

**SRILANKAN CATERING LIMITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31ST MARCH 2014**

## CONTENTS

	Page
Corporate Information	a
Directors Profile	b
Report of the Audit Committee	c
Report of the Board of Directors on the Affairs of the Company	d - g
Statement of Directors' Responsibilities	h
Independent Auditor's Report	1
Statement of Comprehensive Income	2
Statement of Financial Position	3
Statement of Changes in Equity	4
Cash Flow Statement	5
Notes to the Financial Statements	6-27

# **Corporate Information**

## **LEGAL FORM**

Public Limited Liability Company

## **COMPANY REGISTRATION NUMBER**

PV 1418 PB

## **DIRECTORS**

Nishantha Wickremasinghe - Chairman

Nihal Jayamanne PC

Shameendra Rajapakse

Kapila Chandrasena

Susantha Ratnayake

Dr Nalaka Godahewa

Sanath Ukwatte

## **CHIEF EXECUTIVE OFFICER**

Sarath Fernando

## **SECRETARIES**

Airlanka (Private) Limited

## **REGISTERED OFFICE**

Airline Centre  
Bandaranaike International Airport  
Katunayake  
Sri Lanka

## **AUDITORS**

KPMG,  
Chartered Accountants  
P O Box 186,  
Colombo.

## PROFILE OF THE DIRECTORS

### **Nishantha Wickremasinghe**

Appointed to the Board in April 2008 and Chairman in October 2008. He is also the Chairman of SriLankan Airlines Limited.

He serves as a Non-Executive Director at Hapugastenne & Udapussellawa Plantations PLC and as an Independent Non-Executive Director at Horana Plantations PLC.

Mr. Wickremasinghe is the Past Chairman of Mihin Lanka (Private) Limited.

### **Kapila Chandrasena**

Appointed as Director in June 2010. He is also the Director and the Chief Executive Officer of SriLankan Airlines Limited and a marketer by profession.

He also served as the Chief Executive Officer of Mihin Lanka (Private) Limited and Mobitel (Private) Limited.

### **Nihal Jayamanne PC**

Has been on the Board from 1994-1998 and thereafter re-appointed in October 2008. He is a senior President's Counsel with over 40 years at the Bar and is the Chairman of the Law Commission of Sri Lanka and the Company Law Advisory Commission. He chairs the Human Resources and Remuneration Committee and is a member of the Audit Committee. He is a Director of SriLankan Airlines Limited and is the Chairman of Seylan Bank PLC.

### **Shameendra Rajapakse**

Appointed Director in September 2009. He is a Computer Engineer by professional and currently holds the position of Private Secretary to the Hon. Minister of Finance. He is a member of the Human Resources & Remuneration Committee.

He also serves as a Director / Member of Sri Lanka Telecom PLC, SLT Hong Kong Limited, SLT Publications (Private) Limited, SLT Property Management (Private) Limited and SriLankan Airlines Limited.

### **Susantha Ratnayake**

Appointed to the Board in March 2011 as an Independent Director. He chairs the Audit Committee and is a member of the Human Resources & Remuneration Committee. He is a Director of SriLankan Airlines Limited and is the current Chairman and CEO of John Keells Holdings PLC and several other listed and un-listed companies within the JKH Group. He is also the Chairman of Ceylon Tobacco Company PLC. Currently he is not an independent Director.

### **Dr Nalaka Godahewa**

Appointed as an Independent Director to the Board in March 2011. He is currently the Chairman of the Securities and Exchange Commission of Sri Lanka. He is a member of the Audit Committee. He also serves as a Member in Sri Lankan Handicrafts Board.

### **Sanath Ukwatte**

Has been on the Board from 2005 – 2008, 2008 -2010 and thereafter from November 2011 to date.

He is Hotelier by profession and currently the Chairman of Mount Lavinia Hotel Group. He is a Member of the Audit Committee and the Human Resources and Remuneration Committee. He holds several other directorships amongst which are Ceylon Hotels Limited, Security Systems (Private) Limited, Bentota Management (Private) Limited, International Hotel School of Ceylon (Private) Limited, Paradise Resort Pasikudah (Private) Limited and SriLankan Airlines Limited.

Mr. Ukwatte is also the Honorary Consul of the Republic of Slovenia in Sri Lanka.

## **BOARD AUDIT COMMITTEE REPORT**

### **Role and Responsibilities**

The Board Audit Committee (BAC) of SriLankan Catering scope and responsibilities are governed by the Board Audit Committee Charter approved by the Board of Directors. The primary role of BAC is to assist the Board of Directors in fulfilling its duties by providing an independent review of the system of internal controls, the financial reporting system, the management of business risks, Company's process for monitoring compliance with laws and regulations, the independence of the external auditor and the external audit function.

### **Committee Composition**

The BAC comprises of four (4) members. The members of the BAC as at 31 March 2014 were Mr. Susantha Ratnayake (Chairman), Mr. Nihal Jayamanne (PC), Mr. Sanath Ukwatte and Dr Nalaka Godahewa.

### **Meetings**

The BAC held four (4) meetings during the year ended 31 March 2014. The members of the management attend the meetings upon invitation to brief the BAC on specific issues. In addition BAC met with the external auditors M/s KPMG to ascertain the nature, scope and approach of the external audit and review the financial statements and management reports.

### **Group Assurance and Advisory Services**

The Group Assurance and Advisory Services (GAAS) function of SriLankan Airlines reports directly to the BAC. The GAAS provides an independent and objective evaluation of adequacy, efficiency and effectiveness of the system of internal controls including IS/IT controls and facilitates the implementation of the Enterprise Risk Management (ERM) framework.

### **Functions of the Committee**

- Reviewed and approved the internal audit plan of GASS Division which was prepared after a careful assessment of the business activities and the various risks the Company is exposed to.
- Reviewed the internal audit reports on system of internal controls including IS/IT controls and ensured the follow-up action is taken by Heads of Departments in a timely manner.
- Reviewed the key corporate risks and departmental risks including procedures adopted by management to mitigate the effects of business risks.
- Reviewed and approved the Corporate Business Continuity Manual to establish a structured framework in line with best practices in order to minimize the effects of risks.
- Reviewed the Company's compliance dash board on a quarterly basis to determine all relevant laws and regulations are complied with.
- Reviewed the results of the external audit report and management response to the issues highlighted.



**Susantha Ratnayake**  
Chairman, Board Audit Committee

31<sup>st</sup> July 2014

## **ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY**

The Board of Directors of SriLankan Catering Limited, take pleasure in presenting the Annual Report of the Board of Directors for the year ended 31<sup>st</sup> March 2014.

### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The principal business activity of the Company is the provision of operating and maintaining the Flight Kitchen.

The Company also manages and operates four airport restaurants, a fast food snack bar cum lounge for transit passengers at the Bandaranaike International Airport and Mattala Rajapakse International Airport.

As part of its ancillary business activities the Company manages and operates the Serenediva Transit Hotel, an Industrial Laundry, the Vanilla Pod Boulangerie & Patisserie sales outlet and the Semondu Restaurant.

There are no significant changes in the nature of the activities of the Company during the financial year.

The Company is the wholly owned subsidiary of SriLankan Airlines Limited whose principal business activity is the operation of international, scheduled/non-scheduled air services for the carriage of passengers, freight and mail as the designated carrier of Sri Lanka. Providing air terminal services at the Bandaranaike International Airport and Mattala Rajapakse International Airport, sale of duty-free goods on board, marketing inbound and outbound holiday packages and operation of domestic Air Taxi services for passenger transport constitute other main activities of the Company.

### **FINANCIAL STATEMENTS**

A complete set of financial statements for the year ended 31<sup>st</sup> March 2014 duly signed by the Finance Manager and the Directors, and the Auditor's Report thereon for the year ended 31 March 2014 are attached to this Report.

### **ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of the financial statements are given on pages 06 to 16. There were no changes in accounting policies adopted during the year.

### **TURNOVER**

The turnover of the Company amounted to Rs. 5,628.29 Mn (2012/13: Rs. 4,892.95 Mn). A detailed analysis of turnover is given in Note 5 to the financial statements.

### **RESULTS AND DIVIDEND**

Net results for the year are as follows,

	<b>2013/14 Rs. (Mn)</b>	<b>2012/13 Rs. (Mn)</b>
Net profit before taxation	2,280.40	1,430.87
Taxation	(18.01)	(15.24)
Net profit after taxation	2,262.35	1,415.63

Preferential Dividend - The Company paid out Rs. 300 Mn on account of preference shares for the period ended 31<sup>st</sup> March 2014.

## PROPERTY, PLANT AND EQUIPMENT

The net book value of the property, plant and equipment of the Company as at the reporting date amounted to Rs. 1,484.42 Mn (2012/13: Rs. 1,774.67 Mn). Details of property, plant and equipment and their movements are given in Note 12 to the financial statements.

## STATED CAPITAL

The stated capital of the Company, consisting of 940,268,456 Ordinary Shares, amounts to Rs. 1,000 Mn (2013/14: Rs. 1,000 Mn).

## RESERVES

Total Company reserves as at 31 March 2014 amount to Rs. 3,656.56 Mn (2012/13: Rs. 2,704.74 Mn). This consists of revenue reserve (accumulated profit) of Rs. 2,984.86 Mn (2012/13: Rs. 2,033.03 Mn) and capital reserve (revaluation surplus) of Rs. 671.71 Mn (2012/13: Rs. 671.71 Mn). Movements in these reserves are shown in the statement of changes in equity in the financial statements.

## CORPORATE DONATIONS

The Company has not made any cash donations during the year.

## TAXATION

The Company enjoys a tax holiday up to 30 of May 2021 in terms of its agreement with the Board of Investment of Sri Lanka. The Company has been exempted from all taxes on the importation of goods for the purpose of providing international transportation with effect from 01 of January 2012.

At present, income derived from the Flight Kitchen, Transit Restaurants and Transit Hotel are exempted from tax.

The income derived from the Public Restaurants, Vanilla Pod sales outlet, Semondu Restaurant and the local laundry sales are liable for income tax at the prevailing tax rate.

## SHARE INFORMATION

Share information as at 31 March 2014 is as follows:

### Ordinary Shares

Share Ownership	No. of Shares	% of Holding
SriLankan Airlines Limited	940,268,456	100%

### Non-Voting Preference Shares (5 & 10 Year Term)

Share Ownership	No of Shares	% of Holding
Employees Provident Fund	10,000,000	100%
SriLankan Airlines Limited	10,000,000	100%

## CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent Liabilities as at 31 March 2014 are given in Note 30 to the financial statements. No commitments made on capital expenditure as at the reporting date.

## **EVENTS OCCURRING AFTER THE REPORTING DATE**

No circumstances have arisen since the reporting date that would require adjustment or disclosure in financial statement.

## **EMPLOYMENT POLICIES**

Employment policies of the Company respect the individual and offer equal career opportunities regardless of sex, race or religion. Occupational health and safety standards receive substantial attention. The number of persons employed by the Company at the year-end was 897 (2012: 875).

## **STATUTORY PAYMENTS**

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments in relation to employees and the Government of Sri Lanka have been made up to date.

## **ENVIRONMENTAL PROTECTION**

The Company's business activities can have direct and indirect effects on the environment. It is the policy of the Company to keep adverse effects on the environment to a minimum and to promote co-operation and compliance with the relevant authorities and regulations.

## **CORPORATE GOVERNANCE / INTERNAL CONTROL**

Adoption of good governance practices has become an essential requirement in today's corporate world.

The Directors acknowledge their responsibility for the Company's system of internal controls. The system is designed to provide assurance, inter alia, on the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information generated. However, any system can ensure only reasonable and not absolute assurance that errors and irregularities are prevented or detected within a reasonable time. The Report of the Board Audit Committee forms part of this Annual Report.

The Board is satisfied with the effectiveness of the system of internal control for the period up to the date of signing of the Financial Statements.

## **GOING CONCERN**

As noted in the Statement of Directors' Responsibilities, the Directors have adopted the going concern basis in preparing the financial statements.

## **DIRECTORATE – SRILANKAN CATERING LIMITED**

The Current Directorate of SriLankan Catering Limited is as follows:

Mr. Nishantha Wickremasinghe	-	Chairman
Mr. Nihal Jayamanne PC	-	Director
Mr. Shameendra Rajapakse	-	Director
Mr. Kapila Chandrasena	-	Director
Dr. Nalaka Godahewa*	-	Director
Mr. Susantha Ratnayake	-	Director
Mr. Sanath Ukwatte	-	Director

\* Independent Directors



## **DIRECTORS' REMUNERATION**

The Directors' remuneration paid for the financial year ended 31 March 2014 is disclosed in note no 28.2 on page no. 26.

## **DIRECTORS' SHAREHOLDING**

By virtue of office Mr. Nihal Jayamanne PC is the holder of 01 ordinary share in the Company.

## **DIRECTORS' INTERESTS IN CONTRACTS**

None of the Directors had a direct or indirect interest in any contracts or proposed contracts with the Company.

## **AUDITORS**

The financial statements for the year ended 31 March 2014 have been audited by Messrs. KPMG, Chartered Accountants, who express their willingness to continue in office.

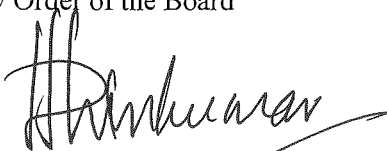
In accordance with the Companies Act No. 07 of 2007, a resolution proposing the re-appointment of Messrs. KPMG, Chartered Accountants, as Auditors of the Company will be submitted at the Annual General Meeting.

The Auditors do not have any relationship (other than that of an Auditor) with the Company.

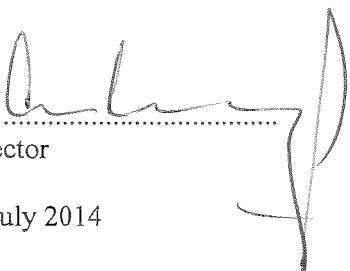
## **ANNUAL GENERAL MEETING**

Annual General Meeting will be held in 23 September 2014

By Order of the Board

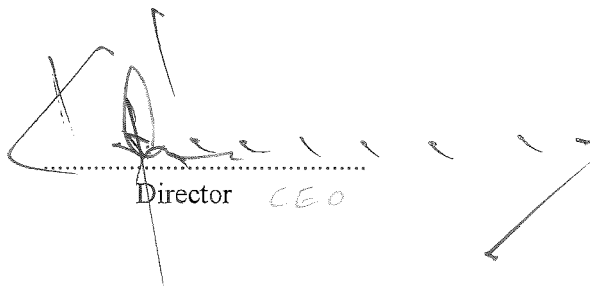


**Airlanka (Private) Limited**  
**SECRETARIES**



Director

31 July 2014



Director

CEO

## **Statement of Directors' Responsibilities**

The responsibilities of the Directors in relation to the financial statement of the Company differ from the responsibilities of the Auditors which are set out in their report.

The Companies Act No. 7 of 2007 requires the Directors to prepare financial statement for each financial year giving true and fair view of the state of affairs of the Company as at end of the financial year and of the statement of comprehensive income of the company for financial year. In preparing the financial statements, appropriate accounting policies have been selected and applied consistently, reasonable and prudent judgments and estimates have been made, and applicable accounting standards have been followed.

The Directors are responsible for ensuring that the Company keeps sufficient accounting records to disclose with reasonable accuracy the financial position of the Company for ensuring that the financial statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards and provide the information required by the Companies Act No. 7 of 2007. They are also responsible for taking reasonable measures to safeguard the assets of the company, and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to the prevention and detection of fraud and other irregularities.

The Directors continue to adopt the going concern basis in preparing the Financial Statements. The Directors, after making enquiries and following a review of the company's Budget for the financial year ending 31 March 2015 including cash flows and borrowing facilities, consider that the company has adequate resources to continue in operation.

The Directors have taken steps to ensure that the Auditors have been provided with every opportunity to undertake whatever inspections they considered appropriate to enable them to form their opinion on the financial statements.

The Directors confirm that to their best of knowledge, all taxes, levies and financial obligations of the Company as at the Balance Sheet date have been paid or adequately provided for in the financial statements.

By Order of the Board



**Airlanka (Private) Limited**  
**SECRETARIES**

31<sup>st</sup> July 2014



**KPMG**  
(Chartered Accountants)  
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## INDEPENDENT AUDITORS' REPORT

### TO THE SHAREHOLDERS OF SRILANKAN CATERING LIMITED

#### Report on the Financial Statements

We have audited the accompanying financial statements of SriLankan Catering Limited, ('the Company') which comprise the statement of financial position as at 31 March 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### 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 31 March 2014, and the financial statements give a true and fair view of the financial position of the company as at 31 March 2014, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Section 151(2) of the Companies Act No. 07 of 2007.

CHARTERED ACCOUNTANTS  
Colombo  
31 July 2014

**SRILANKAN CATERING LIMITED****STATEMENT OF COMPREHENSIVE INCOME***For the year ended 31 March**All amounts in Sri Lankan Rupees*

	Note	2014	2013
Revenue	5	5,628,287,180	4,892,950,832
Cost of sales		<u>(1,396,022,784)</u>	<u>(1,146,304,956)</u>
Gross profit		<b>4,232,264,396</b>	<b>3,746,645,876</b>
Other income	6	12,038,117	5,964,258
Administration expenses	7	(1,096,984,834)	(1,029,422,115)
Other operational expenses	8	(879,236,845)	(869,401,147)
<b>Results from operating activities</b>	9	<b><u>2,268,080,834</u></b>	<b><u>1,853,786,872</u></b>
Finance income		317,536,692	25,105,551
Finance costs		(305,257,829)	(448,026,184)
<b>Net finance (costs) / income</b>	10	<b><u>12,278,863</u></b>	<b><u>(422,920,633)</u></b>
Profit before income tax		<b>2,280,359,697</b>	<b>1,430,866,239</b>
Income tax expense	11	(18,007,996)	(15,240,646)
<b>Profit for the year</b>		<b><u><u>2,262,351,701</u></u></b>	<b><u><u>1,415,625,593</u></u></b>
<b>Other comprehensive income :</b>			
Defined benefit plan actuarial gains (losses)	25	(35,528,195)	5,842,067
Other comprehensive income for the year		<u>(35,528,195)</u>	<u>5,842,067</u>
<b>Total comprehensive income for the year</b>		<b><u><u>2,226,823,506</u></u></b>	<b><u><u>1,421,467,660</u></u></b>

The notes to the financial statements are an integral part of these financial statements.

**SRILANKAN CATERING LIMITED****STATEMENT OF FINANCIAL POSITION***As at 31st March**All amounts in Sri Lankan Rupees*

		2014	2013
	Note		
<b>Assets</b>			
Property plant and equipment	12	1,484,416,642	1,774,674,417
Intangible assets	13	5,920,603	168,244
Loan - SriLankan Airlines	14	828,028,637	1,028,311,978
Investment	15	200,000	200,000
<b>Non-current assets</b>		<u>2,318,565,882</u>	<u>2,803,354,639</u>
Inventories	16	290,485,242	356,955,412
Trade receivables	17	389,676,093	251,458,724
Due from related companies	18	4,067,633,376	2,780,064,496
Loan - SriLankan Airlines	14	232,735,000	225,615,000
Other receivables	19	286,469,364	220,067,853
Cash and cash equivalents	20	149,311,311	41,107,751
<b>Current assets</b>		<u>5,416,310,386</u>	<u>3,875,269,236</u>
<b>Total assets</b>		<u><u>7,734,876,268</u></u>	<u><u>6,678,623,875</u></u>
<b>Equity</b>			
Stated capital	21	1,000,000,000	1,000,000,000
Retained earnings		2,984,856,111	2,033,032,605
Revaluation reserve		671,707,478	671,707,478
<b>Total equity</b>		<u>4,656,563,589</u>	<u>3,704,740,083</u>
<b>Liabilities</b>			
Redeemable preference shares	22	2,000,000,000	2,000,000,000
Loans & borrowings	23	100,309,147	63,930,791
Deferred tax liability	24	2,905,988	2,905,988
Employee benefits	25	354,261,979	281,194,198
<b>Non-current liabilities</b>		<u>2,457,477,114</u>	<u>2,348,030,977</u>
Loans & borrowings	23	9,114,837	12,385,578
Trade creditors		136,519,432	129,759,583
Due to related companies	26	49,327,200	19,055,109
Other payables	27	425,874,096	464,652,545
<b>Current liabilities</b>		<u>620,835,565</u>	<u>625,852,815</u>
<b>Total liabilities</b>		<u>3,078,312,679</u>	<u>2,973,883,792</u>
<b>Total equity and liabilities</b>		<u><u>7,734,876,268</u></u>	<u><u>6,678,623,875</u></u>

The notes to the financial statements are an integral part of these financial statements.

It is certified that the financial statements have been prepared in compliance with the requirements of the Companies Act No.7 of 2007.

  
Finance Manager

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

Signed for behalf of the Board by,

  
Director

31 July 2014

Colombo

  
Director

**SRILANKAN CATERING LIMITED****STATEMENT OF CHANGES IN EQUITY***For the year ended 31 March 2014**All amounts in Sri Lankan Rupees*

	Stated capital	Revaluation reserve	Retained earnings	Total
<b>Balance as at 1st April 2012</b>	1,000,000,000	671,707,478	2,861,564,945	4,533,272,423
Profit for the year	-	-	1,415,625,593	1,415,625,593
Ordinary Share Dividend - 1st & Final 2011/12	-	-	(2,250,000,000)	(2,250,000,000)
Other comprehensive income				
- Defined benefit plan actuarial gains (losses)	-	-	5,842,067	5,842,067
<b>Balance as at 31st March 2013</b>	<b>1,000,000,000</b>	<b>671,707,478</b>	<b>2,033,032,605</b>	<b>3,704,740,083</b>
<b>Balance as at 1st April 2013</b>	1,000,000,000	671,707,478	2,033,032,605	3,704,740,083
Profit for the year	-	-	2,262,351,701	2,262,351,701
Ordinary Share Dividend - 1st & Final 2012/13	-	-	(1,275,000,000)	(1,275,000,000)
Other comprehensive income				
- Defined benefit plan actuarial gains (losses)	-	-	(35,528,195)	(35,528,195)
<b>Balance as at 31st March 2014</b>	<b>1,000,000,000</b>	<b>671,707,478</b>	<b>2,984,856,111</b>	<b>4,656,563,589</b>

The notes to the financial statements are an integral part of these financial statements.

**SRILANKAN CATERING LIMITED**
**STATEMENT OF CASH FLOWS**
*For the year ended 31 March*
*All amounts in Sri Lankan Rupees*

	2014	2013
<b>Cash flows from operating activities</b>		
Profit for the year	2,280,359,697	1,430,866,239
<b>Adjustment for ;</b>		
Interest income	(9,371,253)	(74,435,243)
Depreciation	283,452,043	265,362,881
Amortisation	392,809	702,093
Provision for slow moving stock	1,046,972	-
Provision for trade debtors	648,917	-
Provision for employee benefit	52,314,566	45,859,228
Provision for bonus	89,747,248	113,217,000
Interest expense	5,257,829	2,843,400
Preference share dividend	300,000,000	300,000,000
Profit in disposal of property, plant and equipment	-	(127,195)
Operating profit before changes in working capital	3,003,848,828	2,084,288,403
<b>Changes in :</b>		
- trade and other receivable	(2,721,293,551)	(1,920,787,596)
- inventories	65,423,198	(75,583,538)
- trade and other payable	33,011,388	92,941,400
<b>Cash generated from / (used in) operating activities</b>	380,989,863	180,858,669
Tax paid	(54,291,410)	(2,830,838)
Gratuity paid	(14,774,980)	(32,177,153)
Bonus paid	(88,221,731)	(86,315,853)
<b>Net cash from / (used in) operating activities</b>	223,701,742	59,534,825
<b>Cash flows from investing activities</b>		
Acquisition of property plant and equipment	(44,090,938)	(117,406,227)
Reversal of advance payment	51,773,740	-
Acquisition of intangible assets	(6,145,168)	(531,250)
Disposal of property, plant and equipment	-	127,195
Interest received	5,114,398	74,435,243
<b>Net cash from / (used in) investing activities</b>	6,652,032	(43,375,039)
<b>Cash flows from financing activities</b>		
Loan received	37,664,850	50,700,000
Repayment of borrowings	(4,557,235)	(167,027,478)
Interest paid	(5,257,829)	(2,843,400)
Preference share dividend paid	(150,000,000)	(150,205,479)
<b>Net cash used in financing activities</b>	(122,150,214)	(269,376,357)
<b>Net increase / ( decrease ) in cash and cash equivalents</b>	<b>108,203,560</b>	<b>(253,216,571)</b>
Cash and cash equivalents at 01st April	41,107,751	294,324,322
<b>Cash and cash equivalents at the end of the year (Note 20)</b>	<b>149,311,311</b>	<b>41,107,751</b>

The notes to the financial statements are an integral part of these financial statements.

**SRILANKAN CATERING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**1. Reporting entity**

SriLankan Catering Limited (the “Company”) is a “Limited Liability Company” with limited liability incorporated and domiciled in Sri Lanka. The registered office of the Company is located at Airline Centre, BIA Katunayake. The Company’s immediate and ultimate parent is SriLankan Airlines Limited.

The Company is in the catering industry and it provides meals to airlines operating through the Bandaranaike International Airport.

SriLankan Catering was converted to a limited liability company on 16th March 2011.

**2. Basis of preparation**

**(a) Statement of compliance**

The financial statements have been prepared in accordance with the Sri Lankan Accounting Standards (SLFRSs) as laid down by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the requirements of the Companies Act No. 7 of 2007.

The financial statements for the period ended 31 March 2014 were authorized for issue by the Directors on 31 July 2014.

**(b) Basis of measurement**

The financial statements have been prepared on a historical cost basis and accounting policies are applied consistently with no adjustments being made for inflationary factors affecting the financial statements, except for following;

- Liability for defined benefit obligations is recognised as the present value of the defined benefit obligation.
- Property, plant and equipment are measured at cost at the time of acquisition and subsequently at revalued amounts, which are the fair values at the date of revaluation.

**(c) Functional and presentation currency**

The financial statements are presented in Sri Lankan Rupees, which is the Company’s functional currency. All financial information presented in Sri Lankan Rupees has been rounded to the nearest rupees, unless stated otherwise.

**(d) Use of estimates and judgments**

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

The 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.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the relevant notes as follows;

- Note 25 - Employee benefits
- Note 24 - Deferred tax assets and liabilities

**3. Significant accounting policies**

Accounting policies set out below have been applied consistently to all periods presented in these financial statements.



**SRILANKAN CATERING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**3.1. Transactions in foreign exchange**

Transactions in foreign currencies are translated to Sri Lankan Rupees at the foreign exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Sri Lanka Rupee equivalents using year-end spot foreign exchange rates. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. The resulting gains and losses are accounted in the profit or loss.

**3.2. Property, plant & equipment**

**3.2.1. Recognition and measurement**

Items of property, plant and equipment are measured at cost/valuation less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as a part of the 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.

**3.2.2. Revaluation**

A revaluation of assets is done when there is a substantial difference between the fair value and the carrying amount of same, and is undertaken by professionally qualified valuers every five years.

**3.2.3. Gains and losses on disposal**

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

**3.2.4. Subsequent expenditure**

The cost of replacing a 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 Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

**3.2.5. Depreciation**

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows;

Building improvements	20 years
Machinery & equipment	5 years
Motor vehicles	4 years
Furniture and fittings	5 years

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

**SRILANKAN CATERING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**3.2.6 Leased assets**

Leases in terms of which the Company 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.

Other leases are operating leases and, are not recognised on the Company's statement of financial position.

**3.3. Intangible assets**

**3.3.1. Recognition and measurement**

An intangible asset is recognised if it is probable that future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with LKAS 38 on Intangible Assets. Accordingly, these assets are stated in the statement of financial position at cost less accumulated amortisation and accumulated impairment losses.

**3.3.2. Subsequent expenditure**

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

**3.3.3. Amortisation**

Intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use. Amortisation period of software is 4 years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**3.4. Impairment**

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

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").

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. A cash generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and Company's impairment losses are recognised in the profit or loss.

**3.5. Inventories**

Inventories are valued at the lower of cost and net realisable value. The cost is based on the weighted average cost method and includes expenditure incurred in acquiring the inventories and bringing them to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and estimated costs necessary to make the sale.

Inventories and consumables are recognised as expense when they are used for sale.

**SRILANKAN CATERING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**3.6. Financial instruments**

**3.6.1. Non derivative financial assets**

Financial assets are initially recognised at their fair value. Transaction costs incurred for purchase of financial assets are recognised in the initial fair value of financial assets held to maturity and financial assets available for sale. In case of financial assets at fair value through profit or loss, transaction costs are expensed off when incurred.

Company derecognises a financial asset when the contractual rights to the cash flows from the assets expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liability are offset and net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amount and intends to either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Company classifies non derivative financial assets in to the following categories: held to maturity financial assets, loans & receivables and available for sale financial assets.

**Loans and receivables**

Loans and receivables are financial assets with fixed or determinable payment that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Trade receivables generally have 30 days term and are recognised and carried at original invoice value less a provision for any uncollectible amounts. A provision for doubtful debts is made when collection of the amount is no longer probable.

**3.6.2. Non derivative financial liabilities**

The Company initially recognises debt securities issued and subordinate liabilities on the date that they are originated. Financial liabilities are derecognised, when its contractual obligations are discharged, cancelled or expire.

The Company classifies non derivative financial liabilities in to other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade & other payables.

**3.6.3. Share capital**

**Ordinary shares**

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

**3.6.4. Compounded financial instruments**

Compounded financial instruments issued by the Company comprise convertible / redeemable preference shares that can be converted to stated capital at the option of the holder and can be redeemed at the option of the Company on or after specified date or on maturity, where the number of shares to be issued is fixed.

**SRILANKAN CATERING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

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The liability component of a compounded financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compounded financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest rate method. The equity component of the compound financial instrument is not remeasured subsequent to the initial recognition. Interest related to the financial liabilities is recognised in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognised.

**3.7. Cash and cash equivalents**

Cash amounts represent cash in hand, cash at bank and demand deposits. Cash equivalents are primarily short-term highly liquid investments with a maturity of ninety days or less from the date of acquisition. Company overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as components of cash and cash equivalents for the purpose of presenting the statement of cash flows.

**3.8. Employee benefits**

**3.8.1. Short-term employee 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 profit sharing plans if the Company 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.

**3.8.2. Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The Company contributes 12% and 3% of gross emoluments of employees as provident fund (EPF), and trust fund (ETF) contribution respectively.

**3.8.3. Defined benefit plans**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated 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. Any unrecognised past service costs and the fair value of any plan assets are deducted. The calculation is performed every year by a qualified independent actuary using the projected unit credit method.

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 Company recognises all actuarial gains and losses arising from defined benefit plans in other comprehensive income and expenses related to defined benefit plans in staff expenses in statement of comprehensive income.

The Actuarial valuation was carried out by professionally qualified independent actuary, Mr. M. Poopalanathan in March, 2014.

Employees are entitled to gratuity on retirement calculated based on last drawn salary multiplied by the number of years of services. The salary used for calculation differs based on the years of service as follows.

**SRILANKAN CATERING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

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<b>Years of service</b>	<b>Salary use for Computation</b>
01 to 10 years	$\frac{1}{2}$
Over 10 years	1

This basis of payment will only be applicable for employees who have been in service on or before 1st April 2000. The employees who have joined the Company after 1st April 2000, the payment of gratuity will be made as per the provisions laid down in the Gratuity Act. The actuarial valuation was made on 31<sup>st</sup> March 2014.

The liability is not externally funded.

**3.9. Commitments and contingencies**

Contingencies are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or non-occurrence of uncertain future events, which are beyond the Company's control.

**3.10. Events occurring after the reporting date**

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

**3.11. Liabilities and provisions**

Liabilities are recognised in the statement of financial position when there is a present obligation arising from past event, the settlement of which is expected to result in an outflow of resources embodying economic benefits. Obligations payable at the demand of the creditor or within one year of the reporting date are treated as current liabilities in the statement of financial position. Liabilities payable after one year from the reporting date are treated as non-current liabilities in the statement of financial position.

A provision is recognised if, as a result of a past event, the Company 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.

**3.12. Statement of comprehensive income**

For the purpose of presentation of the statement comprehensive income, the function of expenses method is adopted, as it represents fairly the elements of Company performance.

**3.12.1. Revenue**

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue excludes goods and services taxes or other sales taxes and is arrived at after deduction of trade discounts.

**3.12.2. Finance income**

Finance income comprises interest income, from time deposits and other interest-bearing assets. Interest income is recognised as it accrues in profit or loss, using effective interest method.

**3.12.3. Other operating income**

Gains/losses on the disposal of property, plant & equipment, garbage disposal income and sundry income have been accounted for in the profit or loss.

**SRILANKAN CATERING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**3.13. Expenses**

All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year. Repairs and renewals are charged to profit and loss in the year in which the expenditure is incurred.

**3.14. Operating lease**

Leases where the Company does not assume substantially all the risks and benefits of ownership of the leased item are classified as operating leases. 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.

**3.15. Finance expenses**

Finance costs comprise interest expense on borrowing, interest on overdrafts, and dividend on preference shares classified as liabilities. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method. Foreign currency gain or losses are reported on a basis as either finance income or cost depending on whether foreign currency movement are in a net gain or loss position.

**3.16. Tax**

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

**3.16.1. Current tax**

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date and any adjustments to tax payable in respect of previous years.

**3.16.2. Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

In addition, deferred tax is measured at the tax rates that are expected to be applied to the 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.

A deferred tax asset is recognised only 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.

**3.17. Comparative information**

The comparative information is re-classified wherever necessary to conform with the current year's presentation in order to provide a better presentation.

**3.18. Statement of director's responsibility**

The Board of Directors of the Company is responsible for the preparation and presentation of these financial statements. Statement of director's responsibilities is given in the page h.

**SRILANKAN CATERING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**3.19. New accounting standards issued but not effective as at reporting date**

The Institute of Chartered Accountant of Sri Lanka has issued the following new Sri Lanka Accounting Standards which will become applicable for the financial periods beginning on or after 1<sup>st</sup> January 2014/2015.

**SLFRS 9 – Financial Instruments: Classification & Measurement**

SLFRS 9, as issued, reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities.

**SLFRS 13 – Fair Value Measurement**

SLFRS 13, establishes a single course of guidance under SLFRS for all fair value measurements. SLFRS 13 provides guidance on all fair value measurements under SLFRS.

**3.20. Operating segments**

The Company has two reportable segments, as described below, which are the Company's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Company's CEO reviews internal management reports on monthly basis. The following summary describes the operations in each of the Company's reportable segments:

- Flight kitchen- Processing and supply of meals to international aircrafts.
- Airport restaurant (BIA) - Provision of restaurant services.

Other operations include following segments, which does not meets the quantitative thresholds for determining reportable segments in 2014 and 2013.

- Airport restaurant (MRJA) - Provision of restaurant services.
- Aero Clean Laundry - Provision of laundry services
- Serenediva Transit Hotel - Provision of room and ancillary services to transit passengers
- Vanilla Pod Café - Supply of fast food items.
- Semondu restaurant - Provision of restaurant services.

Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Company's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

**4. Financial risk management**

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

- Credit risk
- Liquidity risk
- Market risk
- Operational risk.

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

## **SRILANKAN CATERING LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS**

#### **Risk management framework**

The Board has adopted an Enterprise Risk Management Framework to be implemented within SriLankan Catering Limited (SLC) as best practices on Corporate Governance and for the management of Company risks in a systematic and proactive manner in order to optimize business performance. SLC Management has developed the SLC Enterprise Risk Management Manual which documents the risk management policies of the Company.

The Company Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Management would perform quarterly reviews on the emerging risks impacting the corporate risk register and the implementation of risk treatment action plans and report on the same to the Audit Committee and the Board on a quarterly basis.

#### **Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

#### **Trade and other receivables**

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company'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, particularly in the currently deteriorating economic circumstances. However, geographically there is no concentration of credit risk.

The SLC Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

More than 95 percent of the Company's customers have been transacting with the Company for over five years, and losses have occurred rarely. Goods are sold subject to securities by banks so that in the event of non-payment the Company may have a secured claim.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for companies of similar assets in respect of losses that have been incurred but not yet identified.

#### **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company'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 Company's reputation.

The Company always monitors and keeps minimum cash balances to maximize the Company's return on investments. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Company maintains the following lines of credit:



**SRILANKAN CATERING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

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Rs. 50 million overdraft facility that is unsecured. Interest would be payable at the rate of PLR +2% p. a (2012/13 – 2%). The Company also has USD 0.35Mn overdraft facility that is unsecured. Interest would be payable at the rate of LIBOR+5%. (2012/13 – 5%)

**Market risk**

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

**Currency risk**

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Company. The currencies in which these transactions primarily are denominated are USD, EURO, GBP and SGD.

Interest on borrowings is denominated in the currency of the borrowing. Generally, borrowings are denominated in USD.

**Interest rate risk**

The Company adopts a policy of ensuring that its exposure to changes in interest rates on fixed term borrowings is on a fixed rate basis.

**Operational risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal, political and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance when this is effective.

**SRILANKAN CATERING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

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Compliance with Company standards is supported by a program of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Company. Apart from this, ISO audits are periodically carried out by ISO auditors to ensure the compliance with quality and hygienic standards.

**Capital management**

The management policy is to maintain a strong capital base so as to maintain the shareholders, creditors and market confidence and to sustain future development of the business. The management monitors the return on capital, which the Company defines as profit for the year divided by total equity.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

**SRILANKAN CATERING LIMITED**
**NOTES TO THE FINANCIAL STATEMENTS**
*For the period ended 31st March*
**2014**
**2013**
*All amounts in Sri Lankan Rupees*
**5. Revenue**

Flight kitchen		4,596,952,350		3,930,926,159
Vanilla pod café		15,547,657		13,357,624
Serenediva transit hotel		58,554,346		65,763,785
Semondu restaurant		55,908,055		50,843,400
EK lounge		62,481,766		61,392,358
Laundry sales - local	13,087,878		20,288,272	
- others	130,259,688		108,482,471	
	<u>143,347,566</u>		<u>128,770,743</u>	
Inter department laundry sales	(7,833,518)	135,514,048	(8,642,897)	120,127,846
Public restaurant	61,241,261		52,503,127	
Transit restaurant	<u>625,954,512</u>	<u>687,195,773</u>	<u>597,721,220</u>	<u>650,224,347</u>
<u>MRIA Restaurant</u>				
Public Restaurant - MRJA	13,267,822		278,786	
Transit Restaurant - MRJA	<u>2,865,363</u>	<u>16,133,185</u>	<u>36,527</u>	<u>315,313</u>
Total sales (Note 5.1)		<u><u>5,628,287,180</u></u>		<u><u>4,892,950,832</u></u>

**5.1 Revenue**

Meals	4,476,377,909	3,733,874,959
Handling charges	401,379,261	412,225,142
Miscellaneous	560,600,911	496,994,709
Other sales	<u>189,929,099</u>	<u>249,856,022</u>
	<u><u>5,628,287,180</u></u>	<u><u>4,892,950,832</u></u>

**6. Other income**

Disposal of fixed assets	-	127,195
Disposal of garbage	11,176,140	5,837,063
Sundry income	<u>861,977</u>	<u>-</u>
	<u><u>12,038,117</u></u>	<u><u>5,964,258</u></u>

**7. Administration expenses**

Donations	1,258,905	2,014,528
Depreciation of property, plant & equipment	283,452,043	265,362,881
Amortisation of intangible assets	210,000	702,093
Fees & other charges	14,218,783	10,596,013
Staff cost (Note 7.1)	784,725,262	736,977,611
Other administration expenses	<u>13,119,841</u>	<u>13,768,989</u>
	<u><u>1,096,984,834</u></u>	<u><u>1,029,422,115</u></u>

**SRILANKAN CATERING LIMITED****NOTES TO THE FINANCIAL STATEMENTS***For the period ended 31st March**All amounts in Sri Lankan Rupees*

	2014	2013
<b>7.1 Staff cost</b>		
Expenses related to defined benefit plans	52,314,566	45,859,228
Salaries and wages	586,871,660.99	524,845,513
Contribution to Employees' Provident Fund	44,118,066	42,566,969
Contribution to Employees' Trust Fund	9,873,474	9,208,680
Provision for bonus	89,747,248	113,217,000
Prepaid staff cost	1,800,247	1,280,221
	<b>784,725,262</b>	<b>736,977,611</b>
<b>8. Other operational expenses</b>		
General operating expenses	478,623,540	459,172,325
Common expenses	350,256,243	315,081,972
Tax - NBT	34,285	31,400
Reversal of bad debt provision - Mihin Lanka	(21,240,169)	-
Provision for slow moving stock	1,046,972	-
Provision for bad and doubtful debts	-	-
Concession fees	70,227,974	93,687,450
Share of profit	288,000	1,428,000
	<b>879,236,845</b>	<b>869,401,147</b>
<b>9. Results from operating activities</b>		
Results from operating activities are arrived after deducting the following items:		
Raw materials, freight and handling charges	1,396,022,784	1,145,704,394
Depreciation of property, plant & equipment	283,452,044	265,362,881
Amortization of intangible assets	392,809	702,093
Fees & other charges	14,218,783	10,596,013

**SRILANKAN CATERING LIMITED****NOTES TO THE FINANCIAL STATEMENTS***For the period ended 31st March**All amounts in Sri Lankan Rupees*

	2014	2013
<b>10. Net finance (cost) / income</b>		
<b>Finance income</b>		
Interest income	5,114,398	21,454,247
Fair value impact on SLA loan	2,155,185	2,255,699
Interest income - staff loans	2,101,670	1,395,605
Exchange gain	308,165,439	-
	<u>317,536,692</u>	<u>25,105,551</u>
<b>Financial expenses</b>		
Bank interest - project loans	(5,257,829)	(2,843,400)
Preference share dividend	(300,000,000)	(300,000,000)
Exchange loss	-	(145,182,784)
	<u>(305,257,829)</u>	<u>(448,026,184)</u>
Net finance (cost) / income	<u><u>12,278,863</u></u>	<u><u>(422,920,633)</u></u>
<b>11. Income tax expense</b>		
Current tax expense	15,597,954	15,240,646
Under provision for taxation	2,410,042	-
Income tax expense	<u><u>18,007,996</u></u>	<u><u>15,240,646</u></u>
<b>11.1 Reconciliation of income tax</b>		
Profit /(loss) as per the statement of comprehensive income	2,271,037,771	1,430,866,239
Less:- Profit exempt from income tax	(2,234,675,437)	(1,410,488,502)
Profit / (loss) liable for income tax	<u>36,362,334</u>	<u>20,377,737</u>
Disallowable expenses	13,077,402	16,079,103
Allowable expenses	(12,178,481)	(12,662,519)
Other sources of income	<u>17,798,216</u>	<u>30,636,557</u>
Taxable income	<u>55,059,471</u>	<u>54,430,878</u>
Income tax liability at 28%	<u><u>15,416,652</u></u>	<u><u>15,240,646</u></u>

**SRILANKAN CATERING LIMITED**
**NOTES TO THE FINANCIAL STATEMENTS**
*For the period ended 31st March*
*All amounts in Sri Lankan Rupees*
**12. Property, plant & equipment**

	Building improvements	Machinery & equipment	Furniture & fittings	Motor vehicles	Capital WIP	Total
<b>Cost or valuation</b>						
Balance as at 1 April 2013	1,279,625,919	828,482,068	34,530,065	150,925,816	55,119,527	2,348,683,395
Additions during the year	11,337,259	18,221,263	14,532,416	-	-	44,090,938
Disposals / Reversals during the year	-	-	-	-	(51,773,740)	(51,773,740)
Balance as at 31 March 2014	1,290,963,178	846,703,331	49,062,481	150,925,816	3,345,787	2,341,000,593
<b>Depreciation and impairment losses</b>						
Balance as at 1 April 2013	132,405,516	357,910,971	11,073,034	71,742,387	-	573,131,908
Charge for the year	65,985,136	168,373,332	11,362,121	37,731,454	-	283,452,043
Disposals during the year	-	-	-	-	-	-
Balance as at 31 March 2014	198,390,652	526,284,303	22,435,155	109,473,841	-	856,583,951
<b>Carrying amounts</b>						
As at 31 March 2014	1,092,572,526	320,419,028	26,627,326	41,451,975	3,345,787	1,484,416,642
As at 31st March 2013	1,147,220,403	470,571,097	22,579,961	79,183,429	55,119,527	1,774,674,417

In compliance with the Accounting policy, the Company revalued Building, Machinery & equipment, Furniture & fittings, Motor vehicles by independent valuer Mr. P. B., Kalugalgedara, incorporated valuer of the Institute of Valuers (Sri Lanka) as at 31st December 2010.

Description	Last date of revaluation	Carrying value as at 31st March 2014	Method of valuation
Building in Katunayake	31-12-2010	1,092,572,526	Market based value
Machinery & equipment	31-12-2010	320,419,028	Market based value
Furniture & fittings	31-12-2010	26,627,326	Market based value
Motor vehicles	31-12-2010	41,451,975	Market based value

The carrying amount of revalued assets that would have been included in the financial statements had the assets been carried at cost less accumulated depreciation is as follows.

Description	Cost as at 31st March 2014	Acc. Depreciation as at 31st March 2014	Carrying amount as at 31st March 2014
Building in Katunayake	1,620,076,980	627,639,907	992,437,073
Machinery & equipment	1,521,470,566	1,446,054,654	75,415,912
Furniture & fittings	57,479,013	37,612,842	19,866,171
Motor vehicles	295,767,537	291,304,146	4,463,391

**SRILANKAN CATERING LIMITED**
**NOTES TO THE FINANCIAL STATEMENTS**
*For the period ended 31st March*
*All amounts in Sri Lankan Rupees*
**13. Intangible assets**
**Computer software**

	2014	2013
Balance as at 01 April	28,515,491	27,984,241
Additions during the year	6,145,168	531,250
Balance as at 31 March	34,660,659	28,515,491

**Accumulated amortisation**

Balance as at 01 April 2013	28,347,247	27,645,154
Amortisation during the year	392,809	702,093
Balance as at 31 March 2014	28,740,056	28,347,247

**Carrying amount**

5,920,603	168,244
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**14. Loan - SriLankan Airlines**

	31st March 2014		31st March 2013	
	Loan	Prepaid interest	Loan	Prepaid interest
Balance as at beginning of the year	1,152,865,199	101,061,778	1,341,965,568	152,167,552
Interest income	45,747,621	-	52,980,996	-
Repayment during the year	(233,247,393)	-	(233,716,926)	-
Prepaid interest cost amortised	-	(43,592,436)	-	(50,725,297)
Revaluation during the year	35,057,291	2,871,577	(8,364,439)	(380,477)
Balance as at end of the year	1,000,422,718	60,340,919	1,152,865,199	101,061,778
Amount receivable within 12 months	195,885,310	36,849,690	175,997,670	49,617,330
Amount receivable after 12 months	804,537,408	23,491,229	976,618,399	51,693,579

An amount equivalent to USD 13.4 Mn has been transferred from SriLankan Airlines Limited current account and has been treated as a long term loan carrying interest in USD at an annual rate equivalent to one month LIBOR with a cap of 0.5% per annum and with no floor rate.

**15. Investments**

	31 March 2014	31 March 2013
Balance as at 1st April	200,000	200,000
Investment for the year	-	-
Balance as at 31 March	200,000	200,000

The Company has invested Rs.200,000 in AirLanka (Pvt) Ltd acquiring 50% stake during 2009. The balance 50% is owned by SriLankan Airlines Limited who controls the entity.

**SRILANKAN CATERING LIMITED**
**NOTES TO THE FINANCIAL STATEMENTS**
*For the period ended 31st March*
*All amounts in Sri Lankan Rupees*
**16. Inventories**

	2014	2013
<b>16.1 Raw materials</b>	194,370,810	252,492,799
Maintenance & miscellaneous	85,458,487	89,777,174
Equipment stocks	8,579,691	10,210,902
	<u>288,408,988</u>	<u>352,480,875</u>
Provision for slow moving stock	(5,529,251)	(4,482,279)
	<u>282,879,737</u>	<u>347,998,596</u>
<b>16.2 Work in progress</b>	7,605,505	8,956,816
	<u><b>290,485,242</b></u>	<u><b>356,955,412</b></u>

**17. Trade receivables**

Airlines	372,154,435	247,613,484
Others	20,950,536	6,625,201
Provision for bad debts ( Note 17.1 )	(3,428,878)	(2,779,961)
	<u><b>389,676,093</b></u>	<u><b>251,458,724</b></u>

**17.1 Provision for bad debts**

Provision as at beginning of the year	2,779,961	2,779,961
Provision for the year	648,917	-
Provision as at end of the year	<u><b>3,428,878</b></u>	<u><b>2,779,961</b></u>

**18. Due from related companies**

SriLankan Airlines	3,617,987,525	2,439,809,312
Mihin Lanka Airlines	449,645,851	362,144,270
	<u>4,067,633,376</u>	<u>2,801,953,582</u>
Provision for bad debts (Note 18.1)	-	(21,889,086)
	<u><b>4,067,633,376</b></u>	<u><b>2,780,064,496</b></u>

**18.1 Provision for bad debts from related companies**

Provision as at 01 April	21,889,086	21,889,086
Provision for the year	-	-
Reversal of provision for the year	(21,889,086)	-
Provision as at 31 March	<u>-</u>	<u><b>21,889,086</b></u>

**19. Other receivables**

Distress loans	15,836,539	14,569,122
Prepaid staff cost	1,252,003	1,970,437
Other staff advances	858,931	771,539
V.A.T. receivable	101,083,780	101,576,022
Advances / deposits & sundry receivables	167,438,111	101,180,733
	<u><b>286,469,364</b></u>	<u><b>220,067,853</b></u>



**SRILANKAN CATERING LIMITED****NOTES TO THE FINANCIAL STATEMENTS***For the period ended 31st March***2014****2013***All amounts in Sri Lankan Rupees***20. Cash and cash equivalents**

Cash in hand	727,323	2,608,678
Cash at Bank	148,583,988	38,499,073
	<u>149,311,311</u>	<u>41,107,751</u>

**21. Stated capital**

Balance as at 01st April	1,000,000,000	1,000,000,000
Capitalisation of reserves	-	-
Balance as at 31st March ( No. of shares 940,268,456 )	<u>1,000,000,000</u>	<u>1,000,000,000</u>

The Company split its existing shares of Rs.100/= each into 100 Mn ordinary shares of Rs.1/= each on 30th September 2009. Subsequently, 40 Mn ordinary shares were bought back from the present at a price of Rs.100/= each totalling to Rs.4 Bn.

The ordinary shares of the Company have been subdivided as one ordinary share into fifteen ordinary voting shares increasing the number of ordinary voting shares outstanding from 60,000,000 shares to

Retained earnings amounting to Rs. 900,000,000/= was capitalised in the books of the Company for the issue of 40,268,456 new ordinary voting shares to the current shareholders at a consideration of Rs. 22.35 per share be ratified and that in the opinion of the Board, the consideration is fair and reasonable to the Company and existing shareholders. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

**22. Preference shares**

Preference shares - 5 years redeemable - SriLankan Airlines	1,000,000,000	1,000,000,000
Preference shares - 10 years convertible - EPF	1,000,000,000	1,000,000,000
	<u>2,000,000,000</u>	<u>2,000,000,000</u>

Company has issued 10,000,000 redeemable preference shares with a par value of Rs. 100/= per share. All issued shares are fully paid. Redeemable preference shares do not carry the right to vote. The redeemable preference shares are mandatorily redeemable at par on any date after 10 August 2014 at the option of the Company, or on the date of Maturity (10 August 2015). Company is obliged to pay the holder of redeemable preference shares annual dividends of 15% of the par amount on 30 May and 30 November (bi-annually) until and including maturity.

Non Voting Redeemable Cumulative Convertible Preference shares are convertible in to ordinary shares on 16 May 2015 at the option of the holder at agreed basis or mandatory redemption on the date of maturity (16 May 2020). The holder is also entitled to a fixed preference dividend. Due to the favourable fixed preference dividend rate, this is classified along with the Non current liabilities.

**23. Loans and borrowings****23.1 Loan - Laundry project**

	<b>2014</b>	<b>2013</b>
	<b>US\$</b>	<b>US\$</b>
Balance as at 01 April	112,500	187,500
Repayment during the year	(75,000)	(75,000)
Balance as at 31 March	<u>37,500</u>	<u>112,500</u>

**SRILANKAN CATERING LIMITED**
**NOTES TO THE FINANCIAL STATEMENTS**
*For the period ended 31st March*

	2014 US\$	2013 US\$
<b>23.2 Loan - Flight kitchen project - Mattala</b>		
Balance as at 01 April	400,000	-
Loan obtained during the year	447,389	400,000
Repayment during the year	(100,000)	-
Balance as at 31 March	<b>747,389</b>	<b>400,000</b>
 Total loans (\$)	<b>784,889</b>	<b>512,500</b>
Total loans (Rs.)	<b>102,624,283</b>	<b>64,959,433</b>
 <b>23.3 Lease facility</b>	<b>Rs.</b>	<b>Rs.</b>
Balance as at 01 April	11,356,936	11,343,787
Borrowed during the year	-	3,238,000
Repayment during the year	(4,557,235)	(3,224,851)
Balance as at 31 March	<b>6,799,701</b>	<b>11,356,936</b>
	<b>109,423,984</b>	<b>76,316,369</b>
 Amount payable within 12 months - ( Rupees )	9,114,837	12,385,578
Amount payable after 12 months - ( Rupees )	100,309,147	63,930,791
	<b>109,423,984</b>	<b>76,316,369</b>
 <b>24. Deferred tax liability</b>		
Revaluation gain	2,905,988	2,905,988
Deferred tax liability	<b>2,905,988</b>	<b>2,905,988</b>

Deferred tax liability on revaluation gain on the building improvements has been recognized. Other revaluation gains do not give rise to deferred tax as they reverse within the tax holiday period.

**Unrecognised deferred tax (assets)**

Deferred tax assets attributable to the following items has not been recognized.

	2014	2013	2014	2013	2014	2013
	Assets		Liabilities		Net	
Property, plant & equipment	3,989,191	3,960,848	-	-	(3,989,191)	(3,960,848)
Employee benefits	53,139,297	42,179,130	-	-	(53,139,297)	(42,179,130)
	<b>57,128,488</b>	<b>46,139,978</b>	<b>-</b>	<b>-</b>	<b>(57,128,488)</b>	<b>(46,139,978)</b>

Deferred tax assets have not been recognised because of the tax holiday of the Company that extends up to 2021 and thereafter a concessionary rate will apply for another 7 years. Therefore, the tax impact would be off set over the remaining 7 years and any remaining amounts is considered immaterial. Deferred tax is quantified at the rate of 15%.

**Movement in temporary differences during the year**

	Balance as at 31-Mar-12	Additions during the year	Balance as at 31-Mar-13	Additions during the year	Balance as at 31-Mar-14
Property, plant & equipment	26,288,388	117,265	26,405,653	188,954	26,594,607
Employee benefits	267,512,123	13,682,075	281,194,198	73,067,781	354,261,979
	<b>293,800,511</b>	<b>13,799,340</b>	<b>307,599,851</b>	<b>73,256,735</b>	<b>380,856,586</b>

**SRILANKAN CATERING LIMITED**
**NOTES TO THE FINANCIAL STATEMENTS**
*For the period ended 31st March*
**2014**
**2013**
*All amounts in Sri Lankan Rupees*
**25. Employee benefits**
**Movement in the present value of the defined benefit obligations**

Defined benefit obligations as at 1 April	281,194,198	267,512,123
Benefits paid during the year	(14,774,980)	(26,335,086)
Current service costs	21,383,204	19,108,016
Interest cost	30,931,362	26,751,212
Actuarial (gain)/loss during the year	35,528,195	(5,842,067)
<b>Defined benefit obligations as at 31 March</b>	<b>354,261,979</b>	<b>281,194,198</b>

**Expense recognised in comprehensive income**

Current service costs	21,383,204	19,108,016
Interest on obligation	30,931,362	26,751,212
	<b>52,314,566</b>	<b>45,859,228</b>

**Expense recognised in other comprehensive income**

Actuarial (gain) / loss during the year	35,528,195	(5,842,067)
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The actuarial valuation was carried out by professionally qualified actuary, M. Poopalanathan of Actuarial & Management Consultants (Pvt) Ltd for the year ended 31 March 2014 based on the following assumptions;

Discount rate at 31 March	10%	11%
Future salary increases - Executives	12%	10%
- Non Executives	12%	15%
Retirement age	55 years	55 years

Assumptions regarding future mortality are based on published statistics and mortality tables.

**Sensitivity of assumptions employed in actuarial valuation**

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employee benefit liability measurement.

The sensitivity of the statement of comprehensive income and statement of financial position is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss and employment benefit obligation for the year.

Increase / (Decrease) in Discount rate	Increase / (Decrease) in Salary escalation rate	Effect on charge to the statement of comprehensive income	Effect on employee benefit obligation
1%	*	(22,285,352)	(22,285,352)
-1%	*	24,934,197	24,934,197
**	1%	25,886,238	25,886,238
**	-1%	(23,817,139)	(23,817,139)

**Note 01**

\* Salary escalation rate - 12%

\*\* Discount rate - 10 %

**SRILANKAN CATERING LIMITED****NOTES TO THE FINANCIAL STATEMENTS***For the period ended 31st March***2014****2013***All amounts in Sri Lankan Rupees***26. Due to related companies**

Airport &amp; Aviation Services Limited

49,327,200

19,055,109

**49,327,200****19,055,109****27. Other payables**

Other creditors &amp; accrued expenses

213,567,493

217,588,045

Provision for bonus payments

119,297,468

117,771,951

Income tax / NBT / WHT payable

18,214,614

54,498,028

Preference share dividend payable - Employees' Provident Fund

74,794,521

74,794,521

**425,874,096****464,652,545****28. Related party transactions****28.1 Parent and ultimate controlling party**

The Company's immediate and ultimate parent is Sri Lankan Airlines Ltd.

**28.2 Transactions with key management personnel**

Transactions during the year, with key management personnel and their close family members which require disclosure as per LKAS 24-Related party disclosures are as follows :

**(i) Key management personnel compensation****2014****2013**

Short term employee benefits

3,000,000

2,500,000

Post employee benefits

Nil

Nil

Key management personnel comprises the Directors of the Company having authority and responsibility for planning, directing, and controlling the activities of the Company.

**(i) Loans to directors**

No loans have been given to the directors of the Company.

**SRILANKAN CATERING LIMITED**
**NOTES TO THE FINANCIAL STATEMENTS**
*For the period ended 31st March 2014*
*All amounts in Sri Lankan Rupees*
**28. Related party transactions (Contd.)**
**28.3 Transactions with related parties**

Name of the company	Relationship	Nature of transactions	Transaction amount		Receivable / (Payable) balance as at 31 March 2014
			31 March 2014	31 March 2013	
SriLankan Airlines Limited	Parent Company	Sales	3,030,536,194	3,028,175,191	3,617,987,525
		Freight service	(9,024,960)	(8,435,236)	-
		Other service	(19,939,722)	(19,594,638)	-
		Dividend - Ordinary	(1,275,000,000)	(2,250,000,000)	-
		Dividend - Preference	(150,000,000)	(150,000,000)	-
		Loan Interest	2,155,185	2,255,699	-
		Loan payment receipts	233,247,393	233,716,926	-
		Loan receivable	-	-	1,060,763,637
		Preference shares	-	-	(1,000,000,000)
Airport & Aviation Services Limited	Owner related Company	Rent & others	312,373,237	302,297,824	(49,327,200)
Mihin Lanka Limited	Government Owned	Sales	248,194,729	208,434,630	449,645,851
Employees' Provident Fund	Shareholder	Preference share dividend	150,000,000	150,000,000	(74,794,520)
		Preference shares	-	-	(1,000,000,000)

The Sales made to Sri Lankan Airlines Limited is at a 40% discount on general selling price. A 30% volume discount is granted to Mihin Lanka Limited. Transactions with other related parties took place at commercial terms.

**29. Events occurring after the reporting date**

There are no events occurring after the reporting date that require adjustments to or disclose in the financial statements.

**30. Commitments and contingencies**
**Operating lease commitments**

The future minimum lease payments under operating leases are as follows.

	2014	2013
Not later than one year	24,209,232	24,209,232
Later than one year and not later than five years	116,177,755	117,593,993
Later than five years	341,894,915	364,687,909
	<u>482,281,902</u>	<u>506,491,134</u>

**31. Litigations and claims**

In the opinion of the Company's lawyers, there are no pending litigations against the Company other than the following case that will have an impact on the reported financial results or the future operations of the Company.

- Labour Tribunal Case (LT Case No.21/Add/916/08)      - S. K. Ganganath Vs SriLankan Catering Limited

**SRILANKAN CATERING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

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*For the period ended 31st March 2014*

*All amounts in Sri Lankan Rupees*

**32. Going concern**

No events or conditions have been identified that may cast significant doubt on the Company's ability to continue as a going concern, whether they arise during the period or after the end of the reporting period. Financial Statements of the Company have prepared by the Board of Directors based on the assumption that the Company will continue as a going concern.

**SRILANKAN CATERING LIMITED**
**NOTES TO THE FINANCIAL STATEMENTS**
*For the period ended 31st March 2014*
*All amounts in Sri Lankan Rupees*
**33. Segmental Information**

<i>For the period ended 31st March</i>	Note	Flight Kitchen		BIA Restaurant		Other Segments		Total	
		2014	2013	2014	2013	2014	2013	2014	2013
Revenue	5	4,596,952,350	3,930,926,159	687,195,173	650,224,347	344,139,657	311,800,326	5,628,287,180	4,892,950,832
Cost of sales		(1,131,488,742)	(936,943,423)	(213,511,141)	(173,994,675)	(51,022,901)	(35,366,858)	(1,396,022,784)	(1,146,304,956)
Gross profit		3,465,463,608	2,993,982,736	473,684,032	476,229,672	293,116,756	276,433,468	4,232,264,396	3,746,645,876
Other income	6	12,038,117	5,964,258	-	-	-	-	12,038,117	5,964,258
Administration expenses	7	(941,058,618)	(886,231,844)	(91,482,932)	(91,494,190)	(64,443,284)	(51,696,080)	(1,096,984,834)	(1,029,422,114)
Other operational expenses	8	(573,442,449)	(577,791,347)	(131,766,834)	(147,078,325)	(174,027,562)	(144,531,475)	(879,236,845)	(869,401,147)
Results from operating activities	9	1,963,000,658	1,535,923,803	250,434,266	237,657,157	54,645,910	80,205,913	2,268,080,834	1,853,786,873
Finance income		331,864,861	75,830,847	-	-	(14,328,169)	-	317,536,692	75,830,847
Finance costs		(329,534,326)	(498,751,481)	(400)	-	24,276,897	-	(305,257,829)	(498,751,481)
Net finance (costs) / income	10	2,330,535	(422,920,634)	(400)	-	9,948,728	-	12,278,863	(422,920,634)
Profit before income tax		1,965,331,193	1,113,003,169	250,433,866	237,657,157	64,594,638	80,205,913	2,280,359,697	1,430,866,239
Income tax expense	11	(10,221,807)	(8,578,236)	(3,042,588)	(5,303,502)	(4,743,601)	(1,358,908)	(18,007,996)	(15,240,646)
Profit for the year		1,955,109,386	1,104,424,933	247,391,278	232,353,655	59,851,037	78,847,005	2,262,351,701	1,415,625,593
<b>Other comprehensive income :</b>									
Defined benefit plan actuarial gains (losses)		(35,528,195)	5,842,067	-	-	-	-	(35,528,195)	5,842,067
Other comprehensive income for the year, net of tax		(35,528,195)	5,842,067	-	-	-	-	(35,528,195)	5,842,067
Total comprehensive income for the year		1,919,581,191	1,110,267,000	247,391,278	232,353,655	59,851,037	78,847,005	2,226,823,506	1,421,467,660
Segment assets		7,526,141,195	-	107,385,378	-	101,349,695	-	7,734,876,268	-
Segment liabilities		2,944,281,294	-	27,879,060	-	106,152,325	-	3,078,312,679	-

SLFRS 8 requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters. (The management's approach) Such operating segments are identified on the basis of internal reports that the entity's Board of Directors reviews regularly in allocating resources and in assessing their performance. Company reviewed the existing reporting segments and concluded that no material change is needed.