

# THE FUTURE CALLS



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## Our Vision

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

## Our Mission

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



COLOMBO TO GALLE

# 117km

of optical fibre laid along the Southern Expressway to facilitate the information superhighway for the Southern Province

### THE SOUTHERN EXPRESSWAY

The Southern Expressway at night. This is Sri Lanka's first E Class highway. Now 96 kms long, the highway links Colombo with Galle, and will eventually reduce the time taken to travel from Colombo to Matara from four hours to one and a half hours.



# THE FUTURE CALLS

ANYTHING AND EVERYTHING IS POSSIBLE. OUR EXPERTISE LIES IN THE ABILITY TO SEIZE GROWTH OPPORTUNITIES AND TO BE WILLING AND READY TO MEET EVERY CHALLENGE WITH A STRATEGY, EVERY OPPORTUNITY WITH A PLAN. WE STAY ONE STEP AHEAD. THIS IS HOW WE HAVE GROWN TO BE ONE OF THE MOST SUCCESSFUL COMPANIES IN THE NATION.

CONNECTING THE NATION IS WHAT WE DO. WE SERVE THOUSANDS OF PEOPLE WHO USE OUR SERVICES EVERY MINUTE OF EVERY DAY. TODAY WE SEE THE POTENTIAL FOR BETTER TECHNOLOGY, SPEEDIER CONNECTIVITY AND EVEN MORE AMAZING PRODUCTS GROW EVER GREATER. WE ARE ONE COUNTRY, WITH ONE VOICE. THE FUTURE CALLS.

SRI LANKA TELECOM PLC.  
REFLECTING A NATION'S FUTURE.



Sri Lanka Telecom

**One Country. One Voice.**

## Who We Are

Our geographic, divisional and market capabilities

Sri Lanka Telecom ([www.slt.lk](http://www.slt.lk)) is one of Sri Lanka's most valuable blue chip companies with an annual turnover in excess of Rs 50 Billion. Sri Lanka Telecom is the nation's number one integrated communications service provider and the leading broadband and backbone infrastructure services provider in the country. Listed on the Colombo Stock Exchange, the company's market capitalization as at 31 December 2011 topped Rs 87 Billion.

The two main shareholders of Sri Lanka Telecom as at year end were the Government of Sri Lanka which held 49.5% through the Secretary to the Treasury and Global Telecommunication Holdings N.V. of Netherlands, which owned a 44.98% stake. The balance shares are publicly traded.

The SLT Group has a customer base of over five million including multinational corporations, large and small corporate, public sector, retail and domestic customers. The company has been awarded a National Long Term Rating of AAA (lka) and a BB- rating on Long term Local Currency and Foreign Currency by Fitch Ratings, followed by BB- local currency and B+ foreign currency Credit Ratings by Standard & Poor's.

SLT provides facilities and services in the areas of voice, data, video and mobile to its customers. These services, which are unmatched in scope, range from domestic and international voice, advance data transmission services which include internet services on leased lines, broadband and dial up, data circuits, and frame relay solutions to IP services such as IPVPN based on IP-MPLS technology, total corporate solutions of multiple services, satellite uplink services, IP transit, IPVPN, IPLC and international voice traffic transit services to global telecom operators and corporates, NGN services, wholesale

services and mobile telephony and mobile broadband through its fully owned subsidiary Mobitel.

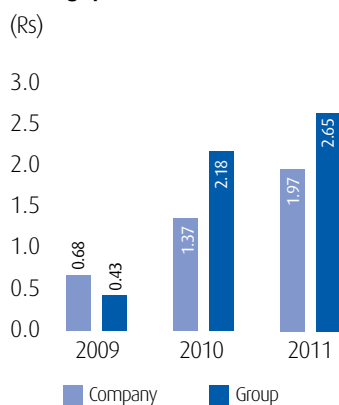
With a view to making Sri Lanka a broadband island, SLT is in the process of introducing the necessary infrastructure in the form of NGN [Next Generation Networks] using optical fibre backbone and broadband services such as IMS, and IPTV. SLT also provides high speed global connectivity to countries in the South Asian region through its investments in international submarine cables such as SMW3, SMW4, Bharat Lanka submarine cable system [between India and Sri Lanka] and Dhirragu-SLT submarine cable system [between The Maldives and Sri Lanka].

Together with its subsidiaries, SLT offers a full gamut of telecommunication solutions. Mobitel, branded Sri Lanka's National Mobile Service Provider, is technologically at the cutting edge and a leader in Sri Lanka's telecommunication industry. PEO TV redefined the future of tele-viewing in Sri Lanka with the launch of Internet Protocol Television (IPTV). SLT Publications (Pvt) Ltd. produces the country's premier telephone directory used by the entirety of the industry and accessible worldwide. SLT Services (Pvt) Ltd. provides project management and consultancy services to Sri Lanka Telecom for its development projects and system integration to large corporate and SME customers. SLT Manpower Solutions provides the human resource management service to the group by recruiting, training, assessing, outsourcing and providing consultancy services. Sky Network operates Sri Lanka's first ever WiMax 16e high speed wireless broadband network to further penetrate broadband services across the country.

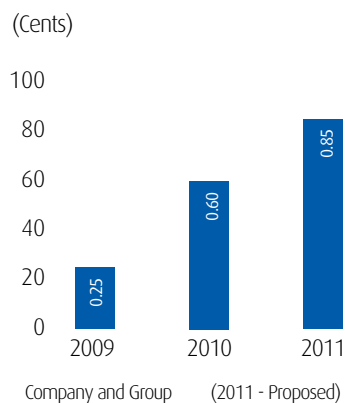
## Financial Highlights

	2011	2010
<b>Group</b>		
Revenue (Rs Bn)	50.95	50.25
Operating Profit (Rs Mn)	5,645	5,144
Profit before Tax (Rs Mn)	6,535	5,961
Profit After Tax (Rs Mn)	4,781	3,943
Earnings Per Share (Rs)	2.65	2.18
<b>Company</b>		
Revenue (Rs Bn)	32.29	33.31
Operating Profit (Rs Mn)	2,818	2,754
Profit before Tax (Rs Mn)	4,807	3,969
Profit After Tax (Rs Mn)	3,562	2,478
Earnings Per Share (Rs)	1.97	1.37

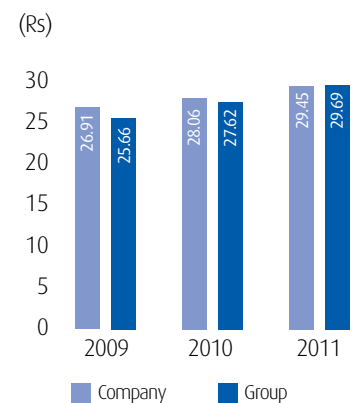
### Earnings per Share



### Dividend per Share



### Net Assets per Share



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“While the telecommunication industry will be a strategic catalyst in envisioning the knowledge hub aimed at making Sri Lanka a BPO and KPO destination, the industry is also tasked with being the axis upon which the other hubs will be built upon. All mega infrastructure projects must rely on state of the art telecommunication solutions and we believe that in fulfilling this responsibility, we as the national telecommunication solutions provider, has made the country ready, enabled and empowered.”

See page 6 for more in the Management Reviews



### THE BANDARANAIKE INTERNATIONAL AIRPORT

In October 2003 SLT launched a Wi-Fi Internet Zone at the Katunayake International Airport. The Wi-Fi Hotspot enables people to keep in touch with office and home, and to surf the net for information and entertainment while waiting to board their aircraft. SLT plans to introduce Wi-Fi zones at other public places including hotels and shops.



KATUNAYAKE

## Empowering the travel and leisure industries

50 Internet kiosks  
installed and wi-fi  
zone established at  
the airport

An islandwide ICT  
infrastructure was  
installed to support  
the booming travel  
and leisure industry

## THE FUTURE CALLS

ANYTHING AND  
EVERYTHING IS  
POSSIBLE. SRI LANKA IS  
WELL ON THE WAY TO  
REALISING ITS IMMENSE  
POTENTIAL AS A TOURISTS  
DESTINATION AS WE  
RAPIDLY WORK OUR WAY  
TOWARDS THE TARGET OF  
2.5 MILLION TOURISTS  
BY 2016.

NOW AS TOURISM RELATED  
SECTORS SUCH AS  
AIRPORT & AVIATION,  
LEISURE AND TRANSPORT  
GEAR UP TO SERVICE  
THOUSANDS OF  
TRAVELLERS, SLT IS THE  
VITAL POWER BEHIND THEIR  
CONNECTIVITY, DELIVERING  
FASTER ACCESS TO  
INFORMATION  
AND COMMUNICATION.

THE FUTURE CALLS.

SRI LANKA TELECOM PLC.  
REFLECTING A NATION'S FUTURE.

## Chairman's Message

●	Group Revenue	:	Rs. 50,950 million	↑	1.4%
●	Group Expenditure	:	Rs. 33,788 million	↑	0.8%
●	Group EBITDA	:	Rs. 17,162 million	↑	2.6%
●	Group PBT	:	Rs. 6,535 million	↑	9.6%
●	Group PAT	:	Rs. 4,781 million	↑	21.3%

*“we astutely introduced and infused innovative telecommunication solutions to make Sri Lanka ready for the future”*



### i-Sri Lanka Network Modernisation Project

*The “i-Sri Lanka” network modernisation project is set to revolutionize broadband access across the country, by upgrading the existing copper based access network with fibre optics.*

Some years ago, when Sri Lanka Telecom embarked on a strategic vision to create an empowered country constructed on a completely IT enabled platform, we were most confident that your company possessed the myriad facets needed to make this vision a reality. We were determined to drive the country's path to prosperity as we were determined to position Sri Lanka as a catalyst in trade and commerce for this region. In laying the groundwork for this preparedness, we astutely introduced and infused innovative telecommunication solutions to make Sri Lanka ready for the future. It was a future where Sri Lanka's development mandate will be driven and aided by us, the country's national telecommunication solutions provider. Visionary initiatives, which included some regional 'firsts' were included in the macro telecommunication solutions plan and we steadfastly began positioning Sri Lanka as an ICT hub, which would drive the larger macro vision.

However, over the last year, this vision transformed into a larger more cohesive canvass that encompassed ICT as the axis upon which the country's very ambitious development agenda was founded. And what is noteworthy is that your company was more than ready to take on this challenging albeit visionary goal, as we had already built the necessary trusses to take Sri Lanka forward. We are truly ready for when the 'Future Calls'.

I am most pleased to present to you the Annual Report and Statement of Accounts of your company for the year ended 2011, wherein Sri Lanka Telecom further etched its position as the national telecommunication solutions provider even more indelibly by having the appropriate fundamentals and foundations in place to lead the country into a milieu where the 'Future Calls'.

### The Global Industry in Perspective

There were two shocks that reverberated throughout the telecommunication world this year – that of the global downturn which left all facets of the world scathed and the other, digitisation,





**Nimal Welgama**  
Chairman/Director

## Chairman's Message Contd.

*“Integrated technology value chains, including critical applications and service platforms, becoming increasingly modular and open, opening up a more competitive landscape”*

which mooted a cohesive industry consensus that the global telecommunication industry must move forward via digitisation. This then brought forth a slew of challenges to operators – building new capabilities, new competencies and new infrastructure, a very heavy call in a sliding economy.

With consumers and businesses becoming more demanding and the concept of service ‘anywhere anytime’ becoming the rule rather than the exception, operators are being forced to increase network capacity and connectivity. In this new global environment, industries were looking at cost cutting and one of the most strategic means of astute cost management while increasing productivity and efficiency was heralded in introducing digitisation, driven by an increased use of the Internet, newer platforms and cloud computing. This also saw a rapid transition from fixed voice to mobile voice. This phenomenon added more travails to operators, who now saw a decline in fixed voice usage spurring decline in revenue, forcing them to revisit the strategies they had employed, rethinking their journey ahead.

The global industry also saw operator dependency on integrated technology value chains, including critical applications and service platforms, becoming increasingly modular and open, opening up a more competitive landscape. This heralded a host of new entrants into the industry, who were fully geared with technological openness to meet new customer expectations. Hence paradigms changed. Nascent versions of the digitisation springboard began emerging with advantages seen overall. Operators began benefiting from the accelerated deployment of broadband networks and better monetizing network investments, while business enablers began generating revenue by offering virtual networks,

machine-to-machine and cloud computing platforms, and platforms for specific verticals, including financial services, healthcare, and retail. New experiences are being created and capitalised for exciting user experiences, cascading revenue generation via applications and content sale, while several large operators began leveraging on scale and synergies to become global multi-marketers.

Mobile and data (broadband) saw increasing demand which spurred operators to rebalance revenue mixes vis a vis the Internet, broadband and data services. The global paradigm of using cloud computing, social networking, teleworking and eGovernment initiatives also led to high usage of data volumes signalling a need for better, speedier and more efficient broadband connectivity. It is interesting to note that cellular subscriptions worldwide now stand at an amazing 6 billion, just one billion short of the entire world's population. China and India account for over 30% of global subscribers, both rapidly approaching the 1 billion mark and dwarfing the USA which remains in third place. There are 1.2 billion active mobile-broadband subscribers worldwide with Asia once again notching status as the top region with Korea and Japan leading broadband penetration.

The Global Network Readiness Index, published by the WEO and INSEAD for 2010-2011 assesses economies around the world on their ICT advances, increased competitiveness and development in 138 countries. Sweden ranked on top for the second year consecutively, although some Nordic countries lost ground in fully integrating new technologies in their competitive strategies and in utilising these as a crucial lever for long term growth. Singapore, placed at a very stable second, brought the Asian region to the fore, a region which also had some of the best performers in the world. Taiwan, Korea, Hong Kong, Australia, New Zealand and Japan all made it to the top 20. Just behind Singapore are Finland, Switzerland and the USA. Despite its woes, Europe had 11 regional economies among the world's top 20 best performers. A pertinent note on both China and India states that of Asia's largest emerging markets, China remained at 36th place after years of progression within the rankings, while India, surprisingly, slipped five places to 48.

However, the European Information Technology Organisation predicts that while the IT market will grow by 2.7% in 2012, due to a decrease in expenditure in hardware, growth in 2011 fell

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short. In this new age, it is up and coming industrial nations in Asia, Eastern Europe and South America that will drive the ICT markets. Greece, Italy and Spain were the worst contracting markets for 2011 in Europe, although, the largest individual market of the BRIC countries, China retained its volume of 204.5 billion Euros in 2011, showcasing a growth of 10%. It also reports that IT spending in both China and India will continue to be dynamic, with China's hi-tech market expected to grow 14% in 2012 to 68 billion euros, while India's market will also post two digit growth to 18 billion euros. The ICT sector in India is being driven primarily by the software market expecting a growth of 17%.

### Sri Lanka's economy ready to lead

It must be noted that globally, 2011 was a challenging year due to the economic downturn faced by most economic superpowers. However, Sri Lanka's economy remained stable and delivered the promised results, with growth achieving 8.3%, well above both global and emerging economy average growth. This is also the first time in history that Sri Lanka has achieved 8% growth for two consecutive years, seeing the nation exceed US\$ 50Bn in GDP and reach GDP Per Capita of US\$ 2,830. Inflation remained at a very stable 4.9%, debt to GDP ratio at 78% and unemployment reduced even further to 4.3% from the forecasted 4.5%, a first in our history.

The strong focus on adding fillip to the micro and SME sectors and boosting local entrepreneurship, increase in reconstruction, infrastructure development and expansion of economic activity could be attributed to the decrease in unemployment, while it could also be observed that industries like hospitality and agriculture, with its anticipated boom, opened up multiple avenues of employment and revenue generation. A sharp drop in unemployment was seen among the 15 to 24 age group as well. A palpable increase was observed in overall labour productivity measured by GDP per worker, which was emphatically portrayed in both the industry and service sectors. There was also an incline in employment in the micro entrepreneurship category. The inclusive growth policy encompassed in the Mahinda Chinthana vision for the future also heralded an unrelenting focus on balanced regional development, where the south as well as the north and east were included in a large-scale development programme, ensuring that development is equitable and balanced. All these are indicators that poverty levels also reduced significantly in tandem.

The mega infrastructure development drive saw Sri Lanka have her very first expressway with more highways earmarked, ports and aviation gaining a boost and the hospitality sector infusing large investments into buoying this burgeoning industry. Foreign investment policy was geared towards attracting large scale strategic investments and FDIs were given added focus to low interest rates that remained stable throughout the year. Exchange control regulations were relaxed while taxation reforms and incentives were introduced to encourage private sector investments. There was immense emphasis on boosting export industries, especially those for high value added manufacturing products while the export oriented industrialisation policy was strengthened further.

The country's sovereign ratings and rankings in global indices also gained momentum. In turn, Fitch Ratings positioned Sri Lanka as BB- stable. The Global Competitiveness Index pushed Sri Lanka upwards by ten places to 52, while in the Ease of Doing Business Index, Sri Lanka gained nine place to be ranked at 89. In the Civic Engagement Index, Sri Lanka was placed 7th. One of the country's biggest achievements was its ranking in the Human Development Index as the best in the region at 97, aided by positive indicators such as adult literacy standing at 91% and life expectancy at 75, the highest in the region.

### The local industry gears for the future

The five pronged strategy for economic hub status in South Asia is based on developing the marine, ports, energy, commercial and knowledge sectors. While the telecommunication industry will be a strategic catalyst in envisioning the knowledge hub aimed at making Sri Lanka a BPO and KPO destination, the industry is also tasked with being the axis upon which the other hubs will be built. All mega infrastructure projects must rely on state of the art telecommunication solutions and we believe that in fulfilling this responsibility, we as the national telecommunication solutions provider, have made the country ready, enabled and empowered.

Reflective of global trends, there is a marked shift from traditional voice communication to Internet enabled products that very knowledgeable and discerning customers demand as their right. The industry therefore must and has to be geared to deliver these expectations via superior networks and technology platforms. With 64 telecommunication service providers making up the telecommunication industry landscape, it is imperative that Sri Lanka

## Chairman's Message Contd.

now gears itself to increase ICT literacy and ICT penetration, both of which are well below average and are very much in focus in the country's macro development agenda.

Although the industry in itself posted Rs 115 Bn in revenue in 2011, the prospects for increasing this are phenomenal. The growing trend observed in fixed and mobile broadband service in both developed and emerging economies should be the way forward. Currently, total broadband penetration in Sri Lanka is a dismal 3.2%, with fixed broadband at 1.3% and mobile broadband at 1.9%. Unfortunately, the industry is faced with some challenges in dealing with the changes from fixed line to mobile, both in voice and broadband. Fixed line CDMA for example has no broadband capability, limiting any expansion on this platform. Similarly, with the transition from fixed to mobile in voice, voice revenue and usage is declining rapidly and operators must begin looking at other avenues to boost their bottom line.

### Competitive and Ready when the Future Calls

On the ethos of being future ready, Sri Lanka Telecom began laying the groundwork, infrastructure and knowledge and skill base in anticipation of the transformations that will take place within this industry. We envisaged the demand for futuristic telecommunication solutions and the fact that Sri Lanka can truly be a driver and leader in regional trade and commerce. Having taken our role as a strategic partner to this future journey very seriously, our strategies now answer to demands, as the Future Calls.

Planned, tested and implemented, SLT Backbone Network now is truly national. It covers all the electorates meeting the TRCSL NBN requirements, which while being a significant achievement for us, also poses immense opportunities for the entire industry as it is now accessible and available to any communication service provider. Similarly, our NGN (Next Generation Network), aimed at improving efficiency, increasing capabilities for future demands and reducing cost, remained well aligned to the timeline, migrating 97,000 customers in 2011 within Phase 4, totaling 240,000 (which is 26% of the total telephone subscribers) being served on this platform. The very visionary i-Sri Lanka project, which is based on FTTN (Fiber to Node) deployment and is meant to increase IPTV and broadband speed, was launched in Jaffna this year, which reiterated our stance of empowering the people of Sri Lanka with connectivity across all geographical boundaries.

Based on the vision that, "All Sri Lankans are seamlessly connected with world class information, communication and entertainment services", Sri Lanka Telecom also aligned its new corporate brand identity with this national mindedness in focus. One Country. One Voice is aimed at emphasising the role that Sri Lanka Telecom, as a national industry leader, plays in uniting the country under one vision and also in infusing the concept of connectivity as being the great unifier of the nation.

The Transformation Programme continues successfully, well aligned to the timelines and delivering on the end objectives. Customer centricity is primary and remains the springboard on which the other facets are worked upon. Innovation, responsiveness, teamwork, business processes, increase in productivity, prudent cost management, resource management and development, strategic investment, governance and best practices, values, ethics, transparency and technological advancement have all been addressed in our comprehensive Transformation Programme. The programme has been the pivotal feature in our being a catalyst within a milieu wherein the 'Future calls'.

In the regulatory environment, Sri Lanka Telecom remained proactive with the Telecommunication Regulatory Commission of Sri Lanka, discussing and negotiating the future journey for both the industry and the group. The National Backbone formed a primary component in discussions pertaining to issuance of the new license, as it did, when we responded to the public consultation on the NGN Policy and Regulatory Framework for the Development of NGN in Sri Lanka. We also forwarded proposals in response to the TRCSL's request into having our input for the amendment of the Telecommunication Act of 1991.

### Synergies leveraged for growth

In this evolutionary era, Sri Lanka Telecom, in analysing the demands, challenges and expectations of the future, made a decisive conclusion that being a diverse but technologically advanced Group, our future direction must be mapped on a path of synergistic cohesion. The Group thus began implementing a plan of integrating its products and services to take advantage of the strengths that are prevalent within the Group, as was seen in the three packages launched for Megaline, which collated the synergies of PEO TV, Broadband and Voice into the mix. This milieu of greater cooperation and collaboration will also infuse prudent

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cost management strategies including minimising duplication, better resource management, sharing infrastructure and infusing multiple innovative features into our business vision.

The Group did exceptionally well, posting revenue of Rs 50.95 billion, mirroring the advantages we gained from leveraging on group synergies. Group profit before tax is now at Rs 6.53 Bn, improving further on last year's milestone of Rs 5.96 Bn, which in fact was the turning point in making the Group a sustainable business entity.

With a new CEO at the helm, our flagship subsidiary and the national mobile services provider, Sri Lanka Telecom Mobitel launched some world's firsts into its portfolio, augmenting its status as a pioneering mobile services provider for the region. The world's first tea vending machine Ex Tea was launched by Mobitel and the company also became the first in South Asia to demonstrate 4G LTE technology with data speeds of upto 96Mbps. Technology broke new ground further when Mobitel demonstrated Mobile Augmented Reality and enabled Nawaloka Hospitals to transmit the latest 3Tesla MRI imagery over its mHealth platform for the first time in Sri Lanka. Collating a number of awards this year including at the SLIM Brand Excellence awards, the Engineering Excellence Awards, the CNCI Achiever Awards and the National Business Excellence Awards, Mobitel added to its quantitative success with impressive results. With a market share of over 24%, Mobitel posted a Profit Before Tax of Rs 2.06 Bn.

SLT Manpower Services which is tasked with delivering the best of human resources for the group's present and future needs continued to post good results in both deployment and employee turnover, which stood at an annual average of 6.93%. The company has now placed a total of 2,310 into various placements within the Group, working on the fundamental of 'the right person for the right job'. I do believe that Sri Lanka's knowledge hub status can benefit from the synergies we have at SLT Manpower Services.

PeoTV is the pioneer of Pay TV in Sri Lanka but has in its few years of existence, taken the boundaries of expectation beyond the future. PEO TV is not simply geared for info-tainment, but is a vital tool in everyday life. From introducing directory facilities, to myriad choices in programme content, to controlling that content, the conveniences are multiple. These positives were reflected therefore in an impressive, 70% growth in subscriber numbers. The bouquet

*"We envisaged the demand for futuristic telecommunication solutions and the fact that Sri Lanka can truly be a driver and leader in regional trade and commerce. Having taken our role as a strategic partner to this future journey very seriously, our strategies now answer to demands, as the Future Calls"*

of channels was increased to 67 with the addition of Tamil and MTV channels as well, with an On Demand Video Library also constituting more choice. On the aspect of control, PEO TV launched an in-house designed services and parental control navigation system to avoid unauthorised usage and access, another first for the country. In a bid to substitute the home computer, the usage of television is being revolutionised, as next year Sri Lanka's first ever TV Banking Portal is billed to go live.

The market leader in directory information dissemination, SLT Publications holds fast to its status as an information innovator, going beyond boundaries to make information accessible anywhere anytime. This year, the company established the new toll-free trilingual call center making information available to customers anytime. The popularity of the Rainbow Pages web portal was evidenced when people from 154 countries used the SLT Rainbow Pages web portal. More exciting information avenues are being pursued with industry and specialist specific directories being designed for added convenience.

SLT Services, which provides the backbone for the Group's data networking continued to build on its ISO certified status, accentuating on productivity and competence, driven by a young dynamic team. The company showcased a growth of 19% in turnover and was also rewarded with an award for Best Technical Support. The expertise ingrained within the company was espoused even further when SLTS together with Sri Lanka Telecom, cohesively integrated its strengths to establish solutions for various thrust industries and national events/venues.

### Social Stewardship in context

We are the driver of a national vision, a vision that is destined to take the people of Sri Lanka on a sustainable path of development.

## Chairman's Message Contd.

*“Connectivity is a great unifier and we believe in this strongly, while we also believe firmly that we can, as a leader, shape and influence the nation’s mindset and attitude for the better”*

We also know that being a corporate steward, we are tasked with a crucial responsibility to create, strengthen and sustain developmental prongs on multi-faceted dimensions, but founded firmly on a common platform of unity in diversity. Our very corporate brand speaks of this. Connectivity is a great unifier and we believe in this strongly, while we also firmly believe that we can, as a leader, shape and influence the nation’s mindset and attitude for the better.

As a Group, we come together to serve national objectives. Whether in times of national disaster, when floods or drought pose challenges to various communities, or where fillip is needed in developing industry or industry segments, or in buoying our national cricketing heroes, the SLT Group is always at the fore. One of our biggest achievements this year was in focusing on the micro and SME segments, where we established a dedicated unit within Sri Lanka Telecom to advise and manage this vital sector that is being positioned as a crucial conduit to national development. The connectivity we are permeating throughout the country also enables industries to grow, while increasing productivity and efficiencies, which in the larger picture, aids macro development.

On a different dimension, Mobitel, being the proud partner of the national cricket team, supported Sri Lanka’s bid for the World Cup by not only quantitatively and qualitatively being a true partner of the team, but also in assisting in the refurbishment and upliftment of world cup venues in Sri Lanka to meet international standards.

Based on the national development agenda of increasing ICT literacy and English proficiency, Sri Lanka Telecom has been actively working with schools around the country, creating ICT hubs and

presenting books to libraries around the country. This year, we also trained librarians who are the custodians of knowledge and literature, in order to spur them to inculcate the reading habit among the younger generation. We also actively partner academic and professional institutions to improve professionalism and employability among the membership.

Our input as an industry leader therefore was suitably rewarded when Sri Lanka Telecom received two People’s Awards at the SLIM Neilson People’s Awards for the Most Popular Fixed Telecom Brand and the CDMA Telecom Service Brand of the Year. The National Business Excellence Awards also echoed this success when we gained silver awards for the Best Knowledge Integrator and in the Infrastructure and Utilities Sector. The emphasis on quality as detailed in our Transformation Programme was greatly reinforced when Sri Lanka Telecom was conferred with six awards at the JASTECA Taiki-Akimoto 5S awards held this year.

### The Future Calls

Envisaging the transformation of Sri Lanka into South Asia’s economic hub is the axis upon which we now position ourselves as the ‘Future Calls’. The aviation hub where the country will see its second international airport in Mattala, the modernisation of the Bandaranaike International Airport, the development and upgrading of other domestic airports and the positioning of Colombo as a regional logistics and services hub makes us a strategic partner to these future plans. Similarly, in the establishment of the new oil refinery at Hambantota, the prospects of oil exploration and production, development of oil trade related ancillary services and renewable energy sources in the context of creating an energy hub require considerable technological and innovation input from a telecommunication perspective. We can also envisage that the container mega hub in the Colombo Port, the multi-purpose Hambantota Port, the cruise shipping center in the Galle Port and the Oluvil, Kankesanthurai, Point Pedro and Tricomalee ports all adding myriad dimensions to the maritime hub, require considerable telecommunication technology to drive its capabilities aligned to expectations.

We also envisage that Sri Lanka Telecom can be one of the most vital contributors in the creation of the knowledge and commercial hubs, in constructing a strong and sustainable foundation to

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drive commerce and the knowledge industry. For the present, Sri Lanka Telecom has the trusses in place and taking our future plans into perspective, we are well ahead of time in being the telecommunication partner for these two crucial hubs. In driving the commercial hub which envisages establishing Sri Lanka as the foremost centre to provide commercial services, international banking and investment services and driving growth industries like ports and tourism, the crucial driving factors of Sri Lanka Telecom's NGN, NBN and i-Sri Lanka Project are already implemented.

Similarly, from a Knowledge hub prospect, making Sri Lanka a BPO and KPO destination would require improving IT literacy and enabling Internet access across the country. This too has already been set in motion and Sri Lanka Telecom has in fact, established technology platforms that are deemed as firsts in the region and will surely aid the journey to hub status. The synergies prevalent within the Group remain a fundamental factor to our strategic partnership in this national vision and as and when the Future Calls, Sri Lanka Telecom can confidently proclaim that we are ready!

### Appreciations

It has been a year of change for us but one that has been rewarding too. We have seen the results of our very ambitious Transformation Programme and the innovative infrastructure platforms we implemented come to fruition. These results however required and continue to require visionary thinking and a cohesive decision making process, where strategies are conceptualised, designed and implemented with the end result in mind. And to this end, I must thank my Board of Directors for their absolute cooperation and confidence placed in me, to carry out these revolutionary changes.

My sincere thanks also to the CEO and senior management, who ensured that the results were achieved through dynamic leadership permeated to a very motivated team; the entire SLT team bought into our vision of continuing to be the nation's telecommunication enabler. To our valued shareholders, thank you for your confidence and continued loyalty which we hope will continue into the next year and beyond.

## Chief Executive Officer's Review

● Company Revenue	:	Rs. 32,291 million	↓	3.1%
● Company Expenditure	:	Rs. 22,195 million	↓	4.8%
● Company EBITDA	:	Rs. 10,096 million	↑	1%
● Company PBT	:	Rs. 4,807 million	↑	21.1%
● Company PAT	:	Rs. 3,562 million	↑	43.7%

*"We are acutely aware that Sri Lanka's vision of being an Economic Hub for South Asia hedges primarily on having apt and advanced telecommunication solutions support, as this is the backbone upon which much of the implementation and success of the five pronged hubs will depend."*



### i-Sri Lanka Network Modernisation Project

*Launched its ultra high speed Broadband Network under its nation-wide network modernisation project "i-Sri Lanka to deliver high quality Triple play (Telephone, Broadband and PeoTV) service*

The future is here! That's what we at Sri Lanka Telecom have been striving over the past few years to achieve. Having introduced and implemented revolutionary transformations into the telecommunications industry in Sri Lanka, in 2010 we declared that we were Future Ready. And over 2011, we ensured that the readiness we proclaimed came to fruition. Today, we can truly say that as the Future Calls, Sri Lanka Telecom is poised and ready to partner the nation in its journey towards being the Wonder of Asia.

For Sri Lanka Telecom, the future is now. We truly walked the talk and delivered on our promises, our plans and strategies that we put into place in the past years, to be ready as the future calls. That is the raison d'être for the Next Generation being here; the technological upgrades and improvements, the network architecture, the organizational re-structuring with the right people and the right focus, the attitudinal transformation and the emphatic marketing focus. From an implementation perspective, there's absolute cohesion and convergence. Once the required groundwork was established and testing processes implemented, the final phases of execution were rolled out. We are now well prepared as the Future Calls, an important stage of our journey.

### The 2011 Journey

Much of what we implemented during this year was to solidify our plans, test the technology and establish and strengthen partnerships, while deploying and rolling out these strategies within our integrated plan, in order to make our Journey in 2011 the springboard for Sri Lanka's development agenda. We are acutely aware that Sri Lanka's vision of being an Economic Hub for South Asia hedges primarily on having apt and advanced telecommunication solutions support, as this is the backbone upon which much of the implementation and success of the five pronged hubs will depend.

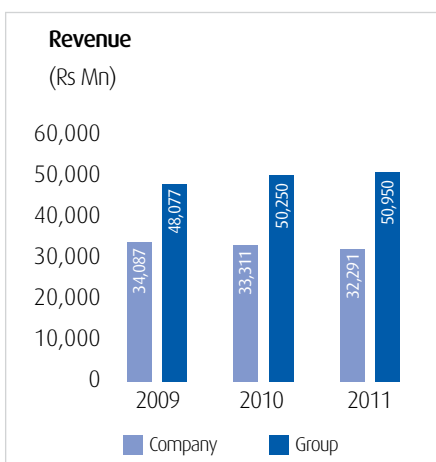




**Greg Young**  
Chief Executive Officer

## Chief Executive Officer's Review Contd.

*“This year, we are extremely proud to see our team truly focused on a common vision, coordinating well and aligned unitedly with the strategies and directional plans.”*



2011 therefore was certainly a year of change, a successful postlude to the transformational journey we began three years ago. This phase included gearing the team to focus on a singular vision, imbibe ownership into our plans and become a part of this strategic journey. This year, we are extremely proud to see our team truly focused on a common vision, coordinating well and aligned unitedly with the strategies and directional plans. And aligned to this organisational transformation journey, our strategic focus throughout previous years was built around an action plan focused on the delivery of services, operational efficiency, network capability and reliability and the integration of group synergies. This year, we began a sustainable journey of delivery and execution to ensure enduring solutions and benefits for our customers, where the aspirations of the future are embedded within our plans.

### Corporate Branding permeates Oneness

For over one and half centuries Sri Lanka Telecom has quietly revolutionised the telecommunications industry, delivering solutions that can only be deemed as best in class. As an industry leader, we fulfilled our promises throughout our existence, but we do believe that our role also encompasses a responsibility towards nation building and creating a national mindedness in this new era of optimism. Sri Lanka Telecom is one of the best loved and most respected brands in the country and therefore can be very influential in shaping the mindset of the nation, motivating people to be the masters of their destiny. Given that Sri Lanka Telecom is a vital stakeholder and partner in the country's march ahead as a nation, our brand repositioning symbolises the abundant hope and optimism that is permeating the country.

It became apparent therefore, that our very heart and soul must reverberate this message of hope, optimism and unity to the nation. This is what spurred the rejuvenation of our brand identity, linking it with a responsible message to the nation, while creating an emotional foundation that would not only reflect a country united on one platform, but also our ambitious plans for the future. 'One Country. One Voice.' embodies the path that Sri Lanka will step into as a united people, grasping opportunities and overcoming challenges, while far reaching telecommunication solutions remain the unifying factor in creating this togetherness. One Voice heralds the introduction of unique and innovative products and services across voice, data and video, inspired by the vision of connecting all Sri Lankans seamlessly through our world class telecommunication solutions.

Through the rebranding process, it also became apparent that visual symmetry is imperative across all our brand identities, which now have a uniform corporate identity and logos that echo the brand promise we espouse.

### The Megaline Revolution

Aligned to the new corporate brand identity, a new value proposition underpins our flagship product, SLT Megaline, which was re-launched this year. Positioned as 'one line that offers three unique experiences: Voice (best in quality telephone), Broadband (uninterrupted high speed internet) and Personalised Entertainment (Interactive PEO TV). Megaline has truly revolutionised the very heart of technological innovation. Emphasising this innovative stance, the

## THE FUTURE CALLS

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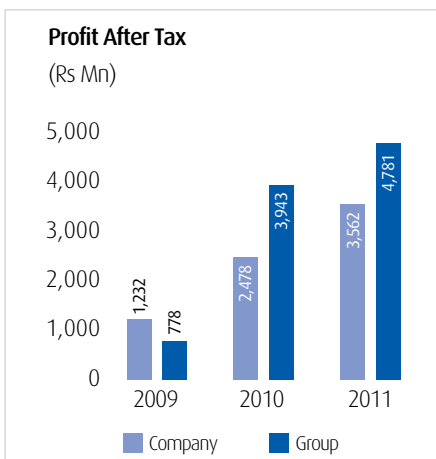
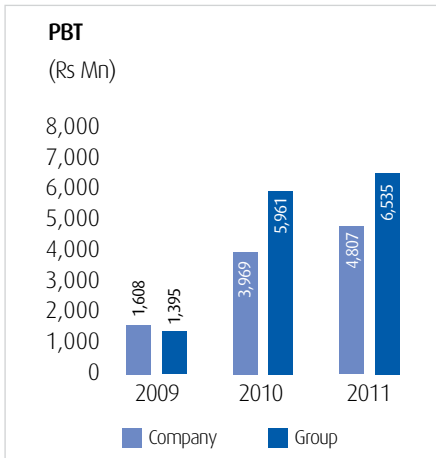
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newly enhanced Megaline packages simplify telecommunication choices, while embodying immense technological advancements that are the axis upon which Sri Lanka Telecom works. Single Play (Telephone Only), Double Play (Telephone + Broadband or PeoTV) and Triple Play (Telephone + Broadband + PEO TV) were the three new packages introduced, in addition to an aggressive campaign aimed at converting Citylink customers to Megaline with attractive offers. These will continue to drive the growth in our Megaline customer base.

### The SME Nexus

The Government intends to make the SME sector a key growth driver in the country's economy with a significant thrust to ensure this segment of the economy is empowered. Under the

transformation process, Sri Lanka Telecom now has a dedicated SME group and focus geared to identify and manage SME customer needs.

This focus is already yielding results in customer growth, customer satisfaction and customer retention.

### Performance and Trends

Sri Lanka Telecom is one of the largest capitalised companies on the Colombo Bourse and the strong results the company continues to deliver evidence our stable and pragmatic approach. This year the SLT Group achieved a revenue of Rs 50.95 Bn, displaying a growth of 1.4%, while Profit Before Tax saw growth of 9.6%, to stand at Rs 6.54 Bn compared to last year's Rs 5.96 Bn. Profit After Tax improved over last year's Rs 3.94 Bn, posting Rs 4.78 Bn and a growth of 21%.

At company level, revenue of Rs. 32.29 Bn was recorded which is a negative growth of 3%, mainly driven by reduction in intercompany revenue and planned rationalisation of thin margin revenue lines. Profit Before Tax recorded a growth of 21% to stand at Rs.4.8 Bn. Profit After Tax improved to Rs.3.6 Bn recording a growth of 44%.

During the year we continued our strong focus and discipline of managing costs and identifying and eliminating waste and leakage, combined with the exit of low margin and negative contribution products, which has contributed to our solid financial results.

Broadband revenue recorded a growth of 29% for the year.

Meanwhile, enterprise sales, one of our most successful business areas this year, increased revenue 11% over the previous year, while wholesale revenue, displayed similar trends, increasing by 16%.

We acknowledge and understand the global trend shows a movement away from fixed voice calling, a trend that we also observe in Sri Lanka. However the demand for high speed uninterrupted broadband has fueled our strategy to deliver double and triple play services, which has contributed to ongoing growth in our fixed customer base and revenues.

## Chief Executive Officer's Review Contd.

The penetration rate of broadband services remains lower in Sri Lanka than other comparable countries and world trends, it is therefore incumbent on us to drive this growth in Sri Lanka through our fixed Megaline and Mobile Broadband Products.

In Sri Lanka, Broadband penetration remains considerably low at 3.2% (fixed broadband 1.3% and mobile broadband 1.9%). We observe there is substantial growth potential in Sri Lanka for Broadband and this will certainly increase in the coming years, as infrastructure including the laying of fibre optic cables and the penetration of mobile broadband expands coverage through mobile 3.5G/4G technologies.

### i-Sri Lanka gears for a boom

Through our i-Sri Lanka project that commenced in 2011, our plan is to enhance and upgrade the existing fixed network lines, by expanding the fibre network through FTTN (Fiber to the Node) deployment. By reducing the copper cable length, reliability is improved as are quality and Broadband data speeds. Fully integrated into our NGN Modernisation Programme, we believe that the growth and our strong market share in Broadband is evidence that i-Sri Lanka is adding the required foundation for our future plans. This will ensure our quality and range of services remains on par with developed countries, a definite competitive edge in the current context.

Our i-Sri Lanka programme targets a broadband data speed of up to 20Mbps within a 2km copper cable length, with our plan to achieve this for more than 90% of our fixed customers by the end 2013.

A significant milestone for our i-Sri Lanka project was its public launch in Jaffna in September.

### NGN is the future

Converging all our access networks into a singular platform is at the core of our Next Generation Network (NGN) strategy. As we eliminate historic legacy platforms this will cascade to a reduction in the cost of maintenance of these aging platforms, improved efficiencies, faster service delivery, increased speed and performance and new capabilities for future services, all implemented with ultimate customer service excellence.

We are now implementing NGN Phase 4, which commenced in 2011 and when completed in 2013 will serve an additional 600,000 customers on the NGN platform. The explosive growth and demand for high speed Broadband bodes well for us as our infrastructure and marketing plans have been integrated to ensure that NGN benefits can be delivered island wide.

The establishment this year of the Technology Strategy Committee as a sub-committee of the Board has given enhanced technology direction and leadership to the Group. They have guided our strategic investments, building a cohesive technology strategy and steering the Group towards the future.

### SBN now aligned to NBN

This year saw a significant milestone as SLT demonstrated that our SLT Backbone Network (SBN) could meet the requirements of the TRCSL's (Telecommunication Regulatory Commission of Sri Lanka) National Backbone Network requirements. SBN is now truly national with an ultra modern fibre network now covering 100% of the 168 electorates around the country and given its wholesale characteristics, conforms ideally to the Company's wholesale business strategy. With pricing and terms being non-discriminatory, SBN can serve both large and small communications service providers, since its reach is wide and is built on a strong technical and capacity evolution plan that is market driven.

### Sales and Marketing Highlights

While the corporate rebranding and Megaline relaunches were significant events within our marketing portfolio, we also continued to aggressively promote new products and services to ensure that we remain top of mind. Megaline packages were enhanced with very attractive rates and to augment these offers, we promoted a seasonal campaign in April with discounted new connection charges, while also heralding a campaign to increase Broadband usage. The latter, 'WWW & Win', enticed customers to subscribe to SLT's Broadband service without a start up fee. We also began 2011 with 'Happy Broadband New Year 2011' augmenting the BB Entree Package with major enhancements. This delivered a 100% speed increase and a significant increase in free data usage for all existing and new entree package customers, at no extra charge. We also enhanced product functionality to Broadband customers by introducing 4-port WiFi routers at a very special price.

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We began to aggressively campaign the conversion of Citylink customers to Megaline with attractive packages, additional features, loyalty schemes and affordable pricing. Our IDD products too gained a boost through premium IDD and budget tariff revisions, as well as the introduction of a unique National Day Promotion, for customers to call those countries at special low prices on their national day.

Premium SMS Services were also introduced this year, aligned to the new trend of increasing popularity of reality TV shows. To support these, special SMS codes were used by Ranaviru Real Star Mission, Net FM, V FM and Siyatha FM.

### Enterprise and Wholesale Business gain fillip

Having conducted an indepth market analysis of our enterprise and wholesale business, this helped us to identify the market potential for each of our products resulting in a strategy of targeting potential customers with service level agreements. Leveraging our i-Sri Lanka project and NGN enterprise services capabilities, we customised integrated solutions for corporate and enterprise customers, as we noted their renewed urgency and readiness to adopt new and emerging technologies to support their business expansions.

We were most successful in integrating both the public and private sectors into our customer portfolio, including blue chip conglomerates, BPOs, NGOs, aid agencies, large retail chains, financial services institutions, exporters and importers and utility companies, while our existing customers requested service upgrades. We do believe that our competitive edge lies in our superior technology, the expertise, competencies and knowledge of our team and the availability of proven and integrated services across our country-wide infrastructure.

With the observed economic growth in the country and the accelerated need for communication solutions, we see immense growth opportunities, especially in growth sectors including tourism, ports and aviation, ICT, BPO and KPO and in the north and east, as aggressive development plans come to fruition.

### Transformation for a future calling

The organisational changes embodied in our transformation programme have reaped tangible results over the last year. We began the year with five broad areas of focus, namely new business, product portfolio, network, IT and business processes. We

*“As we eliminate historic legacy platforms this will cascade to a reduction in the cost of maintenance of these aging platforms, improved efficiencies, faster service delivery, increased speed and performance and new capabilities for future services, all implemented with ultimate customer service excellence”*

also had to interject the HR factor into optimising our organisational structure, keeping in mind that our success depends predominantly on ‘the right person for the right job’. This involved a number of substantial organisational changes where job roles were re-focused, performance objectives have been better aligned and teamwork made a priority. Thus, the success seen today, is due to the various teams collaborating and coordinating much better in this change environment, while focusing on business priorities with an ownership and commitment that is truly commendable.

Integrating our Transformation Programme and Business Plan, to embed operational efficiencies, astutely managing costs and capturing benefits from Network and IT optimisation remain a priority. Over this year, we have seen changes within the telecommunication business, reflecting into a rebalance of our company revenue mix and product and service portfolio, which we were prepared for through re-alignment of our business model.

With revenue changes driven by broadband, data and enterprise services growth, and with the global pattern of decline in fixed telephone usage becoming the rule rather than the exception, Sri Lanka Telecom is very focused on creating the optimum balance of revenue mix stemming from the right product mix. This is being done prudently and after indepth analysis of the trends matched to our service strategy.

In 2011, as part of the overall strategy, we aggressively sought out areas of opportunity, while identifying gaps that contribute to leakage or wastage resulting in unnecessary expenditure. We identified loss making or low margin product lines, rationalised them and consolidated our portfolio which resulted in reducing

## Chief Executive Officer's Review Contd.

revenue but significant benefits to profitability. In tandem, we worked towards increasing efficiencies as a key strategy of our overall Business Plan. This is being supported through IT and process change. These initiatives all contributed to delivering a very positive impact on our bottom line, as is seen in our strong financial performance for the year.

### Customer Centric Initiatives

Each of our initiatives ultimately has an impact on our end customer, given our position within the service industry and the immense responsibility to partner the macro vision of the country's development. Whether in product and service enhancements, operational efficiencies or on the larger scale in enhancing infrastructure to create an empowering milieu to become South Asia's economic hub, Sri Lanka Telecom is fully cognizant of the customer being the catalyst at the centre of all our business decisions. Whether it's in the new packages introduced to Megaline, the changes in tariffs, discounted products and services or even the corporate branding that captures a oneness among the nation, Sri Lanka Telecom demonstrates this customer centricity from its very heart and soul.

Increasing accessibility, reach and convenience therefore are also top priority. Four new Teleshops were opened this year in Moneragala, Jaffna, Kilinochchi and Puttalam bringing a single contact point for customers in these areas for sales and customer service. At the end of 2011, 29 Teleshops and 31 Regional Offices were in place around the country to empower the regional areas in Sri Lanka to have easy access to our services.

We further increased our payment network to over 3,500 outlets, while also re-designing our bill to have a more user friendly feel. With this new concept, the bill is now also used as a communication tool with our customers to promote offers, new products and solutions.

The fast developing area of Jaffna also saw a boost when we refurbished and reopened the Jaffna Teleshop as a demonstration of our commitment to the north and its development, as it deals with the challenges and opportunities that are emerging in these areas. The new corporate and product branding is prominent in all locations through product demonstrations for both Broadband and PEO TV. Believing strongly that communications must be accessible to all, we also upgraded and expanded our free internet kiosks at the Bandaranaike International Airport, using our new branding and

campaign visuals to create a more cohesive message and customer convenience.

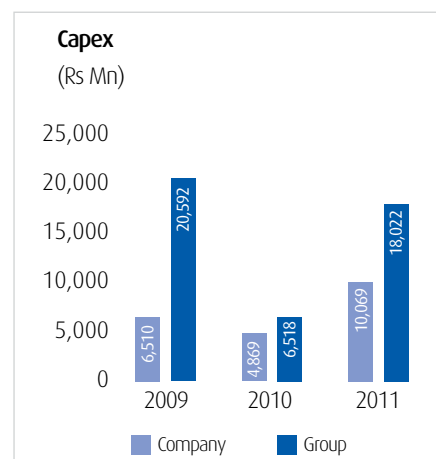
Our support to the national agenda of developing all areas of the country is demonstrated through our partnership of the Deyata Kirula exhibition, focusing on empowering rural communities to develop and contribute to the macro economy. Sri Lanka Telecom continues to be an integral partner in Deyata Kirula, with the goal to empower the community through ICT enablement, as evidenced through our investment in improving telecommunication infrastructure in the Moneragala district, which hosted the event in 2011.

SLT was also successful in winning the Government contract for operation of the 1919 dedicated hotline that empowers the Government Information Center.

### Capital investment for growth

A fundamental characteristic of the telecommunications industry is its capital intensive nature and given the rapid and evolutionary changes in our industry, capital investment must be far thinking and astute. The telecommunications landscape is one of constant change coupled with an emergence of consolidation. We have been a Group that has remained ahead of its time, infusing investment into infrastructure that will propel us into the future on par with global expectations.

In 2011 our capital investment programme continued to ramped up with a significant capital investment of Rs.18,022 million, an increase of 176% at group level over last year which is indicative of our NGN, capacity enhancement and fixed network modernisation programme and mobile network expansions, and all investments for



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the future. Projects like i-Sri Lanka require immediate and significant investment, as do network modernisation, increasing fixed and mobile Broadband capacity and coverage, expansion of fibre aggregation and access networks. Our plan for 2012 will see yet another significant capital infusion, as we continue this journey.

Besides having global connectivity, our group represents a wide portfolio of products and services built on unmatched synergies across this sector. We have worked on optimising capital investment across the group, while sharing infrastructure facilities in order to deliver significant efficiencies and increase our capabilities. One example of this are the strong group synergies delivered in the implementation of our Mobitel stage 6 coverage and capacity expansion.

### Driving sustainability through social responsibility

The very nature of our business is one that empowers people. This empowerment spurs sustainable development, where connectivity and the use of technological tools give entire communities the right skills and knowledge to contribute to wider society. Ours is a national responsibility, where we are tasked with driving forward the country's vision of becoming an ICT hub and also being the axis upon which the vision of being South Asia's Economic Hub is retained. Our corporate stewardship must walk the talk, being an enabler that develops the economic, social and environmental dimensions of the country. Our influence on myriad stakeholders is multi-faceted and having already ensured that we are ready when the future calls through our revolutionary NGN, fibre backbone and access network, i-Sri Lanka and other initiatives, Sri Lanka Telecom is the driver, unifier and equalizer for sustainable development across the demographics of society, communities, gender, geographies, cultures and even age.

From a social responsibility perspective, Sri Lanka Telecom's sustainability policy revolves around the broad platforms of enhancing literacy and competencies, appreciating arts, culture and health. For nine years we have partnered the Asia Foundation in presenting books to school libraries across the country, and again this year a sum of Rs 2.5 million was invested to distribute books among children attending schools in Anuradhapura, Mullaitivu and Colombo districts. In tandem, we also conducted a library training programme for librarians of several schools, to ensure that apt leadership is given to the children in order to inculcate good reading habits. Similarly, we partnered a number of professional organisations at their national conferences and key events

throughout the year, in order to strengthen Sri Lanka's professional forums to enhance their knowledge and capability.

### Into the times of change

We are now poised for the future, ready for the times of change and evolution. Our priorities in 2012 will be the execution of our plan and delivery on the foundations we have laid and the initiatives we are currently rolling out. We will continue to offer world class ICT and infotainment services, deploying the best in the market to our customers.

Our transformation programme continues as we embed the changes delivered to date and continue to optimise our structure and staff to meet the future.

We are investing heavily in our network infrastructure through NGN deployment island wide, Next Generation Access via i-Sri Lanka (FTTN) and High speed wireless broadband (3G and 4G).

The SLT Group intends to be a catalyst and an integral partner in growing the country's GDP, where telecommunication solutions will support and enhance economic development and creation of a knowledge hub, making Sri Lanka a 'Broadband Island' with world class global connection. In tandem, the Group will inculcate a synergistic approach internally with a sharing of resources, convergence to a common NGN network, 4G implementation and convergence of fixed and mobile converged services through an integrated approach to our customers.

### Appreciations

I sincerely thank the Chairman and Board of Directors for giving me the direction and guidance to lead Sri Lanka Telecom in a year when our plans are now in delivery and execution stage. It has been a challenging year, but a rewarding one in which we have seen the telecommunication revolution come into its own. I do believe that Sri Lanka Telecom has now created a legacy, not only in this industry but within the macro developmental picture of the country itself, having brought the future into the present. I acknowledge and thank the leadership team for their support and the complete SLT team island wide for their continued commitment to our vision and for the hard work to ensure our goals are met. I'm proud to be a part of this dynamic team, who have now truly made our company ready as the Future Calls.

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“The Sri Lanka closed 2011 having met its GDP target of 8%, well ahead of world economic growth of 4%, and emerging and developing economies estimated growth of 6.4%.”

See page 36 for more on economic growth.



### THE DEYATA KIRULA EXHIBITION, MONERAGALA

Every year, the Sri Lanka Government organises an education and development exhibition – Deyata Kirula, to coincide with the country's Independence Day celebrations which take place on the 4th of February. In 2011, the exhibition was held in Moneragala





MONERAGALA

## Infrastructure development.

SLT and Mobitel installed a complete telecom infrastructure costing Rs. 400Mn in the Moneragala district, extending to the surrounding regions as well.

## THE FUTURE CALLS

ANYTHING AND EVERYTHING IS POSSIBLE. DEVELOPMENT SPREADS IRRESISTIBLY ACROSS THE LAND, FROM NORTH TO EAST, SOUTH TO WEST, BRINGING ALL THE EMPLOYMENT, GROWTH, INCOME AND INVESTMENT THAT NATURALLY FOLLOW IN ITS WAKE. PUBLIC PLANS AND PRIVATE DREAMS BECOME REAL AS THE FUTURE CALLS.

SRI LANKA TELECOM PLC.  
REFLECTING A NATION'S FUTURE.

## The Board of Directors

### *Left to Right*

Mr. Jayantha Dharmadasa - Director

Mr. Jeffrey Jay Blatt - Director

Mr. Nimal Welgama - Chairman/Director

Mr. Dayananda Widanagamachchi - Director

Mr. Chan Chee Beng - Director

Mr. Kalinga Indatissa - Director

Mr. Shameendra Rajapaksa - Director

Mr. Sandip Das - Director

Mr. Lawrence Paratz - Director

See page 26 for Director's bio-data.

Senior Management is shown on page 30

Subsidiary CEOs shown on page 33



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## The Board of Directors Profiles

### Mr. Nimal Welgama

#### *Chairman/Director*

Mr. Nimal Welgama joined the Board of Sri Lanka Telecom PLC on 20th May 2010 and was appointed Chairman of the Board. He is also a Director/Chairman of Mobitel (Pvt) Ltd., SLT Publications (Pvt) Ltd., SLT Visioncom (Pvt) Ltd., SLT Manpower Solutions (Pvt) Ltd., SLT Hong Kong Ltd and Sky Network (Pvt) Ltd. and a director of Sri Lanka Telecom (Services) Ltd. Mr. Welgama is the CEO of the Upali Group of Companies and also serves as a member of the Monetary Board of the Central Bank of Sri Lanka.

### Mr. Sandip Das

#### *Director*

Mr. Sandip Das was appointed to the Board of Sri Lanka Telecom PLC on 5th June 2008. He is also a member of the Board of Mobitel (Pvt) Ltd.

He is the Chief Executive Officer of Maxis Communications Berhad. He also serves as Chief Executive Officer and Executive Director on the board of Maxis Berhad, Malaysia and as a Director on the board of Aircel, India. In addition, he serves the board of Bridge Mobile Pte Ltd, a strategic alliance of regional telecommunication providers. He was listed as one of the 100 most powerful people in the telecoms industry worldwide in Global Telecoms Business for two years running in the 2011 and 2010 GTB Power100 list.

Sandip has more than 33 years of work experience in the consumer durable, automobile and telecommunications industries. Prior to Maxis, he was Deputy Managing Director and a Director on the Board of Hutchison Essar Limited (now known as Vodafone Essar Limited, India). He joined Hutchison Essar, then known as Hutchison Max Telecom, and started that company's operations in India with its paging business in 1994. Prior to that, he worked with Al Futtaim Motors, the Toyota franchise in Dubai, UAE, and 10 years with Indian durable giant Usha International.

He holds a Masters of Business Administration degree from the Faculty of Management Studies, University of Delhi, and a Bachelor's degree in Mechanical Engineering from the Regional Engineering College (now the National Institute of Technology), Rourkela, India.

### Mr. Chan Chee Beng

#### *Director*

Mr. Chan Chee Beng was appointed to the Board of Directors on the 05th June 2008 and subsequently to the Board of Mobitel (Pvt) Ltd. Mr. Chan, aged 56, is a Malaysian National. He also serves as a member of the Audit Committee.

He is presently an Executive Director of Usaha Tegas Group Sdn. Bhd. ("Usaha Tegas") and serves on the Boards of several other companies in which Usaha Tegas has significant interest such as Maxis Berhad and Bumi Armada Berhad (both listed on Bursa Malaysia Securities Berhad), Maxis Communication Berhad, Binariang GSM Sdn. Bhd., Measat Global Berhad and Aircel Limited.

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

### Mr. Jeffrey Jay Blatt

#### *Director*

Mr. Jeffrey Jay Blatt was appointed to the Board of Sri Lanka Telecom PLC on 5 June 2008, and sits on the Senior Tender Board and the Technology Sub Committee. He is also a Director of SLT Visioncom (Pvt) Ltd, and SLT Hong Kong Ltd. Mr. Blatt acts as Special Counsel to Astro All Asia Networks PLC, and Usaha Tegas Sdn. Bhd., in Malaysia, and is Counsel at the law firm of Tilleke & Gibbins in Thailand leading its Telecom, Media and Communications practice.

Prior to his current positions, he was the Senior Vice President of Business Affairs and General Counsel, at Astro and the Group General Counsel of Usaha Tegas Sdn. Bhd. ("UT Group").

Before moving to Malaysia, he was a partner in the nationally recognized law firms of Irell & Manella LLP, and Blakely, Sokoloff, Taylor and Zafman, in Los Angeles, California, and represented technology companies including Apple Computer, Sun Microsystems, Intel, Broadcom, and Sony Electronics. He also represented entertainment companies in multimedia and special effects matters including Sony Pictures Entertainment and Light Storm Entertainment.

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

### Mr. Dayananda Widanagamachchi

#### Director

Mr. D. Widanagamachi was appointed to the Board on 5th July 2010, and sits on the Audit Committee. He is a senior public servant with over thirty years experience at various public institutions. He currently holds the position of Deputy Secretary to the Treasury at the Ministry of Finance and Planning.

He has served on the Boards of several public enterprises, Airports Aviation Services (Sri Lanka) Ltd. BCC (Lanka) Ltd, Sri Lanka Transport Medical Institute, National Water Supply and Drainage Board, CWE and Lak Sathosa Ltd, to name a few.

Mr. Widanagamachchi possesses a Bachelor of Science Degree in Business Administration from the University of Sri Jayawardhanapura. He has also obtained Postgraduate Diplomas in Public Administration from the Postgraduate Institute of Management, Colombo and Public Financial Management from the Sri Lanka Institute of Development Administration. He has undergone extensive training at overseas and local Institutes.

### Mr. Shameendra Rajapaksa

#### Director

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

He had served as a Director of Sri Lanka Ports Authority and as the Private Secretary to the Minister of Ports & Aviation. His previous

professional experience includes Head of Engineering Services at S2 Technologies Inc, Director of Development at Leads to Wealth Inc, Engineer at Sun Microsystems Inc and Software Team Lead at NASA ISS Earthkam Program, all based in California, USA.

Mr. Rajapaksa holds a Bachelor of Science degree in Computer Engineering from the University of California, San Diego (UCSD). He is a member of Institute of Electrical and Electronics Engineers (IEEE) and is an inducted member of Phi Theta Kappa, an International Honours Society.

### Mr. Jayantha Dharmadasa

#### Director

Mr. Jayantha Dharmadasa is a business personality with over 35 years experience in Executive Business Management and 25 years in Health Care Industry. Having completed his Secondary Education at St. Thomas' College, he joined the family business Conglomerate Nawaloka Group of Companies which was founded in 1942.

Mr. Dharmadasa is a fellow Member of the Institute of Certified Professional Managers (FCPM). He was appointed to the Board of Sri Lanka Telecom PLC as an Independent Non- Executive Director with effect from 26th May 2010. He also serves as the Director of SLT Visioncom (Pvt) Ltd, SLT Manpower Solutions (Pvt) Ltd and NAITA.

Mr. Dharmadasa currently serves as the Chairman of Nawaloka Holdings in addition to heading the following companies: Nawaloka Hospitals PLC, New Ashford International (Pvt) Ltd, Concord Ventures Export Lanka Ltd., Sasiri Polysacks (Pvt) Ltd, Nawakrama (Pvt) Ltd, Nawaloka Metropolis Clinical Laboratories (Pvt) Ltd, Nawaloka Medical Centers (Pvt) Ltd, Nawaloka Construction Co. Ltd, Nawaloka Polysacks, Sharjah, Ceyoka (Pvt) Ltd, Nawaloka Trading Co. Ltd, Koala (Pvt) Ltd, Sahas Wear (Pvt) Ltd, Nawaloka ABC Petroleum (Pvt) Ltd, Nawaloka Aviation (Pvt) Ltd and Melvin Wire Nail Industries (Pvt) Ltd.

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

## The Board of Directors Profiles Contd.

### Mr. Kalinga Indatissa

#### Director

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

Mr. Indatissa is an attorney- at law of the Supreme Court of Sri Lanka and counts 24 years of practice at the Bar and currently serves as the head of Legal Firm consisting of 20-25 lawyers.

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

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

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

### Mr. Lawrence Paratz

#### Director

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

Mr. Lawrence Paratz holds an M. Sc. (Telecommunication Systems) with Distinction, and was awarded the Philips prize from Essex University, and an M. Eng. Sc. from the University of Queensland. He is a Fellow of Engineers Australia (FIEAust) and an alumnus of the Stanford University Executive Development Program. He also

holds Bachelor's Degrees in Science and Engineering (Honours). In 2011, he was elected as a Fellow of the Australian Academy of Technological Sciences and Engineering (ATSE).

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

He is a Director of Maxis Communication Berhad, Chairman of the Technology Committee of the Board and a former senior executive of Telstra Corporation.

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

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

## Senior Management

*Left to Right*

Greg Young - Chief Executive Officer

Priyantha Perera - Chief Administration Officer

S. K. Lal Ranjith - Chief Corporate Officer

K. A. Kiththi Perera - Chief Enterprise & Wholesale Officer

Shiron Gooneratne - Chief Financial Officer

Jayantha Thilakarathne - Chief Human Resource Officer

D. W. R. Wijeweera - Chief Information Officer

P Roshan Kaluarachchi - Chief Marketing Officer

M. B. P. Fernandez - Chief Network Officer

Chinthaka C. Wijesuriya - Chief Regional Officer

Mohan Padmaperuma - Chief Transformation and Development Officer

Ajantha Seneviratne - Chief Business Strategies Officer

## Senior Management Profiles

### Greg Young

#### *Chief Executive Officer, Sri Lanka Telecom*

Joined in February 2009 as CEO with a remit to transform this business into a customer centric, market focused business, striving for customer service excellence. With over 26 years in the telecommunications industry, Greg Young has an impressive range of both commercial and technical experience developed through working for world class operators and suppliers, including Qualcomm, Tata Teleservices India, Telstra Corporation and Philips Australia. He holds a Bachelor of Electrical and Electronic Engineering (Distinction) from Swinburne University, Australia. A well known telecommunications and wireless industry leader, Greg Young has served on industry associations - including 4 years as the President and 10 years as a board member of the global CDMA Development Group (CDG).

### Priyantha Perera

#### *Chief Administration Officer*

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

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

### S. K. Lal Ranjith

#### *Chief Corporate Officer*

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

### K. A. Kiththi Perera

#### *Chief Enterprise & Wholesale Officer*

Joined SLT in 1994. He holds a MEng from University of Moratuwa in Electronics and Telecommunications Engineering and a Chartered Engineer of the Institute of Electrical Engineers and Engineering Council (UK). He has experience in International Transmission Systems, Submarine Cable Systems, Data and IP Networking and Project Management. He has experience in dealing with Enterprise and Government customers over the last 10 years and was instrumental in introducing Metro Ethernet Technology to Sri Lanka. He has provided voice-data integrated enterprise solutions connected with high speed resilient connectivity services to many customers.

### Shiron Gooneratne

#### *Chief Financial Officer*

Joined SLT in 2009. He is an Associate Member of the Institute of Chartered Accountants of Sri Lanka and a Member of the Institute of Certified Management Accountants, Australia and holds an MBA from the University of Leicester, UK. He has held senior finance positions both locally and overseas, including the position of Finance Director / Member of the Board of Directors of a leading multinational company operating in Sri Lanka.

### Jayantha Thilakarathne

#### *Chief Human Resource Officer*

Joined SLT in 2011. He is an attorney-at law and obtained LL.B Degree from University of Colombo. Also he holds a Master of Public Management (HR) and has 22 years of experience in the field of HR. He has held senior HR positions in both national and multinational companies. Before he joined SLT, he worked as Group General Manager-HR & Admin in Maliban Biscuit/Milk/Wonder pack Manufactories (Pvt) Ltd. He has wide exposure to the fields of Human Resources, Personnel Administration, and Legal.

### D. W. R. Wijeweera

#### *Chief Information Officer*

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



## P Roshan Kaluarachchi

### Chief Marketing Officer

Joined SLT in 2010. He is a Marketing Professional with over 19 years of experience in the entire spectrum of Marketing, Communication, Product and Brand Management with exposure to the FMCG, Consumer Durables and Telecom Services Sectors Both Multinational and Local Organizations in Sri Lanka. Prior to joining SLT, he served as General Manager - Marketing at Mobitel where his aggressive strategic marketing leadership contributed towards the company becoming the second largest mobile operator within a short span of 3 years. The launch of SLT's new Proposition, "One Country. One Voice" and rationalization of Product Brands under the umbrella of SLT were a few of many mile stones achieved in 2011 under his marketing leadership.

## M. B. P. Fernandez

### Chief Network Officer

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

## Chinthaka C. Wijesuriya

### Chief Regional Officer

Joined SLT in 1984 and served as Regional Head in 2001 and became Chief Regional Officer of SLT in 2010. He obtained the Graduate membership of Radio and Electronic Engineers (London, UK) and became a Chartered Engineer of the Institution of Electrical Engineers (London, UK). He is a Member of the Association of Professional Engineers Scientists and Managers Associations in Australia and holds an MBA (Technical Management) from La Trobe University of Australia. He has wide experience in the telecommunications industry, in areas such as operations, maintenance, sales, marketing, customer service, quality management and project management.

## Mohan Padmaperuma

### Chief Transformation and Development Officer

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

## Ajantha Seneviratne

### Chief Business Strategies Officer

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

## Subsidiary CEOs



### *Left to Right*

Lalith De Silva - Chief Executive Officer, Mobitel (Pvt) Limited

Prasanna Perera - Chief Executive Officer, Sri Lanka Telecom Services

Tilak De Silva - Chief Executive Officer, SLT Hong Kong Limited

Malraj Balapitiya - Chief Executive Officer, SLT Publications (Pvt.) Ltd and SLT VisionCom (Pvt) Ltd.

Ranjith Ganganath Rubasinghe - Chief Executive Officer, SLT Manpower Solutions (Pvt) Ltd.

Mahinda B. Herath - Chief Executive Officer, Sky Network Private Limited.

## Subsidiary CEOs Profiles

### Lalith De Silva

#### *Chief Executive Officer, Mobitel (Pvt) Limited*

Lalith De Silva is the Chief Executive Officer of Mobitel Pvt Ltd, which is a wholly owned subsidiary of Sri Lanka Telecom, the incumbent fixed line operator in the country. Prior to his current tenure as the CEO, he also served as the first CEO to assume duty following the acquisition of the company by Sri Lanka Telecom in 2002. Having guided the Company in the establishment of the GSM network, he was instrumental in laying the foundation for the company's rapid technological and market growth. He started his engineering career at IBM initially in Sri Lanka and then in Australia and is now recognised as a global ICT and Program Management Specialist. De Silva brings with him a vast bank of experience gained as an Advisor to SLT, a Board Director/Consultant at Sri Lankan Airlines and Senior Advisor at Saudi Telecom.

### Prasanna Perera

#### *Chief Executive Officer, Sri Lanka Telecom Services*

Prasanna Perera joined Sri Lanka Telecom Services in 2003 as Head of Marketing and was appointed CEO of the company subsequently. He is a qualified marketer and has a Master of Business Management from University of Lincoln, UK. Prior to moving to Sri Lanka Telecom Services, he served in several senior managerial positions at the Metropolitan Group, EDS Lanka and Lanka Communication Services. During his career spanning 22 years, Prasanna worked in the ICT industry with his exposure ranging from software development to communication companies.

### Tilak De Silva

#### *Chief Executive Officer, SLT Hong Kong Limited*

Tilak De Silva joined SLT in 1984 and has more than 27 years of experience in the IT and communication fields. He has held the key positions of Head of IT, Chief Global Officer and Chief Network Officer at SLT. Mr. De Silva holds the Degree of Bachelor of Science of Engineering (Specialising in Electronics & Telecommunications Engineering) from University of Moratuwa and the Degree of Master of Science in Data Communication from Brunel University U.K. He is a Chartered Engineer of Sri Lanka as well as U.K and a Chartered IT Professional of U.K. He serves as the President – Elect of Institution of Engineers Sri Lanka. He is a Fellow Member of IET - UK, Member of BCS –UK and Member of IEEE – USA.

### Malraj Balapitiya

#### *Chief Executive Officer, SLT Publications (Pvt.) Ltd & SLT Visioncom (Pvt) Ltd.*

Malraj Balapitiya is a professionally qualified Chartered Engineer and a Fellow Member of the Institute of Engineers of Sri Lanka. He

counts over 28 years of work experience at various levels of the SLT Administration and has swiftly climbed the corporate ladder, starting as a Technical Officer and then holding positions such as Regional Telecom Engineer, Head of the Province and General Manager.

He has been able to transform the locally established Rainbow Pages to create a reputed brand that competes with international brands in the same category. Keeping national commitments in mind, he has established a common platform to extend directory services to customers of other operators via various media such as CD, Web, WAP e Directory etc.

### Ranjith Ganganath Rubasinghe

#### *Chief Executive Officer, SLT Manpower Solutions (Pvt) Ltd.*

Joined SLT as an Engineer in 2001. He holds a BSc Engineering in Electrical and Electronics, a Postgraduate Diploma in Engineering and an MBA. He is a Chartered Engineer, Representative Fellow of the Council and Chairman of the Young Members' Section and Chairman of Electrical & Electronic Engineering Sectional Committee of IESL.

Rubasinghe has led the organisation to achieve ISO 9001:2008 in 2010 after just 2½ years of its inception, and the Asian Leadership award for Best in Recruitment & Consulting in 2011. He was among the key members that headed the transformation of SLT's Directory Services under the new brand 'SLT Rainbow pages' to make it competitive with global brands in the same category.

The winner of the 'HR LEADERSHIP AWARD' at Global HR Excellence Awards 2010, Rubasinghe holds memberships of all three premier professional bodies of the country; Fellow Member - IESL, Associate Member - IPM and a Certified Member - SLIM.

### Mahinda B. Herath

#### *Chief Executive Officer, Sky Network Private Limited.*

Mahinda B. Herath joined SLT in 1984. He is a Chartered Engineer and holds a Degree in Engineering from the University of Moratuwa and a Masters in Industrial Mathematics from the University of Sri Jayawardenapura. His multi-disciplinary qualifications include certifications in Telecommunication Regulation from Commonwealth Telecommunications Organisation (CTO), Australian Communication & Media Authority (ACMA) and the University of Florida. He has also been involved in the activities of ITU study groups, Sri Lanka Association for the Advancement of Science (SLAAS) and the International Development Research Centre (IDRC), with several research and study papers and a book chapter (in the publication "ICT Infrastructure in Emerging Asia – Policy and Regulatory Roadblocks") to his credit.

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“With the ongoing expansion of the SLT Backbone Network it will have the ability to cater to the total national capacity as part of the National Backbone Network initiative. To achieve this, 4,000 Km of optical fibre was added to the network in 2011, increasing the redundancy and flexibility and to extend access nodes closer to the customer.”

See page 36 for more

### SLT Regional office opens in Jaffna

SLT launched an ultra high-speed broadband network under our nation-wide network modernisation project “i-Sri Lanka” which will operate from the SLT Regional Telecommunications Office and Maintenance Centre in Jaffna.

We refurbished and reopened the Jaffna Teleshop as a demonstration of our commitment to the North and its development.

This is significant as it helps to bring world class telecommunications and broadband services to the North and East.





JAFFNA

## i-Sri Lanka

This project brings world-class telecommunications and broadband services to the North and East, and will expand to cover all of Sri Lanka

## THE FUTURE CALLS

ANYTHING AND EVERYTHING IS POSSIBLE. A FEW YEARS AGO, TAKING TELECOMMUNICATION SERVICES TO THE NORTH AND EAST WAS A DIFFICULT TASK, YET TODAY, SLT HAS DONE JUST THAT. UNITING THE NATION AND BRINGING PEOPLE TOGETHER THROUGH FLAWLESS TELECOM AND INTERNET LINKAGES IS HOW WE ARE PROUD TO CONTRIBUTE TO THE GROWTH AND DEVELOPMENT PROCESSES WE SEE ALL AROUND...

THE FUTURE CALLS.

SRI LANKA TELECOM PLC.  
REFLECTING A NATION'S FUTURE.

## Management Discussion & Analysis

- i-Sri Lanka, network modernisation project commenced in 2011
- Corporate rebranding and Megaline re-launched
- Significant capital investment of Rs.10,069 million in SLT Company

**MEGALINE** ●●●●  
**BROADBAND** ●●●●  
**PEO TV** ●●●●  
**CITYLINK** ●●●●



### i-Sri Lanka Network Modernisation Project

*The largest ICT project in Jaffna alongside the opening of the SLT Regional Telecommunication Office and Maintenance Centre in Jaffna.*

### Overview

As the national and premier telecommunication solutions provider, Sri Lanka Telecom has always been an integral component in creating an enabling environment for the country to achieve its macro vision. In 2011, Sri Lanka unveiled an ambitious yet achievable five year plan that would make the country South Asia's Economic Hub. Integrating a policy of inclusive growth that would encompass the entirety of the country, Sri Lanka began instituting a vision of balanced regional development while implementing a mega infrastructure development drive. This Vision for the Future envisaged that Sri Lanka would be transformed into an economic hub for the South Asian region.

Within the vision of this Economic Hub, the industries of Aviation, Maritime, Commercial, Knowledge and Energy would comprise the five pronged development drive that Sri Lanka's future would embrace. Hence, when the Future Calls and these development hubs need the necessary communication and IT services on which to base their development and operations, Sri Lanka Telecom is one step ahead. In 2010, we ensured that we had established our technological foundations to form the development infrastructure that would deliver our accelerated development programme. We were certainly Future Ready as Sri Lanka was confident of moving into a larger, more focused vision of truly becoming a force in South Asia.

Our strength has always been in our fortitude and forward thinking abilities. Sri Lanka Telecom has pragmatically studied and analysed global trends, remaining one step ahead to seize growth opportunities, with strategies and plans to meet any challenges and opportunities as they arise. We are ready for every eventuality, every opportunity and every trend and we have successfully

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connected the nation to make it ready for the future, bringing together millions of people on the single platform of connectivity.

With Sri Lanka's literacy rate of 90% being one of the highest in the world, we have seen a concerted drive to increase IT literacy among the population, with the government driving initiatives that will improve ICT education as well as English proficiency, accelerating ICT literacy rates to 75% from its current 30%. Internet users increased to over 12% of the population in the last year, and Telephone density now stands at 105.3, compared to 100 in 2010. The telecommunication industry in Sri Lanka is expected to grow in both Broadband and mobile markets, although fixed telephony will maintain marginal growth, echoing global trends.

Sri Lanka Telecom's capital investment during 2011 is creating an enabling environment for Sri Lanka's future development drive. Building on groundwork laid in previous years, one of the highlights we have achieved is the SLT Backbone Network which now covers the entirety of all electorates in the country, aligning it with the TRCL NBN requirement. We are now a truly national backbone that not only infuses a natural fit with the Group's existing wholesale business but also creates the capability to drive business growth for both small and large communication service providers in the macro scale of development.

There is a concerted drive to grow this segment of the market aggressively over the coming years. This is spearheaded by our i-Sri Lanka Project, which aims to propel Sri Lanka towards increased broadband penetration and service quality on par with any developed country. Launched in Jaffna this year, and complementing our north and east development drive, i-Sri Lanka uses FTTN technology to deliver increased access to IPTV and high speed broadband for all fixed Megaline customers, who gain the advantage of up to 20Mbps speed within a two kilometer copper length from the exchange. By 2013, 90% of the fixed customers will be covered, while an additional 600,000 NGN broadband ports to be added to the network in 2012.

### Economic Overview

Sri Lanka closed 2011 having met its GDP target of 8%, well ahead of world economic growth of 4%, and emerging and developing economies estimated growth of 6.4%. The services sector, into

which the telecommunication industry is an important contributor, grew by 8.6%, contributing US \$ 34 Bn (58%) to the GDP in 2011. This is attributed to enhanced investment and the gradual integration of the northern and eastern provinces into the rest of the economy.

From a global perspective, there is a marked transformation permeating the entire telecommunication industry, with voice shifting from fixed line to mobile, naturally heralding a decline of fixed voice usage revenue. Mobile and fixed broadband growth means that operators must begin re-balancing their revenue mix through Internet, broadband and data services. Broadband has 581 million subscribers around the world, with Asia driving this growth and China doubling its subscriber base. This strong growth out of Asia also saw IPTV approach 55 million subscribers, although some European markets held their own. Cloud computing, social networking, teleworking and increased e-government initiatives which drive high usage of data, trigger the need for speedier, more efficient broadband connectivity, while, from a technology perspective, FTtx has gained ground on traditional technology platforms with the largest growth percentage of 8% overall.

### Operating Environment

In Sri Lanka, the telecommunication industry remains one of the fastest growing industries and ahead or on par with regional and global trends. Investment remains high, given that the industry is

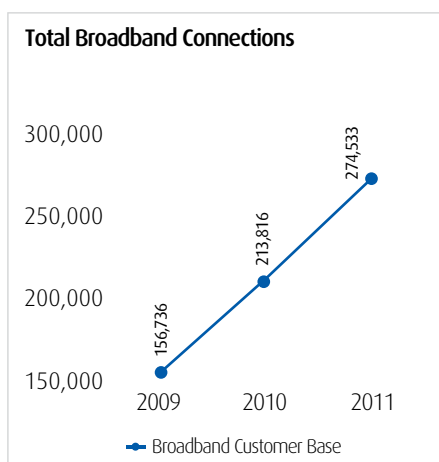


## Management Discussion & Analysis Contd.

*“Whether it’s in customer trends, technologies of the future, industry challenges or global paradigms, the Transformation Programme has given us direction to ensure that we are aligned to deliver sustainable growth and a strong company into the future”*

investment intensive, and technology continues to drive innovations and new services. We have seen traditional voice communication move to Internet enabled products and services via fixed and mobile, reflective of global trends. This presents a challenge to the industry and drives us to be ready to deliver customer needs and aspirations via superior products and service platforms.

The country currently hosts 64 telecommunication service providers providing domestic and international voice, data services, Internet services and wholesale services. However both fixed and wireless broadband penetration remain well below developing countries averages at 3.2%, with fixed lines accounting for a mere 1.3% and mobile broadband penetration at 1.9%. This is well below the global average and driving our accelerated broadband deployment to support the national agenda. Over the past year we have increased our fiber optics network by 4000 kms, with the nation-wide backbone totaling over 11,000 kms. Increased demand has been



experienced for triple play services including Video on Demand and Time Shift TV over our PeoTV IPTV platform.

Global business will improve with IPLC revenue from overseas operators poised for growth, although global voice revenue continues its declining trend due to the migration from fixed to mobile and technology substitution and illegal terminations. From a sectoral perspective, a decline was also seen in fixed line CDMA voice as customers migrate to Megaline and mobile services to enjoy broadband capability. The transition from fixed to mobile over the past years saw a marked decline of fixed voice usage revenue. However this decline has now been arrested, against ongoing trends of instant messaging and social media. The Smart phone trend has positively impacted mobile growth, with voice now well complemented by additional applications on smarter and more capable devices..

In the 2011 Budget, the Government of Sri Lanka imposed a Telecommunications Levy of 20%, in lieu of the prevailing myriad levies collected from customers, which negatively impacted the setting off against input VAT. Customs duty has been exempted for additional items relating to telecommunication, ICT and BPO industries. The levies applicable for the International terminations which changed in July, 2010 prevailed in 2011, with per minute rates of Incoming Local Access Charge (ILAC) of USD 0.055, Telecommunication Development Charge (TDC) of USD 0.015 and Termination Charge of Rs. 0.50.. However, changes to these levies have been introduced from January, 2012.

Plans are underway by TRCSL to introduce a Broadband Policy, NGN Framework and to establish a National Backbone Network (NBN) in the near future. As per the Cabinet decision TRC started negotiations with SLT for implementation of the NBN by SLT, with the terms and conditions related to NBN under discussion between SLT and TRCSL.

The TRCSL extended the Sri Lanka Telecom License by another 06 months effective from August, 2011, while negotiations continue to finalise the terms and conditions pertaining to NBN and the new SLT license.

During the year 2011, Sri Lanka Telecom and Sri Lanka Telecom Mobitel contributed to the public consultation by TRCSL on 'NGN



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Policy and Regulatory Framework for Development of Next Generation Networks (NGN) in Sri Lanka’.

### Being ready when the future calls

Our Transformation Programme launched in 2008 will continue for the next few years, as we transform the foundation upon which our company is built and align ourselves to being ready when the Future Calls. Whether it’s in customer trends, technologies of the future, industry challenges or global paradigms, the Transformation Programme has given us direction to ensure that we are aligned to deliver sustainable growth and a strong company into the future. Focusing on the six areas of Product, Business Processes, Networks, Business Model, IT systems and Organisation, we have already embedded the delivered capabilities into our process and culture as we infuse best practices into cost management initiatives, product and service innovation, our processes and systems all focused on customer centricity.

The launch of Sri Lanka Telecom’s corporate brand vision, ‘One Country. One Voice’, is based on leveraging our brand values, leadership in the industry and responsibility for driving the national vision. Sri Lanka Telecom has been a true pioneer in telecommunications in the country, not only from a value addition and technological perspective, but in delivering customer value propositions that are unique and ahead of time. The idea of ‘One voice’, positions the company as one that connects each of our stakeholders seamlessly under a common platform of connectivity. The new corporate identity further emphasized the need for unified branding, now extended to the five brands, Megaline, Broadband, PEO TV, Citylink and IDD, to rationalise brand image and values, brand promise and brand delivery, while also linked to our seven corporate values of Sri Lanka Telecom.

### Calling the future for our customers

A catalyst within the Transformation Programme is the crucial focus on customer centricity that remains the axis around which all other facets revolve. For new and innovative solutions, to continually enhancing speed and choice, to being customer focused in everything we do, our team must create a culture sharply based on customer service excellence.

### Offering the best of broadband and entertainment

SLT launched several new Broadband packages under its “Happy Broadband New Year 2011” campaign with major enhancements to the broadband Entrée Package coupled with price revisions to other Broadband Packages. These broadband packages are well positioned in the market and serving customer expectations and needs; supported also with the introduction of volume based, free of contention Packages.

During year 2011, SLT increased its international IP backbone capacity to 15.6 Gbps from 8.4 Gbps, driven by growth in the Broadband business, increased usage of SLT customers and providing IP Peering services to other ISPs. The SLT IP backbone includes redundancy from multiple cables that are connected to both west and east global directions to enhance reliability.

A major milestone this year included SLT direct peering with AMSIX, the Amsterdam internet exchange, one of the main internet exchanges in the world. This enhanced the quality of experience for customers, through IP connectivity to major content providers. In addition, direct peering capacity to Google was further increased to improve customer experience.

Customer’s personalized entertainment experience further improved on our PEO TV platform. Control, Convenience, Choice; that’s what PEO TV delivers as and when the Future Calls. Customers are given the option of controlling not only the content, but also when and



## Management Discussion & Analysis Contd.



how television can be watched, as customers can rewind and watch programmes of choice at their convenience. There's also a wide choice in the information received, whether it's news and current affairs, movies and infotainment, in addition to a film and music library. Hence, we are ready, when the future calls, having already foreseen the need for control, convenience and choice, seized the opportunity and presented a solution leveraging our Megaline solution.

2011 can be deemed a remarkable year for PEO TV, as we doubled our customer base and delivered the best entertainment solutions for our customers. Through our PEO TV service we will truly revolutionise the entertainment and infotainment sphere in Sri Lanka.

### Offering the best of entertainment and value additions

This year we increased our channel bouquet to 67 local and international channels, including multiple language channels, giving customers an extensive choice. More Tamil channels were added, as was an exclusive On Demand Video Library with content from local producers, while MTV channels were launched exclusively on the PEO TV platform, enabling us to meet long awaited customer expectations and keeping us ahead of our competitors. However, we are constantly monitoring the viewership patterns of each channel and will rationalise the choices and options, depending on the demand, to maximise the value addition given to our customers.

An improved TV schedule, services and parental control navigation system was introduced through in-house design and customisation with a PIN number to avoid unauthorized usage, access and purchases.

### Network modernization kicked off country-wide

We have upgraded and expanded our network to cater to the needs of the people with special emphasis on the northern and eastern areas of the country. During this year SLT launched its ultra high speed Broadband Network under its nation-wide network modernization project "i-Sri Lanka". This is the largest ICT project in Jaffna alongside the opening of the SLT Regional Telecommunication Office and Maintenance Centre in Jaffna.

We added four new Teleshops in Moneragala, Jaffna, Kilinochchi and Embilipitiya into our increasing portfolio of customer centric initiatives all reflecting our new corporate identity. The Teleshops are proactive customer touch-points, increasing accessibility and enabling customers to avail themselves of information and a means of problem solving and inquiries. SLT now has 36 Teleshops and 34 Regional Offices to serve its customers, giving us a competitive edge and presence islandwide. In addition, bill payment facilities continue to improve with the total payment network now increased to more than 3500 outlets, with customers able to pay their bills conveniently at leading banks and supermarket chains.

Having identified the SME sector as a burgeoning contributor towards development, Sri Lanka Telecom launched a dedicated unit for SME customers in order to expand regional development and draw them into the economic journey of the country.

Building on achievement of ISO 9001:2008/SLS ISO 9001:2008 standards during 2010, the SLT Call Center was awarded in 2011 the operation of the Call Center for the Government Information Center. The GIC, established under the aegis of the Presidential Secretariat and the Information and Communication Technology Agency (ICTA) is the conduit which provides public sector information to the general public. The call center is activated by dialling 1919 through any network; callers will have access to information pertaining to any service offered by the public sector and can lodge complaints. The success of the Call Center can be evidenced in the fact that it deals with over 5,000 callers per day on 1919 and Sri Lanka

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Telecom has been commended by the Presidential Secretariat for the facilities and quality of service offered.

We are now fully entrenched as the national directory information provider for the nation, but our role has certainly expanded through our subsidiary company SLT Publications (Pvt) Limited. We are an integral partner to the country's agenda in ensuring accurate information is disseminated to the right people at the right time. We have also gone beyond the paper-based directory, to an integrated pool of information accessible via multiple points, offering added convenience and accessibility to the end user.

Considering the world's move towards more eco-friendly and tech-savvy means of obtaining information, SLT Rainbow Pages which is the classified directory moves beyond those boundaries and into the digital era as the future calls. Our strategy is to introduce diverse avenues that make directory information available via multiple devices, harnessing the synergies prevalent within the Group.

Building on this ethos of "information anywhere anytime", after launching the Rainbow Pages on a CD a few years ago, this was extended to the directory being available on the web, spawning an e-Directory, which due to its small file size, can be shared via e mail as a popular solution for computer users. In fact, Google Analytical Reports declare that the SLT Rainbow Pages has been accessed from 154 countries.

The Rainbow Pages is now truly a technology innovator, working through IPTV to enable interactive information availability. The RAINBOW PAGES directory information is also available for Sri Lanka Telecom, Mobitel, Dialog and Etisalat subscribers via a trilingual call center enabling Sri Lankans to access information at their convenience.

With quick and efficient accessibility to information being a priority in these modern times, we continue to look for more avenues where specialised information could be made available. This spurred us to launch the Tourist Directory, working in collaboration with Sri Lanka Tourism and the Export Development Board of Sri Lanka to compile industry specific directories.

### Marketing for the future

Rejuvenated with a new corporate brand identity that combined an emotional platform with a unified stance for development, Sri Lanka Telecom's marketing initiatives were reflective of this brand identity of 'One Country. One Voice'. While all branding was changed to reflect the portrayal of values, togetherness and a singular vision, the company also analysed the future journey of its main products and aligned it with the future expectations of the customer.

SLT Megaline, Sri Lanka Telecom's flagship product emerged in mid 2011 with a new value proposition, launching three bundled packages promoting, 'One line offering three unique experiences.' The packages were Single Play (Telephone only), Double Play (Telephone and Broadband/PeoTV) and Triple Play (Telephone, Broadband and PeoTV), all available at an introductory connection charge. This offer also extended to existing Citylink customers with special offers in order to spur conversion from Citylink to Megaline. Transferring customers were further rewarded with the Citylink Loyalty Rewards Scheme, which offered a special wireline package.

2011 was launched as Happy Broadband New Year, presenting impressive enhancements to the existing Entree package and other broadband packages, as well as extending the broadband usage meter to all SLT customers. This served as an introduction to a 100% bandwidth increase, which doubled speed with additional included data usage for certain broadband packages, at no extra charge.



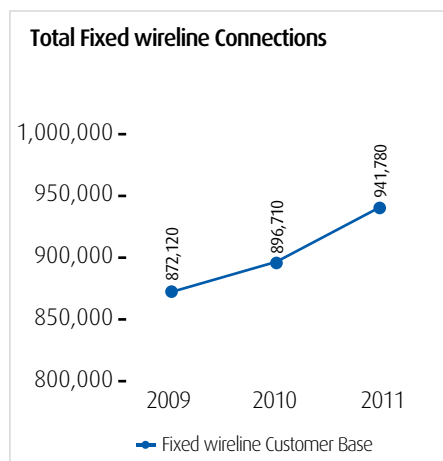
## Management Discussion & Analysis Contd.

*“To be ready when the Future Calls meant that Sri Lanka Telecom had to accelerate the NGN Transformation project, starting with the key strategy of a speedy migration of customers connected to legacy networks onto the NGN platform”*

Sri Lanka Telecom promoted the tariff revision in the IDD segment applicable to both premium and budget categories, where postpaid premium tariffs were reduced for 14 countries. We also introduced a novel marketing campaign based on high volume IDD countries in a boost to promote IDD services and increase IDD revenues. Customers were given the benefit of calling 26 countries on their respective national days at very attractive IDD rates.

Seasonal promotions were also highly successful during April offering customers new connections at discounted rates for Megaline, Broadband, PEO TV and Citylink. SLT Broadband was also given a boost with WWW & Win, a month long promotional campaign which enticed customers to subscribe for broadband, with no start up fee. Coinciding with these April holidays, My Astro, a product co-branded with Sri Lanka Telecom Mobitel was launched, offering personalised readings of horoscopes.

The WWW Campaign launched in November 2011 was aimed at reiterating the quality, consistency, speed and uninterrupted service



levels of SLT Broadband, while one month later, we also introduced 4-port wireless routers at an introductory price for broadband customers promoting wireless internet access over Home/Office WiFi by bringing increased flexibility to our flagship product.

### Wholesale and Corporate in future mode

This business segment saw significant growth during the year across the three segments of public sector, large and medium scale private sector entities.

Sri Lanka Telecom has a proactive role to play in delivering innovative and sound business solutions to our customers that span from Government ministries and departments, to hospitals, the security forces, to blue chip conglomerates, banks, hospitality ventures and infrastructure entities; Sri Lanka Telecom forms an important part of the economic journey ahead.

This spurred us to work on a focused and in-depth market analysis for each sector, where potential for each product, service and customer behaviour was mapped to give us a comprehensive vista of expectations in our telecommunication solutions. Leveraging our i-SriLanka projects and the NGN Enterprise Services capabilities, we drew on our existing competitive strengths to draw up a strategy that enhances our customer portfolio.

With the strategy being extremely successful, we were able to add a number of blue chip conglomerates, government departments, large private sector and government sector organisations, specialised companies and service organisations as well as a number of financial service entities into our portfolio. Joining our expansive enterprise and wholesale portfolio this year were the Hayleys Group, the Sri Lanka Navy, DSI Group, Nelum Pokuna, the Department of Posts, GIC call center of ICT Agency of Sri Lanka, CEB Network, IRD NW, Southern Expressway, People’s Leasing Group, Emperor Residences, ICC CWC 2011, Hambantota Administration Complex, State Pharmaceutical Corporation, Sri Lanka State Trading General Corporation, Sri Lanka Police CCTV, Standard Chartered Bank, HNB, KFC, Sampath Bank, Ceylinco General, New World Securities, Capital Trust, Ceylinco Stock Brokers, No Limit, Lanka Securities, Sri Lankan Airlines Limited, People’s Bank, Carson Management, EURO CENTER and Akbar Brothers.

Meanwhile we also strengthened the relationships among our existing customers, appraising them of our capabilities and

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technological advancements, which saw a considerable number of organisations request upgrades to their existing systems.

By providing total networking solutions to corporate customers, augmented by integrated cabling systems to customer locations through our subsidiary, SLT Services (Pvt) Ltd, we strengthened our enterprise solutions to Large enterprises, Corporates, Government institutions and SME customers.

SLTS provides total networking solutions to corporate customers, while also integrating cabling systems in customer locations. This expertise in implementing and managing numerous integrated solutions is evidenced this year when partnered with SLT on a joint project at the Nelum Pokuna Mahinda Rajapaksa Performing Arts Theatre.

### A futuristic network infrastructure

To be ready when the Future Calls meant that Sri Lanka Telecom had to accelerate the NGN Transformation project, starting with the key strategy of a speedy migration of customers connected to legacy networks onto the NGN platform. Having laid the framework and groundwork to ensure a smooth transition, the actual migration involved the integration of a number of dimensions spanning planning, implementation and new operational models. The network transformation not only involved new architecture, but also involved a cohesive plan that brought together the multiple platforms of people, processes and procedures to herald our network transformation.

Our new Network Operation Center that integrates all individual and previously separate groups was established with a clear objective of ensuring end to end customer service, encompassing all areas of service assurance. All isolated network operation centers that had hitherto been separate, are being integrated under a common umbrella, focused towards the effective and efficient operational management of all our islandwide platforms.

The complete focus of our i-Sri Lanka Transformation project is to provide and uninterrupted, high quality and high capacity broadband service. Leveraging and transforming the existing copper network to deliver 20 Mbps broadband service, and Triple Play capability seamlessly to 90% of the customers by 2013.

The “i-Sri Lanka” network modernization project is set to revolutionize broadband access across the country, by augmenting the existing copper based access network with fibre optics and fibre to the node technology.

This network transformation is the precursor for unleashing many new and unique products and services across the areas of Telephone, Broadband internet and PeoTV to SLT’s customers. Inspired by a vision aims to connect all Sri Lankans seamlessly with world class information, communication and entertainment services across the country.

With the ongoing expansion of the SLT Backbone Network it will have the ability to cater to the total national capacity as part of the National Backbone Network initiative. To achieve this, 4,000 Km of optical fibre was added to the network in 2011, increasing the redundancy and flexibility and extends access nodes closer to the customer.

We have extended our fibre-to-the-building (FTTB) programme regionally to support advanced data, managed services, networking, voice, video and broadband Internet services for enterprise customers. SLT fibre IP based services are mainly meant for high end business and SME customers offering end-to-end total solutions through very high speed connectivity. We have now connected more than 220 important buildings in Colombo and regional locations to the SLT Metro Ethernet network providing dedicated



## Management Discussion & Analysis Contd.



network connectivity with unparalleled reliability and speeds from 1Mbps to 1Gbps.

### The future gains ground

Given the Group synergies, it is imperative that we also emphasize the sharing of resources, whether in infrastructure, knowledge or skill. Common platforms in IMS and IT systems will be introduced, while content sharing will be promoted. There will be an eventual goal of converging to a common core. Investments will be effected as a consortium where the Group will be working as one entity with a common goal, leveraging as much as possible on the synergies that exist. It would seem short sighted if the advantages of such a Group with such immense potential is not optimised, to ensure not only the sustainability of the business but also the integral role it can play in national development.

In positioning ourselves to offer world class ICT and Infotainment services to the nation, anywhere anytime by presenting best in class delivery of products and services, we intend on improving every aspect of our product and service portfolio and synergising the portfolio, while deploying innovative content, entertainment and other portal services. We will add features like cloud, e-services, managed and third party services into this equation. We will implement a Service Marketing Framework and deploy a win-win wholesale model which will ensure that both our industry and individual customers will have the advantage of customised solutions.

Operational efficiencies will be maximised through the modernisation of operational architecture, INOC and strengthening brand and marketing capabilities. The Transformation Programme will continue towards customer centricity and empowering a future ready employee base, where team members will be geared through focused Training & Development to be aligned towards the Group's ultimate vision.

It is ICT that drives the world and Sri Lanka Telecom intends to position Sri Lanka as a continuing driver and an enabler in international commerce, instituting better technological innovations coupled with speed, efficiency and a diverse portfolio of products and services. This will truly create the foundation for the 'One Country. One Voice' ethos, committed to a common vision that will drive us ahead when the future calls.

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**We Care. Always.**

### Sri Lanka Telecom Mobitel

Sri Lanka has mapped for itself an ambitious development programme, designed to position itself as South Asia's Economic Hub in five years. The plan works on developing five sub-hubs - maritime, energy, knowledge, commercial and aviation. The dimension that forms a continuous thread linking each of these industries is ICT, which requires a concerted effort to improve the ICT literacy rate in the country, from the current 30% to around 75%. The government has placed ICT at the top of the agenda, and is promoting state of the art ICT infrastructure, broadband connectivity and apt skills.

### The industry shifts into gear

From an industry perspective, telephone density is fast approaching saturation. Voice growth, echoing global trends is showing signs of slowing although, internet penetration is gradually rising. The relatively new phenomenon of Smartphones has initiated a considerable incline in broadband access and Smartphones have also opened up a space for other mobile services like mCommerce to become proactive. Social media too is gaining immense ground, as evidenced in over 1 million active Facebook subscribers in Sri Lanka. One of the biggest advantages Sri Lanka currently possesses, especially in meeting her vision of an economic hub, is the low mobile tariff milieu currently prevalent in Sri Lanka, which is naturally propelling growth and will augur well for the nation's future plans.

As the National Mobile Service Provider, Sri Lanka Telecom Mobitel has always been in the forefront of driving ICT initiatives and this is a stance we intend to maintain as the nation pursues her development agenda. We are truly in a position where, as the Future Calls, we are already prepared and ready to take on the future. The Government's ICT initiatives therefore are already gaining momentum from the groundwork we have established in the past and as seen, will continue to significantly increase the demand for services offered by us.

The telecommunication industry is a rapidly evolving industry, one that is continually undergoing transformations and evolving. One of the significant challenges is the conventional subscriber to subscriber environment transcending to machine to machine with embedded SIMs. Another significant development is that mobile Internet devices are becoming the epicenter of the industry, which once again, is reflective of global trends. Near Field Communication (NFC) technology is making a strong case as a crucial enabler for an entire gamut of services, while technology changes vis a vis 2.5G, 3.5G and 4G are rapidly transforming the way technology has become an empowering tool in all areas of communication.

However, despite being an industry that remains somewhat on par with global and regional trends, being a capital intensive industry and facing numerous challenges in this milieu of survival, the industry is confronted with intense competition. This has pushed some operators to pursue aggressive growth at the expense of profits, a manoeuvre that may be of temporary benefit in the immediate term, but is not good practice for the sustainability of the industry.

Thus mobile industry has become increasingly competitive - consumers are tech-savvy and discerning; their demands are technologically advanced and hence, the rapid evolution we see must be met by us with the apt solutions to meet these expectations and aspirations. We are currently in the process of a



## Management Discussion & Analysis Contd.



rapid but strategic expansion plan, where new markets are being pursued and underserved markets in the North and East are also being penetrated.

### Key Highlights for 2011

Sri Lanka Telecom Mobitel gained added momentum during the year with the appointment of Lalith de Silva as Chief Executive Officer. He infuses decades of experience and knowledge into Mobitel, which will benefit from his global knowledge and exposure as a global ICT and Program Management Specialist working in bluechip companies. No stranger to the company, Lalith de Silva previously functioned as the Director/CEO of Mobitel from 2002-2004 and laid the strong foundation towards current growth of the company.

Being the key partner of the Sri Lanka Cricket Team, we considered it our responsibility to ensure that as co-hosts of the World Cup 2011, our key stadiums were developed to reflect world class standards. While sprucing up the key venues, they were enhanced significantly to add to the state of the art cricket facilities in the country. From a national perspective, we have been a proactive partner in the Government's regional upliftment programme, Deyata Kirula, infusing considerable investment into Moneragala, where the programme was held this year.

### Futuristic Initiatives

From very early on, Mobitel has pioneered firsts in mobile technology to Sri Lanka and in some cases in the region. This we believe is imperative if we are to cement our status as the national mobile services provider and be an integral partner in ensuring that the country meets its growth agenda. This year too, that paradigm of firsts was reinforced when Mobitel became the first in South Asia to successfully demonstrate 4G LTE technology achieving data speeds of 96 Mbps. In addition significant network expansion is underway adding network capacity and coverage to enhance customer experience.

Smartphones too were added to this list of firsts, when we introduced the first LG3D Smartphones into Sri Lanka, complementing it with SMART Data Plans, to make Smartphones even smarter. Mobile Augmented Reality was demonstrated for the first time in Sri Lanka at Infotel 2011, while Nawaloka Hospitals transmitted the latest 3Tesla MRI imagery over Mobitel's mHealth platform, breaking more ground as a first in the country.

Some other accomplishments for the year came when Mobitel proudly hosted the GSMA mWomen Working Group Meeting in Colombo, signed a partnership with Smart Track to provide fleet management and asset tracking solutions and launched ETA, Electronic Travel Authorisation. More technological innovations were unveiled with a global first via the world's first tea vending machine Ex Tea, T-Navi which is the latest traffic navigation solution, mHome and virtual shopping at Techno 2011 and mobile surveillance solutions with TeleEye Lanka.

The latest initiative in the public-private partnerships Mobitel has with the government of Sri Lanka was Electronic Travel Authorisation (ETA), a mechanism through which tourists visiting Sri Lanka can obtain their visas. Mobitel designed the entire website required for the online visa service ([www.eta.gov.lk](http://www.eta.gov.lk)) complete with a payment gateway. Furthermore, in addition to managing the front-end, Mobitel also manages the call centre for ETA.

### mLearning Partnerships

In our industry of constant change, where technology drives transformation, it is imperative that companies like Mobitel remain ahead of the paradigms of thought and technological innovation. Our mLearning platform is an exclusive, purpose-built, globally



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accessible content delivery and learning platform which was conceived, designed, developed and deployed by Mobitel. During the year, we sealed mLearning strategic partnerships with the Open University of Sri Lanka (the first such affiliation for the OUSL), and introduced an m-MBA with Edinburgh Napier University, the first such out of country endeavour. We also introduced an mLearning IVR Programme for farmers in partnership with the University of Ruhuna, introducing best practices in agriculture. This knowledge dissemination was further augmented when Mobitel partnered with CIMA via m-Learning.

We also maintain strong partnerships in government initiatives, aimed at creating an enabling ICT environment. A strategic endeavour this year was the initiative entered into with the Ministry of Higher Education and National Online Distance Education Service (NODES). Another achievement was that our mLearning service under the National Higher Education Learning Platform was used by the President of Sri Lanka when he addressed 10,000 students convened across 28 locations across the country. Speaking to them from Temple Trees, the President inaugurated the 'Leadership and Positive Thinking' training and development programme for university entrants.

In partnership with the National Apprentice and Industrial Training Authority, we initiated an educational imperative that would ensure a smooth flow of knowledge to both urban and rural areas. While continuing the initiative we launched in 2010 with the Institute of Agro Technology and Rural Science in Hambantota, we developed and integrated training courses and knowledge dissemination programmes especially in the area of entrepreneurship development into the existing curriculum.

### Other Achievements

Our contribution to the telecommunication industry as both a corporate steward and technological innovator was amply rewarded this year too, as we continued to add more accolades to our growing portfolio. We emerged with a total of four awards at the SLIM Brand Excellence awards, winning the coveted Brand of the Year award in addition to two gold awards and one bronze award. The Engineering Excellence Awards conferred us with the title of Best Engineering Organisation, while we won the highest award for Excellence in the Service Sector at the CNCI Achiever Awards. An unprecedented five awards were also collated by us at the National Business Excellence Awards.

### The Future in perspective

These are different times, where mindsets are changing, attitudes are transforming and wants are evolving. We intend to optimise fully on our technology, processes and people, ensuring that the strategies employed will be reflected on our bottom line, not only in the short and medium term, but in the long term as well. We intend optimizing our resources and managing our costs, while benefitting from the synergies with our parent Sri Lanka Telecom and the companies within our Group.

There will be a concerted effort to be an aggressive broadband player, and we also see immense business opportunity in corporate and SMEs, both focused as engines of growth in the current economic development agenda. The North and East will continue to be a vital conduit in our expansion plans, which will also include establishing a call center in Northern Province in addition to the proposed call centre in Southern Province.

In all this, our underpinning ethos is that of customer centricity, where technological innovation requires the imperative partnership of customer service excellence. This will always remain at the core of our business vision for the future.



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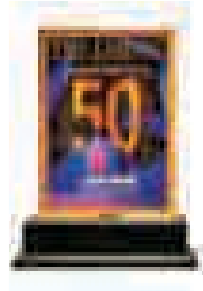
Sri Lanka Telecom Awards



7th in the Business Today 'Top Twenty' Awards 2009-2010



2011 SLIM / Nielsen Power of the People Award for the People's Fixed line / CDMA Telecom Services Provider of the year.



Second on the 'LEADERBOARD' for the financial year 2009/10.



Most Respected Entities in Sri Lanka 'HALL OF FAME' 2010.



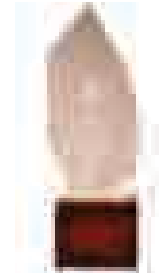
National Business Excellence Awards 2010.  
Runner-up: Infrastructure & Utilities Sector.



Gold award at the Chartered Accountants Annual Report Awards 2010, under the Telecommunication Sector.



National Business Excellence Awards 2010.  
Runner-up: Best Knowledge Integrator.



Being amongst the Top Ten Best Corporate Citizens within the CSR & Sustainable Business category.



Winner - SAFA - Best presented accounts in Communication and Information Technology sector

*"Innovation and technology are primary supports on our future journey. This has spurred Sri Lanka Telecom to become a true leader in telecommunication solutions for the nation; best practices, global trends, apt systems and processes and being astute in investing in the right people for the right job are continuous priorities."*

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## Mobitel Awards



Innovative Brand of the Year  
2011 – Gold



Excellence in Engineering  
– 2011



E Swabhimani Winner  
2011



CNCI Achiever of Industrial  
Excellence 2011 – Gold



National Business  
Excellence Awards-2011  
Infrastructure & Utilities  
Sector Winner



Brand of the Year 2011



Service Brand of the  
Year 2011 – Gold

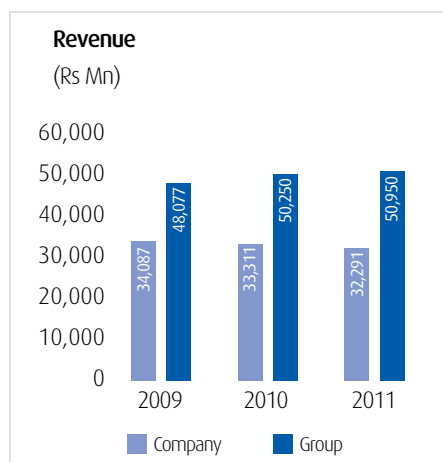


National Business Excellence  
Awards – 2011 Best Tech-  
Savvy Company Winner

*“Mobitel became the first in South Asia to successfully demonstrate 4G LTE technology achieving data speeds of 96 Mbps. In addition significant network expansion is underway adding network capacity and coverage to enhance customer experience.”*

## Sri Lanka Telecom Financial Review

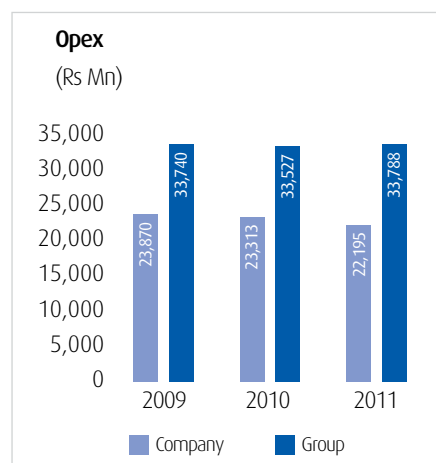
Our bottom line is strong; prudent cost management; shareholder value enhanced; projects and initiatives to assist Sri Lanka in achieving her national development goals timely. As the national telecommunications solutions provider Sri Lanka Telecom has supported a nation that is poised and ready when the 'Future Calls'. We were mandated with designing and instituting the infrastructure that would engage the people, enhance connectivity and build telecommunication solutions that are visionary, apt and timely for a nation geared towards accelerated development. From our primary capital investment projects which have seen one of the highest investment in the history of this Group this year, to pioneering initiatives that set the tone for future development coupled with strategic manoeuvres that spearhead an astute transformational mindset both quantitatively and qualitatively and prudent management of revenue and expenditure, our bottom line displays strength, stability and consistency.



### Revenue

Revenue at Group level reached Rs. 50.95 Bn, termed through 1% growth, primarily driven by mobile voice, broadband, wholesale and enterprise data. Revenue from fixed line voice however declined compared to 2010. Although this declining trend flattened from Q2 of 2011 and it was stable through the rest of the year. At Company level, SLT experienced a drop in revenue mainly driven by reduction in fixed line voice revenue and also the rationalisation of the thin margin products in international revenue. Thus SLT revenue decreased to Rs. 32.29 Bn in 2011 from Rs. 33.31 Bn in

2010. Subscriber numbers experienced an upward curve of 5% in wire line, while CDMA saw a decline of 4%. Non traditional revenue lines including broadband, wholesale, enterprise data and PEO TV recorded significant growth levels.



### Expenditure

Having worked on strategies of prudently managing expenditure in the past, this year too the process was continued with even more emphasis, placing it as a key priority across the Group. The primary initiatives already implemented were further strengthened and expenditure management reporting systems, controls and monitoring given more emphasis. These initiatives showcased a well managed portfolio of expenses at Group and Company Level. Volume driven costs also contributed significantly in reducing operating expenses at company level.

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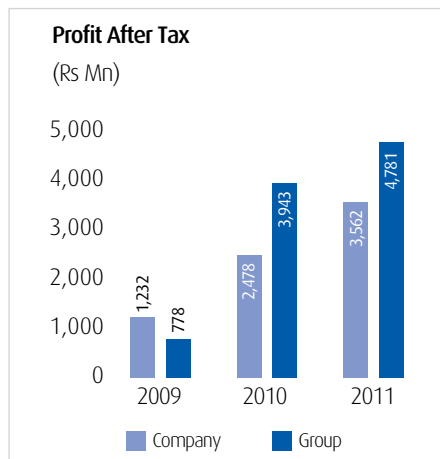
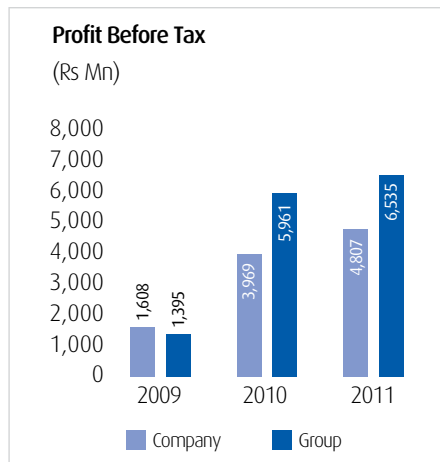
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## Interest Costs

There was a noteworthy reduction in interest costs which were positively impacted due to improved cash flow and declining interest rates.

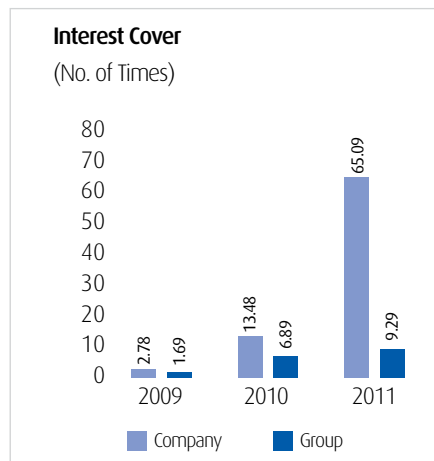


## Profitability

Significant increases are seen in profitability at Group level and Company level, with the former posting a Profit Before Tax (PBT) of Rs 6.53 Bn and Profit After Tax (PAT) of Rs. 4.78 Bn, displaying a noteworthy 10% and 21% increase respectively. At Company level, SLT posted PBT of Rs 4.80 Bn, an increase of 21% and PAT of Rs. 3.56 Bn, which is a commendable growth percentage of 44%.

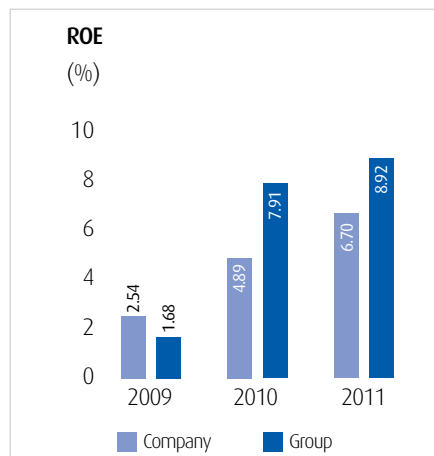
## Interest Cover

Group Interest cover also saw an increase due to the declining trend seen in interest expenses, which prompted improved cash flows, reduction in interest rates and improved profitability. Interest cover improved from 6.9 in 2010 to 9.3 in 2011 at Group level, while at Company level, there was a substantial improvement to 65.1 from 13.5 this year.



## Cash Flows

With convergent strategies being implemented across the Group and thus permeating to SLT as well, there was significant improvement in collections, leading to an augmentation of our working capital both at Group and entity level. At Group level, provision for bad debts for the year reduced by Rs. 407 Mn, while the provision for the Company reduced by Rs 452 Mn.

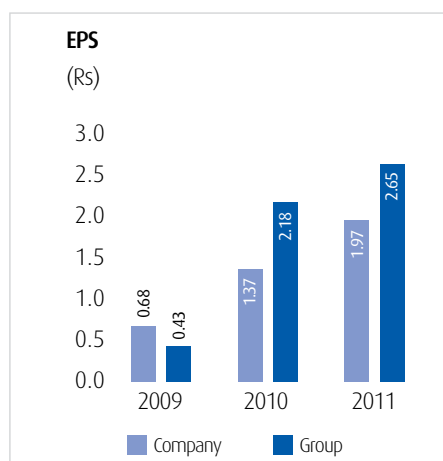
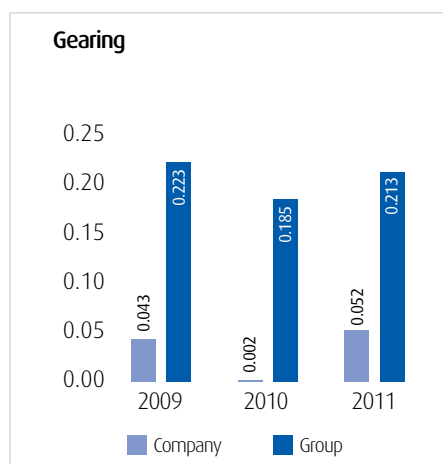


## Sri Lanka Telecom Financial Review Contd.

### Balance Sheet

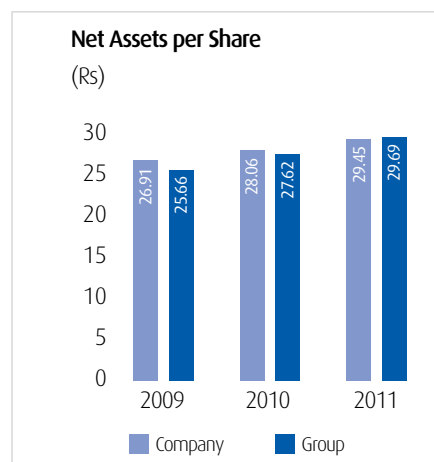
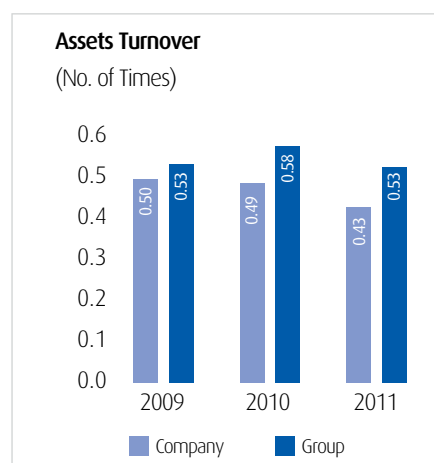
#### Gearing

At Group level, gearing as at 31st December 2011 and 2010 was 0.21 and 0.19 respectively, while at Company level it stood at 0.05 in 2011 compared to 0.00 in 2010.



### Property, Plant & Equipment

Group property, plant & equipment increased by Rs. 6.68 Bn from Rs. 61.26 Bn in 2010 to Rs. 67.94 Bn in 2011.



### Non Current Assets

Total non-current assets of the Group increased to Rs. 73.03 Bn, as against Rs. 65.79 Bn from the previous year.

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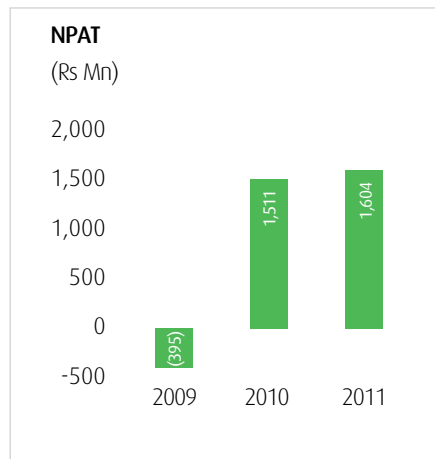
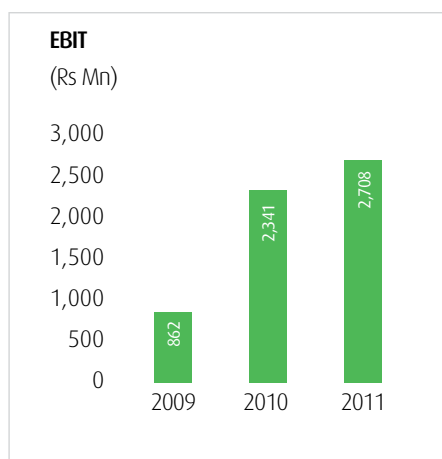
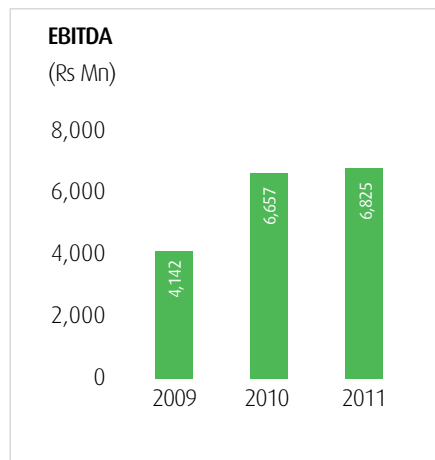
## Mobitel Financial Review

Amidst operating in an industry confronted with intense competition Mobitel managed to record a noteworthy growth in performance during Financial Year 2011. Revenue posted a growth of 7% an increase from Rs.20.0 billion in 2010 to Rs.21.4 billion in 2011. Although the revenue growth is marginal Mobitel managed to post an overall profitable performance in spite of many industry challenges.

In a voice market that is fast reaching maturity Mobitel was able to capture a significant share of mobile subscribers while increased emphasis was placed on data services which continued to emerge as the undisputed new driver of growth in the ICT landscape of Sri Lanka following global market trends.

All profitability indicators for 2011 reported a growth with Operating Profit before depreciation (EBITDA) growing by 3% to Rs.6.8 billion in 2011 compared to Rs.6.6 billion in 2010, while earnings before interest and tax (EBIT) increased by 16% to Rs.2.7 billion, compared to Rs.2.3 billion in 2010. The appreciable increase in EBIT was mainly due to reduction in depreciation expenses.

During the year Mobitel recorded a net profit of Rs. 1.6 billion, compared to the net profit of Rs.1.5 billion made in 2010 which is an increase by 6%. The reduced lending rates coupled with lower and stable inflation conditions favoured a positive business climate in 2011, thus realising improved profitability for Mobitel.



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“The Board’s role is to provide leadership of the Group within a framework of prudent and effective controls which enables risks to be assessed and managed. The Board sets the Group’s strategic aims, ensuring that the necessary financial and human resources are in place for the Group to meet its objectives and review management performance.”

See page 56 for more on governance



SOORIYAWEWA STADIUM

## Coverage

SLT and Mobitel expanded and improved coverage to reach the remotest regions of Sri Lanka with 2G, 3G, CDMA, ADSL, Ethernet and Fiber Optic technologies

### THE MAHINDA RAJAPAKSA STADIUM, SOORIYAWEWA

The Mahinda Rajapaksa Stadium in Sooriyawewa, Hambantota marks a new chapter in Sri Lanka. The brand new state of the art venue was built for the 2011 World Cup.

It is Sri Lanka’s third floodlit international stadium and is the largest in Sri Lanka, with a playing area one hundred metres long and one hundred metres wide.







# THE FUTURE CALLS

ANYTHING AND EVERYTHING IS POSSIBLE. THE CONNECTIONS BETWEEN PEOPLE ARE WHAT BRING COMMUNITIES TOGETHER, DRIVE BUSINESS PARTNERSHIPS AND POWER THE NATION ON ITS WAY TO A NEW LEVEL. AS WE PREPARE TO TAKE OUR PLACE AMONGST THE DEVELOPED NATIONS OF THE WORLD, WE ARE VERY PROUD TO HAVE PLAYED SUCH A CRUCIAL ROLE OF NATIONAL CONNECTIVITY.

THE FUTURE CALLS.

SRI LANKA TELECOM PLC.  
REFLECTING A NATION'S FUTURE.

## Corporate Governance

The Directors aspire to the highest standards of corporate governance that could be deemed appropriate for the Company in terms of its size, nature and stage of development. The Board of Directors is accountable to shareholders for the overall direction and control of the Company and its subsidiaries. It is committed to high standards of governance designed to protect the interests of shareholders and all other stakeholders while promoting the highest standards of integrity, transparency and accountability.

The Board's role is to provide leadership of the Group within a framework of prudent and effective controls which enables risks to be assessed and managed. The Board sets the Group's strategic aims, ensuring that the necessary financial and human resources are in place for the Group to meet its objectives and review management performance.

A key objective of the Group's governance framework is to ensure compliance with applicable legal and regulatory requirements in accordance with the Company's constitution, the Colombo Stock Exchange Rules on Corporate Governance, the Companies Act, and all other applicable laws.

### The Board

At the date of this report the Board comprises nine Non-Executive Directors. Directors appointed in terms of the Articles of Association of the Company by the Board are subject to election by shareholders at the following annual general meeting, and thereafter, Directors (other than the Chairman) are subject to re-election at least once every three years in terms of the Articles of Association. The details of the Directors who served on the Board during the year and their retirement by rotation are given in the Directors report in page 92 of the Annual Report.

The Directors possess a broad range of skills, qualifications and experience. The Board meets regularly, usually on a monthly basis, and all information in connection with items being discussed at a meeting of the Board is provided to each Director prior to the meeting. With the approval of the Chairman, each Director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfill their duties and responsibilities as Directors.

In addition to formal Board meetings, during the year, the Directors held frequent informal discussions and reviews of the Company's affairs. These include matters pertaining to the Company's assets, budgets, investments, acquisitions, technology development, independent professional advice, accounting, audit, internal financial controls and risk assessment.

The Directors are responsible for the strategic direction of the Company, the setting of the corporate objectives, monitoring of the operational and financial performance of the Company's activities and the Company's system of internal control. In addition, the Board investigates ways of enhancing existing risk management strategies, including appropriate segregation of duties and the employment of suitable qualified and experienced personnel.

### Independence of Directors

In accordance with the criteria for "Independence" specified by Section 7.10.4 of the listing rules of the Colombo Stock Exchange, the Board has received a declaration signed and dated by each non-executive director of their independence/non-independence. According to the declaration submitted by the Directors, out of nine directors, seven were considered independent non-executive directors. The remaining two directors namely Messrs Chan Chee Beng and. D. Widanagamachchi - are considered to be non independent. Mr. Chan Chee Beng is a Board Director of Global Telecommunication Holdings N.V which has a significant stake in SLT and Mr. D Widanagamachchi is also an employee of Ministry of Finance and Planning which holds 49.5% stake in SLT through the Secretary to the Treasury.

### Roles and responsibilities of Chairman and Chief Executive Officer

The offices of Chairman and Chief Executive are held by different individuals. The Chairman is responsible for the conduct of the Board but takes no part in the day-to-day running of the business. The Chairman ensures that Board discussions are conducted in such a way that all views are taken into account and that no individual Director or small group of Directors dominates proceedings. The Board has delegated responsibility for the operation and administration of the Company and its controlled entities to its Chief Executive Officer. Responsibilities are delineated by authority delegations. The CEO's overall responsibility includes the direction and control of the Company and the achievement of agreed short-term and medium-term corporate objectives, strategic goals,

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business plans and benchmarks. The responsibilities of the CEO are set out in the Articles of Association of the Company and have been approved by the shareholders.

### Board meetings

During the year 2011, nine (09) Board meetings were held and the attendance of the Directors at Board meetings were as follows:

Sri Lanka Telecom Board	Meetings held	Meetings Attended
Mr. Nimal Welgama	9	9
Mr. Sandip Das	9	5
Mr. Chan Chee Beng	9	7
Mr. Jeffrey Jay Blatt	9	9
Mr. Jayantha Dharmadasa	9	6
Mr. Shameendra Rajapaksa	9	8
Mr. Kalinga Indatissa	9	2
Mr. Lawrence Michael Paratz	9	9
Mr. D. Widanagamachchi	9	7

### Board Sub Committees

The Board is assisted in fulfilling its responsibilities by four principal committees, the Audit Committee, Remuneration Committee, Technology Sub-Committee, and Senior Tender Board. The Board and its committees are supplied with full and timely information to enable them to discharge their responsibilities. It is the responsibility of the Board of Directors to ensure good corporate governance. Good corporate governance requires that the Board must govern the Company with integrity. Details of the activities of the Audit Committee and Remuneration Committee are set out in the respective Sub-Committee.

#### i. Audit Committee

The Company has established an Audit Committee, which has a formal charter approved by the Board of Directors. The Audit Committee reviews the financial statements and considers and recommends accounting policies to be adopted by the Company to the Board of Directors. It also reviews the performance of the Company's internal audit function; and compliance by the Company with legal and regulatory requirements. The members of the Committee during the financial year are given in the Audit Committee Report given on page 101.

#### ii. Remuneration Committee

The Company has formed a separate Remuneration Committee, which functions as the remuneration committee of the subsidiary companies excluding Mobitel. The Remuneration Committee consists of three (03) Non-Executive Directors all being independent Directors.

Mr. Jayantha Dharmadasa - Chairman

Mr. Sandip Das

Mr. Nimal Welgama

The Remuneration Committee usually meets once a year. Its role is to make recommendations to the Board on the following

- Remuneration policy and specific packages for executives and non-executive staff
- Employee benefits and long term incentive schemes

The Group's remuneration policy is based on the principles supporting the recruitment, motivation and retention of high quality employees; ensure that performance is the key factor in determining individual reward and to communicate the reward structure clearly and effectively to executives and non-executives.

The CEO's remuneration shall be decided by the Board of Directors and the remunerations to the other members of the management shall be decided by the CEO, following consultation with the Remuneration Committee of the Board of Directors. The remuneration levels for the management shall be revised yearly. A fixed basic remuneration shall apply to management members, based on position/area of responsibility, qualification and individual performance. As a general rule, variable remuneration shall be paid out to all the employees based on their performance.

#### iii. Technology Sub Committee (TSC)

The Technology Sub Committee (TSC) has been established for the purpose of studying the technology and providing a platform for engaging in intense technical discussions and looking at roadmaps with a long term perspective making recommendations to the Board for consideration

## Corporate Governance Contd.

and implementation. The TSC focuses on how best to increase organizational efficiencies; support professional staff capabilities; and develop a flexible delivery system to effectively respond to new technological advances and information. By focusing on establishing a resilient and vibrant technology backbone, the Company will be able to encompass new technologies that serve its strategic goals.

- Technologies Sub Committee comprises of three (03) non-executive Directors namely;
  - Mr. Lawrence Paratz – Chairman
  - Mr. Shameendra Rajapaksa
  - Mr. Jeffrey Jay Blatt

The Board considered their expertise in the field of technologies in appointing them to the TSC. The details of their expertise in the field of technologies are given in their profiles.

The Chief Executive Officer of the Company and a team of technical heads of the Company and its subsidiary Companies are brought together for sharing the group synergies/ opportunities and collective learning.

- The TSC is chaired by Mr. Lawrence Paratz, who has more than 30 years experience in all facets of the telecommunication industries including mobile, fixed, broadband, satellite and international networks both domestically and internationally.
- As a subcommittee of the Board, the TSC is obliged to operate under open meeting laws and common procedures as specified in their terms of reference.
- The Board will have final authority on the TSC recommendations for implementation.

The Responsibilities of the Committee are to review relevant matters with members of the group in four key areas;

- Review existence and appropriateness of plans
- Review existence and appropriateness of processes

- Review planned and achieved Network Performance, and Methods of Assessment.
- Review the Company's Technology, People and Skill Plans and their implementation

### iv. Senior Tender Board

The Senior Tender Board (STB), which comprises of seven members including four non-executive directors all being independent directors, the Chief Executive Officer, the Chief Financial Officer and the Chief Corporate Officer is appointed by the Board to review the Group procurement needs. The procurement function involves a standard procurement process approved by the Board.

Mr. Shameendra Rajapaksa (Chairman), Mr. Lawrence Paratz, Mr. Jeffrey Jay Blatt and Mr. Kalinga Indatissa were appointed to serve on the STB by the Board in terms of its Terms of Reference approved by the Board.

In order to consolidate common procurement requirements across SLT and its subsidiaries, all procurement needs of the Group should be achieved through a standard and documented process, managed and co-ordinated through Group Procurement. This initiative will save time and money while reducing risk and delivering a smoother professional result.

### Company Secretary

The role of the Company Secretary is dealing with directors at board meetings and with shareholders. The Company Secretary attends Board meetings and ensure that minutes are kept of all proceedings at the Board meetings. The Company Secretary also advises the Board and ensures the proper procedures are followed by the Board in relation to the Companies Act, rules of the Colombo Stock Exchange, the Articles of Association of the Company and other applicable rules and regulations. The Board through the Company Secretary ensures that all capital market regulatory requirements are complied with and disclosures made in a timely, understandable, full and fair manner.

### Related Party Transaction

Related party transactions are disclosed on pages 148 to 154 of this Annual Report.

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### Internal Control

The Board of Directors has designed and implemented a system of Internal Controls required to carry out the operations of the Company in an orderly manner, safeguard its assets, and secure, as far as possible, the accuracy and reliability of financial records. The Board assures that the Audit Committee monitors the control process through the results of audits executed by the Internal and External Audit functions. The Audit Committee ensured that the systems of internal control over financial reporting were also reviewed during the year to ensure that the financial reporting process is sound. The Directors have assigned the internal audit function to the Chief of Internal Audit, who reviews and reports on the effectiveness of financial, operational and compliance controls.

### Risk Management

Risk management is an important part of internal control. In order to ensure a sound system of internal control and to mitigate risk, processes have been put in place.

The Board has ensured sound risk management capabilities through the Company Transformation Programme (CTP) and Enterprise Risk Management (ERM). An enterprise risk management initiative has been implemented from 2011. The management exercises control over the Company's financial and capital budgets, securing Board approval for budgets and the comparison of actual against targets. The details of the risk management process and framework, and the highlights of potential risks which have an impact on the Company's business, revenue, profits, assets, liquidity, and capital resources adversely can be found in the risk management section of this report.

### Corporate Governance Reporting

The following disclosures are made in conformity with Section 7 of the Rules of the Colombo Stock Exchange:

Disclosure Regarding the Board of Directors				
CSE Rule no.	Subject	Applicable Requirement	Compliance Status	Details
7.10.1(a) to (c)	Non-Executive Directors	Two or at least one third of the total number of Directors should be Non- Executive Directors	Compliant	Board currently comprise of nine members and all nine Directors are Non-Executive Directors
7.10.2 (a)	Independent Directors	Two or one third of Non-Executive Directors (whichever is higher) should be independent	Compliant	Seven of the Nine Non- Executive Directors are Independent Directors
7.10.2(b)	Declaration as to independence/ non independence	Each Non-Executive Director should submit a declaration of ndependence / non-independence in the prescribed format	Compliant	Company has received a declaration signed and dated by the seven Independent Directors and two non-independent Directors of their Independence/Non Independence
7.10.3(a)	Disclosure relating to Directors	Names of Independent Directors should be disclosed in the Annual Report	Compliant	Please refer pages 25 to 28 of this Annual Report.
7.10.3(c)	Brief Resume of each Director in the Annual Report	A brief resume of each Director should be included in the Annual Report, including their area of expertise	Compliant	Please refer pages 25 to 28 of this Annual Report for the biographical details of the Directors.
7.10.4	Directors do not qualify as independent but are specified by the Board as independent	As outlined in section 7.10.3 (c) of the Listing rules.	NA	NA

## Corporate Governance Contd.

Disclosure regarding the Remuneration Committee				
Rule No.	Subject	Applicable Requirement	Compliance	Status Details
7.10.5(a)	Composition of Remuneration Committee	Shall Comprise of Non-Executive Directors, a majority of whom can be independent.  The Chairman of the Committee shall be a Non-Executive Director.	Compliant  Compliant	The composition, objectives and functions of the Remuneration Committee are given in page 99 of this Annual Report
7.10.5(a)	Remuneration Committee	A Listed Company may be permitted to have the same Remuneration Committee, if the parent company is also listed.	NA	NA
7.10.5(b)	Disclosure of the functions of the Remuneration Committee	The Remuneration Committee shall recommend the remuneration payable to the board and the executive officers.	Compliant	Please refer Remuneration Committee Report given on page 99 of this Annual Report
7.10.5 (c)	Disclosure in the Annual Report	The names of Directors comprising the Remuneration Committee.  A statement of Remuneration Policy.  The aggregate remuneration paid to Executive and Non - Executive directors	Compliant  Compliant  Compliant	Please refer page 99 of the Annual Report
Disclosure regarding the Audit Committee				
Rule No.	Subject	Applicable Requirement	Compliance	Status Details
7.10.6.(a)	Composition of Audit Committee	Shall Comprise of Non -Executive Directors, a majority of who can be Independent.  The Chairman of the Committee shall be a Non-Executive director.  The Chairman or a member should be a member of a recognized professional Accounting body.	Compliant  Complaint  Complaint	Please refer Audit Committee Report given in page 101 of this Annual Report
7.10.6(a) & (c)	Audit Committee	A Listed Company may be permitted to have the same Audit Committee if the parent company is also listed.	NA	A separate Group Audit Committee has been formed for the Company and its subsidiary Companies except for Mobitel.
7.10.6.(b)	Functions of the Audit Committee	Should be as outlined in section 7.10.6 (b) of the listing rules.	Compliant	Please refer Audit Committee Report given in page 101 of this Annual Report
7.10.6.(c)	Disclosure in the Annual Report	The names of the Directors comprising the Audit Committee.  The basis of determination of Auditors' independence.  A report of the Audit Committee as outlined in section 7.10.6 (c) of the Listing Rules.  Whether the CEO and the CFO attend Audit Committee meetings.	Compliant  Compliant  Compliant  Compliant	Please refer Audit Committee Report given in page 101 of this Annual Report

## Risk Management

Successful implementation of Business plan and Strategy comes with effective treatment of risks and opportunities.

At the business planning stage, SLT identifies the potential opportunities in the market; subsequently action plans are developed to achieve these objectives.

Identification of risks which may hamper the achievement of objectives, is also one of the essential components of SLT Annual Business Planning process.

As an incumbent telecommunication company, SLT faces the challenge of sustaining in the market under the swiftly changing technological and regulatory environment. When benchmarked with the telecommunication industries in the region, Sri Lanka is among the countries which have high industry risks. This is mainly driven by the economic situation, high competition in the industry and low penetration and technology adoption in the country. Telecommunication services are positioned at low profit margins, while the underlying investments are significantly high.

### Establishing an ERM framework

During the year 2011, SLT has taken initiatives in establishing a formal risk management culture across the organization. A special organizational transformation project named 'Enterprise Risk Management' was carried out with the vision of making SLT a risk intelligent organization. The initial phase of this project delivered a risk management framework to SLT and relevant awareness and communication materials. Several awareness sessions were carried out to improve the risk management awareness among executives. A significant improvement in applying formal risk management process with project management practices could be witnessed during the year.

The subsequent phases of ERM targets to further establish the risk management culture in the organization. This will formalize the risk reporting and will further improve the awareness among all the staff in the organization. This exercise will lead to the development of Key Risk Indicators for the company.

### Risks from the Operating Environment

Telecommunication industry bears a significant contribution towards national economic development. The year 2011 recorded a significant growth in economy in which tourism, hotel and banking

sectors have shown significant performances. Telecommunication industry was a key driver behind the development of above services. The emergence of increasing and novel telecommunication needs has fueled the development of the industry. This has resulted in initiation of new telecommunication development projects all over the island by most of the operators.

SLT initiated one of its mega projects, i-Sri Lanka during the year. This brings a novel technological concept to Sri Lanka. Apart from the opportunities created by i-Sri Lanka, there are significant risk factors associated with the huge investment to be done in this project.

The year 2011, has shown further decline in the CDMA market, which eventually resulted in losses for 'CDMA only' operators. The growing demand in Broadband services has been the driver in SLT's fixed wired telephones. This demand has provided opportunity for SLT to sustain in the market under this difficult situation.

The 'Next Generation Network's are opening the opportunity to deliver diverse traffic over a single network. SLT's network upgrades towards an islandwide NGN, has created the opportunity for SLT to become the National Backbone for Telecommunication services. This saves unnecessary investments on duplicated resources, while it helps to provide optimum service to customers.

### Regulatory Risks

#### Licence

SLT license which was effective for 20 years expired on 08th August, 2011. As a response to the renewal request made by SLT to TRC, the prevailed license was extended for another 06 months from August, 2011 until the license conditions related to the National Backbone Network (NBN) are finalized. In accordance with the Cabinet Decision where TRC was appointed to negotiate with SLT for establishment of NBN, TRC decided to incorporate the license conditions related to NBN also into the new license of SLT. Hence, negotiations to finalize the same terms and conditions are still in progress.

#### National Backbone Network (NBN)

Discussions and negotiations related to National Backbone Network (NBN) are being carried out between SLT and TRC. The obligations pertaining to NBN operation will be imposed to SLT via the license conditions to establish the NBN within a regulated framework.

## Risk Management Contd.

With the implementation of NBN, the NBN services will replace the existing backbone services of SLT Wholesale, which have to be provided under the regulated terms.

### Regulation of Tariffs

The prevailing price war especially in the international voice market and in the broadband market is leading towards a very difficult situation for SLT. The implications are such that sustainability of the revenues has become an issue which has ultimately resulted in eroding of margins of the same services.

As a measure of addressing the price war in the domestic voice market TRC imposed floor rates and the need of floor rates even for data services has become a timely requirement.

Although substantial price reductions were introduced during 2011, specifically for the international backhauling service, the increase in demand was not up to the expectation as foreseen by TRC. Hence, any further pressures from industry to bring down the prices may create adverse impacts on SLT, which will lead to further revenue drops due to tariff reductions.

### Legal Risks

#### Litigation

It must be noted that it is impractical to forecast the outcome of any particular case or the amount of any possible verdict in respect of ongoing litigation. Nevertheless, the defences taken in those cases have the judicious features of both the law and the facts. However it is unlikely that the final outcome of any particular litigation may materially affect the operations or cash flows of the Company.

SLT is a party to several court and out-of-court proceedings with other parties and detailed below is the summary of the material litigation these proceeded during 2011.

- Global Electroteks Limited has initiated legal action under High Court Case No. 20/2006 claiming damages of USD 12 Million from SLT PLC for alleged unlawful disconnection of interconnection services.

- Just in Time Holding (Pvt) Ltd filed a case against SLT in ICLP Arbitration Centre. JIT is claiming USD 4,738,846.57, as payments due to them from SLT under the contract. SLT has lodged a counterclaim of Rs. 437,970,137.00 Under its Statements of Defense.
- Legal action filed by SLT against Colombo Municipal Council, against the arbitrary increase of assessment value for Head Quarter premises from 84 million to Rs. 96 million. The quarterly assessment tax in 2006 was increased from Rs. 7,350,000/- to Rs. 8,452,5000/-.
- Legal action was initiated by H/S Communication Ltd. against SLT & SLT Vision Com Ltd. seeking stay order against airing of certain channels by SLT VisionCom (Pvt) Ltd. And to recover arrears of US \$ 486,000/- SLT made representations and no stay order was granted, and HS Communication Ltd withdrew their application for the stay order. But the main claim against SLT and SLT VisionCom Ltd is proceeding.

### HR Related Risks

In the context of changing telecom business models; the human capital is exceedingly important. Employee skill development and employee retention are the most challenging functions in the present industry scenario. SLT has been successful in molding existing employees according to future requirements, while maintaining one of the lowest employee turnover ratios in the industry.

SLT faces the challenge of managing a diverse employee base which totals over 6,000. There are over 35 active employee unions. Maintaining healthy union interaction with management and keeping industrial harmony is imperative for the well being of the company. SLT was able to solve industrial conflicts which occurred during the year, providing long term solutions in agreement with all the employee unions, management and shareholders.

### Financial Risk

SLT continues to adopt a holistic approach in managing financial risk. Accordingly, the company has developed following financial risk management measurements to mitigate these risks. Through training and management standards and procedures, SLT aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.



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### Exchange Rate (FX) Risk

Foreign Exchange Risk is a major source of Market Risk and is unavoidable in any entity where re-pricing of Foreign Currency Assets and Liabilities are not identically matched. The company manages its Foreign Exchange exposure by maintaining foreign currency accounts for related inflows and using same for paying off some of its Liabilities in Foreign Currency. This serves as an effective hedging mechanism against Foreign Currency exposure. As a further measure, only optimum amounts are maintained in these Foreign Currency accounts and any excesses are converted to SLT's base currency (LKR) after carefully studying the future forecasts of the currency movements.

### Interest Rate Risk

Interest rate Risk mainly arises as a result of SLT having interest sensitive assets and liabilities, which are directly impacted by changes in the Interest Rates. The Company's debt 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.

### Liquidity Risk

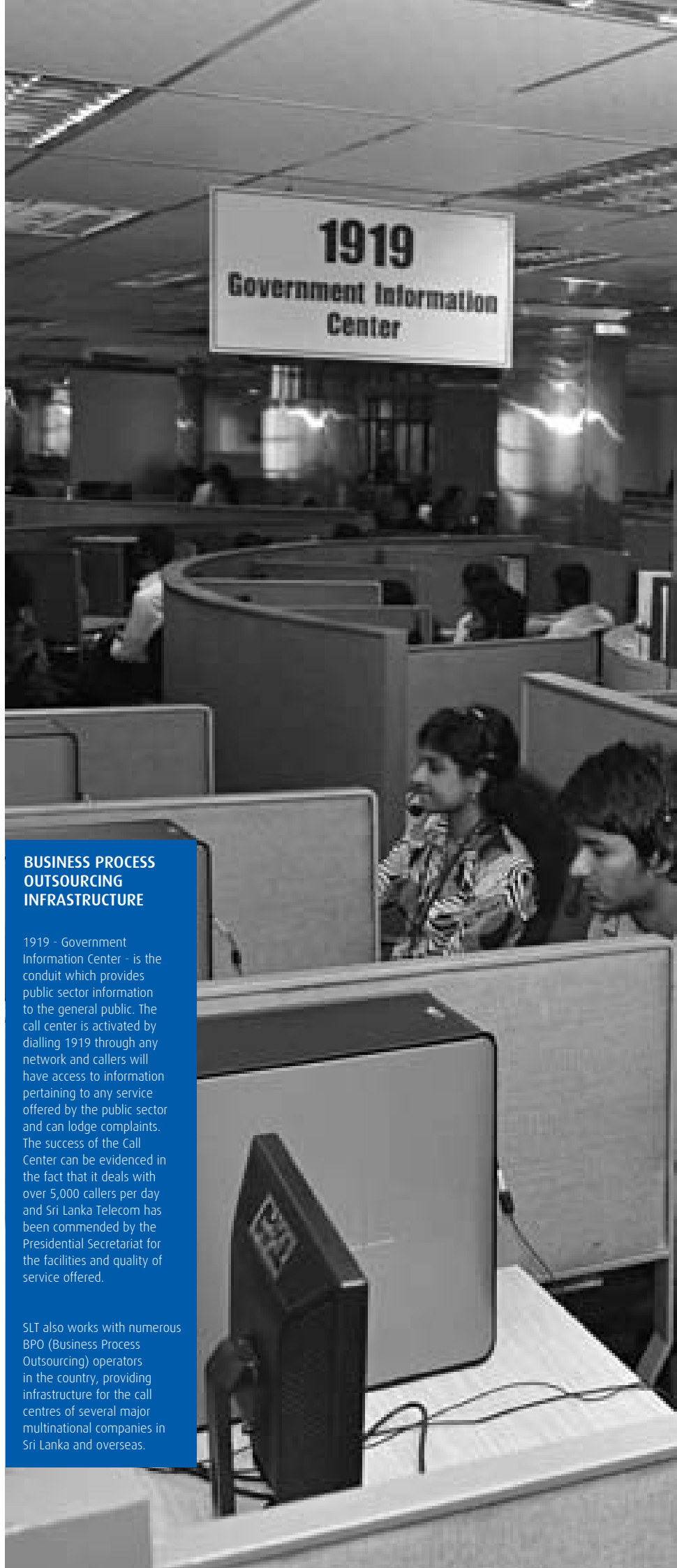
Liquidity Risk is risk that an entity may not be able to meet its payment commitments due to unforeseen factors or be forced to borrow funds on unfavourable terms. In order to manage this risk, SLT employs regular financial planning and monitoring systems to ensure that sufficient cash flows are available to meet all financial commitments on time.

### Credit Risk

The possibility of losses arising from the diminution in the credit quality of debtors can be considered the Credit risk. This Risk may not be limited to Balance Sheet items, but can also arise as a result of Off-Balance Sheet items such as Financial Guarantees. Comprehensive systems and procedures are in place to monitor and evaluate debtors and recoveries of the company. Further, Pre-paid sales are used as a means of mitigating Credit risk.

“Our new corporate identity, ‘One Country. One Voice’ embodies the path that Sri Lanka will step into, while far reaching telecommunication solutions remain the unifying factor in creating this togetherness. One Voice heralds the introduction of unique and innovative products and services across voice, data and video, inspired by the vision of connecting all Sri Lankans seamlessly through our world class telecommunication solutions.”

See page 66 for more on Sustainability



#### BUSINESS PROCESS OUTSOURCING INFRASTRUCTURE

1919 - Government Information Center - is the conduit which provides public sector information to the general public. The call center is activated by dialling 1919 through any network and callers will have access to information pertaining to any service offered by the public sector and can lodge complaints. The success of the Call Center can be evidenced in the fact that it deals with over 5,000 callers per day and Sri Lanka Telecom has been commended by the Presidential Secretariat for the facilities and quality of service offered.

SLT also works with numerous BPO (Business Process Outsourcing) operators in the country, providing infrastructure for the call centres of several major multinational companies in Sri Lanka and overseas.



COLOMBO

## BPO Infrastructure

SLT delivers state of the art ICT infrastructure for global and local BPO operations in Sri Lanka

## THE FUTURE CALLS

ANYTHING AND EVERYTHING IS POSSIBLE.

AS INFORMATION SHRINKS THE WORLD MORE AND MORE, SRI LANKA IS IN A UNIQUE POSITION TO OFFER SKILLED PROFESSIONALS TO THE WORLD. THE BUSINESS PROCESS OUTSOURCING INDUSTRY HOLDS GROWING POTENTIAL FOR ICT-SAVVY, KNOWLEDGE-HUNGRY YOUTH.

SLT IS AT THE FOREFRONT OF SUPPORTING THE BPO INDUSTRY WITH RELEVANT AND RELIABLE COMMUNICATION SOLUTIONS.

THE FUTURE CALLS.

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## Sustainability Report

- **Pioneering technology – holistic end to end communication solutions**
- **Strengthening economy - Robust Telecommunication infrastructure to empower businesses and create employment**
- **Uplifting society - Improving quality of life and integrating communities**

*“We are one of the largest employers in the country and with the investment infused into the development of the telecommunication industry via infrastructure, technology and resources, we have indelibly etched our presence as an industry leader”*



### i-Sri Lanka Network Modernisation Project

*I-Sri Lanka project - connects people from every community, culture and from all corners of the island, bringing them together while breaking down all physical barriers*

“The guiding rules (in sustainable development) are that people must share with each other and care for the Earth. Humanity must take no more from nature than nature can replenish. This in turn means adopting lifestyles and development paths that respect and work within nature’s limits. It can be done without rejecting the many benefits that modern technology has brought, provided that technology also works within those.” - Caring for the Earth, World Conservation Union (IUCN)

### The Sri Lanka Telecom Sustainability Mission

Our business is about connecting communities, using modern technology that truly brings the future into the present. For over one and a half centuries, we have continued to connect our stakeholders – customers, shareholders, valued business partners, investors, government authorities, regulatory bodies, our dynamic team – and the wider community and our environment to ensure that our business positively impacts their lives. Over decades, Sri Lanka Telecom has infused the foundations of the future into the lives of the people of Sri Lanka, and in some cases beyond the country’s shores, strengthening the threads that bind modern technology with sustainable development.

From being Future Ready just a year ago, today we have stepped into the dimension of ‘The Future Calls’; our physical infrastructure is in place to ensure that plans to create the future we envisage are on track. In tandem, we have aligned our resources; not only with macro national goals but also to meet the aspirations of each of our stakeholder segments. Our actions must be positive, sincere, transparent and accountable, while our stance within the corporate sphere must be that of a mentor and role model, because that is what we are – the national telecommunication solutions provider. Our new corporate identity, ‘One Country. One Voice’ embodies the path that Sri Lanka will step onto, while far reaching telecommunication solutions remain the unifying factor

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in creating this togetherness. One Voice heralds the introduction of unique and innovative products and services across voice, data and video, inspired by the vision of connecting all Sri Lankans seamlessly through our world class telecommunication solutions. We have emphatically committed ourselves to maintaining strong principles, ethics and values; while riding on a wave to introduce the world's most modern technology into a country that is surely poised as the hub for the South Asian region. Our sustainability mission has been constructed on the strong premise of The Future Calls.

Being more than ready when The Future Calls, this sustainability report will detail our actions and their impact on our stakeholders; where sustainable solutions go beyond telecommunications and into an arena of sustainable connectivity and networking that conserves and nurtures the country's resources.

### Sustainability Reporting at Sri Lanka Telecom

We have gradually developed our sustainability reporting process within the company, in the process to align it to the GRI guidelines. However, given the size and scope of the organization, the process remains challenging. Being a corporate steward with a catalytic role to play in the country's national vision for development, we realize the importance of sustainability in all our actions and their consequences. Furthermore we are aware that the sustainability reporting process will clearly identify the positives, negatives and gaps within our organization. The reporting process continues as we did last year, with more systems and processes added to further aid it.

The reporting process has not been without constraints and challenges. However, it has helped us to identify gaps within the company and make corrections wherever necessary. We remain cognizant that our reporting process must be practical, aligning it with our commitment to the ultimate sustainability of our business and the larger vision of the country.

The period of reporting in this report, detailed via the triple bottom line concept of economic, social and environmental imperatives of Sri Lanka Telecom's sustainability activities is from January 1st to December 31st 2011.

### CEO's Message – Sustainability Report for Annual Report 2011

Technology and development are unequivocally intertwined in a nation's journey ahead and our responsibility as a national entity tasked with leading Sri Lanka into an era of becoming South Asia's hub, remains a defined goal. The stature we have gained as the national telecommunication solutions provider is the foundation for this responsibility. However, the permeating effects of this responsibility are far reaching, where the diktat mandates us to encompass all stakeholders on the platforms of economic, social and environmental, where we operate daily on a transparent, accountable, well governed ethical platform to ensure that our impacts are positive on each and every stakeholder segment.

We are one of the largest employers in the country and with the investment infused into the development of the telecommunication industry via infrastructure, technology and resources, we have indelibly etched our presence as an industry leader. This naturally permeates to a strong consciousness for the need for accountability, transparency and sincerity of action in everything we do. We have unreservedly supported the State's national development agenda, which now places the country on a path to becoming South Asia's Economic Hub. Being a strategic partner in the national journey of development, upliftment and sustainability, we have continued to enhance the value of each of our stakeholder segments – shareholders, customers, employees, investors, suppliers, regulatory and other related state authorities, the media, the community and



## Sustainability Report Contd.



in the larger context, the State. The plans we have implemented over the last few years have thus laid a firm foundation for the country to envisage meeting these ambitious goals and we are truly proud to be an enabling partner in this process.

We have now transformed ourselves into an organisation that is more than ready when the 'Future Calls', having implemented visionary strategies to take the country forward. The drive for sustainability comes as a top down approach, led by the CEO and I, which in effect, gives the necessary leadership for the team to follow. These strategies are constructed on the tenets that our organisation remains a stable, strong and sustainable going concern, very conscious of the role we play in the larger macro panorama of inclusive development. Our investment into constructing and strengthening our national backbone, where the Next Generation Network (NGN) becomes an integral part of connectivity and ensuring that our business strategies ultimately envision state of the art communication avenues for the entirety of Sri Lanka is definitive. Our aim is to develop every corner of this country both rural and urban equitably and inclusively, where tangible improvement will be seen in the quality of life of all stakeholders.

The underlying facet in our Sustainability Ethos is that we are a national development driver, which means that we are inextricably intertwined with every social strata, community and public citizen in the country, meeting their individual aspirations in

telecommunications, while working towards the national needs and vision to keep the country abreast of global developments. This Sustainability Report is designed therefore to help us in this process, where we can identify the gaps and constraints encountered in meeting our stakeholder objectives to ultimately work towards a positive outcome for all. This report creates a formula for us to work upon, a foundation and trusses that will help us to further embed our commitment in ensuring that Sri Lanka Telecom will truly be a partner to Sri Lanka and her people in becoming an economic hub in South Asia.

### Economic Dimension

Given our stature as a corporate steward and the large investments made by us towards infrastructure, we undoubtedly remain a strong truss within the country's economic development axis. The plans for becoming South Asia's Economic Hub will squarely lay the responsibility of ensuring that the country meets this vision on our shoulders. Nonetheless, for many years now, we have contributed to Sri Lanka's visionary plans by being the driver of innovation and technology, making the country ready for when the future calls. Whether it is in our strategies, innovations and infusion of technology, Sri Lanka Telecom is the backbone to sustainable economic development from a national perspective and our role, we know, is a crucial one as we are the national telecommunication solutions provider. We have continued to look beyond our responsibilities and into the realm of market leader, developing a comprehensive portfolio of products and services that would meet the modern day needs of a customer, through cutting edge technology, myriad innovations and extensive connectivity. Our diktat is to make every Sri Lankan ready to take on the mantle of the challenges of the future with confidence, knowing that Sri Lanka Telecom remains a stable and solid partner to meeting national development goals.

Building on the milestone we achieved last year of having reached revenue of Rs 50 Bn, this year we continued that upward momentum reaching Rs 50.95 Bn in revenue, further augmenting our bottom line. This cascaded to our contribution to the Government Treasury reaching Rs 1,754 Millions, which signals a true partnership with the Government, as these funds are being utilized towards meeting the vision of an economic hub.

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We remain a fundamental partner to the Government's inclusive growth policy, using our connectivity platform as the conduit to permeate growth to all social strata. This allows large, small, medium and macro business to network and create an enabling environment, and encourage entrepreneurship. Given our networking capabilities and introduction of new technology, including networking all electorates this year through our nationwide telecommunication backbone, our input ensures balanced regional development. This also ensures that even the most challenged and difficult geographical areas and communities remain networked for development; including the accelerated development drives aimed at the northern and eastern provinces as well.

As of last year, Sri Lanka presented well laid plans to drive the country towards becoming a key economic hub for the South Asian region in five driver areas: energy, knowledge, maritime, aviation and commercial hubs. Each of these hub drivers requires state of the art technology strategies to ensure that it meets its goals. This is where the Future Calls. Sri Lanka Telecom, while being an integral catalyst in all these hubs, has an even more crucial role to play in both the Knowledge hub and Commercial hub. With IT literacy and Internet access cascading to all and the creation of knowledge based jobs being objectives, Sri Lanka Telecom has already laid the foundation and trusses for these targets, with increased penetration, increased connectivity and added Internet access, throughout this year.

Sri Lanka Telecom's emphasis on creating an empowering milieu for the country to succeed is evident when comparing telephone density (telephone per 100 persons); in 1980 density was 0.4, while in 2011 it is 105.3. Similarly, expectations are high as the Government remains highly dependent on ICT being the nexus in meeting its goals as in the establishment of the first IT Park in Hambantota. SLT actively supports the Government's initiatives and will continue to advance the concept of a BPO hub to reach US \$1 billion by 2015. With broadband and other technological imperatives gaining added impetus, Sri Lanka Telecom's technological advancements to aid the establishment of a commercial hub has also gained momentum, with ports, aviation and tourism gaining considerable technology thrust from us.

### Investor Relations

Sri Lanka Telecom continued to meet the forecasted targets for the year, investing astutely in both infrastructure and knowledge to create a 'connected milieu' for the country, while also ensuring that the investments do bring in the anticipated returns via a stable investment platform. From a Future Calls perspective, Sri Lanka Telecom certainly met its goals for the year, while ensuring that penetration remained above expectations.

Our share price retained its strong consistent performance, beginning 2011 at Rs 49/-, and given the trend over the last year as well, infusing confidence among investors due to this consistent trend. The Government of Sri Lanka and Global Telecommunications Holdings N.V, hold more than 94% of issued share capital of the Company, shares held by the public remains below 6%.

Investment for 2012 will continue on this momentum. Our immediate investment plans include focusing vitally on the i-Sri Lanka Project, growth of broadband capacity while extending broadband penetration and the expansion of fibre aggregation and access networks.



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*“Investment for 2012 will continue in this momentum. Our immediate investment plans include focusing vitally on the i-Sri Lanka Project, growth of broadband capacity while extending broadband penetration and the expansion of fibre aggregation and access networks.”*

**List Of 20 Major Shareholders Based on their Shareholdings as at 30-Dec-2011**

Name of Shareholder	Shareholding	Percentage (%)
Secretary to the Treasury	893,405,709	49.50
Global Telecommunications Holdings Nv	811,757,869	44.98
Employees Provident Fund	20,942,989	1.16
Sri Lanka Insurance Corporation Ltd-Life Fund	17,713,735	0.98
Bank Of Ceylon A/C Ceybank Unit Trust	13,246,600	0.73
National Savings Bank	13,158,700	0.73
Employees Trust Fund Board	3,302,188	0.18
Sri Lanka Insurance Corporation Ltd-General Fund	3,032,200	0.17
Deutsche Bank Ag-London	1,200,000	0.07
Bank Of Ceylon A/C Ceybank Century Growth Fund	1,027,200	0.06
Associated Electrical Corporation Ltd	925,100	0.05
The Incorporated Trustees Of The Church Of Ceylon	414,100	0.02
Ellawala Exports (Pvt) Ltd	396,100	0.02
Union Assurance PLC/No-01A/C	288,200	0.02
E.W. Balasuriya & Co. (Pvt) Ltd	272,200	0.02
Mr. Vandrevala / Mrs. P. Hiranandani	231,500	0.01
Bank of Ceylon No. 1 Account	214,000	0.01
Mr. Tanaka	175,000	0.01
Mrs. Edirisinghe	170,000	0.01
Ceylon Biscuits Limited	162,800	0.01
<b>Total</b>	<b>1,782,036,190</b>	<b>98.74</b>



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RESIDENT	RESIDENT			NON RESIDENT			TOTAL		
	Number of Shareholders	No of Shares	Percentage (%)	Number of Shareholders	No of Shares	Percentage (%)	Number of Shareholders	No of Shares	Percentage (%)
Shareholders									
1 to 1000 Shares	10034	3388706	0.19	22	11000	0	10056	3399706	0.19
1001 to 10,000 Shares	2816	11767992	0.65	35	169300	0.01	2851	11937292	0.66
10,001 to 100,000 Shares	357	6606812	0.37	13	530700	0.03	370	7137512	0.4
100,001 to 1000,000 Shares	11	3191800	0.18	2	406500	0.02	13	3598300	0.2
Over 1,000,000 Shares	8	965829321	53.51	2	812957869	45.04	10	1778787190	98.55
Total	13226	990784631	54.9	74	814075369	45.1	13300	1804860000	100

Share Price Trend	2011	2010	2009	2008	2007	2006	2005	2004
Highest Value (Rs.)	64.50	51	48	49.75	43.25	29.75	27	23
Lowest Value (Rs.)	44.00	35	39.5	29.75	28	14.75	15.5	15
Last Traded Price (Rs.)	48.00	49	46	31	31.5	27.75	16.5	15.5
Market Capitalisation (Rs. Billion)	86.63	88.44	83.02	55.95	56.85	50.08	29.78	27.97

Returns to Shareholders		
31 Dec. 04	First & Final Dividend	902,430,000
31 Dec. 05	First & Final Dividend	1,353,645,000
31 Dec. 06	First & Final Dividend	1,804,860,000
31 Dec. 07	First & Final Dividend	1,804,860,000
31 Dec. 08	First & Final Dividend	1,804,860,000
31 Dec. 09	First & Final Dividend	451,215,000
31 Dec. 10	First & Final Dividend	1,082,916,000
31 Dec. 11	First & Final Dividend	1,534,131,000

Trading Activity, Year - on -Year		
	2011	2010
No. of Transactions	6,798	9730
No. of Shareholders traded	10,731,300	24,014,500
Value of Shares Traded (Rs)	587,769,460	1,005,295,210

Categories of Shareholders		
Analysis of Shareholders	No of Shareholders	No of Shares
Individual	13,146	21,975,280
Institutional	154	1,782,884,720
Total	13,300	1,804,860,000

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Sri Lanka Telecom is one of the country's most valuable blue chip companies with an annual Group turnover of Rs 50.95 billion as at end 2011. The two main shareholders of Sri Lanka Telecom as at year end were the Government of Sri Lanka which held 49.5% through the Secretary to the Treasury and Global Telecommunication Holdings N.V. of Netherlands, which owned a 44.98% stake. The balance shares are publicly traded.

The company has been awarded a National Long Term Rating of AAA (lka) and a BB- rating on Long term Local Currency and Foreign Currency by Fitch Ratings, followed by BB- local currency and B+ foreign currency Credit Ratings by Standard & Poor's.

### Awards and Accolades

The Future Calls platform has been strengthened continuously through the years, primarily due to Sri Lanka Telecom's commitment to customer service excellence. This commitment was amply rewarded when in March 2011, Sri Lanka Telecom won the People's Award for the Most Popular Fixed and CDMA Telecom Service Brand of the Year at the SLIM Nielsen People's Awards.

Innovation and technology are primary supports of our future journey. They have spurred Sri Lanka Telecom to become a true leader in telecommunication solutions for the nation; best practices, global trends, apt systems and processes and being astute in investing in the right people for the right job are continuous priorities. This focus too has continued unabated and saw

recognition at the National Business Excellence Awards organized by the National Chamber of Commerce where Sri Lanka Telecom received two silver awards in the Infrastructure and Utilities Sector, and as the Best Knowledge Integrator.

In addition, our unrelenting focus on creating a quality intensive organization too has borne fruit. We continued to win awards for our various SBUs and business entities this year, and topped the list in gaining six awards at the JASTECA Taiki Akimoto 5S awards, which encourages organizations to infuse and practice the popular Japanese management techniques that has brought in an environment of high productivity, quality assertiveness and best practices into organizations globally.

### Our Valued Business Partners

Our valued business partners comprise vendors, suppliers, customers and retailers, all integral partners in our journey of being ready when the Future Calls. These are partners who are true stakeholders to our success and work on a partnership built on a win-win platform within a relationship that has been nurtured and strengthened over time. They have unequivocally bought into our ethos of presenting inspired solutions, conforming to best practices and continuing our forward thrust on sustainable development practices. Being a highly evolutionary industry within the global landscape, it is imperative that Sri Lanka Telecom remains a few steps ahead of the envisaged trends; ready for the future with solutions that will enable the nation to meet its goals. This therefore infuses the concept of our valued business partners becoming driving factors in creating an enabling environment for us to take those solutions to our customers.

Over the years, Sri Lanka Telecom has truly become a corporate steward; introducing and ingraining ILO espoused labour practices, prevalent standards and certifications for improvement, operational and ethical, transparent and accountable principles where governance and risk management are paramount for sustainability into our daily culture, which naturally flows to the business landscape of our valued business partners. This has seen a significant transformation of their businesses, while we continue to embed newer technology and best practices into our own processes. Concurrently we notice our valued business partners become extremely conscious of the need to adhere to ethics, governance practices, accountability, reach benchmarks and be

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focused on timely delivery for the makings of a very successful and on-going business model.

### Rewarding Dealers

Felicitating our dealers who have contributed significantly to meeting our goals is an annual event and one that is much anticipated to in the Sri Lanka Telecom calendar. This year, the Annual Dealer Convention rewarded the best dealers with numerous prizes including airline tickets, motor bicycles and holiday packages. Recognizing high performance also forms a firm foundation for Sri Lanka Telecom to build an even stronger relationship with our dealers and encourage high achievement continuously. Continuing to maintain and improve the consistency of service through our dealer network ensures total customer satisfaction and allows customers accessibility to our entire gamut of products and services throughout the country.

### Procurement Procedures

With accountability and transparency being an overarching factor in our daily operations, we have instituted very transparent processes in procurement, as we strongly believe that sound economic fundamentals must be instituted to ensure a win-win solution for both the procurer and supplier. All procurement has a standardized format built on levels of transparency. Tenders from interested suppliers are initially called for and Sri Lanka Telecom uses its secure complete online tendering and procurement system to add meritocracy to the process. The online system allows easy registration, is cost effective, and allows a choice of immediate notification of status of surveys. These survey methods use SMS and email, and allows systematic amendment notifications, while being efficient, speedy and completely paperless.

### Supplier Dialogue

Our open dialogue culture that has extended to suppliers has become a significant forum in creating a seamless value chain in our operations. In addition to the suggestion and complaint box available for suppliers, the continuous surveys further augment this process, ensuring that we gain frank and up to date information and feedback from our suppliers.

### Our Customers

Customer centricity is the lifeblood to sustaining our business and to further cement this premise we launched a new corporate identity this year. "One Country. One Voice." reflecting and echoing

what Sri Lanka Telecom is all about. A corporate steward that is spearheading the mindset of the nation on a platform of unity, not merely connecting the country geographically but through innovation, through economic and social strata, through networking communities and through technologically advanced products and services. All this through being the national telecommunication solutions provider, connected through One Voice.

Our brand leadership is well espoused and evidenced in the repeated People's Awards we have won, including one this year. This top of the mind recall and well-ingrained brand identity has given customers added confidence in our living up to our brand promise and brand values. We have continued to deliver on our promises, and this has nurtured and sustained our relationships over the years with our customers. Our promise of quality, innovation, technology advancement and customer service excellence – coupled with state of the art infrastructure supported by a highly specialized team whose experience spans decades – has given us an undisputed positioning by our customers as the premier telecommunication services provider.

The fact that the Sri Lanka Telecom Call Centers and Customer Centers are all now fully fledged ISO 9001:2008 certified units has brought into daily operational systems the positives of Quality Circles, Continuous Improvement Teams, Kaizen and 5S to augment the customer service environment. We continued to win awards this year at the JASTECA Taiki Akimoto 5S awards and also continued to add more and more of our SBUs, call centers and customer



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*“All this is only possible through a dynamic team who believe strongly and assuredly that they drive the future”*

centers into the practice of 5S and Kaizen. In addition our emphasis to quality was further rewarded when Sri Lanka Telecom was conferred with six awards as well as special commendations at the National Quality Circle Convention organized by the National Productivity Secretariat, where the Colombo Call Center, the RTO Kotte, Negombo, Havelock Town and Gampaha and the OPMC Narahenpita did exceptionally well.

The excellence displayed by our customer service teams was showcased when two members of our team received laurels from the Sri Lanka Institute of Marketing at the National Sales Congress 2011 winning the Outstanding Front-liner of the Year Award and gold and bronze awards under the telecommunication category.

### SLT Customer Day

One of our most exciting initiatives this year was SLT Customer Day, based on the slogan ‘We Listen – You Talk’. Constructed on the theme of ‘Knowing our customers to keep our promises’, the idea was to enable every executive within Sri Lanka Telecom to interact directly with customers to gain first hand insight into how our brand, products and services are perceived. Begun in January – under the aegis of a special Customer Day Committee appointed from the Regional Group, Marketing Group and Transformation Programme Office – the monthly programme covered a cross section of our customer base from corporate to residential. The modus involved randomly selecting customers to be visited by a pre-nominated Customer Visiting Team, who on visiting these customers will obtain feedback, which will be pooled and analyzed for problem identification. By prioritizing the problems discovered, major issues will be disseminated to the relevant departments/sections for immediate attention and quantitatively measured on the Customer Experience Index.

### Customer Satisfaction & Complaints

While we do work on systems and processes that include customer satisfaction gauges as laid down in the guidelines for ISO certification, this year marked a benchmark year for our pioneering Customer Satisfaction Survey based on the data found via the SLT

Customer Day. The data gathered proved to be a useful tool in our efforts of continuous improvement. The Customer Satisfaction Survey (CSAT) is worked on obtaining a clear understanding on customer perception and helping our team on six valid benchmarks:

- Doing ordinary things extraordinarily well
- Being at our best – always
- Going beyond expectation
- New ways to delight
- Adding value
- Taking care of customers like one’s own family

For the year 2011 the regional operational plan was prepared based on the “Keeping Our Promises” (KOP) framework, with emphasis on ensuring an excellent customer experience. The regional staff are responsible for the Customer Satisfaction strategic theme for the year and prepared to support the achievement in line with the strategic themes. The KOP framework provides the basis for constructing the KPI for quantitatively measuring the customer experience in terms of ‘Keeping Our Promises’ – a single score for the whole organization which gives the absolute value to the promises made on service delivery and service assurance according to the rates which are met.

In order to enhance the services provided to SME customers and improve the relationships customer forums were conducted in several parts of the country which were found fruitful.

A tools day was organized to distribute new tool kits for Regional field staff and Network staff so that the employees will be properly equipped when they visit the customers. 500 Tool kits were distributed among the field staff on that day.

Continuous process improvements were carried out to reduce the gaps and meet the customer service excellence. Special attention and care was given to Enterprise and wholesale customer segments to meet the Service Level Agreements.

Sri Lanka Telecom’s customer loyalty remained unchallenged and there was consensus that brand quality recognition remained at high levels. An area of opportunity that arose was that 43.9% of the surveyed customer base, requested Sri Lanka Telecom to create new business opportunities.

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Areas for improvement according to survey findings:

- Speedy provisioning of ADSL services
- Enhancing customer relationships
- Improve account management
- Prompt actions for problems
- Introduce more packages for the business community
- Enhance technical skills and attitudes of frontline and field teams
- Parking facilities required at Teleshops

Implementing ISO 9001:2008 throughout the organization: Given the holistic features involved in implementing the tenets of the ISO certification programme, by bringing the whole organisation under the ISO umbrella, Sri Lanka Telecom will have even more efficient systems and processes in place to deal with customer issues/complaints and suggestions. We are now in the process of implementing ISO with a focus on further improving quality, efficiency, responsiveness and high levels of customer service.

### Key Customer Service Features

#### i-Sri Lanka launched

Seamless connectivity through world-class technology was the platform upon which Sri Lanka Telecom launched its high-speed islandwide broadband network modernization project. Billed for completion in total by 2013, the project will equip 90% of fixed line customers with the capability to achieve bandwidths of up to 20 Mbps. Set to revolutionize the very concept of broadband connectivity in Sri Lanka, we are upgrading the existing copper based access network with a sophisticated fibre optic network, enhancing connectivity through FTN (Fibre to the Node) technology giving customers high speed, reliable and quality broadband data exchange.

#### Megaline enhanced with value propositions

One of our most significant customer initiatives this year was the relaunch of SLT Megaline; positioning it as one line that offers three unique experiences. Bundling three special packages based on Single Play (Telephone only), Double Play (Telephone and Broadband/PeoTV) and Triple Play (Telephone, Broadband and PeoTV), the packages were extended to both residential and business customers.

### Broadband new packages, upgrade and enhancement

With new broadband portfolio enhancement, customers have the freedom and flexibility to choose from a wide selection of broadband plans at affordable prices to meet their individual needs. Services introduced encompassed downstream speeds of up to 4 Mbps for SLT Broadband internet customers. For customers with a SLT Megaline home/business telephone, broadband connection was offered starting at Rs. 500/= per month without a connection fee. Quality of Broadband for existing customers was significantly enhanced. The company has successfully improved overall quality of Broadband and data speeds through changes bandwidth management and substantial upgrades in international internet capacity.

More attractive broadband features and major enhancements were offered with an automatic 100% bandwidth upgrade for existing 'Entrée' Broadband customers who will enjoy speeds up to 1Mbps; and a significant increase of included data for all volume based broadband packages during the year 2011. We also revised other Broadband Packages by reducing monthly rentals.

### Tele Life Insurance

In partnership with Sri Lanka Insurance, the country's largest state owned insurer, Tele Life Insurance was launched for Sri Lanka Telecom customers between the ages of 18 and 70 years, giving policy holders death benefits and total disability cover. The monthly subscription added to the telephone bill eases premium payments



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as customers can pay both their telephone bills and life insurance premium in one single payment.

### Dedicated SME Support Team

A dedicated SME unit was instituted within our organization to give the SME entrepreneurial and business segment of the country further impetus to add to the accelerated economic drive. Organizing SME Forums for customers in this business category augmented the effort. The Forums held for the Central and Southern provinces and based on the theme 'Beyond Borders', had large number of customers participate in product presentations, a demonstration of SLT products as well as relationship building activities. Currently, Sri Lanka Telecom has 3,500 SME accounts within its portfolio with 100% retention as at end 2011.

### 1919 Government Information Centre

The Government of Sri Lanka awarded the Call Center for the Government Information Center to Sri Lanka Telecom, which comes under the umbrella of the Presidential Secretariat and the Information and Communication Technology Agency (ICTA). This is a conduit that provides the public with access to information on the state sector; by dialing 1919 through any network, the general public can gain a host of information. The Call Center currently deals with 5,000 callers per day.

### Customer touch points enhanced

Four more Teleshops were added to our widely expanding Teleshop network this year in Moneragala, Jaffna, Kilinochchi and

Embilipitiya, increasing our customer touch points and enabling us to showcase our products and services better. In order to enhance the SLT image and infuse continuity into our entire brand identity, we also rebranded the 36 Internet kiosks at the airport, with a new identity. These kiosks enable customers to avail themselves of Internet facilities free of charge. Bill payment points too were increased to more than 3500, with customers now having the option of paying bills through leading banks, consumer retail entities and supermarket chains.

### Telegram Services upgraded to SLTits

Having provided telegram services successfully since 1858, which we consider a part of our social responsibility, it became imperative that we move away from the archaic switch telegraph system to a new, more modern, integrated web managed telegraph system. This system named SLTits was launched in March 2011 and has enabled us to overcome numerous limitations that existed previously, enabling messages to be relayed accurately and efficiently.

### Best IDD Rates

In a bid to gain a competitive edge in the IDD market and to boost income from this very lucrative business area, we introduced the best IDD rates in the country to frequently called countries based on their national days. This was further enhanced when we offered the best IDD rates to all 52 Commonwealth countries on Commonwealth Day as well.

### Enabling the visually challenged

Braille bills are available on request for visually challenged customers. We believe that as a corporate steward, inclusivity and empowerment is a rule rather than an exception. Braille bills which were introduced two years ago, are used by considerable numbers of our visually challenged customers, creating an environment of independence for this segment of the community who have to otherwise rely on others to gain bill information.

### Governance

A massive segment of the Transformation Programme instituted within Sri Lanka Telecom is the overriding need for transparency and accountability in how we run our business. Governance remains a fundamental, an unshakeable foundation that we use to build a very successful and sustainable business model. Over the last few years, we have instituted changes within, and observed the perceptions change externally about our organization. We are now considered a leader, a corporate steward, a market changer and

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an innovator. Similarly, in the corporate environment, we stand shoulder to shoulder amongst the top corporates of the country. We are recognized for our governance principles where transparency, accountability, sincerity of action and values reign supreme. We strictly conform to the stringent governance and accounting policies and guidelines prevalent within the country wherein our financial, governance and risk management policies are in conformance to the standards and guidelines laid down by the Institute of Chartered Accountants of Sri Lanka, the Telecommunication Regulatory Authority of Sri Lanka, the Government of Sri Lanka and other relevant statutory authorities that govern such issues. (A more detailed version of our corporate governance and risk management practices is contained in the Corporate Governance Section of this report ).

### Social Dimension

Building a sustainable business is driven through stakeholder relationships and while these relationships are multi-faceted, the common conduit is that each stakeholder segment must have the confidence of seeing the organization as a true partner to each other's success. From a social dimension, sustainability reporting calls for entities to look at both the human resource aspects and the community at large as the sustainability of our business rests primarily on these two stakeholder segments. It is the team that drives business to new heights and therefore builds a sustainable economic dimension for the business to flourish in the long term and the community being empowered by the very presence and proactiveness of the organization, so that the community's growth prospects are unequivocally tied to the growth of the organization as well.

### The Future Calls a Prepared Team

Whether it's in innovations, engineering feats, entrepreneurial culture, unparalleled professionalism or varied communication strategies, the team at Sri Lanka Telecom has worked on the premise of connectivity across the nation, as a leader and enabler that empowers communities to achieve unimaginable goals. All this is only possible through a dynamic team who believe strongly and confidently that they drive the future. There has been unstinted cooperation and togetherness among our team, a united banner that they have worked under to ensure that the future is already prepared when the country is called to function in a futuristic environment. Whether it's in quantifiable bottom line results, or in qualitative initiatives that have enhanced innovation, efficiencies, management systems and processes and service levels, our team

has broken down barriers to work under a common umbrella of taking our business beyond the concept of Future Calls. Truly epitomizing 'One Country. One Voice', we are proud of our team, of their achievements and their untiring contribution to making Sri Lanka Telecom a true leader in the telecommunication industry.

Our team now comprises a total of over six thousand members, which constitutes a healthy mix of professionals, technical experts, management, field operatives and a dynamic support staff. We have now introduced a performance based culture that has seen our team thrive on the challenges and opportunities as well as the recognition the organization bestows on high achievers. Our recruitment policy, based on the paradigm of 'the right person for the right job', concentrates primarily on internal head hunting rather than external recruitment, although in specialist competencies, it is in our best interest to gain external speciality where necessary.

### A platform of equality

We are an equal opportunity employer, adhering to all relevant ILO and other relevant statutory regulations pertaining to employment procedures. All recruits, male or female are treated with equality, where meritocracy overrides all other factors in promotions, benefits and career progression. We ensure that the working environment for our team is devoid of discrimination and harassment of any kind, instituting stringent policy adaptations and continuous reviews of existing policies. We encourage our team to use technology for personal development as well as to seek awareness on regulatory and policy issues that have an impact on their working lives.



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*“Striving to gear our team towards joining us in our journey of making Sri Lanka an IT enabled nation, where inclusivity is the driving factor in development, training and development gained ground to ensure that these are met”*

### The Transformation Programme gains more ground

With customer centricity being a catalyst within the Transformation Programme, the new brand identity ‘One Country. One Voice’ created an even deeper sense of loyalty and gung ho attitude among our team as seen from the added vigor and motivation observed during the year. Whether it was customer trends, future technological features or industry challenges, our team was truly ready and equipped to deal with opportunities and challenges, infusing the various dimensions embedded within the Transformation Programme. Based on a pragmatic Business Plan, our team worked in cohesion to ensure that the targets within the six focus areas of Product, Business Processes, Networks, Business Model, IT systems and Organisation were met; instituting best practices, waste and cost management features, improving processes, systems and efficiencies. Six new capabilities were introduced to business.

The eleven end-to-end processes that were completed this year by the Business Process Re-engineering Division involved the three process groups of HRM, Physical Resource Management and Finance Resource Management, while sales were also given additional focus. This meant that our HRM worked on more rounded holistic programmes to keep the team focused on goals and objectives.

The Annual Transformers Awards took place this year, recognising the most outstanding performances achieved by members of the team in meeting the goals of the Transformation Programme. This also acknowledges the hard work, commitment and loyalty displayed by the SLT team, whilst being equipped for the challenges in a very competitive environment. The awards also position the team to reach out to future opportunities, observe new trends and ready themselves for those challenges, and maintain customer centricity, which is what Sri Lanka Telecom is all about. The most outstanding performers were recognized for their key roles in communicating and cascading the company’s vision, mission

and values to the entire team; for change championship in implementing the Enterprise Reporting Tool and Project Tracking and Reporting Tool and the high achieving teams for project management excellence.

### Grievance handling

While Sri Lanka Telecom has a comprehensive published Code of Conduct for all personnel within the organization, the grievance handling procedure that was introduced last year was further augmented this year with the introduction of a disciplinary committee. The streamlined transparent grievance handling procedures are aimed at fostering harmony and understanding among the team and also between employee and employer and has been a useful tool in ensuring industrial harmony across the board. Into this procedure, we have added counseling, awareness creation and education on a wide range of topical issues, which have over the last five years, seen the positive feature of a decrease in absenteeism, which was a significant challenge for us to overcome.

A disciplinary committee, comprising five members and headed by the CEO aims to add a further unbiased and independent view point to issues that come to its attention. Decisions are discussed impartially to obtain recommendations and solutions that would be bona fide to the issue at hand.

### Industrial Harmony

Sri Lanka Telecom has a total of 35 trade unions functioning within the industrial umbrella but it is certainly commendable that in the last five years, cordial relations have been strengthened paved the way to minimize industrial disputes. The change culture we introduced had the input and support of the trade unions, who in turn permeated the message positively to its membership and also ensured that no industrial disputes came in the way of progress. The unions, some of which are politically affiliated, have been an amazing partner in our bid for change, where transforming mindset, introducing new systems and processes and creating a performance driven culture were significant challenges which the unions cohesively helped us through, with a smooth transition. We have made every effort to have an open culture in place, where dialogue remains on a level playing field and all issues are sorted in an equitable and unbiased manner. Myriad communication channels create an ethos of openness and display a commitment on both sides to journey towards a common vision.



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Sri Lanka Telecom also has a dedicated unit focusing on improving healthy industrial relations through the Employee Relations & Benefit Management Unit coming under the HR Department. This Unit is tasked with organizing and conducting regular meetings with unions comprising at least two formal discussions monthly and informal meeting daily. These plans are included in the Annual Business Plan, and an open door policy is maintained, with direct access to the Deputy General Manager Employee Relations even without prior appointments. These steps provide awareness to unions on the negativities of adversarial action and instituting Organizational Development Programmes to improve the working culture; maintain a close relationship with related regulatory and government authorities including the Labour Department and EFC and bring in experts and consultants for awareness programmes; play a supportive role in organizing events for union members and introduce comprehensive Occupational, Health & Safety initiatives to ensure the health and safety of the team in the workplace.

The Management signed an 12(1) agreement with the unions in August 2011 presided over by the Labour Commissioner, to continue awareness initiatives on Collective Agreements and Collective bargaining in preparation of the signing of the Collective Agreement in 2012.

### The SLT HR Policy

Building a high performance culture through a performance driven environment, where loyalty and long term commitment remains the foundation for our team; resulting in becoming true partners in Sri Lanka Telecom's journey for the future.

### Driving a Performance Driven Culture

The team of six thousand remains committed to the sustainability of Sri Lanka Telecom. This is evidenced in the bottom line successes and the overall improvement observed in mindset, commitment, customer service levels and innovation. We introduced our performance management initiative in 2009 built on a springboard of empowering employees to achieve the organization's objectives.

Performance is measured annually on well-defined individual and organizational objectives and metrics that reflect, and are positively correlated to, the Company's objectives. These are aligned to employee, management and stakeholder interests. A customized 'pay for performance' scheme based on the pillars of individual performance rating and organizational performance rating was implemented last year for all group employees.

As mentioned above, planning, recruitment and merit selection processes contribute to the alignment of the staff profile with the current and emerging strategic directions, which in turn are designed to make a positive and valued contribution towards our end objectives.

Promotions, rewards and remuneration are based on competencies, skills and experience in implementing job responsibilities successfully. We strongly believe that promotions should not only constitute career advancement but be aligned to motivational opportunities and meeting of individual career aspirations as well.

The newly introduced remuneration structure encourages greater commitment and engagement evolving on our business with clearer long-term focus. The main elements of the remuneration package offered to employees are sufficiently competitive to attract and retain highly experienced and talented individuals.

As future HR strategies, we intend to maximise on utilisation of human capital, improve further on our performance culture, strengthen industrial relations, develop capacity and competencies of frontline team members and make accountability an imperative to periodic measurements of rewards and performance.

### Creating the Knowledge Gaining Culture

Training and development continued with added momentum this year as various initiatives were introduced aligned to not only the Business Plan and Transformation Programme, but also the new



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values and identity infused through the new brand identity launched at the beginning of the year. We continue to strive to gear our team towards joining us in our journey of making Sri Lanka an IT enabled nation, where inclusivity is the driving factor in development, training and development.

Internal and external training workshops are conducted by the Training Department, with some aligned to training needs and individual career goals, while soft skills are also developed in tandem. Customer centricity was taken to higher levels with a notable emphasis on customer focused Training & Development programmes bringing the entire team under a common umbrella of service. This year saw our team members engage in regular meetings and discussions including the Annual Business Plan meeting, gaining extensive exposure and knowledge in various areas of competencies. They participated in workshops, seminars and conferences conducted by industry and management professionals from Sri Lanka and abroad as well as electronic training videos that brought the principles and practices of world renowned management and sustainability gurus into the workplace.

### ***Training and Development***

Training & Development has taken many initiatives to uplift the competencies and capabilities of our staff during year 2011. Foreign and local trainings were provided to SLT staff in order to get the required competencies and capabilities to execute their jobs in implementing the i-Sri Lanka Project. Training on Risk Management was provided to SLT top and senior management team under

Company Transformation Program. Training programs were arranged to improve the cross selling and up selling capabilities of all front line staff who were working at customer touch points. After restructuring of the regional Operations, Out Bound training was provided to all executives in the group with the aim of team building among the group, which was a great success. Provincial Sales Managers were newly appointed and Training Division has helped to provide required trainings for them to perform their new roles. A workshop on Refining and repositioning the role of executives was another initiative that has been successfully executed in year 2011 for all executives in the Finance Group. The SLT Training Center is conducting training courses for the younger generation and for those who are looking for careers in the Telecommunication industry to pursue their tertiary education. BTEC Higher National Diploma and City and Guilds courses have gained high popularity in the past and students are enrolled annually for these Courses. The annual BTEC award ceremony was conducted at the Water's Edge Hotel in August 2011 for those who graduated from the 2008-2010 batch.

### ***e-Learning***

e-learning is now a firm learning tool within the Training and Development functions at Sri Lanka Telecom and a number of programmes were conducted through this methodology. The e-learning modules are based on a comprehensive manual that enables team members to work at their own pace in a variety of subjects and specialties, while continuing to productively work at their jobs with minimum disruption.

### ***Metro Quiz through e-Learning***

A significant feature of this year's Metro Quiz was that some staff members participated through e-learning, which was first time for this knowledge gaining exercise. The Metro Quiz provides a broad spectrum of the subjects at hand, while heralding an era of increased customer service levels.

### ***SLT Libraries***

The latest range of books, magazines and periodicals in both hard copy and electronic formats continue to be added to the three libraries which now have a collation of over 30,000 books. These libraries are located at Head office, Havelock Town and the Welisara Training School. The Havelock Town library is open not only to members of our team, but also to their family members as well.

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### ***Amathuma/Digital Life magazine***

A tri-lingual internal magazine, which collates the latest activities, news and information pertaining to Sri Lanka Telecom and the industry, this magazine, is also a memoir of past activities and individual achievements of both team members and their families. A dedicated segment on nature and eco-friendly initiatives, in addition to Digital Life that disseminates information about the latest technological innovations, add lustre to the publication. To effectively optimize company resources, the publication is now circulated once in two months.

### ***Art Watch***

This internal newsletter circulated via the Intranet every Wednesday, collates vignettes of the latest most up to date industrial and cultural information, including events and programmes scheduled for the week.

### ***Frontline Officers Empowered***

A two-day workshop was conducted for the first time for Teleshop Managers, Front Office and Back Office Managers at the Welisara Training School in order to uplift customer service capabilities and customer service standards. Conducted by external resource persons, about 90 managers from Regional Telecom Offices and Teleshops participated in this workshop.

### ***Sri Lanka Telecom Toastmasters Club***

Now in its fourth year, the Sri Lanka Telecom Toastmasters Club, affiliated to Toastmasters International, continues its proactive interaction with team members, encouraging them to exude confidence and professionalism in the workplace and beyond. The objective of the Toastmasters Club is to create sustainable leaders who can confront challenges with confidence, which is very apt for the journey ahead.

### ***Open Culture***

Since our change culture was introduced five years ago, we have striven to create an open environment for our team members, where dialogue remains a two way process conducted in an open and trusting environment. The open door policy we espouse calls for an augmentation of this two way dialogue while – from an emancipated process of performance evaluation, performance based remuneration and rewards, training, career progression, a constantly evolving and improving work environment – we have

introduced the dissemination of information and an inclusive approach to all operations and features within the organization.

Comprehensive communication channels ensure that all team members are kept informed of management decisions and other important announcements. However, regular meetings and discussions (including the Annual Business Process meetings) are held every year forming the bedrock for more macro decisions.

Details on new product launches, Sri Lanka Telecom innovations, services and branding are emailed to all employees via circulars. Furthermore, newsletters and Intranet initiatives also add to the open communication culture we espouse.

### ***Awards as Rewards***

#### ***Sri Lanka Telecom Star Awards***

In rewarding our high achievers, the Star Awards Ceremony recognized the best Call Center team members who have been instrumental in upping the service bar at all call centers. The officers are responsible for delivering myriad services including product and service information, fault reporting, billing information, technical assistance and handling customer complaints.

#### ***SLT Collection Awards***

For the first time, we decided to reward and recognize the performance excellence of team members in the Collection and Recovery Division and other related units. This was to acknowledge the support they have given the collection, credit control and



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recovery processes, making a significant contribution to our bottom line. This serves to also encourage team members to achieve targets while inducing other departments to provide as much support as possible for them to achieve their targets.

### The Quest for Quality

Our quest for quality is unending and in observing the rewards we have received via numerous awards, we have been most successful. However, the journey is one that is continuous, as quality is a bar that is constantly moving upwards. Thus, we strive to meet it or exceed the benchmarks set. We have worked on the single-minded focus of continuous improvement and have embarked on a concerted drive towards improving quality standards, processes and systems.

Establishing of the Quality Steering Committee comprising all chief officers to provide guidance on overall strategic direction of the company's Quality management system, is another key milestone on our journey towards excellence.

### SLT Quality Convention 2011

The annual SLT Quality Convention was conducted under the themes, 'Customer Satisfaction' and 'Efficiency Improvement'. With the aim of transforming Sri Lanka Telecom to a more customer centric market driven entity. This also heralded the company's single minded focus to commence the implementation of ISO 9001:2008 to the entire organization.

Measures were also taken to implement 5S quality concepts, which are based on the improvement of productivity, safety, quality, employee morale and reducing wastage, to all offices and departments, as well as establish Quality Circles and Kaizen suggestion schemes for problem solving and continuous improvement.

Competitions were held and awards presented to those teams excelling in the areas of implementing ISO 9001:2008 Quality Management System, 5S, Quality Circle/Continuous Improvement, Kaizen, poster and slogan competitions.

### Occupational Health & Safety

Being an industry that deals with engineering and technology, it is vital that our team members feel safe and secure while working a responsibility that lies with all of us. The dedicated Health and

Safety Unit mandated with establishing and implementing health and safety matters conduct regular health and safety education programmes to institute a safety conscious team.

### Health & Safety Week

The Health and Safety Week organized in October focused on this message of good health for all, while also permeating the underlying factor that a healthy workforce is a productive workforce. Four practical safety programmes were held in Kurunegala, Kandy, Matara and Welisara to create more awareness of health and safety. Poster and sticker campaigns served to augment the message further. There was also a health and safety quiz. This year, we commenced the compilation of a Health and Safety manual aimed at aiding prevention of workplace accidents and ill health.

The workshops and seminars conducted this year included diverse areas of health and safety, but with the overarching intention of emphasising the importance of the health and safety of each individual and the team in the larger context of things. Workshops were held on the prevention of heart disease, work life balance, fire safety, cancer control and ill effects of alcohol and tobacco. A free Bone Health Check for all team members above thirty years was also conducted in a bid to detect, prevent and treat osteoporosis. Circulars and newsletters are used as a communication channel for further awareness and this year we published news on crane safety, dengue prevention and spread, ergonomics, fire safety, food safety, heat wave, flood and lightning hazard precautions, janitorial safety, personal protective equipment, power tool safety, prevention of water borne diseases, TB and eye infections and scaffolding safety.

In addition, we also make professional counselling and guidance services, available to our team either as group or for individual counselling.

### Workplace Accidents

Working towards a accident free environment can be challenging but we have continued to educate team members on Occupational Health & Safety area to ensure accidents free environment to improve productivity by preventing and controlling all forms accidents and diseases. The Health and Safety Team remain committed to this goal and have begun the process of making the goal of a accident free organization a reality, by compiling a health and safety manual in the intranet. The detailed procedures for handling an accident involve the input of the medical board that will

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act on the police report and will recommend the next step. Team members are entitled to compensation depending on the nature of the accident.

### Benefits and welfare

A healthy work life balance remains a priority within our culture and therefore, we continuously provide and develop benefits and welfare activities that will translate into a positive impact for a productive and contented workforce. Into this, we add qualitative features that invariably add to the positive effects that spread across the workplace with the stringent application of policy level interactions including an work environment that remains free and devoid of discrimination and harassment. These strategies are constantly reviewed and revised to be aligned with current workday challenges, and include a detailed and pragmatic disciplinary and grievance handling procedure built on an ethos of transparency and equitable justice and professional counseling services. Furthermore, best in class technology and a physically comfortable workplace, provide a conducive work environment for all.

The comprehensive medical scheme, 'Suwatha', annual medical test scheme for employees provides medical facilities for OPD, in-patient, critical illness and accident as well as annual medical checkups and surgery, was further improved this year with the annual in-house medical treatment reimbursement limit increased for the team and their family members.

We also provide various types of financial assistance schemes for employees and this year, six team members were selected to follow the Postgraduate Diploma in Business Studies conducted by the Institute of Chartered Accountants of Sri Lanka. We also provide low interest loan facilities that are extended for various needs including personal requirements; housing loans (with the company taking on 2/3rds of the loan responsibility), educational and vehicle loans are some of the benefits afforded to our employees.

We also revised the entire purview of monetary employee benefits this year, effecting substantial increases to loans including festival advances being increased by 50%, motorcycle loans by 33 1/3 % and increasing transport and meal allowances.

While the annual team trips and sports days continue to be organized, outstanding sportsmen and women are felicitated, giving extracurricular activity its due place as a team builder and

unifier. The SLT/Mobitel Convergence Trophy was held for the sixth consecutive year, and an Elle tournament saw the participation of an extraordinary 93 teams. The Suhada Cricket Tournament that was held for the first time for the OPMC teams in Batticaloa, Kalmunai and Ampara continued to add to this team spirit. The newly opened netball court at the SLT Welikada premises debuted with a netball tournament.

Sri Lanka Telecom also encourages team members to make use of the facilities available at its holiday bungalows located in different parts of the country including Anuradhapura, Sigiriya, Kandy, Namunukula and Nuwera Eliya.

Significant cultural events are featured in the SLT calendar of extracurricular activities. This year saw the multi-cultural multi-religious tenets, that form the foundation of the company, further espoused. This year, the SLT Buddhist Association organized Buddhist talks for team members monthly, while the 2600 Sri Sambuddhathva Jayanthiya celebrations were heralded with a Wesak Bakthi Gee and Sil programe, a Wesak Dansal, a Pindapatha Charikawa and scholarships presented to Buddhist monks undergoing studies as well as for students from low income families. Each year, carols are also organized during the Christmas season for the benefit of the Christian community.

### Community Initiatives

The community remains integral to Sri Lanka Telecom's business axis, a stakeholder that encompasses the national vision and on which our



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social stewardship eventually bears results. Our social stewardship platforms are visionary, far thinking and built on the idea of creating a nation that will truly be the driver of this region.

Our community platforms are based on our being a catalyst in the macro development vision. In readying future generations for the challenges of a global marketplace, in gearing connectivity for business to thrive, in spearheading technological innovation to spur empowerment among communities or in steering the country towards achieving its vision of being South Asia's Economic Hub, we have laid the foundation for being ready when the Future Calls this country, to lead and to direct this region.

Our visionary stance is evidenced in our continued partnership with the nation's Deyata Kirula development initiative, where we as the national telecommunication solutions provider create an enabling network of connectivity that spans rural and urban areas. This seamless connectivity is our solution for a nation that has for too long grappled with challenges and the technological innovation we espouse is the *raison d'être* for our communities to rise above the quagmire and win.

We have constructed our community foundation on the sustainable development features of education, spearheading professionalism, sport development, and preserving our heritage and developing national enterprise.

Our social initiatives have immense ownership displayed by our team, a sense of volunteerism that makes them unselfishly move

with great speed to assist communities and society segments who need immediate assistance. This was amply evidenced when our employees speedily contributed towards relief in natural disasters, visited the Viharamahadevi Balika Vidyalaya at Maradana to celebrate World Children's Day, the Rainbow Girls' Home in Gonawela and Rainbow Boys' Home in Ja-ela, Isuru Lama Niwasa in Makola, the SOS Children's Village in Piliyandala and three children's homes in the Kegalle district. Under the theme of providing "hope to less-fortunate children", they spent time, energy and their own funds, emotionally propping these orphaned children and giving them emotional support while also materially contributing to their wellbeing.

Our team engaged with organizations like the Asia Foundation to present books to these homes, present small gifts and refreshments and organize entertainment to give these children some joy in their lives. In addition, the SLT teams continue to organize blood donation campaigns. Two were held during the year at SLT Head Office.

### ***Empowered through education***

#### *SLT in collaboration with Asia Foundation*

We have continued our literacy programme over nine years now, spreading the wealth of knowledge through the distribution of books and other educational material to schools across the country that are facing hardships. The flagship project under our community initiatives, we have in total presented 118,222 books during the year 2011 in collaboration with the Asia Foundation.

### **Summary Of Book Distribution**

<b>Distric</b>	<b>No of books</b>
Ampara	11,693
Anuradhapura	3,710
Polonnaruwa	2,139
Badulla	7,470
Batticaloa	6,421
Colombo	16,608
Killinochchi	2,476
Ratnapura	1,727
Galle	4,155
Jaffna	15,756
Matale	1,199
Kurunegala	3,140
Nuwara Eliya	3,953
Puttlam	1,388

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District	No of books
Kandy	2,906
Gampaha	5,630
Mannar	1,901
Hambantota	4,232
Kalutara	7,470
Kegalle	2,977
Moneragala	1,388
Trincomalee	3,001
Vavuniya	2,891
Mulaitivu	1,042
Matara	2,949
<b>Total</b>	<b>118,222</b>

*SLT & Logos Hope*

We worked together with Logos Hope, the world's largest floating book fair, to bring knowledge, help and hope to multitudes in Sri Lanka. The ship carried on board approximately 6,000 different titles on a wide variety of subjects. We sponsored the ship's first visit in 2011 to Sri Lanka, during which we embarked on numerous community service projects including book distributions. A total of Rs 2.5 million worth of books was presented to schools in Colombo, Anuradhapura and Mallavi districts. Other projects include:

*Librarians' Training Workshop*

Librarians from St. Mathew's College Colombo, Erawwala Vidyaloka Maha Vidyalaya and Depanama Dharmapala Kanishta Vidyalaya participated in a three day library training workshop at the SLT Havelock Town Library. This was aimed at helping librarians realize the catalytic role they play in shaping young minds and upgrading literacy across student bodies, given that they are the custodians of a wealth of knowledge held within the books entrusted to them. Six SLT team members were also trained at this workshop in order that they will impart that training to other librarians in the future. The training included introduction to systems and processes used in categorizing and labeling books to widely accepted global standards including the Dewey Decimal Classification System.

*Upgrading of St. Mathew's College Library*

A team of volunteers from both Sri Lanka Telecom and Logos Hope cleaned up, re-arranged and upgraded the St. Mathew's

College library, categorizing and sorting the existing books, whilst new books on a wide variety of subjects were also donated to the library.

**Higher education for employability**

The BTEC Higher National Diploma conducted by the Sri Lanka Telecom Training Center in conjunction with a renowned UK university saw its fourth batch of diploma holders graduate this year. This diploma forms a solid foundation option presented for higher education and is worked in partnership with Edexcel International to inculcate an international curriculum into the diploma, on completion, students have the option of entering the third year of a B.Eng degree. This diploma opens up a path for numerous higher education options including an M.Sc. With an expert faculty and state of the art laboratories in addition to 'real time on the job' training, students gain first hand knowledge of the inner workings of the industry, which is highly advantageous for their future careers. The Training Center also conducts shorter specialist courses under UK's City and Guilds as a means to giving young people more options for employability.

**Empowering professionalism****CIM Annual Conference 2011**

Based on the theme, "Emerging themes in marketing", Sri Lanka Telecom continued as strategic partner of the CIM Annual Conference. This was also a milestone year for the country's premier professional marketing body as it celebrated its centenary.



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*“It is vital that the multi-cultural, multi-religious smorgasbord that has for centuries shaped and formed the Sri Lanka we know today continues to be the bedrock of our journey into the future*

### CIMA Business Leaders’ Summit 2011

‘Changing Challenge – Challenging Change’ aptly summed up Sri Lanka Telecom’s fundamental premise in being ready for the future, when we continued once again as the Strategic Partner to the world’s largest and leading professional body of management accountants for the CIMA Business Leaders Summit 2011. With a membership of high calibre professionals who were added to a high powered audience of corporate movers and shakers, Sri Lanka Telecom’s long standing partnership further reiterated the tenets of professionalism through the strategic partnership this year too.

### National HR Conference 2011

This year’s conference, which we have supported wholeheartedly for many years was based on the theme ‘HR Powered Edge in a Booming Economy’, highlighting Sri Lanka Telecom’s commitment to having empowered enabled human resource capital. Organized by the Institute of Personnel Management (IPM), in its bid to demonstrate the importance of HR professionals’ role in the journey of an organization, the conference this year added a new forum; the Union Leaders’ Forum dealing with the facet of industrial harmony and cohesively bringing unions and employers to common ground for discussion and agreement.

### Ceylon National Chamber of Industries Awards 2011

Contributing towards developing entrepreneurship and local industry especially in the SME sector, Sri Lanka Telecom strategically continued to support the Ceylon National Chamber of Industries through the CNCI Awards 2011. These awards are intended to gear the industrial community towards excellence, encouraging local industry, manufacturing and services to contribute towards the larger picture of development.

### Philip Kotler in Colombo

We sponsored one of the most unique and important events in Sri Lanka’s marketing field this year when the Sri Lanka Institute of

Marketing (SLIM) organised Prof. Philip Kotler’s first visit to Sri Lanka. We foresaw this as a one-time opportunity for Sri Lanka which will provide numerous benefits to businesses and professionals in the country and provided our support towards its success.

### The Power of Sport

It has been scientifically proven that developing and engaging sport hones individual capabilities and creates team spirit, leadership skills and winning streaks, while training the mind towards tactical and strategic thinking. Sri Lanka Telecom continues to recognize the impact that sport has on creating holistic people and teams and the uniting spirit it inculcates in teams and individuals. We have involved ourselves in sports, primarily in supporting it at national level to create a strong foundation for it to flourish.

### National Olympic Committee

Sri Lanka Telecom continued as a strategic partner for the National Olympic Committee, supporting the National Olympic Day Run and the Annual Sessions of the National Olympic Academy. The annual sessions are conducted to instill the Olympic values of friendship, solidarity, fair play and equality, mutual understanding and respect for others, with emphasis placed on ethics and fair play which will eventually determine the quality of leadership for the nation.

### South Asian Beach Games

We sponsored the first ever South Asian Beach Games held in Hambantota, in which all eight South Asian countries participated.

### Athletic Association of Sri Lanka

As Principal Sponsor of the Athletic Association of Sri Lanka, Sri Lanka Telecom supported the Women’s National Athletic Meet, the Junior National Athletic Meet, the Senior National Athletic Meet and the National Athletic League.

### Carlton Cup 2011

Forging values of unity, harmony and equal opportunity among all strata of society, Sri Lanka Telecom continued as Platinum Sponsor of the annual Carlton Cup organized by the Tharunyata Hetak Organization and the Carlton Sports Club.

### School Big Match Tournaments

With Sri Lanka Telecom Mobitel being the premier sponsor of our national cricket team and given the passion displayed by young and



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old alike when it comes to cricket in Sri Lanka, we have undertaken the responsibility of supporting and encouraging budding young cricketers who will surely take on the mantle of a national cricketer in the future. This year too we sponsored the Battle of the Maroons held annually between Ananda and Nalanda Colleges.

### Colombo Night Races

Sri Lanka Telecom came forward to sponsor the first ever Colombo Night Races held during December, which was one of the most unique events of the year in Sri Lanka's sporting calendar.

### Appreciating our Heritage

In a country that proudly proclaims a heritage that spans millennia, as a corporate leader and responsible corporate citizen, Sri Lanka Telecom is extremely cognizant of the need to preserve and conserve the nation's cultural heritage. It is vital that the multi-cultural, multi-religious smorgasbord that has for centuries shaped and formed the Sri Lanka we know today continues to be the bedrock of our journey into the future. This therefore is the premise upon which Sri Lanka Telecom undertakes the task of being a flag-bearer in creating awareness and promoting the diverse heritage of Sri Lanka.

### Heritage calendars

Since 2001, Sri Lanka Telecom has been conceptualizing and producing calendars and complimentary items on the central theme of creating awareness about our heritage, which includes arts, culture and bio-diversity. The primary objective is to raise awareness among the general public on the importance of preserving the rich heritage, which can be preserved for future generations. Past themes have revolved around endemic bird life, orchids, fresh water fish, kolam masks, butterflies of Sri Lanka, while last year, we portrayed the indigenous beauty of one of the world's protected rainforests, Sinharajah. In a journey through the Sinharajah Forest Reserve, which was designated a World Biosphere Reserve in 1978 and a World Heritage Site in 1988 by UNESCO. We used this calendar as a tool to create further awareness on the UN's declaration of 2010 being the "International Year of Biodiversity".

This year, under the theme of "Rediscovering hidden heritage", we focused on journeying through the hidden mists of time on the upcountry railway of Sri Lanka and drawing attention to the hidden essence and value of these sites. The theme was selected to coincide with the Government's "Visit Sri Lanka 2011" year. The

calendar pictorially depicted the country's picturesque upcountry landscape, adding the vignettes of climate, geography and attractions, transporting the observer to a variety of different eras and a range of different cultures.

### Festivals and Pageants

Sri Lanka Telecom sponsored one of Asia's most spectacular pageants this year - the Navam Perahera, in addition to the Amadhara Wesak Kalapaya organised by the Associated Newspapers of Ceylon Limited. In addition, we also supported the pageants held by the Bellanwila temple, the Kottel Rajamahavihara and the Devinuwara Vishnu Devalaya. The festivals and pageants unite communities under a serene umbrella of religion and harmony and help to create an environment of tolerance among all communities.

Paying tribute to one of Sri Lanka's doyens of film, we partnered the organisers of the Sir Lester James Peiris Oration to ensure that masters of their craft like Sir Lester James Peiris, will continue to be remembered and emulated by young and old alike.

### Developing National Enterprise

#### Deyata Kirula National Development Exhibition 2011

Partnering a national cause for the fifth consecutive year, Sri Lanka Telecom was proud to be the Total Communications Provider for the Deyata Kirula Exhibition organized by the Government of Sri Lanka held in Buttala this year. Our stalls showcased the experiencing of a digital lifestyle, where in truth the future calls



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the nation, as we were able to present the future to the people of Buttala. We provided an extensive portfolio built on the concept of communication in the future - which included voice communication services, PABX services for voice communication between stalls, point to point leased line connectivity and high capacity dedicated data connectivity on the SLT broadband network through SLT ADSL technology as well as M3, SLT Mobitel's 3.5G mobile broadband network. Products and services showcased included Broadband via ADSL technology and the SLT PeoTV features by providing visitors a firsthand experience of the ground breaking technology provided by IPTV, such as interactive television, video on demand and other services such as email, internet directory services, telephone and other business communications through one converged IP broadband network.

### Ayurveda Expo 2011

Taking on the national goal of developing the science of Ayurveda and its medicinal properties into a holistically developed industry that can contribute considerably to the national economy given its roots in local industry, we were honoured to be a silver sponsor in this most rewarding endeavour. By supporting local industry and enabling the Ayurvedic industry to develop to its full potential, this international indigenous healthcare exhibition, trade fair and symposium brought together both local and overseas exhibitors and visitors and featured presentations by world renowned professionals.

### A source of strength to the Differently Abled

We remain extremely committed to building an inclusive society and continue to work on focused programmes that will empower the challenged segments of society. Having already introduced Braille bills and donating Braille books for the visually impaired in the past, this year too, we built upon initiatives we had already embarked upon.

We tried to add a little more impetus into our drive of empowering challenged communities.

400 white canes were presented to visually challenged individuals commemorating International White Cane day to Sri Lanka Council for the Blind, Sri Lanka Organization of Visually Impaired Women, Sri Lanka Welfare Society of the Blind and Sri Lanka Council for Visually Handicapped Graduates.

We also provided training for five visually challenged individuals at the SLT Call Center for a period of five months, enabling them to gain a stepping stone in employability and empowering them with a skill which will ensure that employability.

Apart from these, we also continued to provide contributions towards Sri Lanka Federation of the Deaf, Sri Lanka Saukyadana Movement and Sri Lanka Deaf School Past Pupils' Association, amongst others.

### Environmental Dimension

Responsibility towards the sustainability of the environment, the planet we live in and the impact our actions have on it is a business fundamental for Sri Lanka Telecom. The GRI Guidelines are now an imperative and in imbuing corporate responsibility and sustainability reporting. We are more than conscious that we too must adhere strictly to the guidelines wherever and whenever possible. The commitment to triple bottom line reporting which comes with the GRI Guidelines, gives stakeholders a platform to demand accountability of action on environmental impact.

We are an industry leader, a title bestowed on us by our peers as exemplified in our continuous placement within the top ten corporate leaders in Sri Lanka. However, with these stewardships also comes a responsibility towards the environment. We have thus committed the concept of triple bottom line reporting into our reporting endeavours; creating an ethos where the impacts

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on the environment, the standards maintained and the efforts we permeate towards its preservation remain overriding factors in whatever we do. It is three years since we began this process and while it yet remains fledgling, we remain committed to making it a daily operational feature in our business dealings.

### Environmental Objectives:

- To be compliant with legislation and deal with environmental issues accountably
- Design and develop products that have minimum environmental impact
- Optimize usage of energy and inculcate recycling, wherever possible
- Cascade environmental best practices to all employees through training, education and development
- Promote environmental care and appreciation of the environment through as many forums as possible
- Remain responsive to emerging issues

### Sri Lanka Telecom Environmental Policy

To recognize the impact that our business has on the environment and thus to work in a manner that seeks to protect the environment and minimize or eliminate any adverse impacts caused to the environment by our day to day operations.

### Environmental Certifications

Clearance certificates from the Central Environmental Authority to build transmission towers

Clearance certificates from Urban Development Authority and local authorities for new civil construction, based on their guidelines

### Waste Management

The comprehensive and cohesive solid waste disposal system which conform to environmentally concerned guidelines is already in place and with the Quality Assurance Division having introduced the 3R concept (reduce, reuse, recycle), to the organization, we have seen tangible benefits. This brought about a methodical process to manage resources and wastage.

Our initiative to minimize paper usage gained a further impetus this year when an online system was introduced for vehicle requests eliminating the use of paper-based forms for this feature. We already have double sided printing, eliminating email prints unless absolutely necessary and using the Intranet for staff circulars in place

which has created a positive consciousness among our team, while also moving us speedily towards a paperless office.

### Energy Saving Awareness

Being an energy intensive business, our daily operations require great amounts of electricity. However, we continue to implement a number of energy management initiatives among our team to minimize energy usage. Into this equation, company-wide awareness programmes on energy saving and management are also conducted regularly.

A dedicated Energy Management Committee led by the Chief Administrative Officer helms the energy management initiatives. The committee comprises a cross functional team that analyses energy use, while identifying areas that could reduce consumption. This effort is an employee driven one, where all team members are encouraged to contribute ideas and if plausible, the committee makes the necessary recommendations for implementation.

All team members are also entailed with the additional responsibility of individually making efforts to conserve energy in their specific departments, in order to build a culture of energy management. Stipulated guidelines are already in place with simple procedures for the conservation of electricity, minimizing paper usage, utilizing low energy electrical fittings and transportation cost minimization being the result of critical study and recommended initiatives in place to create a more cost effective energy efficient workplace.



● COLOMBO

## Entertainment, arts and culture

The Nelum Pokuna Mahinda Rajapaksa Theatre – An arts and cultural center now equipped with state of the art ICT, provided by SLT.

SLT also brings a range of personalised, interactive entertainment options to Sri Lankans everywhere.

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### NELUM POKUNA MAHINDA RAJAPAKSA THEATRE

The spectacular Nelum Pokuna Mahinda Rajapaksa Theatre was based on the famous Lotus Pond or "Nelum Pokuna" in Polonnaruwa.

The theatre cost 3.08 billion rupees and was built with financial aid from China. The theatre has a movable stage and state of the art sound control systems. The main auditorium seats 1288 persons. The theatre also has a library, rehearsal halls and parking for 500 vehicles.





# THE FUTURE CALLS

ANYTHING AND EVERYTHING IS POSSIBLE. FOR BUSINESS, FOR PLEASURE OR A LITTLE BIT OF BOTH, MAKING CONVERSATIONS EASIER, ENABLING FASTER COMMUNICATIONS AND DRIVING TECHNOLOGICAL CAPABILITY FAR BEYOND ANYTHING WE HAVE WITNESSED YET.... THIS IS OUR REAL MISSION. WE BRING THE FUTURE SO CLOSE YOU CAN ALMOST TOUCH IT. THE NATION HURTTLES FORWARD AND WE ARE RIGHT THERE BEHIND IT.

THE FUTURE CALLS.

SRI LANKA TELECOM PLC.  
REFLECTING A NATION'S FUTURE.

## 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, and its subsidiary Companies for the year ended 31 December 2011.

### 1. Formation

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

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

On 5 August 1997, the Government of Sri Lanka as the sole shareholder of SLT divested 35% [631,701,000 ordinary shares] of the issued ordinary share capital to Nippon Telegraph and Telephone Corporation (NTT) and entered into an agreement to transfer the management of SLT to NTT. On 2 July 1998, the Government of Sri Lanka divested a further 3.5% of the issued ordinary share capital by transfer of 63,170,010 ordinary shares to the employees of SLT. On 22 March 2000, NTT transferred the entire 35% of their holding in SLT to NTT Communications Corporation (NTT Com).

The Government of Sri Lanka divested a further 12% of its holding to the public through a listing on the Colombo Stock Exchange in November 2002, reducing its holding to 49.5%.

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

On 1 April 2008, NTT Com of Japan who held 635,076,318 ordinary shares, which constituted 35.2% of the total issued stated capital of SLT PLC, sold their entire holding to Global Telecommunications Holdings N.V. of Netherlands (GTH) at a price of Rs 50.50 per share. Following the share trade by NTT Com, GTH, in terms of the Takeovers and Mergers Code, announced a mandatory offer to the remaining shareholders which was closed on 2 June 2008. At the close of the mandatory offer, GTH had acquired additional 9.78% of the stated capital of SLT PLC, making the total shareholding to 44.98% of the total issued stated capital of SLT PLC. Since the expiration of the management agreement with NTT, no management agreement had been entered into by SLT PLC.

### 2. Principal Group Activities and Review of the Business

The Group provides a broad portfolio of telecommunication services across Sri Lanka, the main activity being domestic and international fixed and mobile telephone services. In addition, the range of services provided by the Group include, inter-alia, internet services, IPTV, Wimax operations, data services, domestic and international leased circuits, frame relay, satellite uplink and maritime transmission. The Company's interest in subsidiaries and the business activities of respective subsidiaries are as follows:

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Name of the subsidiary	Business activity
Mobitel (Private) Limited	Mobile telephone services
Sri Lanka Telecom (Services) Limited	Total network solutions
SLT (Hong Kong) Limited	IP transit services
SLT Publications (Private) Limited	Directory publication services
SLT Manpower Solutions (Private) Limited	Manpower solutions
SLT VisionCom (Private) Limited	IPTV management services
Sky Network (Private) Limited	Wi-Max services

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

### 3. Board of Directors

The Directors of Sri Lanka Telecom PLC as at the date of this report are as follows;

Name of Director	Position	Date of Appointment	Date of Re-election
Mr. Nimal Welgama	Chairman	20.05.2010	28.03.2011
Mr. Sandip Das	Director	05.06.2008	28.03.2011
Mr. Chan Chee Beng	Director	05.06.2008	27.03.2009
Mr. Jeffrey Jay Blatt	Director	05.06.2008	27.03.2009
Mr. Jayantha Dharmadasa	Director	26.05.2010	28.03.2011
Mr. Shameendra Rajapaksa	Director	26.05.2010	28.03.2011
Mr. Kalinga Indatissa	Director	26.05.2010	28.03.2011
Mr. Lawrence Michael Paratz	Director	26.05.2010	28.03.2011
Mr. D. Widanagamachchi	Director	05.07.2010	28.03.2011

Messrs Chan Chee Beng, Jeffrey Jay Blatt and Jayantha Dharmadasa will stand for re- election, at the forthcoming AGM in accordance with the Company's Articles of Association.

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

### 4. Directors' Interest in Contracts with the Company

The particulars of entries made in the Interests Register pertaining to General Disclosures made by the Directors of the Company in terms of the Companies Act No. 7 of 2007 during the financial year under review, are given below:

Name of Director	Company	Position
Mr. Nimal Welgama	Mobitel (Pvt) Ltd	Chairman/ Director
	Sri Lanka Telecom Services Ltd	Chairman/Director
	SLT Publications (Pvt) Ltd	Chairman/ Director
	SLT Visioncom (Pvt) Ltd	Chairman/ Director
	SLT Manpower Solutions (Pvt) Ltd	Chairman/ Director
	Sky Network (Pvt) Ltd	Chairman/ Director
	SLT Hong Kong Ltd	Chairman/Director
	Upali Group of Companies	CEO
	Monetary Board of the Central Bank Of Sri Lanka	Member
Mr. Sandip Das	Mobitel (Pvt) Ltd	Director
	Maxis Communications Berhad	Director
	Maxis Berhad, Malaysia	Director/CEO
	Aircel Ltd	Director
	Aircel Cellular Ltd	Director
	Dishnet Wireless Ltd	Director
	Bridge Mobile (Pte) Ltd	Director
	Maxis Broadband Sdn Bhd	Director
	Maxis Mobile Services Sdn Bhd	Director
	Advanced Wireless Technologies Sdn Bhd	Director
	UMTS (Malaysia) Sdn Bhd	Director
	Maxis Asia Access Pte Ltd	Director
	South Asia Communications Private Limited	Director
	Deccan Digital Networks Private Limited	Director
PT Maxis Communications	Commissioner	
Mr. Chan Chee Beng	Mobitel (Pvt) Ltd	Director
	Global Telecommunication Holdings N.V.	Director
	Usaha Tegag Sdn. Bhd	Executive Director
	Maxis Communications Berhad	Director
	Maxis Berhad, Malaysia	Director
	Maxis Mobile Sdn Bhd	Director
	Maxis Broadband Sdn Bhd	Director
	Maxis Mobile Services Sdn Bhd	Director
	Maxis International Sdn Bhd	Director
	Aircel Limited	Director
	Aircel Cellular Limited	Director
	Binariang GSM Sdn. Bhd	Director
	Bumi Armada Berhad	Director
	Dishnet Wireless Limited	Director
	South Asia Communications Private Limited	Director
	PT Axis Telekom Indonesia (Formally known as PT Natrindo Telepon Seluler)	Commissioner
	PT Maxis Communications	Commissioner
Mr. Jeffrey Jay Blatt	SLT Hong Kong Ltd	Director
	SLT Visioncom (Pvt) Ltd	Director



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Name of Director	Company	Position
Mr. Shameendra Rajapaksa	SLT Publications (Pvt) Ltd	Director
	SLT Hong Kong Ltd	Director
	Sri Lankan Airlines Limited	Director
Mr. Jayantha Dharmadasa	SLT Visioncom (Pvt) Ltd	Director
	SLT Manpower Solutions (Pvt) Ltd	Director
	Nawaloka Hospitals PLC	Chairman
	New Ashford International (Pvt) Ltd	Chairman
	Concord Ventures Export Lanka Ltd	Chairman
	Sasiri Polysacks (Pvt) Ltd	Director
	Nawakrama (Pvt) Ltd	Chairman
	Nawaloka Metropolis Clinical Laboratories (Pvt) Ltd, India.	Chairman
	Nawaloka Medical Centers (Pvt) Ltd	Director
	Nawaloka Construction Co.Ltd	Director
	Nawaloka Polysacks Sharjah	Director
	Ceyoka (Pvt) Ltd	Director
	Nawaloka Trading Co. Ltd	Director
	Koala (Pvt) Ltd	Director
	Sahas Wear (Pvt) Ltd	Director
	Nawaloka ABC Petroleum (Pvt) Ltd	Director
Nawaloka Aviation (Pvt) Ltd	Director	
Melvin Wire Nail Industries (Pvt) Ltd	Director	
Mr. Kalinga Indatissa	SLT Manpower Solutions (Pvt) Ltd	Director
	Interim Committee of the Sri Lankan Cricket Board	Member
	Sri Lanka Foundation Institute	Director
	Employee Trust Fund Board	Director
Mr. Lawrence Paratz	Mobitel (Pvt) Ltd	Director
	Sky Network (Pvt) Ltd	Director
	Maxis Communication Berhad	Director
Mr. Dayananda Widanagamachchi	Ministry of Finance & Planning	Deputy Secretary to the Treasury

### 5. Remuneration and other benefits of directors

The remuneration and other benefits of the Directors are given in Note 6 to the consolidated financial statements on page 121.

### 6. Directors' interests in shares of the Company

As at 31 December 2011, none of the Directors held shares in the Company or its subsidiaries.

### 7. Share capital

As per the share register, the following shareholders held more than 5% of the 1,804,860,000 ordinary shares in issue as at 31 December 2011.

Secretary to the Treasury (Government of Sri Lanka)	49.5%
Global Telecommunications Holdings N.V. of Netherlands	44.98%
Shares held by the public	5.52%
	100%

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

### 8. Corporate governance statement

Corporate Governance practices prevalent within the organization are described in the Corporate Governance Report on pages 56 to 60.

The Directors confirmed that the Company has complied with the Corporate Governance Rules contained in the Listing Rules of Colombo Stock Exchange.

### 9. Financial statements

The financial statements which include the income statements, balance sheets, statements of changes in equity and the notes to the financial statements of the Group and the Company for the year ended 31 December 2011 are set out on pages 104 to 154. All amounts are stated in Sri Lanka Rupees million, unless otherwise stated.

### 10. Financial Results Income

The total income for 2010 and 2011 were as follows;

	2010 (Rs. Mn.)		2011 (Rs. Mn.)	
	Group	Company	Group	Company
Operating Revenue	50,250	33,311	50,950	32,291
Operating Cost	(33,527)	(23,313)	(33,788)	(22,195)

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

### 11. Profit

	2010 (Rs. Mn.)		2011 (Rs. Mn.)	
	Group	Company	Group	Company
Profit Before Tax	5,961	3,969	6,535	4,807
Profit After Tax	3,943	2,478	4,781	3,562

### 12. Dividends

On recommendation of the Board of Directors, the Company distributed a first and final dividend of sixty cents (60 cents) per share amounting to Rs.1,082,916,000 Mn for the year ended 31 December 2010 before providing for the 10% Withholding Tax.

The entire cost of the first and final dividend was funded by the profits of the Company for 2010 and hence there was no capitalisation of reserves.

As required by section 56(2) of the Companies Act No. 07 of 2007, the Board of Directors has confirmed that the Company has satisfied the Solvency Test in accordance with section 57 of the Companies Act No. 07 of 2007 and obtained a certificate from the external auditors for the same.

The Directors recommend that a first & final dividend of Rs. 0.85 per existing share, amounting to Rs. 1,534,131,000 before providing for the 10% Withholding Tax subject to approval at the forthcoming AGM. The final dividend will be payable on 10th April 2012 to shareholders on the register at the close of business on 29th March 2012.

### 13. Reserves

Total Reserves of the Company stood at Rs. 53,160 Mn as at 31.12.2011, details of which are given in the Statement of Changes in Equity on page 106 of the Annual Report.

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

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

### 15. Independent auditors' report

The independent auditors' report is set out on page 103.

### 16. Changes in accounting policies

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

### 17. Property, plant and equipment

The movements in property, plant and equipment during the year are set out in Note 14 to the consolidated financial statements. Current status of value of properties is disclosed in page no 157.

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

The remuneration payable by the Company to the Independent Auditors is given in Note 6 to the consolidated financial statements on page 121.

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

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

### 20. Statutory payments

All statutory payments due to the Government of Sri Lanka and on behalf of employees have been made or accrued for, at the balance sheet date.

### 21. Environmental protection

After making adequate enquiries from management, the Directors are satisfied that the Company and its subsidiaries operate in a manner that minimises the detrimental effects on the environment and provides products and services that have a beneficial effect on the customers and the communities within which the Group operates.

### 22. Donations

During the year the Directors had approved donations amounting to Rs. 766,500 for charitable purposes (2010 - Rs. 751,592). The amount includes contributions on account of Corporate Social Responsibility (CSR) initiatives as well.

### 23. Employment policies

Sri Lanka Telecom has a range of employment policies covering such issues as diversity, employee well-being and equal opportunities. The Company takes its responsibilities to the disabled seriously and seeks not to discriminate against current or prospective employees because of any disability. Employees who become disabled during their career at SLT will be retained in employment wherever possible and given help with rehabilitation and training

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

### 24. Sustainability Reporting

The Group is conscious of the impact, direct and indirect, on the environment due to its business activities. Every endeavour is made to minimise the adverse effects on the environment to ensure sustainable continuity of our natural resources. The activities undertaken by the Group in recognition of its responsibility as a corporate citizen are disclosed more fully on pages 66 to 89 of this Report.

### 25. Post balance sheet events

No events had occurred since the balance sheet date and the approval of these consolidated financial statements, which would require adjustments to, or disclosure in, these consolidated financial statements except the disclosure in Note 37.

### 26. Appointment of auditors

KPMG Ford Rhodes, Thornton & Co, has expressed their willingness to continue in office as auditor of the Company and a resolution proposing their re-appointment will be put to shareholders at the AGM.

After proper consideration, the Audit Committee is satisfied that the Company's auditor, KPMG Ford Rhodes, continues to be objective and independent of the Company. In coming to this conclusion the Audit Committee gave full consideration to the non-audit work carried out by KPMG Ford Rhodes, Thornton & Co,.

### 27. Risks and uncertainties

Appended to this Annual Report is the Board's analysis of what it believes to be the main risks and uncertainties facing the Company. Full details can be seen on pages 61 to 63.

### 28. Going concern

The directors have a reasonable expectation that the Group has adequate resources to continue operating for the foreseeable future. For this reason, the going concern basis continues to be adopted in preparing the accounts.

### 29. Annual General Meeting

The AGM will be held at 10.00 am on 29th March 2012 at Kings' Court, Cinnamon Lakeside, Colombo. The Notice of Meeting is enclosed with this report and is accompanied by a letter from the Chairman.

By order of the Board



PW Corporate Secretarial (Pvt) Ltd  
*Secretaries*

17 February 2012

Registered in Sri Lanka: No.PQ 7

## Remuneration Committee Report

The Remuneration Committee is a sub-committee of the Board constituted under the Company's Articles of Association and the Corporate Governance policies for the purpose of recommending the remuneration of Senior Management of the Company and its subsidiary Companies except Mobitel. The members, of the Committee comprise of 3 Non-Executive Independent Directors. The names of the Committee members are stated in the Corporate Governance Report on page 56.

The Directors' emoluments are disclosed on page 121.

The Committee meets annually. The Committee has acted within the parameters set by its terms of reference.



Jayantha Dharmadasa  
*Chairman - Remuneration Committee*

17 February 2012  
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 103.

### The financial statements comprise of:

- Income Statements, which present a true and fair view of the profit and loss of the Company and the Group for the financial year; and
- Balance Sheets, which present a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year, and which comply with the requirements of the Act.

The Directors are required to ensure that, in preparing these financial statements:

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

The Directors are also required to ensure that the Company and of the Group have adequate resources to continue in operation to justify applying the going concern basis in preparing these financial statements.

Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose, with reasonable accuracy the financial position of the Company and of the Group, and to ensure that the financial statements presented comply with the requirements of the Act.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and of the Group and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view to preventing and detecting fraud and other irregularities.

The internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances 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 balance sheet date have been paid, or where relevant provided for, except as specified in Note 33 to the financial statements covering contingent liabilities.

By Order of the Board  
Sri Lanka Telecom PLC



P W Corporate Secretarial (Pvt) Ltd  
SECRETARIES

17 February 2012  
Colombo

## Audit Committee's Report

### Role of the Audit Committee

The Audit Committee is formally constituted as a sub-committee of the Main Board, to which it is accountable. It is wholly consisted of five Non-Executive Directors, of whom three members are Independent Directors.

The Audit Committee has written terms of references, dealing clearly with its authority and duties and is established for the purpose of assisting the Board in fulfilling their oversight responsibilities regarding the integrity of the Financial Statements, risk management, internal control, and compliance with legal and regulatory requirements, review of External Auditor's performances and independence, and Internal Audit function.

The responsibilities of the Audit Committee include:

- Reviewing the group's quarterly, half-yearly and full year financial statements and recommending them to the board for approval.
- Reviewing the group's systems for internal financial control, financial reporting and risk management.
- Monitoring and reviewing the effectiveness of the group's internal audit function and considering regular reports from Internal Audit on internal financial controls and risk management.
- Considering the appointment of the external auditors, overseeing the process for their selection and making recommendations to the board in relation to their appointment to be put to shareholders for approval at a general meeting.

- Monitoring and reviewing the effectiveness and independence of the external auditors, agreeing the nature and scope of their audit, recommending their remuneration, and considering their reports on the group's accounts, their reports to shareholders and their evaluation of the systems of internal financial control and risk management.

### Composition of the Audit Committee

The Audit Committee is made up entirely of non-executive directors. Biographical details of the directors are set out in the Board of Directors' section. The Chairman of the Audit Committee is Mr. Jayantha Dharmadasa, an independent Non-Executive Director, who currently serves as Chairman of Nawaloka hospitals PLC and Director of the Board of the Conglomerate.

Mr. Chan Chee Beng who is a Fellow of the Institute of Chartered Accountants of England & Wales, provides financial expertise to the Audit Committee.

The following directors functioned on the Audit Committee during 2011, viz.:

Names	Members Status	Attendance at Meetings in 2011
Mr. Jayantha Dharmadasa (Chairman)	Independent Non Executive Director	1/4
Mr. Sandip Das	Independent Non-Executive Director	2/4
Mr. Chan Chee Beng	Non-Executive Director	3/4
Mr. Dayananda Widanagamachchi	Non-Executive Director	3/4
Mr. Kalinga Indatissa	Independent Non-Executive Director	2/4

## Audit Committee's Report Contd.

The Chief Executive, Chief Finance Officer and the Chief of Internal Audit attend Audit Committee meetings by invitation. The external auditors attend meetings by invitation whenever the Committee requires their presence. The Assistant Company Secretary functions as the Secretary to the Audit Committee.

As per the Terms of Reference of the Audit Committee, the Committee is required to meet at least 4 times a year. The Audit Committee met four times during the financial year ended 31st December 2011. The activities carried out during the year under review are as follows;

### Main Activities of the Audit Committee

At its meeting on 27th January 2011 the Committee considering the importance of the formation of Group Audit Committee recommended the amendment of the terms of reference and internal audit of the Audit Committee charter appropriately to accommodate all the subsidiary Companies except Mobitel, in order to have visibility and strengthen internal control. The external auditors also presented their proposed fees and scope for the forthcoming year's audit. The review of the external auditors was used to confirm the appropriateness of their reappointment and included an assessment of their independence, qualifications, expertise and resources, and the effectiveness of the audit process. The Committee recommended to the Board the re-appointment of M/s KPMG Ford Rhodes Thornton and Company (KPMG) as auditors and also recommended them as auditors for all the subsidiary Companies other than Mobitel, in place of M/s PricewaterhouseCoopers, in the interests of the harmonization of group audits. In approving the Internal Audit plan for 2011, the Committee emphasized the importance of the implementation of enterprise risk management.

The Audit Committee met on 06th May 2011 and reviewed and recommended for approval of the Board the group's preliminary announcement of its results for the quarter ended 31st March 2011. The Committee received reports from the internal auditors on the conduct of their audit and their review of the internal controls, systems and policies. The Committee recommends reporting on the action plans and monitoring process on those audit findings.

The Audit Committee met on 25th October 2011 to receive reports on internal audit from the internal auditors on audit activities monitored and new audit issues up to August 2011. The progress of the preparation of the procedure manual for freehold land and buildings was reviewed. It was also recommended to update the

tender procedure and the human resource policies and procedure manual to meet current needs. The Committee considered the importance of having the internal audit reviewed by an external party.

At its meeting on 16th December 2011, KPMG presented an overview of the strategies and plans for the external audits of the Group for the year ended 31 December 2011. The Committee was apprised on the key accounting judgments and the scope, approach and the methodology to be adopted in carrying out the annual audit for 2011. The Committee received a presentation from the external auditors on the IFRS implementation affecting the group's financial reporting. The Committee also reviewed the group's risk register and reports from the management and Internal Audit on the effectiveness of the group's systems for internal financial control and risk management. The importance of implementing the group's whistleblowing procedures was also considered.

### Internal Audit

During the year the Audit Committee approved the Internal Audit plan for 2011 and monitored its status throughout the year. The Committee reviewed the performance of the internal audit function, the findings of the audits completed during the year and the department's resource requirements.

Internal audit reports include recommendations to improve internal controls together with agreed management action plans to resolve the issues raised. Internal Audit follows up the implementation of recommendations and reports progress to senior management and the Audit Committee.

On behalf of the Audit Committee:



Jayantha Dharmadasa  
Chairman

17 February 2012



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## Independent Auditors' Report



**KPMG Ford, Rhodes, Thornton & Co.**  
(Chartered Accountants)  
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## TO THE SHAREHOLDERS OF SRI LANKA TELECOM PLC

## Report on the Financial Statements

We have audited the financial statements of Sri Lanka Telecom PLC (the "Company"), the consolidated financial statements of the Company and its subsidiaries ("the Group") as at 31st December 2011 which comprise the balance sheet as at 31st December, 2011, the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 104 to 154 of this Annual Report.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## Scope of Audit and Basis of Opinion

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit

also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

## Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31st December, 2011 and the financial statements give a true and fair view of the Company's state of affairs as at 31st December, 2011 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs as at 31st December, 2011 and the profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

## Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Sections 153(2) to 153(7) of the Companies Act No. 07 of 2007.

CHARTERED ACCOUNTANTS

17 February 2012

Colombo, Sri Lanka

KPMG Ford, Rhodes, Thornton & Co., a Sri Lankan Partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International cooperative ("KPMG International"), a Swiss entity.

A.N. Fernando FCA  
P.Y.S. Perera FCA  
W.W.J.C. Perera FCA  
W.K.D.C. Abeyrathne ACA

M.R. Mihular FCA  
C.P. Jayatilake FCA  
Ms. S. Joseph FCA  
S.T.D.L. Perera FCA

Ms. M. P. Perera FCA  
T.J.S. Rajakarier FCA  
Ms. S.M.B. Jayasekara ACA  
G.A.U. Karunaratne ACA

Principals - S.R.I. Perera ACMA, LLB, Attorney-at-Law, H.S. Goonewardene ACA

## Consolidated Income Statement

(all amounts in Sri Lanka Rupees million)

For the year ended 31 December	Notes	Group		Company	
		2011	2010	2011	2010
Revenue	5	50,950	50,250	32,291	33,311
Operating costs	6	(33,788)	(33,527)	(22,195)	(23,313)
Operating profit before depreciation and amortisation		17,162	16,723	10,096	9,998
Depreciation	14	(10,960)	(11,090)	(7,056)	(7,017)
Amortisation and impairment of intangible assets	15	(557)	(489)	(222)	(227)
<b>Operating profit</b>		<b>5,645</b>	<b>5,144</b>	<b>2,818</b>	<b>2,754</b>
Refunds on Telecommunication Development Charge [TDC]	8	553	152	360	152
Voluntary Retirement Scheme [VRS] costs		-	(189)	-	(189)
Other income		294	1,232	253	943
Dividend income		-	-	648	26
Interest expense and finance costs	9	(788)	(1,012)	(75)	(318)
Interest income	10	831	634	803	601
<b>Profit before tax</b>		<b>6,535</b>	<b>5,961</b>	<b>4,807</b>	<b>3,969</b>
Income tax expenses	11	(1,754)	(2,018)	(1,245)	(1,491)
<b>Net profit</b>		<b>4,781</b>	<b>3,943</b>	<b>3,562</b>	<b>2,478</b>
<b>Attributable to:</b>					
Equity holders of the Company		4,781	3,943	3,562	2,478
Earnings per share for profit attributable to equity holders of the Company					
Basic (Rs)	12	2.65	2.18	1.97	1.37

The notes on pages 108 to 154 form an integral part of these financial statements

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## Consolidated Balance Sheet

(all amounts in Sri Lanka Rupees million)

As at 31 December	Notes	Group		Company	
		2011	2010 Restated	2011	2010
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	14	67,936	61,258	36,754	34,075
Intangible assets	15	1,702	1,585	470	570
Financial Prepayments	15.a	363	272	-	-
Investments in subsidiaries	16	-	-	13,431	11,522
Long term investments	17	697	673	697	626
Deferred income tax assets	24	18	13	-	-
Non-current receivables	18	2,316	1,991	2,316	1,991
		<b>73,032</b>	<b>65,792</b>	<b>53,668</b>	<b>48,784</b>
<b>Current assets</b>					
Inventories	19	1,741	1,281	1,465	1,158
Trade and other receivables	20	9,892	11,053	10,144	10,494
Current tax receivables		274	457	159	446
Short term Investments	21	3,727	3,617	2,888	3,487
Cash and cash equivalents	22	8,137	4,830	7,093	4,133
		<b>23,771</b>	<b>21,238</b>	<b>21,749</b>	<b>19,718</b>
<b>Total assets</b>		<b>96,803</b>	<b>87,030</b>	<b>75,417</b>	<b>68,502</b>
<b>Equity</b>					
<b>Capital and reserves</b>					
Stated capital	30	18,049	18,049	18,049	18,049
Insurance reserve	28	387	344	387	344
Exchange equalisation reserve		1	(7)	-	-
Retained earnings		35,153	31,463	34,724	32,253
		<b>53,590</b>	<b>49,849</b>	<b>53,160</b>	<b>50,646</b>
Minority interest in equity		0	0	-	-
<b>Total equity</b>		<b>53,590</b>	<b>49,849</b>	<b>53,160</b>	<b>50,646</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Grants	29	41	48	41	48
Borrowings	23	9,229	6,774	2,019	72
Deferred income	25	3,694	3,965	3,462	3,965
Deferred income tax liabilities	24	451	248	442	248
Employee benefits	27	2,090	1,796	1,936	1,664
Trade and other payables	26	3,778	1,659	284	289
		<b>19,283</b>	<b>14,490</b>	<b>8,184</b>	<b>6,286</b>
<b>Current liabilities</b>					
Trade and other payables	26	16,067	15,882	12,221	10,550
Current tax liabilities		237	287	-	-
Borrowings	23	5,325	4,542	913	28
Deferred income	25	2,301	1,980	939	992
		<b>23,930</b>	<b>22,691</b>	<b>14,073</b>	<b>11,570</b>
<b>Total liabilities</b>		<b>43,213</b>	<b>37,181</b>	<b>22,257</b>	<b>17,856</b>
<b>Total equity and liabilities</b>		<b>96,803</b>	<b>87,030</b>	<b>75,417</b>	<b>68,502</b>

The notes on pages 108 to 154 form an integral part of these financial statements


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



Shiron Gooneratne  
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these consolidated financial statements. These consolidated financial statements were approved by the Board of Directors on 17 February 2012.

Signed for and behalf of the board



Nimal Welgama  
Chairman



D. Widanagamachchi  
Director

## Consolidated Statement of Changes in Equity

(all amounts in Sri Lanka Rupees million)

For the year ended 31 December 2011	Notes	Stated capital	Exchange equalisation reserve	Insurance reserve	Minority interest	Retained earnings	Total
<b>Group</b>							
Balance at 1 January 2010		18,049	(6)	281	0	27,987	46,311
Insurance reserve							
- charged to income statement	28	-	-	47	-	-	47
- Transfer to Insurance Reserve	28			16	-	(16)	-
Effect of movement in foreign exchange rates		-	(1)	-	-	-	(1)
Dividend for 2009	13	-	-	-	-	(451)	(451)
Net profit for the year 2010		-	-	-	-	3,943	3,943
<b>Balance at 31 December 2010</b>		<b>18,049</b>	<b>(7)</b>	<b>344</b>	<b>0</b>	<b>31,463</b>	<b>49,849</b>
Balance at 1 January 2011		18,049	(7)	344	0	31,463	49,849
Insurance reserve							
- charged to income statement	28	-	-	35	-	-	35
- Transfer to Insurance Reserve	28			8	-	(8)	-
Effect of movement in foreign exchange rates		-	8	-	-	-	8
Dividend for 2010	13	-	-	-	-	(1,083)	(1,083)
Net profit for the year 2011		-	-	-	-	4,781	4,781
<b>Balance at 31 December 2011</b>		<b>18,049</b>	<b>1</b>	<b>387</b>	<b>0</b>	<b>35,153</b>	<b>53,590</b>

For the year ended 31 December 2011	Notes	Stated capital	Insurance reserve	Retained earnings	Total
<b>Company</b>					
Balance at 1 January 2010		18,049	281	30,242	48,572
Insurance reserve					
- charged to income statement	28	-	47	-	47
- Transfer to Insurance Reserve	28	-	16	(16)	-
Dividend for 2009	13	-	-	(451)	(451)
Net profit for the year 2010		-	-	2,478	2,478
<b>Balance at 31 December 2010</b>		<b>18,049</b>	<b>344</b>	<b>32,253</b>	<b>50,646</b>
Balance at 1 January 2011		18,049	344	32,253	50,646
Insurance reserve					
- charged to income statement	28	-	35	-	35
- Transfer to Insurance Reserve	28		8	(8)	-
Dividend for 2010	13	-	-	(1,083)	(1,083)
Net profit for the year 2011		-	-	3,562	3,562
<b>Balance at 31 December 2011</b>		<b>18,049</b>	<b>387</b>	<b>34,724</b>	<b>53,160</b>

The notes on pages 108 to 154 form an integral part of these financial statements

## Consolidated Cash Flow Statement

(all amounts in Sri Lanka Rupees million)

For the year ended 31 December	Notes	Group		Company	
		2011	2010	2011	2010
<b>Cash flows from operating activities</b>					
Cash generated from operations	31	21,575	16,656	13,311	11,257
Interest received		858	793	830	671
Interest paid		(446)	(838)	(17)	(345)
Tax paid		(1,423)	(1,268)	(764)	(872)
Gratuity paid	27	(62)	(83)	(48)	(80)
Net cash generated from operating activities		20,502	15,260	13,312	10,631
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment		(17,851)	(6,472)	(9,964)	(4,822)
Acquisition of intangible assets	15	(804)	(208)	(122)	(113)
Proceeds from disposal of property, plant and equipment		77	129	44	87
Proceeds / (Purchase) of short term investments		(122)	(701)	587	(754)
Proceeds / (Purchase) of long term investments		(349)	(723)	(396)	(723)
Investments in subsidiaries		-	-	(2,120)	(205)
Net cash used in investing activities		(19,049)	(7,975)	(11,971)	(6,530)
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		5,891	1,723	2,498	1,000
Finance lease principal re-payments		(43)	(26)	(37)	(23)
Re-payment of borrowings		(3,223)	(5,211)	-	(3,118)
Dividends paid to the Company's shareholders	13	(1,083)	(451)	(1,083)	(451)
Net cash generated (used) in financing activities		1,542	(3,965)	1,378	(2,592)
Increase / (Decrease) in cash and cash equivalents		2,995	3,320	2,719	1,509
<b>Movement in cash and cash equivalents</b>					
Cash and cash equivalents at beginning of year	22	4,168	854	4,133	2,630
Effect of exchange fluctuation on cash and cash equivalents		12	(6)	12	(6)
		4,180	848	4,145	2,624
Increase / (Decrease) in cash and cash equivalents		2,995	3,320	2,719	1,509
At end of year	22	7,175	4,168	6,864	4,133

The notes on pages 108 to 154 form an integral part of these financial statements

## Notes to the Consolidated Financial Statements

### 1 REPORTING ENTITY

Sri Lanka Telecom PLC (the "Company") is a company domiciled in Sri Lanka. The address of the Company's registered office is Lotus Road, Colombo 1. The consolidated financial statements of the Company as at and for the year ended 31 December 2011 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group primarily is involved in providing broad portfolio of telecommunication services across Sri Lanka. In addition, the range of services provided by the Group include, inter-alia, internet services, data services, domestic and international leased circuits, broadband, satellite uplink, maritime transmission, IPTV service, directory publishing and Wi-max service. The Company is a quoted public Company which has its listing on the Colombo Stock Exchange.

### 2 BASIS OF PREPARATION

#### (a) Statement of compliance

"The consolidated financial statements have been prepared in accordance with Sri Lanka Accounting Standards (SLAS) as laid down by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the requirements of the Companies Act No. 07 of 2007.

The consolidated financial statements were authorised for issue by the Board of Directors on 17 February 2012.

#### (b) Basis of measurement

"The consolidated financial statements have been prepared on the historical cost basis except foreign operations which are accounted as explained in Notes 3(b) to the Financial Statements.

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

#### (c) Functional and presentation currency

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

#### (d) Use of estimates and judgements

The preparation of financial statements in conformity with SLASs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in notes;

- Note 15 - Intangible Assets
- Note 24 - Deferred Tax
- Note 27 - Employee Benefits
- Note 33 - Provisions & Contingencies
- Note 25 - Deferred Income

#### (e) Changes in Accounting policies

No changes in accounting policies have taken place during the year 2011.

### 3 CONSISTENCY IN ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities. Certain comparative amounts have been reclassified to confirm with the current year's presentation (see note 34).

#### (a) Basis of consolidation

##### (i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of

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subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable tangible and intangible assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

**(ii) Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**(b) Foreign currency**

**(i) Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at average of buying and selling exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Foreign exchange differences arising on the settlement or reporting of the Company's monetary items at rates different from those which were initially recorded are dealt in the Income Statement. Unrealised gains and losses are dealt with through the Income Statement.

**(ii) Foreign operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to rupees at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to rupees at average exchange rates.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the exchange equalisation reserve .

**(c) Property, plant and equipment**

**(i) Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. As disclosed in Note 14 where property, plant and equipment of the Department of Telecommunications were transferred to Sri Lanka Telecom at a valuation performed by the Government of Sri Lanka and was used as the opening cost of fixed assets.

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

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 carrying amount of the replaced part

## Notes to the Consolidated Financial Statements Contd.

is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

### (iii) Depreciation

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

The estimated useful lives for the assets are as follows:

Freehold Buildings	40 years
Ducts ,cables and other outside plant	8 – 12.5 years
Submarine cables	10 years
Telephone exchanges and transmission equipment	8 – 12.5 years
Motor Vehicles	5 years
Other Fixed Assets	4- 10 years
CDMA Handsets	3 years
PABX System	2-6 years

### (iv) Capital Work-in-Progress

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

### (v) Derecognition

The carrying amount of an item of Property, Plant & Equipment is derecognized on disposal or when no future economic benefits are expected from its use or 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 profit or loss.

When replacement costs are recognized in the carrying amount of an item of Property, Plant and Equipment, the remaining carrying amount of the replaced part is derecognized. Major inspection costs are capitalized. At each such capitalization, the remaining carrying amount of the previous cost of inspections is derecognized.

### (d) Intangible assets

#### (i) Goodwill

Goodwill arises on the acquisition of subsidiaries.

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of the investment over the carrying amount of the interest in the net assets acquired at the date of exchange.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

#### (ii) Other intangible assets

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

#### (iii) Licenses

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

#### (iv) Subsequent expenditure

Subsequent expenditure is 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



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for use. The estimated useful lives for the current and comparative periods are as follows:

Software 3- 5 years

**(e) 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 balance sheet.

**(f) Inventories**

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

**(g) Impairment**

Non-financial assets

The carrying amounts of the Group's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the

"cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**(h) Government Grants**

Other 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 profit or loss 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 profit or loss on a systematic basis over the useful life of the asset.

**(i) Investments**

The long term investments are initially recognised at cost and provision is only made where, in the opinion of the Directors, there is a permanent diminution in value. Where there has been a permanent diminution in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

## Notes to the Consolidated Financial Statements Contd.

### (j) Trade receivables

Trade receivables are carried at anticipated realizable value. An estimate is made for doubtful receivables based on review of all outstanding amounts at the year end. Bad debts are written off during the year in which they are identified.

### (k) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits with original maturities of three months or less. The cash flow has been prepared using the indirect method in accordance with the Sri Lanka Accounting Standard 9 - 'Cash Flow Statements'.

### (l) Stated capital

Ordinary shares  
Ordinary shares are classified as equity.

### (m) Borrowings

Borrowings include bank borrowings. They are accounted at the gross value of the outstanding balance.

### (n) Employee benefits

#### (1) 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.

#### (1.1) Employee Provident Fund

All employees of the Company are members of the Sri Lanka Telecom Provident Fund to which the Company contributes 15% of such employees' basic salary and allowances. All employees of subsidiaries of the Group except for Sri Lanka Telecom (Hong Kong) Limited and SLT Services (Private) Ltd are members of Employees' Provident Fund (EPF), to which respective subsidiaries contribute 12% of such employees' basic salary and allowances. Employees of SLT Services (Private) Ltd are members of Employees' Provident Fund (EPF), where the company contribute 15% of such employees' basic salary and allowances.

#### (1.2) Employee Trust Fund

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

#### (2) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The valuation is performed annually by a qualified actuary using the projected unit credit method. When the valuation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss. The group recognises all actuarial gains and losses arising from defined benefit plans directly in the income statement.

#### (3) 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.

**(4) 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.

**(o) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

**(p) Revenue**

Revenue from services rendered in the course of ordinary activities is measured at fair value of the consideration received or receivable net of trade discounts, volume rebates and after eliminating the sales within the Group.

Revenue is recognized when persuasive evidence exist, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, there is no continuing management involvement with the services rendered, and the amount of revenue can be measured reliably.

If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The revenue is recognised as follows:

**(i) Domestic and international call revenue, rental income**

Revenue for call time usage by customers is recognised as revenue as services are performed, with unbilled revenue resulting from services already provided accrued at the end of each period.

Fixed rental is recognised as income on a monthly basis in relation to the period of services rendered.

**(ii) Revenue from other network operators and international settlements**

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

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

**(iii) Revenue from broadband**

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

**(iv) Revenue from other telephony services**

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

**(v) Connection fees**

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

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

**(vi) Service Agreements revenue**

Capacity contracts which do not convey the right to use a specified capacity in an identified fiber cable are accounted as service arrangements. Revenues from capacity contracts under service arrangements are recognized on a straight line basis over the period of the contracts. Amounts received in advance for any services are recorded as deferred revenue. In the event that a customer terminates an IRU prior to the

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expiry date of the contract and releases the Company from the obligation to provide future services, the remaining unamortized deferred revenue is recognized in the period the contract is terminated.

### (vii) *Prepaid Card revenue*

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

### (viii) *Equipment Sales*

Revenue from sale of equipment is recognised, net of taxes, on completion of the transaction.

### (ix) *Sales of services*

Revenue from fixed - price contracts for providing manpower is generally recognised in the period of the services are provided. Revenue from fixed-price contracts for delivering network project services is recognized under the percentage-of-completion (POC) method. Under the POC method, revenue is generally recognized based on the services performed to date as a percentage of the total services to be performed.

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

### (q) *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.

### (r) *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.

### (s) *Finance income and expenses*

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of fixed assets and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, and losses on hedging instruments that are recognised in profit or loss.

Foreign currency gains and losses are reported on a net basis.

### (t) *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.

### (i) *Current Taxation*

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

### (ii) *Deferred Taxation*

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable

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future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**(iii) Economic Service Charge (ESC)**

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

**(u) Earnings per share**

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

**(v) Insurance reserve**

The Company transfers annually from the retained earnings an amount equal to 0.1% of additions to property, plant and equipment to an insurance reserve. An equal amount is invested in a sinking fund to meet any funding requirements for potential losses from uninsured property, plant and

equipment. The insurance reserve is maintained to recover any losses arising from damage to property, plant and equipment, except for motor vehicles, that are not insured with a third party insurer.

**(w) 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 recognized at the time the dividend recommended and declared by the Board of Directors, is approved by the shareholders.

**(x) 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

**(y) New Accounting standards issued but not effective as at balance sheet date**

The Institute of Chartered Accountants of Sri Lanka (ICASL) has issued a new volume of Sri Lanka Accounting Standards – 2011, applicable for financial periods beginning on or after 1 January 2012. These Standards have many changes and consequential changes. The new Accounting Standards are prefixed both SLFRS and LKAS which correspond to the relevant IFRS and IAS. Disclosure requirement under SLAS 10.30 and 10.31 have been exempted by the ICASL and therefore all differences and impacts arising from the new Standards are not presented in these Financial Statements.

**(i) Financial instruments**

LKAS 39 requires all financial assets and liabilities to be recorded at fair value on the balance sheet. The fair value of derivative financial instruments recognised on the balance sheet on transition at 1 January 2012 would be immaterial.

Certain financial assets and financial liabilities are required to be recorded at amortised cost under LKAS 39. The majority of this amortised cost value was reflected on the balance sheet but elements were separately recorded in current assets and current liabilities. These amounts will be reclassified on

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transition to either financial assets or loans and borrowings to recognise the respective instruments at amortised cost.

Staff loans given at concessionary interest rates are required to be fair valued and any differences on fair value measurement need to be recognized as a prepaid staff cost and amortized over the term of the loan.

### (ii) Revenue

The group has historically recognised revenue arising from connection fees relating to PSTN over a deferred period of 15 years. However, under SLFRS this will be recognized based on the expected customer life on the network. Which is depending on external variable factors such as, customer churn patterns, market conditions, competition, change in technologies and other external factors.

This adjustment described above would result in accelerated revenue recognition on PSTN deferred connection revenue.

Further installation fees for IPTV, Broadband, CDMA and upfront charges for wholesale services such as IPLC, DPLC and Ethernet which were historically recognized immediately, would also be recognized as deferred revenue based on the expected customer life on the network. The change in this estimation will be for new connections of such services and would create a deferred income liability on the balance sheet.

The monthly rental charged for the equipment provided to customers by SLT under fixed line services for PSTN CDMA, IPTV and Data need to be recognized separately as operating lease income, and the corresponding equipment will be recognized as a leased asset in the books of SLT.

### Property Plant & Equipment

Property, plant and equipment comprising individual components for which different depreciation methods or rates are appropriate, require to be depreciated separately. Further PPE should be re-assessed for their useful life on an annual basis to include fully depreciated assets as well.

Further investments made in PPE with intangible components need to be classified as intangible assets and amortized over the useful life of the intangible asset.

SLT has the first time adoption exemption to revalue the assets at the date of transition. The revalued amounts are considered as the deemed cost of the asset. SLT does not have to apply the deemed cost exemption to all classes of PPE or to all items within a class of PPE; rather the exemption may be applied to individual items of PPE.

The resulting impact with regard to the above adjustments are in the process of being identified and the quantification is yet to be performed by the company.

### (z) Financial risk management

#### (i) Risk management framework

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

The Group's risk management policies 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 policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

#### (ii) 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 obligations, and arises principally from the Group's receivables from customers and investment securities. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of

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the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

**(iii) 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.

**(iv) Capital management**

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

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

During 2011, the Group's strategy, which was unchanged from 2010, was to maintain the gearing ratio below 35%. The gearing ratios at 31 December 2011 and 2010 were as follows:

	Group		Company	
	2011	2010	2011	2010
Total borrowings	14,554	11,316	2,932	100
Total equity	53,590	49,849	53,160	50,646
Total capital	68,144	61,165	56,092	50,746
Gearing ratio	21.4%	18.5%	5.2%	0.2%

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### 4 SEGMENT REPORTING

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. Segment information is presented in respect of the Group's business and geographical segments. The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income tax receivables & payables, deferred tax liabilities & assets, borrowings, interest receivables & payables.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

#### Segment information

##### (a) Primary reporting format - business segment

Management has determined the primary segments based on the nature of products and services and risks and rewards associated.

The Group provides telecommunication services, mainly in Sri Lanka. The Group is organised into four main business segments as follows:

Fixed telephony operations (including CDMA operations)  
International Gateway Operations  
Mobile telephony operations  
Other services

Mainly the connection charges, rental and call charges derived from fixed wired telephony operations and fixed wireless (CDMA) telephony operations are included in Fixed Telephony revenue.

Income derived from use of telecommunication network of the Group for international gateway operations is shown as revenue from international gateway operations.

Mainly the connection charges, rental and call charges derived from mobile telephony operations are included in Mobile telephony revenue.

Other services comprise revenue from IP & Broad band, data services, IPTV and other telephony services which do not constitute reporting segments in isolation.



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The segment results for the year ended 31 December 2011 are as follows:

	Fixed Telephony Operations	International Gateway Operations	Mobile Telephony Operations	Other Services	Unallocated	Total
Revenue						
- Total segment revenue	15,821	7,459	17,080	15,319	-	55,679
- Inter-segment revenue	(430)	(719)	(280)	(3,300)	-	(4,729)
Revenue from external customers	15,391	6,740	16,800	12,019	-	50,950
Segment results / operating profits	1,060	571	2,428	1,586	-	5,645
Voluntary Retirement Scheme (VRS) costs						-
Other income						294
TDC Refund						553
Interest expenses and finance costs						(788)
Interest income						831
Profit before tax						6,535
Taxation						(1,754)
Net profit						4,781

Other segment information included in the income statement is as follows.

Depreciation	4,040	847	3,470	2,603	-	10,960
Amortisation of intangible assets	109	62	212	174	-	557

The segment assets and liabilities as at 31 December 2011 and capital expenditure for the year then ended are as follows:

	Fixed Telephony Operations	International Gateway Operations	Mobile Telephony Operations	Other Services	Unallocated	Total
Assets	33,916	8,428	32,237	21,771	451	96,803
Liabilities	(7,225)	(4,173)	(20,222)	(7,720)	(3,873)	(43,213)
Capital expenditure	8,189	417	6,610	3,439	-	18,655

Segment assets and liabilities are reconciled to entities' assets and liabilities as follows:

	Assets	Liabilities
Segment assets and liabilities :	96,352	39,340
Unallocated:		
- Interest receivable	159	-
- Non current borrowings	-	2,019
- Current borrowings	-	913
- Deferred income tax assets	18	-
- Deferred income tax liabilities	-	451
- Income tax receivables	274	-
- Income tax liabilities	-	237
- Interest payable	-	253
<b>Group assets / liabilities</b>	<b>96,803</b>	<b>43,213</b>

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### 4 SEGMENT INFORMATION (CONTD)

The segment results for the year ended 31 December 2010 are as follows:

	Fixed Telephony Operations	International Gateway Operations	Mobile Telephony Operations	Other Services	Unallocated	Total
Revenue						
- Total segment revenue	16,924	10,825	15,719	12,792	-	56,260
- Inter-segment revenue	(273)	(2,674)	(190)	(2,873)	-	(6,010)
Revenue from external customers	16,651	8,151	15,529	9,919	-	50,250
Segment results / operating profits	838	747	2,134	1,425	-	5,144
Voluntary Retirement Scheme (VRS) costs						(189)
Other income						1,232
TDC Refund						152
Interest expenses and finance costs						(1,012)
Interest income						634
Profit before tax						5,961
Taxation						(2,018)
Net profit						3,943

Other segment information included in the income statement is as follows.

Depreciation	4,602	763	3,648	2,077	-	11,090
Amortisation of intangible assets	116	81	212	80	-	489

The segment assets and liabilities as at 31 December 2010 and capital expenditure for the year then ended are as follows:

	Fixed Telephony Operations	International Gateway Operations	Mobile Telephony Operations	Other Services	Unallocated	Total
Assets	32,905	10,231	28,214	15,126	554	87,030
Liabilities	(6,543)	(6,737)	(19,052)	(4,114)	(735)	(37,181)
Capital expenditure	3,769	344	1,158	1,409	-	6,680

Segment assets and liabilities are reconciled to entities' assets and liabilities as follows:

	Assets	Liabilities
Segment assets and liabilities :	86,476	36,446
Unallocated:		
- Interest receivable	84	-
- Non current borrowings	-	-
- Current borrowings	-	-
- Deferred income tax liabilities	-	248
- Deferred income tax assets	13	-
- Income tax receivables	457	-
- Income tax liabilities	-	287
- Interest payable	-	200
Group assets / liabilities	87,030	37,181

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**(b) Secondary reporting format - Geographical segment**

The group's main business segments directly and indirectly operate within one main geographical area, hence it does not qualify for secondary reporting.

**5 REVENUE**

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

	Group		Company	
	2011	2010	2011	2010
Release of deferred connection charges (Note 25)	854	897	854	897
Rental income	6,231	6,642	4,532	4,575
Domestic call revenue	18,681	18,261	5,589	6,150
Receipts from other network operators – domestic	1,621	852	1,001	603
International call revenue	2,078	2,274	1,048	1,371
Receipts from other network operators – International	70	22	47	22
International settlements (in-payments)	6,976	8,056	5,194	7,035
CDMA revenue	2,696	3,328	2,696	3,328
Broadband, data and other services	11,743	9,918	11,330	9,330
	50,950	50,250	32,291	33,311

**6 OPERATING COSTS**

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

	Group		Company	
	2011	2010	2011	2010
Staff costs (Note 7)	10,439	9,461	7,918	7,350
Directors' emoluments	12	17	8	9
Payments to international network operators	1,603	2,538	1,628	3,118
Payments to other network operators				
- international	1,208	595	849	709
- domestic	1,955	1,134	933	606
Telecommunication Development Charge (Note 8)	1,002	1,928	722	1,367
Independent auditors' remuneration				
- audit fees	8	7	5	4
- non-audit fees	1	1	1	1
Repairs and maintenance expenditure	2,358	2,640	1,704	1,747
Provision for doubtful debts	938	1,345	624	1,076
Other impairments / (reversals)	(89)	379	122	379
Impairment of property, plant & equipment (Note 14)	276	14	267	14
Other operating expenditure	13,947	13,349	6,861	6,370
CDMA expenditure	130	119	553	563
	33,788	33,527	22,195	23,313

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### 7 STAFF COSTS

	Group		Company	
	2011	2010	2011	2010
Salaries, wages, allowances and other benefits	9,233	8,246	6,938	6,364
Post employment benefits				
- defined contribution plans	850	794	660	615
- defined benefit obligations (Note 27)	356	421	320	371
	10,439	9,461	7,918	7,350
Average number of persons employed by the Group / Company during the year:	9,852	9,884	6,226	6,291

### 8 REFUNDS ON TELECOMMUNICATION DEVELOPMENT CHARGES (TDC)

In accordance with the Finance Act. No. 11 of 2004, with effect from 03rd March, 2003, all Telecommunication Gateway Operators are required to make a payment defined as the Telecommunication Development Charge (TDC) to the Government of Sri Lanka, based on international call minutes terminated in the country. This also included a disbursement process through which 2/3rd of TDC payment made by the operators would be disbursed to the operators by the Government based on the rural developments made by them.

Through a Gazette Notification No. 1662/1 issued on 12th July, 2010 a revision of the per minute rate of TDC was declared, while imposing a new rate of USD 0.015 with effect from 15th July, 2010. Along with the review the government also took measures to remove the disbursement process from the TDC payment process which had lasted since 2003.

The total amount of the levy payable by the Group and Company for the period from 1 January 2011 to 31 December 2011 was estimated at Rs 1,002 million (2010-Rs 1,928 million) and Rs 722 million (2010- Rs 1,367 million) respectively and has been recognized as expenses in the current financial year. The corresponding liability, net of payments, has been recognised in the balance sheet.

The claims corresponding to the periods from 01st April, 2007 to 31st March, 2009 which have already been submitted to TRC are still pending. The claims for the period from 01st April, 2009 up to 14th July, 2010 are yet to be submitted to TRC.

### 9 INTEREST EXPENSE AND FINANCE COSTS

	Group		Company	
	2011	2010	2011	2010
Interest expense and finance costs				
- rupee loans	336	710	-	188
- foreign currency loans [ see Note (a) below]	156	149	35	-
- loss /(gain) on foreign exchange fluctuation [see note (b) & (c) below]	250	107	17	107
- other charges [See Note (d) below]	46	46	23	23
<b>Total interest expenses and finance costs charged to income statement</b>	<b>788</b>	<b>1,012</b>	<b>75</b>	<b>318</b>

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- (a) Interest cost of the company Rs 35 million (2010-Nil ) relates to the USD syndicate loan obtained in 2011. Interest cost of group related to Term loans , syndicate loans and overdraft facilities from local banks.
- (b) Loss/ (gain) on foreign exchange fluctuation of the company mainly include,
- i. Exchange gain of Rs. 98 million (2010- loss of Rs. 116 million) arising from revaluation of the fixed deposits and bank balances maintained in USD
  - ii. Exchange loss of Rs. 30 million on payment to foreign suppliers (2010-gain of Rs. 9 million)
  - iii. Exchange loss of Rs. 85 million (2010- Nil) arising from revaluation of USD syndicate loan
- (c) Loss/ (gain) on foreign exchange fluctuation of the group mainly include,
- i. Exchange gain of Rs. 136 million (2010- loss of Rs. 142 million) arising from revaluation of the fixed deposits and bank balances maintained in USD
  - ii. Exchange loss of Rs. 220 million on payment to foreign suppliers (2010-gain of Rs. 185 million)
  - iii. Exchange loss of Rs. 147 million (2010- loss of Rs. 117 million) arising from revaluation of USD syndicate loan and other term loans.
- (d) Other charges mainly include interest cost of finance leases.

## 10 INTEREST INCOME

	Group		Company	
	2011	2010	2011	2010
Interest income from:				
- bank deposits [ Note (a) below]	224	209	204	194
- Government Securities [ Note (b) below]	465	288	457	270
- staff loans [ Note (c) below]	142	137	142	137
	831	634	803	601

The interest income on bank deposits and Government Securities reflect the prevailing rates on the date of respective investments.

- (a) The weighted average interest rates on bank deposits in LKR and USD were 7.84% (2010 - 9.03%) and 4.64% (2010 - 4.22%) respectively.
- (b) The weighted average interest rates on investments in Government Securities were 7.21% (2010 - 7.99%)
- (c) The weighted average interest rates on staff loans are between 4 % and 7% (2010 - 4% and 7%).
- (d) According to the section 137 of the Inland Revenue Act No 10. of 2006, any person who derives income from the secondary market transactions in government securities is entitled to a notional tax credit in relation to the tax payable by such person. Notional tax credit would be determined by grossing up of the income from the secondary market transactions to an amount equal to 1/9 of same and credit to be afforded for a like sum. Accordingly , company has accounted for Rs. 49 Mn as notional tax credit for the year 2011 . ( 2010 - Rs. 27 million)

## Notes to the Consolidated Financial Statements Contd.

## 11 INCOME TAX EXPENSES

The charge for taxation is made up as follows:

	Group		Company	
	2011	2010	2011	2010
Income tax charge	1,545	1,308	1,040	776
(Over) / under provision of income tax relevant to previous years	11	(40)	11	(43)
Effect of change in basic tax rate	-	(59)	-	(62)
Release of deferred tax liabilities (Note 24)	198	809	194	820
	1,754	2,018	1,245	1,491

The tax charge differs from the theoretical amount that would arise using the basic tax rate on the accounting profit of the Company and Group as follows:

	Group		Company	
	2011	2010	2011	2010
Profit before tax	6,535	5,961	4,807	3,969
Tax calculated at basic tax rate of 28% (2010-35%)	1,349	1,398	1,346	1,389
Tax calculated at a tax rate of 2% on Revenue Mobitel (Private) Limited [Note (a) below]	460	431	-	-
Tax calculated at other tax rates [note (b) below]	7	5	-	-
Tax effect of income not subject to tax	(312)	(232)	(304)	(228)
(Over) / under provision of income tax relevant to previous years	11	(40)	11	(43)
Expenses not deductible for tax purposes	239	515	192	435
Effect of change in basic tax rate	-	(59)	-	(62)
Tax charge	1,754	2,018	1,245	1,491
Effective tax rate	26%	34%	26%	37%

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Current income tax charge of the Group / Company is made up as follows:

	Group		Company	
	2011	2010	2011	2010
Sri Lanka Telecom PLC	1,040	776	1,040	776
Mobitel (Private) Limited	460	431	-	-
Sri Lanka Telecom Services Limited	2	4	-	-
SLT Hong Kong Limited	4	5	-	-
SLT Manpower Solutions (Private) Limited	2	13	-	-
SLT Publications (Private) Limited	30	78	-	-
SLT VisionCom (Private) Limited	5	-	-	-
Sky Network (Private) Limited	2	1	-	-
	1,545	1,308	1,040	776

- (a) Pursuant to agreements dated 15 January 1993 and 26 February 2001 entered into with the Board of Investment of Sri Lanka under Section 17 of the Board of Investment Act No. 4 of 1978, 15 years tax exemption period granted to Mobitel (Private) Limited expired on 30 June 2009 and as per the agreement, Mobitel (Private) Limited opted for the turnover based tax option in which 2% was charged on the turnover for a further period of 15 years commencing from 1 July 2009.
- (b) As per the amendment to Inland Revenue Act no 22 of 2011, for the year of assessment 2011/2012, SLT Vision com (Private) Limited, Sri Lanka Telecom (Services) Limited and SLT Manpower Solutions (Pvt) Limited are liable for income taxes at the rate of 10 % on their taxable income. SLT (Hong Kong) Limited is liable for income tax rate of 16.5%.
- (c) As per the agreement with the Board of Investment of Sri Lanka (BOI) dated 19 November 2009 under Section 17 of BOI Act No.4 of 1978 the Sky Network (Private) Ltd is exempt from income tax for a period of 6 years. For the above purpose the year of assessment shall be reckoned from the year in which the company commences to make profits or any year of assessment not later than two years reckoned from the date of on which the Company commences commercial operation. whichever is earlier as may be specified in a certificate issued by the Board.

In view of the above the Company is not liable to income tax on business profit. The Current tax wholly consists of tax on interest income.

## 12 EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the net profit attributable to equity holders by the weighted average number of ordinary shares in issue during the year.

	Group		Company	
	2011	2010	2011	2010
Net profit attributable to equity holders (Rs million)	4,781	3,943	3,562	2,478
Weighted average number of ordinary shares in issue (million)	1,805	1,805	1,805	1,805
Basic earnings per share (Rs)	2.65	2.18	1.97	1.37

## Notes to the Consolidated Financial Statements Contd.

### 13 DIVIDENDS

In respect of 2010, a first and final dividend of Rs 0.60 (2009 - Rs 0.25) per share amounting to a Rs 1,082,916,000 (2009 - Rs 451,215,000) was paid during the current year.

The Board has recommended a first and final dividend of Rs 0.85 per share amounting to Rs 1,534,131,000 for the year ended 31 December 2011. This is to be approved by the shareholders at the Annual General Meeting to be held on 29 March 2012. As stipulated by Sri Lanka Accounting Standard No. 12 (Revised) - Events After The Balance Sheet Date, the proposed dividend is not recognised as a liability as at 31 December 2011.

### 14 PROPERTY, PLANT AND EQUIPMENT

#### Group

	Freehold land	Freehold buildings	Ducts, cables and other outside plant	Telephone exchanges	Transmission equipment	Other fixed assets	Capital work-in-progress	Total
<b>Cost</b>								
At 1 January 2010	347	2,532	71,165	17,492	55,260	22,660	7,541	176,997
Additions at cost	9	-	375	2	574	1,091	4,467	6,518
Transfers from capital work-in-progress	-	32	3,186	882	1,932	1,330	(7,362)	-
Disposals at cost	(1)	-	(32)	-	(954)	(62)	-	(1,049)
Cost of assets impaired	-	-	-	(133)	-	-	-	(133)
<b>As at 31st December 2010</b>	<b>355</b>	<b>2,564</b>	<b>74,694</b>	<b>18,243</b>	<b>56,812</b>	<b>25,019</b>	<b>4,646</b>	<b>182,333</b>
<b>Accumulated depreciation</b>								
At 1 January 2010	-	(511)	(58,086)	(13,150)	(22,435)	(16,919)	-	(111,101)
Accumulated depreciation on disposal	-	-	10	-	931	56	-	997
Accumulated depreciation on imparments	-	-	-	119	-	-	-	119
Depreciation charge	-	(63)	(2,974)	(1,123)	(4,823)	(2,107)	-	(11,090)
<b>As at 31st December 2010</b>	<b>-</b>	<b>(574)</b>	<b>(61,050)</b>	<b>(14,154)</b>	<b>(26,327)</b>	<b>(18,970)</b>	<b>-</b>	<b>(121,075)</b>
<b>Carrying value as at 31st December 2010</b>	<b>355</b>	<b>1,990</b>	<b>13,644</b>	<b>4,089</b>	<b>30,485</b>	<b>6,049</b>	<b>4,646</b>	<b>61,258</b>
<b>Cost</b>								
At 1 January 2011	355	2,564	74,694	18,243	56,812	25,019	4,646	182,333
Additions at cost	1	-	672	39	5,487	1,335	10,488	18,022
Transfers from capital work-in-progress	-	285	4,003	1,108	3,138	726	(9,260)	-
Transferred to Intangibles- Software	-	-	-	-	-	-	(8)	(8)
Adjustments	-	(2)	41	-	(41)	(65)	-	(67)
Write off	-	-	-	(16)	(2,117)	(442)	-	(2,575)
Disposals at cost	-	-	(64)	(21)	(43)	(74)	-	(202)
Cost of assets impaired	-	-	-	(1,452)	-	(13)	-	(1,465)
<b>As at 31st December 2011</b>	<b>356</b>	<b>2,847</b>	<b>79,346</b>	<b>17,901</b>	<b>63,236</b>	<b>26,486</b>	<b>5,866</b>	<b>196,038</b>
<b>Accumulated depreciation</b>								
At 1 January 2011	-	(574)	(61,050)	(14,154)	(26,327)	(18,970)	-	(121,075)
Accumulated depreciation on disposal	-	-	45	20	32	68	-	165
Accumulated depreciation on Adjustments	-	-	-	-	-	4	-	4
Accumulated depreciation on Write offs	-	-	-	15	2,117	443	-	2,575
Accumulated depreciation on imparments	-	-	-	1,185	-	4	-	1,189
Depreciation charge	-	(65)	(2,914)	(1,040)	(4,581)	(2,360)	-	(10,960)
<b>As at 31st December 2011</b>	<b>-</b>	<b>(639)</b>	<b>(63,919)</b>	<b>(13,974)</b>	<b>(28,759)</b>	<b>(20,811)</b>	<b>-</b>	<b>(128,102)</b>
<b>Carrying value as at 31st December 2011</b>	<b>356</b>	<b>2,208</b>	<b>15,427</b>	<b>3,927</b>	<b>34,477</b>	<b>5,675</b>	<b>5,866</b>	<b>67,936</b>



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## 14 PROPERTY, PLANT AND EQUIPMENT CONTD.

## Company

	Freehold land	Freehold buildings	Ducts, cables and other outside plant	Telephone exchanges	Transmission equipment	Other fixed assets	Capital work-in-progress	Total
<b>Cost</b>								
At 1 January 2010	347	2,532	71,015	17,492	16,262	21,293	7,204	136,145
Additions at cost	9	-	375	2	134	913	3,436	4,869
Transfers from capital work-in-progress	-	32	3,186	882	1,231	1,330	(6,661)	-
Disposals at cost	(1)	-	(32)	-	-	(33)	-	(66)
Cost of assets impaired	-	-	-	(133)	-	-	-	(133)
<b>As at 31st December 2010</b>	<b>355</b>	<b>2,564</b>	<b>74,544</b>	<b>18,243</b>	<b>17,627</b>	<b>23,503</b>	<b>3,979</b>	<b>140,815</b>
<b>Accumulated depreciation</b>								
At 1 January 2010	-	(511)	(57,904)	(13,149)	(12,120)	(16,200)	-	(99,884)
Accumulated depreciation on disposal	-	-	10	-	-	32	-	42
Accumulated depreciation on impairments	-	-	-	119	-	-	-	119
Depreciation charge	-	(63)	(2,974)	(1,123)	(951)	(1,906)	-	(7,017)
<b>As at 31st December 2010</b>	<b>-</b>	<b>(574)</b>	<b>(60,868)</b>	<b>(14,153)</b>	<b>(13,071)</b>	<b>(18,074)</b>	<b>-</b>	<b>(106,740)</b>
<b>Carrying value as at 31st December 2010</b>	<b>355</b>	<b>1,990</b>	<b>13,676</b>	<b>4,090</b>	<b>4,556</b>	<b>5,429</b>	<b>3,979</b>	<b>34,075</b>
<b>Cost</b>								
At 1 January 2011	355	2,564	74,544	18,243	17,627	23,503	3,979	140,815
Additions at cost	1	-	289	26	-	1,198	8,555	10,069
Transfers from capital work-in-progress	-	285	3,752	1,108	1,668	726	(7,539)	-
Adjustments	-	(2)	41	-	(41)	(46)	-	(48)
Disposals at cost	-	-	(64)	-	-	(25)	-	(89)
Cost of assets impaired	-	-	-	(1,452)	-	-	-	(1,452)
<b>As at 31st December 2011</b>	<b>356</b>	<b>2,847</b>	<b>78,562</b>	<b>17,925</b>	<b>19,254</b>	<b>25,356</b>	<b>4,995</b>	<b>149,295</b>
<b>Accumulated depreciation</b>								
At 1 January 2011	-	(574)	(60,868)	(14,153)	(13,071)	(18,074)	-	(106,740)
Accumulated depreciation on disposal	-	-	45	-	-	25	-	70
Accumulated depreciation on impairments	-	-	-	1,185	-	-	-	1,185
Depreciation charge	-	(65)	(2,888)	(1,030)	(954)	(2,119)	-	(7,056)
<b>As at 31st December 2011</b>	<b>-</b>	<b>(639)</b>	<b>(63,711)</b>	<b>(13,998)</b>	<b>(14,025)</b>	<b>(20,168)</b>	<b>-</b>	<b>(112,541)</b>
<b>Carrying value as at 31st December 2011</b>	<b>356</b>	<b>2,208</b>	<b>14,851</b>	<b>3,927</b>	<b>5,229</b>	<b>5,188</b>	<b>4,995</b>	<b>36,754</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 was used as the opening cost of fixed assets on 1 September 1991 in the first statutory accounts of SLT. Further, SLT was converted into a public limited company, Sri Lanka Telecom Limited (SLTL), on 25 September 1996 and on that date, all of the business and the related assets and liabilities of SLT were transferred to SLTL as part of the privatisation process.

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### 14 PROPERTY, PLANT AND EQUIPMENT CONTD.

- (b) The cost of fully depreciated assets still in use in the company as at 31 December 2011 was Rs 70,521 million (2010 - Rs 64,136 million).
- (c) No assets have been mortgaged or pledged as security for borrowings of the Company. However, Mobitel (Private) Limited, a subsidiary of the Company, has pledged its assets at a value of Rs 9.7 billion as at 31 December 2011 (2010-9.7 billion) for its bank borrowings [Note 23 (k)].
- (d) The Directors believe that the Company has freehold title to the land and buildings transferred on incorporation (conversion of SLT into a public limited company on 25 September 1996), although the vesting orders specifying all the demarcations and extents of such land and buildings could not be traced. The Company has initiated action to transfer legal title documentations.
- (e) The property, plant and equipment is not insured except for third party motor vehicle insurance. 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 balance sheet date, the insurance reserve amounted to Rs 387 million (2010 - Rs 344 million) (Note 28).
- (f) Impairment of assets mainly consist of the carrying value of switches Rs 267 million that were impaired as a result of implementation of Next Generation Network (NGN) phase 3b ( 2010 - Rs. 14 million ).
- (g) Additions include assets costing Rs 57 million (2010 - Rs 48 million) obtained under finance leases (where the Company is the lessee) and the additions of the Group includes assets costing Rs 82 million obtained under finance leases (2010 - Rs 48 million) where the Group is the lessee.
- (h) The property, plant and equipment includes motor vehicles acquired under finance leases, the net book value of which is made up as follows:

	Group		Company	
	2011	2010	2011	2010
Cost	230	167	205	148
Accumulated depreciation	(111)	(66)	(101)	(61)
<b>Carrying amount</b>	<b>119</b>	<b>101</b>	<b>104</b>	<b>87</b>

(i) Property, plant and equipment include submarine cables which are jointly controlled. The total cost and accumulated depreciation of all cables under this category as follows;

	Company / Group	
	2011	2010
Cost	6,399	6,431
Accumulated depreciation at 1 January	(3,947)	(3,481)
Depreciation charge for the year	(454)	(467)
<b>Carrying amount</b>	<b>1,998</b>	<b>2,483</b>

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## 15 INTANGIBLE ASSETS

## Group

	Goodwill	Licences	Software	Others	Total
<b>At 1 January 2010</b>					
Cost	394	748	874	1,184	3,200
Accumulated amortisation and impairment	(253)	(211)	(195)	(765)	(1,424)
<b>Carrying amount</b>	<b>141</b>	<b>537</b>	<b>679</b>	<b>419</b>	<b>1,776</b>
<b>Year ended 31 December 2010</b>					
Opening net book amount	141	537	679	419	1,776
Additions at cost	-	-	208	-	208
Amortisation charge	-	(60)	(248)	(91)	(399)
<b>Carrying amount</b>	<b>141</b>	<b>477</b>	<b>639</b>	<b>328</b>	<b>1,585</b>
<b>At 31 December 2010</b>					
Cost	394	748	1,082	1,184	3,408
Accumulated amortisation and impairment	(253)	(271)	(443)	(856)	(1,823)
<b>Carrying amount</b>	<b>141</b>	<b>477</b>	<b>639</b>	<b>328</b>	<b>1,585</b>
<b>Year ended 31 December 2011</b>					
Opening net book amount	141	477	639	328	1,585
Additions at cost	-	322	289	-	611
Amortisation charge	-	(147)	(347)	-	(494)
<b>Carrying amount</b>	<b>141</b>	<b>652</b>	<b>581</b>	<b>328</b>	<b>1,702</b>
<b>At 31 December 2011</b>					
Cost	394	1,070	1,371	1,184	4,019
Accumulated amortisation and impairment	(253)	(418)	(790)	(856)	(2,317)
<b>Carrying amount</b>	<b>141</b>	<b>652</b>	<b>581</b>	<b>328</b>	<b>1,702</b>

## Notes to the Consolidated Financial Statements Contd.

## 15 INTANGIBLE ASSETS CONTD.

## Company

	Goodwill	Licences	Software	Others	Total
At 1 January 2010					
Cost	-	-	1,122	330	1,452
Accumulated amortisation and impairment	-	-	(438)	(330)	(768)
Carrying amount	-	-	684	-	684
Year ended 31 December 2010					
Opening net book amount	-	-	684	-	684
Additions at cost	-	-	113	-	113
Amortisation charge	-	-	(227)	-	(227)
Carrying amount	-	-	570	-	570
At 31 December 2010					
Cost	-	-	1,235	330	1,565
Accumulated amortisation and impairment	-	-	(665)	(330)	(995)
Carrying amount	-	-	570	-	570
Year ended 31 December 2011					
Opening net book amount	-	-	570	-	570
Additions at cost	-	-	122	-	122
Amortisation charge	-	-	(222)	-	(222)
Carrying amount	-	-	470	-	470
At 31 December 2011					
Cost	-	-	1,357	330	1,687
Accumulated amortisation and impairment	-	-	(887)	(330)	(1,217)
Carrying amount	-	-	470	-	470

## Goodwill of the Group

The goodwill in Group consists of goodwill arising on acquisition of Mobitel (Private) Limited.

## Impairment tests for goodwill

Goodwill is allocated to the Group's Cash-Generating Units (CGUs). A summary of the goodwill allocation is presented below:

	2011	2010
Mobitel (Private) Limited	141	141
Total	141	141

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**15 INTANGIBLE ASSETS CONTD.**

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:

Growth rate	14%
Discount rate	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 2011 for the above CGU (2010 - Rs Nil).

**15.a Financial prepayments**

	Group		Company	
	2011	2010	2011	2010
As at 01 January	884	884	-	-
Acquired/Incurred during the period	193	-	-	-
As at 31 December	1,077	884	-	-
Amortisation				
As at 01 January	556	466	-	-
Amortisation for the year	63	90	-	-
As at 31 December	619	556	-	-
Carrying amount- Current	95	56	-	-
Carrying amount- Non Current	363	272	-	-
As at 31 December	458	328	-	-

Financial prepayments include financial charges for the guarantee issued by The Swedish Export Credit Guarantee Board (EKN) for SCB loan, insurance premium for the guarantee issued by China Export and Credit Insurance Corporation for HSBC loan and other financial prepayments, for Mobitel (Private) Limited.

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### 16 INVESTMENTS IN SUBSIDIARIES

Details of the subsidiary companies in which the Company had control as at 31 December are set out below:

Name of company	2011		2010	
	Investment Rs million	Company holding	Investment Rs million	Company holding
Sri Lanka Telecom (Services) Limited [See Note (a)below]	25	99.99%	25	99.99%
Mobitel (Private) Limited [See Note (b) below]	12,842	100%	10,722	100%
SLT (Hong Kong) Limited [See Note (c) below]	36	100%	36	100%
SLT Publications (Private) Limited [See Note (d) below]	50	100%	50	100%
SLT Manpower Solutions (Private) Limited [See Note (e) below]	1	100%	1	100%
SLT VisionCom (Private) Limited [See Note (f) below]	100	100%	100	100%
Sky Network (Private) Limited [See Note (g) below]	377	99.94%	588	99.94%
	13,431		11,522	

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 1,206,213,240 shares representing 100% of the entire Ordinary Share capital of Mobitel (Private) Limited, at 31 December 2011.

During the year 175,000,000 12% and 200,000,000 14% cumulative and redeemable preference shares with a value of Rs 10 per share have been converted to Ordinary shares of Mobitel (Private) Limited.

Additions during the year, comprise the capital infusion of Rs 2,120 million in ordinary shares with a value of Rs 10 per share of Mobitel (Private) Limited.

At 31 December 2011, preference dividends amounting to Rs 1,403 million were in arrears (2010 Rs 1,128 million). No accrual has been made in the Company's financial statements as the Board of Directors has decided to waive off the right to receive the same.

- (c) This investment in subsidiary company consists of 2,500,000 shares representing the entire stated capital of SLT (Hong Kong) Limited incorporated in Hong Kong.
- (d) This investment in subsidiary company consists of 5,000,000 shares representing the entire stated capital of SLT Publications (Private) Limited.
- (e) This investment in subsidiary company consists of 50,000 shares representing the entire stated capital of SLT Manpower Solutions (Private) Limited.

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- (f) This investment in subsidiary company consists of 10,000,000 shares representing the entire stated capital of SLT VisionCom (Private) Limited.
- (g) This investment in subsidiary company consists of 42,071,251 shares representing a 99.94% holding of the issued stated capital and 6,000,000 12% cumulative and redeemable preference shares of Sky Network (Private) Limited.

At 31 December 2011, preference dividends amounting to Rs 24 million (2010 - Rs 16 million) has not been recognised in the financial statements.

All the subsidiaries except for Mobitel (Private) Limited and SLT (Hong Kong) Limited are audited by KPMG Ford, Rhodes, Thornton & Company.

## 17 LONG TERM INVESTMENTS

	Group		Company	
	2011	2010	2011	2010
Escrow Investment - Treasury Bond [See Note (a) below]	100	-	100	-
Treasury Bonds	597	673	597	626
	697	673	697	626

Long Term investments are investments with a maturity period beyond 1 year in Government Treasury Bonds representing the face value and the premium/discount .

- (a) The amount represents the balance of the Escrow investment maintained as the insurance reserve.

## 18 NON-CURRENT RECEIVABLES

	Group		Company	
	2011	2010	2011	2010
Employee loans [See Note (a) & (b) below]	2,316	1,991	2,316	1,991

- (a) Employee loans are repayable in equal monthly installments over the loan period not exceeding eight years. The amount shown as a non-current receivables represent staff loan installments falling due after 1 January 2013.

- (b) No loans given to Directors of the company

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## 19 INVENTORIES

	Group		Company	
	2011	2010	2011	2010
CDMA Equipment	924	1,061	924	1,061
Cable & Networks	1,546	1,073	1,339	883
Other consumables	532	666	432	512
	3,002	2,800	2,695	2,456
Provision for change in carrying value of inventories	(1,261)	(1,519)	(1,230)	(1,298)
	1,741	1,281	1,465	1,158

- (a) Inventories consist of trading and capital inventory of which include telecommunication hardware, CDMA handsets, consumables and office stationery. Inventory is stated net of provisions for slow-moving and obsolete items.

## 20 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	2011	2010
Domestic trade receivables	9,649	8,857	7,562	7,067
Foreign trade receivables	2,115	2,855	1,572	2,404
	11,764	11,712	9,134	9,471
Less: Provision for bad and doubtful receivables	(3,968)	(3,059)	(3,331)	(2,802)
Less: Interest / revenue in suspense	(19)	(19)	-	-
Trade receivables - net	7,777	8,634	5,803	6,669
Amount due from subsidiaries [Note 35]	-	-	3,360	2,802
Amount due from related companies [Note 35]	38	168	36	168
Advances and prepayments [See Note (a) below]	766	1,118	187	117
Employee loans	494	482	494	482
Other receivables [See Note (b) below]	817	651	264	256
Amounts due within one year	9,892	11,053	10,144	10,494

- (a) Advances and prepayments of the Company mainly consist of advances on Building rent of Rs 16 million (2010 - Rs 8 million), payments for software maintenance of Rs 136 million (2010 - Rs 72 million) and Purchase advance of Rs 11 million (2010-Rs 2 million.) Advances and prepayments of the Group mainly consist of advances on Building rent of Rs 134 million (2010 - Rs 114 million) and payments for software maintenance of Rs 368 million (2010 - Rs 72 million) and prepayment for advertising hoarding Rs 70 million (2010 - Rs 312 million) and current portion of financial prepayment Rs 95 million (2010- Rs 56 million)
- (b) Other receivables of the Company consist of interest receivable of Rs 159 million (2010 - Rs 116 million), refundable deposits of Rs 98 million (2010 - Rs 85 million) and dishonoured cheques of Rs 2 million (2010 - Rs 3 million). Other receivables of the Group mainly consist of interest receivable of Rs 159 million (2010 - Rs 117 million), refundable deposits of Rs 176 million (2010- Rs 162 million) VAT receivable of Rs 52 million (2010 - Rs 181 million), receivables from sales agents Rs 97 million (2010-Rs 101 million) site rentals receivables from other operators Rs 287 million (2010-Rs 226 million)



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## 21 SHORT TERM INVESTMENTS

	Group		Company	
	2011	2010	2011	2010
Restricted at bank [See Note (a) below]	276	406	276	336
Other Short term investments [See Note (b) below]	3,451	3,211	2,612	3,151
	3,727	3,617	2,888	3,487

Short term investments are investments with a maturity period of three to twelve months.

- (a) The restricted at bank represents the balance of the Escrow deposit maintained as the insurance reserve.
- (b) Other Short term deposits represent bank deposits and investments in Government Securities

## 22 CASH AND CASH EQUIVALENTS

	Group		Company	
	2011	2010	2011	2010
Cash at bank and in hand	1,296	856	261	266
Other investments [See Note (a) below]	6,841	3,974	6,832	3,867
	8,137	4,830	7,093	4,133

- (a) Other investments represent USD fixed deposits equivalent to Rs 1,356 million (2010- 784 million), investments in Government Securities amounting to Rs 1,222 million (2010- Rs 3,083 million) and LKR Fixed deposit amounting to Rs 4,253 million (2010- Nil) maturing within a period of three months.
- (b) For the purpose of the cash flow statement, the year-end cash and cash equivalents comprise the following:

	Group		Company	
	2011	2010	2011	2010
Cash and cash equivalents	8,137	4,830	7,093	4,133
Bank overdrafts (Note 23)	(962)	(662)	(229)	-
	7,175	4,168	6,864	4,133

## Notes to the Consolidated Financial Statements Contd.

## 23 BORROWINGS

	Group		Company	
	2011	2010	2011	2010
<b>Current (due within one year)</b>				
Bank overdrafts (See Note (a) below)	962	662	229	-
Bank borrowings and others [See Note (f & k) below]	2,480	2,276	646	-
Vender financing	1,836	1,572	-	-
Lease liabilities	47	32	38	28
	5,325	4,542	913	28
<b>Non-current (due after one year)</b>				
Bank borrowings and others [See Note (f & k) below]	7,266	5,295	1,937	-
Vender financing	1,855	1,394	-	-
Lease liabilities	108	85	82	72
	9,229	6,774	2,019	72
<b>Total borrowings</b>	<b>14,554</b>	<b>11,316</b>	<b>2,932</b>	<b>100</b>

(a) Although bank overdrafts are reflected in the company, no bank accounts are overdrawn in real terms.

(b) The interest rate exposure of the borrowings of the Group and Company was as follows:

	Group		Company	
	2011	2010	2011	2010
<b>Total borrowings</b>				
- at fixed rates	155	785	120	100
- at floating rates	14,170	10,531	2,583	-
	14,325	11,316	2,703	100

The currency exposure of the borrowings of the Group and the Company at the balance sheet date was as follows:

	Group		Company	
	2011	2010	2011	2010
Foreign currency	10,573	6,841	2,583	-
Local currency	3,752	4,475	120	100
	14,325	11,316	2,703	100

Borrowings (bank overdraft) of Rs. 229 million reflected in the Company and Group was not included in either interest rate exposure nor in currency exposure since same is not interest liable as bank accounts are not overdrawn in real terms.

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(c) Effective interest rates of the Company and the Group are as follows:

	Group		Company	
	2011	2010	2011	2010
Average effective interest rates:				
- bank overdrafts	7.50%	9.41%	-	-
- foreign bank borrowings	1.53%	3.05%	-	-
- government borrowings	-	11.41%	-	11.41%
- bank borrowings (USD Syndicated loan)	5.30%	-	5.30%	-
- bank borrowings	9.47%	10.86%	-	10.37%
- lease liabilities	21% - 25%	21% - 25%	21% - 25%	21% - 25%
- Vendor financing	2.80%	2.80%	-	-

(d) Maturity analysis of the Company and the Group is as follows:

	Group		Company	
	2011	2010	2011	2010
Maturity of non current borrowings: (excluding finance lease liabilities)				
- between 1 and 2 years	6,133	4,425	1,292	-
- between 3 and 5 years	2,988	1,655	645	-
- over 5 years	-	609	-	-
	9,121	6,689	1,937	-

(e) Analysis of the finance lease liabilities of the Company and the Group is as follows:

	Group		Company	
	2011	2010	2011	2010
Finance lease liabilities - minimum lease payments				
- not later than 1 year	69	52	53	45
- later than 1 year and not later than 5 years	124	103	95	88
	193	155	148	133
Less : future finance charges on finance leases	(38)	(38)	(28)	(33)
<b>Present value of finance lease liabilities</b>	<b>155</b>	<b>117</b>	<b>120</b>	<b>100</b>
Representing lease liabilities:				
- current	49	32	38	28
- non-current	106	85	82	72
	155	117	120	100

## Notes to the Consolidated Financial Statements Contd.

### 23 BORROWINGS (CONTD)

- (f) During the year company drew down the 1st tranche of USD syndicated loan USD 22.5 million (equivalent to Rs 2,498 million) in September 2011 out of the total loan amount of USD 75 Million.
- (g) The loan covenants include submission of audited financial statements to the lenders within specified periods from the financial year end, and to maintain adequate accounting records in accordance with generally accepted accounting principles.
- (h) The Directors believe that the Company and the Group will have sufficient funds available to meet its present loan commitments.
- (i) Lease liabilities of the Company and the Group are effectively secured by the lessor against the rights to the title of the asset.
- (j) Bank borrowings and bank overdrafts of Mobitel (Private) Limited, a subsidiary of the group, are secured, inter alia, by corporate guarantees given by the Company.
- (k) Bank borrowings of Mobitel (Private) Limited are secured by a pledge over its property, plant and equipment at a value of Rs 9.7 billion [See Note 14 (c)]
- (l) Mobitel (Private ) Limited has borrowed Rs 3,394 million during the year for the purpose of Capital Expansion Projects.

### 24 DEFERRED INCOME TAX (ASSETS) / LIABILITIES

#### Recognized deferred income tax (assets) / liabilities

Deferred income tax liabilities are calculated on all taxable and deductible temporary differences arising from differences between accounting base and tax base of assets and liabilities. Deferred income tax is provided under the liability method using a principal tax rate of 28% (year of assessment 2010 / 2011 - 28%).

The movement in the deferred income tax account is as follows:

	Group		Company	
	2011	2010	2011	2010
At beginning of year	235	(515)	248	(510)
Income statement release (Note 11)	198	809	194	820
Effect of change in basic tax rate	-	(59)	-	(62)
At end of year	433	235	442	248

The amount shown in the balance sheet represent the following.

	Group		Company	
	2011	2010	2011	2010
Deferred income tax liabilities	451	248	442	248
Deferred income tax assets	(18)	(13)	-	-
	433	235	442	248

The taxable and deductible temporary differences mainly arise from property, plant and equipment, deferred income, provision for defined benefit obligations and other provisions.

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the off-setting of balances within the same tax jurisdiction, is as follows:

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**Group/Company**  
**Accelerated tax depreciation**

Deferred income tax liabilities	
At 1 January 2010	4,289
Credited to the income statement	(429)
Effect of change in basic tax rate	(772)
At 31 December 2010	3,088
Credited to the income statement	188
At 31 December 2011	3,276

	Group/Company			Total
	Defined benefit obligations	Provisions	Deferred income	
Deferred income tax assets				
At 1 January 2010	(481)	(2,647)	(1,834)	(4,962)
(Over)/under provision of deferred tax liability relevant to previous years	-	159	-	159
(Credited) / charged to the income statement	(102)	1,195	144	1,237
Effect of change in basic tax rate	117	258	338	713
At 31 December 2010	(466)	(1,035)	(1,352)	(2,853)
(Credited) / charged to the income statement	(76)	(74)	160	10
At 31 December 2011	(542)	(1,109)	(1,192)	(2,843)

**Unrecognized deferred income tax (assets) / liabilities**

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of Rs 28 million (2010 - Rs 64 million) in respect of tax losses of subsidiaries amounting to Rs 259 million (2010 - 285 million) that can be carried forward against future taxable income.

The adjusted tax lossess available for carry forward as at 31 December are as follows :-

	Adjusted tax losses available for carry forward as at 31 December	
	2011	2010
Sky Network (Private) Limited	59	61
SLT VisionCom (Private) Limited	200	224
	259	285

No deferred tax is recognised in Mobitel (Private) Limited, a subsidiary of the Group, as it pays income tax based on turnover [Note 11 (a)].

## Notes to the Consolidated Financial Statements Contd.

## 25 DEFERRED INCOME

Deferred connection charges of the Company represents the connection charges relating to PSTN network, net of amounts amortised to the income statement. The connection charges are deferred over a period of 15 years as stated in Accounting Policy p(v). The deferred IRU sales of the Company includes the revenue arising on sale of SEA-ME-WE 4 cable capacity which is recognised over the lease period of 15 years. Release of Backhauling charges represent the revenue arising from lease of SEA-ME-WE 3 cable capacity. Deferred Pre-paid card revenue in company represents unused CDMA and SLT Passport cards. In addition, the deferred income of the Group mainly represents unused pre-paid card revenue and refund of Telecommunication Development Charges (TDC) received in 2009 from Telecommunication Regulatory Commission in connection with the cost of network rollout by Mobitel (Private) Ltd.

	Group		Company	
	2011	2010	2011	2010
At beginning of year	5,945	5,986	4,957	5,248
Connection fees for the year	302	275	302	275
Pre-paid card revenue	14,078	12,264	430	-
Income from Indefeasible Right of Use (IRU) of SEA-ME-WE 4	-	222	-	222
Backhauling charges	73	227	73	227
Deferred network equipment cost	119	-	-	-
Deferred directory income	130	-	-	-
Release of deferred connection charges (Note 5)	(854)	(897)	(854)	(897)
Release of Pre-paid card revenue	(13,654)	(12,001)	(389)	-
Release of Refund of Telecommunication Development Charges	(21)	(13)	-	-
Release of deferred IRU Sales	(20)	(12)	(20)	(12)
Release of deferred Network equipment cost	(5)	-	-	-
Release of Backhauling charges	(98)	(106)	(98)	(106)
Total amount credited to income statement	(14,652)	(13,029)	(1,361)	(1,015)
At end of year	5,995	5,945	4,401	4,957

	Group		Company	
	2011	2010	2011	2010
Representing deferred income:				
- current	2,301	1,980	939	992
- non-current	3,694	3,965	3,462	3,965
	5,995	5,945	4,401	4,957

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## 26 TRADE AND OTHER PAYABLES

	Group		Company	
	2011	2010	2011	2010
Amounts due within one year				
Domestic trade payables	1,218	1,963	350	462
Foreign trade payables	323	418	109	160
Amount due to subsidiaries [Note 35]	-	-	2,340	1,936
Amount due to related companies [Note 35]	8	9	7	9
Capital expenditure payables [See Note (a) below]	6,451	8,168	3,279	1,130
Social security and other taxes [See Note (b) below]	581	349	581	397
Interest payable	253	201	1	-
Other payables [See Note (c) below]	7,233	4,774	5,554	6,456
	16,067	15,882	12,221	10,550
Amounts due after one year				
International direct dialling deposits	234	235	234	235
Prepayments on VOIP services	-	12	-	12
PSTN guarantee deposits	50	42	50	42
Capital expenditure payables	3,494	1,370	-	-
	3,778	1,659	284	289

- (a) Capital expenditure payables of the Company mainly consist of contractors' payable & retention of Rs 2,747 million (2010 - Rs 748 million) and advances on network restoration after road works of Rs 531 million (2010 - Rs 382 million). Capital expenditure payables of the Group mainly consist of contractors' payable of Rs 5,933 million (2010 - Rs 7,786 million) and advances on network restoration after road works of Rs 531 million (2010 - Rs 382 million).
- (b) Social security and other taxes of the Company mainly consist of and Telecommunication Levy (TL) of Rs 356 million (2010 - Rs Nil), Cess Rs 66 million (2010 - Rs Nil), IDD Levy of Rs 27 million (2010 - Rs Nil), EPF payable of Rs 76 million (2010 - Rs 71 million). Social security and other taxes of the Group mainly consist of Telecommunication Levy (TL) of Rs 649 million (2010 - Rs Nil), Cess of Rs 114 million (2010 - Rs Nil). IDD Levy payable of Rs 46 million (2010 - Rs Nil).
- (c) Other payables of the Company mainly consist of dividend payable to the Government of Sri Lanka of Rs 249 million (2010 - Rs 249 million), provision for Goods Received Notes (GRNs) of Rs 963 million (2010 - Rs 462 million), International Telecommunication Operators' Levy payable of Rs 3,125 million (2010 - Rs 4,508 million) and accrued expenses and other payables of Rs 809 million (2010 - Rs 686 million). Other payables of the Group mainly consist of dividend payable to the Government of Sri Lanka of Rs 249 million (2010 - Rs 249 million), provision for Goods Received Notes (GRNs) of Rs 963 million (2010 - Rs 462 million), International Telecommunication Operators' Levy payable (without netting off TDC refunds) of Rs 3,150 million (2010 - Rs 4,660 million), and accrued expenses and other payables of Rs 1,931 million (2010 - Rs 1,415 million).

## Notes to the Consolidated Financial Statements Contd.

### 27 EMPLOYEE BENEFITS

(1) Movement in present value of employee benefit liabilities

	Group		Company	
	2011	2010	2011	2010
Employee benefit liability at 1 January	1,796	1,458	1,664	1,373
Current service cost	147	136	124	114
Interest cost	179	160	166	151
Actuarial losses / (gains)	30	125	30	106
Benefits paid	(62)	(83)	(48)	(80)
Employee benefit liability as at 31 December	2,090	1,796	1,936	1,664

(2) The expenses recognised in the income statement

	Group		Company	
	2011	2010	2011	2010
Current service cost	147	136	124	114
Interest cost	179	160	166	151
Actuarial losses / (gains)	30	125	30	106
	356	421	320	371

The expenses are recognised under staff cost in income statements

(3) As stated in Accounting Policy 3. n (2) at 31 December 2011, an actuarial valuation was carried out by an independent actuary.

The principal actuarial assumptions used were as follows:

	Group		Company	
	2011	2010	2011	2010
Discount rate [long - term]	9.5%-10%	10% - 11%	10%	10%
Future salary increases	8% - 10%	8% - 10%	8%	8%

In addition to above, demographic assumptions such as mortality, withdrawal, retirement age were considered for the actuarial valuation. In 2011, 1967/70 Mortality Table issued by the Institute of Actuaries London (2010 - 1967/70 Mortality Table) was taken as the base for the valuation.

The provisions for defined obligations of Sri Lanka Telecom PLC, SLT Manpower Solutions (Private) Ltd and Mobitel (Private) Limited are actuarially valued by Messrs Actuarial and Management Consultants (Private) Limited and Piyal S Goonetilake respectively. The employee benefit liability of all other companies in the group are based on gratuity formula in Appendix E of SLAS 16.

The provision for defined benefit obligations is not funded.



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## 28 INSURANCE RESERVE

	Group / Company	
	2011	2010
At 1 January	344	281
Interest income on Escrow account	35	47
Charged to retained earnings	8	16
<b>At 31 December</b>	<b>387</b>	<b>344</b>

As stated in Accounting Policy 3.v the Company transfers annually from the retained earnings an amount equal to 0.1% of additions to property, plant and equipment to an insurance reserve. An equal amount is invested in a sinking fund to meet any funding requirements for potential losses from uninsured property, plant and equipment.

Management regularly monitors the charges made against the insurance reserve and the adequacy of the provision made.

## 29 GRANT

	Group		Company	
	2011	2010	2011	2010
Balance at 1 January	48	54	48	54
Grant credited to income statement	(7)	(6)	(7)	(6)
<b>Balance at 31 December</b>	<b>41</b>	<b>48</b>	<b>41</b>	<b>48</b>

(a) Grant in Company and group consist of exchange equipment received from Alcatel CIT France in 2005.

## 30 STATED CAPITAL

	Company	
	2011	2010
Issued and fully paid		
1,804,860,000 ordinary shares issued at Rs 10 per share	18,049	18,049

The issued and fully paid share capital is made up as follows:

	2011		2010	
	Holding percentage	Number of shares	Holding percentage	Number of shares
Government of Sri Lanka	49.50%	893,405,709	49.50%	893,405,709
Global Telecommunications Holdings N.V.	44.98%	811,757,869	44.98%	811,757,869
Public shareholders	5.52%	99,696,422	5.52%	99,696,422
	100%	1,804,860,000	100%	1,804,860,000

## Notes to the Consolidated Financial Statements Contd.

## 31 CASH GENERATED FROM OPERATIONS

Reconciliation of profit before tax to cash generated from operations:

	Group		Company	
	2011	2010	2011	2010
Profit before tax	6,535	5,961	4,807	3,969
Adjustments for:				
Depreciation (Note 14)	10,960	11,090	7,056	7,017
Grant received less Amortisation (Note 29)	(7)	(19)	(7)	(6)
Amortisation of intangible assets (Note 15)	494	399	222	227
Amortisation of financial prepayments (Note 15 a)	63	90	-	-
Provision/write off of bad and doubtful debts	938	1,345	624	1,076
Provision for falling value of inventories	(89)	379	(89)	379
Other impairments / (reversals)	-	-	211	-
Interest expense and finance costs (Note 9)	788	1,012	75	318
Interest income (Note 10)	(831)	(634)	(803)	(601)
Connection fees less amortisation	50	(28)	(556)	(291)
Foreign exchange loss/(gain)	(12)	6	(12)	6
Profit on sale of property, plant and equipment	(59)	(78)	(26)	(64)
Provision for insurance reserve net of interest income (Note 28)	35	47	35	47
Impairment of assets (Note 14)	276	14	267	14
Provision for Retirement benefit obligations (Note 27)	356	421	320	371
	19,497	20,005	12,124	12,462
Changes in working capital:				
- receivables and prepayments	169	(1,061)	(289)	(1,148)
- inventories	(371)	322	(218)	205
- payables	2,280	(2,610)	1,694	(262)
Cash generated from operations	21,575	16,656	13,311	11,257

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### 32 CAPITAL COMMITMENTS

The Group and the Company have purchase commitments in the ordinary course of business as at 31 December 2011 as follows:

	Group		Company	
	2011	2010	2011	2010
Property, plant and equipment				
- approved but not contracted	723	1,155	220	1,155
- approved and contracted	9,540	9,494	7,687	4,916
	10,263	10,649	7,907	6,071

#### Operating Lease commitments

The future minimum lease payments under operating leases are as follows:

	Group		Company	
	2011	2010	2011	2010
- not later than 1 year	143	102	143	102
- later than 1 year and not later than 5 years	150	165	150	165
	293	267	293	267

#### Other financial commitments

Except for any regular maintenance contracts entered into with third parties in the normal course of business, there are no other material financial commitments that requires separate disclosure.

### 33 CONTINGENCIES

(a) Global Electroteks Limited has initiated legal action under High Court Case No. 20/2006 claiming damages of USD 12 million from SLT PLC for unlawful disconnection of interconnection services. The Trial is proceeding.

(b) Directories Lanka (Private) Limited (DLPL) filed case No. 2/2006 (3) in Commercial High Court against SLT PLC claiming Rs 250 million, damages for purported unfair competition with regard to Artwork on the cover page of SLT Directory Publication.

Order delivered on 23 April .2010 dismissing the claim lodged by Directories Lanka (Private )Limited and DLPL had appealed against the order Appeal is pending.

(c) IPTV Case - Just In Time Holdings (Pvt.) Ltd (JIT) is claiming USD 4,738,846.57, as payments due to them from SLT under the contract. SLT has lodged a counterclaim of Rs. 437,970,137.00 Under its statements of Defense. Proceedings are concluded and order is due.

(d) Rates & Taxes -DSP/00111/08 , Application against the unreasonable increase of Assessment Tax of SLT Headquarters, to Rs. 8,452,500.00 per Quarter from the year 2006. Legal action filed by SLT against Colombo Municipal Council, against the arbitrary increase of assessment value of head quarters premises from 84 million to 96 million. The quarterly assessment tax increase from 2006 was Rs 7,350,000.00 to Rs 8,452,500.00. The case is proceeding.

**Notes to the Consolidated Financial Statements Contd.****33 CONTINGENCIES CONTD.**

- (e) WP/HCCA/COL/106/LA -Appeal made by Colombo Municipal Council against the stay order granted in favor of SLT precluding CMC levying the aforementioned Assessment taxes from SLT is pending in Court..
- (f) Case no. 4055/M in District Court Gampaha is filed for failure to reconnect the respective telephone facility. The trial is proceeding. Based on the opinion received from lawyers, it is of the view that estimation of outflow is not applicable.
- (g) A license fee amounting to Rs. 300 Mn, payable to TRC by Sky Networks(Private) Limited which has not been recognised , pending final negotiation with the TRC regarding license conditions.
- (h) Case no. 506/2011/MR filed by H/S Communication Limited against SLT PLC and SLT VisionCom (Private) Limited seeking stay order against airing of certain channels by SLT PLC amounting to Rs. 60 million.

The Company has provided guarantees on behalf of its Subsidiaries for following credit and trade finance facilities.

- (i) Facilities amounting to Rs 6,730 million (2010 - Rs 6,730 million) and USD 132.9 million (2010 - USD 86.53 million) for Mobitel (Private) Limited for the GSM rollout stage 2, 3, 4, 5 and 6.
- (ii) Facilities amounting to Rs 26 million (2010-Rs16 million) for Sri Lanka Telecom Services Limited to obtain facilities for working Capital requirement.
- (iii) Facilities amounting to Rs 112.8 million (2010- Rs 112.8 million) for Sky Network (Pvt ) Limited to facilitate WIMAX turnkey solution project.

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 2011.

In addition to the above referred cases, there are more issues in relation to claims by employees and third parties for damages. In the opinion of the Directors none of these actions are likely to result in a material liability to the Company and its subsidiaries.

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### 34 COMPARATIVES

The presentation and classification of following items in these financial statements are amended to ensure comparability with the current year.

	<b>Group</b>
	<b>2010</b>
As reported previously	
<b>Balance Sheet</b>	
Grants	91
Borrowings - Non current	5,380
Borrowings current	2,970
Trade & other payable	18,848
Deferred income - Current	1,937
<b>Current Presentation</b>	
<b>Balance Sheet</b>	
Grants	a 48
Borrowings-Non current	b 6,774
Borrowings -current	c 4,542
Trade & other payable	b & c 15,882
Deferred income	a 1,980

- (a) Telecommunication Development Charges(TDC) of Rs.43 million received in previous years by Mobitel (Private) Ltd., which was included in Grant in the previous year was recognized under deferred income in this year for a better Presentation of the Financial Statements.
- (b) Non-current portion of vendor financing of Mobitel (Private) Ltd Rs.1,394 Million included in Trade & Other payables in previous year was recognized under borrowing (non- current) in this year for a better Presentation of the financial statements.
- (c) Current portion of the above vendor financing of Mobitel (Private) Ltd Rs.1,572 Million included in trade & Other payables in previous year was recognized under borrowings (current) in this year for a better presentation of the financial statements.

## Notes to the Consolidated Financial Statements Contd.

**35 RELATED PARTY TRANSACTIONS**

35.1 The Company had following transactions with its subsidiaries during the year under review:

**(a) Mobitel (Private) Limited**

	Company	
	2011	2010
Sale of goods and services:		
Provision of E1 links	1,100	1,080
Leased Line	583	340
Interconnection charges	430	296
TDM, VOIP Platform and Transit	105	29
	2,218	1,745
Purchase of goods and services:		
Call charges on official mobile phone	35	27
Interconnection charges	518	269
Antenna tower space	423	444
	976	740

The Company has provided guarantees on behalf of Mobitel for following loans and obligations.

Facilities amounting to Rs 6,730 million (2010 - Rs 6,730 million) and USD 132.9 million (2010 - USD 86.53 million) for Mobitel (Private) Limited for the GSM rollout stage 2, 3, 4, 5 and 6.

	Company	
	2011	2010
<b>(b) SLT (Hong Kong) Limited</b>		
Sale of goods and services:		
- Calls terminated to SLT subscribers	162	54
- Calls terminated to subscribers of other domestic operators	107	318
- Leased circuits	17	53
	286	425
Purchase of goods and services:		
- Time Division Multiplexing Transit (TDM Transit)	41	982
- Leased circuits	25	74
	66	1,056
<b>(c) SLT Publications (Private) Limited</b>		
Sale of goods and services:		
Supply of services	3	4

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	Company	
	2011	2010
<b>(d) Sri Lanka Telecom (Services) Limited</b>		
Sale of goods and services:		
Supply of services	2	4
Purchase of goods and services:		
Purchase of maintenance services	99	82

The Company has provided guarantees on behalf of Sri Lanka Telecom (Services) Limited for following loans and obligations.

Facilities amounting to Rs 26 million (2010-Rs16 million) for Sri Lanka Telecom (Services) Limited to obtain facilities for working Capital requirements.

**(e) SLT Manpower Solutions (Private) Limited**

	Company	
	2011	2010
Sale of goods and services:		
Supply of services	1	4
Purchase of goods and services:		
Provision of manpower service	678	584

**(f) SLT VisionCom (Private) Limited**

Sale of goods and services:		
Supply of services	5	7
Purchase of goods and services:		
Service provisioning	136	115

**(g) Sky Network (Private) Limited**

Sale of goods and services:		
Supply of services	8	36
Purchase of goods and services:		
Service provisioning	1	-

The Company has provided guarantees on behalf of Sky Network (Private ) Limited for following loans and obligations.

Facilities amounting to Rs 112.8 million (2010- Rs 112.8 million) for Sky Network (Pvt ) Limited to facilitate WIMAX turnkey solution project.

## Notes to the Consolidated Financial Statements Contd.

### 35 RELATED PARTY TRANSACTIONS CONTD.

35.1 The Company had following transactions with its subsidiaries during the year under review:

(h) Fees for secondment of personnel and services provided to / by SLT PLC

	Company	
	2011	2010
SLT Publications (Private) Limited	36	36
SLT Manpower Solutions (Private) Limited	6	5
SLT VisionCom (Private) Limited	10	27
Sky Network (Private) Limited	16	15
	68	83

### 35.2 Related party relationships

SLT Group Directors and their directorships in other companies where transactions were carried out with SLT and disclosed in Note 35.1 and 35.3.

Director	Company	Relationship
Mr. Nimal Welgama	Mobitel (Pvt) Limited	Chairman/Director
	Sri Lanka Telecom(Services) Limited	Chairman/Director
	SLT Publications (Private) Limited	Chairman/Director
	SLT Manpower Solutions (Private) Limited	Chairman/Director
	SLT VisionCom (Private) Limited	Chairman/Director
	Sky Network (Private) Limited	Chairman/Director
	SLT Hong Kong Limited	Chairman/Director
	Upali Group of Companies	CEO
	Monetary Board of the Central Bank of Sri Lanka	Member
Mr. Sandip Das	Mobitel (Pvt) Limited	Director
	Maxis Communications Berhad	Director
	Maxis Berhad, Malaysia	Director/CEO
	Dishnet Wireless Limited	Director
	Aircel Ltd	Director
	Aircel Cellular Ltd	Director
Mr. Chan Chee Beng	Mobitel (Pvt) Limited	Director
	Maxis Communications Berhad	Director
	Maxis Berhad, Malaysia	Director
	Dishnet Wireless Limited	Director
	Aircel Ltd	Director
Mr. Jeffrey Jay Blatt	SLT VisionCom (Private) Limited	Director
	SLT Hong Kong Limited	Director
Mr. Shameendra Rajapaksa	SLT Publications (Private) Limited	Director
	SLT Hong Kong Limited	Director
	Sri Lankan Airlines Limited	Director



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Director	Company	Relationship
Mr. Jayantha Dharmadasa	SLT VisionCom (Private) Limited	Director
	SLT Manpower Solutions (Private) Limited	Director
	Nawaloka Hospitals PLC	Deputy Chairman / CEO
	Nawaloka Group of company	Chairman / Director
	Nawakrama (Pvt) Ltd	Chairman
Mr. Kalinga Indatissa	SLT Manpower Solutions (Private) Limited	Director
	Interim Committee of the	
	Sri Lanka Cricket Board	Member
	Sri Lanka Foundation Institute	Director
	Employee Trust Fund Board	Director
Mr. Dayananda Widanagamachchi	Ministry of Finance & Planning	Deputy Secretary to the Treasury
Mr. Lawrence Paratz	Mobitel (Pvt) Limited	Director
	Sky Network (Private) Limited	Director
	Maxis Communication Berhad	Director

## 35.3 Transactions with other related parties

## (a) Maxis Communications Berhad and its subsidiaries

	Group		Company	
	2011	2010	2011	2010
Sale of goods and services:				
Sale of SEA-ME-WE 3 Cable capacity	9	15	9	15
International incoming traffic	89	558	71	558
	98	573	80	573
Purchase of goods and services:				
International outgoing traffic	49	136	47	136

## (b) Upali Group of Companies

## (Appointed as Chairman/Director from 20 May 2010)

Sale of goods and services:				
Providing Voice & Data services	10	6	10	6
Purchase of goods and services:				
Advertising and promotions	35	22	1	2

## Notes to the Consolidated Financial Statements Contd.

## 35 RELATED PARTY TRANSACTIONS CONTD.

## 35.3 Transactions with other related parties

(c) *Nawaloka Group*

(Appointed as a Director from 26 May 2010)

	Group		Company	
	2011	2010	2011	2010
Sale of goods and services:				
Providing Voice & Data services	4	1	4	1
Purchase of goods and services:				
Medical services	21	11	21	11

(d) *Sri Lankan Airlines Limited*

Sale of goods and services:

Providing Voice , Data &amp; infrastructure services

2011	2010	2011	2010
16	21	16	21

(e) *Sri Lanka Cricket*

Purchase of goods and services:

Cricket Team and umpire sponsorship

2011	2010	2011	2010
142	132	-	-

(f) *Outstanding balances arising from sale / purchase of services*

	Company	
	2011	2010
Receivable from subsidiaries:		
Mobitel (Private) Limited	2,882	2,373
SLT (Hong Kong) Limited	83	2
SLT Publications (Private) Limited	124	80
SLT Manpower Solutions (Private) Limited	91	53
SLT VisionCom (Private) Limited	53	225
Sri Lanka Telecom (Services) Limited	15	11
Sky Network (Private) Limited	112	58
	3,360	2,802

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**(g) Outstanding balances arising from sale / purchase of services (Contd)**

	Company	
	2011	2010
Payable to subsidiaries:		
Mobitel (Private) Limited	2,167	1,766
SLT (Hong Kong) Limited	9	82
SLT Manpower Solutions (Private) Limited	125	61
Sri Lanka Telecom (Services) Limited	38	27
Sky Network (Private) Limited	1	-
	2,340	1,936

**(h) Outstanding balances arising from sale / purchase of services**

	Group		Company	
	2011	2010	2011	2010
Receivable from related companies:				
Maxis Communications Berhad and its subsidiaries	25	161	23	161
Receivable from related companies:				
Upali Group of Companies	-	2	-	2
Nawaloka Group	-	-	-	-
Sri Lankan Airlines Limited	13	5	13	5
Sri Lanka Cricket	-	-	-	-
	38	168	36	168
Payable to related company:				
Maxis Communications Berhad and its subsidiaries	8	9	7	9

- (i) The significant shareholders of the Company are the Secretary to the Treasury (49.5%) and Global Telecommunication Holdings NV of Netherlands (44.98%).

**35.4 Transactions with key management personnel**

Key Management Personnel comprise the directors and Chief Officers of the Company and the Group.

	Group		Company	
	2011	2010	2011	2010
Short term benefits	208	175	163	127
Post employment benefits	28	31	19	18
Salaries and other benefits	236	206	182	145

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.

## Notes to the Consolidated Financial Statements Contd.

### 35 RELATED PARTY TRANSACTIONS CONTD.

#### 35.4 Transactions with key management personnel

All transactions during the year and balances as at the balance sheet date between the following companies have been eliminated in preparing the consolidated financial statements.

Mobitel (Private) Limited  
Sri Lanka Telecom (Services) Limited  
SLT (Hong Kong) Limited  
SLT Publications (Private) Limited  
SLT Manpower Solutions (Private) Limited  
SLT VisionCom (Private) Limited  
Sky Network (Private) Limited

Related party transactions disclosed above should be read in conjunction with Notes 16 and 35 to the financial statements.

### 36 GROUP REPORTING DATES

The annual financial statements of the subsidiaries, Sri Lanka Telecom (Services) Limited, SLT (Hong Kong) Limited, SLT Publications (Private) Limited, Mobitel (Private) Limited, SLT Manpower Solutions (Private) Limited, SLT VisionCom (Private) Limited and Sky Network (Private) Limited are prepared at 31 December each year.

### 37 POST BALANCE SHEET EVENTS

No events have arisen since the balance sheet date which would require adjustments to, or disclosure in, these consolidated financial statements, except following;

#### Depreciation of Sri Lankan Rupee against United States Dollar

Sri Lankan rupee which is the presentation currency for these Financial Statements materially depreciated against United States Dollar after the Balance Sheet date. Due to the above, unrealised loss on foreign exchange fluctuation for the Group is Rs. 726 million, as at 17 February 2012.

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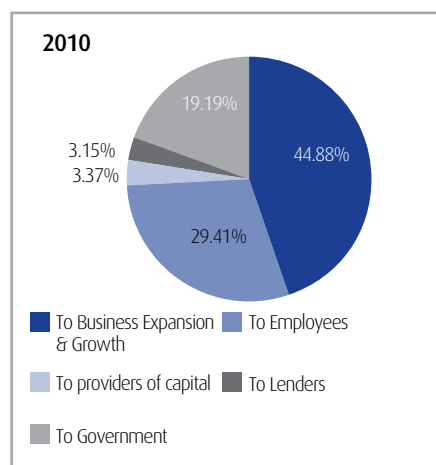
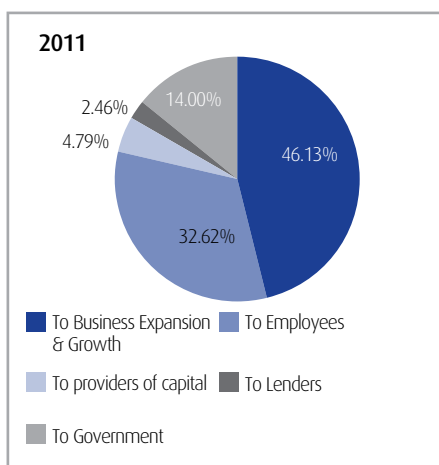
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## Ten Year Progress -Group

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Financial Position - (Group)</b>										
Property Plant & Equipment	67,936	61,258	65,896	57,073	53,881	54,202	56,151	54,360	55,763	56,722
Total Assets	96,803	87,030	90,220	93,199	85,372	84,042	81,520	78,872	72,373	74,765
Current Assets	23,771	21,238	19,764	32,389	28,609	27,292	23,843	22,144	14,626	15,963
Current Liabilities	23,930	22,691	27,403	32,819	16,830	16,370	13,892	11,378	12,440	12,048
Borrowings	14,554	11,316	13,351	21,716	19,285	20,785	22,840	25,370	21,081	25,926
Equity	53,590	49,849	46,311	47,525	41,900	37,866	33,793	31,064	30,600	29,024
<b>Performance</b>										
Revenue	50,950	50,250	48,077	47,044	43,234	40,691	32,515	29,516	25,553	25,383
Operating Profit	5,645	5,144	2,547	7,809	9,176	9,895	6,087	3,275	5,678	7,953
Finance Cost	788	1,012	2,024	2,130	2,232	1,884	2,085	2,252	2,863	3,377
Earnings before Tax	6,535	5,961	1,395	9,560	8,399	9,227	4,812	1,441	3,242	5,207
Taxation	1,754	2,018	617	2,193	2,759	3,789	1,719	148	993	2,522
Earnings after Tax	4,781	3,943	778	7,367	5,640	5,438	3,093	1,293	2,249	2,685
<b>Cash Flow</b>										
Net Operating Cash Flows	20,502	15,260	18,213	16,214	15,090	13,435	17,200	10,402	11,429	13,458
Net Cash used in Investing Activities	19,049	7,975	7,238	15,288	10,073	9,197	10,686	7,611	7,278	3,722
Net Cash used in /(from) Financing Activities	(1,542)	3,965	11,408	526	2,555	5,093	2,571	(3,314)	5,525	7,552
<b>Key Financial Indicators</b>										
Earnings per Share (Rs.)	2.65	2.18	0.44	4.08	3.12	3.01	1.70	0.70	1.25	1.49
Return on Assets (%)	5.83	5.91	2.82	8.38	10.75	11.77	7.50	4.20	7.8	10.6
Return on Equity (%)	8.92	7.91	1.68	15.50	13.46	14.36	9.20	4.20	7.3	9.3
Operating Margin (%)	11.08	10.24	5.30	16.60	21.22	24.32	18.70	11.10	22.2	31.3
Asset Turnover (No. of times)	0.53	0.58	0.53	0.50	0.51	0.48	0.40	0.37	0.35	0.34
Current Ratio (No. of times C.L.)	0.99	0.94	0.72	0.99	1.70	1.67	1.72	1.95	1.18	1.32
Quick Asset Ratio (No. of times C.L.)	0.92	0.88	0.65	0.91	1.61	1.58	1.66	1.83	1.12	1.27
Gearing Ratio (Debt to Rs. 1/- of Equity)	0.21	0.19	0.22	0.31	0.32	0.35	0.40	0.45	0.41	0.47
Interest Cover (No. of times Interest)	9.29	6.89	1.69	5.49	4.76	5.90	4.35	1.70	2.27	2.85

## Value Added Statement

	2011		2010	
Revenue	50,950		50,250	
Other Income	1,678		2,018	
	52,628		52,268	
Goods & Services purchased from other sources	(20,623)		(20,098)	
<b>Value creation</b>	<b>32,005</b>		<b>32,170</b>	
<b>Distribution of Value Added</b>				
To Employees				
- Salaries ,wages, & other benefits	10,439	32.62%	9,461	29.41%
To providers of capital				
- Dividend to share holders	1,534	4.79%	1,083	3.37%
To Government				
- Taxes & Regulatory fees	4,480	14.00%	6,175	19.19%
To Lenders				
- Interest & Related charges	788	2.46%	1,012	3.15%
To Business Expansion & Growth				
- Depreciation	11,517	35.99%	11,579	35.99%
- Retained Income	3,247	10.14%	2,860	8.89%
	32,005	100.00%	32,170	100%



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## Portfolio of Lands

Valuation of lands transferred on incorporation (conversion of SLT into a public limited company in 1996) and lands acquired after the incorporation, are based on valuation reports submitted by a firm of incorporated valuers. These lands and respective values are as follows:

LOCATION	EXTENT (HECTARE)	VALUE OF LAND (LKR Mn)
No.108 & 109, Walawwaththa Rd, Anuradhapura	0.2434	24
Maithreepala Senanayake Mw, Anuradhapura	0.1125	56
Maithreepala Senanayake Mawatha, Anuradhapura	0.3355	166
Galkandehena, Kekirawa	0.1310	12
14, Nivanthaka Chethiya Road, Anuradhapura	0.0466	4
Mannar Rd, Medawachchiya	0.3315	5
Medawachchiya Road, Medawachchiya	0.1468	2
Nochchiyagama Idama, Nochchiyagama	0.1800	9
Behind the Mosque, Maithripala Senanayake Mw, Anuradhapura	0.1769	24
Nivanthaka Chethiya Road, Anuradhapura	0.0971	12
Galkantha Mawatha, Ampara	0.7657	91
Ratnapura Road, Eheliyagoda	0.0802	14
Station Road, Batticaloa	0.4383	61
Lower King's Street, Badulla	0.4020	48
Batticaloa Road, Bibile	0.0890	9
Lower King's Street, Badulla	0.0340	4
Ridikotaliyagama, Mahiyangana	0.0790	5
Circuit Bangalow, Namunukula	0.2100	10
Senanayake Mw, Bandarawela	0.0705	11
Anduwakelepathana, Haputale	0.4080	32
06, Senanayake Mw, Bandarawela	0.2380	56
8, Wakwella Road, Galle	0.1697	50
Court Road, Gampaha	0.1523	54
Lotus Road, Colombo 1	1.3154	2600
Dickmans Road, Colombo 05	0.3360	291
No. 5, Anderson Road, Colombo 05	0.1889	299
No. 7, Anderson Road, Colombo 05	0.1363	216
No. 9, Anderson Road, Colombo 05	0.1949	308
No. 17, Sugathodaya Mawatha, Colombo 02	0.2190	346
Main Street, Kalutara	0.3035	108
Primrose Hill, Kandy	0.0534	4
Prince Street, Kandy	0.2251	89
Punchi Borella, Maradana	0.2625	212
Base Line Rd, Welikada	3.0880	1099
Tangalle Road, Matara	0.2880	148
Satellite Earth Station, Padukka	13.8960	165
Nalandarama Road, Nugegoda	0.1970	156
High Level Rd, Nugegoda	0.1170	116
Polhengoda Road, Narahenpita	0.3030	240

LOCATION	EXTENT (HECTARE)	VALUE OF LAND (LKR Mn)
Pottoda, Katunayaka	0.3039	12
Thimbirigaskatuwa, Pottode, Negombo	0.6037	24
Thimbirigaskatuwa, Pottode, Negombo	1.7160	68
St. Joseph's Street, Negombo	0.6787	191
Queen Elizabeth Drive, Nuwara Eliya	0.2354	93
Main Street, Panadura	0.2542	126
Bandaragama	0.2803	55
Anguruwatta Road, Horana	0.2177	52
Sri Gunarathena Mw, Panadura	0.2952	47
Hotel Rd, Mount Lavinia	0.1913	95
Air Port Junction, Ratmalana	0.2076	62
Main Street, Rathnapura	0.3645	86
Old Negombo Rd, Ja-Ela	0.0870	43
Minuwangoda Rd, Kotugoda	8.0937	440
Ragama Road, Ragama	0.2048	40
Negombo Rd, Welisara	2.2280	484
Old Negombo Rd, Wattala	0.1012	80
Aliyamalagala, Anuradhapura.	0.2027	2
Post Office Rd, Eppawela.	0.0914	3
Kuda Galnewa Rd, Galnewa.	0.1453	1
Police Station Rd, Horowapothana.	0.4180	2
Kahatagasdigiya, Anuradhapura.	0.0993	1
Padaviya Rd, Kebithigollewa	0.2628	8
Anuradhapura, Kurunagala Rd, Thambuttegama.	0.0860	7
Hospital Rd, Inginiyagala	0.0470	1
Badulla Rd, Padiyatalawa.	0.1020	2
Panama Rd, Pottuvil.	0.2570	15
No.63,Cemetery Rd,Veedukkadu, Batticaloa.	0.1019	5
Ketawala Rd, Hali ela	0.0940	22
Ella Rd, Namunukula.	0.1485	9
Dammeria Estate Rd, Passara.	0.2460	17
Poonagala Rd, Balagala.	0.1264	5
Railway Station Rd, Ella	0.0330	4
Haputalegama Rd, Diyathalawa.	0.0226	6
Wellawaya Rd, Koslanda.	0.0440	3
Ettampitiya Rd, Pattiyagedara.	0.1568	6
Wellawaya Rd, Monaragala.	0.3160	41
Vishaka Hill, Bandarawela.	0.0958	11
Divitotawela, Welimada.	0.1112	11
Ella Rd, Wellawaya.	0.1300	10

## Portfolio of Lands Contd.

LOCATION	EXTENT (HECTARE)	VALUE OF LAND (LKR Mn)
Kurunegala Rd,mukalanhena Village	0.3190	9
Old Town-Madampe Rd, Ihalagama Village.	0.1048	12
Marawila-Nattandiya Rd, Ihalagama Village.	0.0507	5
Puttalam.	0.3054	42
Galle Main Street, Baddegama	0.1340	8
Galle Rd, Elpitiya.	0.1460	6
Galle Rd, Gintota.	0.0513	5
Galle Rd, habaraduwa	0.0796	8
Akurassa Rd, Imaduwa.	0.2150	4
Galle Rd, Kosgoda.	0.0920	6
Galle Rd, Nagoda.	0.1230	1
Church Street, Galle.	0.2520	50
Donald Janz Rd, galle.	0.0510	5
Makumbura Rd, Udugama.	0.1391	3
Dunaly Estate, Galaha.	0.1253	2
Gonahena, Nawalapitiya.	0.2782	22
No.6, Galaha Rd, Peradeniya.	0.1089	28
Pussellewa Exchange, Nuwara Eliya Road.	0.2155	9
Udawalagedara Watta, Gampola.	0.0285	6
Nittambuwa Rd, Kirindiwela.	0.2129	17
Naligama Rd, Mirigama.	0.1874	15
Kandy Rd, Pasyala.	0.0534	4
Negombo Rd, Veyangoda.	0.0889	7
New Kandy Rd, Waliveriya.	0.0438	7
Rideeyagama Rd, Ambalanthota.	0.1720	3
No. 66, Barrak Street, Hambantota.	0.1920	7
No. 6, Tower Hill Raod, Hambantota.	0.2150	11
Kotuwegoda Rd, Tangalle.	0.1960	31
Tissamaharama Rd, Tissamaharama.	0.0820	5
Beliatta Rd, Walasmulla.	0.0803	8
Kotabo Rd, Weeraketiya.	0.1700	10
Danbar Road, Hatton	0.8306	41
Pundalaoya.	0.2620	2
Talawakelle.	0.1813	9
Debathgama Rd, Gevilipitiya.	0.1200	1
Kandy Rd, Ballapana.	0.1031	4
Bulathkohupitiya Rd, Kegalle.	1.4515	244
Kegalle Rd, Ampe North, Kotiyakumbura.	0.1012	6
Aranayaka Rd, Mawanella.	0.0910	6
Nawa Rohala Rd, Warakapola.	0.0867	6
Alawwa Giriulla Rd, Alawwa.	0.0760	3
No.67, Gettuwana, Kurunegala.	0.2730	27
No. 116/53, Tank Circular Rd, Kurunegala.	0.2060	24

LOCATION	EXTENT (HECTARE)	VALUE OF LAND (LKR Mn)
Galgamuwa Ehetuwewa Rd, Arsonwewa.	0.1580	2
Pannala Kurunegala Rd, Pahala Narangamuwa.	0.1010	1
Hettipola Rd, Dolahamuna.	0.0980	5
No.07, Gattuwana Circular Rd, Gettuwana, Kurunegala.	0.1210	12
Madampe Narammala Rd, Kuliypitiya.	0.2298	45
No.139, Kandy Road, Kurunegala.	0.9200	164
Wariyapola Rd, Narammala.	0.0970	5
Anuradapura Rd, Nikadalupotha.	0.1180	1
Puttalam Rd, Nikaweratiya.	0.0850	4
Negombo Rd, Pannala.	0.0940	3
Polgahawela Kegalle Rd, Galaboda, Polgahawela.	0.1998	8
Wriyapola Ganewatta Rd, Wariyapola.	0.1077	4
Kalmunai Rd, Akkaraipattu	0.2050	49
Yard Rd, Kalmunai.	1.2250	170
Telecom Rd, Paiyagala North.	0.0253	3
Mangala Rd, Beruwala.	0.2100	21
Telecom Rd, Palligoda, Matugama.	0.0597	8
Telecom Rd, Pahala Welgama, Bulathsinghala.	0.1934	1
Telecom Rd, Meegahatenna.	0.2618	2
Digana	0.1986	8
Galagedara Exchange, Rambukkana Road.	0.1386	5
Kadugannawa Exchange, Kandy Road.	0.0356	3
Primrose hill, Kandy.	0.1233	2
Rikillagaskada	0.1300	4
Station Rd, Mannar.	0.3238	10
Akuressa	0.0711	14
Matugoba, Kotapola	0.1770	2
Dickwella	0.1554	2
Beruwewela, Hakmana.	0.1260	6
Kamburupitiya	0.0890	7
Godauda, Dickwella.	0.1036	4
Ihala Ganagama, Malimbada	0.0690	7
Urubokka	0.1290	4
Pelena, Weligama	0.1069	15
Matale Rd, Dambulla.	0.4150	25
Naula	0.3050	6
No.1/3, King Street, Matale	0.3342	66
Akuramboda Watta, Pallepola	0.0970	3
Exchange Building, Badalgama.	0.0303	1
Negombo-Mirigama Rd, Kelepitimulla Village	0.1710	6
St.Christopher Lane, Kochchikade	0.0410	5
Wennappuwa-Lunuwila Rd, Wennappuwa.	0.0900	5



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LOCATION	EXTENT (HECTARE)	VALUE OF LAND (LKR Mn)
Police Station Rd, Ragala.	0.0791	10
Gonakele-Maturata.	0.1670	5
Gampola Rd, Thawalantenna.	0.0982	12
Welimada Rd, Udupussellawa.	0.0906	4
Ragala Rd, Wathumulla.	0.0770	3
Telecom Rd, Urugala- Ingiriya.	0.2800	28
Batticaloa Rd, Pollonnaruwa.	0.3129	9
New Town, Ratnapura.	0.0632	5
Ebilipitiya Pelmadulla Rd, Kahawatta.	0.0250	1
Kalawana Weddagala Rd, Obokka.	0.2060	2
Ratnapura Rd, Kiriella.	0.0875	2
Ratnapura Rd, Kolonna.	0.3320	3
Kuruwita Udakada Rd, Delgamuwa, Kuruwita	0.0653	2
New Town, Ratnapura.	0.0531	4
Nivitigala Kahawatta Rd, Nivitigala	0.2830	3
Pelmadulla Kuttapitiya Rd, Pelmadulla.	0.0950	5
Rakwana Godakawela Rd, Rakwana.	0.2035	2
Batticaloa Rd, China Bay.	0.0678	4
Lane Off Inner Harbour Rd, Trincomalee.	0.3294	65
Post Office Rd, Kantalai.	0.1244	9
Mannar Rd, Vavuniya.	0.3060	33
Station Rd, Vavuniya.	0.1500	18
Saviapragasa Vidyasalai Veethy Rd, Vavuniya.	0.4047	40
Eramadu Rd, Pulmoddai.	0.3103	5
Nilaveli Rd, Nilaveli.	0.0581	2
Temple Rd, Mutur	0.2838	8
Pulmoddai Rd, Kuchchaveli.	0.0690	1
Periyathumunai Rd, Kinniya.	0.1080	7
Off Main Street, Hingurakgoda	0.0583	4
Main Street Valachchenai.	0.2036	6
Trinco Rd, Eravur	0.0925	13
Kandapola.	0.0894	7
Badalgama-Mahaoya Rd, Badalgama	0.0984	4
Digana, Ahaspokuna.	0.3560	4
Balungala Watta.	0.2317	1
Telicom Boad Pahala - Nebeda	0.1032	1
Telicom Boad Agalawatta	0.0080	1
Ibbagamuwa Keppetipola Rd, Rideegama.	0.2530	3
Bulathkohupitiya Rd, Moradana Pahala	0.0969	1
Watawala	0.1210	4
Watagoda	0.1850	2
Upcot	0.1495	1
Maskeliya	0.1046	2

LOCATION	EXTENT (HECTARE)	VALUE OF LAND (LKR Mn)
Ginigathhena Land, Kurundugolla	0.1310	2
Killarney Estate Rd, Bogawantalawa.	0.1247	3
Mavihena Rd, Kandalama	0.1555	2
Pathirajakanda Estate Rd, Pathirajakanda.	0.1010	1
Galle Rd, Ambalangoda.	0.7900	15
Chilaw- Puttalam Rd, Rajakadalawa.	0.1490	6
Chilaw-Puttalam Rd, Kuruwikulam	0.2023	3
Poonagala Estate Ampitikanda	0.1920	5
Haldumulla	0.0990	2
Beddegama Namunukula	0.1373	3
Madolsima	0.3870	15
Batticaloa Rd, Lunugala	0.1346	13
Mahakele Rd, Kandaketiya	0.0253	2
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, Malambe	0.0248	3
Madiwela, Kotte	0.0278	4
Kongahawatta, Talawathugoda, Kotte	0.0278	4
Battaramulla, Kotte	0.0185	6
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
Heiyanduwa, Biyagama	0.0506	7
Hettiyaovita, Biyagama	0.0374	5
Walawwewatta, Delgoda	0.0320	3
Ketakelegahawatta, Ranmuthugala, Kadawatha	0.0329	5
Ihala Karagahamuna, Kadawatha	0.0430	3
Puwakgahalanda, Siyambalape	0.0202	2
Mawaramandiya Road, Makola North	0.0192	2
Pitipana North, Homagama	0.0253	2
Panagoda, Homagama	0.0253	3
Mattegoda, Nugegoda	0.1265	36
320/2, Old Kottawa Road, Embuldeniya, Nugegoda	0.0234	7
Gangodawila, Nugegoda	0.0186	7
Sudharshi Mawatha, Kalubowila	0.0241	10
No.67, Mahinda Place, Kirulapane	0.0244	24
Delgahalanda, Ihala Bope, Padukka	0.0266	1
Rukmalgama, Maharagama	0.0817	8

**Portfolio of Lands Contd.**

LOCATION	EXTENT (HECTARE)	VALUE OF LAND (LKR Mn)
Srimathi Rd, Keselwatta, Panadura	0.0632	15
St Anthony Road, Moratumulla, Moratuwa	0.0276	4
3A, Rawatawatte Road, Moratuwa	0.0202	4
Millagahakanatta, Molpe, Rathmalana	0.0257	3
Kahatagahalanda Estate, Makandana, Ratmalana	0.0177	2
Gorakagahawatta, Wethara	0.0253	2
Batakeththara, Piliyandala	0.0253	4
Bokundara, Piliyandala	0.0316	4
Godaparagahalanda, Honnanthara, Piliyandala	0.0519	5
Kandawala Estate, Borupana, Ratmalana	0.0190	4
Madangahawatta, Laxapathiya, Moratuwa	0.0253	4
Keerakotuwa, Nawanuge Road, Peliyagoda	1.6432	325
Awissawella, Ratnapura Rd, Welikanna.	0.1623	3
Kotawera Pallegama, Welimada.	0.0526	2
Puttalam Rd, Chilaw.	0.2708	54
Kiribathkumbura, Pilimathalawa	0.5805	11
No.47/1A, Church Road, Mattakkuliya	0.0303	15
Nawalapitiya Rd, Ginigathena.	0.1420	3
Alpitiya Rd, Alpitiya.	0.1789	2
Dambulla Rd, Ibbagamuwa.	0.1011	2
Telecom Rd, Dodangoda.	0.1510	9
Namadagala Village, Medamahanuwara	0.1247	1
Pallekele-Kundasale	0.0899	9
Pugoda Rd, Giridara, Dompe	0.0050	1
Mandawala Rd, Owitigama Pugoda.	0.0253	2
Ukuwela, Matale.	0.0506	1
Magamma, Homagam.	0.0151	1
Telecom Rd, Mahaaruggoda.	0.0759	4
Kudugalla Rd, Wattedagama.	0.1511	7
No.27, Station Rd, Batticaloa	0.0585	9
<b>Total</b>		<b>11,968</b>

## THE FUTURE CALLS

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 Management Reviews

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 Management Profiles

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 Management & Financial Reviews

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 Governance

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 Sustainability

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**Financial Information**

### Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the FIFTEENTH ANNUAL GENERAL MEETING of Sri Lanka Telecom PLC will be held in 29th March 2012 at 10.00 am at the Kings' Court, Cinnamon Lakeside Colombo, No.115, Sir Chittampalam A Gardiner Mawatha, Colombo 2 for the purpose of conducting the following ordinary business:

#### AGENDA

- 1 To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and Statement of Accounts for the year ended 31 December 2011 with the Report of the Auditors thereon.
- 2 To declare a first and final dividend of Eighty Five Cents (85 Cents) per share as recommended by the Directors.
- 3 To re-elect as a Director, Mr. Chan Chee Beng, who retires by rotation in terms of Articles 91 and 92 of the Articles of Association.
- 4 To re-elect as a Director, Mr. Jeffrey Jay Blatt, who retires by rotation in terms of Articles 91 and 92 of the Articles of Association.
- 5 To re-elect as a Director, Mr. Jayantha Dharmadasa, who retires by rotation in terms of Article 91 and 92 of the Articles of Association
- 6 To re-appoint Messrs, KPMG Ford Rhodes, Thornton & Co., Chartered Accountants as Auditors for the ensuing year and to authorize the Directors to determine their remuneration:

- 7 To authorise the Directors to determine and make donations to charities.
- 8 To transact any other business of which due notice has been given.

BY ORDER OF THE BOARD  
SRI LANKA TELECOM PLC



P W Corporate Secretarial (Pvt) Ltd  
SECRETARIES

Colombo, Sri Lanka  
17th February 2012

#### 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.

## Abbreviations

<b>4G</b> Fourth Generation	<b>IGW</b> International Gateway	<b>PSTN</b> Public Switched Telephone Network
<b>ACC</b> Association of Cable Communicators	<b>IMEWE</b> India - Middle East - Western Europe	<b>PTC</b> Pacific Telecommunications Council
<b>ADSL</b> Asymmetric Digital Subscriber Line	<b>IMS</b> IP Multimedia Subsystem	<b>RWT</b> Right When Tested
<b>ASPI</b> All Share Price Index	<b>IMT-2000</b> International Mobile Telecommunications-2000	<b>SAFA</b> South Asian Federation of Accountants
<b>BSNL</b> Bharat Sanchar Nigam Limited	<b>IP</b> Internet Protocol	<b>SBN</b> SLT Backbone Network
<b>CDMA</b> Code Division Multiple Access	<b>IP-VPN</b> Internet Protocol Virtual Private Network	<b>SDH</b> Synchronous Digital Hierarchy
<b>CLI</b> Caller Line Identification	<b>IPTV</b> Internet Protocol Television	<b>SDM</b> Space Division Multiplex
<b>DEL</b> Direct Exchange Line	<b>ITW</b> International Telecoms Week	<b>SEA ME WE</b> South East Asia-Middle East-West Europe
<b>E1</b> E – Carrier System level 1	<b>KPI</b> Key Performance Indicator	<b>SKA</b> Sender Keeps All
<b>EBITDA</b> Earnings Before Interest, Taxes, Depreciation and Amortisation	<b>LEARN</b> Lanka Education And Research Network	<b>SLIM</b> Sri Lanka Institute of Marketing
<b>EIG</b> Europe - India Gateway	<b>LTE</b> Long Term Evolution	<b>SMS</b> Short Message Service
<b>EFTNS</b> External Fixed Telecommunications Network Services	<b>Mbps</b> Megabits per second	<b>STM-1</b> Synchronous Transport Module level-1
<b>EPF</b> Employee Provident Fund	<b>MEN</b> Metro Ethernet Network	<b>TRCSL</b> Telecommunication Regulatory Commission of Sri Lanka
<b>ETF</b> Employee Trust Fund	<b>MPEG</b> Moving Picture Experts Group	<b>VoD</b> Video on Demand
<b>FCR</b> Fault Clearance Rate	<b>MPLS</b> Multiprotocol Label Switching	<b>VoIP</b> Voice over Internet Protocol
<b>FTTN</b> Fiber-To-The-Node	<b>MSAN</b> Multi-Service Access Node	<b>VPN</b> Virtual Private Network
<b>Gbps</b> Gigabits per second	<b>NBN</b> National Backbone Network	<b>WAP</b> Wireless Access Protocol
<b>GDP</b> Gross Domestic Product	<b>NGN</b> Next Generation Network	<b>WiMAX</b> Worldwide Interoperability for Microwave Access
<b>GTH</b> Global Telecommunications Holdings	<b>NTT</b> Nippon Telegraph and Telephone Communications	
<b>HDTV</b> High Definition Television	<b>OIC</b> Officer in Charge	
<b>ICASL</b> Institute of Chartered Accountants of Sri Lanka	<b>OSS</b> Operational Support System	
<b>ICT</b> Information and Communication Technologies	<b>Peo TV</b> Personalised Entertainment Option Television	
<b>ICTA</b> Information and Communication Technology Agency of Sri Lanka	<b>PNETS</b> Public Non Exclusive Telecommunication Services	
<b>IDD</b> International Direct Dialling	<b>PoP</b> Point of Presence	

## THE FUTURE CALLS

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## Form of Proxy

I/We ..... (holder of NIC No .....

of .....

being a member/members of Sri Lanka Telecom PLC hereby appoint .....

.....(holder of NIC No) .....

of.....whom failing\*

Mr. Nimal Welgama	whom failing*
Mr. Sandip Das	whom failing*
Mr. Chan Chee Beng	whom failing*
Mr. Jeffrey Jay Blatt	whom failing*
Mr. Jayantha Dharmadasa	whom failing*
Mr. Shameendra Rajapaksa	whom failing*
Mr. Kalinga Indatissa	whom failing*
Mr. Lawrence Michael Paratz	whom failing*
Mr. Dayananda Widanagamachi	

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 15th Annual General Meeting of the Company, to be held on 29th March 2012 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 2011 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2	To declare a first and final dividend of Eighty Five Cents (85 Cents) per share as recommended by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
3	To re-elect as a Director, Mr. Chan Chee Beng, who retires by rotation in terms of Articles 91 and 92 of the Articles of Association.	<input type="checkbox"/>	<input type="checkbox"/>
4	To re-elect as a Director, Mr. Jeffrey Jay Blatt, who retires by rotation in terms of Article 91 and 92 of the Articles of Association.	<input type="checkbox"/>	<input type="checkbox"/>
5	To re-elect as a Director, Mr. Jayantha Dharmadasa, who retires by rotation in terms of Article 91 and 92 of the Articles of Association.	<input type="checkbox"/>	<input type="checkbox"/>
6	To re-appoint Messrs, KPMG Ford Rhodes, Thornton & Co., Chartered Accountants as Auditors for the ensuing year and to authorize the Directors to determine their remuneration	<input type="checkbox"/>	<input type="checkbox"/>
7	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 March Two Thousand and Twelve.

.....  
Signature

\*Please delete what is inapplicable.

Note : Instruction as to completion appear overleaf.

**Form of Proxy Contd.****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 with the company secretary 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 or Government Owned Business Undertakings into Public Limited Companies Act No.23 of 1987 and quoted on the Colombo Stock Exchange in January 2003.

### Company Re 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

Nimal Welgama – Chairman  
Sandip Das  
Chan Chee Beng  
Jeffrey Jay Blatt  
Jayantha Dharmadasa  
Shameendra Rajapaksa  
Kalinga Indatissa  
Lawrence Michael Paratz  
Dayananda Widanagamachchi

### Auditors

KPMG Ford Rhodes, Thornton & Co., (Chartered Accountants),  
No. 32, Sir Mohamed Macan Makar Mw, Colombo 03.

### Company Secretary

P W Corporate Secretarial (Pvt) Ltd

### Credit Rating

#### *Fitch Rating Lanka*

Domestic Rating: AAA (Sri)

Long Term Local Currency and Foreign Currency Rating: BB-

#### *Standard & Poor's*

Foreign Currency Rating: B+

Local Currency: BB-

### Bankers

Bank of Ceylon  
People's Bank  
Commercial Bank of Ceylon PLC  
HSBC Bank  
Hatton National Bank PLC  
Sampath Bank  
Standard Chartered Bank  
Seylan Bank  
Citibank N.A.  
Nation Trust Bank  
NDB Bank  
Deutsch Bank

Name of Company	Holding	Principal Activity
Mobitel (Pvt) Ltd	100%	Mobile telephony
Sri Lanka Telecom (Services) Ltd	100%	Providing total network solutions to Corporate and small business Customers.
SLT Hong Kong Ltd	100%	Point of Presence - (off shore subsidiary) Providing IP transit services
SLT Publications (Pvt) Ltd	100%	Directory publication services
SLT Visioncom (Pvt) Ltd	100%	IPTV operations
SLT Manpower Solutions (Pvt) Ltd	100%	providing workforce solutions
SKY Network (Pvt) Ltd.	99.89%	Wimax operations

### Regional Telecom Offices

Ampara	Kalutara
Hatton	Polonnaruwa
Matara	Bataloa
Anuradhapura	Kandy
Havelock Town	Panadura
Negombo	Chilaw
Avissawella	Kegalle
Jaffna	Ratmalana
Nugegoda	Colombo Central
Badulla	Kotte
Kalmunai	Ratnapura
Nuwara Eliya	Galle
Bandarawela	Kurunegala

Gampaha
Mannar
Trincomalee
Gampola
Maradana
Vavuniya
Hambantota
Matale
Wattala

### Teleshops

Ambalangoda	Kilinochchi	Puttalam
Kandy	Mount Lavinia	Ja-ela
Matara	Embilipitiya	Lotus Road
Bandaragama	Kotte	Slave Island
Katunayake	Negambo	Jaffna
Mathugama	Gampaha	Maharagama
Bandarawela	Kuliyapitiya	Thangalle
Kegalle	Nittambuwa	Kaduwela
Mattakkuliya	Homagama	Maradana
Beruwala	Kurunegala	Wattala
Kiribathgoda	Piliyandala	Kandy City
Monaragala	Horana	Matale
Biagama	Liberty Plaza	Wennappuwa

This report has been produced by Emagewise (Pvt) Limited, a Certified Carbon Neutral Company

