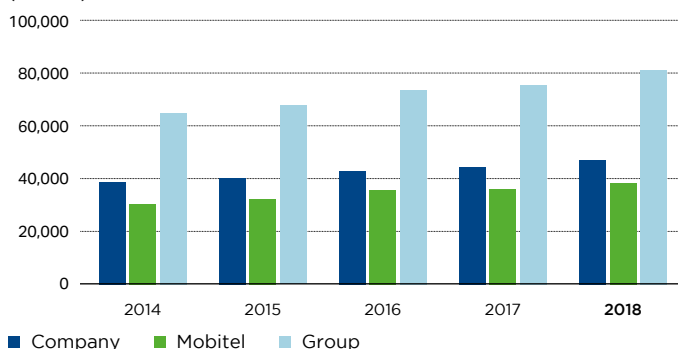
**86%**

Customer satisfaction

	2018	2017	Change (%)
<b>Group</b>			
Revenue (LKR Bn.)	81.44	75.74	7.5
EBITDA (LKR Mn.)	25,561	21,205	20.5
Operating profit (LKR Mn.)	7,613	3,918	94.3
Profit before tax (LKR Mn.)	7,169	5,528	29.7
Profit after tax (LKR Mn.)	4,948	3,940	25.6
Earnings per share (LKR)	2.74	2.18	25.6
<b>Company</b>			
Revenue (LKR Bn.)	47.39	44.54	6.4
EBITDA (LKR Mn.)	13,457	11,379	18.3
Operating profit (LKR Mn.)	1,841	258	613.6
Profit before tax (LKR Mn.)	3,142	2,129	47.6
Profit after tax (LKR Mn.)	1,906	1,428	33.5
Earnings per share (LKR)	1.06	0.79	33.5

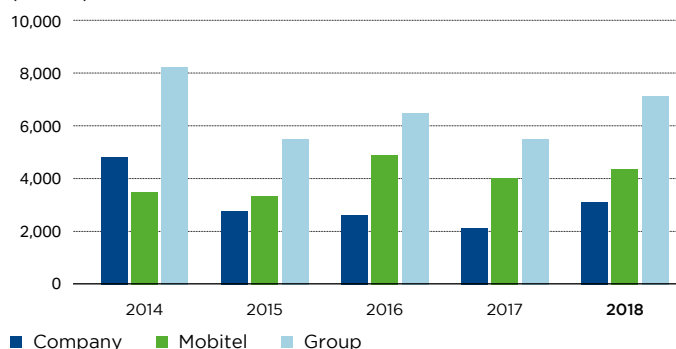
## Revenue

(LKR Mn.)



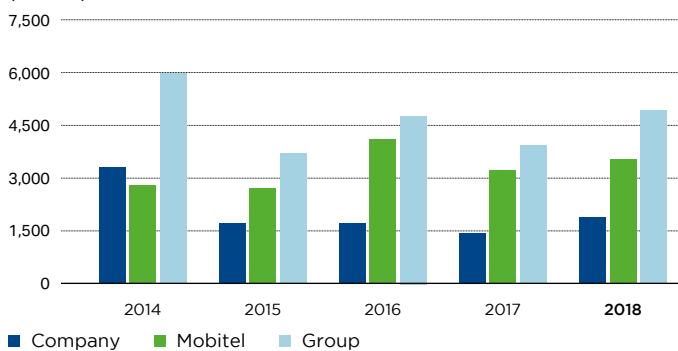
## Profit before tax

(LKR Mn.)



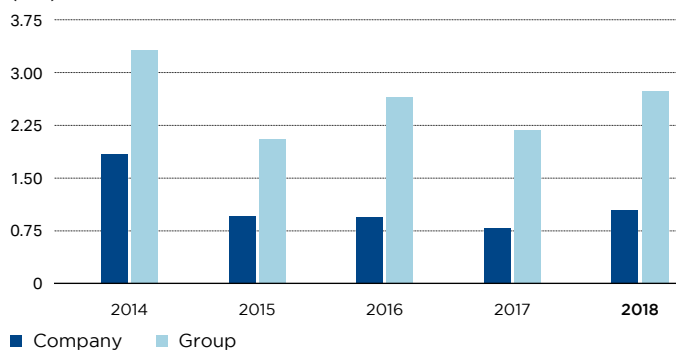
## Profit after tax

(LKR Mn.)



## Earnings per share (EPS)

(LKR)



# GROUP CHAIRMAN'S REVIEW



Digital technology is advancing at a rapid pace with innovative apps and software out-pacing hardware which in turn catch up to ably support the new innovative applications, becoming a never-ending speedy cycle where Digital Disruption is the order of the day. Telecommunications service providers must “unlearn” the traditional telco business models and transform and adapt to this rapid change in order to survive, let alone sustain and grow.

SLT, as the incumbent operator in Sri Lanka with a legacy spanning over 160 years and still encompassed with traditional layouts and procedures faces a real challenge in taking on a transformation of this scale. The usage of smart devices continues to rise and brings with it a new kind of customer who demands the latest, the fastest, the best; telecom operators are compelled to expand their focus from traditional telco services onto next-generation digital services. SLT has had to revamp and transform itself to face these challenges and convert these threats into opportunities.

With Vision 2022, SLT embarked on a five-year journey to tackle the challenges of this new era while balancing our social responsibility with business opportunities in a sustainable manner. By carefully understanding the national socio-economic requirements and clearly communicating our Vision to our stakeholders, we have left no space for surprises as we go through a cultural change to transform from a communications service provider to a digital services provider.

As the only operator in Sri Lanka in whom the Government has a stake, our strategies are closely aligned to that of the National Policy, digitally empowering the citizens, to make Sri Lanka the Digital Hub in this region. By working closely with the Ministry of Telecommunication and Digital Infrastructure and other ministries, TRC and ICTA, we fulfil our social responsibility by taking leadership in establishing key infrastructure development projects to connect schools, government offices, post offices, hospitals, and other key institutions, and create further value for all stakeholders by establishing key national platforms such as the Lanka Government Network.

## With Vision 2022, SLT embarked on a five-year journey to tackle the challenges of this new era while balancing our social responsibility with business opportunities in a sustainable manner.

During the period under review, SLT undertook some initiatives I wish to highlight:

- In line with the National ICT Policy, SLT accelerated the Fibre to The Home (FTTH) initiative along with expanding 4G LTE and ADSL coverage. A robust digital infrastructure for the country will have a positive impact on the Sri Lankan economy; studies have identified broadband speed and penetration as drivers of country's Gross Domestic Product (GDP).
- SLT connected 850 Government institutions island-wide with high-speed fibre connectivity under the Lanka Government Network (LGN 2.0) initiative in just six months. This initiative will contribute greatly to the Nation and the economy by increasing convenience and efficiency.

- We launched the Tier III National Data Centre in Pitipana, Homagama in January 2018. This data centre and four other data centres are connected through our national fibre optic backbone to the world via the state-of-the-art SEA-ME-WE 5 submarine cable landed in Matara.
- The Galle Submarine Cable Depot was declared ready for service in November 2018. The joint venture with Indian Ocean Cable Ship Private Limited will serve to dramatically reduce service restoration times during cable failures and thus improve Sri Lanka's international connectivity.

These strategic investments are a fundamental part of SLT's efforts to transform Sri Lanka into a regional digital hub and our global network strategy, which aligns with the National Vision. These investments are also vital to the sustainability of SLT's business. Increasing the reach, speed and reliability of the fibre network will help to expand our customer base, while value added services such as Internet Protocol Television (IPTV), Over-The-Top services (OTT), and Internet of Things (IoT) will serve to be a key enabler of the digital lifestyles of our customers, thus increasing customer retention.

As always, challenges exist and 2018 carried its fair share.

As a fixed line operator, SLT faced higher operational costs than most cellular operators. Challenging economic conditions and political instability have played their hand in stacking what are already very challenging odds for SLT. The weaker currency posed challenges on how the Group invests in infrastructure at this crucial nexus, where new technologies will bring in new opportunities and economic

benefits, which can be harnessed only through timely intervention, through continued investment. The cellular tower levy that took effect in January 2019 adds yet to our list of challenges. Nevertheless, SLT continued to play its part in developing the Nation and contributed LKR 30.0 Bn. in dividend, taxes and levies to the Government of Sri Lanka in 2018.

As we head into 2019, I would like to express my sincere gratitude to our customers for their patronage, our employees for their tireless dedication and their contribution to our collective goals, and our shareholders for their support and faith in our endeavours to add value to their investments. Finally, I would like to thank the Government of Sri Lanka, Ministry and regulatory agencies for overseeing the continued development of the ICT industry in the country and look forward to more open dialogues on how we can work together to achieve common goals for mutually assured benefits for all our stakeholders and the Nation as a whole.



**P G Kumarasinghe Sirisena**  
Group Chairman

21 February 2019



# CHIEF EXECUTIVE OFFICER'S REVIEW



SLT continues onwards with its digital transformation journey to become the Nation's most preferred digital lifestyle provider. The structural changes made as part of the Centre of Excellence initiatives have enabled efficient decision-making processes by uniting the Group to work together towards a singular set of goals. The pursuit of progress is one that never ends, so I would like to take this opportunity to highlight some of the most significant milestones for SLT in 2018.

## Digitalisation

SLT's drive to usher in the digital economy in Sri Lanka is not just limited to initiatives like the communications infrastructure and projects such as the Lanka Government Network (LGN 2.0), but also within SLT itself. 2018 saw more prominence given to internal digitalisation initiatives by assigning staff dedicated exclusively to digitalisation projects. Significant strides have been taken to cultivate a DevOps-style culture within SLT through the ECO BRIDGE (Excel Core Operation and Boost Revenue with Innovative Development and Grow the Enterprise) platform. ECO BRIDGE is an innovation platform wherein SLT employees are empowered and encouraged to contribute to the digitalisation of SLT with their knowledge, capabilities, and skills by developing solutions to automate processes and reduce costs and process turnover time, or even introduce novel products for our customers. In effect, we have taken steps to streamline operations and even innovation within SLT.

## National data centre

The National Data Centre is the next step in our drive to empower the digital economy in Sri Lanka. In January 2018, SLT launched the first purpose-built Tier III National Data Centre in Pitipana, Homagama connected to the world through the SEA-ME-WE 5 submarine cable system. The facility is the first of its kind in the region with an Uptime Tier III design certification and has received Gold Rated Green building certification by the Green Building Council of Sri Lanka as part of SLT's commitment towards sustainability initiatives to reduce carbon footprint. Launching with a capacity of 500



We are empowering SLT employees with the tools and resources to contribute to SLT's digitalisation with their knowledge, capabilities, and skills.

racks, the facility launches at a time when public and private enterprises are starting to adopt hosted managed services and Cloud services to reduce their own infrastructure investment and maintenance costs while increasing reliability and flexibility. SLT's Data Centres and Cloud platform are truly ushering in the digital economy in Sri Lanka by providing a scalable, cost-effective alternative to in-house computing resources and offering managed virtual data centres, virtual private servers, and virtual LANs.

### Financial performance

During the reporting year, Group Operating Profit Before Interest Tax Depreciation and Amortisation (EBITDA) improved by 20.5% to LKR 25.6 Bn. from LKR 21.2 Bn. in 2017. This was as a result of operational efficiencies limiting the increase in operational costs to 2.5% compared to the growth in revenue of 7.5%. Group revenue crossed LKR 80 Bn. and reached LKR 81.4 Bn. despite the stiff competition and the turbulent operating environment.

Consequently, the Group recorded a commendable improvement of 94.3% in operating profit which reached LKR 7.6 Bn. compared to LKR 3.9 Bn. We continued to make significant investments in state-of-the-art infrastructure to provide world-class services to our customers which is reflected in increase in Property, Plant & Equipment. The Group profit after tax for the year 2018 was LKR 4.9 Bn. which is an YoY increase of 25.6%.

Mobitel improved its overall performance and contributed 48% to revenue, 44% to EBITDA and 72% to profit after tax of the Group.

SLT is building the digital infrastructure for a digital Sri Lanka. We have been selected as the exclusive telecommunications service provider for several prestigious upcoming developments in Sri Lanka, including Port City, that will see us extend our fibre infrastructure and empower new properties with ultra-fast fibre connectivity. Mobitel will usher in the 5G revolution that promises to bring about advancements not possible with current technology. Our customers will reap the benefits of a high-speed, high-tech lifestyle powered by SLT.

A lot of promise lies ahead in 2019, as do a lot of challenges and a lot of work. SLT is ready. I would like to thank all stakeholders of SLT for being a part of our journey and continue to be a part of it.



**K A Kiththi Perera**  
Chief Executive Officer  
21 February 2019

# CHIEF OPERATING OFFICER'S REVIEW



2018 has been a turning point for SLT. The execution of our 5-year strategic plan for the digital transformation of SLT has seen a lot of action being taken, resulting in some significant changes. The entire structure of our Management has been overhauled to make SLT more proactive in an industry that is seeing incumbent telecom operators such as ourselves having to adapt to new circumstances. We find ourselves in a time where the fundamental technology of our industry is rapidly changing, and investment is required to ensure that we can keep up with the country's growing requirements. As the National ICT Solutions provider, we must address the demand for data and speeds, as well as boost the penetration rate of the Internet in the country.

An issue that most incumbent telecom operators around the world currently face is having to address their ageing infrastructure in the face of an evolving customer and market. As a developing nation, Sri Lanka's technology is on par with developed countries, but the country lacks the geographical distribution of network infrastructure that advanced countries have. For SLT, this has been an opportunity to implement fibre connectivity especially in undeveloped and developing areas of the country, as the only operator who has given legal rights. Whereas other players in the developed countries who had bad copper network coverage are 100% looking to superfast copper technologies to utilise their existing copper networks. Therefore, the past few years have seen that SLT has been laid over 45,000 kms of fibre infrastructure in the country. Since we have been able to provide reliable and unique products that are unmatched in the region, this fibre network has given us a competitive advantage over our competitors, who are generally cellular technology-based.

Today, our customers can avail of SLT FTTH service in many areas and enjoy 100 Mbps download speeds, upgradable to 1G unmatched by any other service provider. We have several business partners with whom we have established agreements to extend our fibre connectivity; the Colombo City Centre Residencies, the upcoming Port City, Phases 3 and 4 of Havelock City, and several other condominium projects will be supercharged by SLT's cutting-edge FTTH network. But beyond that, our fibre connectivity provides a framework and a platform which unlocks a plethora of opportunities for providing useful services to our customers.

We have invested heavily in our network infrastructure, but by itself, that does not mean much. That is why now we have recognised and redeployed entire architecture of the network while investing the development of

## The entire structure of our Management has been overhauled to make SLT more proactive in an industry that is seeing incumbent telecom operators such as ourselves having to adapt to new circumstances.

new technology and platforms. Going forward, we will have to grow and transform our business by driving digital services through our platforms. Our fibre connectivity enables us to bring IoT services, fintech services, IPTV services, cloud services, data analytics, data centre services, smart feature and more to our home, business, Enterprise and Government customers. Customers today can already avail of our PEO TV platform, and we intend to use it to introduce over-the-top (OTT) services that they can take advantage of. In fact, accessibility to our OTT services will be a key differentiator for us – any smart device will be able to access them, even through our island-wide Wi-Fi connectivity, and our availability will be virtually infinite. We will look to establish business partnerships to develop applications that take advantage of our infrastructure and platforms as we continue on our digital journey. Eventually our converged network and Technology platforms layer and application layer will represent entire product portfolio to present the features in an automated

environment where customer will use self-care portals to configure their own requirement.

We launched the “National Data Centre” in 2018, another initiative powered by our fibre backbone. The Tier III Data Centre is the first of its kind in the country, providing secure and reliable data hosting and cloud computing services. Our data centres are supported by our global connectivity; SLT is connected to the world via five submarine cable systems, including the SEA-ME-WE 5 cable which has a full cable landing station in Matara with the capability of connecting to the East and West cable segments at 24 Tbps each. The Galle Submarine Cable Depot, will be launched in 2019, our joint venture with Singapore-based Indian Ocean Cable Ship Pvt Ltd is another milestone in our global network strategy. With a cable ship on standby in Galle to attend to submarine cable repairs in the region, the Cable Depot will help to dramatically reduce service restoration times in the event of an international cable failure. Just over a decade ago, a failure would have isolated the country for a few days, but today we have several backup systems in place and with the ability to deploy the repair ship, Sri Lanka's international connectivity has significantly improved and become more reliable. The Cable Depot also highlights SLT's moves to expand our global presence: SLT signed the South East Asia and Indian Ocean Cable Maintenance Agreement (SEAIOCMA) in 2018 that will see the Cable Depot provide warehousing facilities for over 40 regional submarine cable operators for a period of five years.

Our internal structural changes are also being focused around our new reality, our transformation into a Digital Service Provider (DSP). Whereas our IT efforts used to focus on internal support, we will now refocus our very capable resources into efforts to support our customers. Addressing the needs of our customers in various industries – tourism, healthcare, education, etc. – through bespoke software solutions

and our platforms will become a major strategic focus. To this extent, we have ushered in a DevOps culture through platforms like ECO BRIDGE that will encourage and support our staff in developing innovative new products, including software solutions to address internal and external requirements.

The customer experience is also vital to our digital journey. We understand that you cannot have delighted customers if you don't have delighted employees; therefore, we are focusing on empowering our employees to be able to serve our customers better. Whereas previously our various operations used to operate in their own soils, we have now adopted a converged approach driven by customer satisfaction wherein everyone collaborates with each other to achieve the desired outcomes. For instance, our 1212 Contact Centre operations are geared towards addressing customer issues within their first call. Further our Network Operation Centre will be uplifted to Service Operation Centre (SoC) to focus on customer experience. We will continue to build a working environment where our employees are empowered to provide exemplary service to our customers. These efforts will go a long way to establishing lasting relationships with our customers and ensuring that we continue to deliver innovative, high quality services and experiences for years to come.



**M B P Fernandez**  
Chief Operating Officer  
21 February 2019

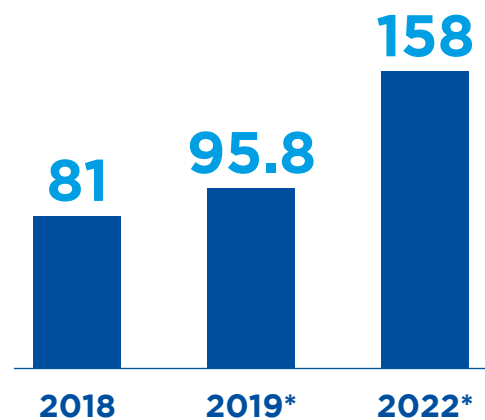
# A SMARTER SRI LANKA WITH SLT

The world is in the middle of a digital revolution. Several factors have come together to spark this revolution: the proliferation of smart devices that can connect to the Internet, advances in cost-effective storage technology, wireless access to high-speed Internet, apps that can use smart devices and the Internet to accomplish or speed up tasks – the only limitation that exists is human imagination.

This has spurred about a “smartening” of virtually every aspect of the lives of people: smart televisions, smart homes, smart lighting, smart voice-activated assistants, smart watches – nothing is left untouched by the digital revolution. Smart cities are emerging, fuelled by data and technology, to create cities that are more efficient and sustainable, bringing about economic development and improved quality of life for inhabitants. There are over 250 smart city projects underway in 178 cities around the world. Emerging countries are modernising their public sectors and transforming how they deliver services to their citizens; India alone has embarked on the ambitious “Smart City Mission” to transform 100 urban areas across the country into “smart cities”. Smart cities require smart governments, and they are rising to take advantage of technology and data and provide better, more convenient lives for their citizens.

## Technology spending into smart city initiatives worldwide

(USD Bn.)



Source: Statista

\* Projection



## What is a smart government?

Smart governments are those that embrace and utilise technology to inform their decision-making and strategies to take more informed courses of action. A smart Government is one that is:

- Citizen-centric**  
 A smart government understands that its citizens play an important role in the cities and communities they govern, and that they tend to be highly informed. Therefore, a smart government removes the silos that exist between it and its citizens and integrates their input and feedback into its processes. The outcome is an effective user experience for citizens and improved efficiency and results in government-citizen interactions.
- Data-driven**  
 A smart government gathers data from all possible sources – citizens, public workers, sensors, surveys, statistics – and analyses them to derive useful information to make data-driven decisions.
- Performance-focused**  
 A smart government focuses on achieving optimal outcomes for all stakeholders. Effective Key Performance Indicators (KPIs) for a smart government will focus on the outcomes rather than the inputs.
- Long-term**  
 A smart government takes into consideration that the return on investment and realisation of benefits from smart government initiatives will take course over the long term. Management and fiscal planning will have to be plotted out accordingly, beyond election cycles, to fully realise the benefits of a smart government.

## Lanka Government Network 2.0

The Lanka Government Network 2.0 (LGN 2.0) is an initiative launched by the Information and Communication Technology Agency of Sri Lanka (ICTA), which functions under the Ministry of Telecommunication and Digital Infrastructure. The strategic project is aligned to the national policy of “Digitisation of the Economy”, wherein the Government of Sri Lanka recognises

the need for a digital economy in the country and the role a smart government will play in it in order to face future economic and social challenges.

A smart government is a connected government. LGN 2.0 will help the Government of Sri Lanka to fulfil its vision of digitising the economy through a dedicated, high-speed, secure, reliable, and centrally managed government network that will tie all government institutions into a singular digital infrastructure. Through LGN 2.0, ICTA aims to usher public sector employees into the digital era and bring about efficiency and the smooth flow of information, thereby improving the standards of service in the public sector and providing citizens with efficient service.

## The role of SLT in smart government

SLT is the strategic partner for the infrastructure deployment and solution implementation for LGN 2.0. SLT is perfectly suited for this role due to its role as the national ICT solution provider of the country and its extensive fibre optic network that provides ultra-fast and reliable broadband connectivity.

The first phase of LGN 2.0 saw SLT having to establish the main Virtual Private Network (VPN) core and connect 860 Government organisations. SLT had to interact and coordinate with an incredible number of stakeholders, including the 860 Government organisations, hospitals, local Government offices, SLT regional offices, SLT solution teams, international vendors, local product suppliers, and dozens of island-wide sub-contractor teams for laying out the fibre network and indoor network implementation.

SLT took on the design and deployment of this challenging project within a tight timeframe and successfully achieved the project objectives, all within six months.

## SLT took on the design and deployment of this challenging project within a tight timeframe and successfully achieved the project objectives, all within six months.

LGN 2.0 has effectively removed the physical boundaries that exist between Government institutions and moves the Government closer to its objective of offering effective and efficient services to the public. Citizens in rural areas of the country now have easier and convenient access to Government services, opening up opportunities to them including making it easier to establish businesses, without having to travel long distances and incur costs.

## A global Sri Lanka

With Vision 2025, the Government of Sri Lanka envisions the transformation of the country into the hub of the Indian Ocean by building a knowledge-based, highly competitive, social-market economy. The environment of an empowered Sri Lanka will be one where all citizens have the opportunity to achieve higher incomes and better standards of living.

To transform into the hub of the Indian Ocean, SLT has launched initiatives such as the SEA-ME-WE 5 cable station in Matara, the Galle Submarine Cable

**GOVERNMENT ORGANISATIONS 860**

Divisional Secretariats **331**

District Secretariats **25**

Ministries **50**

Departments **87**

Hospitals **46**

Other Government Organisations **321**



Depot, and the National Data Centre. The Matara submarine cable landing station, with its capacity to connect the East and West segments of the SEA-ME-5 cable at 24 Tbps each, enables operators to terminate traffic in Sri Lanka, cross-connect with other systems, and enhance their carrying capacity. The Galle Submarine Cable Depot is crucial to maintaining the integrity of the complex submarine cable networks that connect Sri Lanka to the world, greatly reducing service restoration times and increasing service reliability in the Middle East and Asia Pacific region. The National Data Centre takes advantage of SLT's extensive fibre optic network and global connectivity through the Matara cable station to provide flexible, scalable, and cost-effective data hosting and cloud services to enterprises. Through this trifecta, SLT leaves its mark on the world and establishes Sri Lanka as a key regional player.

### SLT ushers in a smarter Sri Lanka

A smarter Sri Lanka, one that embraces digitalisation, is one that will be sustainable and globalised, ensuring that the country and its citizens are prepared for education and employment that are reshaped by digital technologies. SLT, in its capacity as the national ICT service provider, is building the infrastructure and will deliver real-time data analytics and smart solutions to the Government and other stakeholders. SLT Group Vision 2022 has already seen SLT embark on a digital journey, ready for digital Sri Lanka.

The LGN 2.0 project exemplifies how SLT is ready to bring in the digital future in Sri Lanka. SLT is helping to ensure the pieces for a digital economy in Sri Lanka are falling into place through the National Broadband Network and our expertise in planning and executing complex ICT projects, and LGN 2.0 is only the beginning. The future will see SLT develop and implement the digital backbone and smart solutions for Colombo Port City and elevate it to be South-East Asia's premier smart city.

### SLT's efforts to assist the Government of Sri Lanka build a smarter Sri Lanka go beyond infrastructure and technology.

SLT recognises that citizens of all ages need to be empowered to help build the smart cities of a digital Sri Lanka. SLT aids the country's vision of building a smart education system by providing the infrastructure and facilities required for the next generation of Sri Lankans to engage in their studies with modern technology and access to the wealth of information and knowledge available through the Internet. Ensuring that senior citizens are not left behind on the country's digital journey, SLT reaches out to them through workshops that aim to build their ICT skills, thus improving their wellbeing and independence.

SLT empowers the nation's healthcare system through the eChannelling platform. Connecting over 210 hospitals and 4,500 medical professionals across the island, SLT is bridging the gap between healthcare providers and citizens through an effective, efficient, and user-friendly platform that any user can access via their mobile phones through any network, landline, the eChannelling Mobile App, and over 2,000 agents around the country. Mobitel's "DengueFreeChild" app takes a grassroots approach in enabling users to monitor and control the spread of dengue in their neighbourhoods.

And SLT is propelling business institutions in the country into the cloud through platforms such as the Entution Enterprise Resourcing Planning solution and the Akaza Cloud platform. Businesses of any size can take advantage of big data analytics and business intelligence solutions to generate insights at half the cost and time of legacy solutions without the upfront investment costs that they would entail. SLT is an enabler for large and small businesses to benefit from the global digital revolution.

### SLT continues to build the foundation for a smarter Sri Lanka.

As SLT transitions into a Digital Services Provider, with the aim of becoming the preferred digital lifestyle provider by 2022, we understand the role we play in assisting the Government and the citizens of the country to enter the digital era in a digital Sri Lanka. We are ready to meet all the challenges of a digital tomorrow.

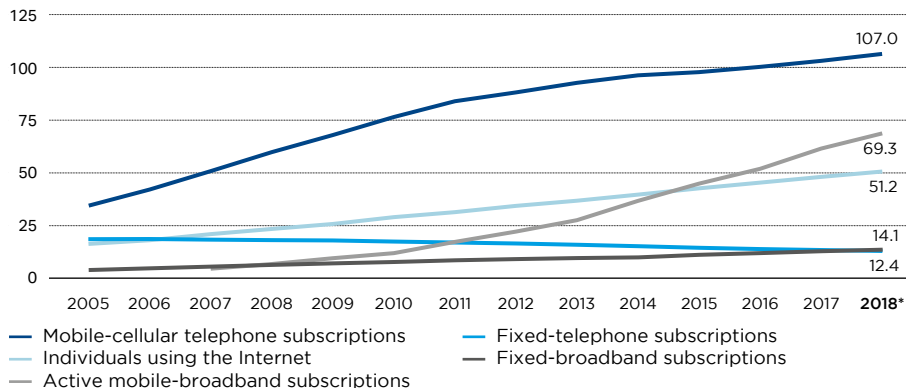


# OPERATING ENVIRONMENT

The world hit a milestone in 2018 with 3.9 Billion people – 51.2% of the world’s population – now using the Internet. Growth rates in most indicators associated with the access and usage of information and communication technologies (ICTs) have moderated for most developed countries due to penetration rates reaching saturation levels. However, with 45% of individuals using the Internet in developing countries and 20% of individuals in least-developed countries (LDCs), there remains scope for growth in these countries.

## Global ICT subscription growth 2005-2018

(Per 100 inhabitants)



Source: International Telecommunication Union

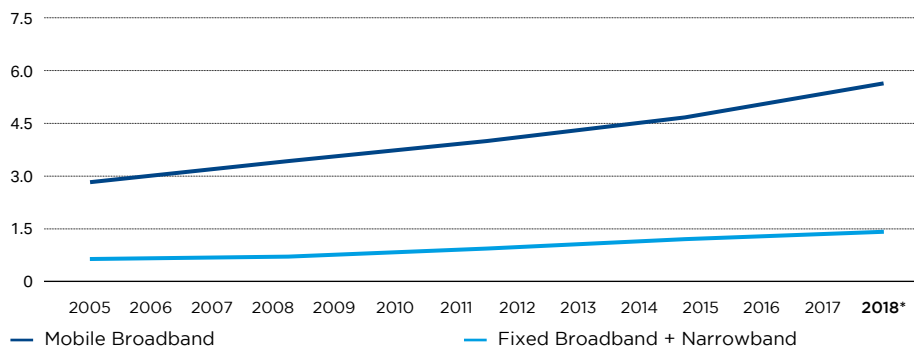
\* ITU estimate

Access to broadband continues to increase as the demand for data-intensive content such as high definition streaming video grows. Globally, fixed broadband penetration has grown steadily since 2005 at a compound annual growth rate (CAGR) of 13.0%, reaching a penetration rate of 14.1% by the end of 2018. Mobile broadband subscriptions have experienced almost exponential growth since 2007 with a CAGR of 31.1% – whereas the global penetration rate was 4.0% in 2007, that rate had reached 69.3% by the end of 2018, with faster growth in developing countries. This could be due to having fixed broadband connections at home being problematic in developing countries due to the high cost and need for infrastructure to support it, whereas mobile networks tend to be the primary, if not only, means of ICT access for these countries. It is also reflective of the fact that almost the entire world’s population lives within the proximity of a mobile network signal. Today, most people can access the Internet through a 3G or better network. The prevalence of mobile devices has rendered mobile access as the dominant means through which people access telecommunication

services, including the Internet – there are more mobile subscriptions than there are people on Earth. In Sri Lanka, this reality is reflected in the dramatic surge in mobile market share for Internet access against the decline in desktop market share since 2014; there are nearly four times as many mobile broadband subscriptions as there are fixed broadband and narrowband subscriptions in the country. There remains scope for Internet adoption in the country to grow however, given that the penetration rate still stands at 32%. Research indicates that fixed broadband penetration rates have a significant impact on the world economy – a 1% increase in fixed broadband penetration can increase gross domestic product (GDP) by as much as 0.08% on average, although the economic impact of fixed broadband is higher in more developed countries than less developed countries. A 1% increase in mobile broadband penetration can increase GDP by as much as 0.15%, with a higher contribution to GDP being observed in less developed countries than in more developed countries.

### Fixed internet and mobile internet subscriptions in Sri Lanka 2014-2018 (September)

(Number of subscribers - Mn.)

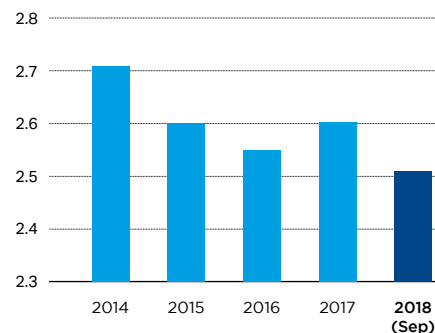


Source: Telecommunications Regulatory Commission of Sri Lanka

\* Projection

### Fixed telephone subscriptions in Sri Lanka 2014-2018 (September)

(Number of subscribers - Mn.)

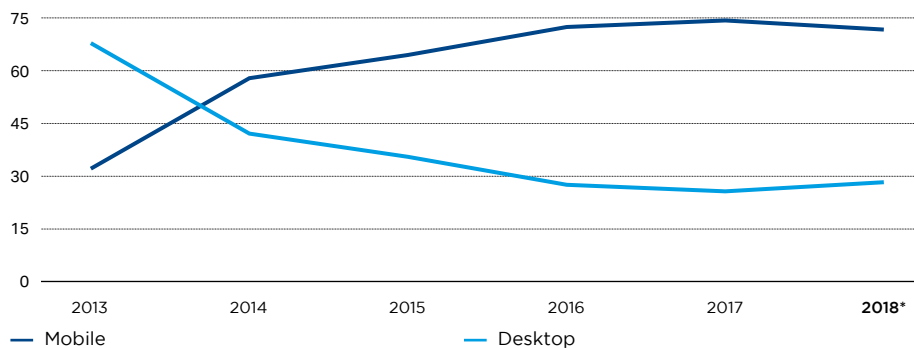


Source: Telecommunications Regulatory Commission of Sri Lanka

\* Projection

### Desktop vs Mobile market share in Sri Lanka 2013-2018

(Market share - %)



Source: StatCounter

The fixed telephone penetration rate continues to decline, sitting at 12.4% by the end of 2018. This could be attributed to mobile devices and the mass adoption of the Internet, which has enabled alternative means of communication through Instant Messaging (IM) applications and Voice over Internet Protocol (VoIP). And while the high cost of implementing fixed telephone infrastructure in developing countries and LDCs are reasons for this declining penetration rate, the increase in “cord-cutters” (people who are cutting their fixed

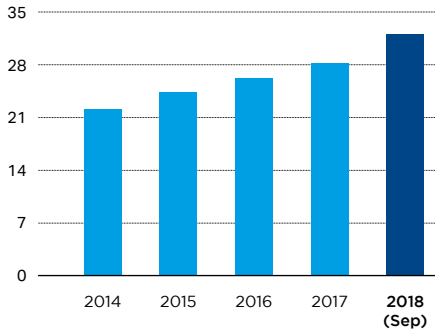
telephone subscriptions) and “cord-nevers” (people who have never had a fixed line subscription) in developed countries has compounded this issue even further. Asia and the Pacific experienced the largest reduction in fixed telephone subscriptions with a 42.2% decline from 2005 to 2018. Although Sri Lanka has not experienced as dramatic a decline in fixed telephone subscriptions, a decline nevertheless can be observed with a CAGR of -1.5% being observed during 2014 to September 2018.

Alternatively, growth in mobile subscriptions was driven primarily by countries in Asia and the Pacific, and Africa. Mobile services have enabled opportunities for development, particularly for those who are socially and geographically isolated. Sri Lanka saw a slight growth with mobile penetration increasing from 131 to 135 subscriptions per 100 people, although this is not indicative of market saturation. ICT household surveys have estimated that as much as 76.4% of the world’s population owns a mobile phone, with many individuals having more than one subscription for various reasons such as taking advantage of competing voice or data plans or having a professional and personal subscription. However, mobile subscriptions in developed countries have begun to approach saturation levels; Europe and the Arab States have even observed a decline.



### Mobile telephone subscriptions in Sri Lanka 2014-2018 (September)

(Number of subscribers - Mn.)

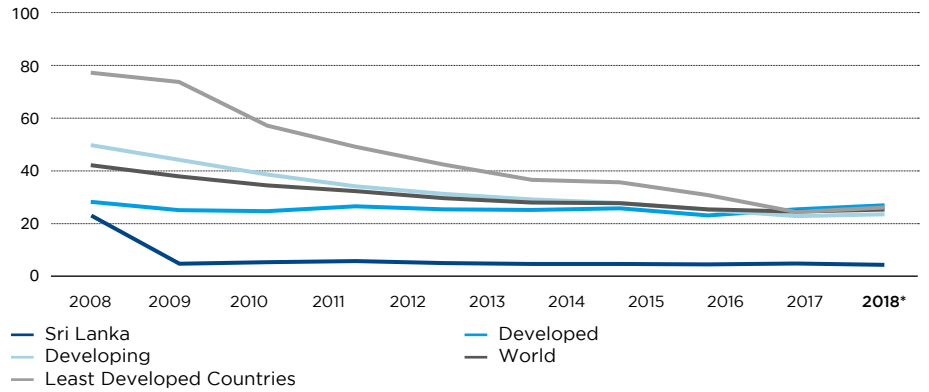


Source: Telecommunications Regulatory Commission of Sri Lanka

2019 will see the global telecom industry occupied with the launch of commercial 5G networks and solutions, the Internet of Things (IoT), cybersecurity, and difficult economic conditions to weather through. The industry is dealing with significant capital expenditure and trying to convert it into operating expenditure, and lower consumer spending power will have an impact. 5G technology will have a globally transformational impact on cities, vehicles, robotics, and even sectors critical to Sri Lanka such as agriculture, education, and healthcare. With approximately 72 operators testing 5G in 2018, 2019 is expected to be the year that 5G wide-area wireless networks are deployed on a large scale; as many as 25 operators could launch 5G services in 2019. SLT successfully trialled Pre-5G LTE Advanced Pro technology in the field in 2017 in anticipation of a 2020 launch.

### Fixed broadband subscription prices

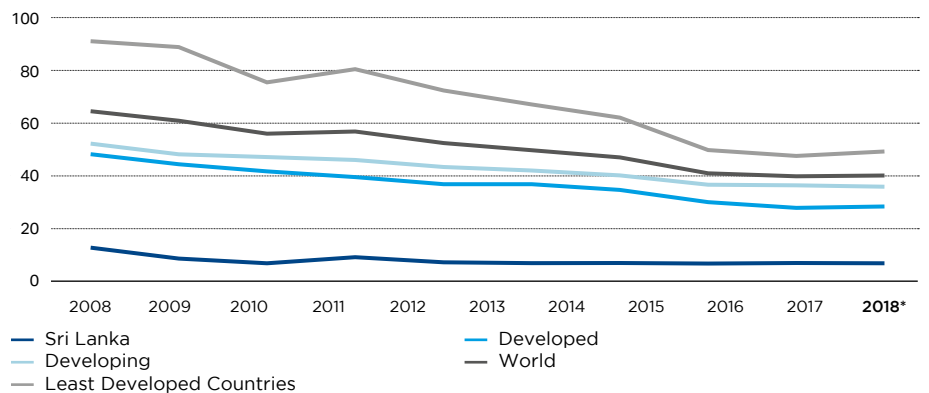
(USD)



Source: International Telecommunication Union

### Mobile subscription prices

(USD)



Source: International Telecommunication Union

Sri Lanka ranked 85th out of 140 on the World Economic Forum's Global Competitiveness Report in 2018 and 109th out of 140 for ICT adoption. The heavy regulation and taxation of the ICT sector continues to challenge the industry's push to boost the competitiveness and ICT adoption of the Nation. The recent reduction of the telco levy from 25% to 15% will ease the burden on customers and help to prop up the ICT sector in the Nation. The Government also removed floor rates on voice calls in an effort to promote cost optimisation and assist the industry in expanding market share; yet, this move is expected to have limited impact on growth due to the impact of OTT applications such as WhatsApp, Viber, and Skype eating into revenues from voice calls. Similar to trends seen elsewhere in the world, the local industry is also seeing consolidation efforts by players seeking to reduce infrastructure development and tax costs and increase market share in what is already a highly competitive and price-sensitive market.

Other challenges persist for the industry. The cellular tower levy of LKR 200,000 per tower per annum that took effect in January 2019 comes at a particularly inopportune time when the industry is expanding 4G coverage and looking to adopt and invest in 5G technology in the near future. The levy adds to what is already a costly investment: a tower costs over LKR 10 Mn. to build and LKR 115,000 in monthly maintenance. Moreover, the expansion of the fibre optic network will continue well into 2020-2021, with the objective of increasing the number of connected homes from the existing 70,000 to about one million homes. The capital expenditure required for infrastructure development combined with high competition and low tariffs, although challenging for the industry, has not slowed down the speed of development. Customers ultimately receive the maximum benefit from the industry's push to strengthen the Nation's ICT competitiveness and bolster economic growth.

	Voice and Value-Added Services (VAS)	Mobile and fixed line International direct Dialling (IDD) calls and Data-related services
Telecommunication Levy	15.31%	-
Recovery in lieu of Nation Building Tax (NBT)	2.39%	IDD – 2.14% Internet – 2.08%
Other Government Levy	2.04%	2.04%
Effective Value Added Tax (VAT)	17.96%	IDD – 16.08% Internet – 15.62%
Total Effective Tax	37.70%	IDD – 23.26% Internet – 19.74%

# OUR STRATEGY

The global economy is currently undergoing a digital transformation, with the telecommunication industry at the heart of it. By laying out the fundamental infrastructure that will go on to fuel change, innovation, and growth, telecom operators shoulder a large amount of responsibility towards ensuring the continued economic growth of the countries and communities they operate in. As the national ICT solutions provider of Sri Lanka, SLT has recognised the role it must play and embarked on a transformational journey. The SLT Group Vision 2022 was initiated in 2017 to transition the Group from a communications service provider (CSP) to a digital service provider (DSP) with the goal of becoming the nation's preferred digital lifestyle provider by 2022.

## Aligning SLT's vision with the national vision

The Government of Sri Lanka (GoSL) launched its vision 2025 initiative which aims to bring about reforms to help the country become more prosperous. The national vision recognises that in order to boost the country's global competitiveness, it needs to look beyond its borders in order to ensure sustainable long-term growth. The national vision, then, seeks to create a knowledge-based, highly competitive social market economy that can lead Sri Lanka to become the hub of the Indian ocean. The country will achieve this vision by developing strategies that encourage digitalisation and the adoption of emergent technologies to become competitive on a global level and thus nurture a digitally empowered economy in the nation. Enhanced digital ecosystems will stimulate inclusive growth and job creation through reduced transaction costs and empowering the self-employed and small and medium enterprises (SMEs).

SLT is committed to its role as the national ICT solutions provider to help the GoSL transform Sri Lanka into a digital economy. SLT supports the Government through deploying sophisticated telecommunications infrastructure and cutting-edge technology across the island that are vital to stimulating innovation, efficiency, and economic growth. We have partnered with the GoSL on several national and strategic projects in many capacities ranging from exclusive telecommunication infrastructure provider to ICT solutions provider in all sectors, including infrastructure development, health, education, and transport.

## Strategic imperatives and strategies

SLT's strategies evolve around balanced scorecard principles that emphasise financial and non-financial goals to achieve organisational growth while improving the return on investment for shareholders, protecting the interests of our stakeholders – particularly our customers and employees, and being a responsible corporate citizen.

We have grown our revenue through increased market penetration, market development, and expanding our market presence across the island. We have improved our coverage and capacity through accelerated fibre deployment projects and Long-Term Evolution (LTE) network expansion projects. In 2018, we focused our efforts around becoming a more customer centric organisation; customer centricity is now a key driving force for all activities. Our regional operational and sales teams have been developed and empowered to meet customer requirements in a timely manner. We renewed our efforts towards maximising customer service excellence to manage churn and win back customers and have backed our efforts through the introduction of a new customer relationship management (CRM) system and digital applications aimed at improving customer relations.

Improving our performance efficiency to achieve operational excellence is vital to the success of our strategies. To accomplish this, we have set about automating processes, encourage our employees to develop solutions to automate processes/reduce process times, and restructured the organisation to increase customer interaction through new Teleshops, outside plant maintenance centres, regional telecommunications offices, and franchised entities.

## Transformation into a digital service provider



## Performance of our strategy in 2018

SLT recorded remarkable year-on-year growth in 2018. Through our increased efforts to provide world-class services to local enterprises at attractive, competitive rates, we have grown our SME and Enterprise lines of business. We have improved our global presence by establishing strategic partnerships with international enterprises, which has enabled us to provide novel services and experiences to local business entities.

The retail sector has also experienced growth in the face of intense competition from domestic mobile operators. Our broadband solutions that span the range of copper, fibre, and wireless technologies have attracted households as a result of affordable packages that cater to the needs of all family members. We continue to grow the PEO TV platform to provide new and unique experiences to subscribers; several new educational and entertainment channels were introduced during the year, adding to the platform's product portfolio and increasing its edu-infotainment value. The result has been that SLT's range of voice, broadband, and pay-TV services have reached nearly 2 Mn. subscriptions. Broadband subscriptions increased by 20% over the previous year and we have maintained our voice subscriptions, even though global trends indicate declining demand for voice services.

## Our evolving strategy

Disruptive technologies are altering the ICT ecosystem, leading to new trends emerging in communication, how business is done, and lifestyles, and bringing along new opportunities. Some of the global trends that have been observed in recent times include the emergence of Internet of Things (IoT) and machine-to-machine (M2M) communication, cryptocurrencies, blockchain technology, service-bots, visual-voice search, and artificial intelligence. Our domestic market is not immune to these global trends; the manufacturing, financial services, and BPO service sectors are adapting quickly to the rapidly changing digital ecosystem.

Our "fibre everywhere" strategy is one of the key strategies that we perceive to be essential to catering to new market conditions. The rise in smartphone penetration rates and smart TVs have created opportunities for technologies such as fast-backhauling and carrier-grade Wi-Fi facilities. We can leverage our fibre connectivity through aggressive consumer market penetration, introducing digital services, managing churn, and launching new solutions for SMEs. The increase in the digital literacy of citizens will see growth opportunities for fixed broadband and demand for digital services will support this strategy.

SLT's efforts cannot rest solely on providing the technology or infrastructure. We see ourselves playing a key role as enablers of the digital lifestyles of our customers and business entities, and therefore we need to facilitate the digital journey that they seek to experience. The exponential growth in connected devices has led to big data becoming a unique resource for companies. Our next key strategy will see us utilising big data to craft digital products, services, and solutions that will further facilitate our digital journey and that of our customers.

Our third key strategy is to complete our digital transformation through new apps, process automation, and innovation; without our digital transformation, we will not be able to realise any of our strategies. Operational excellence through a KPI-driven culture, dynamic insights-driven approach with employee empowerment, and excellent project management will be driven through the digital transformation of SLT.



# OUR VALUE CREATION MODEL

## Inputs →

### FINANCIAL CAPITAL

Assets  
Subscriber revenues  
Service revenues



### INSTITUTIONAL CAPITAL

Corporate values  
Customer touchpoints including  
Teleshops  
Innovation platforms  
Fibre infrastructure  
Mobile network infrastructure  
Submarine cable connectivity



### INVESTOR CAPITAL

Shareholders



### CUSTOMER CAPITAL

Domestic customers  
Business customers  
International customers



### BUSINESS PARTNER CAPITAL

Strategic alliances and  
joint ventures



### EMPLOYEE CAPITAL

6,650 employees  
across SLT Group



## Activities →

### REGULATORY FRAMEWORK

GOVERNMENT  
OF SRI LANKA

TELECOMMUNICATIONS  
REGULATORY COMMISSION

COLOMBO STOCK  
EXCHANGE

- Infrastructure deployment
- Voice services
- Data services
- IPTV services
- Broadband services
- Data centre solutions
- Web hosting services
- Cloud solutions
- Cellular services
- mCash platform
- Digital platforms
- Value-added services
- Submarine cable maintenance
- Contact centre services
- Managed services
- Networking solutions
- International data products
- Wholesale products



FTTH  
FIBRE INFRASTRUCTURE

Low latency download  
speeds Up to 100 Mbps

xDSL  
COPPER INFRASTRUCTURE

Broadband speeds  
up to 21 Mbps

**VISION**

**MISSION**

**VALUES**

**CORPORATE GOVERNANCE**

**STRATEGY**

**GOVERNANCE FRAMEWORK**

3G 4G Beyond

**WIRELESS INFRASTRUCTURE**

Average speeds of 8 Mbps  
Burst speeds up to 40 Mbps

## Outputs →

Voice and data services via FTTH, xDSL, 3G+4G technologies

PEO TV IPTV services

45,000+ kms of fibre optic infrastructure

eChannelling healthcare platform

Data centre services

SLT eSports platform

Akaza Cloud platform

Value-added services

BPO services

Growth, Profits, Taxes

Corporate Social Responsibility activities

Strategic alliances, collaborations, and joint ventures

Digital Forums

## Outcomes

High-quality voice, data, and IPTV services for Customers

Dividends, interest, and capital gains for Investors

Remuneration, benefits, and training for Employees

Sophisticated communications infrastructure for the country

Reliable global connectivity for the country and region

Reliable, world-class services for Business and Enterprise Customers

Submarine cable maintenance and warehousing facilities for cable operators

Tax revenue and levies for Government

Job creation and economic development of the country

Corporate Social Responsibility initiatives for our communities

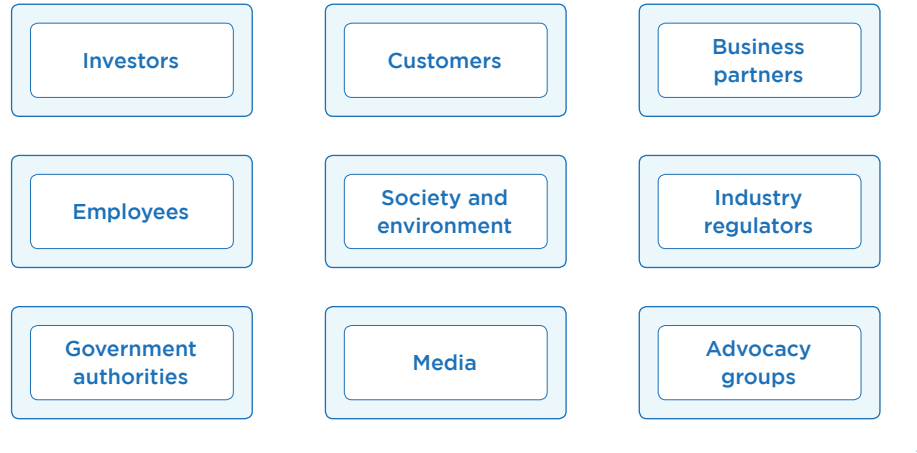
Healthcare channelling services that bridge the gap between the public and healthcare

# STAKEHOLDERS

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

SLT's key stakeholders include our shareholders, customers, business partners, employees, Government authorities, industry regulators, media and advocacy groups, and the communities and environment in which we operate. We seek to engage with our stakeholders through various means to better understand how we impact each other so we may accordingly adjust our strategies, products, and services to achieve optimal outcomes for all stakeholders.

## Our primary stakeholders



## Identification and engagement

The execution of our operations, at SLT Group, touches on the lives of all Sri Lankans in one way or another. Different stakeholder groups have different interests, which sometimes conflict with one another. Stakeholder identification process and prioritisation is therefore essential to meet both short-term needs and long-term expectations.

A systematic approach to stakeholder mapping thus forms the basis of all our interactions. The mapping process was preceded by an analysis of the operating environment, strategies best suited to address opportunities and threats, which in turn shape our engagement processes.

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.





## Stakeholder engagement

Material issues pertaining to the stakeholder	Engagement	Frequency of engagement	Key initiatives for the year
<b>Investors</b>			
Dividend, share price, innovation and industry growth	• Quarterly results	• Quarterly	AGM and rating reviews to rating agencies
	• Annual report	• Annually	
	• Annual General Meetings	• Annually	
	• CSE disclosures	• Need-based	
	• Media releases	• Regular basis	
	• Rating reviews	• Annually	
<b>Customers</b>			
Improve customer relationship and retention	• One-to-one interactions	• Regular basis	Annual Brand Health Track Study Regional Account Management Customer gatherings
	• Contact centre	• Regular basis	
	• Engage and interact through the website and social media	• Regular basis	
	• Mailers	• Monthly basis through the bill	
	• Newsletters	• Need-based	
	• Brochures	• Need-based	
	• Customer satisfaction survey	• Quarterly and need based	
Improve SME customer relationship and retention	• Proposals by regional sales staff	• Regular basis	SME forums Field sales campaigns
	• SME customer forums	• Quarterly	
	• Customer visits and meetings	• Regular basis	
	• Product awareness programmes	• Regular basis	
	• ICT workshops for SME business owners and IT managers	• Monthly	
	• Market surveys	• Quarterly	
	• Newsletters	• Quarterly	
Improve enterprise customer relationship and retention	• Proposals by sales staff	• Regular basis	Enterprise forums
	• Enterprise customer forums	• Annually	
	• Customer visits and meetings	• Regular basis	
	• Newsletters	• Need-based	
<b>Business partners</b>			
Better return, innovation and industry growth	• Partner meetings	• Need based	
	• Projects and events		
	• Post evaluation reviews		

Material issues pertaining to the stakeholder	Engagement	Frequency of engagement	Key initiatives for the year
Dealers looking for strengthening brand presence and improving sales	• Dealer meetings	• Monthly	Dealer convention
	• Dealer satisfaction surveys	• Quarterly	
	• Dealer review	• Biannually	
	• Dealer awareness sessions	• Monthly	
	• Dealer reward programmes	• Annually	
Suppliers looking for better return, innovation and industry growth	• Procurement policy and vendor selection process	• Need-based	Publications Awareness on new business strategy and culture
	• Vendor satisfaction surveys	• Annually	
	• Vendor review and awareness sessions	• Annually	
	• Vendor reward programmes	• Annually	
	• Quality improvements	• Regular basis	
<b>Employees</b>			
Employee welfare, satisfaction, retention, training and development	• Employee satisfaction survey	• Quarterly	
	• Group meetings and one-to-one meetings	• Regular basis	
	• Information sharing through intranet	• Throughout the year	
	• Employee affinity	• Need-based	
	• Grievance handling	• Need-based	
	• Transfer handling	• Annually	
	• Emails	• Regular basis	
	• Notice boards	• Need-based	
	• Cultural and religious associations	• Annually	
	• Award ceremonies	• Annually	
• Involvement in community projects	• Need-based		
<b>Government and regulatory authorities</b>			
Investment and infrastructure development, better return, innovation and industry growth, compliances and digital services or smart Sri Lanka services	• Meetings with Treasury, TRCSL, BOI, Customs and other regulatory bodies	• Need-based	Monthly meetings with the regulator forums
	• Annual report and quarterly reports	• Annually and quarterly	
	• Strategy and operational presentations	• Need-based	
	• Media releases	• Regular basis	
	• Customer forums	• Annually	
<b>Community (society and the environment at large)</b>			
Community investment and infrastructure development	• Community projects	• Monthly	
	• Media releases	• Regular basis	
	• Website	• Regular basis	
	• Social media	• Regular basis	
	• Events and activations	• Need-based	

### External initiatives

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

#### 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

### Materiality

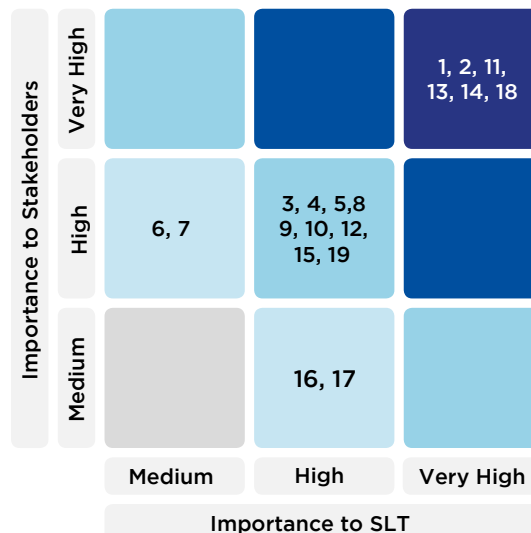
Our business model focuses on aspects that are important, from the perspective of our telecom business (SLT Group) as well as that of the stakeholder. What is “important” is a judgement based on relevance and significance, the latter being determined by the probability of occurrence and the magnitude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

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.

No.	Topic	Importance to SLT	Importance to stakeholder
1.	Economic performance	Very high	Very high
2.	Indirect economic impacts	Very high	Very high
3.	Procurement practices	High	High
4.	Anti-corruption	High	High
5.	Anti-competitive behaviour	High	High
6.	Energy	Medium	High
7.	Biodiversity	Medium	High
8.	Emissions	High	High
9.	Effluents and waste	High	High
10.	Environmental compliance	High	High
11.	Employment	Very high	Very high
12.	Occupational health and safety	High	High
13.	Training and education	Very high	Very high
14.	Diversity and equal opportunity	Very high	Very high
15.	Freedom of association and collective bargaining	High	High
16.	Local communities	High	Medium
17.	Marketing and labelling	High	Medium
18.	Customer privacy	Very high	Very high
19.	Socioeconomic compliance	High	High

### Materiality matrix



# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL CAPITAL



Financial capital refers to the monetary assets SLT utilises, such as our shareholders' funds and borrowings, to offer our products and services. It also pertains to the monetary value of the assets we possess, such as our property and infrastructure. By combining our financial capital with the other capital, we derive value for the short, medium, and long-term for the Company and our stakeholders.

This section is an overview of our financial performance for the year under review, at both Group and Company level. The information presented below is duly supplemented with the Financial Statements and Notes.

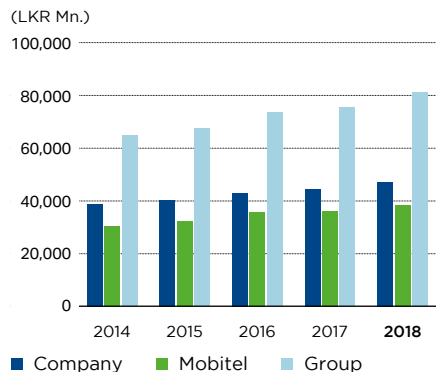
### Profitability

#### Revenue

The impressive YoY revenue growth of 7.5% of the Group to record a figure of LKR 81.4 Bn. in 2018 compared to LKR 75.7 Bn. in 2017 which was largely driven by the Enterprise and Carrier related businesses, FTTH, IPTV and data related services together with mobile operations. SLT company's growth was 6.4% YoY with revenue in 2018 being LKR 47.4 Bn. During the year under review the overall business focus of SLT was realigned to a digital service provider from a communication service provider, in order to be abreast of the global trends.

Our mobile arm, Mobitel, recorded a growth of 6.5%, to record a revenue of LKR 38.8 Bn. in 2018 from LKR 36.5 Bn. in 2017.

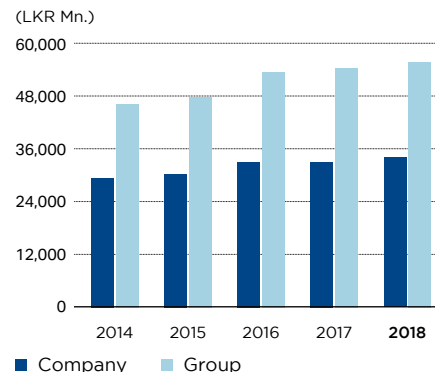
#### Revenue



#### Operating expenses

The operating cost excluding depreciation of the Group of LKR 54.5 Bn. in 2017 increased by 2.5% to LKR 55.9 Bn. in 2018. Rigorous controls and continuous monitoring of the operating expenses have largely contributed to manage costs efficiently. The operating costs of SLT excluding depreciation increased from LKR 33.2 Bn. in 2017 to LKR 33.9 Bn. in 2018 which was an increase of 2.3%.

#### Operating expenses



#### Profits

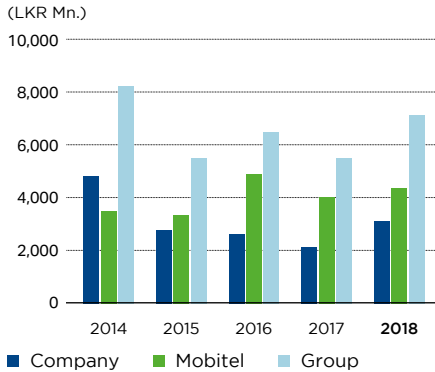
The growth in revenue coupled with proper cost management had given rise to healthy YoY growth in Group's profit before tax (PBT) of 29.7%, despite the depreciation of LKR against the US Dollar. The profit after tax (PAT) of the Group grew by 25.6% YoY. The Group PBT grew from LKR 5.5 Bn. in 2017 to LKR 7.2 Bn. in 2018, while the PAT grew from LKR 3.9 Bn. to LKR 4.9 Bn. during the same period.

The operational efficiency of the company was accomplished primarily through efficient cost management and revenue growth in the year under review, resulting in YoY PBT growth of 47.6%, while PAT grew by 33.5% YoY. The company PBT grew from LKR 2.1 Bn. in 2017 to LKR 3.1 Bn. in 2018, while the PAT grew from LKR 1.4 Bn. to LKR 1.9 Bn. during the same period.

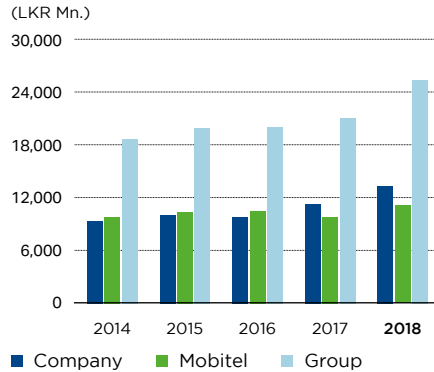
Mobitel recorded a PAT of LKR 3.6 Bn. in 2018, compared to LKR 3.3 Bn. recorded in the preceding year.

These growths were experienced notwithstanding challenges in the business environment such as currency depreciation of 19% on average over 2018 and rising interest rates in that year.

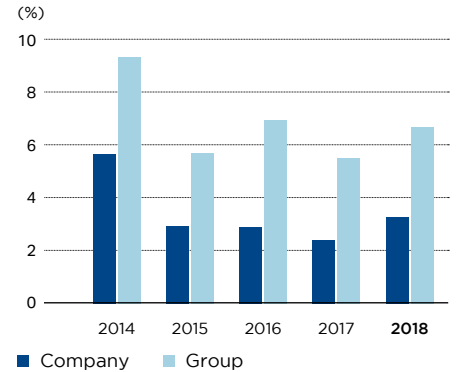
### Profit before tax



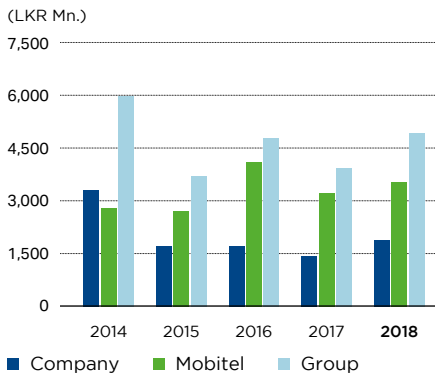
### EBITDA



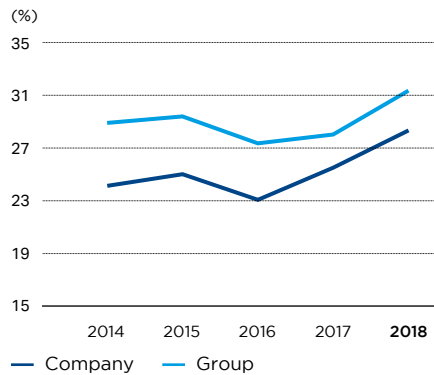
### Return on equity



### Profit after tax



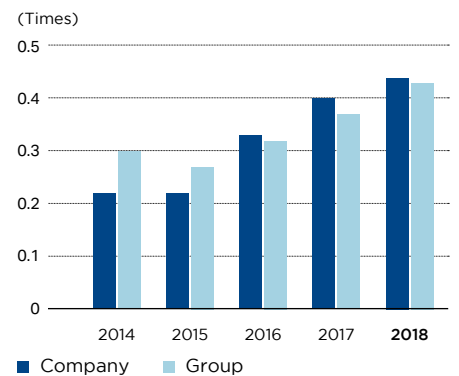
### EBITDA Margin



### Gearing

In 2018 the Gearing Ratio for the Group was 0.43 compared to 0.37 in 2017 while the Company recorded a ratio of 0.44 in 2018 in comparison to 0.4 in 2017. The gearing ratio measures the proportion of a company's borrowed funds to the sum of borrowings and equity. Substantial investments in capital expenditure in the financial year of 2018 had caused this escalation in gearing.

### Gearing ratio



### EBITDA

The improvement in Group EBITDA was recorded as 20.5% with a movement from LKR 21.2 Bn. in 2017 to LKR 25.6 Bn. in 2018. The company EBITDA increased by 18.3% to LKR 13.5 Bn. in 2018 from LKR 11.4 Bn. in 2017. The decent growth in revenue and the cost saving initiatives adopted across the Group during the financial year, have benefited the Group as a whole to improve EBITDA.

Following the same trend EBITDA Margin in 2018 was reported as 31.38% and 28.4% at Group and company levels respectively. In 2017 the same numbers were recorded as 28.0% and 25.5% at Group and company levels respectively.

### Return on equity (ROE)

The Group ROE increased to 6.7% in 2018 from 5.5% in 2017 while SLT as a Company, achieved an increase to 3.3% in 2018 from 2.4% in 2017. The progress in 2018 can be attributed to improved profitability in that year. This ratio measures the profit attributable to the shareholders as a percentage of their equity in the company.

Since majority of the borrowings are used to fund capital expenditure, the related interest costs have been capitalised. However, Interest Cover ratio of the Group and company during 2018 were reported at 1.77 times and 0.78 times respectively.

## Assets

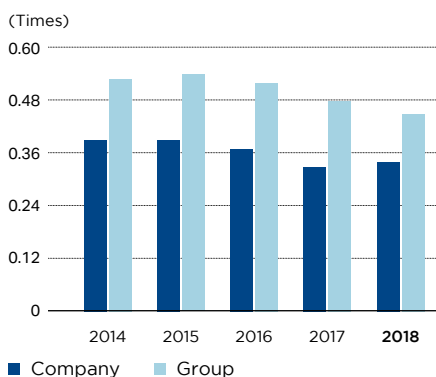
### Non-current assets

The increase in total non-current assets of the Group as at 31 December 2018 was 5.4% with the same increasing from LKR 128.2 Bn. as at 31 December 2017 to LKR 135.1 Bn. as at 31 December 2018. For SLT as a company, the total non-current assets were recorded at LKR 114.6 Bn., from LKR 109.9 Bn. recorded in 2017; which represents an increase of 4.3%.

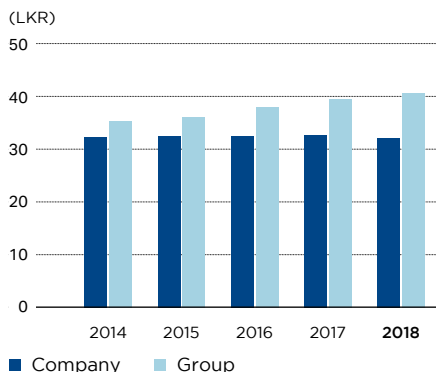
Moreover, property, plant and equipment of the Group increased to LKR 123.9 Bn. in 2018, from LKR 117.0 Bn. in 2017, with heavy investments in ducts, cables and other outside plants which includes network rollout expenses. The company accounted for LKR 96 Bn. in 2018, compared to LKR 91.5 Bn. recorded in 2017.

The graphs shown below depict the trends in the ratios of Asset Turnover and the Net Assets Per Share, where the value of Total Assets is considered in arriving at the ratio.

### Assets turnover



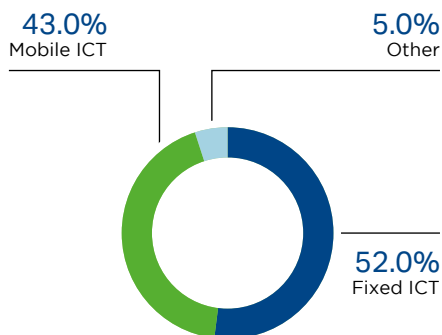
### Net assets per share



### Segmental performance

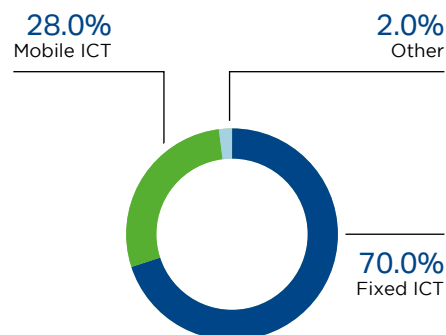
The Group's mainstream operations can be classified under fixed ICT operations and mobile ICT operations (overseen by Mobitel), with the contributing revenue percentages as 52% and 43% respectively. The balance 5% is generated from other segments.

### Reportable segment revenue

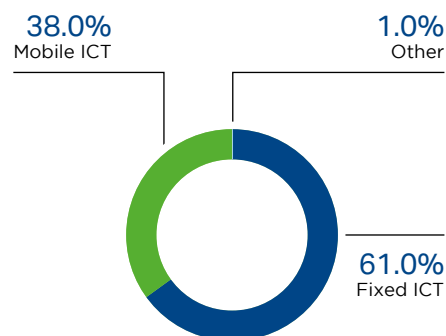


Heavy investments over the past few years in fixed ICT operations have resulted in the asset base amounting to 70% in that segment, while the assets in mobile ICT operations segment represented only 28%. The investments in fixed ICT operations are by nature, more capital intensive than the mobile ICT operations.

### Reportable segment assets



### Reportable segment capital expenditure

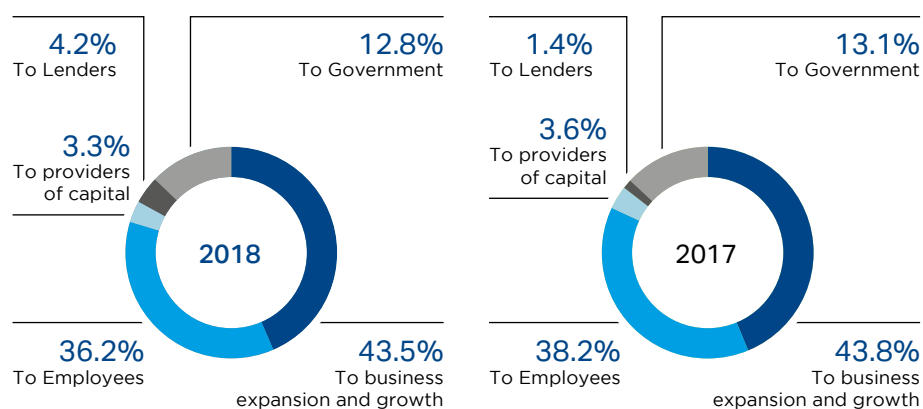


Additional information on segmental performance is available under Note 5 to the Financial Statements.

## Value Added Statement

	2018 LKR Mn.	%	2017 LKR Mn.	%
<b>Value Added</b>				
Revenue	81,445		75,741	
Other Income	1,604		2,247	
	<b>83,049</b>		<b>77,988</b>	
Goods and Services purchased from other sources	(34,065)		(33,152)	
Value creation	<b>48,984</b>		<b>44,836</b>	
<b>Distribution of Value Added</b>				
<b>To Employees</b>				
- Salaries, wages and other benefits	17,750	36.24	17,117	38.18
<b>To providers of capital</b>				
- Dividend to share holders	1,606	3.28	1,606	3.58
<b>To Government</b>				
- Taxes and Regulatory fees	6,290	12.84	5,855	13.06
<b>To Lenders</b>				
- Interest & Related charges	2,048	4.18	637	1.42
<b>To Business Expansion and Growth</b>				
- Depreciation	17,948	36.64	17,287	38.56
- Retained Income	3,342	6.82	2,334	5.21
	<b>48,984</b>	<b>100</b>	<b>44,836</b>	<b>100</b>

## Distribution of value added



## Subsidiaries Review

### SLT VisionCom (Private) Limited

VisionCom is the country's pioneering Internet Protocol Television services provider with over 400,000 subscribers. A fully owned subsidiary of the SLT group, VisionCom celebrated 10 years in the business, providing SLT PEO TV services to subscribers. Market differentiators include the introduction of the following for the first time in Sri Lanka:

- Rewind TV
- Picture-in-Picture
- Video on Demand
- Music on Demand
- Education on Demand
- Subscription Video on Demand

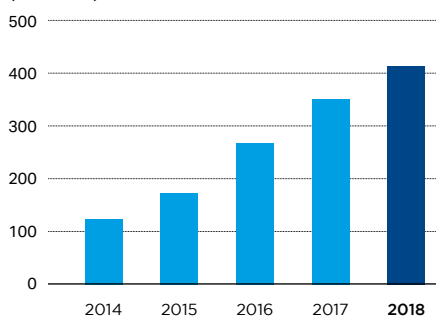
To strengthen its leading position, the Company will focus on better serving the local residential market, the leisure and educational sectors, and commercial industries.

### Business growth

PEO TV recorded robust growth in subscriber base (18% YoY) and revenue (17% YoY). Revenue contribution to SLT PLC from all PEO TV products, increased from 8% to 9% over the previous year.

### Subscriber growth

(Nos. '000)



## Performance review

### Channels and content

- To plug gaps in more in demand content genres the Company added new channel categories and multilingual channels especially for hotels/leisure markets
- Charana, the first SLT-owned variety television channel was launched in September, reaching the entire PEO TV subscriber base in a very short period. The channel will soon provide an enhanced programme line-up with novel content
- SLT fibre customers' HD channel bouquet was enhanced with the addition of more sports channels
- In support of young learners, the latest introduction, EOD (Education on Demand), facilitates hassle free learning from the comfort of home, bringing tuition to the doorstep
- Bollywood by Shemaroo, The first ever Bollywood SVOD (subscription video on demand) movie pack was launched to attract fans of the genre and to increase the average revenue per unit generated
- A new product was introduced for larger institutions, such as hotels, hospitals and educational institutes, who are now able to share their video content on a closed channel through video on demand (VOD) service with their branches, members or students
- Newly launched "Videsa", is a series of educational channels dedicated to students in grade 6 to 11. Endorsed by the Ministry of Education, *Dharmawahini* provides content that is on par with the school curriculum for *Videsa* channels



### Enterprise solutions

PEO TV Corporate Segment increased to nearly 12,000 TV points island wide covering a widening network of hotels, hospitals, sports centres and other enterprise customers. Total revenue increased significantly through the extension of customised IPTV solutions attracting over 75 new accounts in 2018.

### New Business

The new business of media buying and the creative productions agency were consolidated to cater to SLT PLC and subsidiaries, contributing to an increase in non-traditional revenue, while the expansion of Sales and PEO TV installations units helped secure service fulfilment and gearing of PEO TV's revenue targets.

### Advertising Sales

Impressive revenue growth was reached by securing over ten (10) corporate client accounts and reaching more than fifteen (15) prestigious media agencies. Novel initiatives implemented for advertising of cricketing events resulted in higher revenue generation.



## Customer Engagement

PEO TV Kick, an all island promotion aligned with the FIFA World Cup 2018 attracted football fans across the island with a special truck promotion including attractive interactive features and games.

## SLT Human Capital Solutions (HCS)

HCS provides the whole gamut of Human Resources (HR) solutions from resourcing and shared services to HR support services for both local and foreign markets. The Company acts as a head hunter for the SLT Group and other companies in both private and public sectors, celebrating its 10th anniversary in 2018. Through the web-based eMpower system, the Company provides HR IT solutions such as the automation of all HR-related processes from recruitment to retirement. With a strong focus on employee welfare and talent building, HCS offers “more for more,” catering to clients who require competent employees.

## Performance Review

- Recorded revenue of over LKR 2.2 Bn.
- Honoured nearly 300 employees for 10 years of service to the organisation, and provided a further 530 employees with permanent employment
- Secured a number of local and global awards including:
  - Asia's Best Employer Brand Award – Award for “Best Overall Recruiting and Staffing Organisation of the year”
  - Asia's Training and Development Excellence Award
  - Asia Pacific HRM Award – Award for “Excellence and Quality in BPO Industry”
  - Sri Lanka's HR Leadership Award – Award for the “Best Service Provider in HR”
  - HR Tech Conference Award – Award for “Employer of Choice”
  - Sri Lanka's Best Employer Brand Award – Award for “CEO of the year”

- Asia's Best Employer Brand Award – Award for “CEO of the Year”

- Received ISO 9001:2015 Quality Management Systems certification – the first Sri Lankan HR outsourcing organisation to successfully transition from its predecessor, ISO 9001:2008, to the new quality management systems
- Established Talentfort (Pvt) Ltd, a fully owned subsidiary of SLT Human Capital Solutions providing all new business operations for external client markets
- Successfully entered into HR outsourcing, head hunting and contact centre outsourcing service agreements with two renowned state sector banks in Sri Lanka and several prominent companies in the retail, FMCG and construction sectors
- Established the Franchise Teleshop Business unit and commenced its operations in Buttala, Ganemulla and Akuressa
- Continuously invested in training and developing for employees, providing opportunity and full funding for NVQ Level 04 qualifications in the technical field while offering new tailor made motivational training programmes for Customer Care and Sales employees

## Future Aspirations

With a 3,000-strong employee cadre, HCS plans to diversify while improving synergy through training, cross learning and information exchange with foreign telecommunications companies. The Company aims to become the top total HR solutions provider in the country by 2021.

## 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.

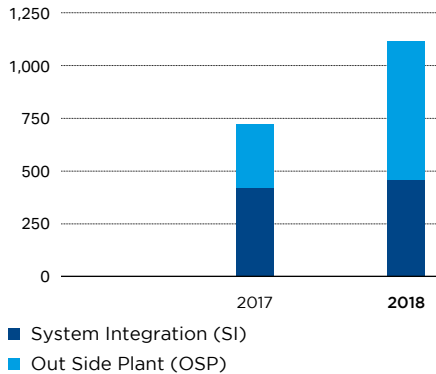
Besides the System Integration (SI) business of the company, Sri Lanka Telecom Services Ltd. is engaged in telecommunication projects, contributing to the SLT Group success. They are mainly undertaking PSTN and Fibre new connections, PEO TV and OSP development projects etc. Further to that, the company has under taken PSTN and Broadband faults-clearing operation, and Quality and Quantity verifications of other SLT registered OSP unit rate contractors; saving a significant amount of funds for the Group under the Group synergy initiative.

## 2018 Highlights

- Business revenue grew 54% year-over-year in 2018. High operation costs were reduced as the business unit adopted a project outsourcing model.
- A new head office with state-of-the-art facilities was established at 148/15 Lesly Ranagala Mawatha, Colombo 08.
- The business unit established strategic partnerships with leading global manufacturers including Grandstream Networks, CP Plus, and Ericsson-LG for designing cost-effective solutions for customers.
- SLTS was selected as the Best OSP contractor in the Central Province.
- The company's OSP operations expanded, covering 70% of the country's geographical area which was about 45% in 2017.
- Revenue growth achieved from the OSP division has been 118%, which is a great contributor to the Company's Profit and Loss Account.

## Revenue

(LKR Mn.)



## SLT Digital Info Services (Private) Limited

A wholly owned subsidiary of Sri Lanka Telecom PLC, SLT Digital Info Services (SLTDS) is a pioneering Directory Services and Digital Marketing Solutions Provider. The Company's remit includes:

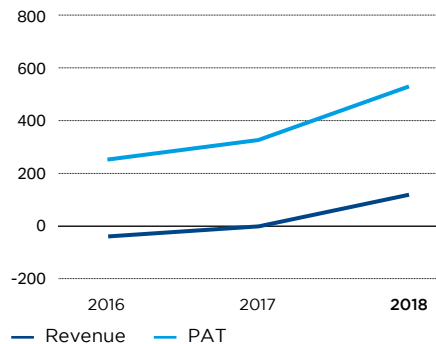
- Publication of SLT Rainbow Pages business directory in print and digital formats
- Provision of digital marketing solutions for small and mid sized businesses
- Managing events and activations

A 2016 survey by the Department of Census and Statistics showed that while Sri Lanka's computer literacy (computer ownership) rate is at approximately 22-24%, its digital literacy rate (ability to use a digital device unaided) is at 33.8%. With digital usage in the country set to rise rapidly, the Company's plans for expansion are timely. In 2018, SLTDS officially changed its name from SLT Publications (Private) Limited to SLT Digital Info Services (Pvt) Limited as a first step in its journey towards digital transformation.

## Performance review

### Revenue and Profit after Tax (PAT) trend

(LKR Mn.)



- Published and distributed SLT Rainbow Pages Western Province edition, the flagship directory
- Launched successful sales campaign for the 2019 SLT Rainbow Pages Western Province
- Established digital marketing arm offering products and services including social media advertising, search engine advertising, SMS campaigns, WhatsApp campaigns, email campaigns, SEO consultation and website creation
- Successfully organised a range of events for SLT PLC

### Future Aspirations

Despite challenges, the directory business is expected to contribute the highest portion of revenue in 2019 as well.

SLTDS will be strengthening its digital revenue generation in 2019 by adding several digital platforms to its product range. Within urban areas only, about 20% of businesses can be identified as potential customers for the Company's digital services portfolio. In rural areas, however, the potential is very high. Additional benefits include the ability to acquire new customers for the parent company (SLT) and other subsidiaries (Mobitel and PEO TV).

Strengthening its events and activations business arm, SLTDS plans to capture more opportunities from other organisations apart from the SLT Group.

2019 is set to be a year of growth for SLTDS and the Company has already embarked on its journey towards digitalisation.

## SLT Campus (Private) Limited

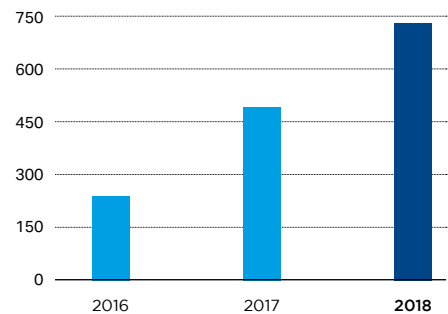
A fully owned subsidiary of SLT PLC, with an academic staff of over 80, SLT Campus (SLTC) is Sri Lanka's first corporate powered, undergraduate and postgraduate education provider. Established with the goal of realising the country's vision of becoming the knowledge hub of Asia, SLTC offers over 25 academic programmes at three schools of study:

- School of Engineering
- School of Technology
- School of Professional Studies

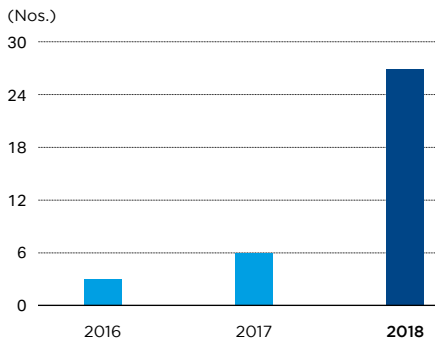
In addition, the research arm of SLTC, the Office of Research and Innovative Services (ORIS), continues to conduct postgraduate research programmes in collaboration with local researchers of high calibre and international repute. Over the past two and half years, the programme has produced four scientific publications in internationally renowned scientific journals and eight publications at IEEE conferences (including two in the USA).

## Growth in student population

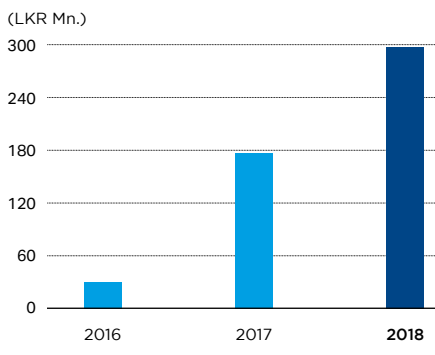
(Nos.)



## Growth in academic programmes



## Net Revenue



## Performance Review

- Secured net revenue of LKR 300 Mn.
- Increased student population to over 700, with the fourth batch enrolled in March 2018
- Launched SLTC Business School in December 2018 with subjects currently on offer including:
  - Marketing
  - Finance
  - Operations
  - Human Resource Management
  - Supply Chain Management
  - Tourism and Hospitality Management

- Transitioned to a fully residential campus with the construction of a state-of-the-art hostel facility for 400 students
- Completed the construction of the multi games court, amphitheatre, and a fully equipped fitness centre to promote a work-life-learn balance to students and staff

## eChannelling

eChannelling PLC is the pioneer software development and ICT service provider to the Sri Lankan healthcare industry, the first company in Sri Lanka to offer a complete e-commerce-based service in the health sector, and the first public quoted technology company in the Colombo Stock Exchange. It is the largest channelling network with 200+ recognised hospitals, 5,500+ doctors, and 2,000+ outlets accessible from any telecommunications network, bridging the gap between healthcare providers and the public through an effective, efficient, and user-friendly platform.

## 2018 Highlights

- eChannelling introduced self-help kiosk machines at Lanka Hospitals, which can be operated by walk-in patients and customers to make appointments without the hassle of waiting in long queues at channelling counters.

- eChannelling together with Mobitel and the Information and Communication Technology Agency of Sri Lanka (ICTA) embarked on a national endeavour, “eChannelling for Government Hospitals”, to be a service provider for outpatient department (OPD) time reservation at government hospitals.
- eChannelling owned the Online Brand of the Year – Silver accolade at the SLIM Brand Excellence Awards 2018.
- eChannelling was recognised as the “Best digital healthcare platform” at the South Asia mBillionth Awards 2018 for excellence in mobile innovations for development.
- To increase convenience for patients, we introduced the running number system which shows the current patient number in consultation with the doctor thereby enabling to reduce waiting time of patients when consulting doctors.
- Revenue – LKR 132,805,602
- NPAT – LKR 33,720,150
- ROI – 13.80%
- Total Assets – LKR 317,872,136
- Revenue through the “SLT-1225” hotline grew by 70.43%



# INSTITUTIONAL CAPITAL



SLT's institutional capital encompasses the aspects that are unique to the Company and permeate its culture, including corporate values, ethics, organisational knowledge, systems, processes, and intellectual property. They are primarily non-financial in nature and are vital to how SLT establishes and asserts its position as the country's leading digital service provider and an emerging regional player.



Seven core values lie at the heart of SLT. These values are the foundation of our institutional capital and encompass every aspect of the corporate culture that permeates the SLT Group, including components such as organisational knowledge, our brand and reputation, our internal systems, and ethical standards.

The corporate culture of SLT is one of professionalism that encourages communication and engagement with employees. New employees are inculcated into this environment through our induction schemes and we host a variety of team building activities and refresher programmes that help to enrich and uphold our unique corporate culture. Employees are encouraged to make their own contributions to our culture through suggestion schemes, registers, and brainstorming sessions.

## Innovation Platform ECO BRIDGE

Excel Core Operation & Boost Revenue with Innovative Development and Grow the Enterprise (ECO BRIDGE)

In 2018, SLT launched the ECO BRIDGE platform. The platform enables employees to develop software solutions that facilitate organisational development and customer satisfaction, thereby enabling rapid innovation within the Organisation. Individuals or teams can propose solutions for process automation, cost reduction, or process turnover time that result in operational excellence and customer convenience, or even introduce novel ICT products for the consumer, SME, and enterprise business domains.

## Organisational Transformation

As part of the ongoing process to transform SLT from a National Information and Communication Technology (ICT) solutions provider, into the most preferred Digital lifestyle Provider (DSP), the implementation of a customer centric/market-oriented business model and agile operational model is vital to acquiring customers and rewarding them with seamless connectivity and convenience through omni channel communication across all devices throughout the island.

A new organisational structure took effect in January 2019 that saw Sales and Regional Groups merged and a revised structure at the C-level. SLT regional administration will now be aligned with Sri Lanka government administrative districts, the resulting synchronisation of which will enable SLT to contribute to nationwide digital initiatives and development projects more effectively in-line with stakeholder requirements. The revised structure will see a renewed focus on developing and highly urbanised areas as part of efforts to increase customer reach and market penetration.

### Empowering the Digital Economy

The development of the Nation’s economy is inexorably tied to the prevalence of access to ICT and digital infrastructure. Digital transformation is a key driver for sweeping change in today’s world; the digital market is paving the way for a global digital economy. As the national ICT solutions provider, SLT is keen to accelerate e-commerce market development in Sri Lanka. In 2018, SLT introduced “TelcoNext”, a knowledge sharing programme that aims to create the greater agility required to accelerate e-commerce market development. Under the theme “Empowering the Digital Economy, Together”, the programme was attended by various tech savvy professionals in the corporate, IT, BPO, BPM, and public sectors of Sri Lanka, as well as academics. Topics related to the Digital Economy were discussed, including global trends, Digital Sri Lanka initiatives, Internet of Things (IoT) implementation, hyperconnectivity, digital services, competitor behaviour, and the softwarisation and virtualisation of operators to tackle future demands.

### Digital Health

Digitalisation brings about with it the potential to improve the quality of life and movement towards greater societal good. Together with the

Health Information Society of Sri Lanka (HISSL), SLT held a knowledge sharing programme, “Digital Health: From Possibility to Reality” for various tech savvy medical professionals, ICT experts, software developers, vendors, and health industry related stakeholders in Sri Lanka. Speakers shared experiences and insights on digital health projects and topics including the Hospital Information System (HISL), monitoring children in the community using smartphones, gathering country wide data on the incidence of data electronically, and partnering the digital transformation of Sri Lanka.

### Digital Excellence

SLT hosted the “Zero One Awards for Digital Excellence” for the second consecutive year in 2018. The programme recognises and rewards excellence in digital initiatives in the country that fulfil unmet needs in the marketplace. The 2018 edition awarded businesses and individuals in the areas 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. Three Lifetime Awards were also presented to individuals for their exceptional contributions in the digital arena.



### Network Development

Mobitel commenced the rollout of its largest 4G LTE expansion project yet to install over 1,600 LTE sites across the island. The project will culminate in Mobitel increasing its total 4G LTE footprint to approximately 2,600 LTE sites in the country by mid-2019, reaching 76% of the Sri Lankan population. Customers will benefit from peak broadband speeds of 105 Mbps and Voice over LTE (VoLTE) functionality that will enable them to make high quality voice calls over the LTE network. Mobitel seeks to expand its rural LTE coverage for up to 91% of the Sri Lankan population in 2019.

Mobitel has also been laying the groundwork for its 5G deployment with a public demonstration of the first 5G deployment over the 3.5 GHz spectrum in the country, as well as deploying 4.5G network technology that will significantly enhance user experience with burst speeds of up to 300 Mbps.

Taking another innovative step towards the digital transformation, Mobitel provided a state-of-the-art LTE Critical Communications solution to a leading container terminal operator for the first time in Sri Lanka.



## Global Network Strategy

SLT is connected globally through five submarine cable systems: SEA-ME-WE 3, SEA-ME-WE 4, SEA-ME-WE 5, Bharat-Lanka and Dhiraagu-SLT. SLT is a key member of the SEA-ME-WE 5 cable consortium with a full cable landing station at Matara with a capacity to connect to the East and West cable segments at 24 Tbps each. The cable landing station at Matara is capable of interconnecting with other regional cable systems as well, providing Sri Lanka with the necessary infrastructure to become a regional connectivity hub.

Utilising global connectivity and enabling SLT's efforts to become a regional digital hub, SLT will implement SD-WAN (software defined networking in a wide area network) in its global IP network, enabling the deployment of new virtual IP Points of Presence (PoPs) more quickly at a lower cost. Other initiatives for 2019 will see a 100 Gbps upgrade to the Bharat-Lanka cable system between Sri Lanka and India, and the establishment of a new global data centre in Matara that will act as an alternative to Singapore for latency sensitive traffic between the Middle East and Far East.

## Galle Submarine Cable Depot

Formed as part of a joint venture between SLT and Singapore based Indian Ocean Cable Ship Private Limited (IOCSPL), Galle Submarine Cable Depot Private Limited (GSCDPL) is one of the crucial components of SLT's global network strategy. The South East Asia & Indian Ocean Cable Maintenance Agreement (SEAIOCMA) was signed in 2018 for an effective period of five years that will see GSCDPL provide warehousing facilities for over 40 regional submarine cable consortiums. Construction work and other formalities were completed and GSCDPL declared ready for service in January 2019. With plans for a cable ship to remain on standby at the Galle port to attend to submarine cable repairs in the region, service restoration

times during submarine cable failures will dramatically reduce, thus improving international connectivity service in the South Asian Region.

## Google I/O Extended Sri Lanka 2018

For the fifth time in Sri Lanka, Mobitel hosted the extended event of Google's highly anticipated I/O event in 2018 at the Stein Studio Complex in Ratmalana. Google I/O is an annual global developer event and the local extension event brought together over 2,300 developers, ICT professionals, industry leaders, university students, and tech savvy innovators to experience the event via a live stream from San Francisco. Google CEO Sundar Pichai conducts the Google I/O keynote session, highlighting the latest product and platform innovations at Google. Technical in-depth sessions follow the keynote, focusing on building web, mobile, and enterprise applications with Google and technologies including Android, Chrome, Chrome OS, Google APIs, Google Web Toolkit and other Google related technologies.

Mobitel also used the event to demonstrate how blockchain technology can be used in real world applications by partnering with Radical Ledger to give participants a first-hand experience with blockchain technology; the registration process for Google I/O Extended 2018 utilised a blockchain based system. Upon registering for the event, a smart contract is created in the Ethereum based blockchain network with the registration details. This smart contract was then used as the anchor point in verifying the authenticity of the participant's registration on the day of the event.

## NB-IoT Industry Forum and Hackathon

Mobitel hosted Sri Lanka's first ever industry forum and hackathon on Narrowband Internet of Things (NB-IoT). The industry forum aimed to connect innovators and decision makers in the industry and Government with global industry experts to share

knowledge, experience, and inspiration. Speakers from around the world gave insights into the latest developments in NB-IoT technology and emerging trends that would impact stakeholders globally.

The second day of the event was a hackathon that aimed to challenge and inspire Sri Lankan developers to take advantage of the opportunities offered by the Internet of Things by creating solutions based around the technology. The SAS Ninja Labs' Team won the hackathon grand prize of LKR 150,000 with their Uber style Parking Spotymizer.

## Brand Image

SLT, in its capacity as the National ICT solutions provider, is held in high regard amongst Sri Lankans. Our investments have helped to establish the cutting edge National Backbone Network (NBN) and our numerous partnerships with the Government of Sri Lanka and various business partners have established our reputation as a provider of high-quality products and services. We boost the livelihoods of the people we serve through our island wide connectivity and strong regional presence.

Numerous accolades bestowed upon SLT are a testament to the work SLT has performed in its duty to uplift the Nation and its people into the digital era.

- Fitch Ratings National long-term rating "AA+(lka)"
- 12th Best Sri Lankan Brand - Interbrand 2017
- Sector Award for best performance and award for Consistent Commitment and Continuous Improvement - Economic category - Best Corporate Citizen Sustainability Awards 2018
- 20th Most Respected Entity - LMD Most Respected Entities 2018
- 16th Best Performing Corporate - Business Today Top 30 2017-2018

Mobitel is equally renowned as the National mobile service provider. Mobitel will play a significant role as SLT positions itself as a digital lifestyle

services provider. Our customers will lead a truly connected digital life as we power the infrastructure to enable them to integrate all aspects of their lives, be it work or home and beyond, through the services we provide.

### Awards and Recognition

SLT won numerous accolades in 2018. The National Project Management Excellence Awards conducted by the Project Management Institute (PMI) Sri Lanka Chapter awarded SLT the Gold award for the “Best Managed Project in Telecommunications Sector” for the Matarra SEA-ME-WE5 Submarine Cable Landing Station Project. The awards aim to recognise individuals and organisations who make outstanding contributions to the development of the country through the introduction of advanced project management concepts, techniques, best practices, and theories.

SLT also received three awards at the prestigious Sri Lanka Best Employer Brand Awards in 2018 for Telecommunications Sector, Brand Leadership, and Women Leadership Excellence.

SLT also received the CNCI achievers award, and National business excellence award.

### Information Security

SLT’s information security policy complies with the ISO/IEC 27001:2013 International Standard. SLT continually evaluates its infrastructure and takes the appropriate measures necessary to maintaining compliance.

### Compliance

SLT takes every effort to comply with all rules, regulations, and standards where applicable. All company policies, procedures, and guidelines are developed in compliance with regulatory and statutory requirements, and separate regulatory and legal divisions monitor all regulatory and statutory ratifications. SLT complies with all Government regulations and adheres to the rules and regulations imposed on it as a listed company by the Colombo Stock Exchange (CSE). Our human resource practices comply with labour regulations and relevant statutory collateral, and employees are informed of relevant developments via the SLT Intranet portal. We also take steps to ensure the compliance of outsourced operations, such as making contributions to Employees’

Provident Funds (EPFs) and Employees’ Trust Funds (ETFs). Our activities are compliant with established guidelines on environmental protection.

Our compliance is audited by auditors internally and externally, and 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. No complaints were received regarding discordances on customer privacy.

### Risks and contingencies

The Board of Directors bears total responsibility for the establishment and monitoring of the Group’s Risk Management Framework (page 99). 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 133. Any other extraneous aspects are discussed under Note 32 to the Financial Statements on page 168.



# AWARDS

## Best Performance

Sector Award/Consistent Commitment and Continuous Improvement – Economic category Winner  
Best Corporate Citizen Sustainability Awards  
The Ceylon Chamber of Commerce

## ISO 22301:2012 Certification

Bureau Veritas

## ISO/IEC 27001:2013 Certification

Bureau Veritas

## Medal for Excellence 2018

SLT Training Centre – City & Guilds (Recognition)  
High Standard of Teaching and Training – Outstanding Performance in Level 3 Diploma in Engineering – Electronic Engineering

## Medal for Excellence 2018

SLT Training Centre - City & Guilds (Recognition)  
High Standard of Teaching and Training – Outstanding Performance as a lecturer

## Honours – Written text

Telecommunications category  
International ARC Awards

## Winner

Telecommunications sector  
Best Employer Brand Awards

## Silver award

## Specialised annual report

Integrated annual report and CSR category International ARC Awards



## 16th Place

Business Today Top 30

## Gold winner

Telecommunication sector – 2017  
CA Sri Lanka Annual Report Awards

## Asian HR leadership award

Organisational category  
Dream Company to Work For

## Joint 2nd Runner Up – Corporate Governance Disclosure

Technology Sector  
South Asian Federation of Accountants (SAFA)

## Bronze winner – Interior design

Telecommunications category  
International ARC Awards

## Runner up

National Business Excellence Awards  
National Chamber of Commerce of SL

## Gold Award

Best managed project in Telecommunications Sector  
Project Management Institute (PMI) National Project Management Excellence Awards

## Medal for Excellence 2018

SLT Training Centre - City & Guilds (Recognition)  
High Standard of Teaching and Training – Outstanding Performance in Level 5 Advanced Diploma in Applied Telecommunications

## Award winner – Service sector

CNCI Achievers of Industrial Excellence 2018



**1st runner up**

Education and Health promotion  
Stoma care app  
Commonwealth Digital Conference  
and Awards

**Silver**

Innovative loyalty programme  
Cash Bonanza  
ACEF Global Customer Engagement  
Forum and Awards

**Best Employer brand awards**

The Employer Branding Institute, World HRD  
Congress & Stars of the Industry Group, India

**Silver**

Digital advertising  
Data Mart  
ACEF Global Customer  
Engagement Forum and Awards

**Gold award**

Best display of engineering services  
Techno Sri Lanka Awards

**Best IoT solution**

in the IoT pavilion  
Infotel Awards



**Award for Excellence of the year  
for innovation and leadership**

Mobile telecommunications  
Le Fonti Awards

**Merit award**

Best aligned with techno theme –  
“Engineering the Greener Future”  
Techno Sri Lanka Awards

**Gold - Best use of technology**

Wesak map  
ACEF Global Customer Engagement  
Forum and Awards

**Finalist award -**

The internet expert  
Effie awards

**Finalist award - Don't wait for good**

things (4G campaign)  
Effie award

**Gold - Service**

brand of the year  
SLIM Brand  
excellence award

**Winner - Best community**

empowerment programme  
Information sector SLT Zero  
One Award

# INVESTOR CAPITAL



SLT's investors constitute individuals and institutions who provide us with the financial capital we utilise for investments and development. In return, our investors seek reciprocal returns on their investment in the short, medium, and long-term. Through our value adding processes, we create value for the Company and in turn deliver value to our key stakeholders. We work to nurture our relationships with our investors through mutual trust and accountability.

## Shareholder profile

The two major shareholders of Sri Lanka Telecom PLC (SLT) as at 31 December 2018 were the Government of Sri Lanka, holding a 49.50% stake through the Secretary to the Treasury, and Global Telecommunications Holdings N.V. (GTH), holding a 44.98% stake. The remaining 5.52% of shares are publicly traded on the Colombo Stock Exchange.

## Government of Sri Lanka

The Government of Sri Lanka (GoSL) is the primary shareholder of SLT, which offers many consumers a feeling of reassurance and confidence in the quality of our products and the level of service we offer.

## Global Telecommunication Holdings N.V.

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

## Stability

Given the role SLT plays in the country's development, the stability and long-term viability of the Company is of great importance to stakeholders and the entire country.

## Fitch Ratings

Fitch Ratings has downgraded Sri Lanka Telecom PLC's (SLT) National Long-Term Rating to 'AA+(lka)' from 'AAA(lka)', which reflects the downgrade of the sovereign's Long-Term Foreign-Currency Issuer Default Rating (IDR) to 'B' from 'B+' with a Stable Outlook. Simultaneously, Fitch has downgraded the national rating on SLT's LKR 7 billion senior unsecured debt programme to 'AA+(lka)' from 'AAA(lka)'.

## Investor relations

SLT engages with its shareholders and associated parties via various means including press releases, interim financial results, the Annual General Meeting, our website, and announcements on the Colombo Stock Exchange. SLT's Annual Report offers comprehensive details on all relevant financial and non-financial information.

## 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	9,800	2,907,531	0.16	13	4,647	0.00	9,813	2,912,178	0.16
1,001 - 10,000 shares	2,280	8,903,271	0.49	23	116,075	0.01	2,303	9,019,346	0.50
10,001 - 100,000 shares	214	4,623,113	0.26	7	252,977	0.01	221	4,876,090	0.27
100,001 - 1,000,000 shares	6	1,040,890	0.06	1	135,447	0.00	7	1,176,337	0.06
Over 1,000,000 shares	8	975,118,180	54.03	1	811,757,869	44.98	9	1,786,876,049	99.01
	12,308	992,592,985	55.00	45	812,267,015	45.00	12,353	1,804,860,000	100.00

## Categories of shareholders

Category	Number of shareholders	Number of shares
Individual	12,210	15,796,125
Institution	143	1,789,063,875
	12,353	1,804,860,000

## List of 20 major shareholders as at 31 December 2018

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	18,632,709	1.03
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	1,539,497	0.09
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. Ceylon Biscuits Limited	161,825	0.01
14. People's Leasing & Finance PLC/Mr C N Jayasooriya	150,000	0.01
15. Elgin Investment Limited	135,447	0.01
16. Sinharaja Hills Plantation Pvt Limited	107,491	0.01
17. Mrs Edirisinghe	100,000	0.01
17. Mr Tanaka	100,000	0.01
19. Sampath Bank PLC/Mr D K L Chandrsena	99,905	0.01
20. Mr Van Starrex	97,638	0.01
	1,788,449,929	99.09

Float adjusted Market Capitalisation as at 31 December 2018 - LKR 2.33 Bn.

Percentage of public holding as at 31 December 2018 - 5.52%

Number of shareholders representing the public holding as at 31 December 2018 - 12,353

The Company does not comply with the minimum public holding requirements of the CSE. However, the Board of Directors of the Company has agreed in principle to carry out a private placement in order to comply with the minimum public shareholding as per CSE Rule No. 7.13.1.(a)

## Ratio and market price information

### Share price trend

	2018	2017	2016	2015	2014	2013	2012	2011	2010
Highest value (LKR)	<b>30.00</b>	36.70	46.40	54.90	57.30	50.00	50.00	64.50	51.00
Lowest value (LKR)	<b>18.90</b>	27.00	31.20	43.00	33.33	36.10	34.00	44.00	35.00
Last traded price (LKR)	<b>23.40</b>	28.50	36.00	47.00	49.90	37.00	44.50	48.00	49.00
Market capitalisation (LKR Bn.)	<b>42.23</b>	51.43	64.97	84.83	90.00	66.78	80.32	86.63	88.44

### Trading activity

	2018	2017	2016
No. of transactions	<b>3,195</b>	3,149	3,328
No. of shares traded	<b>1,113,157</b>	1,463,787	3,082,282
Value of shares traded (LKR)	<b>26,852,883</b>	46,137,965	112,724,

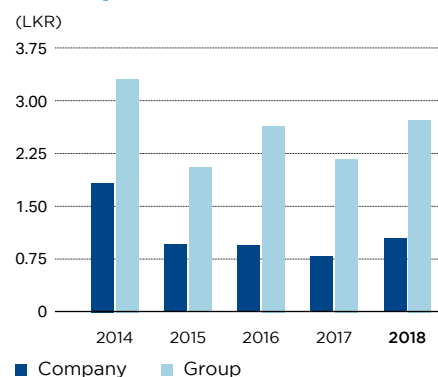
### Equity (Group)

	2018	2017	2016
Earnings per share (LKR)	<b>2.74</b>	2.18	2.65
Net assets per share (LKR)	<b>40.82</b>	39.56	38.05
Gearing ratio (Debt to LKR 1 of total equity)	<b>0.43</b>	0.37	0.32
Quick asset ratio (No. of times current liabilities)	<b>0.82</b>	0.48	0.57
Interest cover (Earnings before interest and taxes divided by interest expense)	<b>1.77</b>	2.02	4.53
Dividend pay-out ratio (%)	<b>38.7</b>	40.8	33.5
Dividend per share (LKR)	<b>1.06</b>	0.89	0.89

### Debt information (Company)

Interest rate of comparable Government Security (%)	11.87
Debt/Equity ratio (Gearing Ratio) (%)	0.44
Interest cover (%)	0.78
Quick Asset Ratio (%)	0.62
<b>Market prices and yield during the year (Ex-interest)</b>	
Highest Debenture Price	Debentures were not traded during the year 2018
Low	
Last traded price	
Any changes in credit rating	Fitch rating - See note on page 48

### Earnings per share (EPS) - (Group)



# CUSTOMER CAPITAL



The SLT Group serves over seven million customers across the country from individuals to small and medium enterprises (SMEs), multinational corporates, and the public sector. Serving such a broad range of customers in an intensely competitive market that is subject to disruption and transformation requires a focused approach to customer service. SLT has dedicated itself to servicing its existing customers, understanding the needs of its potential customers, and predicting what customers want next before they know it. This is all part of SLT's transformation into the digital service provider of choice. High quality customer service and outstanding customer experiences are fundamental to customer loyalty and retention, and 2018 saw SLT focus on laying the groundwork for an enhanced customer experience going forward.

## Product portfolio

### Broadband

#### SLT Fibre

##### FIBRE (FTTx)

SLT offers the fastest download speeds of up to 100 Mbps and the highest monthly data volumes of up to 3 TB.



##### 4G LTE

SLT 4G LTE offers average download speeds of up to 8 Mbps and burst speeds up to 40 Mbps and monthly data volumes of up to 3 TB.



##### ADSL

SLT ADSL Broadband offers speeds of up to 21 Mbps and monthly data volumes of up to 3 TB.

#### PEO TV



PEO TV, the pioneering Internet Protocol Television (IPTV) service in the country which has become one of the most sought-after products by customers, now offers over 140 channels of local and global news and entertainment. PEO TV revolutionised the market by introducing Rewind TV, allowing customers to rewind programmes up to 48 hours. The product offering is further differentiated by amazing features such as Picture-in-Picture, Video on Demand, Music on Demand, Education on Demand, and many other TV applications.

#### Carrier-grade Wi-Fi



SLT broadband customers can access SLT Wi-Fi hotspots around the country with their existing credentials, enabling them to access high-speed data in public areas such as shopping malls. Prepaid access cards are also available for purchase. The newly launched SLT Public Wi-Fi mobile app enables users to easily connect seamlessly to these hotspots.

#### SLT eSports Platform



SLT launched the eSports Platform, a dedicated gaming network that enables customers to enjoy a low latency experience in online multiplayer games where latency can play a determining factor in a player's performance. The platform allows customers to create and manage game tournaments, as well as participate in free and premium tournaments and win prizes in a variety of games including Minecraft, Counter Strike: Global Offensive, League of Legends, and many more.

### SLT Digisolutions



SLT Digisolutions enables customers to transform their homes into smart homes through IP cameras, wireless smart alarms, smart motion detectors, and more.

### Cloud hosting



SLT state-of-the-art data centre offers hosting solutions for customers that meet a diverse range of personal and business needs, including DNS hosting, domain name registration, and mail server solutions.

### SLT Intelligent Solutions



SLT Intelligent Solutions offer enterprise and SME customers a full range of ICT solutions to empower them in the global market. Solutions include next generation voice and data services, data hosting, and managed services.

### National Data Centre



SLT in collaboration with the Ministry of Telecommunications and Digital Infrastructure launched Sri Lanka's first purpose built state-of-the-art Tier III Data Centre in Pitipana, Homagama in 2018. The facility, recognised as the "National Data Centre", provides secure and reliable data hosting and cloud computing services and is South Asia's

first data centre capable of supporting Network Function Virtualisation (NFV) and Software defined Networking (SDN) environments. SLT's data centres and cloud platform offer enterprises a scalable and cost effective alternative to deploying dedicated computing resources in-house.

### Value added services

#### Telehealth Hospitalisation Insurance



Telehealth provides customers with affordable financial assistance for hospital admittance with monthly premiums starting from as little as LKR 100. The policy will pay out a daily allowance for insured customers who are admitted to Government hospitals, registered private hospitals and nursing

homes, and approved Government and private Ayurveda hospitals for any sickness or surgery or accidental bodily injury. Subscribers also benefit from additional dengue cover and the convenience of not having to fill out any applications and having the premium added to their SLT bill.

#### Mobitel data+credit card



Mobitel partnered with Commercial Bank to launch the Data+Credit Card, the first of its kind in Sri Lanka that offers customers benefits from both entities. Mobitel customers receive 2 GB of bonus data upon card activation, and 50 MB of data valid for 30 days with

every LKR 1,000 swipe of the credit card. Furthermore, cardholders will also earn Commercial Bank "MAX Loyalty Rewards" and avail themselves of international MasterCard offers such as airport lounge access and other services.

#### Digital Loans via mCash



Mobitel partnered with LOLC Finance to offer digital loans through its mCash platform, a first for Sri Lanka. The financial solution is another step forward in Mobitel's aim to empower customers by revolutionising the country's electronic payments landscape and extending financial inclusion. The mCash platform enables the digitalisation and simplification of the loan application process, thus saving customers a significant amount of time. Once a

registered mCash customer applies for a loan of up to LKR 25,000, they can check for their eligibility for a loan through their phone. The approved loan will be disbursed to the customer via mCash, which can be withdrawn in cash from over 1,000 Commercial Bank or Sampath Bank ATMs, Mobitel branches, SLT Teleshops, Singer outlets including Singer Mega, Singer Plus, Singer Homes, and Sisil World showrooms, or over 16,000 mCash retailers island wide.

## Initiatives undertaken in 2018

### SLT Selfcare App



SLT launched the SLT Selfcare app for Android and iOS devices. The app enables customers to manage their SLT Broadband services on the move by being able to monitor their broadband usage and balance, as well as view detailed usage reports and purchase extra data.

### SLT Akaza Cloud storage



SLT Storage is a cloud storage and file sync and sharing solution that offers users a secure means of accessing their data from anywhere through a user friendly mobile app and web interface.

### Comprehensive enterprise solutions

SLT collaborates with Enterprise customers to accelerate their digital transformation journey by empowering them with a range of solutions catered to their requirements. From IP-based MPLS networks and total VPN networks, to VMware and other VM infrastructure, last-mile and FTTH fibre infrastructure, SLT serves as an enabler for large and small businesses to benefit from the digital revolution.

### Government partnerships and MoUs

#### Port City Project

SLT signed a Memorandum of Understanding (MoU) with the Ministry and CHEC Port City Colombo (Pvt) Ltd (CPCC) to recognise SLT as the exclusive telecommunications infrastructure service provider for a period of 15 years. SLT will develop a strategy and implementation programme for the telecommunication infrastructure of Port City, including a Smart City Solution, in coordination with the CPCC planning team.

### Urban Development Authority

SLT signed an MoU with the Urban Development Authority (UDA) to undertake the development of ICT infrastructure facilities for seven new condominium projects to be built in urban areas. SLT will serve as the exclusive telecommunications infrastructure service provider and provide services via copper and fibre lines.

#### Western Province Council

SLT provided a total communications solution for a multi storied office complex for the Western Province Council. The solution included a networking and voice solution from the SLT Centrex platform.

### Polonnaruwa Technological Museum

SLT and Mobitel jointly developed a total ICT solution for the newly built Technological Museum in Polonnaruwa. The solution is an extra low voltage (ELV) solution that covers the total LAN cabling and networking of the building with CCTV, AV, and conference systems, and a Smart solution to showcase the museum's exhibitions. Mobitel also established an Innovation Centre to provide local and foreign visitors with an experience that takes them through our country's important historical milestones.

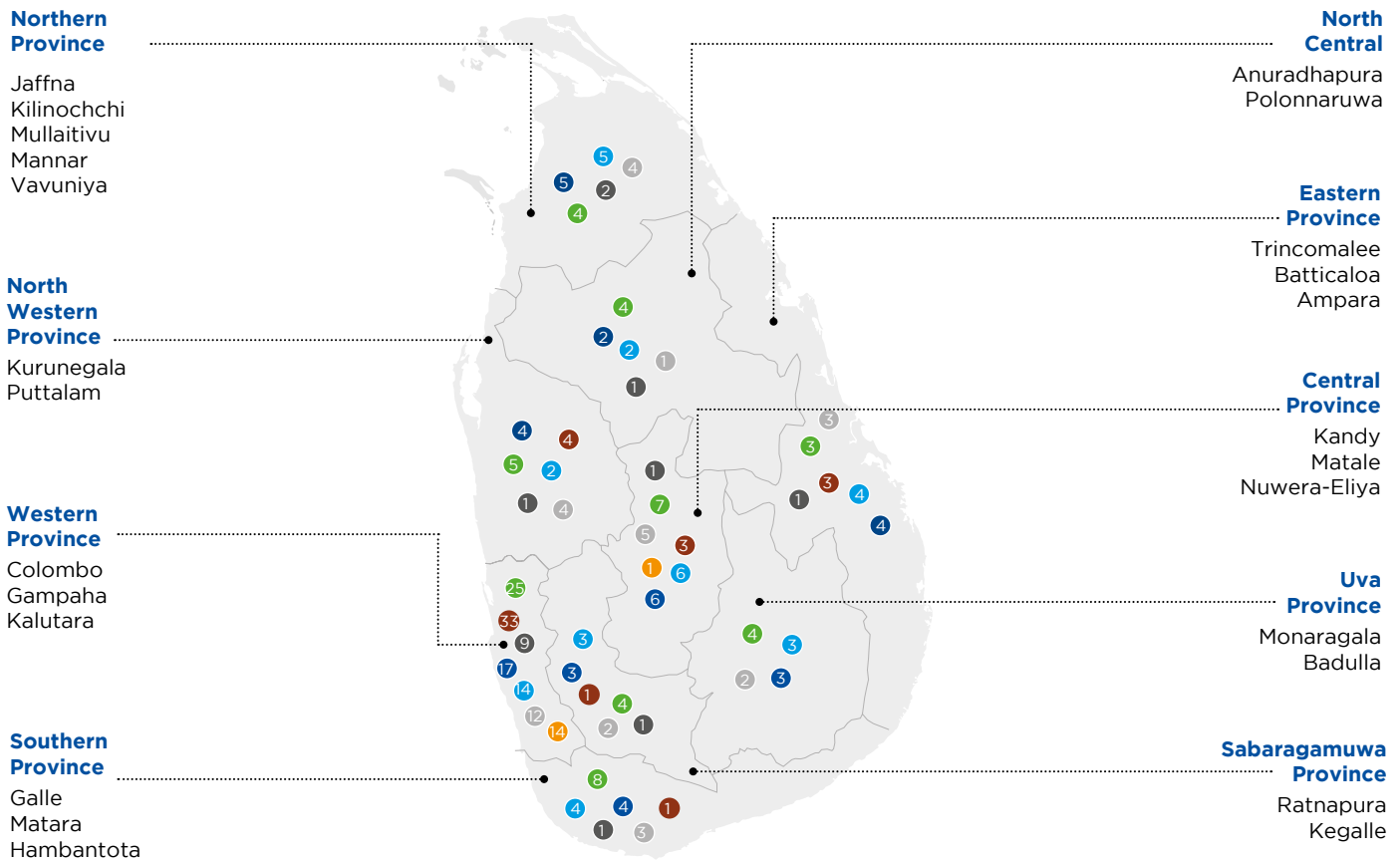
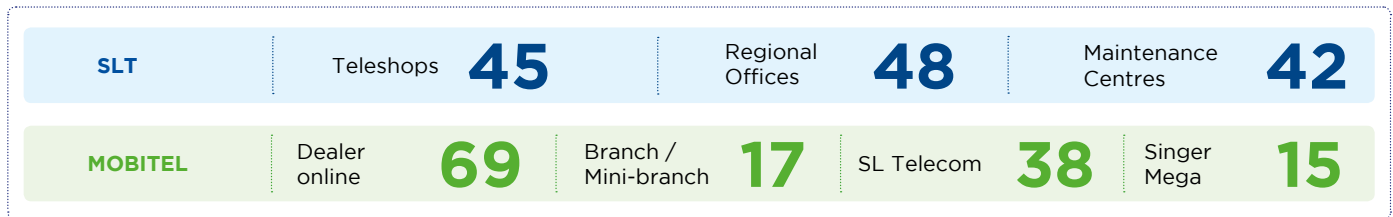


## Market presence

SLT has Teleshops and regional telecommunication offices across the island in central locations within convenient reach of customers, where they can avail of our services and products. In 2018, SLT opened new Teleshops in Pottuvil, Mawanella,

Akurana, and Gampola, and will continue to expand our presence in small and developing townships, thus expanding our reach and increasing customer convenience. Additionally, we have an extensive dealer and reseller network across the island that enables

customers to easily purchase recharge cards and register for broadband and LTE services. Customers can pay their bills at most major banking institutions, supermarkets, and select retail outlets.



### Customer base

In 2018, SLT provided over 1,717,200 fixed line connections, 966,925 broadband connections, and 415,000 PEO TV connections. Mobitel saw its subscriber base grow by approximately 800,000.

### Customer Experience management

#### Customer Service Week 2018

With SLT’s renewed focus on enhancing the customer experience, the Customer Experience Division spearheaded the company-wide celebration of Customer Service Week for the first time in 2018 by showing appreciation and rewarding loyal customers for choosing SLT as their telecommunications provider for their business and/or day-to-day life. Customer service champions in the Company were recognised and rewarded for their contributions to SLT’s efforts on customer loyalty and retention, and awareness was raised company wide about how critical superior customer service is to these efforts. Further highlighting the importance of customer service, employees were encouraged to directly engage with a customer interface to identify the pain points a customer would experience and take prompt action to rectify them.

#### Customer Voice Survey

SLT conducts a customer voice survey daily to measure customer satisfaction on our customer service and after sales service including service assurance. For new service offerings, SLT measures the time taken to provide the service, the quality of service provided, and how customer expectations were addressed with the service offered; SLT recorded



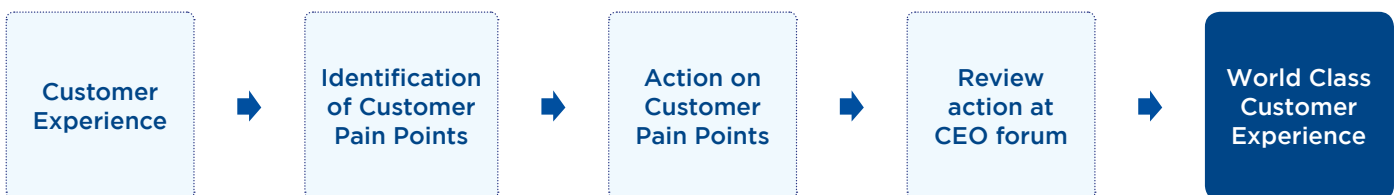
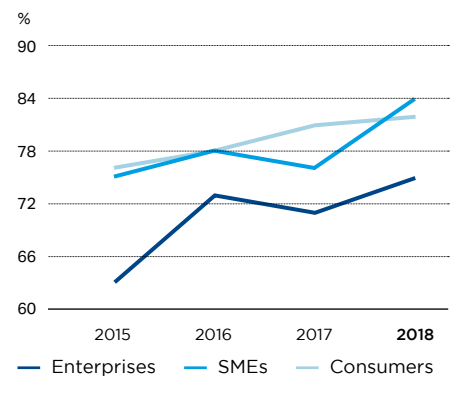
over 87% customer satisfaction in 2018. Voice surveys conducted for after sales service primarily measure customer satisfaction on the time taken to attend to issues; SLT measured 86% customer satisfaction.

#### Customer Satisfaction Index 2018

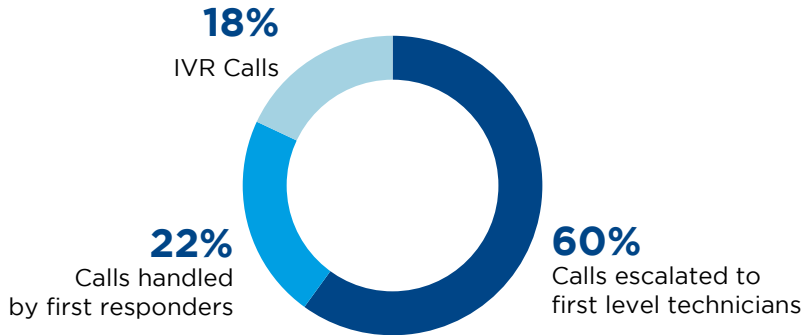
SLT continued to conduct its Customer Satisfaction Index (CSI) study in 2018 to identify and measure the key expectations of customers, evaluate satisfaction levels across all touch points, and identify other issues that affect customers. A reputed market research agency conducted the study amongst a sample size of 2,500 that represented all customer segments (consumer, enterprise, SME, and Government), business verticals, and geographical areas. The study entailed a 45-minute one-on-one interview followed by an extensive questionnaire, and the results were shared among all stakeholders of the Company. Internal awareness sessions were then conducted to raise awareness of the pain points that affect customers in order to come up with effective solutions to tackle them.

In 2018, the CSI index grew to 83%, a significant growth compared to 2017. This is an achievement on par with global standards for global fixed telecommunications businesses. Pain points that had been identified in 2017 had been addressed by the respective stakeholders, contributing to the increase in customer satisfaction for the period under review.

#### Customer satisfaction index rating



## Contact centre performance



**10.1 million calls received in 2018**

**Average of 27,000 calls handled daily by agents in 2018**

**Over 6 million calls escalated to achieve First Call Resolution**

The SLT Contact Centre operates in two perspectives: serve SLT customers via the 1212 hotline to address customer queries on SLT products and services; secondly, to facilitate Business Process Outsourcing (BPO) for contact centre services to other business clients. The SLT 1212 Contact Centre operates in 13 stations around the country. A new Contact Centre was established in Bandarawela in January 2018, improving the geographical redundancy of the 1212 customer support service.

Automated IVR services enabled for fault reporting, bill inquiries, and additional data requirements contributed to efficiency improvements for the 1212 Contact Centre, allowing agents to handle other customer queries that could not be addressed via automated IVR. In this context, out of 8.3 million calls received to agents, the average call answer rate by agents exceeded 80% as a result of increased calls due to inclement weather that lead to service disruptions.

Each day in 2018 saw over 270 agents serve customers with complete commitment and dedication. Continuous quality monitoring carried out in-house helped to ensure that a high quality of service was maintained for SLT customers; a new performance metric for "First Call Resolution" (FCR) was introduced in 2018 and agents received training on how to achieve FCR during a call. The outcome was a quality level of 86.99% being

achieved in 2018. Automated customer satisfaction surveys recorded over 95% of feedback as being "satisfied".

SLT is also the only Telco that maintains free-of-charge doorstep maintenance service. A feature greatly valued by customers across the Island.

### SLT Digital Forums

SLT hosts a range of digital forums that are intended as a knowledge-sharing and networking platform that positions the Company within the digital services space. SLT Digital Forums bring together domain experts and representatives from private sector organisations, public institutions, and academia to discuss their ideas and experiences of the evolving digital services ecosystem.

### Marketing Campaigns

#### SLT eSports Championship 2018 Broadband promotions

Highlighting to gamers that only SLT offers the fastest broadband network in the Nation, SLT positioned itself as the premier Internet service for gaming and the preferred Internet service for youth. The winners prize pool was worth over LKR 1 Mn., including attractive free data bundles. Attendees of the eSports Championship event held during the Infotel 2018 exhibition received a gift voucher that entitled them to a 50% discount on new SLT Megaline connections, a free 4-port Wi-Fi router with new Megaline Voice+Broadband connections, a free upgrade to a Fibre connection for existing Megaline customers, and 100 GB of free data for every new Fibre connection.





### Mobitel Cash Bonanza 2018

Mobitel renewed its popular 'Cash Bonanza' programme in 2018 with valuable prizes such as new Mercedes-Benz cars and over LKR 190 Mn. worth in cash prizes throughout the year in daily and quarterly draws. All SLT Mobitel Prepaid, Post paid, and Broadband customers are eligible for the draw with every LKR 50 cash recharge, reload, or post paid bill payment.



### Mobitel Xstation Football Championship

Mobitel in partnership with Gamer.lk kicked off the Mobitel Xstation Football Championship in July 2018 with over 380 registered participants. One of the key objectives of the initiatives was to bring the excitement of the Football World Cup season to Sri Lankan youth. The tournament followed the Mobitel Xstation eSports League held in March 2018 and reaffirmed Mobitel's commitment to eSports in Sri Lanka.

### SLT Speed Up Cycle Sawariya

In collaboration with the Cycle Federation of Sri Lanka (CFSL), SLT held the third edition of the popular SLT Speed Up Cycle Sawariya, the longest cross-country cycle race, in September 2018. The 820 km men's race was held between 4-8 September, and a 175 km women's race was held during 7-8 September. 2018 marked the first time in the cycling history of Sri Lanka that a two-day event was held for women cyclists. A 75 km paracycling event, another first in Sri Lanka's cycling history, was held on September 8. Prizes included LKR 1 Mn. for the winner of the men's race, LKR 250,000 for the winner of the women's race, and LKR 150,000 for the winner of the paracycling race.

The online cycle competition, "Speed Up & Win", was held simultaneously and participants played over 45,000 sessions to climb the leaderboard. The top three participants were awarded sports mountain bikes.



## BUSINESS PARTNER CAPITAL



SLT, in its capacity as the national ICT solutions provider, provides ICT services to the Government and domestic and enterprise customers in Sri Lanka. SLT has established ties with several business partners with whom we share reciprocal relationships that entail coexistence, co-innovation, and collaboration, and enjoyed mutual successes. 2018 continued to see SLT join hands with several partners to bring to the Sri Lankan market new and innovative solutions to empower customers in the digital marketplace.

### **New strategic alliances, collaborations, and joint ventures**

#### **International cricket matches**

For over 15 years, SLT has provided reliable and trusted Internet and Wi-Fi services for international cricket matches that has received the appreciation of Sri Lanka Cricket and international media bodies including the BBC, Sky Sports UK, Talk Sport, and others. SLT continued to provide its services to the Nidahas Trophy tournament between Bangladesh, India, and Sri Lanka, and the South Africa and England Cricket teams tour of Sri Lanka.

#### **Akaza LMS**

SLT entered into a partnership with i-Context Content Convergence (Pvt) Ltd in 2015 to offer their locally developed eLearning solutions bundled up with SLT cloud infrastructure branded as AKAZA LMS. Akaza LMS is a cloud e-learning training platform that facilitates an online course marketplace, training administration with delivery, and reporting for corporates and educational institutions. The partnership will see i-Context host the e-learning solution on the Akaza Cloud portal as a Software-as-a-Service (SaaS) offering that corporates and educational institutions can subscribe to their own branded e-learning administrative customer portal. Each user will be able to access a learner portal wherein they can view their assigned courses and track their progress.

#### **Akaza Interactive TV**

SLT partnered with Infotainment Pvt Ltd to offer innovative IPTV solutions to the hospitality industry in Sri Lanka. The SLT Akaza Interactive TV solution brings a customised interactive hotel entertainment and communication system aimed at hoteliers who wish to offer their guests a sophisticated entertainment experience. Guests will have access to a high-quality display with an on-screen user interface that

allows them to choose a range of services including on-demand movies, television shows, internet services, local tourist information, and interact with hotel services. The system can be quickly setup in hotels of any size and offers standalone operation or can be fully integrated with a hotel property management system.

#### **Entution ERP**

SLT partnered with Bileeta, a locally established cloud-based ERP solution provider, to offer Entution, a cloud-based Enterprise Resource Planning (ERP) solution. Aimed at enterprises involved in sales and distribution, manufacturing, projects and services, Entution allows customers to build a customised ERP solution to manage their business that caters to their requirements with modules for sales and invoicing, finance, inventory management, fixed assets, procurement, manufacturing, projects, and customer relationship management. Customers pay a monthly subscription fee for the solution which is hosted locally on SLT Cloud and can be accessed through SLT's network infrastructure.

#### **DataWerks GmbH**

SLT joined hands with data virtualisation solutions provider DataWerks GmbH to offer a solution that enables business organisations to receive insights into their business in real time. Offered through SLT's Akaza Cloud platform, the Data Virtualisation and Analytics as a Service solution will empower Sri Lankan enterprises with real time big data analytics and Business Intelligence (BI) solutions. Enterprises can virtualise their entire data sets regardless of the number or types of data sources and quickly combine and correlate data from different systems, whether they are held as structured or unstructured data, and generate and deliver integrated insights through different platforms at half the cost and time of legacy data warehousing solutions. The need to invest in expensive hardware and infrastructure upfront is all but

eliminated. The pioneering solution is the first data virtualisation solution of its kind available in the region.

### **Blue Ocean Group of Companies**

SLT and the Blue Ocean Group of Companies, established a partnership that sees SLT be the digital services provider for 24 condominium projects comprising 785 units within Colombo city and its suburbs. Residents of the apartments will benefit from SLT's ultra-fast fibre-to-the-home (FTTH) infrastructure that offers the fastest broadband speeds in the nation to transform their lifestyles and living standards.

### **Havelock City phases 3 and 4**

SLT partnered with Mireka Homes (Pvt) Ltd to serve as the exclusive telecommunications service provider for Phases 3 and 4 of Havelock City, the largest integrated/mixed-use development project undertaken in Sri Lanka. SLT also served as the exclusive telecommunications service provider for Phases 1 and 2, which covered voice and high-speed internet services and IPTV services in 445 apartments in four towers. Phases 3 and 4 will see SLT providing over 600 new apartments with FTTH triple play services (voice, broadband, and PEO TV) and a PABX system for internal voice communications between apartments.

### **The Mount**

SLT entered into a partnership with Evercore Properties (Pvt) Ltd. to be the total digital services provider for "The Mount", a 35-apartment development in Mount Lavinia. SLT will provide state-of-the-art fibre infrastructure that will serve as the communications backbone for the development.

### **Coral Properties**

Coral Properties entered into an agreement with SLT to provide fibre connectivity to Coral's latest luxury apartments. SLT will provide fibre infrastructure to eight upcoming properties located in Colombo: Coral Plus in Colombo 04, Coral Saffron in Colombo 15, Coral City in Gampaha, Coral X in Colombo 03, and Coral Lake Menara in Rajagiriya.

### **JPKL Construction**

SLT will be the digital service provider for voice, data, and PEO TV services for JPKL Construction's new 32-unit project in Wellawatte. The agreement also covers two upcoming projects with 63 units.

### **University of Peradeniya**

SLT signed an MoU with the University of Peradeniya, one of the top ranked universities in Sri Lanka renowned for its cutting-edge research. The agreement will see SLT and the University carry out collaborative ICT research projects and establish a new research and development centre at the University's Department of Electrical and Electronic Engineering.

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

SLT has detailed policies and guidelines in place on all matters related to the procurement of goods and services. A Code of Ethics for suppliers covers in comprehensive detail issues such as labour practices and sustainable business operations. SLT remains committed to conducting activities in a fair and responsible manner and works with partners who share similar values and business ethics.

### **Dealer support**

SLT updates the dealers it works with on new solutions to help them diversify their offerings. Resultantly, those who sell voice and data products can offer supplementary ICT solutions, thus improving their internal productivity and efficiency and increase their profitability.



# EMPLOYEE CAPITAL



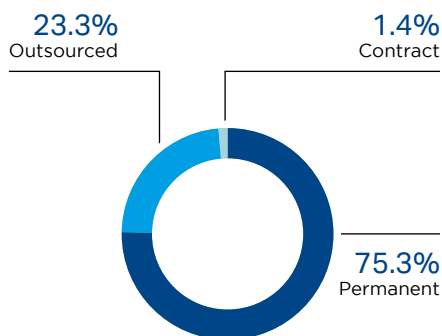
SLT's employees play an important role as we transform ourselves into the leading digital service provider (DSP) in Sri Lanka and a key regional player. We provide a rewarding working environment for our employees and we continue to improve our employee experience in an open and transparent manner.

## Workforce Profile

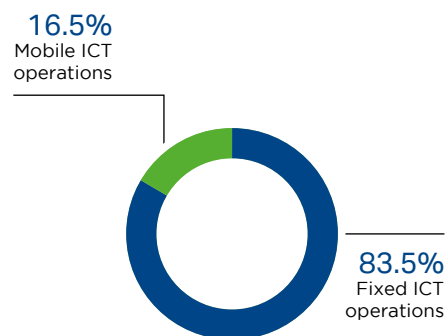
### Total workforce by employment type

Type of employment	2018			2017		
	Fixed ICT operations	Mobile ICT operations	Overall ICT business	Fixed ICT operations	Mobile ICT operations	Overall ICT business
Permanent	5,364	1,165	6,529	5,390	1,147	6,537
Outsourced	1,869	156	2,025	2,148	196	2,344
Contract	8	113	121	23	189	212
<b>Total</b>	<b>7,241</b>	<b>1,434</b>	<b>8,675</b>	<b>7,561</b>	<b>1,532</b>	<b>9,093</b>

### Employee composition by type



### Total workforce by business segment

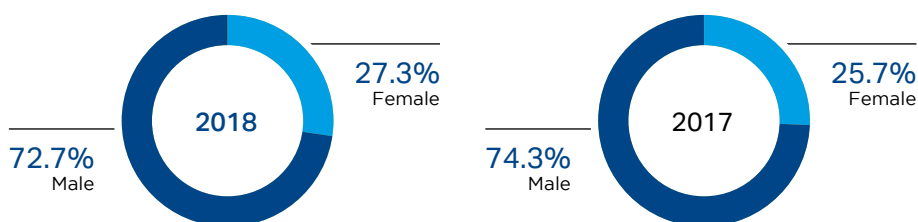


### Total workforce by gender\*

Type of employment	Female	(%)	Male	(%)	Total 2018
Fixed ICT operations	1,432	79	3,940	82	5,372
Mobile ICT operations	386	21	892	18	1,278
Overall ICT business	1,818	100	4,832	100	6,650

\* Excludes outsourced staff

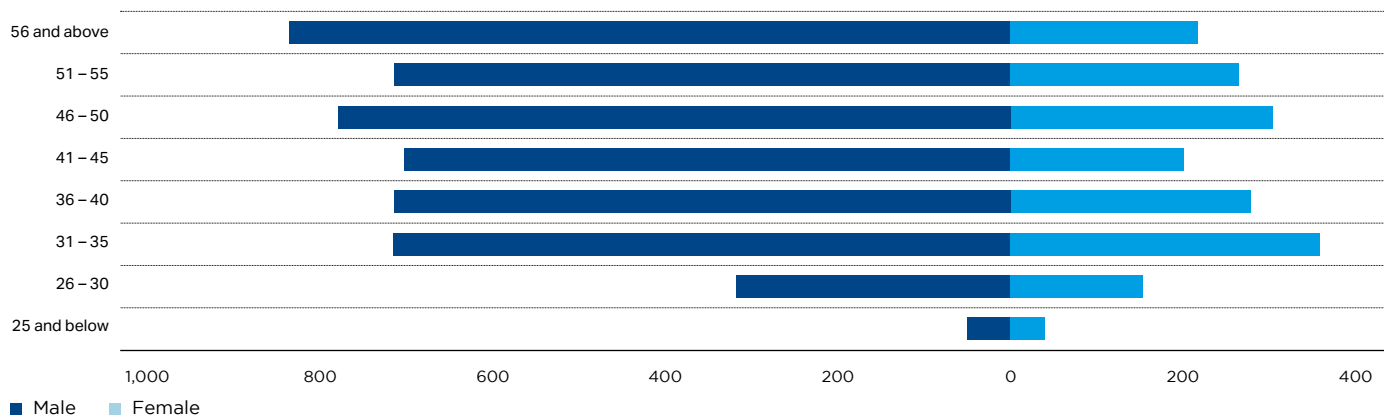
### Total workforce by gender - Overall ICT business





## Age analysis of staff - Overall ICT business

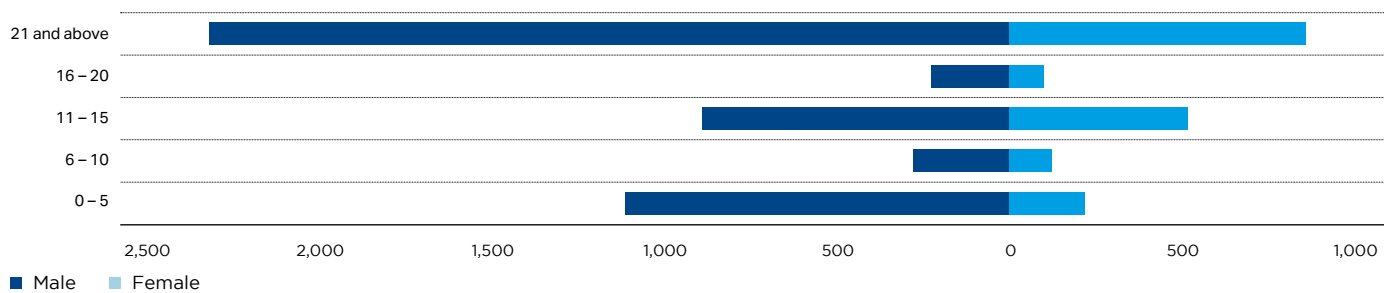
(Nos.)



\* Excludes outsourced staff

## Service analysis - Overall ICT business

(Nos.)



## Recruitment

SLT constantly seeks to recruit new talent by seeking out specialists, leaders, and future executives. Efforts around talent acquisition focuses on long-term human resources planning and finding candidates for positions that require skills that are specific to the Company and industry and vital for ensuring the continued growth of the business. All recruitments are based on SLT's Staff Recruitment and Promotion Scheme (SRPS).

## Employee recruitment by age and business segment

Age Category	Fixed ICT	Mobile ICT	Total ICT
18-20 years	0	2	2
21-30 years	44	103	147
31-40 years	295	15	310
41-50 years	161	2	163
51-55 years	1	0	1
56 years and above	0	0	0
<b>Total</b>	<b>501</b>	<b>122</b>	<b>623</b>

## Turnover

Turnover at SLT may occur through the following scenarios:

- Employees may conclude their employment at SLT subject to giving prior notice as per their letters of appointment.
- SLT may choose to terminate an employee's employment subject to the provisions of the respective labour regulations.
- Retirement at the 55 years of age, with extensions up to 60 years of age upon request subject to performance, discipline and conduct, recommendations of executive supervisors, and the discretion of the management.

## Employee turnover by gender and business segment

	Fixed ICT (%)	Mobile ICT (%)
Female	8.67	5.86
Male	11.35	5.81

Note: Indicates percentage of turnover per gender.

## Employee turnover by grade and business segment

Grade	2018		2017	
	Fixed ICT operations (%)	Mobile ICT operations (%)	Fixed ICT operations (%)	Mobile ICT operations (%)
Senior management	8.20	4.44	9.90	1.44
Middle management	5.30	5.86	2.50	3.55
Executives	10.90	5.94	7.60	6.77
Non-executive staff	10.70	0.00	5.00	0.00
<b>Total</b>	<b>10.60</b>	<b>5.82</b>	5.40	5.61

Note: Indicates percentage of turnover per grade.

## Occupational health and safety

SLT has established a safe and healthy working environment and works to maintain safety standards in the workplace. Moreover, SLT conducts awareness programmes for better health practices periodically and conducts the Suwatha health screening programme annually for all employees across the island. Additionally, the SLT medical assistance programme and Agrahara health insurance programme cover all staff.

## Employee relations and engagement

Engaging with employees and having clear lines of communication with them are essential to them being involved in their work and enthusiastic about working for SLT. SLT has worked to improve the employee experience, such as changing old policies to keep up with the rapidly changing digital economy by introducing a “work from nearest office” pilot project, a policy for flexible working hours, and automating the performance management process at SLT through the Enterprise Resource Planning (ERP) system.

SLT employs various means to reach out to our employees, including departmental meetings, briefings, involvement in community projects, and internal newsletters. An HR blog offers employees an outlet through which they can offer insight and comment and suggest on HR related matters. SLT utilises info-mail, media-watch, intranet updates, socio mail, and an internal newsletter, “Amathuma”, to keep employees up to date on important decisions made in the Company, Company activities, and developments in the ICT industry.

SLT believes that Employee Satisfaction (ESat) is critically important to achieve customer satisfaction. Employee satisfaction was measured on a quarterly basis through an employee survey throughout the year; Contact



centre agents recorded an employee satisfaction of 75% in all quarters of 2018. Parameters that were measured in ESat survey included IT infrastructure and system availability to employees, working environment, work patterns, supervisory leadership, support obtained from immediate superiors, and training and development opportunities.

## Benefits and promotions

Employees of SLT enjoy a broad range of benefits and welfare initiatives, including:

- Attractive EPF/ETF contributions
- Attractive bonuses paid each year
- Leave bonus for unutilised leave
- Medical centre, and medical and insurance schemes
- Fitness programmes including Zumba, yoga, karate, swimming, cycling, etc.
- Sports activities and associations for cricket, football, netball, athletics, volleyball, table tennis, badminton, etc.
- Financial support for higher education, including MSc, MBA, and other postgraduate studies
- Training programmes
- Workmens' compensation for disabilities/accidents during work
- Allowances for risk, overnight, subsistence, transport, meals, foreign training, etc.
- Monthly and annual sales programmes
- Gratuity and pension
- Death donations to family members
- Vehicle scheme

- Holiday bungalows
- Cafeteria facilities
- Loan facilities and reimbursement of housing loan interest
- Leave entitlements, overseas leave, and leave for Government elections
- Telephone subscriptions and mobile phone purchase reimbursement
- Religious activities such as Buddhist programmes, Christmas activities, etc.

SLT believes that the satisfaction and well-being of our employees contributes to an engaging work environment that in turn reflects positively on the Group in the minds of our stakeholders. SLT also works to improve the work-life balance of our employees through initiatives such as the Telecom Games, Provincial meets, and Regional awareness programmes aimed at improving relationships amongst regional staff.

Opportunities for promotion are available to employees based on their professional qualifications, performance, and experience. Employees are eligible for promotions if they qualify for the criteria defined in the SLT Staff Recruitment and Promotion Scheme. Candidates are selected for promotions through written examinations and/or interviews. In 2018, there were 46 executive level promotions and 863 promotions for non-executive employees.

## Training and development

SLT considers the development of our employees to be essential to the growth of SLT, in addition to being beneficial to employee retention and loyalty. Employee training and development is conducted at an individual and departmental level. Employees are provided with a combination of formal training, on-the-job experience, and regular feedback from their managers through an appraisal system that helps them and SLT identify what areas require more focus. SLT employees completed a total of 77,394 hours of training during January - December 2018.

## Unions and grievance handling

SLT has maintained social dialogue with trade unions since its privatisation. An open-door policy with trade unions; any trade union can meet with the Chief Human Resources Officer (CHRO) at any time and positive solutions are approached together for all issues. At least one formal discussion is conducted with all trade unions every three months. 18 active trade unions are recognised by the Company and almost all employees belong to at least one trade union.

Furthermore, a Grievance Handling Committee has been established along with a systematic and comprehensive mechanism to handle any staff grievances and issues. A detailed whistle-blowing policy is in place to allow any employee to safely and anonymously report any acts of misconduct that they have been subject to or witnessed.



## SOCIAL AND ENVIRONMENTAL CAPITAL



As the national ICT solutions provider of Sri Lanka, SLT contributes to the development of the country by building the digital infrastructure that is so intrinsic to the economy and the lives of its inhabitants. As a responsible corporate citizen, SLT believes in upholding the communities and country it is a part of. While the country moves steadily towards digitalisation, SLT is working to ensure that no one will be left behind by reducing the “digital gap” and promoting the ease and convenience of digitisation to the general public. We initiate and champion social projects around the country that aim to achieve this goal.

### Social initiatives

#### 160 School Development Programme



The “160 School Development Programme” commenced in 2016 to commemorate SLT’s 160th anniversary. The programme has empowered 160 schools with infrastructure for information technology and telecommunications facilities, providing the next generation of students to engage in their studies with modern technology and access to global education. Schools were provided with a free broadband connection (LTE or ADSL) as part of the initiative which supports the country’s vision to build a smart education system. SLT also conducted an ICT lecture comprised of the Ordinary Levels syllabus and provided English books to school libraries to cultivate good reading habits in students.

#### Batticaloa Emergency and Accident Project

SLT was the Super Platinum Sponsor for the Batticaloa Emergency and Accident Project (BEAP); the Company invested USD 300,000 in the project to build an Emergency and Trauma Unit at the Batticaloa Teaching Hospital.

The fully equipped unit is built to handle the large number of patients who seek treatment at the hospital, which treats approximately 700 patients every day. The upgrade will help the hospital better serve over 2 million people who live in Batticaloa, as well as the surrounding region including Trincomalee, Polonnaruwa, and Ampara.

#### e-Seniors workshops

The engagement of senior citizens is important in the country’s journey to digitalisation. To address the “digital gap” that exists in the growing segment of elderly people in the country’s population, SLT arranged workshops for senior citizens throughout the country to improve their ICT skills and enhance their wellbeing and independence.

#### Mobitel launches “DengueFreeChild” app

Mobitel developed the “Dengue Free Child” app in collaboration with the Ministry of Education and Ministry of Health, the University of Colombo, and Nanyang Technological University in



Singapore to combat the spread of dengue among school children. The app, launched in March 2018, enables users to report cases of dengue or suspected incidents so that action can be taken in the reported areas and alert parents to take precautions. The app is currently available for Android users on the Google Play Store.

### Nethrabhimana initiative

Mobitel launched a voice library as part of its Nethrabhimana initiative aimed at enhancing and enriching the lives of the visually handicapped. Upon its completion, the library was entrusted to the Sri Lanka Federation of the Visually Handicapped. The project combines story telling with modern technology on an Interactive Voice Response (IVR) platform and allows users to listen to captivating stories of five prominent Vesak Pandols on display in Colombo, enabling them to experience the splendour of Vesak from the comfort and safety of their homes. Mobitel collected the sum required for the project by seeking involvement and donations from the public and matching the donations made. Customers are encouraged to donate via voice or cash donation to extend this facility by sending an SMS to 6352.

### Wayamba School Internet project

Mobitel and the North Western Provincial Council facilitated the “Wayamba School Internet Project” in Kurunegala in September 2018 to provide Internet to schools in the North Western Province. Students from schools in the area will be able to enhance their ICT literacy for better prospects as a result of Mobitel enabling an environment for better learning outcomes. Mobitel’s affordable and accessible learning platform is simple to set up and manage and is flexible enough to meet the requirements of any individual, classroom, school, or province. The initiative is part of

Mobitel’s long-term vision for the digital empowerment of society, helping to build a knowledge-based society and bridging the digital divide in the country.

### WomenWill programme

Mobitel, a member of the GSMA Connected Women initiative, partnered with the Google Business Group (GBG) Colombo to introduce the “WomenWill” programme to the female segment of its retailer network. The initiative aims to create economic opportunity for women everywhere. A full-day workshop, held at the Mobitel Innovation Centre, aimed to impart digital, leadership, and entrepreneurial skills, work-life balance, help women make the most of technology, get inspired, get connected, and help them grow their business. The workshop included group activities, hands-on experience with apps, discussions, and icebreaker sessions. As a result of the overwhelmingly positive feedback received from the event, Mobitel will seek to organise more sessions in various districts.

### Cultural celebrations

Around the year, SLT celebrated several cultural festivals in the communities it operates within.

- SLT celebrated Thai Pongal by hosting events at the Sivananda Thapovanam ashram, a home for the destitute, orphaned, and handicapped children in Uppuveli, Trincomalee with a variety of activities on 12 January 2018. The harvest festival of Pongal is one of the most significant events in the year for the Sri Lankan Hindu community. 100 underprivileged children received a special lunch and sweets to commemorate the festive occasion, along with gifts and entertainment activities.
- SLT celebrated Vesak with a programme focusing on three areas: social, education, and environment. A School Seela programme was held at the Seelawimala School in Minuwangoda, with meals and porridge cooked with traditional rice for students, book donations to the school library, and broadband and Sisu Connect services provided to the school. A Pirivena programme at Galkanda Pirivena, Horampalla, Minuwangoda saw meals and porridge cooked with traditional rice offered to the monks, book donations to the library of the Pirivena, and the offering of Ata Visi Bodhi sets to the temple and ceremonial planting in the Temple premises.



- The Holy month of Ramadan is one of the most important events for the Muslim community in Sri Lanka; it is a month of giving and SLT recognises the importance of playing its role in raising public awareness and giving back to those in need. SLT hosted an Iftar meal for over 100 underprivileged Muslim children in 2018 and gave away gifts including school bags and stationery items as well as provided school books to the library of Muslim Balika Vidyalaya.
- SLT celebrated Christmas in 2018 with an event to provide meals and gifts to needy elders during the festive season, in keeping with the spirit of Christmas.

### Customer Clubs

SLT is focused on being a good corporate citizen and carries out activities linked to its Sustainable CSR strategy centred around six main categories: social, sports, education, professional bodies, nature, and art & culture. SLT Customer Clubs are an innovative way for the Company to build loyalty through sustainable society-empowering CSR programmes and various activities around the six aforementioned areas. The Clubs are operated and handled independently by SLT customers under the supervision and cooperation of the Regional Telecom office and Corporate Relations section. Some of the activities carried out by SLT Customer Clubs include:

- The donation of a water filter system to the Thalassemia ward of Kurunegala Hospital by CCL Kandy.
- The “Planting for Water” Sinharaja Reforestation project by CCL Ratnapura.
- A new house for an underprivileged family by CCL Anuradhapura.
- An IT workshop for IT teachers by CCL Avissawella.

### Environmental Initiatives

SLT is committed to the sustainability of our operations, including how they impact the environment around us. We constantly seek ways to mitigate or offset any adverse effects on the environment and operate in an environmentally responsible, economically sustainable manner. For instance, we reduce paper usage and wastage by relying on digitalising more of our internal processes and encouraging our customers to switch from paper bills to electronic bills.

These are some of the initiatives the SLT Group undertook towards the preservation of the environment:

### PV Solar implementation

SLT initiated the implementation of nine photovoltaic (PV) solar sites in 2018. Together with the eight sites commissioned in 2017, the system has a total capacity of 876 kilowatts and generates an estimated 1,156-Megawatt Hours per year, resulting in an estimated saving of LKR 25.2 Mn. per year and a reduction in SLT’s carbon footprint by 821 tonnes per year. SLT will seek to pursue power purchase agreements with suppliers who wish to install PV solar panels on the rooftops of SLT sites and sell energy to the Ceylon Electricity Board.

Additionally, SLT seeks to reduce energy consumption by building energy efficient structures and implementing LED lighting and inverter-type air conditioning at its sites.

Site	PV Capacity (kW)	Annual Power Generation (kWh)	Carbon Footprint (tonnes per year)
Moratuwa	50	66,000	46.9
Kotugoda	60	79,200	56.2
Welisara	131	172,920	122.8
Kaduwela	25	33,000	23.4
Hambantota	30	39,600	28.1
Ratmalana	90	118,800	84.3
Mattakkuliya	15	19,800	14.1
Wattala	50	66,000	46.9
Kelaniya	25	33,000	23.4
Chilaw	40	52,800	37.5
Maradana	90	118,800	84.3
Kuliyapitiya	15	19,800	14.1
Anuradhapura	90	118,800	84.3
Ja-Ela	35	46,200	32.8
Kurunegala	55	72,600	51.5
Gampaha	30	39,600	28.1
MV-Exchange	45	59,400	42.2
	876	1,156,320	821.0

### CFL and FTL recycling programme

SLT is a signatory of the ‘Minamata Mercury Convention’ and is committed to reducing mercury pollution. Through the compact fluorescent lightbulb (CFL) and fluorescent tube lights (FTL) recycling programme commenced in 2017, SLT aims to prevent environmental pollution and help preserve the ecological balance.

Total CFL collected	1,848
Total FTL collected	1,832
Other	93
Total Mercury reduction (mg)	15,092

### RO Water implementation at SLT Headquarters

SLT implemented a reverse osmosis (RO) water solution at the SLT Headquarters at a project cost of LKR 120,000 that is estimated to result in a saving of LKR 2.5 Mn. per year. Benefits from the initiative include the saving of time and space, a low payback period of approximately seven months, and a reduction in plastic pollution, as well as being healthier for employees.

### Reforestation drive

Mobitel partnered with THURU, one of the 10 finalists of Season 2 of *Kotiyak Vatina Adahasak*, Sri Lanka's first-ever innovation and entrepreneurship-based tech reality TV show. THURU is a gamified platform that encourages users to plant trees as part of a reforestation drive to plant 2 million trees by the end of 2020. The platform will make use of intelligent and forward-looking technologies such as Narrowband IoT, blockchain, and Artificial Intelligence (AI). Users can plant trees and upload images to the app which will then award points and rank the user on a leaderboard by calculating the oxygen output based on the plant type and age. The app will also help users to link up with like-minded nature lovers across the globe.





# REGULATORY CAPITAL



The Sri Lankan telecommunication industry is regulated by authorities for areas such as spectrum allocation, roaming charges, consumer rights, copyright, data protection, cyber security, and the wholesale fees that operators charge each other. These regulations serve to protect consumers and the industry, facilitate relationships between telecom operators, and maintain technical standards to ensure compatibility between different operators and devices.

The telecommunications industry in Sri Lanka is regulated by the Telecommunications Regulatory Commission of Sri Lanka (TRCSL) under the authority vested upon Sri Lanka Telecommunications Act No. 25 of 1991 as amended by the Act No. 27 of 1996. TRCSL regulates the extensive scope of the entire industry including Licensing framework, Spectrum Asset Management, Consumer rights Assurance, Security Assurance with data protection, privacy and cyber security, Charging systems and Tariff Regulations which all are paramount aspirations of the Telecommunications industry in Sri Lanka. In addition Government institutes namely Board of Investments, Ministry of Digital Infrastructure and Information Technology, Ministry of Mass Media, Right to Information Commission, Consumer Affairs Authority, Central Environment Authority, Department of Public Enterprises, Customs of Sri Lanka, Central Bank of Sri Lanka are the other key Influential Governmental bodies that have vital regulatory relevance to the Sri Lanka's Telecommunication Industry.

These regulatory Institution have derived policies and measures to protect both consumers and the industry by ensuring fair pricing of services, restricting anti-competitive behaviour, maintenance of technical compatibility, and achieving "universal service" which ensures as many households and persons as possibly are enabled to a hyper-connected world. The industry and the regulatory institutes has been ensued a prolonged journey with mutual understanding on the regulatory instruments. Telecommunications operators has been voice their issues and concerns with the relevant authorities more often to conclude in to a mutual sustainable solution to establish appropriate amendments and solutions to the processes and policies to safeguard the advancement of the country forward.

## Regulatory licensing

Regulatory licensing authorises an operator which nature of License system at what particular conditions are permitted to be provided within the specified territories and periods. The company, SLT is granted the National Backbone Network (NBN) License as per the Cabinet Approved Policy for NBN which is an Island wide Fibre Network Infrastructure and SLT is legitimately granted the sole authority to build this network for Sri Lanka. The NBN License grants to establish Island wide fibre presence covering all divisional secretariat areas within five year span as a rollout compliance and SLT has achieved this compliance in Sri Lanka by establishing fibre footprint covering all Divisional Secretariat areas. SLT holds systems licenses to provide both Fixed wired and Fixed wireless services, International services permissions, and vendor licenses to offer necessary services. Further SLT is the pioneer IPTV license holder who established the IPTV operation in the South Asian Region for the first time.

Mobitel (Private) Limited operates on key licenses required for a cellular mobile operator in Sri Lanka. Accordingly, Mobitel carries Land Mobile License which includes an authorisation to provide in door WiFi, Fixed Services license to provide Outdoor WiFi, several licenses related to spectrum which includes 3G and 4G technology. Further it has an External Gateway Operator license and a Vendor license. Apart from several of these licenses, Mobitel carries a License from the Central Bank of Sri Lanka for mobile money operations.

## Key roles in regulatory capital enhancement

Key roles in regulatory capital enhancements are;

- Assuring the precise license authorisation for all intended business operations (Systems, Vendor, etc.) from the regulator as per the enacted law.
- Obtain the necessary spectrum allocations for mobile and wireless operation for island wide network deployment.
- Establishment of regulatory compliance with all relevant Government entities.
- Compliance on tariff regulations, compliance on interconnections and management.
- Administration of regulatory directives within the Organisation with relationship management of the regulatory institutions.
- Managing customer relations and facilitate regulator in the process of safeguarding the consumer protection.
- Ensuring quality of service on networks, services with close monitoring and reporting process with regulator.

## Regulatory assets of SLT

The following assets are regulatory empowered and currently in our possession:

- Island-wide copper network with DSL capability with SLT's License Permission for Wired Network
- An Island-wide fibre optic network extending nearly 35,000 km as per the license authorisation on National Backbone Network (NBN) in Sri Lanka.
- Extensive 4G LTE network in both fixed and mobile space with radio Spectrums for frequencies on 3G, 4G LTE, 5G, Wi-Fi, Maritime Radio etc.
- Telecommunications tower Infrastructure of both Fixed and Mobile Operations.
- Brand names and goodwill as a public enterprise in Sri Lanka owning majority government shares.

## Regulatory risks faced by SLT

As wireless high-speed broadband solutions like 4G LTE are adopted by telecommunication service providers and new technologies like 5G enter the market, not all operators have access to advanced technology, which can have an adverse impact on market competition. There is a need for regulation to monitor and regulate the spread of technologies such as fibre since unregulated ventures by other operators can negatively impact on the entire industry cost growth with inevitable infrastructure duplication. There is also a need for a legal framework that protects operators from unregulated charging and taxing by local authorities and government agencies that can have adverse impacts on operational and capital expenditure as well as customer charges.

# STEWARDSHIP

## BOARD OF DIRECTORS



### **Mr P G Kumarasinghe Sirisena** **Chairman**

Mr Kumarasinghe Sirisena was appointed to the above position on 23 January 2015. He also serves as Director/Chairman of Mobitel (Private) Limited, eChannelling PLC, SLT Digital Info 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. He also serves as a member of the Remuneration and Nomination Committee.

Mr Sirisena was the Managing Director of State Development and Construction Corporation and CEO/General Manager of State Timber Corporation. He currently serves as a Director of the Land Reclamation and Development Company Limited (REDECO) and LRDC Services (Private) Limited. He counts over 32 years of work experience including general management, financial management, and human resource management in the private and government sectors.

Mr Sirisena holds a BSc Honors (Special) Degree in Management, Master of Business Administration (MBA), Master of Human Resource Management, Diploma in Business Management, a Postgraduate Diploma in Accountancy, Financial Management, and Project Management from the University of Sri Jayewardenepura and other institutions. In addition, he is also a Fellow member of the Chartered Institute of Marketing, Institute of Certified Professional Managers, Institute of Government Accounts and Finance, Association of Accounting Technicians of Sri Lanka, and the Association of Public Finance Accountants of Sri Lanka - the public sector wing of CA Sri Lanka. He is a certified member of the Sri Lanka Institute of Marketing, member of the Sri Lanka Institute of Directors, member of the Institute of Personnel Management of Sri Lanka, and an Associate member of the Association of FIR Professionals of Sri Lanka.



### 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 (Pvt) Ltd, SLT Property Management (Pvt) Ltd and SLT Campus (Pvt) Ltd. He also serves as Chairman of the Remuneration and Nomination Committee.

He counts over 40 years of experience in investment banking, general and financial management, and accounting. He worked at Ernst & Young and Morgan Grenfell & Co. Ltd. prior to joining the Usaha Tegas Sdn Bhd (UTSB) Group in 1992 as head of corporate finance. He 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 Paratz holds an MSc (Telecommunication Systems) with Distinction, and was awarded the Philips Prize from Essex University, and an MEngSc 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 40 years' experience in all facets of telecommunication including mobile, fixed, broadband, satellite and international and domestic networks. This includes capital and infrastructure development, operations, sales, customer service and regulatory issues. As a Director and Chief Executive of Acacia Australia Pty Ltd, he was responsible for the 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 Pty Ltd, 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) Ltd, Sky Networks (Pvt) Ltd., SLT Property Management (Pvt) Ltd., SLT Campus (Pvt) Ltd., Sri Lanka Telecom (Services) Ltd., Visioncom (Pvt) Ltd, and SLT Digital Info Services (Pvt) Ltd. He is also a Director of Real Thing Entertainment Pty Ltd, an Australian high technology company and Razorback Pty Ltd, a company incorporated in Victoria, Australia. Mr Paratz serves as the chairman of the Technology Sub-Committee and is a member of the Senior Tender Board and Remuneration & Nomination Committee.

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, 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 ONTrac at Peter Mac Adolescent and Young Adult Cancer Programme, and has been involved in a number of initiatives in e-health.



**Ms Lai Choon Foong**  
**Director**

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

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

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



**Ms Nilanthi Pieris**  
**Director**

Ms Nilanthi 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 also serves as a Director of SLT Human Capital Solutions (Private) Limited and SLT Property Management (Pvt) Ltd.

Ms Pieris is an Attorney-at-Law of the Supreme Court of Sri Lanka and counts over 31 years of experience including 31 years of practice at the Bar. At present, she serves as the 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 W K H Wegapitiya was appointed to the Board on 2 December 2015 as an Independent Non-Executive Director. He is a member of the Technology Subcommittee and Senior Tender Board. 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 bases. He was the past Chairman of the 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 the University of Sri Jayewardenepura and an MBA from the Postgraduate Institute of Management (PIM) affiliated to the same university. At present he is reading for his PhD in entrepreneurship at the PIM.

Mr Wegapitiya was awarded the lifetime honourable title of "Deshabandu" for his valuable contribution to the Nation's development and entrepreneurial efforts. He also recently won Entrepreneur of the Year at the 2017 ACES Awards.

### **Mr Kanishka Senanayake** Director

Mr Kanishka Senanayake was appointed to the Board on 17 September 2018 as an Independent Non-Executive Director. He is the Chairman of the Audit Committee and serves on the Board of eChannelling PLC, Mobitel (Pvt) Ltd., and SLT Property Management (Pvt) Ltd.

Mr Senanayake is a graduate of the University of Tampa, USA with a Degree in Finance. He also holds a Foundation Degree in Law from the University of Warwick, UK.

He started his career at Holcim Lanka Limited in Colombo, Sri Lanka as Business Development Manager from November 2009 to May 2013. Holcim was the largest cement manufacturer in Sri Lanka and a global conglomerate.

Currently, he is a Director of Serendib Engineering PLC, National Savings Bank Fund Management Company, and several other private companies.



### **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's 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 23 years he has 15 years of experience in the SLT Group and eight years in the mercantile and financial sector.

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



# LEADERSHIP TEAM







**1 Mr K A Kiththi Perera**  
**Chief Executive Officer and Chief Commercial Officer**

Dynamic, driven, purposeful Mr Kiththi Perera's decades of experience within Sri Lanka Telecom have seen him galvanising the Organisation at the helm of significant strategic and leadership roles across departments, as well as serving on the Board of Directors of SLT Services since 2016, and as CEO of SLT since June 2018.

A Chartered Engineer of the Engineering Council (UK) and Institution of Engineering and Technology (UK), and Masters Graduate from the University of Moratuwa in Electronics and Telecommunications Engineering, Mr Perera has brought his passion for the field and a deeper technical understanding to his twenty-four years of experience at Sri Lanka Telecom.

The diversity of his expertise has been instrumental in invigorating SLT to grow as an enterprise and government business over the last seven years, whilst supporting numerous key national projects such as CHOGM 2013, Sri Lanka's first purpose-built Tier III Data Centre at Pitipana, AKAZA Cloud, and the Colombo Lotus Tower.

Mr Perera was also appointed Project Manager of the Bharat Lanka Submarine Cable System Project in 2005, as was deeply involved in the high-level design of the repeater less submarine cable system (with RA amplifiers and DWDM technology) - which was the first in South Asia.

As a vital member of SLT's initial management team, Mr Perera was not only involved in planning, designing, and developing data access networks based on GSHDSL, Metro Ethernet and Digital Radio Access technologies, but was also responsible for introducing Metro Ethernet Technology to Sri Lanka in 2005. This was a key turning point in the country's technology field and was also Sri Lanka's leading IT project at the time.

In the course of his tenure at SLT since 1994, Mr Perera has represented the Organisation in countless national and

international forums, and was also the winner of the SLT Transformer Gold Award in the Senior Management Category in 2014.

Commencing his role as the telecom giant's CEO during the cusp of an extremely exciting time in the country's infrastructural and economic history, Mr Perera's passion and decades of experience in management will no doubt be instrumental in SLT's growth and synergy in the years to come.



**2 Mr M B P Fernandez**  
**Chief Operating Officer and Chief Technology Officer**

Mr Priyantha 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 31-year career as a professional in telecommunication industry, included overseas trainings, seminars, and various representations in forums organised by international training institutions, telco operators, and equipment vendors. He has recorded over 650 days of such exposure during his tenure.

He has held a string of senior positions within SLT, culminating in his current position as the Chief Operating Officer and Chief Technology Officer. In this role he oversees the entire planning, operation, and maintenance of SLT networks and projects 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 in 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 a significant contribution.

He was 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 and Senior Chief Officer/Digital Transformation

Mr Mahinda 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 a career spanning over three decades at SLT, he has gained multidisciplinary exposure in the fields of Engineering, Management, Regulation, and Business.

He has held a number of senior positions at Group and Company level, including the positions of Group Chief Planning Officer, Chief Corporate Officer, Chief Digital Officer, General Manager in charge of International Business, General Manager in charge of Regulatory Affairs, and Deputy General Manager in charge of Colombo Metro.

Mr Herath has gained extensive training offered by reputed international service providers, 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 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 leading the Digital Transformation of the SLT Group and is a sought-after speaker and panellist in the international circuit on Digital Transformation and related topics. He gave leadership to creating a Planning Group within the Company, developing it as a centre of excellence and overarching its activities across the entire SLT Group.

### 4 Mr Ajantha Seneviratne Group Chief Marketing Officer

Mr Ajantha 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 Open University of Sri Lanka (OUSL). In addition, he holds an MBA from the University of Sri Jayewardenepura. Mr Seneviratne is a Chartered Engineer and a member of The Institution of Engineers of Sri Lanka. He counts over 15 years of experience in Marketing. He is also the Chief Executive Officer of SLT VisionCom (Private) Limited.

### 5 Mr Chandrasiri Kalupahana Group Chief Internal Auditor

Mr Chandrasiri Kalupahana joined SLT in September 2016 as the Group Chief Internal Auditor. Immediately prior to joining SLT, he worked as Chief Financial Officer at Regional Development Bank (RDB), a 100% Government-owned bank with 265 branches across the island.

He has worked as Head of Audit at several companies. In addition, he has held senior positions at local and overseas, companies, serving at a number of key positions including; Chief Financial Officer, Assistant General Manager, Senior Deputy General Manager, and General

Manager/CEO in the fields of Banking, Finance, Insurance, Manufacturing, Civil Engineering, Aviation, Trading, Entertainment, Automobiles etc. He has more than 35 years experience in the private and public sectors. He holds valuable international exposure working in British, Irish, and American Companies for several years in Tanzania, Angola/UK, and Saudi Arabia. He has 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 has received extensive local and overseas training in different fields.

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 Institute of Certified Management Accountants of Sri Lanka, the Association of Accounting Technicians of Sri Lanka, the Institute of Professional Managers of Sri Lanka, and had membership at the Board of Certified Public Accountants and Auditors of Tanzania during his tenure there.

Mr Kalupahana is a Governing Council member and the Chairman of the Business School, of CA Sri Lanka.

### 6 Mr Saman Perera Group Chief Information Officer

Mr Saman Perera possess over 25 years experience in the IT industry as a thought-leader and innovative technology manager with a strong technical background. During his career, he has given leadership to large scale software development projects for business and national-level solutions including the Electronic Travel Authority for the Department of Immigration and Emigration and mTicketing for Sri Lanka Railways. He has also given leadership in implementing complex large-scale projects in the telecommunication industry with multiple international suppliers.

In addition to his GCIO role, he leads Mobitel's Information Systems group and transformed it to become a key strategic unit that shaped Mobitel's



business and entire value chain. The powerful professional IT team, with his leadership, has fuelled many innovations in digital services while bringing down the TCO of many critical aspects of Mobitel's business operation.

He holds an MBA in Management of Technology from University of Moratuwa, an MSc in Computer Science, and a BSc from University of Colombo. He serves as a resource person for the MBA in Information Technology at University of Moratuwa, and served as a visiting lecturer for the Postgraduate Diploma/MBA in Information Systems, University of Colombo. He is currently serving as a Board member of the University of Colombo School of Computing (UCSC) representing the industry.

He is an active member of the Computer Society of Sri Lanka, and has served as a council member. He won the prestigious "CIO of the Year" award in 2015 – a once in lifetime accolade – from the Computer Society of Sri Lanka.

### 7 **Mr Sanjeewa Samaranayake** Group Chief Financial Officer

Mr Sanjeewa Samaranayake is the Group Chief Financial Officer of Sri Lanka Telecom PLC and counts over 25 years of management and finance experience, holding senior positions in manufacturing, trading, and service sector companies in Sri Lanka. He has a Bachelor of Commerce Degree from the University of Colombo and is a Chartered Management Accountant with an MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura. He is also a Fellow of the Institute of Certified Management Accountants of Sri Lanka. Prior to joining SLT as the Group CFO in September 2018, he held various senior positions in many reputed companies in Sri Lanka. He was awarded the prestigious "Platinum Honours Award" and the "Diamond Service Award" for the Most Outstanding Business Leader of the Year by the Postgraduate Institute of Management Alumni at inaugural events held in 2010 and 2016.

### 8 **Mr D W R Wijeweera** Senior Chief Officer/ Information Technology

Mr Rohana 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.

### 9 **Mr Chinthaka C Wijesuriya** Senior Chief Officer/ Regional Operations

Mr Chinthaka 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, including 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 contributions to SLT's New Generation Network (NGN), Sri Lanka Backbone Network (SLBN), Fibre To The Home (FTTH), 4G LTE, and National Broadband Programme (i-Sri Lanka) projects.

### 10 **Mr Prabhath R Ambegoda** Chief Corporate and Digital Officer

Mr Prabhath Ambegoda currently holds the position of Chief Corporate and Digital Officer of the Company. His current portfolio spans Corporate Strategy, Regulations, Tariff, Programme Management, Digitalisation, and Corporate Relations of the Company.

He joined Sri Lanka Telecom in 1991 as an Engineer, and counts over 27 years of multidisciplinary experience in the telecommunication industry, in the field of Engineering, Management, Customer Services, Human Resources, and Regulations. He has previously served in several managerial positions at Sri Lanka Telecom as Regional Telecommunication Engineer, Project Engineer, Operations engineer, Deputy General Manager in Human Resources, Deputy General Manager in Corporate Strategy, General Manger in New Business Development, General Manager in Regulatory Affairs, General Manger in Tariff and Interconnections, and General Manager in Corporate Strategy. He counts 18 years of experience in Corporate Management within the telecommunication industry.

During his career, he has gained extensive industry related knowledge and training from National University of Singapore, University College Dublin, Ireland, Korea Telecom Training Centre, South Korea, NTT Training Centre, Japan, and Telecom Training institutes in Sweden, UK, India and Malaysia. Further, he has undergone several certificate courses in other disciplines such as Management Accounting, Marketing, Secretariat services, and General Management. He is also a trainer of Commonwealth Telecommunications Organisation (CTO) programmes.

Mr Ambegoda is a Chartered engineer by profession, holds a BSc (Eng) Honours degree from University of Peradeniya, specialising in the field of Electrical and Electronics Engineering. He is a Fellow member of the Institution of Engineers in Sri Lanka (IESL) and holds a Master of Business Administration degree from Anglia Ruskin University, UK.

## 11 Mr Prabhath Dahanayake Chief Marketing Officer

With a career spanning over 25 years at Sri Lanka Telecom, Mr Prabhath Dahanayake's multi-disciplinary exposure in the fields of Engineering, Project Management, Business and Marketing position him as an invaluable resource in this dynamic time in the organisation's journey.

During his quarter-century tenure at SLT, Mr Dahanayake has held an illustrious variety of senior management positions at the telecom giant, including but not limited to over a decade's worth of marketing experience, as well as Head of Province and General Manager - Product Development and Management.

A Chartered Engineer with a BSc Degree in Engineering in Electronics and Telecommunications from the University of Moratuwa, he completed a Master's Degree in Business Administration with core studies at the University of Ruhuna.

Mr Dahanayake has been instrumental in driving the Company's broadband-led new services development, as well as the crucial re-positioning of SLT's flagship products and services. His new role as Chief Marketing Officer stations him on an ideal platform to revolutionise Sri Lanka Telecom's strategy and marketing vision.

During his carrier, he has gained extensive industry related knowledge and trainings from NTT training centre-Japan, Training institute in Netherland, Nokia of Finland, Spain and UK.

## 12 Mr Udeni K Samararatne Chief Financial Officer

Mr Udeni Samararatne is a Member of the Association of Chartered Certified Accountants United Kingdom and the Chartered Institute of Management Accountants, United Kingdom. He also possesses a higher Diploma in International Relations from the Bandaranaike Centre for International Studies (BCIS). He has obtained a Diploma in Diplomacy from the Bandaranaike International Diplomatic Training Institute. He also

holds an MBA from the SBS Swiss Business School Zurich, Switzerland. He is currently reading for a Master of Financial Economics from the University of Colombo. He has over 30 years of experience in finance, financial management, accounting, and strategic planning. He has also worked in diverse industries such as manufacturing of automobiles, rubber and plastic products, ceramics, tyre production, confectionery manufacture, telecommunications, and printing and packaging.

During his career he worked at multinational companies such as Ferrero International, the Luxembourg based chocolate manufacturer; Ashok Leyland Group of India, a company involved in the manufacture of commercial vehicles; Noritake of Japan, a giant in the ceramic industry etc. He has also worked in reputed Sri Lankan public listed companies such as Richard Pieris PLC, a large diversified company; Lanka Ashok Leyland PLC, Acme Printing and Packaging PLC, etc. He was also attached to Ceat Kelani Holdings, Sri Lanka's premier tyre manufacturer. Prior to joining SLT, he was the Group General Manager Finance at Ceat Kelani Holdings Limited group of companies.

## 13 Ms Indrani Hissalle Chief Human Resources Officer

Ms Indrani Hissalle joined SLT in 1993 as an Engineer and during her 25 years of service, she has gained extensive experience in regional operations, project management, training, as well as contact centre business - including administration and human resources.

She was the Gold Award winner for Human Resources Management at the 7th Professional and Career Women's Awards in 2017. She was also awarded the Women Leadership Excellence citation at the Sri Lanka Women Leadership Awards 2018. Furthermore, Ms Hissalle was awarded the Asian HR Leadership Award in 2018.

She is an executive member of the Association of Human Resource Professionals and a Past President of The Institution of Engineers Sri Lanka (IESL) Provincial Centre. She is a Fellow

Member of the IESL and a Member of the Institute of Electrical and Electronic Engineering, IEEE (USA). Ms Hissalle is a visiting lecturer at the University of Peradeniya since 2006. She is a member of the Industry Advisory Board of the Faculty of Engineering, University of Peradeniya. Further, she is Head of the Academic Board of Edexcel BTEC Higher National Diploma in SLT and Administrator of the Franchise Degree awarding programme from University of Hertfordshire, UK.

She holds a BSc. in Electronic and Electrical Engineering and an MSc. in Telecommunications Engineering from the University of Peradeniya. She is currently reading for a PhD at the University of Peradeniya. She has completed postgraduate education on Employment Relationships with the Employers' Federation of Ceylon with collaboration of the International Labour Organization.

## 14 Mr Imantha Wijekoon Chief Sales and Regional Officer I

Mr Imantha Wijekoon is a Chartered Engineer with a Degree in Electronics and Telecommunications Engineering from the University of Moratuwa. In addition, he holds an MBA from the Postgraduate Institute of Management, 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 the consumer sales segment.

## 15 Mr B Lionel Imbulana Chief Sales and Regional Officer II

Mr Lionel Imbulana joined SLT in 1984. He was appointed as Head of Division - New Connections in 1998 and thereafter promoted to Chief Sales and Regional Officer in November 2018. He is a Chartered Engineer of The Institute of



Electronic and Radio Engineers (IERE) in UK and a member of The Institute of Engineering Technology (IET) of UK. He holds a Master's Degree in Business Administration (MBA) from the University of Kelaniya. He has wide experience in Electronic Switching Projects implementation development and manages Operations and Maintenance of the Outside Plant Network and Customer Service Assurance.

He has made an immense contribution to design and development of Workforce Management (WFM) system, which automates customer faults management systems with improved customer satisfaction. The system is in use by field operational staff.

### **16 Mr Janaka R Abeysinghe** **Chief Enterprise and Wholesale Officer**

Mr Janaka Abeysinghe joined SLT in 1991. He is a Fulbright Scholar, and holds a BSc Degree in Electronics and Telecommunications Engineering with First Class Honours from the University of Moratuwa, Sri Lanka and a Master's Degree in Electrical and Computer Engineering from the University of Kansas, USA. He is a Chartered Engineer, a member of the Institution of Engineers Sri Lanka, and a member of the Computer Society of Sri Lanka.

In his present role, he leads the Enterprise and Wholesale business of SLT that provides integrated voice and data solutions to enterprises, government institutions, domestic Telco operators, and global wholesale Carriers. In his career at SLT spanning 27 years, he held a number of senior positions, including General Manager Enterprise and International Sales, and has extensive experience in the areas of Domestic and International Switching, Data Communications, Business Development, Enterprise Communications Solutions, and International Voice and Data Business.

Mr Abeysinghe serves on the Board of the Sri Lanka Institute of Nanotechnology (SLINTEC) as a Non-Executive Director. He was a Member of the Taskforce on Formulating a National ICT Plan 2011-2016. Before joining SLT he was an Assistant Lecturer at the University of Moratuwa, Sri Lanka, and currently serves there as a Visiting Lecturer.

### **17 Mr P Roshan Kaluarachchi** **Chief Customer Officer**

Mr Roshan Kaluarachchi joined SLT in 2010 as Chief Marketing Officer. He is a Chartered Marketer, holding a Postgraduate Diploma in Marketing - CIM, a Fellow of the 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 has been a judge at the SLIM Brand Excellence Awards. Currently, he is reading for a PhD in Management and Business Studies at the University of Colombo.

Mr Kaluarachchi is a veteran in the field of Marketing and Business Management with over 25 years of practice across the entire spectrum of Marketing, Sales Management, and Strategic Business Management, in multinational and Sri Lankan blue-chip companies. He has cross-industry experience covering FMCG and Consumer Durables, and over 12 years in telecommunications, across 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.

### **18 Ms Maneesha Jinadasa** **Chief Logistic Officer**

Ms Maneesha Jinadasa has 34 years of experience at SLT, of which she served as Deputy Chief Officer for 17 years. She has served in the capacity of Deputy Chief Human Resource Officer, Deputy Chief Quality Assurance Officer, Deputy Chief Officer/Corporate Programmes where she headed Quality Assurance, Transformation and Project Management Office, and Deputy Chief Network Officer, before being promoted to Chief Logistics Officer in April 2018. Ms Jinadasa holds a BSc Engineering Degree in Electronics and Telecommunications from the University of Moratuwa, a Master's Degree in Electrical & Electronics Engineering from Netherlands, and a Master's Degree in Business Administration from the University of Colombo. She is also a Corporate Member of the Institute of Engineers Sri Lanka (IESL).

### **19 Mr R M P S Samarajeewa** **Chief Network Officer**

Mr Mangala Samarajeewa joined SLT in 1994 and holds a BSc (Eng.) in Electronics and Telecommunications from the University of Moratuwa, Sri Lanka. He is a Chartered Engineer and corporate member of the Institution of Engineers, Sri Lanka. With 24 years of work experience in various capacities, he has strong managerial and technical skills to provide leadership to SLT's Network Group.

As a professional in the telecommunication industry, he has participated in many overseas trainings, seminars, and various forums organised by international training institutions, top ranking telecommunication service providers, and reputed telecommunication equipment vendors. In this role he oversees the entire network operation of SLT including Transport and Access, Network Services, Data Centre and Cloud Services, Application Services, Power and AC, Service Operations, and Projects.

In the path to his current position as Chief Network Officer, he has proven excellence in management of technology and programme management as a senior manager. His major achievements are leading the implementation of National Broadband Network (i-Sri Lanka Programme), Lanka Government Network (LGN) and the SEA-ME-WE-5 Submarine Cable System. He has overseen the operations of the Field Services Projects Unit in SLT for fast deployment of the network in the Northern and Eastern Provinces of Sri Lanka and also held a range of positions in operations and maintenance of the SLT network at regional level.

He is a member of the International Management Committees for the submarine cable consortiums of SEA-ME-WE 3, 4 and 5, Dhiraagu - SLT, and Bharath Lanka Submarine Cable Systems.

Mr Samarajeewa is the present Vice President of the Japan-Sri Lanka Technical and Cultural Association (JASTECA) and was the Past Secretary General of the South Asia Federation of AOTS Alumni Societies (SAFAAS).

## 20 Mr Tilak Gamalath Chief Information Officer

Mr Tilak Gamalath joined SLT in 1992. He holds a BSc (Eng) Honours Degree in Electronics & Electrical Engineering from University of Peradeniya, Sri Lanka. He is a Chartered Engineer of the Institution of Engineers of Sri Lanka and is a member of IET (UK). He has over 26 years experience in IT and Telecommunication. His experience counts 8 years in International switching, and 18 years in IT. He has held the positions of DGM/System Administration, GM/Systems, GM/System Development and Network, and GM/IT Infrastructure during his career in IT. He has pioneered introduction of IT Disaster Recovery, IT data centre construction, Infrastructure Consolidation and Virtualisation and Data Analytics, and has contributed to the introduction of multiple IT applications in SLT. He has vast experience in IT project management delivering successful projects.

## 21 Mr P W Sarath Chief Innovation and Culture Officer

Mr P W Sarath joined SLT in May 1985 and counts over 33 years of experience at SLT. He presently holds the designation of Chief Innovation and Culture Officer.

He started his career with SLT as an Engineer, Power Operations and Maintenance in 1985 and has since held the positions of Regional Telecommunication Engineer, Deputy General Manager, General Manager, Deputy Chief Officer, and Chief Officer of SLT, among others. He has extensive experience in Planning, Development, and Operation & Maintenance of modern and legacy telecommunication networks. Establishment of Network Operation Centre (NOC), setting up submarine cable depot, reinforcing the Project Management Office, inculcating the culture to bring Quality Management Systems as an integral part of the Company, and business innovation activities are some significant initiatives undertaken by him for the Company.

He is an elected Council Member in the Institution of Engineers Sri Lanka (IESL) and also serves as a panel member for conducting professional reviews for Engineering practitioners. He is a visiting lecturer of the Engineering faculty, University of Ruhuna. He is a module-leader cum lecturer for the UH (University of Hertfordshire) Degree Programme conducted by the SLT Training Centre, Welisara.

He holds a BSc (Eng) degree in Electrical Engineering from the University of Moratuwa in 1984 and a Postgraduate Diploma in Business Administration from the University of Ruhuna. He is also a Chartered Engineer, Member of Institute of Electrical and Electronics Engineers (IEEE/USA), Member of Institute of Engineering and Technology (IET/UK), Fellow Member of the Institution of Engineers, Sri Lanka and recently received his registration as International Professional Engineer (IntPE).

## 22 Mr K T P Fernando Chief Planning Officer

Mr Terrance Fernando joined SLT in 1984. He holds a Bachelor of Technology (Honours) Degree in Computer Engineering, a Postgraduate Diploma in Industrial Engineering and an MBA. A Chartered Engineer, he also obtained Graduate Membership of Radio and Electronic Engineers (UK) and Corporate Membership of Institute of Electrical Engineers (UK).

He served as Chairman of the Next Generation Network Implementation Team and led a range of initiatives to transform legacy switching systems to Soft Switches and IP Multimedia Subsystem (IMS) enabling the path for digitalisation. He was instrumental in planning, designing, commissioning, and operating Satellite Earth Stations, International Transmission Maintenance Centre, International Switching Centres, and Submarine Cable Systems at SLT. He was the Project Manager of the Telecommunication Network Expansion Project (TNEP) funded by the Japanese Bank for International Corporation (JBIC), under which all main nodes in SLT's network were linked through optical fibre ring networks and introduced Fibre to Curb (FTC) concept in Sri Lanka. He undertook responsibility for operation of IP Networks, ISP Network, Data Centres, and IP TV Network in the capacity of General Manager.

Mr Fernando has gained 34 years of extensive experience in the field of Telecommunications including Fixed and Wireless Communication, Process Management, Operation and Maintenance, and Project Management.

## SUBSIDIARY CHIEF OFFICERS



### **1 Mr Nalin Perera** **Chief Executive Officer,** **Mobitel (Private) Limited**

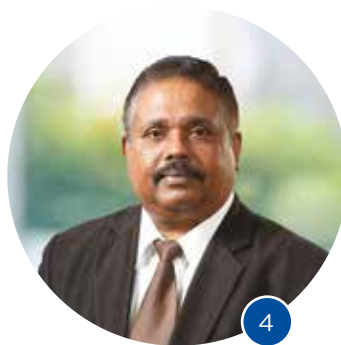
A dynamic catalyst in Sri Lanka's Mobile Telecommunications space, Mr Nalin Perera has powerfully influenced the industry's landscape and evolution, cementing his credentials as an industry veteran and front liner. In a stellar career spanning three decades with leading international and local telecoms, 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 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 page 77 for the profile.

**3 Mr P Roshan Kaluarachchi**  
**Chief Executive Officer, SLT Human**  
**Capital Solutions (Private) Limited**

Please refer page 80 for the profile.

**4 Mr Malraj Balapitiya**  
**Chief Executive Officer, SLT Digital**  
**Info Services (Private) Limited**

Mr Malraj Balapitiya is a Chartered Engineer and a Fellow of the Institution of Engineers Sri Lanka. He counts over 35 years of work experience at various strata of SLT's administration. He has swiftly climbed the corporate ladder from Technical Officer to Regional Telecom Engineer, Head of the Province, and to General Manager prior to his appointment as CEO of SLT Publications (Private) Limited.

At present, he holds the position of CEO at SLT Digital Info Services (Private) Limited. During his time as CEO, the Company has undergone a series of transformational steps to focus on business transition and digital transformation to provide a range of digital services to SMEs and Micro businesses.

He is a dynamic personality with managerial, marketing, and entrepreneurial skills which have helped Rainbow Pages to reach the highest echelons and become the only directory publisher recognised by the Government of Sri Lanka. Owing to his expertise and experience in the local search and media space, and his networking in South Asia, he has been appointed as a Member of the Board of Trustees of the Asian Local Search and Media Association.

In 2011, in addition to his present position, he was appointed as CEO of SLT VisionCom (Private) Limited (2011 - 2016), a company focused on delivering services through IPTV technology under the SLT PEO TV brand name.

**5 Mr Prabath Gunathunge**  
**Chief Executive Officer,**  
**SLT Property Management**  
**(Private) Limited, Sri Lanka**  
**Telecom (Services) Limited**

Mr Prabath Gunathunge is a Civil Engineer graduated from the 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 obtained an MBA from the Postgraduate Institute of Management in 2000.

Throughout his inspiring management career, he served in both public and private sector companies over 26 years. As key attainments in his professional journey, 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 the 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 for SLT, whilst adding value to Group synergy.

**6 Mr Ranjith Ganganath**  
**Rubasinghe**  
**Chief Executive Officer,**  
**SLT Campus (Pvt) Ltd.**

Mr Ranjith Rubasinghe has been with Sri Lanka Telecom for over 16 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 on 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), a certified Member of the Sri Lanka Institute of Marketing (SLIM), and an Associate Member of the Institute of Personnel Management (IPM).

Mr Rubasinghe held the positions of Chief Executive Officer of Mobitel (Private) Limited (2014-2017) and 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

Corporate governance at SLT is designed to create a sound and effective corporate culture that fosters trust and creates customer and shareholder value. It is based on our employees being familiar with best practices and working together to achieve common goals.

Good corporate governance, risk management and internal control are key elements of a successful business and a prerequisite to maintain the trust of customers, owners, employees, authorities and other stakeholders. SLT defines corporate governance as the relationship between shareholders, board of directors, executive management, other employees, other Group companies and other stakeholders. In a broader sense, it also encompasses:

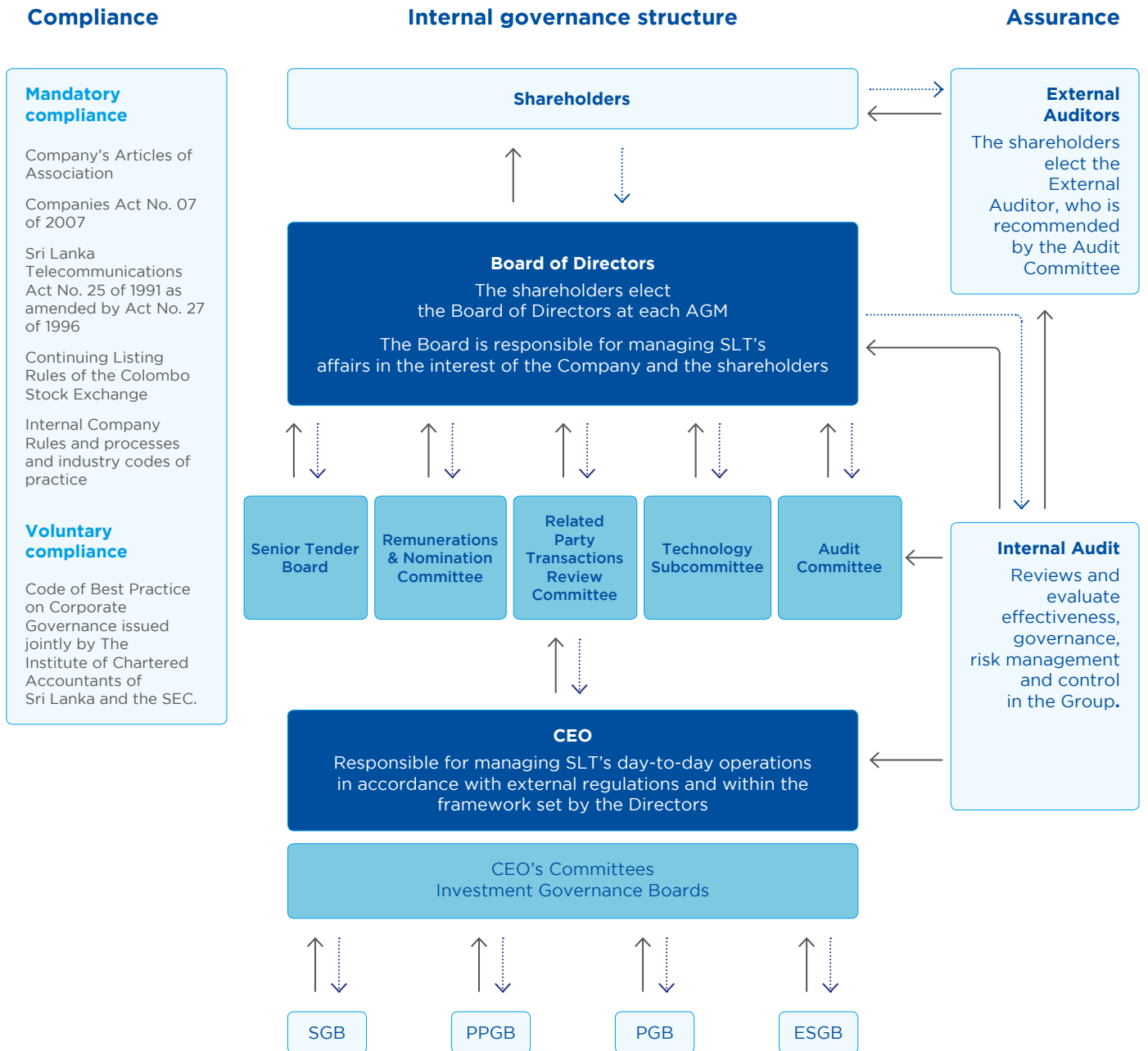
- How the vision, purpose and strategy are designed and communicated
- How well the values are complied with
- How goals are set and followed-up
- How risks are managed
- How future leaders are encouraged and developed
- How a corporate culture that promotes the interests of customers and builds shareholder value is created
- How transparency is promoted; and
- How we manage operations in a sustainable way

Corporate governance philosophy practiced at SLT is in full compliance with the following frameworks of legislation, codes and voluntary practices.

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



## SLT's Corporate Governance Framework



- SGB - Strategic Governance Board
- PPGB - Project Portfolio Governance Board
- PGB - Product Governance Board
- ESGB - Enterprise Solutions Governance Board

- ← Elects/Appoints
- ⋯→ Informs/Reports



## The Board of Directors

### Composition of the Board

During the year under review the Board comprised 07 Non-Executive Directors with 05 of them being Independent. The independence of the Directors has been determined in accordance with requirements set out by the CSE Listing Rules.

Their biographies on pages 70 – 73 of the annual report demonstrate a wealth of experience and sufficient calibre to provide independent judgment on issues of strategy, performance, resources, and standards of conduct which is vital to the Group.

### 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. recommends five and four directors to the Board respectively. The Board as empowered by the AoA of the Company appoints them to the Board, filling casual vacancies after deliberation of their qualifications, experience, and expertise in relevant functional areas by the R & NC. However, all Directors appointed by the Board are required by the Company's AoA to be elected by shareholders at the first AGM after their appointment. In addition, in terms of the AoA of the Company, one third of the Directors, who are longest in service retire by rotation and may seek re-election at the AGM.

## The role of the Board

### Providing Strategic Leadership

The Board is the highest decision-making body after the AGM. The Board is aware of 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, provides strategic directions reading the road ahead and visioning. They plan for the future while being flexible when changes are required.

The Board strives to provide strategic leadership within the business. The Board is accountable to shareholders for ensuring that SLT is appropriately managed and achieves the strategic objectives it sets. The Board carries out its responsibilities through a programme of at least eight scheduled meetings a year, which includes the approval of overall budgetary planning and business strategy.

The Board reviews internal controls and risk management policies and approves SLT's governance structure and code of conduct. It also appraises and approves major financing, investment and licensing decisions, and evaluates and monitors the performance of SLT as a whole. This includes:

- Engaging with, supporting, and challenging the CEO and other Senior Executives on SLT's financial and operating performance and external issues relevant to the Group's prospects
- Evaluating progress towards our financial and business objectives and annual plans

- Scrutinising the performance of management in meeting these objectives and plans
- Monitoring – through reports received directly or from various committees – the key significant risks facing SLT

The Chairman, along with the Chief Executive Officer (CEO), Chief Operating Officer (COO) 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 that reflects their duties and responsibilities. Support provided by the Company Secretary include the flow of information between Committees, the Board and Directors, and other key players involved prior to the meeting, as well as implementation of corporate governance and compliance with the requirements of the Companies Act, CSE Listing Rules and AoA of the Company.
- The CEO along with the respective Chief Officers and the Heads of Divisions presents their submissions to the Board and provides the necessary clarifications requested by the Board.
- In addition, all Board Papers are made available in electronic format, in line with the Group's sustainability initiatives.

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

Board Member	Status	Board	Audit Committee	Remuneration & Nomination Committee	Technology Subcommittee	Senior Tender Board	Related Party Transactions Review Committee
Mr Sirisena Kumarasinghe - Chairman	INED	8/8	-	5/5	-	-	-
Mr Chan Chee Beng	NED	8/8	-	5/5	-	-	-
Mr Lawrence Michael Paratz	INED	8/8	-	5/5	9/9	9/9	-
Ms Lai Choon Foong	NED	8/8	8/8	-	-	6/9	4/4
Ms Nilanthi Pieris	INED	8/8	7/8	-	-	9/9	4/4
Mr W K H Wegapitiya	INED	4/8	-	-	0/9	0/9	-
Mr A R Desapriya (Resigned w.e.f. 19.06.2018)	INED	4/4	5/5				2/2
Mr.Kanishka Senanayake (Appointed w.e.f. 17.09.2018)	INED	2/2	2/2				-

NED : Non-Executive Director

INED : Independent Non-Executive Director

## Delegation to Board Subcommittees

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

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

Other specific responsibilities are delegated to Board committees which operate within clearly defined terms of

reference. The Subcommittee Chairmen and Members meet the Corporate Executive Team members as and when required to discuss and develop proposals collectively in relation to the Group's strategy and key operational issues. Details of the responsibilities and operations of the Subcommittees are given on page 87 - 89.

Committee	Composition and Role	Meeting Frequency
Audit Committee	<p>The Audit Committee (AC) comprise Non-Executive Directors, majority of whom are independent. A member of the Committee is a member of recognised accounting bodies.</p> <p>The members of the Committee are; Mr Kanishka Senanayake, Chairman (Appointed w.e.f. 17 September 2018) Ms Lai Choon Foong, Ms Nilanthi Pieris Mr A R Desapriya (Resigned w.e.f. 19 June 2018)</p>	A minimum of four meetings per annum and at such other times as the Chairman of the Committee shall require.

Committee	Composition and Role	Meeting Frequency
	<p>Pursuant to the resignation from the directorate of SLT, Mr A R Desapriya ceased to become Member of the Committee effective 19 June 2018. Mr Kanishka Senanayake was appointed as a member/Chairman of the Committee effective 17 September 2018.</p> <p>The CEO, the Group Chief Financial Officer, and the Group Chief Internal Auditor attend the meetings by invitation.</p> <p>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 95 and 96 of the annual report sets out in more detail the Committee's policies, practices and areas of focus.</p>	
Remuneration & Nomination Committee	<p>The Remuneration &amp; Nomination Committee (R&amp;NC) comprises Non-Executive Directors majority of whom are independent.</p> <p>The members of the Committee are; 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 review of Board composition, 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 CEO, CEOs of subsidiary companies, and senior management.</p> <p>The CEO attends meetings by invitation, as and when required by the Committee.</p>	Once a year and at such other times as the Chairman of the Committee shall require
Related Party Transactions Review Committee	<p>The Related Party Transactions Review Committee (RPTRC) comprises Non-Executive Directors of whom two directors are independent. The Chairman of the Committee is an Independent Director.</p> <p>The members of the Committee are; Ms Nilanthi Pieris - Chairperson Ms Lai Choon Foong Mr A R Desapriya (Resigned w.e.f. 19 June 2018) Mr Kanishka Senanayake (Appointed w.e.f 17 September 2018)</p> <p>The objective of the sub-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 Code of Best Practices on Related Party Transactions issued by the CSE.</p>	A minimum of four meetings per year.

Committee	Composition and Role	Meeting Frequency
Technology Subcommittee	<p>The Technology subcommittee (TSC) comprises Independent Non-Executive Directors.</p> <p>The members of the Committee are; Mr Lawrence Paratz – Chairman Mr W K H Wegapitiya</p> <p>The TSC comprises Directors with technical expertise who are assigned the task of studying available technology and providing a platform for engaging in intense technical discussions and looking at roadmaps with a long-term perspective. CEO 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, CEOs of subsidiary companies are also 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
Senior Tender Board	<p>The Senior Tender Board (STB) comprises Non-Executive Directors.</p> <p>The members of the Committee are: Ms Lai Choon Foong – Chairperson Mr Lawrence Paratz Mr W K H Wegapitiya Ms Nilanthi Pieris</p> <p>The CEO and the GCFO are appointed to the Committee by the Board to review the Group's 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> <ul style="list-style-type: none"> <li>Board of Directors – Value exceeding LKR 50 Mn.</li> <li>Senior Tender Board – Value between LKR 25 Mn. and LKR 50 Mn.</li> <li>Junior Tender Board – Value less than LKR 25 Mn.</li> </ul>	Prior to every Board meeting

## 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 to 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.

## Role of the Chairman and 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 focusses on strategic issues and monitoring the business and executive team. He ensures Board procedures are followed and all Board members effectively participate during meetings.

The Chief Executive Officer (CEO) together with the Chief Operating Officer (COO) is responsible for day-to-day management of the business and leadership of the executive team, and execution of the Group's strategic and operating plans. The Chairman meets the CEO and the COO regularly to discuss any issues pertaining to the Company's performance, operational matters, and human resources aspects.

## The Company Secretary

The Company Secretary is responsible to the Board and is available to individual Directors in respect of Board procedures.

The Company Secretary supports the Chairman in delivery of the agenda, in particular the planning of the annual cycle of Board and Board Committee

meetings, and ensures that information is made available to Board members in a timely fashion. He also advises the Directors on Board procedures and corporate governance matters.

The Company Secretary was appointed in November 2014. He is Secretary to all the Board committees as well. The Company Secretary is an Attorney-at-Law and an Associate member of the Institute of Chartered Secretaries and Administrators, United Kingdom.

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 internal control and risk management. The Board was directly involved in assessing the risks associated with the business and of the Company through the Risk Management process. Continual monitoring is established and built into work processes assessing new and potential risks from a bottom-up flow.

## Strategic Governance Boards (SGB)

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

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

## Codes of Conduct and Practice

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

## Material Contracts

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

## Remuneration

SLT's CEO is the head of management and is, therefore, remunerated as part of Senior Management. The R & NC recommends the salary package of the CEO to commensurate with his qualifications and experience for the approval of the Board. The CEO's performance is assessed based on key performance indicators agreed upon with him.

## Remuneration of Non-Executive Directors

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

Fees for the Chairman and the Non-Executive Directors were revised in July 2018 in commensurate with their engagement and time spent on complex issues of the Company.

The fees for non-executive Directors other than the Chairman comprised a fee for attendance at Board and Board's 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 sub-committee meetings is reimbursed.

The aggregate Directors' fees paid to non-executive Directors for the financial year ended 31 December 2018 was LKR 16 Mn.

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

## Remuneration of Senior Management

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

The following are the principles for remuneration to Senior Management:

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

## Constructive use of the Annual General Meeting

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

## Major transactions

The Board of Directors, as required by the Companies Act, discloses 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 2018.

## 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 Committee under the Board of Directors to enhance corporate transparency and promote fair transactions between SLT and its subsidiaries. Accordingly, a RPTRC was formed comprising three Non-Executive Independent Directors with the objective of ensuring that the interests of shareholders are taken into account when entering into RPTs.

The Company has a related party relationship with its subsidiaries as disclosed in Note 34 of the Notes to the Financial Statements. However, the Board believes those transactions are exempted in accordance with exceptions specified in the Code of Best Practices on Related Party Transactions issued by the SEC. All these are recurrent transactions and are in the ordinary course of business of the Company.

## Statement of Compliance

SLT is fully compliant with the requirements stipulated in Section 7.10 on "Corporate Governance" of the Continuing Listing Requirements of the Colombo Stock Exchange issued in 2010 and subsequent amendments/guidelines thereto. See the tables on pages 93 and 94 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 in a timely manner.



Statement of Compliance under the Rules of CSE on Corporate Governance			
CSE Rule No.	CSE Rule	Compliance Status	SLT Action
7.10. a,b,c	Compliance		
	Compliance with Corporate Governance Rules	✓	SLT is in compliance with the Corporate Governance Rules
7.10.1	Non-Executive Directors (“NED”)		
(a), (b) (c)	Two members or 1/3 of the Board, whichever is higher, should be NEDs.	✓	All Directors are Non-Executive Directors
7.10.2	Independent Directors (“ID’)		
(a)	Two or 1/3 of NEDs, whichever is higher, should be independent	✓	As at 31st December 2018, 5 out of the 7 NEDs are 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
7.10.3	Disclosures relating to Directors		
(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 Director’s experience	✓	Refer 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.
7.10.4	Determination of Independence		
(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, 5 NEDs are considered Independent.  Mr Chan Chee Beng, Director of Global Telecommunications Holdings N.V (“GTH”) which holds 44.98% stake and Ms Lai Choon Foong a who is an employee of a related company of GTH are considered non-independent NEDs

Statement of Compliance under the Rules of CSE on Corporate Governance			
CSE Rule No.	CSE Rule	Compliance Status	SLT Action
7.10.5	Remuneration Committee (RC)		
	Composition		
(a)	The Committee shall comprise of a minimum of two IDs or of NEDs, a majority of whom shall be independent	✓	RC comprises three NEDs out of whom two are Independent.  Chairman of the Committee is a NED.
	One NEDs shall be appointed as Chairman of the Committee by the Board of Directors		
(b)	Functions		
	The RC shall recommend the remuneration of the Chief Executive Officer (CEO) and EDs	✓	The Board determines the recommendation made by the RC in determining the remuneration of the CEO.  The fee for NEDs other than Chairman comprised a fee for attendance at Board meetings and Board Sub-Committee meetings. The Chairman is paid a monthly fee.
(c)	Disclosure in the Annual Report		
	Names of Directors comprising the RC	✓	Refer Board Subcommittees of the Annual Report
	Statement of Remuneration Policy	✓	Refer Board Subcommittees of the Annual Report
	Aggregated remuneration paid to EDs and NEDs	✓	Refer Board Subcommittees of the Annual Report and Note 7 to the Financial Statements
7.10.6	Audit Committee (AC)		
(a)	Composition		
	The Committee shall comprise a minimum of two IDs or of NEDs, a majority of whom shall be independent	✓	As at 31 December 2018, the AC comprised 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 Independent Director.
	CEO and Chief Financial Officer (CFO) should attend AC meetings	✓	The CEO, GCFO, 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	✓	Ms. Lai Choon Foong, a member of the AC is a member of professional accounting bodies

Statement of Compliance under the Rules of CSE on Corporate Governance			
CSE Rule No.	CSE Rule	Compliance Status	SLT Action
(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, re-appointment and removal of external auditors, and approve the remuneration and terms of engagement of the external auditor	✓	The Committee is responsible for appointment, reappointment and removal of External Auditors and also the approval of the remuneration and terms of engagement
(c)	<b>Disclosure in the Annual Report</b>		
	Names of Directors comprising the AC	✓	Refer Board Sub Committees of the Annual Report
	The AC shall make a determination of the independence of the Auditors and disclose the basis for such determination	✓	Refer the Report of the AC in the Annual Report
	A report by the AC setting out the manner of compliance during the period to which the Annual Report relates.	✓	Report of the AC is given in page 95

# AUDIT COMMITTEE REPORT

The principal purpose of the Audit Committee is to assist the Board in discharging its responsibilities to monitor the integrity of the Group's Financial Statements. In addition, the Committee reviews the adequacy and effectiveness of the Group's systems of internal control, monitors the effectiveness, performance and objectivity of the Internal and External Auditors, and evaluates SLT's revenue assurance capabilities and risk assessment.

The Committee also reviews the internal controls and risk management of subsidiary companies except Mobitel (Pvt) Ltd., which has its own Audit Committee.

## Role and responsibilities

- Monitor the integrity of SLT's Financial Statements and review any formal announcement relating to the Company's financial performance prior to submission to the Board for approval
- Makes recommendations to the Board concerning any proposed, new or amended accounting policy
- Meets with the External Auditors post-audit at the reporting stage to discuss the audit, including issues arising from the audit and any matters which the Auditors may wish to discuss in the absence of the Management where appropriate
- Recommends the appointment/reappointment of Auditors and their audit fees to the Board and the policy on non-audit services by the External Auditor
- Considers and recommends to the Board on the appointment of the Internal Audit Head, resourcing of the Internal Audit Department and its independent reporting line within the SLT Group

- Monitors and reviews the internal audit programme and its effectiveness
- Monitors and reviews SLT's systems for internal control, financial reporting and risk management
- Reviews the Internal Audit Reports covering various areas and activities of the businesses in the Group

The Committee has conducted its affairs in compliance with the Terms of Reference.

## Membership

The Committee comprises three Directors of whom two are independent Directors, biographical details are set out on pages 70 to 73.

Mr Kanishka Senanayake (Chairman)  
(Appointed with effect from 18 October 2018)

Ms Lai Choon Foong

Ms Nilanthi Pieris

Mr A R Desapriya ceased to be a member of the Committee consequent to his resignation from the Board of Directors with effect from 19 June 2018.

Ms Lai Choon Foong stepped down as the Chairperson of the Audit Committee with effect from 18 October 2018 and Mr Kanishka Senanayake was appointed as the Chairman effective that date.

Ms Lai Choon Foong is a member of 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 or previous senior positions in other organisations.

The following persons attend all meetings of the Committee by invitation:

- Group Chairman
- Chief Executive Officer
- Group Chief Financial Officer
- Group Chief Internal Auditor
- External Audit Representatives

Other members of Senior Management may be invited to attend as appropriate, to present reports and provide response to audit issues presented to the Committee.

The Company Secretary functions as the Secretary of the Committee.

## Meetings of Committee

The Committee met 8 times during the year 2018. The attendance of the Directors at the Committee meetings is given in page 87 of the Annual Report.

The activities and views of the Committee have been communicated to the Board of Directors through verbal briefings and by tabling the minutes of the Committee meetings.

## Activities of the Audit Committee

### Internal financial control and financial reporting

The Committee assists the Board of Directors to fulfil its responsibilities relating to the adequacy and effectiveness of the control environment, control over financial reporting and the Group's compliance to the CSE Listing Rules and Corporate Governance Code Jointly issued by The Institute of Chartered Accountants of Sri Lanka and SEC.

To fulfil these duties, the Committee reviewed:

- The External Auditors' management letters and their Audit Committee Reports and presentations;
- Internal audit reports on key audit areas and significant deficiencies in the financial control environment;
- Reports on the systems of internal financial control and risk management;
- Reports on fraud committed against the Group;
- The Group's approach to IT, cyber security and whistleblowing; and
- Reports on significant systems implementation.

### Internal audit

The Committee assists the Board to fulfil its responsibilities by ensuring the capability of the internal audit function and adequacy of its plans and resources. It reviews the annual internal audit plan, its purpose and responsibilities to ensure they are appropriate to meet the Company's needs.

To fulfil its duties, the Committee also considered;

- Internal audit's reporting line and access to the Committee and all members of the Board;
- Internal audit's plans and achievement of its plans;
- Key results of audits and other significant findings, adequacy of Management's response and the timeliness of resolution.

### Revenue assurance

The Committee reviews the effectiveness of the Revenue Assurance (RA) function in monitoring the existing systems in place, evaluating the risk of revenue leakages, detecting and minimising fraud, and initiating timely corrective action to resolve issues.

### Risk management framework

SLT focuses on risk management in the strategic, operational, compliance and financial areas.

Risk management forms an integral part of the business planning and review cycle. The Company's risk and control policy is designed to provide reasonable assurance that objectives are met by integrating management control into the daily operations, by ensuring compliance with regulatory and legal requirements, and by safeguarding the integrity of the Company's financial reporting and its related disclosures.

### External audit

The Audit Committee is committed to ensure that the external audit process remains effective on a continuing basis.

The Committee reviews the External auditor's plan including the scope of work, audit approach, resources and proposed fees for the quarterly review of the Group's financial results and statutory audit of the Financial Statements for the financial year.

The Committee ensures that communications with the External Auditors are clear, relevant and timely, and that any suggestions for improvements or changes are constructive and effectively implemented.

### External Auditor's independence

The Audit Committee ensures that policies and procedures are developed and complied with, on the use of the External Auditor for non-audit services, in accordance with professional and regulatory requirements to ensure the independence of the External Auditor. Any non-audit work to be performed by the External Auditor requires the prior review and approval of the Committee.

The Committee also ensures that fees incurred for non-audit services do not exceed the fees incurred for the

external audit in a financial year, and considers the relevant ethical guidance for Auditors.

### External Auditors fees

The fees paid to the External Auditor during the financial year 2018 are disclosed in Note 7 to the Financial Statements.

Key matters considered at meetings held during 2018:

- Reviewed the External Auditor's plan and fees, and recommended for approval of the Board
- Reviewed the External Auditor's findings and recommendations on the quarterly financial results and recommended the same for approval of the Board
- Reviewed the audited Financial Statements for the year 2017 and recommended the same for approval of the Board
- Reviewed the implementation of new accounting standards by Management within the required timelines
- Reviewed the changes in accounting policies and revision in the useful life of fixed assets proposed by Management followed the review by the External Auditors
- Reviewed and approved the internal audit plan, resources and budget
- Reviewed the internal audit reports including the key findings, recommendations and action taken by Management, and reported the high risk issues to the Board
- Reviewed and approved changes to the Internal Audit Charter

On behalf of the Group Audit Committee



**Kanishka Senanayake**  
Chairman

21 February 2019

# REMUNERATION AND NOMINATION COMMITTEE REPORT

The Remuneration and Nomination Committee of the Board, whose membership is set out below, consists solely of Non-Executive directors of whom majority are Independent Directors.

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

The Company Secretary functions as the Secretary of the Committee.

The Committee invites the Chief Executive Officer, Group Chief Financial 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:

- Recommend to the Board on formulation of proposals in respect of the remuneration policy of Non-Executive directors, Chief Executive Officer of SLT and its subsidiaries, and executive management of SLT.
- Nominate for Board's approval, suitable candidates to fill casual vacancies as the need arises.
- Review the career and development plans for the Company's most senior members of management with a view to ensuring there is an adequate talent pool.
- Review and recommend annual bonus payments and annual salary increments for all employees of SLT Group.

The Chairman and Chief Executive Officer are fully consulted on remuneration proposals.

## CEO and the Senior Management's remuneration

The main elements of the remuneration package for the CEO and senior management are basic salary, benefits, and performance related annual bonus. Payment of an annual bonus depends on achievement of operating profit targets and personal goals. Salary of the CEO and senior management are reviewed annually in January, considering year-on-year inflation of the Country, organisational performance, and individual performance.

## Chairman and Non-Executive Directors' remuneration

The Chairman's fee is determined based on the role and time commitment that is in excess of the normal level for a chairman. He is closely involved in strategy implementation and executing the Board's strategic decisions.

The remuneration of Non-Executive Directors solely comprises of an attendance fee at meetings, which is determined by the Board of Directors as a whole. The fee for Non-Executive Directors has been reviewed in May 2018, taking into consideration the increase of their responsibility levels, time commitment, and market comparators.

Details of the overall Directors' remuneration charged to the Group Income Statement is shown in Note 7 on page 141.

The Directors have no beneficial interests in any of the Group's subsidiary undertakings.

## Activities carried out during 2018

The Committee met on five occasions during the year 2018 and the activities carried out are summarised below:

- Recommendation for appointment of CEO and the COO from internally qualified staff.
- Review and recommendation of the appointment of the Group Chief Financial Officer.
- Recommendation of promotions to the position of senior management.
- Review of CEO, COO, and the Non-Executive Directors' remuneration.
- Recommendations for service extension of senior officers with permanent and fixed-term contracts of employment.
- Performance Review of senior management.
- Recommendations on payment of annual bonus and increments for employees of SLT and its subsidiaries.
- Making a recommendation for reconstitution of Board Subcommittees and Boards of subsidiary companies.
- Performance Evaluation of Chief Executive Officer and Chief Operations Officer.
- Review of the Staff Recruitment and Promotion Scheme for revision.

On behalf of the  
Remuneration and Nomination  
Committee



**Chan Chee Beng**  
Chairman

21 February 2019



# REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

## Objective

The objective of the Committee is to exercise oversight on behalf of the Board to ensure compliance with the Code on Related Party Transactions, as issued by the Securities and Exchange Commission of Sri Lanka (The Code) and with the Listing Rules of the Colombo Stock Exchange (CSE).

## Composition

The Committee comprise of three NEDs of whom two are independent directors. The members of the Committee are as follows:

Ms Nilanthi Pieris – Chairperson

Ms Lai Choon Foong

Mr Kanishka Senanayake (Appointed w.e.f. 18.10.2018)

Subsequent to the resignation from the Board, Mr A R Desapriya ceased to be member of the Committee with effect from 19 June 2018.

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

The Company Secretary functions as the Secretary of the Committee.

## Meetings of committee

The Committee met four meetings during the financial year 2018 and the attendance at these meetings is given in the Corporate Governance Report on page 87 The Chief Executive Officer and Group Chief Financial Officer attended the meetings by invitation.

The activities and views of the Committee have been communicated to the Board of Directors, through verbal briefings, and by tabling the minutes of the Committee's meetings.

## Policies and procedures

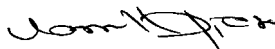
The members of the Board of Directors of the Company have been identified as Key Management Personnel. In accordance with the Related Party Transaction Policy, the declarations are obtained from each Key Management Personnel of the Company for the purpose of identifying parties related to them. Based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

## Activities during 2018

During the year the Committee reviewed the Related Party Transactions during the financial year 2018 and have communicated their comments and observations to the Board.

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

21 February 2019

# RISK MANAGEMENT

## Enterprise Risk Management (ERM)

The present context of a highly competitive and volatile business environment, market saturation of telecommunication operators, OTT Players, fast-changing technology, and economic uncertainties is exerting pressure on business operations. Hence, 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 implement effective risk management processes across the Organisation. Complying with the Board's direction, SLT developed the Enterprise Risk Management (ERM) process and ERM framework. References have been made to ERM best-practices such as ISO

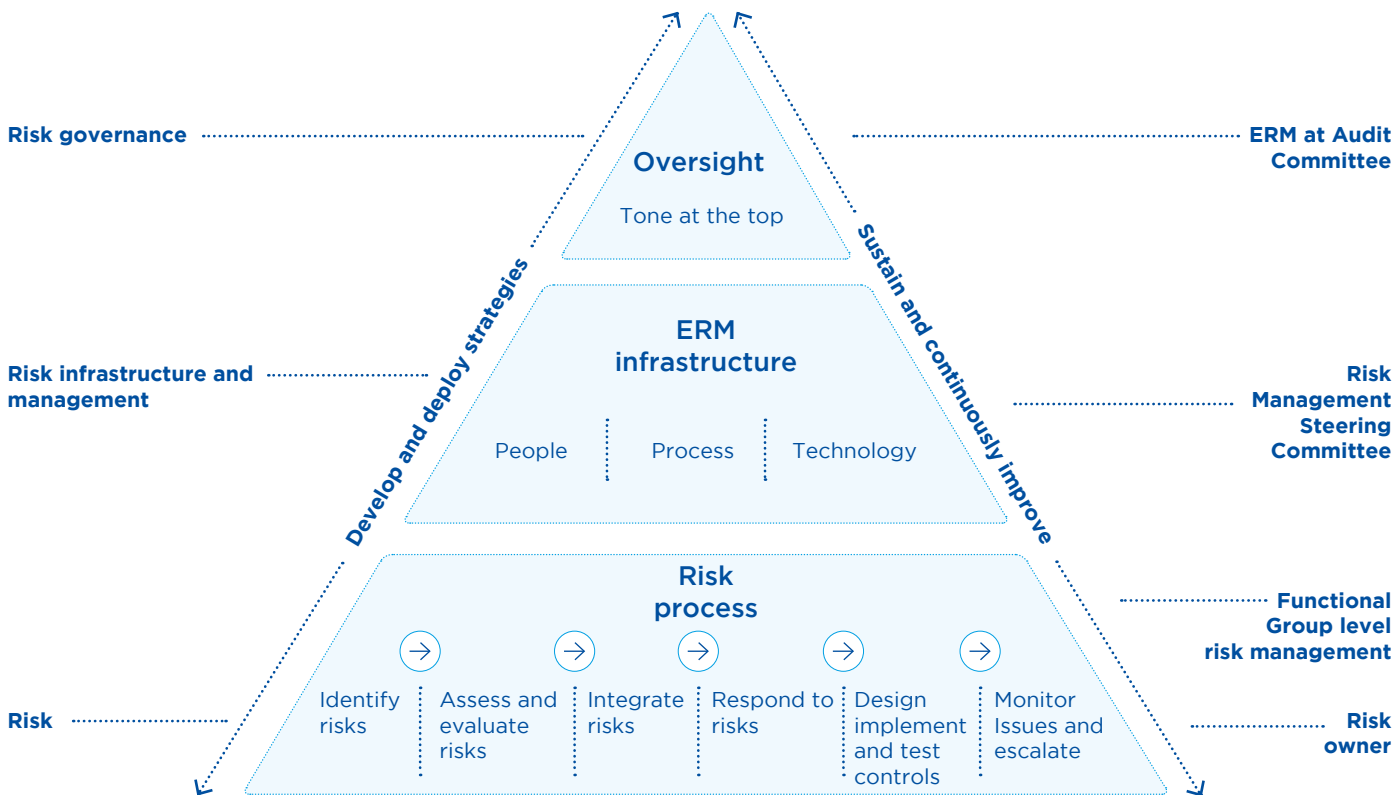
31000 and COSO, and due guidance has been obtained from Messrs Deloitte in this regard. SLT has started to identify and manage its functional risks in day-to-day business activities with implementation of the ERM process. Therefore, a risk management culture is inculcated within the Organisation.

A formal process for reporting risks 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 analysis of any escalated risks from functional groups and to identify key business-critical risks.

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 organisation of the ERM and its responsibilities with relevant groups.

## Risk management framework



Given below is a summary of top business-critical risks; both industry-specific and company-specific with a brief description of each risk, their potential impact, and actions taken to mitigate them.

### Financial risks

The main risks arising from our financial assets and liabilities are foreign exchange fluctuations, 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 fluctuations

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

The significant depreciation of the Sri Lankan rupee during the year had a huge impact on the Company's business and industry activities as well. 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.

### Escalating operating costs

Intense price competition among the competitors has compelled operators to maintain low profit-margins despite increasing operational expenditure. Increase of consumers' power and low switching cost has pressurised operators to invest in unique product features while also 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 strive 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 efficient utilisation of human resources.

### Economic risks

Changes in domestic, regional, and global economic conditions may have a material adverse effect on the demand for telecommunications, digital services, and information technology (IT) and related services, and hence, on our operations and financial performance. Economic headwinds that prevailed in the previous year leading to uncertainties in the macroeconomic environment diminished by the latter part of the year.

### Taxation

The Government's heavy taxation policy on telecommunication services adversely impacts the business of the Company. Government has revised the financial levies imposed on telecommunication services by reducing the telecommunication levy from 25% to 15% in order to improve the affordability of the service. However, Value Added Tax (VAT) of 15%, Nation

Building Tax (NBT) of 2% and CESS levy of 2% continue to be imposed on telecommunication services. In addition, International Telecommunication Levy and IDD levy are applied on international services. Since the burden of such levies and taxes are passed on to the consumer, demand and usage of telecommunication services could be adversely affected in a critical manner.

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

### Regulatory and legal risks

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

### Regulatory risks on license conditions

Telecommunication businesses require licenses issued by the Sri Lanka Telecommunication Regulatory Commission under the Telecommunication Act. Failures to meet regulatory requirements are liable to fines or other sanctions including litigation. Furthermore, such licenses, either right to access to a band of spectrum, or right to use a particular access technology secured by us, provide a competitive advantage in business. Violation of license conditions or exploitation beyond the authorised scope of licenses 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 our partners in the business to comply with regulatory requirements. We closely monitor new developments in the regulatory framework and regularly participate in discussions and consultations with 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”.

Refer Note 32 to the Financial Statements on page 168.

### Information security risks

In this information society, Organisations’ 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 and Company reputation. During the year, several ransom-ware attacks and hacking incidents were reported globally. Unfortunately, such cyber-security incidents are becoming more and more common, increasing in frequency and intensity, and the need for enhanced levels of sophistication in information security systems is 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 and activities such as vulnerability assessment of critical services, penetration testing, compromise assessment, and security architecture review are conducted on a regular basis to ensure compliance with ISO 27001 standard. Remedial actions are taken for identified vulnerabilities.

### 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 our human resource recruitment, training and development plan, reviewing our 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.

A golden handshake scheme was introduced to improve productivity of the Organisation and control the increase in cost of staff salaries and wages. Attracting and sustaining talent including new skills and capabilities, amidst the retirement of a significant number of experienced staff during the forthcoming years is a challenge to us. We are in the process of preparing a five-year training and development plan aligning with the organisational five-year strategic plan. Necessary project related trainings are offered to employees to enhance their technical skills and update themselves with the latest technologies. Further out-bound training opportunities, foreign trainings, and soft-skill enhancement programmes are offered to enhance employee motivation. We are consistently focused on making Sri Lanka Telecom a great place to work.

### **Threat from Over the Top (OTT)**

Over-The-Top (OTT) applications are increasingly becoming a threat to traditional voice and data revenues of telecommunication operators especially international on-net traffic, as consumers from generation Y and millennials are more comfortable with social networking and communication over internet platforms rather than traditional communication channels. Although OTT applications tend to reduce traditional voice revenue, it also becomes complementary to high broadband adoption and increased usage. 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 the existence of several telecommunication operators. In addition to competition among those traditional telecommunication operators, non-traditional competitors such as Over-The-Top (OTT) players have entered the market, flooding the market and creating intense competition. Competition in the domestic market has broadened to the international market.

We strive 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, and through our novel products based on Internet of Things (IOT) and connected devices. eSports events, robotics/machine-to-machine based new technology campaigns, and location-based product campaigns exhibit our capabilities, and our team is well-equipped in developing even more innovative products. Identifying the need, the Organisation structure has been restructured to develop digital products catering to market requirements.

# FINANCIAL REPORTS

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Annual Report of the Board of Directors on  
the Affairs of the Company - **104**

Statement of Directors in relation to their responsibility  
for the preparation of Financial Statements - **109**

Independent Auditors' Report - **110**

Statement of Profit or Loss and Other  
Comprehensive Income - **114**

Statement of Financial Position - **115**

Statement of Changes in Equity - Group - **116**

Statement of Changes in Equity - Company - **117**

Statement of Cash Flow - **118**

Notes to the Financial Statements - **119**



# 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 2018.

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

SLT was converted to a public limited company on 25 September 1996, under the Conversion of Public Corporations or 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.

The Company’s interest in subsidiaries/joint ventures and their business activities are as follows:

Name of the subsidiary/associate	Business activity
Mobitel (Private) Limited	Mobile telephone services
eChannelling PLC	Information infrastructure for the healthcare industry
Sri Lanka Telecom (Services) Limited	Total network solutions
SLT Digital Info Services (Private) Limited [formerly known as SLT Publications (Private) Limited]	Directory information, event management and activation, and digital services
SLT Human Capital Solutions (Private) Limited	Human resource solutions
SLT VisionCom (Private) Limited	IPTV support services
Sky Network (Private) Limited	Wireless broadband operations
SLT Property Management (Private) Limited	Management of SLT’s real estate resources
SLT Campus (Private) Limited	Higher Education
Galle Submarine Cable Depot (Private) Limited	Repair and maintenance of submarine telecommunication 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 2018 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	NED	09.05.2014	24.05.2017
Ms Nilanthi Pieris	INED	03.02.2015	09.05.2018
Mr W K H Wegapitiya	INED	02.12.2015	12.05.2016
Mr A R Desapriya (Resigned w.e.f 19.06.2018)	NED	30.10.2017	09.05.2018
Mr Kanishka Senanayake	INED	17.09.2018	-

*NED - Non-Executive Director*

*INED - Independent Non-Executive Director*

Brief profiles of the Directors are contained in the Board of Directors section of 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) retires by rotation at each AGM and offer themselves for reappointment by the shareholders.

Mr Kanishka Senanayake was appointed as a Independent Non-Executive Director on 17 September 2018 to fill the casual vacancy that arose from the resignation of Mr Rohan De Silva. In accordance with Article 97 of the Articles of Association of the Company Mr Senanayake offers himself for reappointment.

Mr W K H Wegapitiya, 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 himself 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.

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

Information relating to subcommittees is given under "Corporate Governance" on page 87.

### Directors' indemnities and insurance

The Company maintains Directors' and officers' liability insurance which gives appropriate cover against the legal liabilities that may arise against them under the provisions of the Companies Act.

### 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 2018.

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.

### 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 Company has complied with the Colombo Stock Exchange Listing Rule 9.3.2 and Code of Best Practice on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13 (c) of the Securities and Exchange Commission Act.

The Related Party Transactions Review Committee (RPTRC) reviews transactions carried out between related entities except those set out in Rule 9.5 of the Listing Rules. RPT-RC confirms that the recurrent related party transactions carried out during the year 2018 does not exceed 10% of the consolidated revenue of the Group as per the Audited Financial Statements.

### Directors and Chief Executive Officer’s shareholding

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

	No. of Shares	
	1 January 2018	31 December 2018
Chief Executive Officer	1,563	1,563

### 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 141 as required by Section 168 (1) (f) of the Companies Act.

### Stated capital

The stated capital of the Company as at 31 December 2018 was LKR 18,048,600,000 divided into 1,804,860,000 ordinary shares. There were no changes to the issued capital of the Company during the year under review.

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

### Substantial shareholding

The following shareholders held more than 5% of the issued shares as at 31 December 2018.

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

### Voting rights

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

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

### Private placement

SLT is proposing the issue of a maximum of 89,766,198 new ordinary voting shares representing 4.74% of the issued share capital post private placement in order to comply with the rules on minimum public float issued by the Colombo Stock Exchange. The funds expected to be raised through the private placement will be utilised to restructure the debt portfolio of SLT.

### Debentures

The Company on 26 April 2018 issued 50,250,000 ten-year senior, unsecured, redeemable debentures at a issue price of LKR 100. The debentures were listed in the Colombo Stock Exchange.

The primary purpose of the issue was to retire short term maturing and high interest paying debt. The balance funds were utilised to partly finance the required future capital expenditure.

## Financial Statements

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

The significant accounting policies adopted by the Group and Company in preparing the Financial Statements are set out on Note 3 to the Financial Statements. These policies, and applicable estimation techniques, have been reviewed by the Directors who have confirmed them to be appropriate for the preparation of the consolidated Financial Statements for 2018.

The aforementioned Financial Statements for the year ended 31 December 2018 certified by the Group Chief Financial Officer and signed by two Directors are given on page 115 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 109 while the Independent Auditors' Report is set out from page 110 of this Report.

## Financial results and appropriations.

	2018		2017	
	Company LKR Mn.	Group LKR Mn.	Company LKR Mn.	Group LKR Mn.
Revenue	<b>47,389</b>	<b>81,445</b>	44,537	75,741
Profit	<b>1,906</b>	<b>4,948</b>	1,428	3,940
Reserves	<b>58,140</b>	<b>73,624</b>	59,220	71,309

Results of the Company and of the Group are given in the Income Statement on page 114.

The movement of the reserves are given in the Statement of Changes in Equity on page 116 of the Annual Report.

## Dividends

The Directors recommend the payment of a first and final dividend of Rupees one and six Cents per share (2017 - LKR 0.89 per share) for the financial year ended 31 December 2018 payable on 8 April 2019 to the shareholders registered as at 27 March 2019, 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 based on the information available the Company satisfies the Solvency Test immediately after the dividend distribution is made and have obtained a certificate from the Auditors in terms of Section 57 of the Companies Act.

## Property, plant and equipment

The movements in property, plant and equipment during the year are set out in Note 14 to the Financial Statements. Current status of value of properties is disclosed on page 147.

## Auditors

Ernst & Young, ("E & Y") 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:

	2018 LKR Mn.	2017 LKR Mn.
Audit fees	<b>7</b>	7
Fees for non-audit services	<b>8</b>	3

SLT Group Audit Committee having considered E & Y's performance and their independence recommend to the shareholders the reappointment of E & Y 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.

E & Y 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 Directors have approved donations amounting to LKR 2 Mn. for charitable purposes for the year 2018. (2017 - Nil).

## 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 and Group is given in Note 7 on page 142.

## Sustainability reporting

SLT is conscious of the direct and indirect impact on the environment due to its business activities. The Group endeavours to minimise the adverse effects on the environment and 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 64 to 67 of this Report.

## Post balance sheet events

Except for matters disclosed in Note 36 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 Thursday, 28 March 2019 at the Lotus Room of the Bandaranaike Memorial International Conference Hall (BMICH), Baudhaloka 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 of  
Sri Lanka Telecom PLC



**P G Kumarasinghe Sirisena**  
Chairman



**Nilanthi Pieris (Ms)**  
Director



**Mahesh Athukorale**  
Company Secretary

21 February 2019  
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 110.

The Financial Statements comprise:

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

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

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

The Directors are also required to ensure that the Company and 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 provide 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

21 February 2019  
Colombo



# INDEPENDENT AUDITORS' REPORT



Building a better  
working world

Ernst & Young  
Chartered Accountants  
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P.O. Box 101  
Colombo 10  
Sri Lanka

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Tax : +94 11 5578180  
eysl@lk.ey.com  
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## To the Shareholders of Sri Lanka Telecom PLC Report on the audit of the Financial Statements

### Opinion

We have audited the financial statements of Sri Lanka Telecom PLC (the Company) and the consolidated Financial Statements of the Company and its subsidiaries (the Group), which comprise the Statement of Financial Position as at 31 December 2018, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying Financial Statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 December 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Code

of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Financial Statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying Financial Statements.

Partners: W R H Fernando FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W K B S P Fernando FCA FCMA  
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA  
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA Ms. P V K N Sajewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA

Principal T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

Key audit matter	How our audit addressed the key audit matter
<p><b>Revenue recognition</b></p> <p>The Group recognised revenue of LKR 81,445 Mn. from the provision of telecommunications services (mobile and fixed-line) year ended 31 December 2018.</p> <p>Significant effort was spent auditing the revenue recognised by the Group because systems related to revenue recognition are complex, involves frequent changes in rate structures and comprises of a large volume of transactions which arise from a combination of different hardware or services sold which is recognised in accordance with Sri Lanka Accounting Standard – SLFRS 15 Revenue from contracts.</p>	<p>How our audit addressed the key audit matter</p> <ul style="list-style-type: none"> <li>• We involved our internal Information Technology specialists to assist us with testing the IT general controls and application controls of IT systems connected with revenue recognition.</li> <li>• In relation to the timing of revenue recognition and allocation of the transaction price in bundled products and services, we independently selected major revenue streams, assessed revenue recognition of key contracts within each stream based on their respective contractual terms and conditions.</li> <li>• We tested the end-to-end reconciliations from data records extracted from source systems to the billing systems and to the general ledger including testing the key controls related to the revenue assurance process.</li> <li>• We tested the key controls over the calculation of the amounts billed to customers including application of relevant rates and the capturing and recording of the revenue transactions to relevant accounts.</li> <li>• We performed substantive tests on a sample of customer contracts by independently reviewing usage and rates applied on underlying invoices.</li> <li>• We also assessed the adequacy of related disclosures reflected in Note 3(x) and Note 6 of the Financial Statements</li> </ul>
<p><b>Estimating useful lives of network equipment</b></p> <p>As at December 31, 2018, the Group's network equipment accounted for 42% of the consolidated total assets. Depreciation on these assets amount to LKR 14,010 Mn. for the year ended 31 December 2018. The company policy is to depreciate the cost of the asset over its useful economic life on a straight-line basis.</p> <p>Estimating the useful lives of the network equipment requires judgment by the company and is a key focus for our audit. It involves the Group's collective assessment of the industry practice, internal technical evaluation and experience with the similar assets in concluding the useful economic life of the network assets.</p> <p>The Group's disclosures on property and equipment are included in Notes 3(d) and 14 to the consolidated Financial Statements.</p>	<p>How our audit addressed the key audit matter</p> <ul style="list-style-type: none"> <li>• We obtained an understanding of the Group's process in estimating the useful lives of network equipment.</li> <li>• We inquired with the Group's network operations and information technology engineers on its future technological roadmap and its evaluation of the relevance of current technology and its utilisation for future periods.</li> <li>• We tested management assessment on the estimated useful lives of the network equipment against industry data and practice, market outlook, and other relevant external data.</li> <li>• We also assessed the adequacy of related disclosures made in the Financial Statements.</li> </ul>

### **Other Information included in the 2018 Annual Report**

Other information consists of the information included in the Annual Report, other than the Financial Statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard

### **Responsibilities of the management and those charged with governance**

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

### **Auditor's responsibilities for the audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal controls of the Company and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

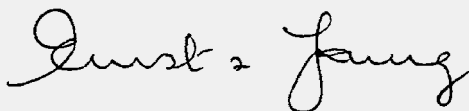
We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on other legal and regulatory requirements**

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1420.



28 February 2019  
Colombo

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(all amounts in Sri Lanka rupees million)

For the year ended 31 December	Notes	Group		Company	
		2018	2017	2018	2017
Revenue	6	<b>81,445</b>	75,741	<b>47,389</b>	44,537
Direct costs	7	<b>(44,803)</b>	(43,218)	<b>(28,263)</b>	(26,492)
Gross profit		<b>36,642</b>	32,523	<b>19,126</b>	18,045
Sales and marketing cost	7	<b>(9,366)</b>	(9,827)	<b>(4,109)</b>	(4,398)
Administrative cost	7	<b>(19,663)</b>	(18,778)	<b>(13,176)</b>	(13,389)
<b>Operating profit</b>		<b>7,613</b>	3,918	<b>1,841</b>	258
Other income		<b>947</b>	1,207	<b>1,551</b>	1,059
Dividend income		-	-	<b>628</b>	733
Interest expense and finance costs	9	<b>(239)</b>	(159)	<b>(93)</b>	(12)
Foreign exchange (loss)/gain	9.a	<b>(1,809)</b>	(478)	<b>(1,200)</b>	(471)
Interest income	10	<b>685</b>	1,040	<b>443</b>	562
Share of loss from associates company		<b>(28)</b>		<b>(28)</b>	-
<b>Profit before tax</b>		<b>7,169</b>	5,528	<b>3,142</b>	2,129
Income tax expenses	11	<b>(2,221)</b>	(1,588)	<b>(1,236)</b>	(701)
<b>Profit for the Year</b>		<b>4,948</b>	3,940	<b>1,906</b>	1,428
<b>Other comprehensive income</b>					
<b>Other comprehensive income that may be reclassified to profit or loss in subsequent period</b>					
Net movement on cash flow hedges	12	<b>(672)</b>	-	<b>(672)</b>	-
<b>Other comprehensive income that will not be reclassified to profit or loss in subsequent period</b>					
Defined benefit plan actuarial (losses)/gains	26	<b>125</b>	543	<b>85</b>	553
Tax on other comprehensive income	11	<b>(13)</b>	(155)	<b>(23)</b>	(155)
<b>Other comprehensive income for the year net of tax</b>		<b>(560)</b>	388	<b>(610)</b>	398
<b>Total Comprehensive Income for the year</b>		<b>4,388</b>	4,328	<b>1,296</b>	1,826
<b>Profit Attributable to:</b>					
Owners of the Company		<b>4,948</b>	3,940	<b>1,906</b>	1,428
<b>Total comprehensive Income attributable to:</b>					
Owners of the Company		<b>4,388</b>	4,328	<b>1,296</b>	1,826
Earnings per share					
- Basic (LKR)	13	<b>2.74</b>	2.18	<b>1.06</b>	0.79

The Notes on pages 119 to 173 form an integral part of these Financial Statements.

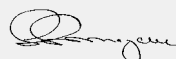
# STATEMENT OF FINANCIAL POSITION

(all amounts in Sri Lanka Rupees million)

As at 31 December	Notes	Group		Company	
		2018	2017	2018	2017
<b>Assets</b>					
Non-current assets					
Property, plant and equipment	14	123,850	117,035	96,047	91,453
Intangible assets and goodwill	15	7,652	7,861	1,124	1,067
Investments in subsidiaries	16	-	-	14,366	14,206
Investments in associates	16	-	28	-	28
Deferred income tax assets	23	148	84	-	-
Contract assets	24 (a)	438	-	113	-
Other receivables	18	2,970	3,150	2,938	3,127
<b>Total non-current assets</b>		<b>135,058</b>	<b>128,158</b>	<b>114,588</b>	<b>109,881</b>
Current assets					
Inventories	19	2,173	3,161	1,440	2,228
Trade and other receivables	20	27,340	20,731	17,541	17,854
Current tax receivable		613	1,035	613	1,035
Contract assets	24(b)	497	-	103	-
Other investments	17	3,665	1,844	3,569	1,780
Cash and cash equivalents	21	11,089	4,277	671	796
<b>Total current assets</b>		<b>45,377</b>	<b>31,048</b>	<b>23,937</b>	<b>23,693</b>
<b>Total assets</b>		<b>180,435</b>	<b>159,206</b>	<b>138,525</b>	<b>133,574</b>
<b>Equity</b>					
<b>Capital and reserves</b>					
Stated capital	29	18,049	18,049	18,049	18,049
Insurance reserve	27	791	691	791	691
Hedging reserve	12	(672)	-	(672)	-
Retained earnings		55,456	52,569	39,972	40,480
Equity attributable to equity holders of the Company		73,624	71,309	58,140	59,220
Non-controlling interest		96	95	-	-
<b>Total equity</b>		<b>73,720</b>	<b>71,404</b>	<b>58,140</b>	<b>59,220</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Grants	28	-	3	-	3
Borrowings	22	38,886	14,920	30,928	14,492
Deferred income	24	2,186	2,239	2,155	2,208
Contract liabilities	24 (b)	548	-	533	-
Deferred income tax liabilities	23	6,537	5,956	6,525	5,945
Employee benefits	26	4,239	4,355	3,598	3,719
Trade and other payables	25	1,941	2,444	456	532
<b>Total non-current liabilities</b>		<b>54,337</b>	<b>29,917</b>	<b>44,195</b>	<b>26,899</b>
<b>Current liabilities</b>					
Borrowings	22	16,949	26,891	15,104	24,486
Deferred income	24	2,469	2,143	385	468
Contract liabilities	24 (b)	565	-	471	-
Current tax liabilities		412	401	-	-
Trade and other payables	25	31,983	28,450	20,230	22,501
<b>Total current liabilities</b>		<b>52,378</b>	<b>57,885</b>	<b>36,190</b>	<b>47,455</b>
<b>Total liabilities</b>		<b>106,715</b>	<b>87,802</b>	<b>80,385</b>	<b>74,354</b>
<b>Total equity and liabilities</b>		<b>180,435</b>	<b>159,206</b>	<b>138,525</b>	<b>133,574</b>

The Notes on pages 119 to 173 form an integral part of these Financial Statements.

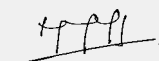
I certify that these Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.



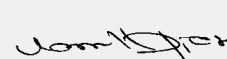
**Sanjeewa Samaranayake**  
Group Chief Financial Officer

The Board of Directors is responsible for these Financial Statements. These Financial Statements were approved by the Board of Directors on 21 February 2019

Signed for and behalf of the Board,



**P G Kumarasinghe Sirisena**  
Chairman  
21 February 2019



**Nilanthi Pieris (Ms)**  
Director



# STATEMENT OF CHANGES IN EQUITY – GROUP

(all amounts in Sri Lanka Rupees million)

	Notes	Attributable to owners of the Company					
		Stated capital	Insurance reserve	Retained earnings	Total equity	Non-controlling interest	Total equity
<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	-	388
<b>Total comprehensive income for the year</b>		-	-	4,328	4,328	4	4,332
<b>Transactions with owners, recorded directly in equity</b>							
<b>contribution by and distribution to owners</b>							
Dividends to equity share holders		-	-	(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

	Notes	Attributable to owners of the Company						
		Stated capital	Insurance reserve	Hedging reserve	Retained earnings	Total equity	Non-controlling interest	Total equity
<b>Balance as at 1 January 2018</b>		18,049	691	-	52,569	71,309	95	71,404
SLFRS 15 Adjustment		-	-	-	(467)	(467)	-	(467)
Non-controlling interest		-	-	-	-	-	1	1
<b>Total comprehensive income for the year</b>								
Net profit for the year 2018		-	-	-	4,948	4,948	-	4,948
<b>Other comprehensive income</b>								
Net movement on cash flow hedges		-	-	(672)	-	(672)	-	(672)
Defined benefit plan actuarial (loss)/gain, net of tax		-	-	-	112	112	-	112
<b>Total Other comprehensive income</b>		-	-	-	112	(560)	-	(560)
<b>Total comprehensive income for the year</b>		-	-	-	5,060	4,388	-	4,388
<b>Transactions with owners, recorded directly in equity</b>								
<b>contribution by and distribution to owners</b>								
Dividends to equity shareholders		-	-	-	(1,606)	(1,606)	-	(1,606)
<b>Insurance reserve</b>								
Transfer to insurance reserve	27	-	100	-	(100)	-	-	-
<b>Balance as at 31 December 2018</b>		18,049	791	(672)	55,456	73,624	96	73,720

The Notes on pages 119 to 173 form an integral part of these Financial Statements.

## STATEMENT OF CHANGES IN EQUITY – COMPANY

(all amounts in Sri Lanka Rupees million)

	Notes	Stated capital	Insurance reserve	Retained earnings	Total equity
<b>Balance as at 1 January 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 contribution by and distribution to owners</b>					
Dividends to equity shareholders		-	-	(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

	Notes	Stated capital	Insurance reserve	Hedging reserve	Retained earnings	Total equity
<b>Balance as at 1 January 2018</b>		18,049	691		40,480	59,220
SLFRS Adjustment - Contract liability					(770)	(770)
<b>Total comprehensive income for the year</b>						
Net profit for the year 2018		-	-	-	1,906	1,906
<b>Other comprehensive income</b>						
Net movement on cash flow hedges		-	-	(672)	(672)	(672)
Defined benefit plan actuarial (loss)/gain, net of tax		-	-	-	62	62
<b>Total other comprehensive income</b>		-	-	(672)	62	(610)
<b>Total comprehensive income for the year</b>		-	-	-	1,296	1,296
<b>Transactions with owners, recorded directly in equity contribution by and distribution to owners</b>						
Dividends to equity shareholders		-	-	-	(1,606)	(1,606)
<b>Insurance reserve</b>						
Transfer to insurance reserve		-	100	-	(100)	-
<b>Balance as at 31 December 2018</b>		18,049	791	(672)	39,972	58,140

The Notes on pages 119 to 173 form an integral part of these Financial Statements.

# CASH FLOW STATEMENT

(all amounts in Sri Lanka Rupees million)

For the year ended 31 December		Group		Company	
	Notes	2018	2017	2018	2017
<b>Cash flows from operating activities</b>					
Cash generated from operations	30	<b>24,052</b>	21,734	<b>14,903</b>	13,693
Interest received		<b>687</b>	1,039	<b>445</b>	561
Interest paid		<b>(3,145)</b>	(2,989)	<b>(3,190)</b>	(2,665)
Tax paid		<b>(1,284)</b>	(1,238)	<b>(257)</b>	(307)
Gratuity paid	26	<b>(654)</b>	(322)	<b>(561)</b>	(305)
Net cash generated from operating activities		<b>19,656</b>	18,224	<b>11,340</b>	10,977
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment		<b>(20,527)</b>	(22,049)	<b>(12,817)</b>	(18,057)
Acquisition of intangible assets	15	<b>(889)</b>	(4,974)	<b>(312)</b>	(383)
Proceeds from disposal of property, plant and equipment		<b>332</b>	701	<b>306</b>	679
Proceeds/(Purchase) of short-term investments		<b>(1,806)</b>	(1,065)	<b>(1,774)</b>	(1,062)
Investments in subsidiary company		-	-	<b>(160)</b>	
Investments in associates company		-	(28)	-	(28)
Net cash (used) in investing activities		<b>(22,890)</b>	(27,415)	<b>(14,757)</b>	(18,851)
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		<b>32,142</b>	16,242	<b>23,050</b>	13,798
Finance lease principal re-payments		<b>(77)</b>	(14)	<b>(68)</b>	(55)
Re-payment of borrowings		<b>(13,550)</b>	(13,866)	<b>(11,316)</b>	(9,644)
Dividends paid to the equity shareholders		<b>(1,606)</b>	(1,606)	<b>(1,606)</b>	(1,606)
Net cash (used) generated from financing activities		<b>16,909</b>	756	<b>10,060</b>	2,493
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>13,675</b>	(8,435)	<b>6,643</b>	(5,381)
<b>Movement in cash and cash equivalents</b>					
Cash and cash equivalents at the beginning of the year		<b>(9,046)</b>	(616)	<b>(11,610)</b>	(6,234)
Effect of exchange fluctuation on cash and cash equivalents		-	5	-	5
		<b>(9,046)</b>	(611)	<b>(11,610)</b>	(6,229)
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>13,675</b>	(8,435)	<b>6,643</b>	(5,381)
<b>At the end of the year</b>	21.a	<b>4,629</b>	(9,046)	<b>(4,967)</b>	(11,610)

The Notes on pages 119 to 173 form an integral part of these Financial Statements.

# NOTES TO THE CONSOLIDATED 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 Statement of the Company as at and for the year ended December 2018 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 2018.

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*, voice and broadband services, domestic and international leased circuits, broadband, satellite uplink, maritime transmission, IPTV service, directory publishing and provision of manpower. The Company is a quoted public Company which is listed on the Colombo Stock Exchange.

## 2. Basis of preparation

### (a) Statement of compliance

The Financial Statements of the Group and the Company which comprises the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS & LKAS) as laid down by The Institute of Chartered Accountants of Sri Lanka (ICASL) and the requirements of the Companies Act No. 07 and 2007.

### (b) Approval of Financial Statement by Directors

The Financial Statements were authorised for issue by the Board of Directors in accordance with the resolution of the Directors on 21 February 2019.

### (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 Standard requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following notes:

- Note 14 – Property, plant and equipment
- Note 15 – Intangible Assets
- Note 20 – Trade and other Receivables
- Note 23 – Deferred Tax
- Note 24 – Deferred Income
- Note 26 – Employee Benefits

### 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, except new accounting standards effective from 1 January 2018 as described in Note 3 (x).

#### (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 principal subsidiaries as at 31 December 2018

Name of entity	Place of business/ country of incorporation	Percentage of ownership	Principal activities
Mobitel (Private) Limited	Colombo/Sri Lanka	100%	Mobile service provider.
Sri Lanka Telecom (Services) Limited	Colombo/Sri Lanka	99.99%	Providing network solutions for corporate customers and small businesses.
SLT VisionCom (Private) Limited	Colombo/Sri Lanka	100%	Providing IPTV support services.
SLT Digital Info Services (Private) Limited	Colombo/Sri Lanka	100%	Directory information and publication services
SLT Human Capital Solutions (Private) Limited	Colombo/Sri Lanka	100%	Providing workforce solutions.
Sky Network (Private) Limited	Colombo/Sri Lanka	99.94%	Wireless broadband operations
SLT Property Management (Private) Limited	Colombo/Sri Lanka	100%	Managing SLT's real estate resources
SLT Campus (Private) Limited	Colombo/Sri Lanka	100%	Higher educational services of ICT and Business Management.
eChannelling PLC	Colombo/Sri Lanka	87.59%	Providing information infrastructure for the healthcare industry

**(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) Transaction eliminated on consolidation**

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

**(b) Foreign currency****(i) Foreign currency transactions**

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

**(C) Financial instruments**

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

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

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

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

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all risks and rewards of ownership of the

financial asset are transferred, or it neither transfers nor retains substantially all risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

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

**(i-ii) Non-derivative financial liabilities - Measurement**

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

**(i-iii) Fair Value Measurement**

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

A Fair value measurement requires an entity to determine all 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.
5. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market.

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



### Determination of Fair values

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

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

### Amortised Cost

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

### **(i-iv) Reclassification**

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 shareholder's equity prior to the date of reclassification is amortised to the profit or loss over the remaining life of the financial asset, using the effective interest method.

### **(i-v) Derivative financial instruments**

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

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

### **(i-vi) Impairment**

#### **Non-derivative financial assets.**

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

Objective evidence that financial assets are impaired includes;

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

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

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

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

## (d) Property, plant 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 in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

In the year of acquisition depreciation is computed on proportionate basis from the month the asset is put into use and no depreciation will be charged to the month in which the particular asset was disposed. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

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

Freehold buildings	5-40 years
Submarine cables	19-25 years
Motor Vehicles	5 years
CDMA Handsets	3 years
PABX System	1-6 years
IT systems	5-10 years
Other Fixed Assets	4-10 years
<b>Network equipment</b>	
Ducts, cables and other outside plant	5-20 years
Telephone exchanges and transmission equipment	8-12.5 years
Towers	12.5-40 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 year 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 & 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 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) Licences

Separately acquired licences are shown at historical cost. Expenditures on licence fees that is deemed to benefit or relate to more than one financial year is classified as licence fee and is being amortised over the Licence 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
Licence 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) Revenue****(i) Goods**

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

### **Equipment Sale**

Revenue from sales of telecommunications equipment is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised. The total consideration on arrangements with multiple revenue generating activities (generally the sale of telecommunications equipment and ongoing service) is allocated to those components that are separable based on the estimated fair value of the components.

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

### **Sale of Directories**

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

## **(ii) Services**

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

### **Domestic and international call revenue and rental income**

#### **Fixed Line**

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

#### **Mobile Revenue**

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

### **Revenue from other network operators and international settlements**

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

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

### **Revenue from broadband**

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

### **Revenue from other ICT services**

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

### **Deferred income**

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

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

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

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

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

### **CDMA revenue**

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



## **(l) 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

## **(m) 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.

## **(n) 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.

## **(o) Income tax**

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

## **(i) Current Taxation**

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

Provisions for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act (IRD) No. 10 of 2006 and from 1 April 2018 new IRD Act No. 24 of 2017.

## **(ii) Deferred taxation**

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

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

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

## **(iii) Economic service charge (ESC)**

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



#### **(iv) Sales tax**

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

#### **(p) 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.

#### **(q) Insurance reserve**

The Company transfers annually from the retained earnings an amount equal to 0.25% 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.

#### **(r) 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.

#### **(s) 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.

#### **(t) Cash flow statement**

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

#### **(u) 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.

#### **(v) Directors' responsibility statement**

The Board of Directors of the company is responsible for these Financial Statements.

#### **(w) 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.

## (x) New accounting standards

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards which are applicable for the financial periods beginning on or after 1 January 2018.

### SLFRS 9 Financial Instruments

SLFRS 9 Financial Instruments replaces LKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

No material effect to the financial statement recognition and presentation for all periods presented, due to the adoption of SLFRS 9, except for following changes in accounting policies.

## (i) Classification and measurement

Group's financial instruments solely constitute with debt instruments. As per SLFRS 9 the classification of debt instruments are based on two criteria: The Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' (SPPI) on the principal amount outstanding and accordingly classified as financial assets designated as fair value through OCI with recycling of cumulative gains or losses and financial assets at amortised cost.

Since financial assets of the Group meet the SPPI criteria and hold to collect contractual cash flows, they are classified as financial assets at amortised cost. The assets are included in the Statements of financial position as trade and other receivables and other investments.

There are no changes in classification and measurement for the Group's financial liabilities due to the adoption of SLFRS 9.

## (ii) Impairment assessment on financial assets

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs.

Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Investments in fixed deposits, Treasury Bills and Bonds are considered as low risk of default.

## (iii) Hedge

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in equity in the "Cash flow hedge reserve". The ineffective portion of the gains or losses on the hedge instrument is recognised immediately in the Profit and Loss.

When the hedge cash flow affect the Income Statement, the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the Income Statement. When a hedging instrument expires, or is sold, terminated, exercised or when a hedge no longer meet the criteria for hedge accounting, any cumulative gains/losses existing in other comprehensive income at that time remains in other comprehensive income and is recognised when the hedge forecast transaction ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur the cumulative gains/loss was reported in other comprehensive income is immediately transferred to the Income Statement.

A reconciliation between the carrying amounts under LKAS 39 to the balances reported under SLFRS 9 as of 31 December 2018 is, as follows:

	LKAS 39 measurement		Reclassification as per SLFRS 9	
	Category	Amount LKR Mn.	Amount	Category
Financial assets				
<b>Group</b>				
Trade and other receivables	L&R	25,274	25,274	Amortised Cost
Staff loans	L&R	3,650	3,650	Amortised Cost
Fixed deposits	L&R	9,456	9,456	Amortised Cost
Repurchase agreements	L&R	2,135	2,135	Amortised Cost
Cash and bank balance	L&R	3,163	3,163	Amortised Cost
<b>Company</b>				
Loans and receivables				
Trade and other receivables	L&R	17,675	17,675	Amortised Cost
Staff loans	L&R	3,617	3,617	Amortised Cost
Fixed deposits	L&R	3,569	3,569	Amortised Cost
Cash and bank balance	L&R	671	671	Amortised Cost

### SLFRS 15 – Revenue from contracts

SLFRS 15 supersedes LKAS 11 Construction Contracts, LKAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

SLFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The Standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the Standard requires relevant disclosures.

The Group adopted SLFRS 15 using the modified retrospective method of adoption. The effect of the transition on the current period has been disclosed in Note 24.

The Group is primarily involved in providing a broad portfolio of telecommunication services across Sri Lanka. In addition, the range of services provided by the Group include, *inter alia*, voice and broadband services, domestic and international leased circuits, broadband, satellite uplink, maritime transmission, IPTV service and directory publishing service.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which

the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements.

### Sale of equipment

Before adopting SLFRS 15, revenue from sale 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. The timing of the transfers of risks and rewards varies depending on the individual terms of the contract of sale.

Under SLFRS 15, revenue from sale of equipment is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment. After this stage, this equipment is considered as an asset of the customer and the Group does not have any control over the equipment.

This equipment is sold separately to the bundled services provided by the Group since the customer could enhance the service by installing advanced customer premises equipment at their own expense. This sale does not involve any credit terms.

### Performance obligations relevant to contracts

As a telecommunication service provider, the Group's performance obligation related to service contracts include the installation services and maintenance services provided and the uninterrupted telecommunication service which will be provided throughout the connection period.

The Group expects that the above performance obligations would be satisfied throughout the connection period.

### Installation services

The Group provides installation services that are bundled together with the sale of equipment to a customer.

Before adopting SLFRS 15, the revenue generated from the installation services were identified as they incurred.

Under SLFRS 15, when the performance obligation relevant to installation service is performed and when a customer premises equipment is provided to the customer, this equipment is considered as an asset of the Group as long as the contract with the customer is valid. Accordingly, the Group allocates a bundled price for the equipment and installation services.

### Rental and usage charge

The Group charge a fixed rental charge from the customer on monthly basis for the use of Group subsidised customer premises equipment in order to provide the telecommunication service.

The Group charge a variable usage charge from the customer on monthly basis depending on the usage of the service by the customer in the respective month.

The Group expects that these revenues are recognised as and when the relevant performance obligation is fulfilled for a given month.

### Cost to obtain a contract

The Group pays sales commission to its employees for each new connection contract that they obtain.

Before adopting SLFRS 15, the sales commission relevant for new connection were charged as expense as they incurred.

Under SLFRS 15, the Group identifies the sales commission paid to employees for each new contract as contract asset that would be amortised on a systematic basis that is consistent with the entity's transfer of the related goods or services to the customer.

### Judgements

The Group applied the following judgement that significantly affect the determination of the amount and timing of revenue from contracts with customers.

#### Determining the timing of satisfaction of installation services

The Group concluded that revenue for installation services is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group. The fact that another entity would not need to re-perform the installation that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance as it performs.

The Group identifies the revenue for installation services as contract liability and recognise the revenue on a systematic basis that is consistent with the entity's transfer of the related goods or services to the customer with the notion that the satisfaction for the installation services will be consumed by the customer over the contract period.

#### (1) Contract Assets

As per SLFRS 15, the costs directly attributable to customer contracts are recognized as contract assets and amortized on a systematic basis in line with the achievement of the performance obligations. Previously, these costs were directly charged to the Statement of Profit or Loss. However, if the amortization period is one year or less, the Group and the Company identify the additional cost of acquiring a contract as an expenditure when incurred.

The opening balance as at 1st January 2018 indicates the contract asset representing the existing customer contracts which is charged to statement of Profit or Loss before 1 January 2018. The contract asset movements are provided below.

	Group LKR Mn.	Company LKR Mn.
Opening adjustment - 1 January 2018	515	212
Addition	770	104
Amortisation	(350)	(100)
Balance as at 31 December 2018	935	216

## (2) Contract Liabilities

As per SLFRS 15 revenue is recognised when the individual performance obligations specified in a contract are satisfied. The total consideration received or receivable has been allocated between separate performance obligations based on the relative stand-alone selling price.

The group and Company reclassify customer contracts previously shown as deferred income to contract liabilities.

The figure shows the contract liabilities due to unsatisfied performance obligations as at 1 January 2018.

	Group LKR Mn.	Company LKR Mn.
Opening adjustment - 1 January 2018	982	982
Addition	668	512
Amortisation	(537)	(490)
Balance as at 31 December 2018	1,113	1,004

## (3) Retained Earnings

The following is a summary of transition adjustments to the Company and Group's Retained Earnings from the application of SLFRS 15.

	Group LKR Mn.	Company LKR Mn.
Recognition of contract assets	515	212
Recognition of contract liabilities	(982)	(982)
Impact to the retained earnings as at 1 January 2018	(467)	(770)

## (4) Impact to the Statement of Profit and Loss and Other Comprehensive Income

The following is a summary of the transition adjustments to the Company and Group's Revenue and Selling and Marketing cost from the application of SLFRS 15.

	Group		Company	
	Revenue LKR Mn.	Selling and marketing cost LKR Mn.	Revenue LKR Mn.	Selling and marketing cost LKR Mn.
As per LKAS 18	82,160	(10,089)	47,408	(4,113)
Adjustment	(715)	723	(19)	4
As per SLFRS 15	81,445	(9,366)	47,389	(4,109)

## New standards issued but not effective as at reporting date

The Institute of Chartered Accountants of Sri Lanka has issued the following new Accounting Standards which will become applicable for the financial periods beginning on or after 1 January 2019. The Group has not assessed the potential impact of its Financial Statements resulting from their application.

### SLFRS 16 - Leases

SLFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify lease as finance or operating leases.

SLFRS 16 replaces existing leases guidance including LKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Lease Incentive and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a lease.

The standard is effective for annual period beginning on or after 1 January 2019.

### Possible impact on the financial statements

The Group is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 16.

## 4. Financial Risk Management

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

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

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

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

- Credit risk
- Liquidity risk
- Market risk

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

### 4.1 Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation, and arise principally from the Group's receivables from customers.

Carrying amount of financial assets represents the maximum credit exposure

#### 4.1.1 Trade receivables

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

Domestic service is offered to a new customer only after scrutinising through an 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 2018, the Maximum exposure to credit risk for trade by geographic region was as follows:

LKR Mn.	Group		Company	
	2018	2017	2018	2017
Sri Lanka	<b>21,851</b>	20,225	<b>15,378</b>	14,500
Middle East	<b>188</b>	285	<b>117</b>	223
Asia	<b>1,480</b>	1,268	<b>726</b>	799
Europe	<b>1,354</b>	1,164	<b>1,176</b>	1,007
Australia	<b>249</b>	66	<b>222</b>	54
Other	<b>152</b>	262	<b>51</b>	180
Total trade receivables	<b>25,274</b>	23,270	<b>17,670</b>	16,763

As at 31 December 2018, the maximum exposure to credit risk for trade receivables by type of counterparty was as follows:

LKR Mn.	Group		Company	
	2018	2017	2018	2017
Wholesale customers	<b>3,905</b>	3,582	<b>3,816</b>	3,468
Retail customers	<b>18,257</b>	17,107	<b>13,393</b>	12,597
Others	<b>3,112</b>	2,581	<b>461</b>	698
	<b>25,274</b>	23,270	<b>17,670</b>	16,763

As at 31 December the Group's most significant customer was Lanka Government Information Infrastructure (Private) Limited which accounted for LKR 1,104 Mn. of trade receivables (2017 - LKR 421 Mn.)



### Impairment

As at 31 December 2018, the aging of trade receivables that were not impaired was as follows:

LKR Mn.	Group		Company	
	2018	2017	2018	2017
Past due 1 year	<b>574</b>	171	<b>353</b>	73
Past due 2 years and above	<b>127</b>	96	<b>121</b>	96
	<b>701</b>	267	<b>474</b>	169

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:

LKR Mn.	Group impairment	Company impairment
Balance as at 1 January 2017	7,669	5,397
- Impairment loss recognised	1,653	1,086
- Amounts written off	(1)	-
Balance as at December 2017	9,321	6,483
- Impairment loss recognised	1,166	606
- Amounts written off	(697)	(697)
- Adjustments	(900)	(900)
Balance as at 31 December 2018	8,890	5,492

### 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 LKR 10,935 Mn. as at 31 December 2018 (2017 LKR 4,277 Mn.).

### 4.1.4 Employee Loans

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

## 4.2 Liquidity Risk

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

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

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

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

LKR Mn.	Carrying value	Up to 1 year	Up to 2 years	Up to 5 years	Over 5 years
Group					
<b>As at 31 December 2018</b>					
Bank overdrafts	6,460	6,460	-	-	-
Bank borrowings and others	47,764	9,479	8,710	19,950	9,625
Vendor financing	1,528	982	245	301	-
Lease liabilities	83	28	43	12	-
	55,835	16,949	8,998	20,263	9,625
As at 31 December 2017					
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	-
	41,811	26,891	6,587	6,693	1,640

LKR Mn.	Carrying value	Up to 1 year	Up to 2 years	Up to 5 years	Over 5 years
Company					
<b>As at 31 December 2018</b>					
Bank overdrafts	5,638	5,638	-	-	-
Bank borrowings and others	40,392	9,464	5,018	16,285	9,625
Lease liabilities	2	2	-	-	-
	46,032	15,104	5,018	16,285	9,625
As at 31 December 2017					
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	-	-
	38,978	24,486	6,288	6,564	1,640

### 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:

	<b>Group</b>
	USD Mn.
<b>As at 31 December 2018</b>	
Foreign trade receivables	<b>18</b>
Secured bank loans	<b>(48)</b>
Unsecured loans	<b>(56)</b>
Trade payables	<b>(10)</b>
Net statement of financial position exposure	<b>(96)</b>
<b>As at 31 December 2017</b>	
Foreign trade receivables	20
Secured bank loans	(12)
Unsecured loans	(103)
Trade payables	(13)
Net statement of financial position exposure	(108)

	<b>Company</b>
	USD Mn.
<b>As at 31 December 2018</b>	
Foreign trade receivables	<b>14</b>
Secured bank loans	-
Unsecured loans	<b>(56)</b>
Trade payables	<b>(7)</b>
Net statement of financial position exposure	<b>(49)</b>
<b>As at 31 December 2017</b>	
Foreign trade receivables	15
Secured bank loans	-
Unsecured loans	(103)
Trade payables	(8)
Net statement of financial position exposure	(96)

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

	<b>Average rate</b>		<b>Year end spot rate</b>	
	<b>2018</b>	2017	<b>2018</b>	2017
LKR				
USD	<b>162.54</b>	152.40	<b>182.71</b>	153.23
EUR	<b>191.71</b>	171.73	<b>209.07</b>	191.18

### 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.

	Profit or loss		Balance sheet	
	Strengthening	Weakening	Strengthening	Weakening
Group				
<b>2018 December USD (10%)</b>	<b>(1,418)</b>	<b>1,418</b>	<b>(1,418)</b>	<b>1,418</b>
2017 December USD (10%)	(2,064)	2,064	(2,064)	(2,064)
Company				
<b>2018 December USD (10%)</b>	<b>1,027</b>	<b>(1,027)</b>	<b>1,027</b>	<b>(1,027)</b>
2017 December USD (10%)	1,581	(1,581)	1,581	(1,581)

#### 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:

LKR Mn.	Profit or loss	
	Increase in interest rate	Decrease in interest rate
Group		
2018 December Variable rate instruments	<b>(274)</b>	<b>274</b>
2017 December Variable rate instruments	(181)	181
Company		
2018 December Variable rate instruments	<b>(182)</b>	<b>182</b>
2017 December Variable rate instruments	(18)	18

#### 4.4 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 2018 and 2017 were as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Total borrowings	<b>55,835</b>	41,811	<b>46,032</b>	38,978
Total equity	<b>73,624</b>	71,309	<b>58,140</b>	59,220
Total capital	<b>129,459</b>	113,120	<b>104,172</b>	98,198
Gearing ratio (%)	<b>43.1</b>	37.0	<b>44.2</b>	39.7

#### 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 2018 or 2017.

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

**Information about reportable segments**

	Fixed telephony operations		Mobile operations		Other segments operations		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
External revenues	<b>43,307</b>	40,616	<b>36,739</b>	34,037	<b>1,399</b>	1,088	<b>81,445</b>	75,741
Inter-segment revenue	<b>4,082</b>	3,921	<b>2,142</b>	2,462	<b>3,257</b>	2,352	<b>9,481</b>	8,735
Reportable segment revenue	<b>47,389</b>	44,537	<b>38,881</b>	36,499	<b>4,656</b>	3,440	<b>90,926</b>	84,476
Reportable segment profit before tax	<b>3,142</b>	2,129	<b>4,404</b>	4,113	<b>340</b>	135	<b>7,886</b>	6,377
Interest revenue	<b>443</b>	562	<b>200</b>	439	<b>42</b>	39	<b>685</b>	1,040
Interest expenses	<b>(93)</b>	(12)	<b>(106)</b>	(121)	<b>(40)</b>	(26)	<b>(239)</b>	(159)
Depreciation and amortisation	<b>(11,616)</b>	(11,121)	<b>(6,294)</b>	(6,077)	<b>(38)</b>	(89)	<b>(17,948)</b>	(17,287)
Reportable segment assets	<b>138,525</b>	133,574	<b>56,395</b>	43,601	<b>2,982</b>	2,173	<b>197,902</b>	179,348
Capital expenditure	<b>13,129</b>	18,440	<b>8,158</b>	8,531	<b>129</b>	52	<b>21,416</b>	27,023
Reportable segment liabilities	<b>80,385</b>	74,354	<b>27,524</b>	17,948	<b>2,235</b>	1,846	<b>110,144</b>	94,148

	2018	2017
<b>Revenues</b>		
Total revenue for reportable segments	<b>86,270</b>	81,036
Revenue for other segments	<b>4,656</b>	3,440
Reportable segment revenue	<b>90,926</b>	84,476
Elimination of inter-segment revenue	<b>(9,481)</b>	(8,735)
<b>Consolidated revenue</b>	<b>81,445</b>	75,741
<b>Profit or loss</b>		
Total Profit or loss for reportable segments	<b>7,546</b>	6,242
Profit or loss for other segments	<b>340</b>	135
Reportable segment Profit before tax	<b>7,886</b>	6,377
Elimination of inter-segment profits	<b>(717)</b>	(849)
<b>Consolidated profit before tax</b>	<b>7,169</b>	5,528



## Information about reportable segments

	<b>2018</b>	2017
<b>Assets</b>		
Total assets for reportable segments	<b>194,920</b>	177,175
Assets for other segments	<b>2,982</b>	2,173
	<b>197,902</b>	179,348
Elimination of inter-segment assets	<b>(17,467)</b>	(20,142)
<b>Consolidated total assets</b>	<b>180,435</b>	159,206
<b>Liabilities</b>		
Total liabilities for reportable segments	<b>107,909</b>	92,302
Liabilities for other segment	<b>2,235</b>	1,846
	<b>110,144</b>	94,148
Elimination of inter-segment liabilities	<b>(3,429)</b>	(6,346)
<b>Consolidated total liabilities</b>	<b>106,715</b>	87,802

	Reportable segment totals	Adjustments	Consolidated totals
<b>Other material items (2018)</b>			
Interest revenue	<b>685</b>	-	<b>685</b>
Interest expense	<b>(239)</b>	-	<b>(239)</b>
Capital expenditure	<b>21,416</b>	-	<b>21,416</b>
Depreciation and amortisation	<b>(17,948)</b>	-	<b>(17,948)</b>
<b>Other material items (2017)</b>			
Interest revenue	1,040	-	1,040
Interest expense	(159)	-	(159)
Capital expenditure	27,023	-	27,023
Depreciation and amortisation	(17,287)	-	(17,287)

## 6. Revenue

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

	Group		Company	
	2018	2017	2018	2017
Release of deferred connection charges	392	434	392	434
Rental income	7,261	7,194	4,696	4,852
Domestic call revenue	22,826	23,706	4,048	4,485
Receipts from other network operators - Domestic	1,894	1,896	578	597
International call revenue	774	960	306	403
Receipts from other network operators - International	94	112	-	-
International settlements (in-payments)	8,183	8,305	5,842	5,879
CDMA revenue	531	912	531	912
Broadband revenue	19,572	16,497	10,206	9,297
Data and other services	19,918	15,725	20,790	17,678
	<b>81,445</b>	<b>75,741</b>	<b>47,389</b>	<b>44,537</b>

## 7. Operating costs

The following items have been included in arriving at operating profit :

	Group		Company	
	2018	2017	2018	2017
Staff costs (Note 7.1)	17,750	17,117	11,759	11,864
Directors' emoluments	41	31	16	12
Payments to international network operators	1,260	1,119	1,260	1,119
Payments to other network operators				
- International	1,164	1,323	1,166	1,247
- Domestic	2,589	2,675	735	936
International Telecommunication Operators Levy (Note 8)	2,054	2,157	1,055	1,129
<b>Auditors' remuneration</b>				
<b>Audit</b>				
- Ernst & Young	12	11	7	7
- Other Auditors	-	2	-	2

	Group		Company	
	2018	2017	2018	2017
<b>Non-audit</b>				
- Ernst & Young	8	3	8	3
- Other Auditors	1	5	1	5
Repairs and maintenance expenditure	6,530	6,134	5,124	4,446
Provision for doubtful debts	1,127	1,767	605	1,266
Impairments/(reversals) of inventory	(281)	97	(281)	68
Impairment of property, plant and equipment (Note 13)	40	100	29	100
Other operating expenditure	23,590	21,995	12,448	10,954
Depreciation	16,850	16,461	11,361	10,926
Amortisation	1,097	826	255	195
<b>Total direct costs, sales and marketing costs, and administrative cost</b>	<b>73,832</b>	<b>71,823</b>	<b>45,548</b>	<b>44,279</b>

## 7.1 Staff costs

	Group		Company	
	2018	2017	2018	2017
Salaries, wages, allowances and other benefits	15,600	14,878	10,170	10,097
Staff prepaid cost	108	186	108	186
<b>Post-employment benefits</b>				
- Defined contribution plans	1,381	1,371	956	988
- Defined benefit obligations (Note 26)	661	682	525	593
	17,750	17,117	11,759	11,864
Average number of persons employed	10,242	9,931	5,403	5,576

## 8. Refunds on Telecommunication Development Charge (TDC)

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

The TDC Refund received in 2014 corresponds to the period from April 2009 to July 2010 which was the last claim obtained under the respective regulation. As the said regulation was received with effect from July 2010 while eliminating the reimbursement process, the final claim requested from TRC applicable for the above period was received on year 2014.

First revision to this regulation was introduced with effect from 15 July, 2010 with an International Telecommunication Operators Levy (ITOL) TDC rate change from USD cents 3.80 to USD cents 1.50. Through the same revision, the disbursement process of TDC was removed from the regulation. As stated above the revised ITOL rate prevailed until such time the rate was revised to USD cents 3.00 per minute with effect from January 2012, in accordance with the Budget Proposal for 2012 and ITOL rate was further revised again to USD cents 6.00 per minute with effect from January 2016 in accordance with the Budget Proposal for 2016.

Mobiletel 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	
	2018	2017	2018	2017
Rupee loans [see Note (a) below]	2,346	1,058	2,271	1,038
Foreign currency loans [see Note (a) below]	662	904	602	790
Debenture	628	-	628	
Other charges [see Note (b) below]	638	847	627	834
<b>Total interest and finance cost</b>	<b>4,274</b>	<b>2,809</b>	<b>4,128</b>	<b>2,662</b>
Interest capitalised	(4,035)	(2,650)	(4,035)	(2,650)
<b>Net total interest and finance cost</b>	<b>239</b>	<b>159</b>	<b>93</b>	<b>12</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	
	2018	2017	2018	2017
Net foreign exchange (loss)/gain	(1,809)	(478)	(1,200)	(471)

#### (a) Foreign Currency (loss) or gain of the group mainly includes -

- i. Exchange gain of LKR 333 Mn. (2017 - of LKR 63 Mn.) arising from revaluation of the receivables, fixed deposits and bank balances maintained in USD.
- ii. Exchange loss of LKR 944 Mn. on payment to foreign suppliers (2017 - LKR 70 Mn.).
- iii. Exchange loss of LKR 1,198 Mn. (2017 - LKR 471 Mn.) arising from revaluation of USD syndicate loan and other term loans.

#### (b) Foreign Currency (loss) or gain of the company mainly includes -

- i. Exchange gain of LKR 263 Mn. (2017 - LKR 17 Mn.) arising from revaluation of receivables, fixed deposits and bank balances maintained in USD.
- ii. Exchange loss of LKR 265 Mn. on payment to foreign suppliers (2017 - loss LKR 33 Mn.).
- iii. Exchange loss of LKR 1,198 Mn. (2017 - LKR 455 Mn.) arising from revaluation of USD syndicate loan.

## 10. Interest income

	Group		Company	
	2018	2017	2018	2017
Interest income from:				
Treasury bonds	-	1	-	-
Treasury bills	4	-	-	-
Repurchase agreement - Repos	143	404	20	3
Fixed deposits	225	183	111	108
Staff loan interest	307	452	306	451
Interest income - Debenture issue	6	-	6	-
	<b>685</b>	<b>1,040</b>	<b>443</b>	<b>562</b>

The interest income on Bank deposits reflect the prevailing rates on the date of respective investments.

- (a) The weighted average interest rates on restricted funds in Bank deposits and Government Securities in LKR were 12.08% and Nil (2017 - 12.33% and 8.65% ) and USD was 3.34% (2017 - 2.86%). The weighted average interest rate on Bank deposits in LKR was 11.5%.
- (b) The weighted average interest rates on investments in Government Securities was 7.92% (2017 - Nil).
- (c) The weighted average interest rates on staff loans are between 12% and 15% (2017 - 12% and 14%).

## 11. Income tax expenses

Tax recognised in Statement of Profit or Loss

	Group		Company	
	2018	2017	2018	2017
<b>Current tax expense</b>				
Current year	960	966	24	73
Tax on dividends	102	-	-	-
	<b>1,062</b>	<b>966</b>	<b>24</b>	<b>73</b>
<b>Deferred tax expense</b>				
Origination and reversal of temporary differences (Note 23)	1,456	1,258	1,509	1,283
Tax losses	(297)	(636)	(297)	(655)
	<b>1,159</b>	<b>622</b>	<b>1,212</b>	<b>628</b>
<b>Tax expense</b>	<b>2,221</b>	<b>1,588</b>	<b>1,236</b>	<b>701</b>

**Tax recognised in other comprehensive income - Group**

	2018			2017		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
Defined benefit plan actuarial (loss)/gain	125	(13)	112	543	(155)	388
	125	(13)	112	543	(155)	388

**Tax recognised in other comprehensive income - Company**

	2018			2017		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
Defined benefit plan actuarial (loss)/gain	85	(23)	62	553	(155)	398
	85	(23)	62	553	(155)	398

## Reconciliation between income tax expenses and accounting profit

	Group		Company	
	2018	2017	2018	2017
Accounting profit before tax	7,169	5,528	3,142	2,129
Non-taxable receipts/gains	(628)	(730)	(628)	(730)
<b>Exempt profit</b>				
Aggregate disallowable expenses	14,858	14,492	14,469	14,399
Aggregate allowable expenses	(17,322)	(17,848)	(17,210)	(17,811)
Utilisation of tax losses	(143)	(275)	(47)	(223)
Current year tax losses not utilised	649	2,236	620	2,236
Taxable income	4,828	4,307	87	-
<b>Other adjustments</b>				
Standard rate of 28%	116	44	24	-
Concessionary rate of 14%	-	-	-	-
Concessionary rate of 10%	-	4	-	-
Other rates	844	845	-	-
Tax on dividend income	102	73	-	73
<b>Tax on current year profits</b>	<b>1,062</b>	<b>966</b>	<b>24</b>	<b>73</b>



Current income tax charge of the Group/Company is made up as follows:

	Group		Company	
	2018	2017	2018	2017
Sri Lanka Telecom PLC	24	73	24	73
Mobitel (Private) Limited	844	844	-	-
Sri Lanka Telecom (Services) Limited	-	5	-	-
SLT Human Capital Solutions (Private) Limited	3	4	-	-
SLT Digital Info Services (Private) Limited	61	17	-	-
SLT VisionCom (Private) Limited	30	23	-	-
Sky Network (Private) Limited	-	-	-	-
SLT Property Management (Private) Limited	-	-	-	-
SLT Campus (Private) Limited	-	-	-	-
	<b>962</b>	<b>966</b>	<b>24</b>	<b>73</b>

(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. 04 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 agreement with the Board of Investment of Sri Lanka (BOI) dated 19 November 2009 under Section 17 of BOI Act No. 04 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. Net movement on Cash Flow hedges

The composition of the cash flow hedge reserve is given below:

	Group LKR Mn.	Company LKR Mn.
Recognition of loan impact under Other Comprehensive Income	888	888
Recognition of revenue impact under Other Comprehensive Income	(216)	(216)
Balance as at 31 December 2018	<b>672</b>	<b>672</b>

## 13. 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	
	2018	2017	2018	2017
Net profit attributable to equity holders (LKR Mn.)	<b>4,948</b>	3,940	<b>1,906</b>	1,428
Weighted average number of ordinary shares in issue (Mn.)	<b>1,805</b>	1,805	<b>1,805</b>	1,805
Basic earnings per share (LKR)	<b>2.74</b>	2.18	<b>1.06</b>	0.79

Diluted EPS is the same as computed above as the Company does not have any instrument that will potentially dilute the share holdings.

## 14. Property, plant and equipment

### 14.1 Property, plant and equipment - Group

	Freehold land	Freehold buildings	Ducts, cables and other outside plant	Telephone exchanges	Transmission equipment	IT systems	Motor vehicles	Other fixed assets	Capital work-in-progress	Total
<b>Cost</b>										
<b>As at 1 January 2017</b>	357	3,496	125,120	27,256	87,360	12,323	2,738	9,204	20,027	287,881
Additions at cost	-	-	1,559	1,925	2,773	1,727	199	1,709	15,064	24,956
Transfers from capital work-in-progress	-	229	5,309	134	3,500	305	-	1,282	(10,759)	-
Disposals	-	(2)	(853)	(114)	(33)	(26)	(45)	(78)	-	(1,151)
<b>As at 31 December 2017</b>	<b>357</b>	<b>3,723</b>	<b>131,135</b>	<b>29,201</b>	<b>93,600</b>	<b>14,329</b>	<b>2,892</b>	<b>12,117</b>	<b>24,332</b>	<b>311,686</b>
<b>Accumulated depreciation</b>										
<b>As at 1 January 2017</b>	-	(2,026)	(92,749)	(18,444)	(48,475)	(8,299)	(2,095)	(7,144)	-	(179,232)
Disposals	-	2	853	114	28	25	44	76	-	1,142
Impairment loss	-	-	(62)	(28)	(10)	-	-	-	-	(100)
Depreciation charge	-	(99)	(5,455)	(1,559)	(6,901)	(1,292)	(302)	(853)	-	(16,461)
<b>As at 31 December 2017</b>	<b>-</b>	<b>(2,123)</b>	<b>(97,413)</b>	<b>(19,917)</b>	<b>(55,358)</b>	<b>(9,566)</b>	<b>(2,353)</b>	<b>(7,921)</b>	<b>-</b>	<b>(194,651)</b>
<b>Carrying value as at 31 December 2017</b>	<b>357</b>	<b>1,600</b>	<b>33,722</b>	<b>9,284</b>	<b>38,242</b>	<b>4,763</b>	<b>539</b>	<b>4,196</b>	<b>24,332</b>	<b>117,035</b>

	Freehold land	Freehold buildings	Ducts, cables and other outside plant	Telephone exchanges	Transmission equipment	IT systems	Motor vehicles	Other fixed assets	Capital work-in-progress	Total
<b>Cost</b>										
<b>As at 1 January 2018</b>	357	3,723	131,135	29,201	93,600	14,329	2,892	12,117	24,332	311,686
Additions at cost	-	4	748	-	1,303	249	23	670	20,728	23,725
Transfers from capital work-in-progress	-	112	3,116	184	2,518	1,574	-	24	(7,529)	-
Disposals	-	-	(249)	(18)	(597)	(52)	(21)	(80)	-	(1,017)
<b>As at 31 December 2018</b>	<b>357</b>	<b>3,839</b>	<b>134,750</b>	<b>29,367</b>	<b>96,824</b>	<b>16,100</b>	<b>2,894</b>	<b>12,731</b>	<b>37,531</b>	<b>334,393</b>
<b>Accumulated depreciation</b>										
<b>As at 1 January 2018</b>	-	(2,123)	(97,413)	(19,917)	(55,358)	(9,566)	(2,353)	(7,921)	-	(194,651)
Disposals	-	-	249	18	597	52	21	61	-	998
Impairment loss	-	(8)	-	-	-	-	(21)	(11)	-	(40)
Depreciation charge	-	(101)	(5,482)	(1,569)	(6,959)	(1,410)	(241)	(1,088)	-	(16,850)
<b>As at 31 December 2018</b>	<b>-</b>	<b>(2,232)</b>	<b>(102,646)</b>	<b>(21,468)</b>	<b>(61,720)</b>	<b>(10,924)</b>	<b>(2,594)</b>	<b>(8,959)</b>	<b>-</b>	<b>(210,543)</b>
<b>Carrying value as at 31 December 2018</b>	<b>357</b>	<b>1,607</b>	<b>32,104</b>	<b>7,899</b>	<b>35,104</b>	<b>5,176</b>	<b>300</b>	<b>3,772</b>	<b>37,531</b>	<b>123,850</b>

## 14.2 Property, plant and equipment – Company

	Freehold land	Freehold buildings	Ducts, cables and other outside plant	Telephone exchanges	Transmission equipment	IT systems	Motor vehicles	Other fixed assets	Capital work-in-progress	Total
<b>Cost</b>										
<b>As at 1 January 2017</b>	357	3,469	125,120	27,256	32,569	12,310	2,486	5,691	18,729	227,987
Additions at cost	–	–	1,559	1,925	1,351	1,727	86	929	13,380	20,957
Transfers from capital work-in-progress	–	229	5,309	134	1,962	305		1,282	(9,221)	–
Disposals	–	(2)	(853)	(114)	(1)	(26)	(45)	–	–	(1,041)
<b>As at 31 December 2017</b>	<b>357</b>	<b>3,696</b>	<b>131,135</b>	<b>29,201</b>	<b>35,881</b>	<b>14,316</b>	<b>2,527</b>	<b>7,902</b>	<b>22,888</b>	<b>247,903</b>
<b>Accumulated depreciation</b>										
<b>As at 1 January 2017</b>	–	(2,026)	(92,749)	(18,444)	(18,278)	(8,287)	(1,907)	(4,772)	–	(146,463)
Disposals	–	2	853	114	1	25	44	–	–	1,039
Impairment loss	–	–	(62)	(28)	(10)			–	–	(100)
Depreciation charge	–	(99)	(5,455)	(1,559)	(1,974)	(1,291)	(262)	(286)	–	(10,926)
<b>As at 31 December 2017</b>	<b>–</b>	<b>(2,123)</b>	<b>(97,413)</b>	<b>(19,917)</b>	<b>(20,261)</b>	<b>(9,553)</b>	<b>(2,125)</b>	<b>(5,058)</b>	<b>–</b>	<b>(156,450)</b>
<b>Carrying value as at 31 December 2017</b>	<b>357</b>	<b>1,573</b>	<b>33,722</b>	<b>9,284</b>	<b>15,620</b>	<b>4,763</b>	<b>402</b>	<b>2,844</b>	<b>22,888</b>	<b>91,453</b>

	Freehold land	Freehold buildings	Ducts, cables and other outside plant	Telephone exchanges	Transmission equipment	IT systems	Motor vehicles	Other fixed assets	Capital work-in-progress	Total
<b>Cost</b>										
<b>As at 1 January 2018</b>	357	3,696	131,135	29,201	35,881	14,316	2,527	7,902	22,888	247,903
Additions at cost		4	748	–	962	244	22	196	13,809	15,985
Transfers from capital work-in-progress		112	3,116	184	1,693	1,574		24	(6,703)	–
Disposals			(249)	(18)	(13)	(52)	(20)	–		(352)
<b>As at 31 December 2018</b>	<b>357</b>	<b>3,812</b>	<b>134,750</b>	<b>29,367</b>	<b>38,523</b>	<b>16,082</b>	<b>2,529</b>	<b>8,122</b>	<b>29,994</b>	<b>263,536</b>
<b>Accumulated depreciation</b>										
<b>As at 1 January 2018</b>	–	(2,123)	(97,413)	(19,917)	(20,261)	(9,553)	(2,125)	(5,058)	–	(156,450)
Disposals	–		249	18	13	52	20	–	–	352
Impairment loss	–		(8)					(21)	–	(29)
Depreciation charge	–	(101)	(5,482)	(1,569)	(2,092)	(1,410)	(195)	(513)	–	(11,361)
<b>As at 31 December 2018</b>	<b>–</b>	<b>(2,224)</b>	<b>(102,654)</b>	<b>(21,468)</b>	<b>(22,340)</b>	<b>(10,911)</b>	<b>(2,300)</b>	<b>(5,592)</b>	<b>–</b>	<b>(167,489)</b>
<b>Carrying value as at 31 December 2018</b>	<b>357</b>	<b>1,588</b>	<b>32,096</b>	<b>7,899</b>	<b>16,183</b>	<b>5,171</b>	<b>229</b>	<b>2,530</b>	<b>29,994</b>	<b>96,047</b>

### 14.3 Reclassification of Property, Plant and Equipment – Group

The Other fixed asset total Net Book Value of LKR 18,215 Mn. as at 31 December 2017 presented with in other fixed assets category has been reclassified for better presentation purposes in to the following asset categories.

- IT systems
- Motor vehicles
- Ducts, cables, and other outside plants
- Telephone exchanges
- Transmission equipment

#### As presented in audited Financial Statement 2017

Cost	Other Fixed Assets
As at 1 January 2017	50,884
Additions at cost	5,567
Transfers from capital work-in-progress	4,450
Disposals	(232)
As at 31 December 2017	60,669
<b>Accumulated depreciation</b>	
As at 1 January 2017	(33,558)
Disposals	229
Impairment loss	-
Depreciation charge	(4,929)
As at 31 December 2017	(38,258)
Carrying value as at 31 December 2017	22,411

#### Comparative Figures as presented in current Financial Statements

	IT Systems	Motor Vehicles	Ducts, cables and other outside plant	Telephone Exchanges	Transmission Equipment	Total Reclassified Value	Remaining Other Fixed Assets	Total
<b>Cost</b>								
As at 1 January 2017	12,323	2,738	20,518	617	5,484	41,680	9,204	50,884
Additions at cost	1,727	199	1,013	-	919	3,858	1,709	5,567
Transfers from capital work-in-progress	305	-	992	-	1,871	3,168	1,282	4,450
Disposals	(26)	(45)	(83)	-	-	(154)	(78)	(232)
<b>As at 31 December 2017</b>	<b>14,329</b>	<b>2,892</b>	<b>22,440</b>	<b>617</b>	<b>8,274</b>	<b>48,552</b>	<b>12,117</b>	<b>60,669</b>
<b>Accumulated depreciation</b>								
As at 1 January 2017	(8,299)	(2,095)	(15,017)	(43)	(960)	(26,414)	(7,144)	(33,558)
Disposals	25	44	83	-	1	153	76	229
Impairment loss	-	-	-	-	-	-	-	-
Depreciation charge	(1,292)	(302)	(1,729)	(60)	(693)	(4,076)	(853)	(4,929)
As at 31 December 2017	(9,566)	(2,353)	(16,663)	(103)	(1,652)	(30,337)	(7,921)	(38,258)
<b>Carrying value as at 31 December 2017</b>	<b>4,763</b>	<b>539</b>	<b>5,777</b>	<b>514</b>	<b>6,622</b>	<b>18,215</b>	<b>4,196</b>	<b>22,411</b>

## 14.4 Reclassification of Property, Plant and Equipment - Company

The Other fixed asset total Net Book Value of LKR 18,140 Mn. as at 31 December 2017 presented with in other fixed assets category has been reclassified for better presentation purposes in to the following asset categories.

- IT systems
- Motor vehicles
- Ducts, cables, and other outside plants
- Telephone exchanges
- Transmission equipment

### As presented in audited Financial Statement 2017

Cost	Other Fixed Assets
As at 1 January 2017	47,925
Additions at cost	4,678
Transfers from capital work-in-progress	4,450
Disposals	(154)
As at 31 December 2017	56,899
<b>Accumulated depreciation</b>	
As at 1 January 2017	(31,684)
Disposals	153
Impairment loss	-
Depreciation charge	(4,384)
As at 31 December 2017	(35,915)
Carrying value as at 31 December 2017	20,984

### Comparative Figures as presented in current financial statements

	IT Systems	Motor Vehicles	Ducts, cables and other outside plant	Telephone Exchanges	Transmission Equipment	Total Reclassified Value	Remaining Other Fixed Assets	Total
<b>Cost</b>								
As at 1 January 2017	12,310	2,486	21,290	595	5,553	42,234	5,691	47,925
Additions at cost	1,727	86	1,013	-	923	3,749	929	4,678
Transfers from capital work-in-progress	305	-	992	-	1,871	3,168	1,282	4,450
Disposals	(26)	(45)	(83)	-	-	(154)	-	(154)
<b>As at 31 December 2017</b>	<b>14,316</b>	<b>2,527</b>	<b>23,212</b>	<b>595</b>	<b>8,347</b>	<b>48,997</b>	<b>7,902</b>	<b>56,899</b>
<b>Accumulated depreciation</b>								
As at 1 January 2017	(8,287)	(1,907)	(15,722)	(17)	(979)	(26,912)	(4,772)	(31,684)
Disposals	25	44	83	-	1	153	-	153
Impairment loss	-	-	-	-	-	-	-	-
Depreciation charge	(1,291)	(262)	(1,792)	(60)	(693)	(4,098)	(286)	(4,384)
As at 31 December 2017	(9,553)	(2,125)	(17,431)	(77)	(1,671)	(30,857)	(5,058)	(35,915)
<b>Carrying value as at 31 December 2017</b>	<b>4,763</b>	<b>402</b>	<b>5,781</b>	<b>518</b>	<b>6,676</b>	<b>18,140</b>	<b>2,844</b>	<b>20,984</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 2018 was LKR 74,396 Mn. (2017 - LKR 69,661 Mn.). The cost of fully-depreciated assets still in use in the Group as at 31 December 2018 was LKR 88,189 Mn. (2017 - LKR 78,715 Mn.).
- (c) No assets have been mortgaged or pledged as security for borrowings of the Group.
- (d) The Directors believe, pertaining to lands and buildings which were vested from the corporation to the Company, that the Company has freehold title to land and buildings transferred at incorporation of the Company (to take over the assets and liabilities of the corporation at the Conversion of SLT into a public limited company on 25 September 1996), by operation of law, although no specific title documents are available for each of such lands. The Company has initiated a process to obtain a title document from the Government authorities, in order to confirm the list of lands so vested with the Company.
- (e) The number of buildings as at 31 December 2018, is 1,180 (2017 - 1,175)
- (f) All the motor vehicles have been insured. An insurance reserve has been created together with a sinking fund investment to meet any potential losses with regard to uninsured property, plant and equipment. At the reporting date, the insurance reserve amounted to LKR 791 Mn. (2017 - LKR 691 Mn.) (Note 27).
- (g) Impairment of assets mainly consists of the carrying value of Next Generation Network (NGN) LKR Nil (2017 LKR - 28 Mn.), PSTN CPE LKR Nil (2017 - LKR 18 Mn.), Cable Net Work Beyond DP LKR 15 Mn. (2017 - LKR 44 Mn.) and National Transmission Equipment Nil (2017 - LKR 10 Mn.) Cable Net Work Upto DP LKR 7 Mn. (2017 - LKR Nil) were impaired due to the flood. Impairment provision for pay phones LKR 5 Mn. (2017 - NIL.) and IPTV CPE LKR 62 Mn. (2017 - NIL).
- (h) The Company capitalised borrowing costs amounting to LKR 4,035 Mn. during the year (2017 - LKR 2,650 Mn.). Borrowing cost capitalised from a Group perspective amounted to LKR 4,035 Mn. (2017 - LKR 2,650 Mn.).
- (i) The property, plant and equipment includes assets acquired under finance leases, the net book value of which is made up as follows:

	Group		Company	
	2018	2017	2018	2017
Cost	<b>777</b>	667	<b>440</b>	440
Accumulated depreciation	<b>(535)</b>	(493)	<b>(438)</b>	(396)
<b>Carrying value</b>	<b>242</b>	174	<b>2</b>	44

- (j) Property, plant and equipment include submarine cables. The total cost and accumulated depreciation of all cables under this category is as follows;

	Group/Company	
	2018	2017
Cost	<b>11,975</b>	11,873
Accumulated depreciation at 1 January	<b>(5,560)</b>	(5,197)
Depreciation charge for the year	<b>(332)</b>	(363)
<b>Carrying amount</b>	<b>6,083</b>	6,313



## 15. Intangible assets

### 15.1 Intangible assets – Group

	Goodwill	Licences	Software	Others	Total
<b>Cost</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>
Balance as at 1 January 2018	804	8,905	3,740	485	13,934
- Acquisitions	-	616	255	17	889
<b>Balance as at 31 December 2018</b>	<b>804</b>	<b>9,521</b>	<b>3,995</b>	<b>502</b>	<b>14,822</b>
<b>Accumulated amortisation</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>
Balance as at 1 January 2018	253	2,767	2,720	333	6,073
- Amortisation	-	851	246	-	1,097
<b>Balance as at 31 December 2018</b>	<b>253</b>	<b>3,618</b>	<b>2,966</b>	<b>333</b>	<b>7,170</b>
<b>Carrying Amounts</b>					
<b>December 2018</b>	<b>551</b>	<b>5,903</b>	<b>1,029</b>	<b>169</b>	<b>7,652</b>
December 2017	551	6,138	1,020	152	7,861

The goodwill in the Group consists of goodwill arising on acquisition of Mobitel (Private) Limited eChannelling PLC. Goodwill is allocated to the Group's Cash-Generating Units (CGUs). A summary of the goodwill allocation is presented below:

	2018	2017
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:

	2018 %	2017 %
Growth rate	2-7	2-7
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 2018 for the above CGU (2017 - Nil).

## 15.2 Intangible assets - Company

	Licences	Software	Others	Total
<b>Cost</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>
Balance as at 1 January 2018	1,813	1,727	330	3,870
- Acquisitions	4	308	-	312
<b>Balance as at 31 December 2018</b>	<b>1,817</b>	<b>2,035</b>	<b>330</b>	<b>4,182</b>
<b>Accumulated amortisation</b>				
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>
Balance as at 1 January 2018	798	1,675	330	2,803
- Amortisation	143	112	-	255
<b>Balance as at 31 December 2018</b>	<b>941</b>	<b>1,787</b>	<b>330</b>	<b>3,058</b>
<b>Carrying Amounts</b>	<b>876</b>	<b>248</b>	<b>-</b>	<b>1,124</b>
<b>December 2018</b>	<b>876</b>	<b>248</b>	<b>-</b>	<b>1,124</b>
December 2017	1,015	52	-	1,067

## 16. Investments in subsidiaries and associates

### 16.1 Investments in subsidiaries

	2018	2017
Opening net book amount	14,206	14,220
Impairment of Investment	-	(14)
Additions	160	-
<b>Closing net book amount</b>	<b>14,366</b>	<b>14,206</b>

### 16.2 Investment in associates

The company has 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.

	Company	
	2018	2017
As at 1 January	28	28
Share of loss from associate company	(28)	-
<b>As at 31 December</b>	<b>-</b>	<b>28</b>

Details of the subsidiary companies in which the Company had control as at 31 December are set out below:

Name of the Company	2018		2017	
	Investment	Company holding	Investment	Company holding
	LKR Mn.	%	LKR Mn.	%
Mobitel (Private) Limited [See Note (b) below]	13,980	100	13,980	100
SLT VisionCom (Private) Limited [See Note (e) below]	100	100	100	100
SLT Digital Info Services (Private) Limited [See Note (c) below]	50	100	50	100
Sri Lanka Telecom (Services) Limited [See Note (a) below]	25	99.99	25	99.99
SLT Human Capital Solutions (Private) Limited [See Note (d) below]	1	100	1	100
Sky Network (Private) Limited (See Note (f) below)	-	99.94	-	
SLT Property Management (Private) Limited (See Note (g) below)	-	100	-	100
SLT Campus (Private) Limited [See Note (h) below]	210	100	50	100
	<b>14,366</b>		14,206	
<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 Info 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. The Company invested LKR 160 Mn. on ordinary share capital in SLT Campus (Private) Limited during the year 2018.

- (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.

## 17. Other investments

### Current investments

	Group		Company	
	2018	2017	2018	2017
Fixed deposits/Repo	3,665	1,842	3,569	1,780
Investment in equity share	-	2	-	-
	<b>3,665</b>	1,844	<b>3,569</b>	1,780

Fixed deposits and Repo are classified as financial assets and measured at amortised cost. Fixed deposits of foreign currency with carrying value of LKR 2,780 Mn. (2017 - LKR 1,111 Mn.) and Fixed deposits and Repo with a carrying value of LKR 786 Mn. (2017 - LKR 669 Mn.) are restricted at bank. Fixed Deposit carrying value of LKR 3 Mn (2017 - Nil).

Investment in equity shares comprises of investment made by eChannelling PLC in other companies.

	Group		Company	
	2018 %	2017 %	2018 %	2017 %
Fixed deposits - Restricted at bank	<b>12.08</b>	12.33	<b>12.08</b>	12.33
Repurchase agreement - Restricted at bank	-	8.65	-	8.65
Fixed Deposits - LKR	<b>11.50</b>	-	<b>11.50</b>	-
Fixed Deposits - USD	<b>3.34</b>	2.86	<b>3.34</b>	2.86
Repurchase agreement - Repo	<b>7.92</b>	-	<b>7.92</b>	-

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	
	2018	2017	2018	2017
Non-current	<b>2,970</b>	3,150	<b>2,938</b>	3,127
Current	<b>680</b>	677	<b>679</b>	676
	<b>3,650</b>	3,827	<b>3,617</b>	3,803
Employee Loans	<b>3,229</b>	3,355	<b>3,196</b>	3,331
Prepaid staff cost	<b>421</b>	472	<b>421</b>	472
	<b>3,650</b>	3,827	<b>3,617</b>	3,803
Prepaid staff cost 1 January	<b>472</b>	487	<b>472</b>	487
Additions	<b>108</b>	186	<b>108</b>	186
Amortisation	<b>(159)</b>	(201)	<b>(159)</b>	(201)
Prepaid staff cost at 31 December	<b>421</b>	472	<b>421</b>	472

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. Benefit amount in 2018 is LKR 108 Mn. (2017 - LKR 186 Mn.).

## 19. Inventories

	Group		Company	
	2018	2017	2018	2017
Customer Premises Equipment	1,188	2,345	1,188	2,345
Cable & networks	842	393	701	393
Other consumables	1,069	1,590	321	543
	3,099	4,328	2,210	3,281
Provision for change in carrying value of inventories	(926)	(1,167)	(770)	(1,053)
	2,173	3,161	1,440	2,228

(a) Inventories include telecommunication hardware, consumables and office stationery. Inventory is stated net of provisions for slow-moving and obsolete items.

## 20. Trade and other receivables

	Group		Company	
	2018	2017	2018	2017
Domestic trade receivables	21,846	20,196	15,373	14,471
Foreign trade receivables	3,428	3,074	2,297	2,292
	25,274	23,270	17,670	16,763
Less: Provision for bad and doubtful receivables	(8,890)	(9,321)	(5,492)	(6,483)
Less: Interest/revenue in suspense	-	(19)	-	-
Trade receivables - net	16,384	13,930	12,178	10,280
Amount due from subsidiaries [Note 33.1 (k)]	-	-	2,042	3,460
Amount due from related companies	148	38	147	38
Advances and prepayments [See Note (a) below]	8,561	5,101	2,360	3,266
Employee loans (Note 18)	680	677	679	676
Other receivables [See Note (b) below]	1,567	985	135	134
<b>Amounts due within one year</b>	<b>27,340</b>	<b>20,731</b>	<b>17,541</b>	<b>17,854</b>

(a) Advances and prepayments of the Company mainly consist of advances on foreign and local suppliers' advances LKR 1,720 Mn. (2017 - LKR 2,843 Mn.), payments for software maintenance of LKR 70 Mn. (2017 - LKR 341 Mn.) Advances and prepayments of the Group mainly consist of advances on foreign & local suppliers advances LKR 5,911 Mn. (2017 - LKR 3,393 Mn.), payments for software maintenance of LKR 70 Mn. (2017 - LKR 341 Mn.) advances on Building and tower rent of LKR 138 Mn. (2017 - LKR 107 Mn.) Prepaid TRC Frequency LKR 804 Mn. (2017 - LKR 246 - Mn.) and free phone offer LKR 283 Mn. (2017 - LKR 249 Mn.)

(b) Other receivables of the Company consist of refundable deposits of LKR 132 Mn. (2017 - LKR 125 Mn.). Other receivables of the Group mainly consist of refundable deposits of LKR 132 Mn. (2017 - LKR 125 Mn.), receivables from sales agents LKR 122 Mn. (2017 - LKR 128 Mn.) and site rentals receivables from other operators LKR 864 Mn. (2017 - Rs 302 Mn.)

**21. Cash and cash equivalents**

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	2017	<b>2018</b>	2017
Cash at bank and in hand	<b>3,163</b>	1,973	<b>671</b>	796
Call deposits	-	-	-	-
Fixed deposits	<b>5,791</b>	258	-	-
Repurchase agreements - Repo	<b>2,135</b>	2,046	-	-
	<b>11,089</b>	4,277	<b>671</b>	796

**21.a For cash flow purpose:****Cash and cash equivalents**

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	2017	<b>2018</b>	2017
Cash and cash equivalents	<b>11,089</b>	4,277	<b>671</b>	796
Bank overdrafts	<b>(6,460)</b>	(13,323)	<b>(5,638)</b>	(12,406)
	<b>4,629</b>	(9,046)	<b>(4,967)</b>	(11,610)

**22. Borrowings**

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	2017	<b>2018</b>	2017
<b>Current (due within one year)</b>				
Bank overdrafts	<b>6,460</b>	13,323	<b>5,638</b>	12,406
Bank borrowings and others [See Note 22 (e) below]	<b>9,479</b>	12,036	<b>9,464</b>	12,013
Vendor financing	<b>982</b>	1,432	-	-
Lease liabilities	<b>28</b>	99	<b>2</b>	67
	<b>16,949</b>	26,890	<b>15,104</b>	24,486
<b>Non-current (due after one year)</b>				
Bank borrowings and others [See Note 22 (e) below]	<b>38,285</b>	14,489	<b>30,928</b>	14,489
Vendor financing	<b>546</b>	371	-	-
Lease liabilities	<b>55</b>	61	-	3
	<b>38,886</b>	14,921	<b>30,928</b>	14,492
<b>Total borrowings</b>	<b>55,835</b>	41,811	<b>46,032</b>	38,978



(a) The interest rate exposure of the borrowings of the Group and the Company were as follows:

	Group		Company	
	2018	2017	2018	2017
- At fixed rates	17,633	23,097	17,355	23,008
- At floating rates	38,202	18,714	28,677	15,970
	55,835	41,811	46,032	38,978

The currency exposure of the borrowings of the Group and the Company as at the reporting date were as follows:

	Group		Company	
	2018	2017	2018	2017
Foreign currency	19,125	17,613	10,268	15,811
Local currency	36,710	24,198	35,764	23,167
	55,835	41,811	46,032	38,978

(b) Effective interest rates of the Company and the Group are as follows:

	Group		Company	
	2018 %	2017 %	2018 %	2017 %
Average effective interest rates:				
- bank overdrafts	10.00 – 14.40	10.00 – 14.00	11.71	11.88
- bank borrowings (USD loan)	4.74	4.30	4.74	4.30
- bank borrowings	12.18 – 12.75	12.22	12.18	12.22
- Debenture	12.75	-	12.75	-
- lease liabilities	8.00 – 16.00	8.00 – 16.00	8.00-10.00	8.00-10.00
- Vendor financing	LIBOR+3.8%	LIBOR+3.8%	-	-

(c) Maturity analysis of the Company and the Group is as follows:

	Group		Company	
	2018	2017	2018	2017
<b>Maturity of non-current borrowings (excluding finance lease liabilities):</b>				
- Between 1 and 2 years	8,956	6,553	5,018	6,285
- Between 3 and 5 years	20,250	8,307	16,285	8,204
- Over 5 years	9,625	-	9,625	-
	38,831	14,860	30,928	14,489

(d) Analysis of the finance lease liabilities of the Group and Company are as follows:

	Group		Company	
	2018	2017	2018	2017
Finance lease liabilities - minimum lease payments				
- Not later than 1 year	42	115	2	72
- Later than 1 year and not later than 5 years	54	73	-	3
	96	188	2	75
Less: future finance charges on finance leases	(13)	(28)	-	(5)
<b>Present value of finance lease liabilities</b>	<b>83</b>	<b>160</b>	<b>2</b>	<b>70</b>
Representing lease liabilities:				
- Current	28	99	2	63
- Non-current	55	61	-	3

(e) Movement of the borrowings is given below - Group

	Borrowings	Bank overdraft	Lease liabilities	Total
Balance as at 1 Jan 2018	28,328	13,323	160	41,811
Additions during the year	32,142	9,968	-	42,110
Net repayment during the year	(11,178)	(16,831)	(77)	(28,086)
	49,292	6,460	83	55,835

Movement of the borrowings is given below - Company

	Borrowings	Bank overdraft	Lease liabilities	Total
Balance as at 1 Jan 2018	26,502	12,406	70	38,978
Additions during the year	23,050	7,878	-	30,928
Net repayment during the year	(9,160)	(14,646)	(68)	(23,874)
	40,392	5,638	2	46,032

- (f) During the year company, drew down LKR 23.05 Bn. from the term loan and short term loans in Rupees.
- (g) 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.
- (h) The Directors believe that the Company and the Group will have sufficient funds available to meet its present loan commitments.
- (i) Lease liabilities of the Company and the Group are effectively secured by the lessor against the rights to the title of the asset.
- (j) Bank borrowings and supplier credits of Mobitel (Private) Limited, a subsidiary of the Company, are secured, *inter alia*, by corporate guarantees given by the Company.
- (k) Mobitel (Private ) Limited has borrowed LKR 9,092 Mn. during the year for the purpose of Capital Expansion Projects.
- (l) Guarantee facilities amounting to LKR 77 Mn., (2017 - LKR 102 Mn.) were provided to Mobitel (Private) Limited for the GSM rollout 6 and 7.
- (m) Guarantee facilities amounting to LKR 26 Mn. (2017 - LKR 26 Mn.) 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 a principal tax rate of 28% (for the year 2017 - 28%).

The movement in the deferred income tax account is as follows:

	Group		Company	
	2018	2017	2018	2017
At the beginning of the year	5,872	4,459	5,945	4,507
Release to Statement of Comprehensive Income (Note 11)	1,159	1,258	1,212	1,283
Release to Statement of Other Comprehensive Income (Note 11)	13	155	23	155
(Over)/under provision of DT relevant to previous years	(655)	-	(655)	-
At the end of the year	6,389	5,872	6,525	5,945

The amounts shown in the statement of Financial Position represents the following:

	Group		Company	
	2018	2017	2018	2017
Deferred tax liabilities	6,537	5,956	6,525	5,945
Deferred tax assets	(148)	(84)	-	-
	6,389	5,872	6,525	5,945

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	
	2018	2017	2018	2017	2018	2017
Property, plant and equipment	-	-	12,759	10,466	12,759	10,466
Defined benefit obligations	(566)	(670)	-	-	(566)	(670)
Provisions	(2,434)	(2,552)	-	-	(2,434)	(2,552)
Deferred income	(712)	(736)	-	-	(712)	(736)
Tax losses	(2,658)	(636)	-	-	(2,658)	(636)
Tax (assets)/liabilities before set-off	(6,370)	(4,594)	12,759	10,466	6,389	5,872
Set-off of tax	6,370	4,594	(6,370)	(4,594)	-	-
Net tax (assets)/liabilities	-	-	6,389	5,872	6,389	5,872

## Movement in deferred tax balances during the year - Group

	Balance 1 January 2017	Recognised in comprehensive income	Recognised in other comprehensive income	Recognised directly in equity	Balance 31 December 2017	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 December 2018
Property, plant and equipment	10,012	1,524	-	-	11,536	1,223	-	12,759
Defined benefit obligations	(982)	157	155	-	(670)	91	13	(566)
Provisions	(2,094)	(458)	-	-	(2,552)	118	-	(2,434)
Deferred income	(771)	35	-	-	(736)	24	-	(712)
Tax losses	(1,706)	-	-	-	(1,706)	(297)	-	(2,003)
Adjustment to Tax Losses								(655)
	4,459	1,258	155		5,872	1,159	13	6,389

Deferred tax assets and liabilities of the Company are attributable to the following:

Company	Assets		Liabilities		Net	
	2018	2017	2018	2017	2018	2017
Property, plant and equipment	-	-	12,758	11,530	12,758	11,530
Defined benefit obligations	(510)	(663)	-	-	(510)	(663)
Provisions	(2,351)	(2,479)	-	-	(2,351)	(2,479)
Deferred income	(713)	(737)	-	-	(713)	(737)
Tax losses	(2,658)	(1,706)	-	-	(2,658)	-
Tax (assets) liabilities before set-off	(6,232)	(5,585)	12,758	11,530	6,525	5,945
Set-off of tax	6,232	5,585	(6,232)	(5,585)	-	-
Net tax (assets) liabilities	-	-	6,525	5,945	6,525	5,945

Movement in deferred tax balances during the year - Company

	Balance 1 January 2017	Recognised in comprehensive income	Recognised in other comprehensive income	Recognised directly in equity	Balance 31 December 2017	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 December 2018
Property, plant and equipment	10,006	1,524	-	-	11,530	1,228	-	12,758
Defined benefit obligations	(975)	157	155	-	(663)	130	23	(510)
Provisions	(2,046)	(433)	-	-	(2,479)	128	-	(2,351)
Deferred income	(772)	35	-	-	(737)	24	-	(713)
Tax losses	(1,706)	-	-	-	(1,706)	(297)	-	(2,003)
Adjustment to Tax Losses								(655)
	4,507	1,283	155	-	5,945	1,212	23	6,525

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

### 24(a) Contract Assets

The Contract Asset movements are provided below:

	Group LKR Mn.	Company LKR Mn.
Opening adjustment 1 January 2018	515	212
Additions	770	104
Amortisations	(350)	(100)
Balance as at 31 December 2018	935	216

	Group		Company	
	2018	2017	2018	2017
<b>At the end of the year</b>				
Representing contract assets - Current	497	-	103	-
Representing contract assets - Non-current	438	-	113	-
	935	-	260	-

	Group		Company	
	2018	2017	2018	2017
<b>At the end of the year</b>				
Representing deferred income - Current	2,469	2,143	385	468
Representing deferred income - Non-current	2,186	2,239	2,155	2,208
	4,655	4,382	2,540	2,676

## 24 (b) Contract Liabilities

As per SLFRS 15 revenue is recognized when the individual performance obligations specified in a contract are satisfied. The total consideration received or receivable has been allocated between separate performance obligations based on the relative stand-alone selling price.

The group and Company reclassify customer contracts previously shown as deferred income to contract liabilities.

The figure shows the contract liabilities due to unsatisfied performance obligations as at 1 January 2018.

	Group LKR Mn.	Company LKR Mn.
Opening adjustment - 1 January 2018	982	982
Addition	668	512
Amortization	(537)	(490)
Balance as at 31 December 2018	1,113	1,004

	Group		Company	
	2018	2017	2018	2017
<b>At the end of the year</b>				
- Representing contract liabilities - Current	565	-	471	-
- Representing contract liabilities - Non-Current	548	-	533	-
	1,113	-	1,004	-

## 25. Trade and other payables

	Group		Company	
	2018	2017	2018	2017
<b>Amounts due within one year</b>				
Domestic trade payables	5,044	2,841	391	508
Foreign trade payables	2,093	1,990	1,237	1,175
Amount due to subsidiaries [Note 33.1 (k)]	-	-	1,065	2,540
Amount due to related companies	132	32	132	32
Capital expenditure payables [See Note (a) below]	10,767	9,345	6,989	7,249
Social security and other taxes [See Note (b) below]	1,079	1,511	903	602
Interest payable	222	33	-	-
Other payables [See Note (c) below]	12,646	12,698	9,513	10,395
	31,983	28,450	20,230	22,501
<b>Amounts due after one year</b>				
International direct dialling deposits	157	232	157	232
Advance on LGN project	280	280	280	280
PSTN guarantee deposits	19	20	19	20
Domestic Trade Payables	695	848	-	-
Capital expenditure payables	790	1,064	-	-
	1,941	2,444	456	532



- (a) Capital expenditure payables of the Company mainly consist of contractors' payables and retention of LKR 6,083 Mn. (2017 - LKR 6,218 Mn.) and advances on network restoration after road works of LKR 906 Mn. (2017 - LKR 1,019 Mn.). Capital expenditure payables of the Group mainly consist of contractors' payable and retention of LKR 9,670 Mn. (2017 - LKR 8,178 Mn.) and advances on network restoration after road works of LKR 906 Mn. (2017 - LKR 1,017 Mn.).
- (b) Social security and other taxes of the Company mainly consist of Telecommunication Levy (TL) of LKR 190 Mn. (2017 - LKR 417 Mn.), Cess LKR 92 Mn. (2017 - LKR 64 Mn.), IDD Levy of LKR 4 Mn. (2017 - LKR 7 Mn.), EPF payable of LKR 106 Mn. (2017 - LKR 112 Mn.). Social security and other taxes of the Group mainly consist of Telecommunication Levy (TL) of LKR 449 Mn. (2017 - LKR 792 Mn.), Cess of LKR 378 Mn. (2017 - LKR 150 Mn.).
- IDD Levy payable of LKR 9 Mn. (2017 - LKR 9 Mn.), EPF payable of LKR 106 Mn. (2017 - LKR 112 Mn.) and NBT payable LKR 113 Mn. (2017 - LKR 119 Mn.).
- (c) Other payables of the Company mainly consist of dividend payable to the Government of Sri Lanka of LKR 244 Mn. (2017 - LKR 244 Mn.), payable for unpaid supplies of LKR 7,623 Mn. (2017 - LKR 7,570 Mn.), International Telecommunication Operators' Levy payable of LKR 190 Mn. (2017 - LKR 148 Mn.) and accrued expenses and other payables of LKR 255 Mn. (2017 - LKR 214 Mn.). Other payables of the Group mainly consist of dividend payable to the Government of Sri Lanka of LKR 244 Mn. (2017 - LKR 244 Mn.), payable for unpaid supplies of LKR 7,623 Mn. (2017 - LKR 7,570 Mn.), International Telecommunication Operators' Levy payable of LKR 190 Mn. (2017 - LKR 148 Mn.), and accrued expenses and other payables of LKR 3,275 Mn. (2017 - LKR 1,739 Mn.).

## 26. Employee benefits

	Group		Company	
	2018	2017	2018	2017
Total employee benefit liability as at 1 January	<b>4,355</b>	4,538	<b>3,719</b>	3,984
<b>Movement in present value of employee benefit liabilities</b>				
Current service cost	<b>445</b>	461	<b>375</b>	438
Interest cost	<b>216</b>	221	<b>150</b>	155
Actuarial (gain)/loss	<b>(125)</b>	(543)	<b>(85)</b>	(553)
Benefit paid during the year	<b>(652)</b>	(322)	<b>(561)</b>	(305)
Balance as at 31 December	<b>4,239</b>	4,355	<b>3,598</b>	3,719
<b>Expenses recognised in the Income Statement</b>				
Current service cost	<b>445</b>	461	<b>375</b>	438
Interest cost	<b>216</b>	221	<b>150</b>	155
	<b>661</b>	682	<b>525</b>	593
<b>Recognised in Other Comprehensive Income</b>				
Actuarial (gain)/loss	<b>(125)</b>	(543)	<b>(85)</b>	(553)
	<b>(125)</b>	(543)	<b>(85)</b>	(553)

The principal actuarial assumptions used were as follows:

	Group		Company	
	2018 %	2017 %	2018 %	2017 %
Discount rate (long-term)	<b>11.0 - 12.2</b>	10.0 - 10.4	<b>12.2</b>	10.4
Future salary increases	<b>7.5 - 10.0</b>	8.5 - 10.0	<b>7.5</b>	8.5

In addition to above, demographic assumptions such as mortality, withdrawal, retirement age were considered for the actuarial valuation. In 2018, 1967/70 Mortality Table issued by the Institute of Actuaries London (2017 - 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 Info Services (Private) Limited, Sri Lanka Telecom (Services) Limited, SLT Campus (Private) Limited, SLT Visioncom (Private) 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 provision for defined benefit obligations is not externally funded.

### Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amount shown below:

The sensitivity of the statement of profit or loss and other comprehensive income and the statement of financial position is the effect of the assumed changes in discount rate and salary increment rate as depicted in the following table:

### 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>2018</b>				
Discount rate (Change by 1%)	<b>(140)</b>	<b>156</b>	<b>(140)</b>	<b>156</b>
Salary increment rate (Change by 1%)	<b>177</b>	<b>(162)</b>	<b>177</b>	<b>(162)</b>

	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)

### 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>2018</b>				
Discount rate (Change by 1%)	<b>(26)</b>	<b>29</b>	<b>(26)</b>	<b>29</b>
Salary increment rate (Change by 1%)	<b>36</b>	<b>(32)</b>	<b>36</b>	<b>(32)</b>

	Effect on charge to the Statement of Profit or Loss and Other Comprehensive Income		Effect on net defined benefit liability	
	Increase	Decrease	Increase	Decrease
2017				
Discount rate (Change by 1%)	(31)	35	(31)	35
Salary increment rate (Change by 1%)	37	(33)	37	(33)

## 27. Insurance reserves

	Group/Company	
	2018	2017
As at 1 January	691	680
Transferred to retained earnings	100	11
As at 31 December	791	691

As stated in Accounting Policy 3 (s) the Company transfers annually from the retained earnings an amount equal to 0.25% 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	
	2018	2017	2018	2017
Balance at 1 January	3	9	3	9
Grant credited to Profit or loss	(3)	(6)	(3)	(6)
Balance at 31 December	-	3	-	3

Grant in Company and Group consists of Exchange equipment received from Alcatel CIT France in 2005.

## 29. Stated capital

	Group/Company	
	2018	2017
Issued and fully paid		
1,804,860,000 ordinary shares	18,049	18,049

### 30. Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

	Note	Group		Company	
		2018	2017	2018	2017
Profit before tax		<b>7,169</b>	5,528	<b>3,142</b>	2,129
<b>Adjustments for:</b>					
Depreciation	7	<b>16,850</b>	16,461	<b>11,361</b>	10,926
Grant received less amortisation	28	<b>(3)</b>	(6)	<b>(3)</b>	(6)
Amortisation of intangible assets	15	<b>1,097</b>	826	<b>255</b>	195
Provision/write-off of bad and doubtful debts		<b>1,127</b>	1,767	<b>605</b>	1,266
Provision for falling value of inventories		<b>(281)</b>	97	<b>(281)</b>	68
Interest expense and finance costs	9	<b>239</b>	159	<b>93</b>	12
Foreign exchange (loss)/Gain	9.a	<b>1,809</b>	478	<b>1,200</b>	471
Interest income	10	<b>(685)</b>	(1,040)	<b>(443)</b>	(562)
Connection fees less amortisation		<b>273</b>	607	<b>(136)</b>	(197)
Profit on sale of property, plant and equipment		<b>(332)</b>	(681)	<b>(306)</b>	(677)
Impairment of assets	14	<b>40</b>	100	<b>29</b>	100
Impairment of investment	16	<b>-</b>	14	<b>-</b>	14
Impairment of investment in associate company		<b>28</b>		<b>28</b>	-
Provision for retirement benefit obligations	26	<b>661</b>	682	<b>525</b>	593
Net movement on cash flow hedges		<b>(672)</b>	-	<b>(672)</b>	-
Contract assets SLFRS 15 adjustment		<b>(290)</b>	-	<b>16</b>	-
		<b>27,030</b>	24,992	<b>15,413</b>	14,332
Changes in working capital:					
- Receivables and prepayments		<b>(7,556)</b>	(4,318)	<b>(103)</b>	(3,064)
- Inventories		<b>2,137</b>	(1,923)	<b>1,937</b>	(1,400)
- Payables		<b>2,441</b>	2,983	<b>(2,344)</b>	3,825
<b>Cash generated from operations</b>		<b>24,052</b>	21,734	<b>14,903</b>	13,693

### 31. Capital commitments

The Group and the Company have purchased commitments in the ordinary course of business as at 31 December 2018 as follows:

	Group		Company	
	2018	2017	2018	2017
<b>Property, plant and equipment</b>				
- Approved but not contracted	<b>2,582</b>	25,984	<b>2,582</b>	25,984
- Approved and contracted	<b>13,085</b>	1,774	<b>4,742</b>	1,400
	<b>15,667</b>	27,758	<b>7,324</b>	27,384
<b>Operating lease commitments</b>				
The future minimum lease payments and other commitment payments are as follows:				
- Not later than 1 year	<b>48</b>	93	<b>48</b>	93
- Later than 1 year and not later than 5 years	<b>116</b>	160	<b>116</b>	160
	<b>164</b>	253	<b>164</b>	253

### Other financial commitments

Except for any regular maintenance contracts entered into with third parties in the normal course of business, there are no other material financial commitments that requires separate disclosure.

### 32. Contingencies

- (a) Global Electroteks Limited initiated legal action under High Court Case No. 20/2006 claiming damages of USD 12 Mn. from Sri Lanka Telecom PLC (“SLT”) for alleged unlawful disconnection of interconnection services. Corrections of proceedings 6 March 2019.
- (b) Appeal Case filed by Directories Lanka (Private) Limited (DLPL) against SLT against the dismissal of CHC 2/200 6(3) claimed damages of LKR 250 Mn., for alleged unfair competition with regard to artwork on the cover page of the Directory by SLT. DLPL appealed against the above order. Argument SE/CHC/Appeal 31/2010.
- (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 LKR 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 9 March 2016, precluding Respondents from enforcing Order dated 17 October 2014. Next date of the case is 15 May 2019.
- (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 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 re-instatement 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 bearing Number HC/Civil/23/2017 against SLT regarding violation of Intellectual Property Rights in the Commercial High Court and an *ex-parte* interim injunction was issued 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 damages of LKR 7, 800,000,000.00 is prayed under the petition. SLT filed revocation paper on 10 August 2017 and supported its application for the Preliminary Objections and the order was delivered in favour of SLT on 8 August 2018.

Subsequently Dialog Broad Band Network (Pvt) Ltd appealed to the Supreme Court under the Case bearing number (SC/HC/LA 82/2018) S.C. Appeal number 139/2018 against the aforesaid Order. Dialog supported the matter in Court to obtain leave to proceed with their application and leave was granted in a limited manner with regard to legal points. This means the case will proceed further to argue certain points of law leaving the original order given under the High Court intact. Both parties filed written submissions and the Case fixed for arguments on 28 October 2019.

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 77 Mn. (2017 – USD 102 Mn.) for Mobitel (Private) Limited for the GSM rollout Stage 6 and 7
- (ii) Facilities amounting to LKR 26 Mn. (2017 – LKR 26 Mn.) 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 2018.

### 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 Transactions with related entities

##### (a) Mobitel (Private) Limited

	Company	
	2018	2017
<b>Sale of goods and services:</b>		
Provision of E1 links	3,613	3,572
Interconnection charges	390	282
TDM, VOIP Platform and Transit	28	27
ERP Rental	631	-
	<b>4,662</b>	<b>3,881</b>
<b>Purchase of goods and services:</b>		
Call charges on official mobile phone	131	97
Interconnection charges	1,029	1,243
Antenna tower space	816	846
Buliding rent	5	4
Commission on bill collection	4	6
	<b>1,985</b>	<b>2,196</b>

As per the TRC approval dated 19 May 2014, Mobitel is entitled to receive discounts if the Company uses more than 3500 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 77 Mn. (2017 – USD 102 Mn.) for Mobitel (Private) Limited for the GSM rollout Stages 6 and 7.

##### (b) SLT Digital Info Services (Private) Limited

	Company	
	2018	2017
<b>Sale of goods and services:</b>		
Supply of services	6	6
<b>Purchase of goods and services:</b>		
Directory distribution and other services	3	8

SLT Digital Info Services (Private) Limited provides event management services to SLT PLC. As per the agreement, SLT Digital Info Services (Private) Limited entitle to receive a retainer for the services provided.

##### (c) Sri Lanka Telecom (Services) Limited

	Company	
	2018	2017
<b>Sale of goods and services:</b>		
Supply of services	8	5

The Company has provided guarantees on behalf of Sri Lanka Telecom (Service) Limited for the following loans and obligations:

Facilities amounting to LKR 26 Mn. (2017 – LKR 26 Mn.) for Sri Lanka Telecom (Services) Limited to obtain facilities for working Capital requirements.



**(d) SLT Human Capital Solutions (Private) Limited**

	Company	
	2018	2017
<b>Sale of goods and services:</b>		
Supply of services	7	4
<b>Purchase of goods and services:</b>		
Provision of manpower service	1,778	1,650

**(e) SLT VisionCom (Private) Limited**

	Company	
	2018	2017
<b>Sale of goods and services:</b>		
Supply of services	17	10
<b>Purchase of goods and services:</b>		
Service provisioning	804	330

**Ad-insertion revenue:**

Sri Lanka Telecom received an ad-insertion revenue from SLT VisionCom (Private) Limited amounting to LKR 13 Mn. (2017 - LKR 10 Mn.) 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 LKR 65.00 per cumulative billable subscriber which amounted to LKR 297 Mn. in 2018 (2017 - LKR 254 Mn.) Total cost incurred plus a 5% margin in 2018.

**(f) SLT Campus (Private) Limited**

	Company	
	2018	2017
<b>Sale of goods and services:</b>		
Supply of services	15	15
<b>Purchase of goods and services:</b>		
Service provisioning	-	0

**(g) Fees for secondment of personnel and services provided to/by SLT PLC**

	Company	
	2018	2017
SLT Digital Info Services (Private) Limited	51	46
	51	46

**(k) Outstanding balances arising from sale/purchase of services**

	Company	
	2018	2017
<b>Receivable from subsidiaries:</b>		
Mobitel (Private) Limited	1,277	2,684
SLT Digital Info Services (Private) Limited	140	136
SLT Human Capital Solutions (Private) Limited	155	157
SLT VisionCom (Private) Limited	-	-
Sri Lanka Telecom (Services) Limited	181	150
Sky Network (Private) Limited	-	11
SLT Property Management (Private) Limited	31	38
SLT Campus (Private) Limited	258	284
	2,042	3,460
<b>Payable to subsidiaries:</b>		
Mobitel (Private) Limited	53	1,681
SLT Digital Info Services (Private) Limited	197	212
SLT Human Capital Solutions (Private) Limited	283	306
SLT VisionCom (Private) Limited	238	130
Sri Lanka Telecom (Services) Limited	273	190
Sky Network (Private) Limited	1	1
SLT Campus (Private) Limited	20	20
	1,065	2,540

### 33.2 Transactions with other related parties

#### (a) Maxis Communications Berhad and its subsidiaries

	Group		Company	
	2018	2017	2018	2017
<b>Sale of goods and services:</b>				
Sale of SEA-ME-WE 3 Cable capacity	6	16	6	16
International incoming traffic	3	42	3	38
International incoming traffic	9	58	9	54
<b>Purchase of goods and services:</b>				
International outgoing traffic	1	33	1	33

#### (b) Outstanding balances arising from sale/purchase of services

	Group		Company	
	2018	2017	2018	2017
<b>Receivable from related companies:</b>				
Maxis Communications Berhad and its subsidiaries	148	141	147	141
	148	141	147	141
<b>Payable to related company:</b>				
Maxis Communications Berhad and its subsidiaries	132	119	132	119

#### (C) Government-related key institutions

The Government of Sri Lanka holds 49.5% of the voting rights of the Company as at 31 December 2018 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 2018, 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 2018 amounted to LKR 4,789 Mn. (2017- LKR 3,769 Mn.) and credit receivables as at 31 December 2018 amounted to LKR 2,948 Mn. (2017 - LKR 1,606 Mn.)
- (ii) Deposits, repurchase agreements (Repo) and Borrowings of the Group at/from Government banks amounted to LKR 3,569 Mn. (2017 LKR 1,790 Mn.) and LKR 20,752 Mn. (2017 - LKR 11,532 Mn.) as at 31 December 2018.
- (iii) Dividend payable to the Government amounting to LKR 244 Mn. (2017 - LKR 244 Mn.)

### 33.3 Transactions with key management personnel

Key management personnel comprise the Directors & chief officers of the Company and the Group.

	Group		Company	
	2018	2017	2018	2017
Short term benefits	270	268	189	227
Post employment benefits	16	26	15	22
Salaries and other benefits	286	294	204	249

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 Info 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
- eChannelling PLC

Related party transactions disclosed above should be read in conjunction with Note 16 to the Financial Statements.

### 34. Non-uniform accounting policies

The impact of non-uniform accounting policies adopted by the subsidiary company has been adjusted in the Consolidated Financial Statements as set out below:

#### Adjustment due to different accounting policies of the parent and the Group entity

Sri Lanka Telecom PLC accounts for refunds on Telecommunication Development Charge (TDC) on cash basis when the payment is received whereas Mobitel (Private) Limited recognises it in the Statement of Profit or Loss and Other Comprehensive Income on a straight line basis.

Therefore, the recognition of the refund by Mobitel (Private) Limited was eliminated and is recognised on cash basis in the consolidated accounts.

	Company	
	2018	2017
Reversal of deferred revenue recognised in Statement of Profit or Loss and Other comprehensive Income by Mobitel (Private) Limited	(87)	(98)

### 35. Fair value disclosure

Set out below is a comparison by class of the carrying amounts and fair values of the Financial instruments that are carried in the Financial Statements.

	Carrying Amount				Fair Value			
	Group		Company		Group		Company	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Financial Assets</b>								
Trade and other receivables	<b>18,779</b>	15,630	<b>15,181</b>	14,588	<b>18,779</b>	15,630	<b>15,181</b>	14,588
Short term deposits	<b>11,591</b>	4,146	<b>3,569</b>	1,780	<b>11,591</b>	4,146	<b>3,569</b>	1,780
Cash at bank and in hand	<b>3,163</b>	1,973	<b>671</b>	796	<b>3,163</b>	1,973	<b>671</b>	796
<b>Total</b>	<b>33,533</b>	21,749	<b>19,421</b>	17,164	<b>33,533</b>	21,749	<b>19,421</b>	17,164
<b>Financial Liabilities</b>								
Obligations under Finance leases	<b>83</b>	160	<b>2</b>	70	<b>83</b>	160	<b>2</b>	70
Borrowings	<b>47,764</b>	26,525	<b>40,392</b>	26,502	<b>31,203</b>	20,071	<b>27,013</b>	20,234
Trade and other payables	<b>32,845</b>	29,383	<b>19,783</b>	22,431	<b>32,005</b>	28,326	<b>19,586</b>	22,201
Bank overdrafts	<b>6,460</b>	13,323	<b>5,638</b>	12,406	<b>6,460</b>	13,323	<b>5,638</b>	12,406
<b>Total</b>	<b>87,152</b>	69,391	<b>65,815</b>	61,409	<b>69,751</b>	61,880	<b>52,239</b>	54,911

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following method and assumption was used to estimate the fair values:

Cash and bank balances, Short term deposits, Trade receivables, Trade payables (current) and bank overdraft approximate their carrying amounts lastly due to the short term maturities of these investments.

Fair Value of Trade and Other Payables and Borrowings have been arrived by discounting gross values by the year end AWFDR rate.

### 36. Events after the reporting date

The Board of Directors of the Company has recommended a first and final dividend of LKR 1.06 per share (2017 – LKR 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 2018.

Further, this dividend is to be approved at the Annual General Meeting to be held on 28 March 2019. This proposed final dividend has not been recognised as a liability as at 31 December 2018. Under the Inland Revenue Act No. 24 of 2017, a WHT of 14% has been imposed on dividend declared. Final dividend proposed for the year amounts to LKR 1,913,151,600, in compliance with Section 56 and 57 of Companies Act No.07 of 2007. As required by Section 56 of the Companies Act No.07 of 2007, the Board of Directors of the Company satisfied the solvency test in accordance with the Section 57, prior to recommending the final dividend. A statement of solvency completed and duly signed by the Directors on 21 February 2019 has been audited by Messrs 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.

# SUPPLEMENTARY INFORMATION

## TEN YEAR PROGRESS – GROUP

(All amounts in Sri Lanka rupees million)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Financial position – Group</b>										
Property, plant and equipment	123,850	117,035	108,649	99,283	90,935	80,506	73,602	67,705	61,258	65,896
Total assets	180,435	159,206	142,910	126,545	122,604	108,047	104,510	96,603	87,030	90,220
Current assets	45,377	31,048	27,464	21,426	25,343	20,598	25,712	24,341	21,238	19,764
Current liabilities	52,378	57,885	45,226	33,082	29,031	26,526	28,091	23,948	22,691	27,403
Borrowings	55,835	41,811	32,940	24,395	27,122	20,690	17,852	14,709	11,316	13,351
Equity	73,720	71,404	68,678	65,240	63,900	59,789	55,987	53,660	49,849	46,311
<b>Performance</b>										
Revenue	81,445	75,741	73,801	68,022	65,040	60,144	56,771	51,644	50,250	48,077
Operating profit	7,613	3,918	5,726	6,789	5,711	6,491	6,055	5,169	5,144	2,547
Finance cost	2,048	637	1,229	2,398	211	1,177	2,233	841	1,012	2,024
Earnings before tax	7,169	5,528	6,497	5,515	8,251	7,365	5,851	6,162	5,961	1,395
Taxation	2,221	1,588	1,707	1,791	2,250	1,946	1,930	1,657	2,018	617
Earnings after tax	4,948	3,940	4,790	3,724	6,001	5,419	3,921	4,505	3,943	778
<b>Cash flow</b>										
Net operating cash flows	19,656	18,224	19,466	21,265	20,047	15,386	16,094	20,250	15,260	18,213
Net cash used in investing activities	22,890	27,415	24,347	14,375	23,524	16,507	15,362	22,968	7,975	7,238
Net cash used in/(from) financing activities	16,909	756	360	6,065	(5,039)	57	174	1,494	3,965	11,408
<b>Key financial indicators</b>										
Earnings per Share (Rs.)	2.74	2.18	2.65	2.06	3.32	3.00	2.17	2.50	2.18	0.44
Return on Assets (%)	4.22	2.46	4.01	5.36	4.66	6.01	5.79	5.36	5.91	2.82
Return on Equity (%)	6.71	5.52	6.97	5.71	9.39	9.06	7.00	8.40	7.91	1.68
Operating margin (%)	9.35	5.17	7.76	9.98	8.78	10.79	10.67	10.01	10.24	5.30
Asset turnover (No. of times)	0.45	0.48	0.52	0.54	0.53	0.56	0.54	0.54	0.58	0.53
Current ratio (No. of times C.L.)	0.87	0.54	0.61	0.65	0.87	0.78	0.92	1.02	0.94	0.72
Quick asset ratio (No. of times C.L.)	0.82	0.48	0.57	0.62	0.86	0.69	0.84	0.93	0.88	0.65
Gearing ratio (Debt to Rs. 1/- of total equity)	0.43	0.37	0.32	0.27	0.30	0.26	0.24	0.21	0.19	0.22
Interest cover (No. of times interest)	1.77	2.02	4.53	5.62	8.94	9.44	6.73	11.43	6.89	1.69
Net Assets per Share	40.82	39.56	38.05	36.14	35.40	33.13	31.02	29.73	27.62	25.66
Dividend per share	1.06	0.89	0.89	0.89	0.85	0.85	0.85	0.85	0.60	0.25

- Earnings per share – Earnings per ordinary share (EPS) – Profit attributable to ordinary shareholders divided by the number of ordinary shares in use.
- 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.
- Return on Equity – Return on equity (ROE) – Net profit attributable to owners, expressed as percentage of average ordinary shareholders' equity.
- 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.
- Asset Turn Over – Asset turnover ratio measures the value of a company's sales or revenues generated relative to the value of its assets.
- Current Ratio – The current ratio measures the ability of a company to cover its short-term liabilities with its current assets.
- 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.
- Gearing Ratio – The gearing ratio measures the proportion of a company's borrowed funds to its equity.
- 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 (LKR Mn.)
No. 108 & 109, Walawwaththa Road, Anuradhapura	0.2434	24
Maithripala Senanayake Mawatha, Anuradhapura	0.1125	56
Maithripala Senanayake Mawatha, Anuradhapura	0.3355	166
Galkandehena, Kekirawa	0.1310	12
No. 14, Nivanthaka Chethiya Road, Anuradhapura	0.0466	4
Mannar Road, Medawachchiya	0.3315	5
Medawachchiya Road, Medawachchiya	0.1468	2
Nochchiyagama Idama, Nochchiyagama	0.1800	9
Behind the Mosque, Maithripala Senanayake Mawatha, Anuradhapura	0.1769	24
Nivanthaka Chethiya Road, Anuradhapura	0.0971	12
Galkantha Mawatha, Ampara	0.7657	91
Ratnapura Road, Eheliyagoda	0.0802	14
Station Road, Batticaloa	0.4383	61
Lower King's Street, Badulla	0.4020	48
Batticaloa Road, Bibile	0.0890	9
Lower King's Street, Badulla	0.0340	4
Ridikotaliyagama, Mahiyanganaya	0.0790	5
Circuit Bangalow, Namunukula	0.2100	10
Senanayake Mawatha, Bandarawela	0.0705	11
Anduwakelepathana, Haputale	0.4080	32
No. 6, Senanayake Mawatha, Bandarawela	0.2380	56
No. 8, Wakwella Road, Galle	0.1697	50
Court Road, Gampaha	0.1523	54
Lotus Road, Colombo	1.3154	2,600
Dickmans Road, Colombo 5	0.3360	291
No. 5, Anderson Road, Colombo 5	0.1889	299
No. 7, Anderson Road, Colombo 5	0.1363	216
No. 9, Anderson Road, Colombo 5	0.1949	308
No. 17, Sugathodaya Mawatha, Colombo 2	0.2190	346
Main Street, Kalutara	0.3035	108
Primrose Hill, Kandy	0.0534	4
Prince Street, Kandy	0.2251	89
Punchi Borella, Maradana	0.2625	212
Baseline Road, Welikada	3.0880	1,099
Tangalle Road, Matara	0.2880	148
Satellite Earth Station, Padukka	13.8960	165
Nalandarama Road, Nugegoda	0.1970	156

Location	Extent (Hectare)	Value of land (LKR Mn.)
High Level Road, Nugegoda	0.1170	116
Polhengoda Road, Narahenpita	0.3030	240
Pottode, Katunayaka	0.3039	12
Thimbrigaskatuwa, Pottode, Negombo	0.6037	24
Thimbrigaskatuwa, Pottode, Negombo	1.7160	68
St. Joseph's Street, Negombo	0.6787	191
Queen Elizabeth Drive, Nuwara Eliya	0.2354	93
Main Street, Panadura	0.2542	126
Bandaragama	0.2803	55
Anguruwatta Road, Horana	0.2177	52
Sri Gunarathana Mawatha, Panadura	0.2952	47
Hotel Road, Mount Lavinia	0.1913	95
Airport Junction, Ratmalana	0.2076	62
Main Street, Ratnapura	0.3645	86
Old Negombo Road, Ja-Ela	0.0870	43
Minuwangoda Road, Kotugoda	8.0937	440
Ragama Road, Ragama	0.2048	40
Negombo Road, Welisara	2.2280	484
Old Negombo Road, Wattala	0.1012	80
Aliyamalagala, Anuradhapura	0.2027	2
Post Office Road, Eppawela	0.0914	3
Kuda Galnewa Road, Galnewa	0.1453	1
Police Station Road, Horowpothana	0.4180	2
Kahatagasdigiliya, Anuradhapura	0.0993	1
Padaviya Road, Kebithigollewa	0.2628	8
Anuradhapura-Kurunegala Road, Thambuttegama	0.0860	7
Hospital Road, Inginiyagala	0.0470	1
Badulla Road, Padiyatalawa	0.1020	2
Panama Road, Pottuvil	0.2570	15
No. 63, Cemetery Road, Veedukkadu, Batticaloa	0.1019	5
Ketawala Road, Hali Ela	0.0940	22
Ella Road, Namunukula	0.1485	9
Dammeria Estate Road, Passara	0.2460	17
Poonagala Road, Balagala	0.1264	5
Railway Station Road, Ella	0.0330	4
Haputalegama Road, Diyathalawa	0.0226	6
Wellawaya Road, Koslanda	0.0440	3
Ettampitiya Road, Pattiyagedara	0.1568	6

Location	Extent (Hectare)	Value of land (LKR Mn.)
Wellawaya Road, Monaragala	0.3160	41
Vishaka Hill, Bandarawela	0.0958	11
Divitotawela, Welimada	0.1112	11
Ella Road, Wellawaya	0.1300	10
Kurunegala Road, Mukalanhena Village	0.3190	9
Old Town-Madampe Road, Ihalagama Village	0.1048	12
Marawila-Nattandiya Road, Ihalagama Village	0.0507	5
Puttalam	0.3054	42
Galle Main Street, Baddegama	0.1340	8
Galle Road, Elpitiya	0.1460	6
Galle Road, Gintota	0.0513	5
Galle Road, Habaraduwa	0.0796	8
Akuressa Road, Imaduwa	0.2150	4
Galle Road, Kosgoda	0.0920	6
Galle Road, Nagoda	0.1230	1
Church Street, Galle	0.2520	50
Donald Janz Road, Galle	0.0510	5
Makumbura Road, Udugama	0.1391	3
Dunaly Estate, Galaha	0.1253	2
Gonahena, Nawalapitiya	0.2782	22
No. 6, Galaha Road, Peradeniya	0.1089	28
Pussellewa Exchange, Nuwara Eliya Road	0.2155	9
Udawalagedara Watta, Gampola	0.0285	6
Nittambuwa Road, Kirindiwela	0.2129	17
Naligama Road, Mirigama	0.1874	15
Kandy Road, Pasyala	0.0534	4
Negombo Road, Veyangoda	0.0889	7
New Kandy Road, Waliveriya	0.0438	7
Rideeyagama Road, Ambalanthota	0.1720	3
No. 66, Barrak Street, Hambantota	0.1920	7
No. 6, Tower, Hill Road, Hambantota	0.2150	11
Kotuwegoda Road, Tangalle	0.1960	31
Tissamaharama Road, Tissamaharama	0.0820	5
Beliatta Road, Walasmulla	0.0803	8
Kotabo Road, Weeraketiya	0.1700	10
Danbar Road, Hatton	0.8306	41
Pundaluoya	0.2620	2
Talawakelle	0.1813	9
Debathgama Road, Gevilipitiya	0.1200	1
Kandy Road, Ballapana	0.1031	4
Bulathkohupitiya Road, Kegalle	1.4515	244

Location	Extent (Hectare)	Value of land (LKR Mn.)
Kegalle Road, Ampe North, Kotiyakumbura	0.1012	6
Aranayaka Road, Mawanella	0.0910	6
Nawa Rohala Road, Warakapola	0.0867	6
Alawwa-Giriulla Road, Alawwa	0.0760	3
No. 67, Gettuwana, Kurunegala	0.2730	27
No. 116/53, Tank Circular Road, Kurunegala	0.2060	24
Galgamuwa-Ehetuwewa Road, Arsonwewa	0.1580	2
Pannala-Kurunegala Road, Pahala Narangamuwa	0.1010	1
Hettipola Road, Dolahamuna	0.0980	5
No. 7, Gattuwana Circular Road, Gattuwana, Kurunegala	0.1210	12
Madampe-Narammala Road, Kuliypitiya	0.2298	45
No. 139, Kandy Road, Kurunegala	0.9200	164
Wariyapola Road, Narammala	0.0970	5
Anuradapura Road, Nikadalupotha	0.1180	1
Puttalam Road, Nikaweratiya	0.0850	4
Negombo Road, Pannala	0.0940	3
Polgahawela-Kegalle Road, Galaboda, Polgahawela	0.1998	8
Wariyapola-Ganewatta Road, Wariyapola	0.1077	4
Kalmunai Road, Akkaraipattu	0.2050	49
Yard Road, Kalmunai	1.2250	170
Telecom Road, Paiyagala North	0.0253	3
Mangala Road, Beruwala	0.2100	21
Telecom Road, Palligoda, Matugama	0.0597	8
Telecom Road, Pahala Welgama, Bulathsinhala	0.1934	1
Telecom Road, Meegahatenna	0.2618	2
Digana	0.1986	8
Galagedara Exchange, Rambukkana Road	0.1386	5
Kadugannawa Exchange, Kandy Road	0.0356	3
Primrose Hill, Kandy	0.1233	2
Rikillagaskada	0.1300	4
Station Road, Mannar	0.3238	10
Akuressa	0.0711	14
Matugoba, Kotapola	0.1770	2
Dickwella	0.1554	2
Beruwewela, Hakmana	0.1260	6
Kamburupitiya	0.0890	7
Godauda, Dickwella	0.1036	4
Ihala Ganegama, Malimbada	0.0690	7
Urubokka	0.1290	4
Pelena, Weligama	0.1069	15



Location	Extent (Hectare)	Value of land (LKR Mn.)
Matale Road, Dambulla	0.4150	25
Naula	0.3050	6
No. 1/3, King Street, Matale	0.3342	66
Akuramboda Watta, Pallepola	0.0970	3
Exchange Building, Badalgama	0.0303	1
Negombo-Mirigama Road, Kelepitimulla Village	0.1710	6
St. Christopher Lane, Kochchikade	0.0410	5
Wennappuwa-Lunuwila Road, Wennappuwa	0.0900	5
Police Station Road, Ragala	0.0791	10
Gonakele, Maturata	0.1670	5
Gampola Road, Thawalantenna	0.0982	12
Welimada Road, Udupussellawa	0.0906	4
Ragala Road, Wathumulla	0.0770	3
Telecom Road, Urugala-Ingiriya	0.2800	28
Batticaloa Road, Pollonnaruwa	0.3129	9
New Town, Ratnapura	0.0632	5
Embilipitiya-Pelmadulla Road, Kahawatta	0.0250	1
Kalawana-Weddagala Road, Obokka	0.2060	2
Ratnapura Road, Kiriella	0.0875	2
Ratnapura Road, Kolonna	0.3320	3
Kuruwita-Udakada Road, Delgamuwa, Kuruwita	0.0653	2
New Town, Ratnapura	0.0531	4
Nivitigala-Kahawatta Road, Nivitigala	0.2830	3
Pelmadulla-Kuttapitiya Road, Pelmadulla	0.0950	5
Rakwana-Godakawela Road, Rakwana	0.2035	2
Batticaloa Road, China Bay	0.0678	4
Lane Off Inner Harbour Road, Trincomalee	0.3294	65
Post Office Road, Kantalai	0.1244	9
Mannar Road, Vavuniya	0.3060	33
Station Road, Vavuniya	0.1500	18
Saviapragasa Vidyasalai Veethy Road, Vavuniya	0.4047	40
Eramadu Road, Pulmoddai	0.3103	5
Nilaveli Road, Nilaveli	0.0581	2
Temple Road, Mutur	0.2838	8
Pulmoddai Road, Kuchchaveli	0.0690	1
Periyathumunai Road, Kinniya	0.1080	7
Off Main Street, Hingurakgoda	0.0583	4
Main Street, Valachchenai	0.2036	6
Trinco Road, Eravur	0.0925	13
Kandapola	0.0894	7
Badalgama-Mahaoya Road, Badalgama	0.0984	4

Location	Extent (Hectare)	Value of land (LKR Mn.)
Digana, Ahaspokuna	0.3560	4
Balungala Watta	0.2317	1
Telicom Road, Pahala, Nebeda	0.1032	1
Telicom Road, Agalawatta	0.0080	1
Ibbagamuwa-Keppetipola Road, Rideegama	0.2530	3
Bulathkohupitiya Road, Moradana Pahala	0.0969	1
Watawala	0.1210	4
Watagoda	0.1850	2
Upcot	0.1495	1
Maskeliya	0.1046	2
Ginigathhena Land, Kurundugolla	0.1310	2
Killarney Estate Road, Bogawantalawa	0.1247	3
Mavihena Road, Kandalama	0.1555	2
Pathirajakanda Estate Road, Pathirajakanda	0.1010	1
Galle Road, Ambalangoda	0.7900	15
Chilaw-Puttalam Road, Rajakadalawa	0.1490	6
Chilaw-Puttalam Road, Kuruwikulam	0.2023	3
Poonagala Estate, Ampitikanda	0.1920	5
Haldummulla	0.0990	2
Beddegama, Namunukula	0.1373	3
Madulsima	0.3870	15
Batticaloa Road, Lunugala	0.1346	13
Mahakele Road, Kandaketiya	0.0253	2
Exchange Building, Makandura	0.4040	6
Exchange Building, Balangoda	0.0807	11
Minnana Town, Awissawella	0.3655	22
Havelock Road, Colombo 5	0.0253	30
Vaverset Place, Colombo 5	0.0179	18
IDH Road, Kalapaluwawa, Angoda	0.0364	6
Godaporagahalanda, Malabe	0.0248	3
Madiwela, Kotte	0.0278	4
Kongahawatta, Talawathugoda, Kotte	0.0278	4
Battaramulla, Kotte	0.0185	6
No. 478, Kaduwela Road, Thalagama North	0.0354	8
Udumullahena Watta, Kotuwegoda, Kotte	0.0311	5
Bogahawtta, Nawala	0.0304	12
Millennium City, Athurugiriya	0.0197	2
Asdiyapokunawatta, Mulleriyawa, Angoda	0.0379	4
Primrose Hill, Kandy	0.0751	6
Heiyantuduwa, Biyagama	0.0506	7
Hettiyaovita, Biyagama	0.0374	5

Location	Extent (Hectare)	Value of land (LKR Mn.)
Walawwewatta, Delgoda	0.0320	3
Ketakekalahawatta, Ranmuthugala, Kadawatha	0.0329	5
Ihala Karagahamuna, Kadawatha	0.0430	3
Puwakgahalanda, Siyambalape	0.0202	2
Mawaramandiya Road, Makola North	0.0192	2
Pitipana North, Homagama	0.0253	2
Panagoda, Homagama	0.0253	3
Mattegoda, Nugegoda	0.1265	36
No. 320/2, Old Kottawa Road, Embuldeniya, Nugegoda	0.0234	7
Gangodawila, Nugegoda	0.0186	7
Sudharshi Mawatha, Kalubowila	0.0241	10
No. 67, Mahinda Place, Kirulapone	0.0244	24
Delgahalanda, Ihala Bope, Padukka	0.0266	1
Rukmalgama, Maharagama	0.0817	8
Srimathi Road, Keselwatta, Panadura	0.0632	15
St. Anthony's Road, Moratumulla, Moratuwa	0.0276	4
3A, Rawatawatte Road, Moratuwa	0.0202	4
Millagahakanatta, Molpe, Ratmalana	0.0257	3
Kahatagahalanda Estate, Makandana, Ratmalana	0.0177	2
Gorakagahawatta, Wethara	0.0253	2
Batakeththara, Piliyandala	0.0253	4
Bokundara, Piliyandala	0.0316	4
Godaparagahalanda, Honnanthara, Piliyandala	0.0519	5
Kandawala Estate, Borupana, Ratmalana	0.0190	4
Madangahawatta, Laxapathiya, Moratuwa	0.0253	4
Keerakotuwa, Nawanuge Road, Peliyagoda	1.6432	325
Awissawella, Ratnapura Road, Welikanna	0.1623	3
Kotawera Pallegama, Welimada	0.0526	2
Puttalam Road, Chilaw	0.2708	54
Kiribathkumbura, Pilimathalawa	0.5805	11
No. 47/1A, Church Road, Mattakkuliya	0.0303	15
Nawalapitiya Road, Ginigathena	0.1420	3
Alpitiya Road, Alpitiya	0.1789	2
Dambulla Road, Ibbagamuwa	0.1011	2
Telecom Road, Dodangoda	0.1510	9
Namadagala Village, Medamahanuwara	0.1247	1
Pallekele-Kundasale	0.0899	9
Pugoda Road, Giridara, Dompe	0.0050	1
Mandawala Road, Owitigama, Pugoda	0.0253	2
Ukuwela, Matale	0.0506	1

Location	Extent (Hectare)	Value of land (LKR Mn.)
Magammana, Homagama	0.0151	1
Telecom Road, Mahaaruggoda	0.0759	4
Kudugalla Road, Wattegama	0.1511	7
No. 27, Station Road, Batticaloa	0.0585	9
Karainagar	0.0507	1
Ariyalai, Jaffna	0.0658	4
Point Pedro, Jaffna	0.0809	3
Pandathirippu, Jaffna	0.0514	1
Pesalei	0.0908	1
Dalupothawatta, Pillewatta, Udugampola	0.0025	1
<b>Total</b>		<b>11,995</b>

# GRI INDEX

GRI Standard	Disclosure	Page number(s) and/or URL(s) or explanation	Omission
<b>General Disclosures</b>			
<b>GRI 102: General Disclosures</b>			
102-1	Name of the organisation	Inner back cover	
102-2	Activities, brands, products, and services	5	
102-3	Location of headquarters	Inner back cover	
102-4	Location of operations		
102-5	Ownership and legal form	Inner back cover	
102-6	Markets served	5	
102-7	Scale of the organisation	6	
102-8	Information on employees and other workers	60-63	
102-9	Supply chain	59	
102-10	Significant changes to the organisation and its supply chain		None
102-11	Precautionary Principle or approach	3	
102-12	External initiatives	33	
102-13	Membership of associations	33	
102-14	Statement from senior decision-maker	12	
102-16	Values, principles, standards, and norms of behaviour	42	
102-18	Governance structure	85	
102-40	List of stakeholder groups	30	
102-41	Collective bargaining agreements	63	
102-42	Identifying and selecting stakeholders	30	
102-43	Approach to stakeholder engagement	31	
102-44	Key topics and concerns raised	33	
102-45	Entities included in the consolidated financial statements	4	
102-46	Defining report content and topic Boundaries	3	
102-47	List of material topics	33	
102-48	Restatements of information		None
102-49	Changes in reporting		None
102-50	Reporting period	3	
102-51	Date of most recent report	3	
102-52	Reporting cycle	3	
102-53	Contact point for questions regarding the report	3	
102-54	Claims of reporting in accordance with the GRI Standards	3	
102-55	GRI content index	179	
102-56	External assurance		None

GRI Standard	Disclosure	Page number(s) and/or URL(s) or explanation	Omission
<b>Material topics</b>			
<b>GRI 103: Management Approach</b>			
103-1	Explanation of the material topic and its Boundaries	3	
103-2	The management approach and its components	25	
<b>GRI 201: Economic Performance</b>			
201-1	Direct economic value generated and distributed	34-41	
201-3	Defined benefit plan obligations and other retirement plans	63	
<b>GRI 103: Management Approach</b>			
103-1	Explanation of the material topic and its Boundaries	3	
103-2	The management approach and its components	25	
<b>GRI 203: Indirect Economic Impacts</b>			
203-1	Infrastructure investments and services supported	64-67	
203-2	Significant indirect economic impacts	64-67	
<b>GRI 103: Management Approach</b>			
103-1	Explanation of the material topic and its Boundaries	3	
103-2	The management approach and its components	25	
<b>GRI 204: Procurement Practices</b>			
204-1	Proportion of spending on local suppliers	59	
<b>GRI 103: Management Approach</b>			
103-1	Explanation of the material topic and its Boundaries	3	
103-2	The management approach and its components	25	
<b>GRI 205: Anti-corruption</b>			
205-1	Operations assessed for risks related to corruption	100	
<b>GRI 103: Management Approach</b>			
103-1	Explanation of the material topic and its Boundaries	3	
103-2	The management approach and its components	25	
<b>GRI 206: Anti-competitive Behavior</b>			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		None
<b>GRI 103: Management Approach</b>			
103-1	Explanation of the material topic and its Boundaries	3	
103-2	The management approach and its components	25	

GRI Standard	Disclosure	Page number(s) and/or URL(s) or explanation	Omission
<b>GRI 302: Energy</b>			
302-5	Reductions in energy requirements of products and services	66	
<b>GRI 103: Management Approach</b>			
103-1	Explanation of the material topic and its Boundaries	3	
103-2	The management approach and its components	25	
<b>GRI 307: Environmental Compliance</b>			
307-1	Non-compliance with environmental laws and regulations		None
<b>GRI 103: Management Approach</b>			
103-1	Explanation of the material topic and its Boundaries	3	
103-2	The management approach and its components	25	
<b>GRI 401: Employment</b>			
401-1	New employee hires and employee turnover	61-62	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	63	
<b>GRI 103: Management Approach</b>			
103-1	Explanation of the material topic and its Boundaries	3	
103-2	The management approach and its components	25	
<b>GRI 403: Occupational Health and Safety</b>			
403-3	Workers with high incidence or high risk of diseases related to their occupation		None
<b>GRI 103: Management Approach</b>			
103-1	Explanation of the material topic and its Boundaries	3	
103-2	The management approach and its components	25	
<b>GRI 404: Training and Education</b>			
404-1	Average hours of training per year per employee	63	
404-2	Programmes for upgrading employee skills and transition assistance programmes	63	
404-3	Percentage of employees receiving regular performance and career development reviews	63	
<b>GRI 103: Management Approach</b>			
103-1	Explanation of the material topic and its Boundaries	3	
103-2	The management approach and its components	25	
<b>GRI 405: Diversity and Equal Opportunity</b>			
405-1	Diversity of governance bodies and employees	60	
<b>GRI 103: Management Approach</b>			
103-1	Explanation of the material topic and its Boundaries	3	
103-2	The management approach and its components	25	

GRI Standard	Disclosure	Page number(s) and/or URL(s) or explanation	Omission
<b>GRI 406: Non-discrimination</b>			
406-1	Incidents of discrimination and corrective actions taken	63	
<b>GRI 103: Management Approach</b>			
103-1	Explanation of the material topic and its Boundaries	3	
103-2	The management approach and its components	25	
<b>GRI 407: Freedom of Association and Collective Bargaining</b>			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	63	
<b>GRI 103: Management Approach</b>			
103-1	Explanation of the material topic and its Boundaries	3	
103-2	The management approach and its components	25	
<b>GRI 413: Local Communities</b>			
413-1	Operations with local community engagement, impact assessments, and development programmes	65-66	
413-2	Operations with significant actual and potential negative impacts on local communities		None
<b>GRI 103: Management Approach</b>			
103-1	Explanation of the material topic and its Boundaries	3	
103-2	The management approach and its components	25	
<b>GRI 417: Marketing and Labeling</b>			
417-3	Incidents of non-compliance concerning marketing communications		None
<b>GRI 103: Management Approach</b>			
103-1	Explanation of the material topic and its Boundaries	3	
103-2	The management approach and its components	25	
<b>GRI 418: Customer Privacy</b>			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data		None
<b>GRI 103: Management Approach</b>			
103-1	Explanation of the material topic and its Boundaries	3	
103-2	The management approach and its components	25	
<b>GRI 419: Socioeconomic Compliance</b>			
419-1	Non-compliance with laws and regulations in the social and economic area		None

# ABBREVIATIONS

4G	- Fourth Generation
5G	- Fifth Generation
ADSL	- Asymmetric Digital Subscriber Line
BPO	- Business Process Outsourcing
BSS	- Billing Support System
CAPEX	- Capital Expenditure
CCC	- Colombo City Centre
CDMA	- Code Division Multiple Access
CRM	- Customer Relationship Management
CSP	- Communication Service Provider
DC HSPA+	- Dual-Carrier High Speed Packet Access
DSP	- Digital Service Provider
EBITDA	- Earnings Before Interest, Taxes, Depreciation and Amortisation
EPF	- Employees' Provident Fund
ERP	- Enterprise Resource Planning
ETF	- Employees' Trust Fund
FBB	- Fixed Broadband
FTTH	- Fibre-To-The-Home
FTTN	- Fibre-To-The-Node
Gbps	- Gigabits per second
GRI	- Global Reporting Initiative
GTH	- Global Telecommunications Holdings
HDTV	- High Definition Television
HSPA	- High Speed Packet Access
ICT	- Information and Communication Technologies
ICTA	- Information and Communication Technology Agency
IDD	- International Direct Dialling
IMS	- IP Multimedia Subsystem
INED	- Independent Non-Executive Director
IoE	Internet of Everything
IoT	- Internet of Things
IPTV	- Internet Protocol Television
ISP	- Internet Service Provider

ITU	- International Telecommunication Union
KPI	- Key Performance Indicator
KPO	- Knowledge Process Outsourcing
LED	- Light Emitting Diode
LGN	- Lanka Government Network
LTE	- Long-Term Evolution
MBB	- Mobile Broadband
Mbps	- Megabits per second
MIMO	- Multiple-Input and Multiple-Output
MoU	- Memorandum of Understanding
MPLS	- Multi Protocol Label Switching
NB-IoT	- Narrowband Internet of Things
NBN	- National Backbone Network
NED	- Non-Executive Director
NFV	- Network Functions Virtualisation
NGN	- Next Generation Network of Sri Lanka
OPEX	- Operating Expenses
OSS	- Operational Support System
OTT	- Over the Top
PEO TV	- Personalised Entertainment Option Television
PIOCMA	- Pacific and Indian Ocean Cable Maintenance Agreement
PoP	- Point of Presence
PSTN	- Public Switched Telephone Network
RCS	- Rich Communications Suite
SAFA	- South Asian Federation of Accountants
SDN	- Software-Defined Networking
SEA ME WE	- South East Asia-Middle East-West Europe
SEAIOCMA	- South East Asia and Indian Ocean Cable Maintenance Agreement
SLBN	- Sri Lanka Telecom Broadband Network
SLFRS	- Sri Lanka Accounting Standards
SLIM	- Sri Lanka Institute of Marketing
SME	- Small and Medium Enterprise
SOA	- Service Oriented Architecture



# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty Second (22nd) Annual General Meeting of Sri Lanka Telecom PLC will be held on 28 March 2019 at 10.00am at the Lotus Room of the Bandaranaike Memorial International Conference Hall (BMICH), Baudhaloka Mawatha, Colombo 07 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 2018 with the Report of the Auditors thereon.
2. To declare a first and final dividend of Rupees One and Six Cents (LKR 1.06) per share as recommended by the Directors.
3. To elect as a Director, Mr Kanishka Senanayake, who retires in terms of Article 97 of the Articles of Association.
4. To re-elect as a Director, Mr W K H Wegapitiya, who retires by rotation in terms of Articles 91 and 92 of the Articles of Association.
5. To reappoint 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

1 March 2019  
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.

# NOTES



# 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 Paratz	whom failing*
Ms Lai Choon Foong	whom failing*
Ms Nilanthi S Pieris	whom failing*
Mr W K H Wegapitiya	whom failing*
Mr Kanishka Senanayake	

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 22nd Annual General Meeting of the Company, to be held on 28 March 2019 and at any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against
1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Statement of Accounts for the year ended 31 December 2018 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a first and final dividend of LKR 1.06 per share as recommended by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
3. To elect as a Director, Mr Kanishka Senanayake, who retires in terms of Article 97 of the Articles of Association.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect as a Director, Mr W K H Wegapitiya, who retires by rotation in terms of Articles 91 and 92 of the Articles of Association.	<input type="checkbox"/>	<input type="checkbox"/>
5. To reappoint Messrs Ernst & Young, Chartered Accountants as Auditors for the ensuing year and to authorise the Directors to determine their remuneration:	<input type="checkbox"/>	<input type="checkbox"/>
6. To authorise the Directors to determine and make donations to charities.	<input type="checkbox"/>	<input type="checkbox"/>

In witness my/our hand/seal given on this ..... day of ..... Two Thousand and Nineteen.

.....  
Signature

*\*Please delete what is inapplicable.*

*Note: Instruction as to completion appear overleaf.*

**Instructions as to completion of Form of Proxy**

1. Kindly perfect the Form of Proxy by filling in legibly your full name, address and the National Identity Card number and signing in the space provided and filling in the date of signature.
2. Please indicate with an "X" in the space provided, how your proxy is to vote on each resolution. If no indication is given the proxy in his/her discretion will vote as he/she thinks fit.
3. In the case of a corporate member the proxy must be executed in accordance with the Articles of Association. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should also accompany the completed Form of Proxy, if it has not already been registered with the Company.
4. The completed Form of Proxy should be deposited at the Registered Office of the Company, Sri Lanka Telecom PLC, Lotus Road, Colombo 01 not later than 48 hours before the time fixed for the holding of the meeting.

# CORPORATE INFORMATION

## Name of the Company

Sri Lanka Telecom PLC

## Legal Form

A public limited liability company incorporated in Sri Lanka in September 1996, under the Conversion of Public Corporations of Government-Owned Business Undertakings into Public Limited Companies Act No. 23 of 1987 and quoted on the Colombo Stock Exchange in January 2003.

## Company Registration Number

PQ 7

## Stock Exchange Listing

1,804,860,000 Ordinary Shares of the Company are listed in the Colombo Stock Exchange.

## Registered Address

Telecom Headquarters, Lotus Road, Colombo 01.

## Board of Directors

Mr 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 Kanishka Senanayake

## Audit Committee

Mr Kanishka Senanayake - Chairman  
Ms Lai Choon Foong  
Ms Nilanthi Pieris

## 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  
Mr W K H Wegapitiya  
Ms Nilanthi Pieris

## Related Party Transactions Review Committee

Ms Nilanthi Pieris - Chairperson  
Ms Lai Choon Foong  
Mr Kanishka Senanayake

## Auditors

Ernst & Young (Chartered Accountants),  
201, De Saram Place,  
Colombo 10.

## Company Secretary

Mr Mahesh Athukorale

## Credit Rating

### Fitch Rating

National long-term rating of AA+ (lka)

### Standard & Poor's rating

Long-term issuer credit rating of B

## 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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[www.carbonfund.org](http://www.carbonfund.org)



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