SRILANKAN CATERING LIMITED
KATUNAYAKE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2021

BDO

CONTENTS

Corporate Information

NAME OF THE COMPANY

SriLankan Catering Limited

COMPANY REGISTRATION NUMBER

PV1418 PB

LEGAL FORM

Limited Liability Company

BOARD OF DIRECTORS

Asoka Pathirage /Chairman

Malik Fernando

Manohara De Silva PC

Samantha Ratwatte PC

Sanjaya Mohottala

M. Ashroff Omar
(Resigned w.e.f 01 March 2021)

AUDIT COMMITTEE

Sanjaya Mohottala - Pro-tem Chairman

Malik Fernando (Member)

Manohara De Silva PC (Member)

Samantha Ratwatte PC (Member)

HUMAN RESOURCES & REMUNERATION COMMITTEE

Malik Fernando (Chairman)

Manohara De Silva PC (Member)

Samantha Ratwatte PC (Member)

SECRETARIES
AirLanka (Pvt) Limited

BANKERS

Commercial Bank of Ceylon PLC
Hatton National Bank PLC
Bank of Ceylon
Nations Trust Bank PLC
Seylan Bank PLC

AUDITORS

Auditor General
National Audit Office
No. 306/72, Polduwa Road
Battaramulla.

REGISTERED OFFICE

SriLankan Catering Limited
Airline Centre
Bandaranaike International Airport
Katunayake
Sri Lanka

CORPORATE WEBSITE
www.srilankancatering.com

PROFILE OF DIRECTORS

MR. ASOKA PATHIRAGE

Mr. Asoka Pathirage was appointed to the Board of SriLankan Airlines Limited on 16th December 2019 and was subsequently appointed to the Board of SriLankan Catering Limited.

He is the Chairman / Managing Director of Softlogic Holdings PLC, Asiri Hospital Holdings PLC, Asiri Surgical Hospital PLC and Odel PLC. He serves as the Chairman of Softlogic Capital PLC and Softlogic Life Insurance PLC in addition to the other companies of the Group. He is also the Chairman of NDB Capital Holdings Limited.

He, recognized as a visionary leader of Sri Lanka's corporate world, is the founding member of Softlogic Group, one of Sri Lanka's leading conglomerates. He manages over 50 companies with a pragmatic vision providing employment to more than 10,000 peoples. Mr. Pathirage gives strategic direction to the Group which has a leading market presence in four vertical sectors - Retail & Telecommunications, Healthcare Services, Financial Services and IT, Leisure & Automotive.

MR. MALIK J. FERNANDO

Mr. Malik Fernando was appointed to the Board of SriLankan Airlines Limited on 08th January 2020 and was subsequently appointed to the Board of SriLankan Catering Limited.

Mr. Fernando is a Director of Dilmah Tea and MD of Resplendent Ceylon, the first local luxury resort brand, developing a remarkable circuit across Sri Lanka, with a range of authentic experiences, while contributing towards local communities and the environment through the MJF Foundation & Dilmah Conservation. After the Easter Sunday outrage, Mr. Fernando spearheaded the Sri Lanka Tourism Alliance to mobilize the private tourism sector with one voice under the Love Sri Lanka banner.

Mr. Fernando has a BSc in business management from Babson College in the US.

MR. MANOHARA DE SILVA PC

Mr. Manohara De Silva PC was appointed to the Board of SriLankan Airlines Limited on 8th January 2020 and was subsequently appointed to the Board of SriLankan Catering Limited.

Mr. Manohara De Silva is a President's Counsel practising in the Superior Courts in Sri Lanka. He was called to the Bar in 1988 and was appointed as a President's Counsel in the year 2006. He is a member of the Law Commission and Legal Aid Commission. He served as a member of the Incorporated Council of Legal Education for several years. In 2006, he was appointed by the Government to serve in the Expert Panel of the All Party Representative Committee on the constitution.

Mr De Silva PC was also a member of the University Council of the University of Moratuwa and prior to that served as a visiting lecturer at the same university. He has also functioned as a member of the Bar Council and served in the Executive Committee of the Bar Association of Sri Lanka and in SAARC LAW some years ago. Mr. De Silva PC has authored several books and papers on the constitution.

MR. SAMANTHA RATWATTE PC

Mr Samantha Ratwatte PC was appointed as a Member of the Board of Directors of Sri Lankan Airlines on 8th January 2020 and was subsequently appointed to the Board of SriLankan Catering Limited.

He is a President's Counsel with an extensive practice in the field of Civil Law. He is a member of the Governing Council of the University of Peradeniya and has been a visiting lecturer in the Department of Law at the same institution. He is also a member of the Law Commission of Sri Lanka.

His services have been engaged by diverse clients in the fields of personal law, land law and matters concerning commercial disputes, which has entailed an extensive practice in the original Courts and the Appellate Courts spread throughout the length and breadth of the Island.

His particular skills in the field of complex legal issues pertaining to Civil matters has resulted in his services being procured by numerous entities and individuals. He had his primary and secondary education at Trinity College, Kandy.

MR. SANJAYA MOHOTTALA

Mr. Sanjaya Mohottala was appointed to the Boards of SriLankan Airlines and SriLankan Catering on 1st February 2020. He is the pro-tem Chairman of the Audit Committees of both SriLankan Airlines and SriLankan Catering.

In addition to serving as a board member at SriLankan, Mr. Mohottala was the Chairman BOI, was a board member at the Export Development Board and Sahasya. He's also was a member of the Presidential Task Force for Economic Revival & Poverty Eradication.

Prior to joining SriLankan board, Mr. Sanjaya Mohottala was the Asia Pacific node for Boston Consulting Group's Transportation and Logistics sectors. He was also a core member of the Southeast Asia's Corporate Development and Principal Investors & Private Equity practices.

He has extensive experience in strategy, mergers & acquisitions and investments, restructuring, operational improvement, sales and marketing, advance analytics and organization redesign. Mr. Mohottala has led multiple merger discussions and post-merger integration efforts. He has also worked on largescale global transformation efforts.

He holds a BSc (Hons) from the University of Moratuwa, an MBA from the Anderson School of Management of UCLA (USA), CIMA, Diploma in Marketing and is a Fulbright Scholar.

MR. M. ASHROFF OMAR

Mr. Ashroff Omar was appointed to the Board of SriLankan Airlines Limited on 8th January 2020 and was subsequently appointed to the Board of SriLankan Catering Limited. He is the Chairman of the Human Resources & Remuneration Committee of both SriLankan Airlines and SriLankan Catering.

The Group Chief Executive Officer of Brandix Lanka Limited, Mr. Ashroff Omar has been instrumental in redefining the Sri Lankan Apparel industry for over four decades. He spearheads a company that comprises manufacturing and product development facilities offering end-to-end solutions from Tokyo to the US, including UK, Cambodia, Haiti, Sri Lanka, India and Bangladesh for some of the world's most renowned brands, with a commitment to offering 'Inspired Solutions' to its clientele.

He is also credited with pioneering environmentally-friendly apparel manufacture in the world and establishing the world's first LEED platinum manufacturing facility for eco-friendly manufacture. His extensive experience and ability to think beyond the norm has secured him positions in the Boards of some of Sri Lanka's most respected corporates. He is also the Founder Chair of the Joint Apparel Association Forum (JAAF), the apex body of the Sri Lanka Apparel industry. Mr Ashroff Omar resigned from the post of directorship with effect from 01 March 2021.

BOARD AUDIT COMMITTEE REPORT 2020/21

ROLES 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 oversight responsibilities by providing an independent review of the system of internal controls, the financial reporting system, the risk management process, the governance process, the internal audit and external audit functions and the process for monitoring compliance with laws and regulations.

COMMITTEE COMPOSITION

The Board members who served on the BAC during the year ended 31 March 2021 were Mr. Sanjaya Mohottala (Pro-tem Chairman), Mr. Malik Fernando (Member), Mr. Manohara de Silva PC (Member) and Mr. Jayanth Perera (Member). (Mr. Samantha Ratwatte PC resigned from the Committee on the 23rd April 2021).

Ms. A.D. Dilrukshi, Superintendent of Audit, National Audit Office attended Audit Committee meetings as an independent observer representing the Auditor General's Department.

MEETINGS

The Board Audit Committee held four (4) meetings during the year ended 31 March 2021. The members of the SLC management attended the meetings upon invitation to brief the Board Audit Committee on specific issues.

GROUP ASSURANCE AND ADVISORY SERVICES DIVISION

The Group Assurance and Advisory Services (GAAS) Division of SriLankan Airlines carries out the internal audit function at SriLankan Catering and reports functionally to the BAC.

KEY ACTIVITIES OF THE BAC DURING THE FINANCIAL YEAR

- Reviewed the internal audit reports on system of internal controls including information technology controls and ensured that follow-up action is taken by Heads of Departments in a timely manner.
- Reviewed the year-end audited financial statements and recommended for Board approval. In addition, reviewed the Management Letter submitted by the External Auditors and management responses to the issues highlighted.
- Reviewed the Internal Audit function carried out by GAAS Division, including the independence and authority of its reporting obligations and the GAAS annual internal audit plan.
- Reviewed the Corporate Risk Register and the mitigation actions taken by management.
- Reviewed the Company's quarterly compliance dashboards to determine all relevant laws and regulations are complied with.
- Reviewed the Related Party Transaction details submitted on quarterly basis.
- Reviewed the topmost debtors of the Company and recovery actions taken by management.
- Reviewed the Auditor General's report on Procurement.

Sanjaya Mohottala

Pro-tem Chairman - Board Audit Committee

2nd March 2022

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

The Board of Directors of SriLankan Catering Limited has the pleasure in presenting the Audited Financial Statement of the Company for the year ended 31st March 2021.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal business activities of the Company are 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 sales outlet and the Semondu Restaurant which was sub-leased to Next Inning Ltd w.e.f. 10th September 2018 at Old Dutch Hospital, Fort. However, the agreement was terminated w.e.f. 15th June 2020.

Further, the Company obtained approval from the BOI to produce and sell frozen meals in the overseas and local markets from October 2020.

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

The Company is a 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, 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 31st March 2021 duly signed by the Chief Executive Officer and the Directors, and the Auditor's Report thereon for the year ended 31st March 2021 are attached to this Report.

ACCOUNTING POLICIES AND CHANGES DURING THE YEAR

The Company prepared the financial statements in accordance with the Sri Lanka Accounting Standards (SLFRS/ LKASs). The Board of Directors wish to inform that there were no changes to the accounting policies adopted by the Company. A detailed note of the accounting policies adopted in the preparation of the financial statements of the Company is given below in page 05 to 23.

REVENUE

Revenue generated by the Company amounted to Rs.694.00 Mn (2019/20 - Rs.9,036.27 Mn), a detailed analysis of turnover is given in Note 3 to the financial statements.

RESULTS AND DIVIDEND

Net results for the year are as follows,

	2020/2021	2019/2020
	Rs. (Mn)	Rs. (Mn)
Net profit before tax	(960.46)	4,799.69
Taxation	57.06	(36.47)
Net profit after tax	(903.40)	4,763.22

DIVIDEND

Preferential Dividend - The Company paid out Rs.16.39 Mn on account of preference shares for the period ended 15th May 2020.

Preference Shares were to be redeemed on 16th May 2020. However, due to the pandemic situation and economic downturn of the world and the aviation industry, the Company entered into a loan agreement with the Monetary Board of the Central Bank of Sri Lanka on 15th May 2020 to convert preference share capital amount of LKR 750,000,000/- into a short-term loan under new terms and conditions. LKR 250,000,000/- was redeemed with accumulated dividend on 15th May 2020 before entering into the loan agreement. Accordingly, preference share capital was classified under short- term loan and borrowings wef 15th May 2020. Further, this loan was settled in full on 16th February 2021. (Please refer Note wef 21 to financial statements)

Ordinary Shares Dividend - A final dividend of Rs. 3,569.63 Mn for the financial year 2019/20 was declared and paid on 30th March 2021.

PROPERTY, PLANT AND EQUIPMENT

The net book value of the Property, Plant and Equipment of the Company as at the Balance Sheet date amounted to Rs. 2,309.60 Mn (2019/20: Rs. 2,681.54 Mn). Details of Property, Plant and Equipment and their movements are given in Note 10 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 (2019/20: Rs. 1,000 Mn). Details of the share capital are given in Note 20 of page 29.

RESERVES

Total Company reserves as at 31 March 2021 amount to Rs.6,816.42 Mn (2019/20: Rs. 11,237.54 Mn). This consists of Revenue Reserve (Accumulated Profit) of Rs. 4,490.98 Mn (2019/20: Rs.8,905.84 Mn) and Capital Reserve (Revaluation Surplus) of Rs. 2,325.44 Mn (2019/20: Rs. 2,331.70 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 donations during the year.

TAXATION

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

At present, net profit derived from the Flight Kitchen, Transit Restaurant, Transit Hotel and Airline Laundry are exempted from Tax.

The net profit derived from the Public Restaurants, Vanilla Pod sales outlet, Semondu Restaurant (Rental income w.e.f. 10th September 2018), local laundry sales and other business income are liable for income tax at the prevailing tax rate of 24%.

With effect from 31st May 2021, net profit of Flight Kitchen, Transit Restaurant, Serenediva Transit Hotel and Airline Laundry shall be liable to pay income tax at the concessionary rate of 15% for 8 years. Thereafter, all profit shall be taxable at normal rate.

SHARE INFORMATION

Share information as at 31st March 2021 is as follows:

Ordinary Shares

Share Ownership	No. of Shares	% of Holding	Value (Rs.)
SriLankan Airlines Limited	940,268,456	100%	1,000,000,000

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent Liabilities as at 31st March 2021 are given in Note 30 to the Financial Statements. The commitments made on Capital Expenditure as at the balance sheet date are given in Note 29.

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no material events which occurred between the reporting date and the date on which the financial statements are authorized for issue.

EMPLOYMENT POLICIES

Employment policies of the Company respect the individual and offer equal career opportunities regardless of gender, race or religion. Occupational health and safety standards receive substantial attention. The number of persons employed by the Company at the year-end was 853 (2019/2020: 1,008).

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 effect 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 in 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 responsibilities for the Company's system of internal controls. The system is designed to provide assurance, 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. Asoka Pathirage (Chairman)	Appointed with effect from 24th January 2020
Mr. M. Ashroff Omar	Appointed with effect from 24th January 2020 and resigned with effect from 01st March 2021
Mr. Malik Fernando	Appointed with effect from 24th January 2020
Mr. Manohara De Silva PC	Appointed with effect from 24th January 2020
Mr. Samantha Ratwatta PC	Appointed with effect from 24th January 2020
Mr. Sanjaya Mohottala	Appointed with effect from 01st February 2020

DIRECTORS' REMUNERATION

The Directors' remunerations paid for the financial year ended 31st March 2021 is disclosed in note no 32 on page 33 under key management personnel disclosure.

DIRECTORS' SHAREHOLDING

By virtue of office M/s. Asoka Pathirage/ Chairman, Mr. Malik Fernando/ Director, Mr. Sanjaya Mohottala/Director and Mr. Manohara De Silva PC/ Director are holding one ordinary share each.

DIRECTORS' INTERESTS IN CONTRACTS

The Directors' interest in Contracts of the Company are included in Note 32 to Financial Statements under related party transactions. The Directors have no direct or indirect interest in any other contracts or proposed contracts of the Company.

AUDITORS

The Auditor General shall audit the organization in terms of Article 36 of the 19th amendment to the Constitution of the Democratic Socialist Republic of Sri Lanka. Messrs BDO Partners have been appointed by the Auditor General as a qualified auditor to assist the Auditor General in the annual audit of the financial statement of the Company for the year ended 31st March 2021.

ANNUAL GENERAL MEETING

Annual General Meeting will be held on 21st April 2022, via Resolution in accordance with the Section 144 of the Companies Act No. 07 of 2007.

By Order of the Board

Airlanka (Pvt) Limited
Secretaries

....
Director Chairman

....
Director

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 regarded 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 31st March 2021 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 from 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 (Pvt) Limited
Company Secretary
2nd March 2022

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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

මගේ අංකය / எனது இல. / My No. AAV/A/SLCL/01/20/31 | ඔබේ අංකය / உமது இல. / Your No. | දිනය / திகதி / Date 01 April 2022

The Chairman

Sri Lankan Catering Limited

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Sri Lankan Catering Limited for the year ended 31 March 2021 in terms of Section 12 of the National Audit Act, No. 19 of 2018

Above mentioned report together with the Audited Financial Statements is sent herewith.

W.P.C. Wickramaratne

Auditor General

True Copy
A.D. Dilrukshi
Superintendent of Audit
National Audit Office
No:306/72, Polduwa Road,
Battaramulla.
2022/04/18

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව | இல. 306/72, பொல்தூவ வீதி, பத்தரமுல்லை, இலங்கை. | No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.
+94 11 2 88 70 28 - 34 | +94 11 2 88 72 23 | ag@auditorgeneral.gov.lk | www.naosl.gov.lk

ජාතික විගණන කාර්යාලය
தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

මගේ අංකය
எனது இல.
My No. AAV/A/SLCL/01/20/31

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date 01 April 2022

The Chairman

Sri.Lankan Catering Limited

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Sri Lankan Catering Limited for the year ended 31 March 2021 in terms of Section 12 of the National Audit Act, No. 19 of 2018

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Sri Lankan Catering Limited ("Company") for the year ended 31 March 2021 comprising the statement of financial position as at 31 March 2021 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2021, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

True Copy 2022/04/18
A.D Dilrukshi
Superintendent of Audit
National Audit Office
No:306/72, Polduwa Road,
Battaramulla.

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www.naosl.gov.lk

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Company is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Company.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

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

True Copy
2022/04/18

A.D Dilrukshi
Superintendent of Audit
National Audit Office
No:306/72, Polduwa Road,
Battaramulla.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

True Copy 2022/04/18

A.D Dilrukshi
Superintendent of Audit
National Audit Office
No:306/72, Polduwa Road,
Battaramulla.

2. Report on Other Legal and Regulatory Requirements

2.1 National Audit Act, No. 19 of 2018 and Companies Act, No. 7 of 2007 include specific provisions for following requirements.

2.1.1 I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company as per the requirement of section 163 (2) (d) of the Companies Act, No. 7 of 2007 and section 12 (a) of the National Audit Act, No. 19 of 2018.

2.1.2 The financial statements of the Company comply with the requirement of section 151 of the Companies Act, No. 07 of 2007.

2.1.3 The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

2.1.4 The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

2.2 Based on the procedures performed and evidence obtained were limited to matters that are material, nothing has come to my attention;

2.2.1 to state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the normal cause of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018

2.2.2 to state that the Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018

2.2.3 to state that the Company has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018

True Copy. 2022/04/18

A.D Dilrukshi
Superintendent of Audit
National Audit Office
No:306/72, Polduwa Road,
Battaramulla.

2.2.4 to state that the resources of the Company had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018

W.P.C. Wickramaratne

Auditor General

True copy 2022/04/18

A.D Dilrukshi
Superintendent of Audit
National Audit Office
No:306/72, Polduwa Road,
Battaramulla

SRILANKAN CATERING LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2021

	Note	2020/2021 Rs.	2019/2020 Rs.
Revenue from contracts with customers	3	694,000,136	9,036,270,251
Cost of sales		(323,892,048)	(1,705,104,636)
Gross profit		370,108,088	7,331,165,615
Administrative expenses	4	(1,371,137,666)	(2,099,483,031)
Other operational expenses	5	(360,672,816)	(1,064,524,747)
(Loss)/profit from operations		(1,361,702,394)	4,167,157,837
Finance income		592,059,602	899,941,850
Finance expenses		(190,819,707)	(267,408,722)
Net finance income	6	401,239,895	632,533,128
Net (loss)/profit before taxation		(960,462,498)	4,799,690,965
Income tax expenses	7	57,060,155	(36,475,559)
Net (loss)/profit for the year after taxation		(903,402,344)	4,763,215,406
Other comprehensive income			
Actuarial gain/(loss) on defined benefit plan		68,446,816	(11,982,964)
Actuarial (loss) on leave encashment		(7,375,700)	(5,504,077)
Deffered tax on acturial gain /(loss) on defined benefit paln	8	(10,267,022)	1,797,445
Deffered tax on acturial loss on leave encashment	8	1,106,355	-
Total other comprehensive income		51,910,449	(15,689,596)
Total comprehensive income		(851,491,895)	4,747,525,810
Basic earnings per share	9	(0.96)	5.07

Figures in brackets indicate deductions.

The accounting policies and notes on pages 05 to 38 form an integral part of these financial statements.

Colombo
09th March 2022

BDO PARTNERS Chartered Accountants

SRILANKAN CATERING LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH 2021

	Note	As at 31.03.2021 Rs.	As at 31.03.2020 Rs.
ASSETS			
Non-current assets			
Property, plant and equipment	10	2,309,602,243	2,681,536,151
Right of use assets	10.4	284,809,059	331,985,125
Capital work-in-progress	11	15,689,975	692,324
Intangible assets	12	22,583,473	25,416,160
Investment in non-quoted shares	13	-	-
Total non-current assets		2,632,684,750	3,039,629,760
Current assets			
Inventories	14	172,742,407	315,220,176
Amounts due from related companies	15	10,827,582	125,260,758
Trade receivable	16	6,258,023,986	11,366,573,592
Other receivables	17	166,806,904	304,359,083
Financial assets at amortized cost	18	250,000,000	397,000,000
Cash and cash equivalents	19	184,003,516	363,800,032
Total current assets		7,042,404,395	12,872,213,641
Total assets		9,675,089,145	15,911,843,401
EQUITY AND LIABILITIES			
Stated capital and reserves			
Stated capital	20	1,000,000,000	1,000,000,000
Retained earnings		4,490,982,560	8,905,842,516
Revaluation reserve		2,325,438,307	2,331,701,825
Shareholders' fund		7,816,420,867	12,237,544,341
Non-current liabilities			
Loans and borrowings	22	772,930,997	835,254,628
Deferred tax liability	23	84,809,302	133,092,992
Retirement benefit obligations	24	578,508,528	600,518,514
Total non-current liabilities		1,436,248,827	1,568,866,134
Current liabilities			
Redeemable preference shares	21	-	1,000,000,000
Loans and borrowings	22	63,295,396	137,737,418
Amounts due to related companies	25	-	64,871,781
Trade payable	26	44,770,676	207,894,344
Other payables	27	314,353,379	657,808,108
Income tax payable	28	-	37,121,275
Total current liabilities		422,419,451	2,105,432,926
Total liabilities		1,858,668,278	3,674,299,060
Total equity and liabilities		9,675,089,145	15,911,843,401

Figures in brackets indicate deductions.

The accounting policies and notes on pages 05 to 38 form an integral part of these financial statements.

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

....
Chief Executive Officer

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Approved and signed for and on behalf of the Board.

....
Director Chairman

....
Director

Colombo
09th March 2022
HSR/cc

BDO PARTNERS Chartered Accountants

SRILANKAN CATERING LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH 2021

	Stated capital Rs.	Revaluation reserves Rs.	Retained earnings Rs.	Total Rs.
Balance as at 31st March 2019	1,000,000,000	2,343,185,802	6,143,540,662	9,486,726,464
Implication of adopting of SLFRS 16, net of tax	-	-	(295,457,749)	(295,457,749)
Restated balance as at 31st March 2019	1,000,000,000	2,343,185,802	5,848,082,913	9,191,268,715
Profit for the year	-	-	4,763,215,406	4,763,215,406
Other comprehensive income				
- Defined benefit plan actuarial gain, net of tax			(10,185,519)	(10,185,519)
- Leave encashment actuarial gain			(5,504,077)	(5,504,077)
Ordinary Share Dividend - Final 2018/2019	-	-	(1,701,250,183)	(1,701,250,183)
Surplus of reversal on during the year disposals	-	(11,483,977)	11,483,977	-
Balance as at 31st March 2020	1,000,000,000	2,331,701,825	8,905,842,517	12,237,544,342
Profit for the year	-	-	(903,402,344)	(903,402,344)
Other comprehensive income				-
- Defined benefit plan actuarial gain, net of tax			58,179,794	58,179,794
- Leave encashment actuarial loss, net of tax			(6,269,345)	(6,269,345)
Ordinary Share Dividend - Final 2019/20			(3,569,631,580)	(3,569,631,580)
Surplus of reversal on during the year disposals		(6,263,518)	6,263,518	-
Balance as at 31st March 2021	1,000,000,000	2,325,438,307	4,490,982,560	7,816,420,867

The accounting policies and notes on pages 05 to 38 form an integral part of these financial statements.

Colombo
09th March 2022

BDO PARTNERS
Chartered Accountants

SRILANKAN CATERING LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH 2021

	2020/2021 Rs.	2019/2020 Rs.
Cash flow from operating activities		
Net profit before taxation	(960,462,498)	4,799,690,965
Adjustments for ;		
- Depreciation on property, plant and equipment	391,109,116	320,310,510
- Amortization of intangible assets	11,431,250	10,230,989
- Amortization of right-of-use asset	47,176,066	47,176,066
- Provision for bonus	-	275,072,643
- Reversal of provision made for bonus	(258,359,332)	-
- Provision for gratuity	93,642,752	106,999,264
- Provision for leave encashment	4,246,020	4,057,156
- Impairment on debtors	18,653,386	4,805,388
- Provision for slow-moving stock	102,541,362	21,831,687
- Deferred tax on initial recognition of SLFRS 16	-	79,665,086
- Preference share dividend	16,396,164	130,100,000
- Interest expenses	1,731,802	8,608,229
- Interest expenses of right-of-use asset	123,368,115	128,700,493
- Interest income	(36,655,701)	(60,597,005)
- Prefernce share loan interest	49,323,626	-
- Concession on rent	(166,301,229)	-
- MRIA Concession reversal	(8,836,671)	-
- Provision made on ESC receivable	54,489,077	-
- Profit/(loss) on disposal of property, plant and equipment	(2,622,794)	12,196,367
	441,333,009	1,089,156,873
	(519,129,489)	5,888,847,838
Operating profit before working capital changes		
(Increase)/decrease in inventories	39,936,407	4,629,557
(Increase)/decrease in trade and other receivables	5,249,887,022	(3,096,228,917)
Increase/(decrease) in trade and other payables	(249,978,260)	(236,865,600)
	5,039,845,169	(3,328,464,960)
Cash generated from operations	4,520,715,680	2,560,382,878
Bonus paid	-	(209,740,758)
Payment of defined benefit plans	(47,205,922)	(43,552,668)
Leave Encashment Paid	(1,025,854)	(3,984,266)
	(48,231,776)	(257,277,692)
Net cash flow from/(used in) operating activities	4,472,483,904	2,303,105,186
Cash flow from investing activities		
Acquisition of intangible assests	(8,598,563)	(3,182,348)
Acquisition of capital work-in-progress	(17,626,084)	(4,516,463)
Acquisition of property, plant and equipment	(19,384,556)	(331,757,303)
Interest received	36,655,701	60,597,005
Withdrawal from / (investments in) short-term investments	147,000,000	(77,000,000)
Proceeds from disposal of property, plant and equipment	5,460,576	1,291,283
Net cash from/(used in) investing activities	143,507,074	(354,567,826)
Cash flow from financing activities		
Borrowings obtained	20,000,000	-
Repayment of borrowings	(862,395,265)	(116,410,815)
Lease Rental Paid	(1,437,276)	(159,365,475)
Interest paid	(1,731,802)	(8,608,229)
Prefernce share loan interest paid	(49,323,626)	-
Redemption of preference shares	(250,000,000)	-
Dividend paid - ordinary shares	(3,569,631,580)	(1,701,250,183)
Dividend paid - preference shares	(81,267,945)	(130,100,000)
Net cash from/(used in) financing activities	(4,795,787,494)	(2,115,734,702)
Net (decrease) / increase in cash and cash equivalents	(179,796,516)	(167,197,342)
Cash and cash equivalents at the beginning of the year (Note A)	363,800,032	530,997,374
Cash and cash equivalents at the end of the year (Note B)	184,003,516	363,800,032
Note A - At the beginning of the year		
Balances at banks	362,840,386	529,966,924
Petty cash in hand	959,646	1,030,450
	363,800,032	530,997,374
Bank overdrafts	-	-
	363,800,032	530,997,374
Note B - At the end of the year		
Balances at banks	182,783,200	362,840,386
Petty cash in hand	1,220,316	959,646
	184,003,516	363,800,032
Bank overdrafts	-	-
	184,003,516	363,800,032

Figures in brackets indicate deductions.

The accounting policies and notes on pages 05 to 38 form an integral part of these financial statements.

Colombo
09th March 2022

BDO PARTNERS Chartered Accountants

1. CORPORATE INFORMATION

1.1 General

Sri Lankan Catering Limited (SLC) is a limited liability company incorporated and domiciled in Sri Lanka. The registered office and principal place of business of the company is located at Airline Centre, BIA Katunayake.

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

1.2 Principal activities and nature of operations

The principal activity of the company is providing inflight catering and other services to airlines operating through the Bandaranaike International Airport and Mahinda Rajapakse International Airport. The company is also engaged in operating restaurants and a transit hotel at Bandaranaike International Airport besides providing laundry services to airlines.

1.3 Parent enterprise

The parent undertaking and ultimate parent is Sri Lankan Airlines Limited.

1.4 Date of authorization for issue

The financial statements for the year ended 31st March 2021 were authorized for issue by the Board of Directors on 09th March 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 General accounting policies

2.1.1 Basis of preparation

The financial statements of the company have been prepared in accordance with Sri Lanka Accounting Standards comprising SLFRS and LKAS (hereinafter referred to as "SLFRS"), issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

2.1.2 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 the 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.

2.1.3 Presentation and functional currency

The financial statements are presented in Sri Lanka Rupees, which is the company's functional currency. All financial information presented in Sri Lanka Rupees have been rounded to the nearest rupees, unless it is stated otherwise.

BDO PARTNERS Chartered Accountants

2.1.4 Statement of compliance

The statement of financial position, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows, together with accounting policies and notes ("financial statements") of the company as at 31st March, 2021 and for the year then ended have been prepared in compliance with the Sri Lanka Accounting Standards (LKAS and SLFRS) issued by the Institute of Chartered Accountants of Sri Lanka.

The preparation and presentation of these financial statements are in compliance with the Companies Act No. 07 of 2007.

2.1.5 Going concern

The directors have made an assessment of the Company's to continue as a going concern and they do not intend either to liquidate or to cease trading.

In determining the basis of preparing the financial statements for the year ended 31st March 2021, based on available information, the management has considered the existing and anticipated effects of Covid-19 and the appropriateness of the use of the going concern basis.

2.1.6 Comparative information

The accounting policies have been consistently applied by the company and are consistent with those of the previous year. The previous year's figures and phrases have been re-arranged wherever necessary to conform to the current year's presentation.

2.1.7 Discontinuing operations

A discontinuing operation is a clearly distinguishable component of the company's business that is abandoned or terminated pursuant to a single plan and which represents a separate major line of industry or geographical area of operations.

As at the date of financial position, the company discontinuing operations of Semondu which was subleased to Next Innings (Pvt) Ltd.

2.1.8 Foreign currency transaction

All foreign exchange transactions are converted to Sri Lanka Rupees, which is the reporting currency, at the rates of exchange prevailing at the time the transactions were effected.

Monetary assets and liabilities denominated in foreign currencies are translated to Sri Lanka Rupee equivalents using the year end spot foreign exchange rates and the resulting gains or losses are accounted in the statement of comprehensive income.

Non-monetary assets and liabilities are translated using the exchange rates that existed when the values were determined. The resulting gain or loss is accounted in the statement of comprehensive income.

2.1.9 Materiality and aggregation

Each material class of similar items is presented separately in the financial statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

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2.1.10 Changes in accounting standards

The company considered following amendments and improvements, which are effective for annual periods beginning on or after 1 January 2020 and does not expect to have a significant impact on the company's financial statements.

- Amendments to SLFRS 16 COVID-19 Related Rent Concessions
- Amendments to SLFRS 3: Definition of a Business
- Amendments to LKAS 1 and LKAS 8: Definition of Material
- Conceptual Framework for Financial Reporting

2.1.11 Changes in accounting standards

The following amendments and improvements are not expected to have a significant impact on the company's financial statements.

- Amendments to LKAS 1: Classification of liabilities as Current or Non-current.
- Amendments to SLFRS 3: Reference to the Conceptual Framework.
- Amendments to LKAS 16: Property, Plant & Equipment - Proceeds before Intended Use Amendments to LKAS 37: Onerous Contracts - Cost of Fulfilling a Contract.
- Amendments to SLFRS 7, SLFRS 9 and LKAS 39: Interest Rate Benchmark Reform - Phase 2

2.1.12 Significant accounting judgments, estimates and assumptions

a) Judgments

In the process of applying the accounting policies, management has made judgements, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements.

b) Estimates and assumptions

The preparation of the company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities at reporting date. 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 judgements 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 24 - Retirement benefit obligations
- Note 23 - Deferred tax assets and liabilities

c) In determining the above significant management judgments, estimates and assumptions, the impact of the Covid-19 pandemic has been considered and disclosed in relevant notes to the financial statements.

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Chartered Accountants

2.2 Significant accounting policies

2.2.1 Property, plant and equipment

a) **Cost**

Property, plant and equipment are initially measured at cost and subsequently measured at cost or revalued amount.

Property, plant and equipment are stated at cost excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the property, plant and equipment when that cost is incurred, if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

When a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs are recognized as profit or loss in the statement of comprehensive income.

The property, plant and equipment of the company had been valued by an independent valuer as at 31st March, 2019 and the details are disclosed in note 10.1 to the financial statements.

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is de-recognized.

Depreciation is calculated on a straight line basis over the useful life of the assets as disclosed below:

Asset class	2018/19	After revaluation from 2019/20
Building improvements	20 years	20 years
Furniture	05 years	05 years
Plant and machinery	05 years	05 years
Electrical equipment	05 years	05 years
Motor vehicle	04 years	04 years
Computer equipment	05 years	05 years
MRIA Kitchen	05 years	-

b) **Useful lives of property, plant and equipment**

The company reviews the assets' residual values, useful lives and methods of depreciation at each reporting date. Judgment made by the management based on the professional experts is exercised in the estimation of these values, rates and methods.

c) **Restoration costs**

Expenditure incurred on repairs or maintenance of property, plant and equipment in order to restore or maintain the future economic benefits expected from the originally assessed standard of performance is recognized as an expense when incurred.

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d) **De-recognizing**
An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognizing of the asset is calculated as the difference between the net disposal proceeds and the carrying amount.

The Company has not determined an impairment provision as at the reporting date due to the Covid-19 pandemic as per the business continuity plan of the Company and the Group. The management has taken necessary steps to safeguard the assets which are not feasible to operate in full or partial capacity in the immediate to short-term under the current situation.

2.2.2 Capital work-in-progress
Capital work-in-progress is transferred to the respective asset accounts at the time of the first utilization of the asset.

2.2.3 Assets held for sale
The Company classifies a non-current asset (or disposal company) as held for sale of its carrying amount which will be recovered principally through a sale transaction rather than through continued use in accordance with SLFRS 5 Non-current assets held for sale and discontinued operation.

2.2.4 Intangible assets
An intangible asset is recognized 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 amortization and accumulated impairment losses.

Subsequent expenditure is capitalized 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, are recognized in profit or loss as incurred.

Intangible assets are amortized on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use. Amortization period of software is 5 years. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

An intangible asset is de-recognized on disposal or when no future economic benefits are expected from it. The gain or loss arising from de-recognition of such intangible assets is included in the statement of profit or loss and other comprehensive income when the item is de-recognized.

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

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

a) The particular asset or liability is the subject of the measurement.

b) For a non-financial asset, the valuation premise that is appropriate for the measurement (consistently with its highest and best use).

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c) The principal (or most advantageous) market for the asset or liability.

d) The valuation technique(s) appropriate for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use when pricing the asset or liability and the level of the fair value hierarchy within which the inputs are categorized.

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

When a price for an identical asset or liability is not observable, an entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including the assumptions about risk. As a result, an entity's intention to hold an asset or to settle or otherwise fulfill a liability is not relevant when measuring fair value.

When an asset is acquired or a liability is assumed in an exchange transaction for that asset or liability, the transaction price is the price paid to acquire the asset or received to assume the liability (an entry price). In contrast, the fair value of the asset or liability is the price that would be received to sell the asset or paid to transfer the liability (an exit price).

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

2.2.6 Determination of fair value

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

Level 1 - Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e.as prices) or indirectly (i.e. derived from prices); and

Level 3 - Fair value measurements using inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs).

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2.2.7 Impairment of non-financial assets

The Company assesses at each reporting date to ascertain whether there is an indication that an asset may be impaired. If such indication exists or when the annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or a company of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risk specific to the asset. These calculations are collaborated by valuation multiples, quoted share prices or other available fair value indicators.

Impairment losses of continuing operations are recognized in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case, the impairment is also recognized in equity up to the amount of any previous revaluation.

For assets excluding the goodwill, an assessment is made at each reporting date to determine as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the company makes an estimate of the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount.

That increased amount cannot "exceed" the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase.

The Company has not determined impairment as at the reporting date due to the COVID-19 pandemic as the business expects to function in the crisis as per the business continuity plan although the operation of company is interrupted. Till the operations return to normal, the management has taken necessary steps to safeguard the assets.

2.2.8 Financial assets

2.2.8.1 Initial recognition and measurement

Financial assets within the scope of SLFRS 9 are classified as amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. This assessment is referred to as the SPPI test and is performed at an instrument level. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient they are measured at the transaction price.

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At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

The Company's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, quoted and unquoted financial instruments and derivative financial instruments.

2.2.8.2 Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in to four categories.

a) Financial assets at amortised cost
b) Financial assets at fair value through OCI with recycling of cumulative gains and losses
c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition
d) Financial assets at fair value through profit or loss

a) Financial assets at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely the payments of principal and interest are measured at amortized cost. The Company measures financial assets at amortized cost if both of the following conditions are met:

i) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely the payments of principal and interest on the principal amount outstanding. The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is de-recognized, modified or impaired.

The Company's financial assets at amortized cost include trade receivable and short-term investments.

b) Financial assets at fair value through OCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely the payments of principal and interest, are measured at FVOCI. The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

i) The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.
ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely the payments of principal and interest on the principal amount outstanding.

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Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is de-recognized, the cumulative gain or loss previously recognized in OCI is re-classified from equity to profit or loss and recognized in other gains/ (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as a separate line item in the income statement.

c) **Equity Instruments**
The Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under "LKAS 32 Financial Instruments: Presentation" and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company elected to classify irrevocably its non-listed equity investments under this category.

d) **Financial assets at fair value through profit or loss**
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or re-purchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely the payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognized as other income in the statement of profit or loss when the right of payment has been established.

2.2.8.3 Financial assets - de-recognition

Financial assets are de-recognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

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2.2.8.4 Impairment of financial assets

From 01st April 2018, the Company has assessed on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by SLFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.2.9 Financial liabilities

2.2.9.1 Initial recognition and measurement

Financial liabilities within the scope of SLFRS 9 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, carried at amortized cost. This includes directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans and borrowings, related party payables, and other financial liabilities.

2.2.9.2 Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by SLFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

b) Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of comprehensive income when the liabilities are de-recognized as well as through the effective interest rate method (EIR) amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the statement of comprehensive income.

2.2.9.3 De-recognition

A financial liability is de-recognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

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2.2.10 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2.2.11 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using the appropriate valuation techniques. Such techniques may include using the recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models. An analysis of fair values of financial instruments and further details as to how they are measured are provided in the notes.

2.2.12 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.

2.2.13 Inventories

Inventories are valued at the lower of cost and net realizable 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 realizable 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 recognized as expense when they are used for sale.

The Company has faced with revenue declines and disrupted supply chains due to the COVID-19 and evaluated whether it is required to adjust the carrying value to the inventory. Perishables, products with short shelf lives or expiration dates or specific seasonal inventories were considered for the impairment.

2.2.14 Share capital

Ordinary shares

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

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 a specified date or on maturity, where the number of shares to be issued is fixed.

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The liability component of a compounded financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized 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 amortized cost using the effective interest rate method. The equity component of the compound financial instrument is not re-measured subsequent to the initial recognition. Interest related to the financial liabilities is recognized in profit or loss. On conversion, the financial liability is re-classified to equity and no gain or loss is recognized.

2.2.15 Liabilities and provisions

Liabilities are recognized in the statement of financial position when there is a present obligation arising from a 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 recognized 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.

2.2.16 Employee benefits

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 recognized 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 a past service provided by the employee, and the obligation can be estimated reliably.

Retirement benefit obligations

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 unrecognized 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 the service by employees is recognized 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 recognized immediately in profit or loss.

The Company recognizes 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 the statement of profit or loss and other comprehensive income.

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The actuarial valuation was carried out by a professionally qualified independent actuary Messrs. Actuarial & Management Consultants (Pvt) Ltd.

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:

Years of Service	Basis for Computation (Months)
01 to 10 years	½
Over 10 years	1

This basis of payment will only be applicable for employees who had been in service on or before 01st April 2000, to employees who have joined the Company after 01st 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 31st March 2021.

The liability is not externally funded.

2.2.17 Defined contribution plans - Employees' Provident Fund and Employees' Trust fund

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 recognized as an employee benefit expense in profit or loss when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

The Company contributes 3% of gross emoluments of the employees as Trust Fund (ETF) contributions and contributions to the Provident Fund (PF) are as shown below;

Employee category	EPF contribution
Executive	15%
Non-executive (Joined before the year 2000)	15%
Non-executive (Joined after the year 2000)	12%

2.2.18 Leases

Right of use assets

The Company recognizes right of use assets when the underlying asset is available for use. Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognized, initial direct costs incurred and the lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right of use assets are subject to impairment.

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Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

2.2.19 Taxation

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

Current tax

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

Deferred taxation

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Thus the Company's deferred tax liability has been calculated based on future tax rates applicable for each segments which are at 15% and 24%.

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 the current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

2.2.20 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.

2.3 Statement of comprehensive income

For the purpose of the presentation of the statement of profit or loss and other comprehensive income, the function of expenses method is adopted, as it represents fairly the elements of the Company's performance.

2.3.1 Revenue from contracts with customers

Revenue from contracts with customers is recognized when the control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

a) **Goods transferred at a point in time**
Under SLFRS 15, revenue is recognized upon satisfaction of a performance obligation. The revenue recognition occurs at a point in time when the control of the asset is transferred to the customer, generally, on delivery of the goods.

b) **Services transferred over time**
Under SLFRS 15, the Company determines, at contract inception, whether it satisfies the performance obligation over time or at a point in time. For each performance obligation satisfied over time, the Company recognizes the revenue over time by measuring the progress towards complete satisfaction of that performance obligation.

2.3.2 Expenditure recognition

All expenditure incurred in the running of the business have 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.

2.3.2.1 Finance expense

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 other finance income or cost depending on whether foreign currency movements are in a net gain or loss position.

2.4 Events after the reporting period

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

2.5 Related party transactions

Disclosures are made in respect of the transactions in which the Company has the ability to control or exercise significant influence over the financial and operating decisions/policies of the other, irrespective of whether a price is charged.

2.6 Comparative figures

Where necessary, comparative figures have been re-classified to conform to the current year's presentation.

2.7 Statement of director's responsibility

The Board of Directors of the Company is responsible for the preparation and presentation of these financial statements.

2.8 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, Chief Executive Officer of the Company 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 and other catering services to international aircrafts.
- Airport restaurant (BIA) - Provision of restaurant services.

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Other operations include the following segments, which do not meet the quantitative thresholds for determining reportable segments in 2021 and 2020:

- Airport restaurant (MRIA) - 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 service (Sub leased with effect from 10th September 2018)

Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Company's Chief Executive Officer. 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.

2.9 Financial risk management

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

a) Credit risk
b) Liquidity risk
c) Market risk
d) Currency risk
e) Interest rate risk
f) 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 risks, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements

2.9.1 Risk management framework

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

The Company's Audit Committee oversees how management monitors in 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.

a) **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.

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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 the country in which the 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 analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. Customers who 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.

b) **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 a sufficient cash on demand to meet the 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:

The Company has obtained Rs.50 million overdraft facility from the Commercial Bank of Ceylon PLC to of which the Interest would be payable at the rate of AWPLR (monthly) + 1.5% p.a (2020/2021- AWPLR (monthly) + 1.5% p.a). The Company also has an overdraft facility of USD 350,000 from the Commercial Bank of Ceylon PLC to which the interest would be payable at the rate of LIBOR (3 months) + 3.5% p.a. (2020/21- LIBOR (3 months) + 3.5% p.a).

The Company has obtained Rs. 50 million overdraft facility from the Bank of Ceylon to which the interest would be payable at the race of AWPLR + 2% p.a (2020/21- AWPLR +2% p.a). The Company also has overdraft facility of USD 400,000 to which the interest would be payable at the rate of LIBOR (3 months) + 3.5% p.a. (2020/21 - LIBOR (3 months) + 3.5% p.a).

c) **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 the market risk exposures within the acceptable parameters, while optimizing the return.

d) 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.

e) **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.

f) **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 behaviour. 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 of the 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.

Compliance with the 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.

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2.10 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 the 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.

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SRILANKAN CATERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS

		Note	2020/2021 Rs.	2019/2020 Rs.
3.	**REVENUE FROM CONTRACTS WITH CUSTOMERS**			
	Flight kitchen		472,673,946	7,209,306,782
	Restaurants, café, Lounge and Hotels		190,649,723	1,589,087,507
	Laundry sale	3.1	9,857,548	227,752,073
	Frozen meal		17,699,658	-
	Disposal of garbage		13,379	10,123,889
	Sundry income		483,088	-
	Profit on disposal of property, plant and equipment		2,622,794	-
	Revenue recognized at a point in time (Note 3.2)		694,000,136	9,036,270,251
3.1	Laundry sales - Local		13,861,904	45,936,640
	- Airlines		5,823,150	216,796,160
			19,685,054	262,732,800
	Inter department sales		(9,827,506)	(34,980,727)
			9,857,548	227,752,073
3.2	**Revenue from contracts with customers**			
	Meals		423,840,288	6,815,605,834
	Handling charges		159,363,477	1,046,114,281
	Miscellaneous		102,938,418	786,152,155
	Other sales		7,857,953	388,397,981
			694,000,136	9,036,270,251
4.	**ADMINISTRATION EXPENSES**			
	Donations		-	421,250
	Depreciation of property, plant and equipment		391,109,115	320,310,508
	Amortization of RoU assets		47,176,066	47,176,066
	Amortization of intangible assets		11,431,250	10,230,989
	Fees and other charges		7,864,548	9,612,636
	Audit fees		1,000,000	1,000,000
	Other Audit related expenses		538,000	250,402
	Adjustment in respect of last year's audit fee		(1,164,468)	-
	Staff cost	4.1	905,556,580	1,692,120,684
	Other administration expenses		7,626,575	18,360,496
			1,371,137,666	2,099,483,031
4.1	**Staff cost**			
	Expenses related to defined benefit plans		93,642,752	95,016,300
	Salaries and wages		948,519,306	1,197,462,484
	Contribution to Employees' Provident Fund		87,603,096	99,695,385
	Contribution to Employees' Trust Fund		20,165,164	22,812,740
	Provision for bonus		-	275,072,643
	Reversal of over provsion made for bonus		(258,359,332)	-
	Prepaid staff cost		1,688,765	2,061,132
	VRS compensation		12,296,829	-
			905,556,580	1,692,120,684
5.	**OTHER OPERATIONAL EXPENSES**			
	Loss on disposal of fixed assets		-	12,196,367
	General operating expenses		15,466,642	640,742,127
	Common expenses		214,305,719	296,704,718
	Provision for debtor impairment		18,653,386	5,032,772
	Concession fees		9,705,707	88,017,076
	Provision for slow moving inventory		102,541,362	21,831,687
			360,672,816	1,064,524,747

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		2020/2021 Rs.	2019/2020 Rs.
6. NET FINANCE INCOME			
Finance income			
Interest income		35,073,408	58,363,302
Interest income - staff loans		1,582,293	2,233,703
Exchange gain		555,403,901	839,344,845
		592,059,602	899,941,850
Finance expenses			
Bank interest		1,731,802	8,608,229
EPF Loan interest		49,323,626	-
Lease interest		123,368,115	128,700,493
Preference share dividend		16,396,164	130,100,000
		190,819,707	267,408,722
Net finance income		401,239,895	632,533,128
7. INCOME TAX EXPENSES			
Current income tax	7.1	-	37,121,275
Under provision in respect of previous years		384,202	599,181
Deferred tax expense	8	(57,444,357)	(1,244,897)
		(57,060,155)	36,475,559

7.1 Reconciliation between tax expense and the product of accounting profit

	2020/2021 Rs.	2019/2020 Rs.
Accounting profit before tax	(960,462,498)	4,799,690,965
Less: Profit exempt from income tax	936,607,963	(4,616,164,150)
Profit liable for income tax	(23,854,535)	183,526,815
Disallowable expenses	69,350,108	-
Allowable expenses	(10,422,165)	(104,403,913)
Other sources of income	-	58,363,303
Total statutory income	35,073,408	137,486,205
Less: Losses set off	(35,073,408)	-
Taxable income	-	137,486,205
Income tax liability at 28%	-	28,872,103
Income tax liability at 24%	-	8,249,172
	-	37,121,275

8 DEFERRED TAX EXPENSES

	2020/2021 Rs.	2019/2020 Rs.
8.1 Income Statement		
- Accelerated depreciation for tax purpose on PPE	(24,956,513)	113,693,547
- Revaluation of PPE	-	(90,423,057)
- Retirment benefit liabilities	(6,965,524)	(7,719,545)
- Leave encashment	(6,852,055)	-
- Lease liabilities	6,655,558	4,756,888
- Right of use assets	(7,233,551)	(7,076,410)
- Provsion made on inventory & debtors	(18,092,272)	(14,476,320)
	(57,444,357)	(1,244,897)
8.2 Other Comprehensive Income		
- Acturial gain/(loss) on define benefit liabilities	10,267,022	(1,797,445)
- Acturial Gain on leave encashment	(1,106,355)	-
	9,160,667	(1,797,445)
	(48,283,690)	(3,042,342)

9. BASIC EARNINGS PER SHARE

The basic earnings per share are calculated by dividing the net profit or loss for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

	2020/2021 Rs.	2019/2020 Rs.
Amounts used as numerator		
(Loss) / profit attributable to ordinary shareholders	(903,402,344)	4,763,215,406
Number of ordinary shares used as the denominator		
Weighted average number of ordinary shares in issue	940,268,456	940,268,456
	(0.96)	5.07

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NOTES TO THE FINANCIAL STATEMENTS

10. PROPERTY, PLANT AND EQUIPMENT

	Cost/Valuation				Depreciation				Written down value	
Description of Assets	Balance as at 01.04.2020 Rs.	Additions Rs.	Disposals Rs.	Balance as at 31.03.2021 Rs.	Balance as at 01.04.2020 Rs.	Charge for the year Rs.	On disposals Rs.	Balance as at 31.03.2021 Rs.	As at 31.03.2021 Rs.	As at 01.04.2020 Rs.
Buildings	1,595,445,516	2,818,034	-	1,598,263,550	83,245,108	84,322,473	-	167,567,581	1,430,695,969	1,512,200,408
Machinery and equipment	875,429,381	18,859,206	(3,260,900)	891,027,687	168,210,747	176,243,264	(1,391,216)	343,062,795	547,964,892	707,218,634
Furniture and fittings	36,100,490	335,749	(115,232)	36,321,007	7,332,682	7,240,895	(72,452)	14,501,125	21,819,882	28,767,808
Motor vehicles	491,713,054	-	(3,175,000)	488,538,054	58,363,753	123,302,484	(2,249,683)	179,416,554	309,121,500	433,349,301
MRIA kitchen	35,781,074	-	-	35,781,074	35,781,074	-	-	35,781,074	-	-
	3,034,469,515	22,012,989	(6,551,132)	3,049,931,372	352,933,364	391,109,116	(3,713,351)	740,329,129	2,309,602,243	2,681,536,151

In compliance with the Accounting policy, the Company has revalued it's building, machinery and equipment, furniture and fittings and motor vehicles using an independent valuer Mr. G H A P K Fernando, an incorporated valuer of the Institute of Valuers (Sri Lanka) as at 31st March, 2019.

10.1 Revaluation on Property, plant and equipment

Description	Method of Valuation	Date of Valuation	Valuation
Building in Katunayake	Market Value	31-03-2019	1,565,490,000
Machinery and equipment	Market Value	31-03-2019	834,852,299
Motor vehicles	Market Value	31-03-2019	230,749,999
Furniture and fittings	Market Value	31-03-2019	34,221,500

10.2 For each revalued class of property, plant and equipment, the carrying amount that would have been recognized had the assets been carried under the cost model is stated below:

	Cost Rs.	Accumulated depreciation as at 31st March, 2021 Rs.	Carrying value as at 31st March, 2021 Rs.
Building in Katunayake	1,795,230,536	1,224,287,237	570,943,298
Machinery and equipment	1,798,958,120	1,656,874,164	142,083,955
Furniture and fittings	60,532,088	56,582,488	3,949,600
Motor vehicles	623,276,192	409,976,251	213,299,941

10.3 The buildings have been constructed on the land belonging to Airport & Aviation Services (Sri Lanka) Ltd at the Bandaranaike International Airport and the right to use of the land is valued as per SLFRS 16 in note 10.4.

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10. PROPERTY, PLANT AND EQUIPMENT (CONTD...)

10.4 Right of use assets

The Company recognizes right of use assets when the underlying asset is available for use. Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred and the lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain the ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right of use assets are subject to impairment.

Amounts recognised in the statement of financial position and income statement

	2020/2021 Rs.	2019/2020 Rs.
Cost		
Balance at the beginning of the year	617,754,667	617,754,667
Additions during the year	-	-
Balance at the end of the year	617,754,667	617,754,667
Accumulated amortization		
Balance at the beginning of the year	285,769,542	238,593,476
Amortization during the year	47,176,066	47,176,066
Balance at the end of the year	332,945,608	285,769,542
Carrying amount	284,809,059	331,985,125

10.5 Lease liability

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Company uses the group incremental borrowing rate at the lease commencement date.

	2020/2021 Rs.	2019/2020 Rs.
Balance at the beginning of the year	879,596,781	910,261,763
Additions during the year	-	-
Interest Expenses	123,368,115	128,700,493
Concession received on rent	(166,301,229)	-
Payment made during the year	(1,437,276)	(159,365,475)
Balance at the end of the year	835,226,393	879,596,781

	2020/2021 Rs.	2019/2020 Rs.
10.5.1 Amount payable within 12 months	62,295,396	44,342,153
Amount payable after 12 months	772,930,997	835,254,628
	835,226,393	879,596,781

Lease liability is included under interest-bearing loans and borrowings - Note 22

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NOTES TO THE FINANCIAL STATEMENTS

11. CAPITAL WORK-IN-PROGRESS

	Balance as at 01.04.2020	Additions during the year	Capitalized during the year	Balance as at 31.03.2021
New toilets palm stript lounge	33,028	2,595,405	(2,628,433)	-
Serenediva Transit Hotel bed room and corridor	287,991	9,882,344	-	10,170,335
BIA restaurant modification	371,305	5,017,050	-	5,388,355
Warewashing machine instalation room at MRIA	-	131,285	-	131,285
	692,324	17,626,084	(2,628,433)	15,689,975

		As at 2020/2021 Rs.	As at 2019/2020 Rs.
12. INTANGIBLE ASSETS			
Computer software			
Balance at the beginning of the year		88,993,521	85,811,173
Additions during the year		8,598,563	3,182,348
Balance at the end of the year		97,592,084	88,993,521
Accumulated amortization			
Balance at the beginning of the year		63,577,361	53,346,372
Amortization during the year		11,431,250	10,230,989
Balance at the end of the year		75,008,611	63,577,361
Carrying amount		22,583,473	25,416,160
13. INVESTMENT IN NON-QUOTED SHARES			
AirLanka (Pvt) Ltd		200,000	200,000
Less: Impairment		(200,000)	(200,000)
		-	-

13.1 The Company has invested Rs 200,000/- in AirLanka (Pvt) Ltd acquiring 50% stakes during 2009. The balance 50% is owned by SriLankan Airlines Ltd which controls the entity.

14. INVENTORIES			
Raw materials		149,288,078	197,378,992
Maintenance and miscellaneous		145,548,497	139,760,689
Equipment stocks		10,224,277	9,023,876
		305,060,852	346,163,557
Provision for slow-moving stock		(133,754,866)	(31,213,504)
		171,305,986	314,950,053
Work-in-progress		1,436,421	270,123
		172,742,407	315,220,176
15. AMOUNTS DUE FROM RELATED COMPANIES			
Airport & Aviation Services (Sri Lanka) Limited		10,827,493	125,261,180
Mihin Lanka (Pvt) Ltd		68,509,916	64,853,776
		79,337,409	190,114,956
Provision for impairment	15.1	(68,509,827)	(64,854,198)
		10,827,582	125,260,758
15.1 Provision for bad debts from related companies			
Balance at the beginning of the year		64,854,198	60,451,575
Provision for the year		3,655,629	4,402,623
Reversal of provision for the year		-	-
Balance at the end of the year		68,509,827	64,854,198

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NOTES TO THE FINANCIAL STATEMENTS

		As at 2020/2021 Rs.	As at 2019/2020 Rs.
16. TRADE RECEIVABLES			
Airlines and others	16.1	6,272,883,243	11,367,014,693
Provision for debtor impairment	16.2	(14,859,257)	(441,101)
		6,258,023,986	11,366,573,592

16.1 The above receivable balance includes the following receivables .

SriLankan Airlines Limited - Parent	16.1.a	6,199,866,868	10,686,389,491
Other airline receivables		73,016,375	680,625,202
		6,272,883,243	11,367,014,693

16.1.a Receivable balance from Sri Lankan Airlines Limited

Due to the continuing loss-making position and funds required for debt service of the parent Company (Sri Lankan Airlines Limited),As per the decision made by the Cabinet of Ministers on 07.02.2022 on the Cabinet Memorandum No.22/0161/327/001, the Government of Sri Lanka (GOSL) has provided financial support through provision of "Letter of Comfort" to continue its operation as a "going concern" until the proposed restructuring process is completed.

16.2 Provision for debtor impairment

Balance at the beginning of the year	441,101	668,485
Provision for the year	14,609,257	-
Reversal of provision for the year	(191,101)	(227,384)
Balance at the end of the year	14,859,257	441,101

17. OTHER RECEIVABLES

Distress loans	11,072,339	21,762,735
Prepaid staff cost	727,705	2,140,835
Other staff advances	407,999	3,311,286
VAT Receivable	-	941,356
Advances to suppliers	42,730,652	81,012,798
Advances, deposits and sundry receivables	111,868,209	195,190,073
	166,806,904	304,359,083

18. FINANCIAL ASSETS AT AMORTIZED COST

Fixed deposit - BOC	250,000,000	397,000,000
	250,000,000	397,000,000

19. CASH AND CASH EQUIVALENTS

Cash in hand	1,220,316	959,646
Bank -current accounts	166,675,660	216,613,148
Bank - FCBU accounts	16,107,540	146,227,238
	184,003,516	363,800,032

20. STATED CAPITAL

	Nos.	Nos.
Ordinary shares	940,268,456	940,268,456
	Rs.	Rs.
Ordinary shares	1,000,000,000	1,000,000,000
	1,000,000,000	1,000,000,000

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 Parent at a price of Rs.100/- each totaling to Rs.4 Bn. The ordinary shares of the company have been sub-divided as one ordinary share into fifteen ordinary voting shares increasing the number of ordinary voting shares outstanding from 60,000,000 shares to 900,000,000.

Retained earnings amounting to Rs. 900,000,000/- were capitalized 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 to be ratified and in the opinion of the Board, the consideration is fair and reasonable to the Company and the existing shareholders. The holders of ordinary shares are entitled to receive dividend as declared from time to time and are entitled to one vote per share at meetings of the company.

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	Note	As at 2020/2021 Rs.	As at 2019/2020 Rs.
21. REDEEMABLE PREFERENCE SHARES			
Preference shares - 10 years redeemable, cumulative and convertible - EPF		-	1,000,000,000
		-	1,000,000,000

Preference shares - 10 years redeemable, cumulative and convertible - Employees' Provident Fund
Preference Shares were to be redeemed on 16th May 2020. However, due to the pandemic situation and economic downturn of the world and the aviation industry, the Company entered into a loan agreement with the Monetary Board of the Central Bank of Sri Lanka on 15th May 2020 to convert preference share capital amount of LKR 750,000,000/- into a short-term loan under new terms and conditions. LKR 250,000,000/- was redeemed with accumulated dividend on 15th May 2020 before entering into the loan agreement. Accordingly, preference share capital was classified under short term loan and borrowings w.e.f 15th May 2020. Further, this loan was settled in full on 16th February 2021.

	Note	As at 2020/2021 Rs.	As at 2019/2020 Rs.
22. LOANS AND BORROWINGS			
Balance at the beginning of the year		93,395,265	209,806,080
Convertion of Preference shares to a term loan		750,000,000	-
Borrowed during the year		20,000,000	-
Repayment during the year		(860,918,415)	(125,285,682)
Exchange (Gain)/ loss		(1,476,850)	8,874,867
Balance at the end of the year		1,000,000	93,395,265
22.1 Amount payable within 12 months			
Borrowings		1,000,000	93,395,265
Lease Liability	10.5.1	62,295,396	44,342,153
		63,295,396	137,737,418
Amount payable after 12 months			
Borrowings		-	-
Lease Liability	10.5.1	772,930,997	835,254,628
		772,930,997	835,254,628
23. DEFERRED TAX LIABILITY			
Balance at the beginning of the year		133,092,992	215,800,419
Charged to statement of comprehensive income (Note 8)		(48,283,690)	(3,042,341)
Deferred tax on initilal recognition of SLFRS 16		-	(79,665,086)
Balance at the end of the year		84,809,302	133,092,992
Tax effect on temporary difference on property, plant and equipments		294,675,184	319,631,697
Tax effect on temporary difference on retirment benefit obligations		(86,776,279)	(90,077,777)
Tax effect on temporary difference on leave encashment		(7,958,410)	-
Tax effect on right of use assets		42,721,358	49,954,909
Tax effect on lease libility		(125,283,959)	(131,939,517)
Tax effect on provision made for inventory & debtor		(32,568,592)	(14,476,320)
		84,809,302	133,092,992

23.1 Deferred tax liability has been calculated based on the future tax rates applicable for each segment which is 15% and 24%.

23.2 Deferred tax for the year has been computed on the enacted rates as per Inland Revenue Act No.24 of 2017, since the proposed rates were effective from 01st January 2020.

	As at 2020/2021 Rs.	As at 2019/2020 Rs.
24. RETIREMENT BENEFIT OBLIGATIONS		
Movement in the present value of the defined benefit obligations		
Balance at the beginning of the year	600,518,514	537,071,918
Current service costs	33,590,900	35,938,389
Interest cost	60,051,852	59,077,911
Actuarial (gain)/loss during the year	(68,446,816)	11,982,964
Benefits paid during the year	(47,205,922)	(43,552,668)
Balance at the end of the year	578,508,528	600,518,514
Expense recognized in comprehensive income		
Current service costs	33,590,900	35,938,389
Interest on obligation	60,051,852	59,077,911
	93,642,752	95,016,300
Expense recognized in other comprehensive income		
Actuarial (gain)/loss during the year	(68,446,816)	11,982,964
	(68,446,816)	11,982,964

The actuarial valuation was carried out by a professionally qualified actuary, Messrs. Actuarial & Management Consultants (Pvt) Ltd for the year ended 31st March, 2021 based on the following assumptions:

Discount rate at 31st March	7.50%	10%
Salary escalation rate	7.50%	10%
Retirement age	55 years	55 years

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

24.1 Sensitivity of assumptions employed in actuarial valuation

Variable changed (while all other assumptions remain unchanged)	Effect on change to statement of profit or loss &other comprehensive income	Effect on Employee Benefit Obligation
One percentage point increase (+1%) in Discount Rate	(32,673,227)	(32,673,227)
One percentage point decrease (-1%) in Discount Rate	36,421,787	36,421,787
One percentage point increase (+1%) in Salary Escalation Rate	38,809,603	38,809,603
One percentage point decrease (-1%) in Salary Escalation Rate	(35,419,887)	(35,419,887)

		As at 2020/2021 Rs.	As at 2019/2020 Rs.
25. AMOUNTS DUE TO RELATED COMPANIES			
Employees' Provident Fund - Preference dividend payable		-	64,871,781
		-	64,871,781
26. TRADE PAYABLE			
Airlines and others		44,770,676	207,894,344
26.1 The above payable balance includes the following payables.			
Airport & Aviation Services Ltd - Related party		4,765,551	33,566,824
Other trade payables		40,005,125	174,327,520
		44,770,676	207,894,344
27. OTHER PAYABLES			
Other creditors and accrued expenses		211,433,891	307,771,649
Provision - leave encashment	27.1	53,056,071	42,460,205
VAT Payable		646,495	-
Provision for bonus		49,216,922	307,576,254
		314,353,379	657,808,108

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27. OTHER PAYABLES (CONTD...)

27.1 The future leave encashment liability of the Company was valued by a professional actuary, Messrs Actuarial & Management Consultants (Pvt) Ltd for the year ended 31st March, 2021 based on the following assumptions:

Movement in leave encashment liability	2020/2021 Rs.	2019/2020 Rs.
Balance at the beginning of the year	42,460,205	36,883,238
Interest cost	4,246,020	4,057,156
Actuarial loss during the year	7,375,700	5,504,077
Benefits paid during the year	(1,025,854)	(3,984,266)
Balance at the end of the year	53,056,071	42,460,205
Expense recognized in comprehensive income		
Interest on obligation	4,246,020	4,057,156
	4,246,020	**4,057,156**
Expense recognized in other comprehensive income		
Actuarial (gain)/loss during the year	7,375,700	5,504,077
	7,375,700	**5,504,077**
Discount rate as at 31st March	7.50%	10%
Salary escalation rate	7.50%	10%
Retirement age	55 years	55 years

28. INCOME TAX PAYABLE

Balance at the beginning of the year	37,121,275	25,796,047
Provision for the year	-	37,121,275
Charge of under provision	384,202	599,181
Taxes paid/ Set off with tax credits	(37,505,477)	(26,395,228)
Balance at the end of the year	-	37,121,275

28. ASSETS PLEDGED AS COLLATERALS

There are no assets pledged as collaterals by the company as at the date of statement of financial position.

29. CAPITAL COMMITMENTS

Guarantees	LKR	LKR
- Bank of Ceylon	19,544,250	19,544,250
- Hatton National Bank	884,861	-
	US$	US$
- Commercial Bank	83,870	83,870

The following capital commitments which are now in work-in-progress have been approved by the Procurement Committee, but not provided for in the financial statements.

	Description	Total contract value Rs.	Completed value as at 31.03.2021 Rs.	Commitment as at 31.03.2021 Rs.
a)	Serenediva Transit Hotel bed room and corridor	14,221,775	10,170,335	4,051,440
b)	BIA restaurant modification	11,575,250	5,388,355	6,186,895

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30. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

30.1 Contingent Liabilities

a) 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 of the future operations of the Company.

Labour Tribunal cases pending:

LT case no. 21/384/2016	W D B I Perera
LT case no. 21/62/2019	H N H Kandamby
LT case no. 21/Add/1614/2019	D L B Abeywardena

A sum of Rs.5,276,653.16/- has been deposited for those appealed cases.

b) The Company has involved in the appealing process of Inland Revenue Department as described below. Although there can be no assurance, the Directors believe, based on the information currently available, that the ultimate resolution of such procedures would be favorable to the Company and therefore would not have an adverse effect on the results of operations or financial position. Accordingly, no provision for any liability has been made in these Financial Statements.

The Company was assessed for Value Added Tax (VAT) amounting to Rs 1 Mn plus penalties and Income Tax Rs 94.2 Mn for YA 2014/15 to YA 2017/18. The Company has appealed against same in the Tax Appeal Commission of the Inland Revenue Department to prevent recovery action being taken by IRD. Although there can be no assurance, the Directors believe, based on the expert advise received and the information currently available, that the ultimate resolution of the said proceedings would be favourable to the Company and therefore would not have an adverse effect on the results of operations or financial position.

30.2 Contingent Assets

There are no contingent assets as at the date of the statement of financial position.

31. EVENTS AFTER THE REPORTING DATE

There have been no material events which occurred between the reporting date and the date on which the financial statements are authorized for issue.

32. RELATED PARTY TRANSACTIONS

32.1 Parent and ultimate controlling party

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

32.2 Transactions with Key Management Personnel (KMP)

Related parties include KMPs defined as those persons having the authority and responsibility for planning, directing and controlling the activities of the company. Such KMPs include the Board of Directors and Chief Executive Officer.

	2020/2021 Rs.	2019/2020 Rs.
Short-term benefits	-	3,264,405

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32. RELATED PARTY TRANSACTIONS (CONTD....)

32.3 Transactions with related parties

The Company has entered into transactions with related parties as described below:

Name of the company	Relationship	Nature of transactions	2020/2021 Rs.	2019/2020 Rs.
SriLankan Airlines Ltd	Parent company	Sales	358,791,233	5,484,573,034
		Freight service	8,878,676	16,853,548
		Other service	88,151,379	143,918,734
		Dividend-ordinary shares	3,569,631,580	1,701,250,187
		Settlements received	5,239,587,759	3,099,065,700
Airport & Aviation Services (Sri Lanka) Limited	Owner related company	Rent and others	116,349,120	529,351,689
		Payments made	157,866,527	601,296,728
Employees' Provident Fund	Preference shareholder	Preference share Capital	1,000,000,000	-
		Preference Share Dividend	16,396,164	130,100,000
		Preference Loan Interest	49,323,626	-
		Payments made	65,719,790	130,100,000
Ceylon Electricity Board	Government owned	Electricity expenses	65,806,421	145,692,145
		Payments made	65,806,421	145,692,145
Sri Lankan Telecom Limited	Government owned	Telephone expenses	3,535,815	3,341,387
		Payments made	3,801,394	3,341,387
Ceylon Petroleum Corporation	Government owned	Diesel	20,649,057	101,295,952
		Payments made	16,514,249	104,587,744
Inland Revenue Department	Government owned	Tax	3,199,936	47,562,468
		Payments made	3,202,436	47,646,871
State Pharmaceuticals Corporation	Government owned	Medicine	411,210	643,982
		Payments made	489,043	740,879
Ministry of Foreign Affairs	Government owned	Sales	465,971	1,274,400
		Settlements received	492,382	1,450,921

(a) Sales made to SriLankan Airlines Limited are at discounted prices including a volume discount. Transactions with the other related parties took place at commercial terms.

33. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of the Company's financial instruments by classes, that are not carried at fair value in the financial statements, are not materially different from their fair values.

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

34.1 Introduction

Risk is inherent in the Company's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has delegated its authority to its key management personnel who are responsible for developing and monitoring the Company's risk management policies.

Principal financial instruments

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

Instrument	Risk(s)
- Trade receivables	Credit risk
- Cash and cash equivalents	Liquidity risk
- Trade and other payables	Liquidity risk
- Bank loans	Interest rate risk/ Liquidity risk
- Amounts due from/to	Credit risk

34.2 Liquidity risk

The following are the contractual maturities of financial liabilities of the Company

	Carrying amount	Less than 01 year	More than 01 year
As at 31st March 2021			
Non-derivative financial liabilities			
Trade payables	44,770,676	44,770,676	-
Loans and borrowings	836,226,393	63,295,396	772,930,997
Other payables	314,353,379	314,353,379	-
	1,195,350,448	422,419,451	772,930,997

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

	Carrying amount	Less than 01 year	More than 01 year
As at 31st March 2020			
Non-derivative financial liabilities			
Trade payables	207,894,344	207,894,344	-
Due to related companies	64,871,781	64,871,781	-
Loans and borrowings	972,992,046	137,737,418	835,254,628
Other payables	657,808,108	657,808,108	-
	1,903,566,279	1,068,311,651	835,254,628

34.3 Currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates. The Company is exposed to the effect of foreign exchange rate fluctuations because of its foreign currency denominated revenue, expenses and other financial instruments.

Exposure to currency risk

The exposure to foreign currency risk was as follows based on notional amounts:

	As at 31 March 2021 (Figures indicate in LKR)					
	LKR	USD	GBP	SGD	Others	Total
Trade receivable	23,471,353	6,245,380,215	-	-	-	6,268,851,568
Trade payables	45,474,738	(2,391,889)	-	806,808	881,019	44,770,676

	As at 31 March 2020 (Figures indicate in LKR)					
	LKR	USD	GBP	SGD	Others	Total
Trade receivable	48,017,239	11,443,817,111	-	-		11,491,834,350
Trade payables	142,366,095	55,476,619	74,101	7,572,035	2,405,494	207,894,344

The following significant exchange rates were applied during the year.

	Average rate	
	2020/2021	2019/2020
USD	188.46	178.98
GBP	244.78	228.62
SGD	137.68	130.73
EUR	218.93	197.80

	Reporting date spot rate	
	2020/2021	2019/2020
USD	200.50	189.80
GBP	275.32	233.90
SGD	148.97	133.35
EUR	234.60	208.79

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD....)

34.4 Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk mainly from its operating activities (primarily for trade receivables).

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2020/2021 Rs.	2019/2020 Rs.
As at 31st March Carrying amount		
Trade receivables	6,258,023,986	11,366,573,592
Due from related companies	10,827,582	125,260,758
Other receivables	166,806,904	304,359,083
Short-term investment	250,000,000	397,000,000
Cash and cash equivalents	184,003,516	363,800,032
	6,869,661,988	12,556,993,465

The maximum exposure to credit risk for trade receivables and due from related parties at the reporting date by geographic region was as follows:

	2020/2021 Rs.	2019/2020 Rs.
Domestic	6,292,327,569	10,879,258,766
Other foreign countries	59,893,083	677,870,883
	6,352,220,652	11,557,129,649
Less: Provision for impairment	(83,369,084)	(65,295,299)
	6,268,851,568	11,491,834,350

The maximum exposure to credit risk for trade receivables at the reporting date by type of counterparty was as follows:

Airlines	6,326,080,804	11,546,906,472
Other(s)	26,139,848	10,223,177
	6,352,220,652	11,557,129,649
Less: Provision for impairment	(83,369,084)	(65,295,299)
	6,268,851,568	11,491,834,350

Impairment losses

The impairment of trade receivables and due from related parties at the reporting date was:

	Gross amount 2020/2021 Rs.	Impairement 2019/2020 Rs.	Gross amount 2020/2021 Rs.	Impairement 2019/2020 Rs.
Neither past due nor impaired	6,231,492,136	-	11,341,364,423	-
Past due 31-90 days	7,038,954	-	130,149,934	-
Past due 91-365 days	33,553,410	-	12,800,682	-
Past due over 365 days	80,136,154	83,369,084	72,814,610	65,295,299
	6,352,220,654	83,369,084	11,557,129,649	65,295,299

Further, the age analysis for the amount receivable from Srilankan Airlines Ltd is as follows:

	Total Rs.	1-30 days Rs.	31-90 days Rs.	91-180 days Rs.	181-360 days Rs.	More than 360 days Rs.
Srilankan Airlines Ltd	6,199,866,867	39,576,685	72,442,729	81,268,135	87,548,087	5,919,031,231

The movement in provision for impairment of trade receivables and due from related parties.

	2020/2021 Rs.	2019/2020 Rs.
Balance at 01st April	65,295,299	61,120,060
Reversal of provision	(191,101)	(227,384)
Provision provided	18,264,886	4,402,623
Balance at 31st March	83,369,084	65,295,299

The Company believes that the unimpaired amounts due are still collectible, based on historical payment behaviour and extensive analysis of the customers' credit ratings.

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD....)

34.5 MANAGEMENT ASSESSMENT OF THE COMPANY'S IMPACT OF COVID -19 RELATED EVENTS

Sri Lankan Catering Limited operating in the Airline sector has been significantly affected by the outbreak of COVID-19. The spread of the virus on a global scale in mid-March 2020 and the stringent measures rightly taken by the Government including the closure of airports and lock downs, compelled the temporary closure of airport.

As a result, the Company's revenue streams were majorly impacted, and it was unable to maintain the same level of operations in terms of revenue which amounted to Rs. 694,000,136/= (2019/2020 - Rs. 9,036,270,251) while the regular gross profit margins have declined from 81% to 53% in the current year. Further, the net loss after taxation was reported to be Rs. 960,462,498 (2019/2020 profit -Rs. 4,799,690,965) while the company's key performance indicators declined to a significantly lower level in the year 2020 and the Management believes that their situation has been mainly caused by the decreasing number of tourists visit in Sri Lanka due to Covid -19.

The above factors which occurred as a result of an external event which is beyond the control of the Board of directors has raised concerns regarding the Company's controls over the operational risk management. However, considering all the current internal and external environmental factors including the overall airline industry's decline due to the impact of Covid-19 pandemic, the Company's objective is to manage operational risk so as to balance the avoidance of financial losses, based on the following mitigation plans.

During the year under review, the Company has actively pursued new revenue streams and after relevant market research carried out has introduced a range of ready to eat frozen meal concept branded 'Cuisine Gastronome' to the local as well as exports markets. The Company is already exporting the range of meals to Australia and USA. Plans are underway to improve the distribution of the range of products locally and further develop export market by expanding into Europe and Middle East in 2021.

Further global trends indicate easing up of the pandemic situation as the vaccination against the virus takes place around the world, which will encourage touristic and other air travel to resume operations and gradually become normal in the years to come allowing the Airline Catering business also to recover gradually.

The Company is currently managing its operations utilizing cash generated in previous years and also has unutilized lines of credit arranged with reputed banks intact should the need arises to continue operations until such time it can generate sufficient cash flow to manage operations on its own. The Company is a public owned enterprise backed by the Government of Sri Lanka.

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35. SEGMENTAL ANALYSIS

	Note	Flight Kitchen		BIA Restaurant		Other Segments		Total	
		2021	2020	2021	2020	2021	2020	2021	2020
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Revenue	3	475,793,208	7,219,430,671	87,053,791	1,219,992,481	131,153,137	596,847,099	694,000,136	9,036,270,251
Cost of sales		(200,785,705)	(1,278,128,193)	(59,827,297)	(348,819,069)	(63,279,045)	(78,157,375)	(323,892,047)	(1,705,104,637)
Gross profit		275,007,503	5,931,178,589	27,226,494	871,173,412	67,874,092	518,689,724	370,108,089	7,331,165,615
Other income	4	-	-	-	-	-	-	-	-
Administration expenses		(1,090,836,498)	(1,719,674,510)	(168,169,970)	(238,307,604)	(112,131,200)	(147,004,994)	(1,371,137,667)	(2,104,987,108)
Other operational expenses	5	(442,302,987)	(827,112,083)	65,407,522	(134,106,587)	16,222,649	(103,306,078)	(360,672,817)	(1,064,524,748)
Results from operating activities	6	(1,258,131,983)	3,394,515,885	(75,535,954)	498,759,222	(28,034,459)	268,378,652	(1,361,702,396)	4,161,653,758
Finance income		587,142,418	895,774,072	4,493,536	3,927,110	423,649	240,668	592,059,602	899,941,850
Finance costs		(99,730,312)	(169,014,739)	(55,786,504)	(61,080,658)	(35,302,892)	(37,313,325)	(190,819,708)	(267,408,722)
Net finance (cost) / income		487,412,106	726,759,333	(51,292,969)	(57,153,548)	(34,879,243)	(37,072,657)	401,239,894	632,533,128
Profit before income tax		(770,719,877)	4,121,275,218	(126,828,923)	441,605,674	(59,677,597)	231,305,994	(960,462,501)	4,794,186,886
Income tax expenses	7	57,060,157	(20,073,024)	-	(6,315,491)	-	(8,289,601)	57,060,157	(34,678,115)
(Loss) / Profit for the year		(713,659,719)	4,101,202,194	(126,828,923)	435,290,183	(59,677,597)	223,016,394	(903,402,344)	4,759,508,771
Other comprehensive income:									
Revaluation of property, plant and equipment, net of tax				-	-	-	-	-	-
Defined benefit plan actuarial gains (losses)	24	68,446,816	(11,982,964)	-	-	-	-	68,446,816	(11,982,964)
Leave encashment actuarial gains (losses)		(7,375,700)	(5,504,077)					(7,375,700)	(5,504,077)
Deffered tax provision on revaluation gain		(10,267,022)	1,797,445					(10,267,022)	1,797,445
Deffered tax provision on leave encashment		1,106,355	-					1,106,355	-
Other comprehensive income for the year		51,910,449	(11,982,964)	-	-	-	-	51,910,449	(15,689,597)
Total comprehensive income for the year		(661,749,270)	4,089,219,230	(126,828,923)	435,290,183	(59,677,597)	223,016,394	(851,491,894)	4,743,819,174

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. The Company reviewed the existing reporting segments and concluded that no material change is needed.

36. COMPARATIVE INFORMATION

Comparative figures have been re-classified where necessary to be in line with the presentation requirements for the current year's presentation / classification

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SRILANKAN CATERING LIMITED
DETAILED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2021

	Statement	2020/2021 Rs.	2019/2020 Rs.
Revenue	1	694,000,136	9,036,270,251
Cost of sales		(323,892,048)	(1,705,104,636)
Gross profit		370,108,088	7,331,165,615
Administrative expenses	2	(1,371,137,666)	(2,099,483,031)
Other operational expenses	3	(360,672,816)	(1,064,524,747)
(Loss) /profit from operations		(1,361,702,394)	4,167,157,837
Finance income	4	592,059,602	899,941,850
Finance expenses	5	(190,819,707)	(267,408,722)
Net (loss) / profit before taxation		(960,462,499)	4,799,690,965

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SRILANKAN CATERING LIMITED
FOR THE YEAR ENDED 31ST MARCH 2021

		2020/2021	2019/2020
		Rs.	Rs.
REVENUE			**Statement 1**
Flight kitchen		472,673,946	7,209,306,782
Vannila Pod Café		49,314,836	34,004,925
Serenediva transit hotel		-	173,759,482
Semondu restaurant		8,254,029	25,484,691
Emirates Lounge		22,755,493	128,326,982
Laundry sale		9,857,548	227,752,073
Public restaurant		55,772,507	98,404,614
Transit restaurant		30,196,825	1,121,587,868
MRIA restaurant		24,356,033	7,518,945
Frozen meal - Local		10,127,421	-
Frozen meal - Foreign		7,572,237	-
Disposal of garbage		13,379	10,123,889
Sundry income		483,088	-
Profit on disposal of fixed assets		2,622,794	-
Total sales	**Statement 1.1**	694,000,136	9,036,270,251

Revenue			**Statement 1.1**
Meals		423,840,288	6,815,605,834
Handling charges		159,363,477	1,046,114,281
Miscellaneous		102,938,418	786,152,155
Other sales		7,857,953	388,397,981
		694,000,136	9,036,270,251

ADMINISTRATION EXPENSES			**Statement 2**
Donations		-	421,250
Depreciation of property, plant and equipment		391,109,115	320,310,508
Amortization of RoU assets		47,176,066	47,176,066
Amortization of intangible assets		11,431,250	10,230,989
Auditors Fees		1,000,000	1,000,000
Other audit related expenses		538,000	250,402
Reversal of Audit Fee Over provision		(1,164,468)	-
Consultants fees		3,096,319	5,380,050
Lawyer's fees		2,347,397	2,652,622
Secretarial fees		360,000	330,000
Subscription fees		864,589	1,445,034
Business promotion		1,285,218	536,525
Director fees		(88,975)	(731,595)
Entertainment		41,344	395,932
Advertising		2,489,757	3,867,643
Staff cost	Statement 2.1	905,556,580	1,692,120,684
Other administration expenses		5,095,474	14,096,921
		1,371,137,666	2,099,483,031

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SRILANKAN CATERING LIMITED
FOR THE YEAR ENDED 31ST MARCH 2021

ADMINISTRATION EXPENSES (CONTD....)

Personal Expenses

	2020/2021 Rs.	2019/2020 Rs.
		Statement 2.1
Staff Salaries	724,670,637	811,141,367
Contributions to Employees' Provident Fund	87,603,096	99,695,385
Contributions to Employees' Trust Fund	20,165,164	22,812,740
Overtime	63,241,238	114,337,043
Staff Welfare	146,716,565	237,277,482
Staff Insurance	5,872,097	8,440,485
Staff Training	525,950	5,267,385
Provision for bonus	-	275,072,643
Reversal of over provsion made for bonus	(258,359,332)	-
Uniforms	3,246,799	16,941,565
Expenses related to defined benefit plans	93,642,752	95,016,300
Prepaid staff cost	1,688,765	2,061,132
VRS compensation	12,296,829	-
Provision for leave enchashment	4,246,020	4,057,156
	905,556,580	1,692,120,683

OTHER OPERATIONAL EXPENSES

	2020/2021 Rs.	2019/2020 Rs.
		Statement 3
Loss on disposal of property, plant and equipment	-	12,196,367
Loss on disposal of Scrap	-	3,021,664
Cleaning Material	24,275,445	81,164,542
Fuel and gas	28,440,719	130,953,547
Repairs and Maintenance	103,284,828	194,377,100
Travelling	9,783,893	10,226,081
Casual Labour	19,319,959	195,337,241
Garbage Disposal	3,875,393	24,537,242
Sundry Operational Expenses	1,624,305	1,124,710
Rent	3,105,101	10,870,440
MRIA Rent reversal	-	(11,122,000)
Licence Fees	21,000	56,800
Electricity	75,377,180	174,671,409
Water	8,040,047	16,330,461
Security	33,351,252	65,255,040
Storage	2,542,689	1,309,562
Insurance	15,363,420	13,739,498
Postage / Stamps	102,835	108,635
Telephone	7,495,745	7,543,320
Bank Charges	3,732,211	11,203,060
Rates and Taxes	2,975,494	2,341,456
Frozen meal operation cost	353,500	-
Marketing expenses - Frozen	8,629,459	-
Disallowble tax	53,215,786	1,897,037
Impairment on debtors	18,653,386	5,032,772
Provision for slow moving stock	102,541,362	21,831,687
Concession fees	9,705,707	88,017,076
MRIA Concession reversal	(8,836,671)	-
Rent Concesstion - SLFRS 16	(166,301,229)	-
Litigation	-	2,500,000
	360,672,816	1,064,524,747

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SRILANKAN CATERING LIMITED
FOR THE YEAR ENDED 31ST MARCH 2021

	2020/2021 Rs.	2019/2020 Rs.
		Statement 4
FINANCE INCOME		
Interest income	35,073,408	58,363,302
Interest income - staff loans	1,582,293	2,233,703
Exchange gain	555,403,901	839,344,845
	592,059,602	899,941,850
		Statement 5
FINANCE EXPENSES		
Bank interest	(1,731,802)	(8,608,229)
EPF Loan interest	(49,323,626)	-
Lease Interest	(123,368,115)	(128,700,493)
Preference share dividend	(16,396,164)	(130,100,000)
	(190,819,707)	(267,408,722)
Net finance income	401,239,895	632,533,128

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