

**SRI LANKAN CATERING LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2016**

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Corporate Information

NAME OF THE COMPANY

SriLankan Catering Limited

COMPANY REGISTRATION NUMBER

PV1418 PB

LEGAL FORM

Public Limited Liability Company

BOARD OF DIRECTORS

Mr. A. N. Dias

Mr. R. S. Jayawardena

Lt. Col. Sunil D. Peiris

Mr. J. M. S. Brito

Mr. R. C. D. De Silva

Mr. M. P. Haradasa

AUDIT COMMITTEE

Mr. J. M. S. Brito (Chairman)
Director

Mr. R. S. Jayawardena (Member)
Director

Lt. Col. Sunil D. Peiris (Member)
Director

Mr. R. C. D. De Silva (Member)
Director

Mr. M. P. Haradasa (Member)
Director

**HUMAN RESOURCES &
REMUNERATION COMMITTEE**

Lt. Col. Sunil D. Peiris (Chairman)
Director

Mr. R. S. Jayawardena (Member)
Director

Mr. J. M. S. Brito (Member)
Director

Mr. R. C. D. De Silva (Member)
Director

Mr. M. P. Haradasa (Member)
Director

SECRETARIES

AirLanka (Private) Limited

BANKERS

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

AUDITORS

Auditor General
Auditor General's Department
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 the Directors

Ajith N. Dias

Mr Ajith N. Dias was appointed to the Board of SriLankan Catering Limited on 10th March 2015 and serves as the Chairman of SriLankan Airlines, SriLankan Catering and Mihin Lanka (Private) Limited.

He is a Fellow Member of the Textile Institute, UK., a Chartered Textile Technologist from the University of Salford, UK.

He is a pioneer in the Apparel Industry and a Co-founder of the Brandix Group. He has also been the Chairman of the Joint Apparel Associations Forum (JAAF), Free Trade Zone Manufacturers Association and Hotel Developers (Pvt) Limited – the owning Company of the Colombo Hilton.

He currently has business interests in apparel exports, agriculture and the leisure industry.

Rakhita Jayawardena

Appointed to the Board of SriLankan Airlines Limited on 20th February 2015 and serves as a Director of SriLankan Catering Limited and Mihin Lanka (PVT) Limited.

He Brings with him over 30 years of experience and exposure in the Global Airline Industry working in a senior capacity as President/CEO and General Manager, providing services to large Legacy Carriers, Charters & Low Cost Airlines, from the Americas to Europe, Asia Pacific & Africa, having been based in New York (USA), London (UK), Hong Kong & Sri Lanka.

His contribution to the Airline Travel Retail industry has been recognized globally, with many awards & accolades.

- 2015 Fellowship award, at the 'ISPY' Oscars in London
- Inflight Personality of the Year 2014, Airline Retail Conference
- Unanimously appointed as the Founding President of the Asia Pacific Travel Retail Association (APTRA), the voice of the industry, which has a turnover in excess of US\$ 10 Billion.

He is a full Member of the Institute of Marketing, London (M.Inst.M)

Sunil D. Peiris

Appointed to the Board of SriLankan Airlines Limited on 12th February 2015 and serves as the Executive Director – HR and serves as a Director of SriLankan Catering Limited and Mihin Lanka (Pvt) Limited.

He is a retired army officer with twenty two years' service.

Joined Ceylon Tobacco Company Limited and was Group Risk & Safety Manager and General Manager C.T.C Trading Company Limited. Thereafter, he served as Director Sales & Marketing of Richard Pieris Exports Limited and Director of Richard Pieris Distributors and Richard Pieris Keells

Plantations Ltd. He serves as Managing Director Amalgamated Graphite (Pvt) Limited. He was the Chairman Plastipak Limited, Australia and Managing Director of Nippon Nature Foams (Pvt) Ltd.

J M S Brito

Appointed to the Board of SriLankan Airlines Limited on 12th February 2015 and serves as a Director of SriLankan Catering Limited and Mihin Lanka (Pvt) Limited.

Has a LLB (University of London) and MBA (London City Business School) degrees and is a Fellow of both Institutes of Chartered Accountants of Sri Lanka and England and Wales.

Together with this multi-disciplined knowledge, he also brings with him a wealth of 35 years of international experience working with a number of international organizations including Price Waterhouse London and the World Bank.

Presently Mr. Brito is the Deputy Chairman & Managing Director of Aitken Spence PLC, Aitken Spence Hotel Holdings PLC and the Chairman of Elpitiya Plantations PLC. He is a former Chairman of DFCC Bank, Sri Lankan Airlines and The Employers' Federation of Ceylon.

R. C. D. De Silva

Appointed to the Board of SriLankan Airlines Limited on 12th February 2015 and formerly served in the Board during period 2002-2004.

He is also a Director of SriLankan Catering Limited.

He served as the Chairman of Kelani Tyres PLC since privatization (1992) and the Chairman of CEAT Sri Lanka Group of Companies since the formation of the Joint Venture (1998) and Presently the Chairman of Wheels Group of Companies.

He was also the Chairman of Union Commodities (Pvt) Ltd founded by him upto 31st December 2013 and former Chairman of Sri Lanka Insurance Corporation, TransAsia Hotel, Club Rboinson, Union Bank of Colomb Ltd., and served as a director in Asian Alliance Insurance, Delmege Forsyth Ltd, Lewis Brown and Company Ltd., Intercontinental Hotel and Oberoi Hotel.

Mahinda Haradasa

Appointed to the Board of SriLankan Airlines Limited on 12th February 2015 and formerly served in the Board during period 2002-2004.

He is also a Director of SriLankan Catering Limited and Mihin Lanka (Pvt) Limited.

He was a Senior Partner of Varners Lanka Law Office during 1985-2004 and presently serves as the Senior Partner to Varners.

He is a Lawyer by profession and is a member of the Bar Association of Sri Lanka, Founder Member of IFA (Sri Lanka Branch), Asian Patent Attorneys Association and Inter Pacific Bar Association.

BOARD AUDIT COMMITTEE REPORT 2015/16

Role and Responsibilities

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

Committee Composition

The Board Audit Committee comprises of five (5) members. The members of the BAC as at 31 March 2016 were Mr. J. M. S. Brito (Chairman), Mr. R.C.D. De Silva (Member), Mr. M. Haradasa (Member), Lt. Col. Sunil Peiris (Member) and Mr R. Jayawardena (Member).

Meetings

The Board Audit Committee held three (3) meetings during the year ended 31 March 2016. The members of the management attend the meetings upon invitation to brief the Board Audit Committee on specific issues.

Group Assurance and Advisory Services

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

Functions of the Committee

- Reviewed the internal audit reports on system of internal controls including IS/IT controls and ensured that follow-up action is taken by Heads of Departments in a timely manner.
- Reviewed the key corporate risks and departmental risks including procedures adopted by management to mitigate the effects of business risks.
- Reviewed the progress of the Business Continuity Plan to ensure a structured framework is established at SriLankan Catering in order to minimise the effects of risks from business interruptions/disasters.
- Reviewed the Company's compliance dashboards for December 2014, March 2015 and September 2015 to determine all relevant laws and regulations are complied with.
- Reviewed the Internal Audit function, including the independence and authority of its reporting obligations and the internal audit plan.

- Assessing the results of the external audit report and management responses to the issues highlighted.
- Reviewed and recommended to the Board the Related Party Transactions Policy and Procedures and Donations Policy and Procedures.
- Review of SriLankan Catering Limited IT Strategy Plan 2016 to 2019.

Jms Brito

J. M. S. Brito
Chairman-Board Audit Committee
13 July 2016

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 31 March 2016.

1. PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

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

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

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

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

FINANCIAL STATEMENTS

A complete set of Financial Statements for the year ended 31 March 2016 duly signed by the Finance Manager and the Directors, and the Auditor's Report thereon for the year ended 31 March 2016 are attached to this Report.

ACCOUNTING POLICIES AND CHANGES DURING THE YEAR

The Company prepared the financial statement 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 used 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 07 to 33.

REVENUE

Revenue generated by the Company amounted to Rs.6,283 Mn (2015- Rs. 5,959 Mn). A detailed analysis of turnover is given in Note 5 to the financial statements.

RESULTS AND DIVIDEND

Net results for the year are as follows,

	2015/2016	2014/2015
	Rs. (Mn)	Rs. (Mn)
Net profit before tax	3,634.93	2,205.87
Taxation	2.93	(13.74)
Net profit after tax	3,637.86	2,192.12

DIVIDEND

Preferential Dividend - The Company paid out Rs.186.85Mn on account of preference shares for the period ended 31st March 2016.

Ordinary Shares Dividend – A final dividend of Rs. 2,100 Mn for the year 2014/15 (2013/14 – LKR 2,100 Mn) was paid on 30 September 2015.

PROPERTY, PLANT AND EQUIPMENT

The net book value of the Property, Plant and Equipment of the Company as at the reporting date amounted to Rs.2,206.671Mn (2014/15: Rs. 2,525.22Mn). Details of Property, Plant and Equipment and their movements are given in Note 12 to the Financial Statements.

STATED CAPITAL

The Stated Capital of the Company, consisting of 940,268,456 Ordinary Shares, amounts to Rs. 1,000Mn (2014/15: Rs. 1,000Mn). Details of the share capital is given in Note No 20 of page 25.

RESERVES

Total Company reserves as at 31 March 2016 amount to Rs.6,376.17 Mn (2014/15: 4,855.28Mn). This consists of Revenue Reserve (Accumulated Profit) of Rs.4,536.28 Mn (2014/15: Rs.3,014.90 Mn) and Capital Reserve (Revaluation Surplus) of Rs.1,839.89Mn (2014/15: Rs.1,840.38 Mn). Movements in these Reserves are shown in the Statement of Changes in Equity in the Financial Statements.

CORPORATE DONATIONS

The Company has made Rs. 300,000/- as cash donations during the year.

TAXATION

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

At present, income derived from the Flight Kitchen, Transit Restaurant and Transit Hotel are exempted from Tax.

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

SHARE INFORMATION

Share information as at 31 March 2016 is as follows:

Ordinary Shares

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

Non-Voting Redeemable, Cumulative and Convertible Preference Shares (10 Year Term)

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

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent Liabilities as at 31 March 2016 are given in Note 30 to the Financial Statements. No commitments made on Capital Expenditure as at the balance sheet date.

EVENTS OCCURRING AFTER THE REPORTING DATE

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

EMPLOYMENT POLICIES

Employment policies of the Company respect the individual and offer equal career opportunities regardless of sex, race or religion. Occupational health and safety standards receive substantial attention. The number of persons employed by the Company at the year-end was 910 (2014/2015: 883).

STATUTORY PAYMENTS

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

ENVIRONMENTAL PROTECTION

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

CORPORATE GOVERNANCE / INTERNAL CONTROL

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

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

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

GOING CONCERN

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

DIRECTORATE – SRILANKAN CATERING LIMITED

The Current Directorate of SriLankan Catering Limited is as follows:-

Mr Ajith N. Dias	-	Chairman
Mr J M S Brito	-	Director
Mr R. C. D. De Silva	-	Director
Mr Mahinda P. Haradasa	-	Director
Lt. Col. Sunil D. Peiris	-	Director
Mr Rakhita S. Jayawardena	-	Director

APPOINTMENT OF THE DIRECTOR WHO IS OVER 70 YEARS OF AGE

Upon the recommendation of the Board, it is recommended that Mr. R. Chanaka De Silva who is over 70 years of age be reappointed as a Director of the Company for a further period of one year from the conclusion of the Annual General Meeting and that the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not be applicable.

DIRECTORS' REMUNERATION

The Directors' remuneration paid for the financial year ended 31 March 2016 is disclosed in note no. 28.2 on page no. 28.

DIRECTORS' SHAREHOLDING

By virtue of office Mr. Ajith N.Dias is the holder of 01 Ordinary Share in the Company.

DIRECTORS' INTERESTS IN CONTRACTS

The Directors' interest in Contracts of the Company are included in Note 28 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.

AUDITOR GENERAL

Auditor General was appointed as the External Auditor in terms of article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. Messrs KPMG has been appointed by the Auditor General as a qualified auditor to assist the Auditor General in the annual audit of the financial statements of the company for the year ended 31st March 2016 in terms of article 154 (4) of the Constitution of the Democratic Socialist Republic of Sri Lanka

ANNUAL GENERAL MEETING

Annual General Meeting will be held on 28th September 2016

By Order of the Board



Airlanka (Private) Limited
SECRETARIES

Mrs. B. S. S. S.

Director

13 July 2016

A. I. S. S. S.

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 regard to the establishment of appropriate systems of internal control with a view to the prevention and detection of fraud and other irregularities.

The Directors continue to adopt the going concern basis in preparing the Financial Statements. The Directors, after making enquiries and following a review of the company's Budget for the financial year ending 31 March 2016 including cash flows and borrowing facilities, consider that the Company has adequate resources to continue in operation.

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

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

By Order of the Board

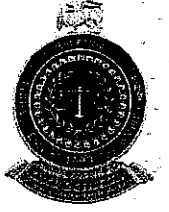


Dalrene Thirukumar
Company Secretary

13 July 2016



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கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல.
My No.

} AVA/A/SLCL/06/16/26

ඔබේ අංකය
உமது இல.
Your No.

}

දිනය
திகதி
Date

} 09 August 2016

To the shareholders of SriLankan Catering Limited

Report of the Auditor General on the Financial Statements of the SriLankan Catering Limited for the year ended 31 March 2016.

The audit of the financial statements of the SriLankan Catering Limited for the year ended 31 March 2016 comprising the statement of financial position as at 31 March 2016 and the statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, 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. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice.

Management's Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as, the Board determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.



Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by Section 163 (2) of the Companies Act No. 07 of 2007, I state the following:

- a) The basis of opinion and scope and limitations of the audit are as stated above.
- b) In my opinion I have obtained all the information and explanations that were required for the audit and, as far as appears from my examination, proper accounting records had been kept by the Company and the financial statements of the Company, comply with the requirements of Sections 151 of the Companies Act.

Report to Parliament

My report to Parliament in pursuance of provisions in Article 154(6) of the Constitution will be tabled in due course.


H.M. Gamini Wijesinghe
Auditor General

SRILANKAN CATERING LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March

All amounts in Sri Lankan Rupees

	Note	2016	2015
Revenue	5	6,283,183,711	5,958,954,120
Cost of sales		(1,464,356,569)	(1,442,274,982)
Gross profit		4,818,827,142	4,516,679,138
Other income	6	13,453,644	16,875,473
Administration expenses	7	(1,445,992,747)	(1,278,063,215)
Other operational expenses	8	(966,097,159)	(1,050,944,291)
Results from operating activities	9	2,420,190,880	2,204,547,105
Finance income		1,403,666,770	309,858,565
Finance costs		(188,929,932)	(308,539,821)
Net finance income	10	1,214,736,838	1,318,744
Profit before income tax		3,634,927,718	2,205,865,849
Income tax expense	11	2,927,441	(13,744,233)
Profit for the year		3,637,855,159	2,192,121,616
Other comprehensive income			
Revaluation of property, plant & equipment, net of tax		-	1,169,244,413
Defined benefit plan actuarial gains / (losses)	25	(7,537,021)	(62,650,657)
Other comprehensive income for the year		(7,537,021)	1,106,593,756
Total comprehensive income for the year		3,630,318,138	3,298,715,372

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

SRILANKAN CATERING LIMITED
STATEMENT OF FINANCIAL POSITION

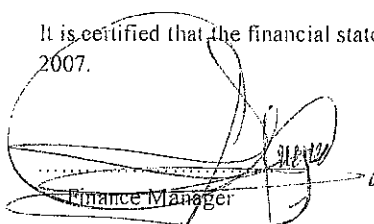
As at 31 March

All amounts in Sri Lankan Rupees

	Note	2016	2015
Assets			
Property, plant and equipment	12	2,206,666,264	2,525,223,731
Intangible assets	13	4,599,329	4,843,753
Investment	14	-	7,404,991
Non-current assets		2,211,265,593	2,537,472,475
Inventories	15	237,176,091	319,670,818
Trade receivables	16	400,878,960	300,029,690
Due from related companies	17	6,382,984,690	5,628,617,688
Other receivables	18	243,050,955	220,180,611
Assets held for sale	12.1	272,338	947,668
Current investments		6,280,325	-
Cash and cash equivalents	19	218,708,175	80,090,161
Current assets		7,489,351,534	6,549,536,636
Total assets		9,700,617,127	9,087,009,111
Equity			
Stated capital	20	1,000,000,000	1,000,000,000
Retained earnings		4,536,278,621	3,014,901,551
Revaluation reserve	21	1,839,887,244	1,840,377,410
Total equity		7,376,165,865	5,855,278,961
Liabilities			
Redeemable preference shares	22	1,000,000,000	1,000,000,000
Loans and borrowings	23	-	14,902,547
Deferred tax liability	24	77,134,354	77,134,354
Employee benefits	25	478,634,267	449,922,669
Non-current liabilities		1,555,768,621	1,541,959,570
Redeemable preference shares	22	-	1,000,000,000
Loans and borrowings	23	1,947,389	8,926,848
Trade creditors		156,658,389	142,062,910
Due to related companies	26	106,635,842	116,164,507
Other payables	27	503,441,021	422,616,315
Current liabilities		768,682,641	1,689,770,580
Total liabilities		2,324,451,262	3,231,730,150
Total equity and liabilities		9,700,617,127	9,087,009,111

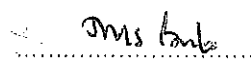
The notes to the financial statements are an integral part of these financial statements.

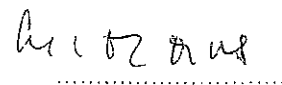
It is certified that the financial statements have been prepared in compliance with the requirements of the Companies Act No.7 of 2007.


Finance Manager

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

Signed on behalf of the Board by,


Director


Director

Colombo
13 July 2016

SRILANKAN CATERING LIMITED
STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March
All amounts in Sri Lankan Rupees

	Note	Stated capital	Revaluation reserves	Retained earnings	Total
Balance as at 1 April 2014		1,000,000,000	671,707,478	2,984,856,111	4,656,563,589
Profit for the year		-	-	2,192,121,616	2,192,121,616
Ordinary share dividend - First & final 2013/14		-	-	(2,100,000,000)	(2,100,000,000)
Surplus on revaluation of property		-	1,243,472,779	-	1,243,472,779
Surplus reversal for disposals		-	(574,481)	574,481	-
Deferred tax liability		-	(74,228,366)	-	(74,228,366)
Other comprehensive income		-	-	-	-
-Defined benefit plan actuarial gains / (losses)		-	-	(62,650,657)	(62,650,657)
Balance as at 31 March 2015		<u>1,000,000,000</u>	<u>1,840,377,410</u>	<u>3,014,901,551</u>	<u>5,855,278,961</u>
Balance as at 1 April 2015		1,000,000,000	1,840,377,410	3,014,901,551	5,855,278,961
Adjustment for Super Gain Tax		-	-	(9,431,234)	(9,431,234)
Balance as at 1 April 2015 (Restated)		1,000,000,000	1,840,377,410	3,005,470,317	5,845,847,727
Profit for the year		-	-	3,637,855,159	3,637,855,159
Ordinary share dividend - First & final 2014/15		-	-	(2,100,000,000)	(2,100,000,000)
Surplus reversal on disposals	21	-	(490,166)	490,166	-
Other Comprehensive Income		-	-	-	-
-Defined benefit plan actuarial gains / (losses)		-	-	(7,537,021)	(7,537,021)
Balance as at 31 March 2016		<u>1,000,000,000</u>	<u>1,839,887,244</u>	<u>4,536,278,921</u>	<u>7,376,165,865</u>

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

As per the provision of Part III of the Finance Act, No.10 of 2015, which was certified on 30 October 2015, the Company is liable for Super Gain Tax of Rs. 9,431,234/-. According to the Act, the Super Gain Tax was deemed to be expenditure in the Financial Statements relating to the year of assessment which commenced on 1 April 2013. The Act supersedes the requirement of the Sri Lanka Accounting Standards; hence the expense of Super Gain tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative treatment (SoAT) on Accounting for Super gain Tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 21 November 2015.

SRILANKAN CATERING LIMITED
STATEMENT OF CASH FLOWS

For the year ended 31 March

All amounts in Sri Lankan Rupees

	2016	2015
Cash flows from operating activities		
Profit before tax	3,634,927,718	2,205,865,849
Adjustment for:		
Depreciation of property plant and equipment	303,814,780	278,128,616
Amortization of intangible assets	1,716,136	1,488,696
Provision for bonus	158,390,040	133,848,248
Provision for gratuity	73,794,960	62,818,447
Provision for bad and doubtful debtors	989,387	4,770,744
Provision for slow moving stock	4,683,705	15,028,340
Provision for litigation	14,928,489	-
Impairment for capital working progress	11,241,785	14,567,572
Provision for leave encashment	11,406,998	-
Impairment for investment in shares	200,000	-
Interest expenses	2,075,340	8,539,821
Interest income	(9,859,001)	(13,207,189)
Preference dividend	186,854,592	300,000,000
Written off of property plant and equipment	446,694	-
Profit / (loss) on disposal of property plant and equipment	325,183	2,613,937
Operating profit before changes in working capital	4,395,936,806	3,014,463,081
Changes in:		
Trade and other receivable	(2,981,996,414)	(3,532,941,271)
Inventories	77,811,022	(29,185,576)
Trade and other payable	43,506,035	1,068,613,307
Cash generated from operating activities	1,535,257,449	520,949,541
Bonus paid	(132,417,303)	(129,219,416)
Gratuity paid	(52,620,383)	(29,808,414)
Net cash from operating activities	1,350,219,763	361,921,711
Cash flows from investing activities		
Acquisition of intangible assets	(1,471,712)	(411,846)
Acquisition of property plant and equipment	(16,181,744)	(40,824,435)
Assets transfer from advance	-	(56,208,924)
Disposal of property plant and equipment	19,586,099	6,827,000
Interest received	7,200,286	10,993,754
Net cash from / (used in) investing activities	9,132,929	(79,624,451)
Cash flows from financing activities		
Repayment of borrowings	(21,882,006)	(111,062,638)
Interest paid	(2,075,340)	(8,539,821)
Redemption of preference shares	(1,000,000,000)	-
Dividend paid - preference shares	(196,777,332)	(224,794,520)
Net cash (used in) financing activities	(1,220,734,678)	(344,396,979)
Net increase from / (decrease) in cash and cash equivalents	138,618,014	(62,099,719)
Cash and cash equivalents at the beginning of the year	80,090,161	142,189,880
Cash and cash equivalents at the end of the year (Note 19)	218,708,175	80,090,161

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

SRILANKAN CATERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1 Reporting entity

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

The principal activity of the Company is providing catering services to airlines operating through the Bandaranaike International Airport. The Company also engages in operating restaurants and a transit hotel in the Bandaranaike International Airport and providing laundry services to airlines.

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

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Sri Lankan Accounting Standards (LKAS/SLFRS) as laid down by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirements of the Companies Act No. 07 of 2007.

The financial statements for the period ended 31 March 2016 were authorized for issue by the Directors on 13 July 2016.

2.2 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 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.

2.3 Functional and presentation currency

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

2.4 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.

2.5 Use of estimates and judgments

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

SRILANKAN CATERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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

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

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

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in financial statements, and have been applied consistently by the Company where applicable, except the followings:

The Company has adopted the following Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax.

Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax

As per the provision of Part 111 of the Finance Act, No.10 of 2015, which was certified on 30 October 2015, the Company is liable for Super Gain Tax of Rs. 9,431,234/-. According to the Act, the Super Gain Tax was deemed to be expenditure in the Financial Statements relating to the year of assessment which commenced on 1 April 2013. The Act supersedes the requirement of the Sri Lanka Accounting Standards; hence the expense of Super Gain tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative treatment (SoAT) on Accounting for Super gain Tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24 November 2015.

3.1 Transactions in foreign exchange

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

3.2 Property, plant & equipment

3.2.1 Recognition and measurement

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

Purchased software that is integral to the functionality of the related equipment is capitalised as a part of the equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

SRILANKAN CATERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS

3.2.2 Revaluation

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

3.2.3 Gains and losses on disposal

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

3.2.4 Subsequent expenditure

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

3.2.5 Depreciation

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

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

Asset class	2014/15	After revaluation from 2015/16
Building improvements	20 years	39 years
Furniture	05 years	15 years
Plant & machinery	05 years	15-20 years
Electrical equipment	05 years	15 years
Motor vehicle	04 years	14 years
Computer equipment	05 years	10 years

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

3.2.6 De-recognition

The carrying amount of an item of property, plant and equipment is de-recognised on disposal or when no future economic benefits are expected from it. The gain or losses arising from de-recognition of an item of property, plant and equipment is included in the statement of profit or loss and other comprehensive income when the item is de-recognised.

SRILANKAN CATERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS

3.2.7 Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

3.2.8 Assets held for sale

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

3.3 Intangible assets

3.3.1 Recognition and measurement

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

3.3.2 Subsequent expenditure

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

3.3.3 Amortisation

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

3.3.4 De-recognition

An intangible asset is de-recognised 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-recognised.

3.4 Impairment

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

SRILANKAN CATERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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

3.4. Fair value measurement

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

A Fair value measurement requires an entity to determine all the following;

1. the particular asset or liability that is the subject of the measurement
2. for a non-financial asset, the valuation premise that is appropriate for the measurement (consistently with its highest and best use).
3. the principal (or most advantageous) market for the asset or liability.
4. the valuation technique(s) appropriate for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use when pricing the asset or liability and the level of the fair value hierarchy within which the inputs are 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 market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

When a price for an identical asset or liability is not observable, an entity measures fair value using another valuation technique that maximises the use of relevant observable inputs and minimises 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 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 transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Determination of fair values

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

SRILANKAN CATERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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

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

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

3.6 Inventories

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

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

3.7 Financial instruments

3.7.1 Non derivative financial assets

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

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

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

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

Loans and receivables

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

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein other than impairment losses and foreign currency differences on available-for-sale debt instruments are recognised in other comprehensive income and presented in the available-for-sale reserve in equity. When an investment is de-recognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise of investments in ordinary shares.

3.7.2 Non derivative financial liabilities

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

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

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

3.7.3 Share capital

Ordinary shares

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

3.7.4 Compounded financial instruments

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

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

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

3.8 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.

SRILANKAN CATERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS

3.9 Employee benefits

3.9.1 Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.9.2 Defined contribution plans

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

The Company contributes 3% of gross emoluments of employees as trust fund (ETF) contribution and contributes as provident fund (ETF) as below;

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

3.9.3 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The calculation is performed every year by a qualified independent actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

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

The Actuarial valuation was carried out by professionally qualified independent actuary, Mr. M. Poopalanathan in March, 2016.

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	Salary used for Computation
01 to 10 years	½
Over 10 years	1

SRILANKAN CATERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS

This basis of payment will only be applicable for employees who have been in service on or before 1 April 2000. The employees who have joined the Company after 1 April 2000, the payment of gratuity will be made as per the provisions laid down in the Gratuity Act. The actuarial valuation was made on 31 March 2016.

The liability is not externally funded.

3.10 Commitments and contingencies

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

3.11 Events after the reporting date

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

3.12 Liabilities and provisions

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

3.13 Statement of profit or loss and other comprehensive income

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

3.13.1 Revenue

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

3.13.2 Finance income

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

3.13.3 Other operating income

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

3.14 Expenses

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

SRILANKAN CATERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS

3.13. Operating lease

Leases where the Company does not assume substantially all the risks and benefits of ownership of the leased item are classified as operating leases. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

3.14. Finance expenses

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

3.15. Tax

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

3.17.1. Current tax

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

3.17.2. Deferred tax

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

In addition, deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.18. Comparative information

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

3.19. Statement of director's responsibility

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

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, CEO/ General Manager 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 to international aircrafts.
- Airport restaurant (BIA) - Provision of restaurant services.

Other operations include following segments, which do not meet the quantitative thresholds for determining reportable segments in 2016 and 2015.

- 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 services.

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

3.20 New accounting standards issued but not effective as at reporting date

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards which will become applicable for the financial periods beginning on or after 31 March 2016. The Company has not assessed the potential impact on its Financial Statements resulting from their application.

SLFRS 9 - Financial Instruments Classification and Measurement

SLFRS 9, as issued, reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets & liabilities, depending on the entity's business model for managing contractual cash flows characteristics of the financial asset.

SLFRS 9 will be effective for financial periods beginning on or after 1 January 2018.

SLFRS 15 - Revenue from contracts with customers

SLFRS 15 – Revenue from contract with customers

SLFRS 15 establishes a comprehensive framework for determining revenue recognition by a 5-step model and will replace the existing LKAS 18 and LKAS 11. This standard contains single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model feature a contract based five-step analysis of transactions to determine whether, how much and when revenue is recognized.

SLFRS 15, will be applicable for the financial periods beginning on or after 1 January 2018.

SRILANKAN CATERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management

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

Credit risk
Liquidity risk
Market risk
Operational risk.

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

Risk management framework

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

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

Credit risk

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

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly in the currently deteriorating economic circumstances. However, geographically there is no concentration of credit risk.

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

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

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

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

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

Rs.50 million overdraft facility that is unsecured. Interest would be payable at the rate of AWPLR +1.5%p.a (2014/2015- AWPLR+ 1%). The Company also has USD 0.35Mn overdraft facility that is unsecured. Interest would be payable at the rate of LIBOR+4%.

Market risk

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

Currency risk

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

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

Interest rate risk

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

Operational risk

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

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

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

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

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

Capital management

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

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

SRI LANKAN CATERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March

2016

2015

All amounts in Sri Lankan Rupees

5 Revenue				
Flight kitchen		4,970,855,277		4,781,748,871
Vanila pod café		21,379,600		18,879,158
Serenediva transit hotel		76,167,525		63,974,131
Semondu restaurant		51,083,083		55,726,023
Ek lounge		114,935,668		70,627,641
Laundry Sales				
- Local	19,993,307		19,059,181	
- Others	164,238,450		131,121,107	
	<u>184,231,757</u>		<u>150,180,288</u>	
Inter department laundry sales	(8,135,793)	176,095,964	(8,122,952)	142,057,336
Public restaurant	45,401,759		52,026,194	
Transit restaurant	<u>822,848,358</u>	868,250,117	<u>759,049,203</u>	811,075,397
<u>MRIA restaurant</u>				
Public restaurant - MRJA	3,605,282		12,764,478	
Transit restaurant - MRJA	<u>811,195</u>	4,416,477	<u>2,101,085</u>	14,865,563
Total sales (Note 5.1)		<u><u>6,283,183,711</u></u>		<u><u>5,958,954,120</u></u>
5.1 Revenue				
Meals		4,826,637,218		4,721,943,320
Handling charges		492,653,693		412,896,986
Miscellaneous		711,289,467		616,572,209
Other sales		<u>252,603,333</u>		<u>207,541,605</u>
		<u><u>6,283,183,711</u></u>		<u><u>5,958,954,120</u></u>
6 Other income				
Disposal of fixed assets		(325,183)		2,613,937
Disposal of garbage		10,392,827		10,624,692
Sundry income		<u>3,386,000</u>		<u>3,636,844</u>
		<u><u>13,453,644</u></u>		<u><u>16,875,473</u></u>
7 Administration expenses				
Donations		300,000		1,786,000
Depreciation of property plant and equipment		303,814,780		278,128,616
Amortization of intangible assets		1,716,136		1,488,696
Fees & other charges		13,947,375		12,864,957
Staff cost (Note 7.1)		1,097,509,342		972,732,500
Other administration expenses		<u>28,705,114</u>		<u>11,062,446</u>
		<u><u>1,445,992,747</u></u>		<u><u>1,278,063,215</u></u>
7.1 Staff cost				
Expenses related to defined benefit plans		73,794,960		62,818,447
Salaries and wages		788,020,572		704,786,168
Contribution to Employees' Provident Fund		62,118,703		57,570,001
Contribution to Employees' Trust Fund		13,409,644		12,625,353
Provision for bonus		158,390,040		133,848,248
Prepaid staff cost		<u>1,775,423</u>		<u>1,084,283</u>
		<u><u>1,097,509,342</u></u>		<u><u>972,732,500</u></u>

SRILANKAN CATERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March

All amounts in Sri Lankan Rupees

	2016	2015
8 Other operational expenses		
General operating expenses	550,390,615	524,673,603
Common expenses	325,495,005	374,851,111
Tax - NBT	-	3,242
Provision for slow moving stock	4,683,705	15,028,340
Provision for Impairment (Equipment MRIA F/Kitchen)	11,241,785	11,241,785
Provision for Impairment (Capital work in progress MRIA F/Kitchen)	-	3,325,787
Provision for bad and doubtful debts	989,388	4,770,744
Concession fees	71,517,963	116,811,328
Share of profit	1,778,698	238,351
	<u>966,097,159</u>	<u>1,050,944,291</u>
9 Result from operating activities		
Results from operating activities are arrived after deducting the following items:		
Raw materials, freight and handling charges	1,464,356,569	1,442,274,982
Depreciation of property, plant & equipment	303,814,779	278,128,616
Amortization of intangible assets	1,716,136	1,488,696
Fees & other charges	13,947,375	12,864,957
10 Net finance (cost) / income		
Finance income		
Interest income	7,200,286	10,993,754
Fair value impact on SLA loan	-	319,907
Interest income - staff loans	2,658,715	1,893,528
Exchange gain	1,393,807,769	296,651,376
	<u>1,403,666,770</u>	<u>309,858,565</u>
Finance expenses		
Bank interest	(2,075,340)	(8,539,821)
Preference share dividend	(186,854,592)	(300,000,000)
	<u>(188,929,932)</u>	<u>(308,539,821)</u>
Net finance income	<u>1,214,736,838</u>	<u>1,318,744</u>
11 Income tax expense		
Current income tax (Note 11.1)	5,915,587	13,497,714
Under/ (Over) provision in respect of previous years	(8,843,028)	246,519
	<u>(2,927,441)</u>	<u>13,744,233</u>
11.1 Reconciliation of income tax		
Profit / (Loss) as per the statement of comprehensive income	3,634,927,718	2,205,865,849
Less:- Profit exempt from income tax	(3,628,125,652)	(2,191,887,372)
Profit / (Loss) liable for income tax	6,802,066	13,978,477
Disallowable expenses	12,778,996	24,669,076
Allowable expenses	(14,740,193)	(16,016,628)
Other sources of income	19,265,633	25,575,197
Taxable income	24,106,502	48,206,122
Tax losses	(2,979,409)	-
	<u>21,127,093</u>	<u>48,206,122</u>
Income tax liability at 28%	<u>5,915,586</u>	<u>13,497,714</u>

SRILANKAN CATERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31 March

All amounts in Sri Lankan Rupees

12 Property, plant & equipment

	Building improvements	Machinery & equipment	Furniture & fittings	Motor vehicles	Capital WIP	Total
Cost or valuation						
Balance as at 1 April 2014	1,290,963,178	846,703,331	49,062,481	150,925,816	3,345,787	2,341,000,593
Additions	438,828	12,315,665	1,103,810	26,966,132	-	40,824,435
Transfer	-	-	-	-	56,208,924	56,208,924
Disposals during the year	-	-	-	(9,067,406)	(20,000)	(9,087,406)
Write-off	-	(1,250,260)	(1,549,914)	-	-	(2,800,174)
Reclassification to assets held for sale	-	(2,938,294)	-	-	-	(2,938,294)
Revaluation during the year	231,905,996	(61,286,533)	(3,006,025)	(51,030,213)	-	116,583,225
Balance as at 31 March 2015	1,523,308,002	793,543,909	45,610,352	117,794,329	59,534,711	2,539,791,303
Balance as at 1 April 2015	1,523,308,002	793,543,909	45,610,352	117,794,329	59,534,711	2,539,791,303
Additions	4,663,467	10,019,772	1,498,505	-	-	16,181,744
Disposals	-	-	-	(19,299,205)	-	(19,299,205)
Write-off	-	(376,314)	(70,380)	-	-	(446,694)
Reclassification to assets held for sale	-	(78,999)	(228,867)	-	-	(307,866)
Balance as at 31 March 2016	1,527,971,469	803,108,368	46,809,610	98,495,124	59,534,711	2,535,919,282
Depreciation and impairment losses						
Balance as at 1 April 2014	198,390,652	526,284,303	22,435,155	109,473,841	-	856,583,951
Depreciation	64,559,130	170,373,506	9,891,635	33,304,345	-	278,128,616
Disposals	-	-	-	(4,854,344)	-	(4,854,344)
Write-offs	-	(376,423)	(592,407)	-	-	(968,830)
Reclassification to assets held for sale	-	(1,999,846)	-	-	-	(1,999,846)
Revaluation during the year	(262,949,782)	(694,281,540)	(31,734,383)	(137,923,842)	-	(1,126,889,547)
Provision for impairment	-	-	-	-	14,567,572	14,567,572
Balance as at 31 March 2015	-	-	-	-	14,567,572	14,567,572
Balance as at 1 April 2015	-	-	-	-	14,567,572	14,567,572
Charge for the year	39,252,243	225,083,245	4,853,416	34,625,876	-	303,814,780
Disposals during the year	-	-	-	(335,591)	-	(335,591)
Provision for impairment	-	-	-	-	11,241,785	11,241,785
Reclassification to assets held for sale	-	(20,149)	(15,379)	-	-	(35,528)
Balance as at 31 March 2016	39,252,243	225,063,096	4,838,037	34,290,285	25,809,357	329,253,018
Carrying amount						
As at 31 March 2016	1,488,719,226	578,045,272	41,971,573	64,204,839	33,725,354	2,206,666,264
As at 31 March 2015	1,523,308,002	793,543,909	45,610,352	117,794,329	44,967,139	2,525,223,731

In compliance with the Accounting policy, the Company revalued Building, Machinery & equipment, Furniture & fittings, Motor vehicles by independent valuer Mr. P. B. Kalugalgedara, incorporated valuer of the Institute of Valuers (Sri Lanka) as at 31 March 2015.

12.1 Assets held for sale

Operating Segment	Asset Type	Cost	Depreciation Transfer	Carrying amount
BIA Restaurant	Machinery & Equipment	3,152	1,848	1,304
BIA Restaurant	Furniture & Fitting	280,290	28,293	251,997
Flight Kitchen	Machinery & Equipment	6,381	3,741	2,640
Serendivia Transit Hotel	Furniture & Fitting	18,043	1,646	16,397
As at 31 March 2016		307,866	35,528	272,338

The assets were classified as assets held for sale on 29.02.2016 & 31.03.2016 and are to be sold during next financial year.

12.2 Revaluation Property, plant & equipment

Description	Method of Valuation	Date of Valuation	Valuation	Valuer
Building in Katunayake	Market Value	31-03-2015	1,523,308,002	Mr. P.B. Kalugalgedara
Machinery and Equipment	Market Value	31-03-2015	793,543,909	Mr. P.B. Kalugalgedara
Motor Vehicles	Market Value	31-03-2015	117,794,329	Mr. P.B. Kalugalgedara
Furniture and Fittings	Market Value	31-03-2015	45,610,352	Mr. P.B. Kalugalgedara

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

	Cost	Accumulated depreciation as at 31 March 2016	Carrying value as at 31 March 2016
Building in Katunayake	1,625,179,273	480,135,165	1,145,044,108
Machinery and Equipment	1,539,918,288	1,506,335,217	33,583,071
Furniture and Fittings	60,081,328	47,805,888	12,275,440
Motor Vehicles	293,939,538	287,128,552	6,810,986

SRILANKAN CATERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS

<i>As at 31 March</i>	2016	2015
<i>All amounts in Sri Lankan Rupees</i>		
13 Intangible assets		
Computer software		
Balance as at 1 April	35,072,505	34,660,659
Additions during the year	1,471,712	411,846
Balance as at 31 March	36,544,217	35,072,505
Accumulated amortization		
Balance as at 1 April	30,228,752	28,740,056
Amortization during the year	1,716,136	1,488,696
Balance as at 31 March	31,944,888	30,228,752
Carrying amount	4,599,329	4,843,753
14 Investments		
The Company has invested Rs 200,000 in AirLanka (Pvt) Ltd acquiring 50% stake during 2009. The balance 50% is owned by SriLankan Airlines Ltd who controls the entity.		
Investment in AirLanka (Pvt) Ltd	200,000	200,000
Less: Impairment	(200,000)	-
Fixed deposit - Seylan Bank	-	7,204,991
	-	7,404,991
15 Inventories		
Raw materials	153,934,149	227,659,813
Maintenance and miscellaneous	89,141,986	94,921,828
Equipment stocks	9,449,615	9,543,367
	252,525,750	332,125,008
Provision for slow moving stock	(25,241,296)	(20,557,591)
	227,284,454	311,567,417
Work in progress	9,891,637	8,103,401
	237,176,091	319,670,818
16 Trade receivables		
Airlines and others	401,868,347	304,267,994
Provision for debtors	(989,387)	(4,238,304)
	400,878,960	300,029,690
16.1 Provision for bad debts		
Provision as at beginning of the year	4,238,304	3,428,878
Provision for the year	989,387	809,426
Written off during the year	(4,238,304)	-
Provision as at end of the year	989,387	4,238,304

SRILANKAN CATERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS

<i>As at 31 March</i>	2016	2015
<i>All amounts in Sri Lankan Rupees</i>		
17 Due from related companies		
SriLankan Airlines Limited	5,970,500,699	5,454,316,600
Airport & Aviation Services (Sri Lanka) Limited	117,551,737	71,434,822
Mihin Lanka (Pvt) Ltd	298,893,572	106,827,584
	<u>6,386,946,008</u>	<u>5,632,579,006</u>
Provision for bad debts	(3,961,318)	(3,961,318)
	<u>6,382,984,690</u>	<u>5,628,617,688</u>
17.1 Provision for bad debts from related companies		
Provision as at beginning of the year	3,961,318	-
Provision for the year	-	3,961,318
Provision as at end of the year	<u>3,961,318</u>	<u>3,961,318</u>
18 Other receivables		
Distress loans	14,069,080	14,652,059
Prepaid staff cost	926,994	1,768,498
Other staff advances	3,024,741	1,113,600
V.A.T. Receivable	85,638,353	100,983,166
Advances to suppliers	41,645,652	23,871,903
Advances / deposits & sundry receivables	97,746,135	77,791,385
	<u>243,050,955</u>	<u>220,180,611</u>
19 Cash and cash equivalent		
Cash in hand	1,163,403	1,085,946
Cash at bank	217,544,772	79,004,215
	<u>218,708,175</u>	<u>80,090,161</u>
20 Stated capital		
Balance as at 1 April	1,000,000,000	1,000,000,000
Balance as at 31 March (No of shares 940,268,456)	<u>1,000,000,000</u>	<u>1,000,000,000</u>

The Company split its existing shares of Rs.100/- each into 100 Mn ordinary shares of Rs.1/- each on 30th September 2009. Subsequently, 40 Mn ordinary shares were bought back from the parent at a price of Rs.100/- each totaling to Rs.4 Bn. The ordinary shares of the Company have been subdivided as one ordinary share into fifteen ordinary voting shares increasing the number of ordinary voting shares outstanding from 60,000,000 shares to 900,000,000.

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

SRILANKAN CATERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS

<i>As at 31 March</i>	2016	2015
<i>All amounts in Sri Lankan Rupees</i>		
21 Revaluation reserve		
Balance as at 1 April	1,840,377,410	671,707,478
During the year valuation	-	1,243,472,779
During the year reversal - Deferred tax liability	-	(74,228,366)
During the year reversal - Disposal	(490,166)	(574,481)
Balance as at 31 March	<u>1,839,887,244</u>	<u>1,840,377,410</u>
22 Preference shares		
Preference shares - 5 years redeemable	-	1,000,000,000
Preference shares - 10 years redeemable, cumulative and convertible - EPF	1,000,000,000	1,000,000,000
	<u>1,000,000,000</u>	<u>2,000,000,000</u>
Preference shares - 10 years redeemable, cumulative and convertible -Employees' Provident Fund		
Non Voting Redeemable Cumulative Convertible Preference shares were convertible in to ordinary shares on 16 May 2015 at the option of the holder at agreed basis or mandatory redemption on the date of maturity (16 May 2020). However, the holder did not want to exercise's the option. Dividend rate was changed from 15% to 13.01% during the financial year as per the terms and conditions of the certificate. The holder is also entitled to a fixed preference dividend. Due to the favorable fixed preference dividend rate, this is classified along with liabilities.		
23 Loans and borrowings		
23.1 Lease facility		
Balance as at 1 April	23,829,395	6,799,701
Borrowed during the year	-	30,234,610
Repayment during the year	(21,882,006)	(13,204,916)
Balance as at 31 March	<u>1,947,389</u>	<u>23,829,395</u>
23.2		
Amount payable within 12 months	1,947,389	8,926,848
Amount payable after 12 months	-	14,902,547
	<u>1,947,389</u>	<u>23,829,395</u>
24 Deferred tax liability		
Balance as at beginning of the year	77,134,354	2,905,988
During the year provision on revaluation gain	-	74,228,366
Balance as at end of the year	<u>77,134,354</u>	<u>77,134,354</u>

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

SRILANKAN CATERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31 March

2016

2015

All amounts in Sri Lankan Rupees

24.1 Unrecognized deferred tax (assets)

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

	2016	2015	2016	2015	2016	2015
	31 March	31 March	31 March	31 March	31 March	31 March
	Assets	Assets	Liabilities	Liabilities	Net	Net
Property, plant & equipment	4,062,948	4,051,290	-	-	(4,062,948)	(4,051,290)
Employee benefits	71,795,140	67,488,400	-	-	(71,795,140)	(67,488,400)
	75,858,088	71,539,690	-	-	(75,858,088)	(71,539,690)

Deferred tax liability on revaluation gain on the building improvements has been recognized. Other revaluation gains do not give rise to deferred tax as they reverse within the tax holiday period. Deferred tax assets have not been recognized because of the tax holiday of the Company that extended up to 2021 and thereafter a concessionary rate will apply for another 8 years. Therefore, the tax impact would be off set over the remaining 5 years and any remaining amounts is considered immaterial. Deferred tax is quantified at the rate of 15%.

Movement in temporary differences during the year

	Balance as at 31 March 2014	Additions during the year	Balance as at 31 March 2015	Additions during the year	Balance as at 31 March 2016
Property, plant & equipment	27,001,283	7,314	27,008,597	77,723	27,086,320
Employee benefits	354,261,979	95,660,690	449,922,669	28,711,598	478,634,267
	381,263,262	95,668,004	476,931,266	28,789,321	505,720,587

25 Employee benefits

Movement in the present value of the defined benefit obligations

Defined benefit obligations as at 1 April	449,922,669	354,261,979
Benefits paid during the year	(52,620,383)	(29,808,414)
Current service costs	28,802,693	27,392,249
Interest cost	44,992,267	35,426,198
Actuarial (gain)/loss during the year	7,537,021	62,650,657
Defined benefit obligations as at 31 March	478,634,267	449,922,669

Expense recognized in comprehensive income

Current service costs	28,802,693	27,392,249
Interest on obligation	44,992,267	35,426,198
	73,794,960	62,818,447

Expense recognized in other comprehensive income

Actuarial (gain)/loss during the year	7,537,021	62,650,657
---------------------------------------	------------------	-------------------

25.1 The actuarial valuation was carried out by professionally qualified actuary, Mr.Poopalanathan of Actuarial & Management Consultants (Pvt) Ltd for the year ended 31 March 2016 based on the following assumptions;

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

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

SRILANKAN CATERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS

All amounts in Sri Lankan Rupees

25.2 Sensitivity of assumptions employed in actuarial valuation

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

<i>Effect in rupees</i>	31-Mar-16	
	Increase	Decrease
Discount rate (1% movement)	(29,270,308)	32,769,815
Future salary growth (1% movement)	34,092,775	(31,009,276)

As at 31 March

26 Due to related companies

	2016	2015
Airport & Aviation Services Ltd - Other creditors	41,764,061	41,369,986
Employees' Provident Fund - Preference dividend payable	64,871,781	74,794,521
	106,635,842	116,164,507

27 Other payables

	2016	2015
Other creditors & accrued expenses	342,956,615	285,014,411
Provision for bonus	149,899,037	123,926,300
Income tax / NBT tax payable	10,585,369	13,675,604
	503,441,021	422,616,315

28 Related part transactions

28.1 Parent and ultimate controlling party

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

28.2 Transactions with Key Management Personnel (KMP)

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

Short term benefits	15,254,831	25,270,487
Post employee benefits	6,346,976	3,786,116

The above includes Directors' fee paid during the year amounting to Rs.2.1Mn. (2015 - Rs.2.5 Mn) No loans have been given to the directors of the company.

SRI LANKAN CATERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS

All amounts in Sri Lankan Rupees

28.3 Transactions with related parties

The company has entered in to transactions with related parties as described below.

Name of the Company	Relationship	Nature of transactions	Transaction amount		Receivable / (Payable) balance as at 31 March 2016
			2016	2015	
SriLankan Airlines Ltd	Parent Company	Sales	3,523,531,549	3,533,946,966	
		Freight Service	14,447,816	9,674,324	
		Other Service	27,307,849	21,236,476	
		Dividend-Ordinary	2,100,000,000	2,100,000,000	
		Dividend -Preference	54,246,646	150,000,000	
		Loan Interest	-	813,439	
		Loan receipts	-	1,016,011,678	5,970,500,699
Airport & Aviation Services (SL) Ltc Owner related Company	Rent & Others	395,333,957	318,184,614	75,787,676	
Mihin Lanka (Pvt) Ltd.	Government owned	Sales	336,924,917	241,993,105	298,893,572
Employees' Provident Fund	Preference Shareholder	Preference Share Dividend	132,607,945	150,000,000	
		Preference Share Capital	-	-	(1,064,871,781)
Ceylon Electricity Board	Government owned	Electricity Expenses	138,648,834	190,639,629	-
SriLankan Telecom Limited	Government owned	Telephone Expenses	4,472,724	6,625,826	-
Ceylon Petroleum Corporation	Government owned	Diesel	91,784,094	110,955,719	-
CGIR	Government owned	Tax	24,085,411	35,572,984	-
Sri Lanka Port Authority	Government owned	Clearing Expenses	906,965	980,554	-
State Pharmaceutical Corporation	Government owned	Medicine	201,228	175,872	-
Ministry of Foreign Affairs	Government owned	Sales	1,284,196	6,180,953	-
Ceylon Tourist Board	Government owned	License Fees	487,273	557,788	-
Sri Lanka Postal Authority	Government owned	Stamp Fees	-	290,000	-

Sales made to SriLankan Airline Limited and Mihin Lanka (Pvt) Ltd is at a discounted prices including a volume discount. Transactions with the other related party took place at commercial terms.

29 Events after the reporting date

There is no events occurred after the reporting date that require any adjustments to or disclose in the financial statements.

30 Commitments and contingencies

	As at 31 March 2016	As at 31 March 2015
Guarantees		
- Seylan Bank	5,339,948	-
	US\$	US\$
- Commercial Bank	35,172	-

Operating lease commitments

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

Not later than one year	74,144,971	53,035,916
Later than one year and not later than five years	280,191,155	127,939,548
Later than five years	273,515,932	319,101,920
	<u>627,852,058</u>	<u>500,077,384</u>

Contingencies

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

The Labour Tribunal Case (LT Case No.21/337/2015) - K.D.L.J. Kamalpen Vs SriLankan Catering Ltd that is going on. Further, there are 25 cases which have been appealed by the Company as at the balance sheet date. A deposit of Rs. 38,745,114/- has been deposited for such appealed cases.

31 Going concern

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

SRI LANKAN CATERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS

All amounts in Sri Lankan Rupees

32 Financial instruments

32.1 Credit risk

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:

As at 31 March	2016	2015
Carrying amount		
Trade receivables	401,868,347	304,267,994
Due from related companies	6,386,946,008	5,632,579,006
Other receivables	243,050,955	220,180,611
Cash and cash equivalents	218,708,175	80,090,161
	7,250,573,485	6,237,117,772

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

Domestic	6,386,946,008	5,632,579,006
Foreign countries	401,868,347	304,267,994
	6,788,814,355	5,936,847,000
Less :- Provision for impairment of trade receivable and due from related parties	(4,950,705)	(8,199,622)
	6,783,863,650	5,928,647,378

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

Airlines	6,722,316,382	5,859,805,510
Other(s)	65,901,731	77,041,490
	6,788,218,113	5,936,847,000
Less :- Provision for impairment of trade receivable and due from related parties	(4,950,705)	(8,199,622)
	6,783,267,408	5,928,647,378

Impairment losses

The aging of trade receivables and due from related parties at the reporting date was;

	Gross amount 2016	Impairment 2016	Gross amount 2015	Impairment 2015
Neither past due nor impaired	6,217,659,310	-	5,836,063,841	-
Past due 31-90 days	347,440,766	-	43,156,522	-
Past due 91-365 days	200,321,069	-	44,181,270	-
Past due over 365 days	23,393,209	4,950,705	21,644,989	8,199,622
	6,788,814,355	4,950,705	5,945,046,622	8,199,622

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

	2016	2015
Balance as at 1 April	8,199,622	3,428,878
Impairment loss recognized	989,387	4,770,744
Provision written off	(4,238,304)	-
Balance as at 31 March	4,950,705	8,199,622

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

SRI LANKAN CATERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS

All amounts in Sri Lankan Rupees

32.2 Liquidity risk

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

	Carrying amount	Contractual cash flows	Less than 01 year	More than 01 year
As at 31 March 2016				
Non-derivative financial liabilities				
Trade payables	156,658,389	-	156,658,389	-
Due to related companies	106,635,842	-	106,635,842	-
Loans and borrowings	1,947,389	-	1,947,389	-
Other payables	503,441,021	-	503,441,021	-
	768,682,641	-	768,682,641	-
As at 31 March 2015				
Non-derivative financial liabilities				
Trade payables	142,062,910	-	142,062,910	-
Due to related companies	116,164,507	-	116,164,507	-
Loans and borrowings	23,829,395	-	8,926,848	14,902,547
Other payables	422,616,315	-	422,616,315	-
	704,673,127	-	689,770,580	14,902,547

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

32.3 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

	LKR	USD	As at 31 March 2016			Total
			GBP	SGD	Other	
Trade receivable	34,924,763	6,748,938,887	-	-	-	6,783,863,650
Trade payables	98,335,233	27,220,526	3,249,831	13,962,438	13,890,361	156,658,389
As at 31 March 2015						
	LKR	USD	GBP	SGD	Other	Total
Trade receivable	95,112,207	5,841,734,793	-	-	-	5,936,847,000
Trade payables	80,222,718	37,320,731	-	22,685,817	1,833,644	142,062,910

The following significant exchange rates were applied during the year

	Average rate	
	2016	2015
As at 31 March		
USD	139.16	130.91
GBP	209.00	212.66
SGD	100.39	118.03
EUR	153.51	168.21
Reporting date spot rate		
	2016	2015
As at 31 March		
USD	144.50	133.00
GBP	207.19	196.88
SGD	107.05	101.73
EUR	163.40	144.02

SRI LANKAN CATERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
All amounts in Sri Lankan Rupees

32.4 Financial assets and liabilities

	31 March 2016		Fair value				
	Loans and receivables	Available-for-sale	Other financial liabilities	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value							
Equity securities	-	-	-	-	-	-	-
Financial assets not measured at fair value							
Fixed deposits	6,280,325	-	-	-	-	-	6,280,325
Trade and other receivables	643,929,915	-	-	-	-	-	643,929,915
Cash and cash equivalents	218,708,175	-	-	-	-	-	218,708,175
	868,918,415	-	-	-	-	-	868,918,415
Financial liabilities not measured at fair value							
Redeemable preference shares	-	-	1,000,000,000	-	-	-	1,000,000,000
Finance lease liabilities	-	-	1,947,389	-	-	-	1,947,389
Dividends payable on redeemable shares	-	-	64,871,781	-	-	-	64,871,781
Trade creditors	-	-	156,658,389	-	-	-	156,658,389
	-	-	1,223,477,559	-	-	-	1,223,477,559
31 March 2015							
Financial assets measured at fair value							
Equity securities	-	200,000	-	-	-	-	200,000
	-	200,000	-	-	-	-	200,000
Financial assets not measured at fair value							
Fixed deposits	7,204,991	-	-	-	-	-	7,204,991
Trade and other receivables	520,210,301	-	-	-	-	-	520,210,301
Cash and cash equivalents	80,090,161	-	-	-	-	-	80,090,161
	607,505,453	-	-	-	-	-	607,505,453
Financial liabilities not measured at fair value							
Redeemable preference shares	-	-	1,000,000,000	-	-	-	1,000,000,000
Finance lease liabilities	-	-	23,829,395	-	-	-	23,829,395
Dividends payable on redeemable shares	-	-	74,794,521	-	-	-	74,794,521
Trade creditors	-	-	142,062,910	-	-	-	142,062,910
	-	-	1,240,686,826	-	-	-	1,240,686,826

SRI LANKAN CATERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS

All amounts in Sri Lankan Rupees

	Note	Flight Kitchen		BIA Restaurant		Other Segments		Total
		2016	2015	2016	2015	2016	2015	
Revenue	5	4,970,861,042	4,781,748,873	868,250,118	811,075,396	444,072,551	366,129,851	6,283,183,711
Cost of sales		(1,150,786,995)	(1,134,518,300)	(239,537,067)	(236,430,861)	(74,032,507)	(71,325,821)	(1,464,356,569)
Gross profit		3,820,074,047	3,647,230,573	628,713,051	574,644,535	370,040,044	294,804,030	4,818,827,142
Other income	6	13,222,170	16,874,990	231,184	237	290	246	13,453,644
Administration expenses	7	(1,207,565,464)	(1,085,747,086)	(138,483,957)	(121,007,556)	(99,943,326)	(71,308,573)	(1,445,992,747)
Other operational expenses	8	(708,292,443)	(688,399,398)	(122,016,547)	(183,170,871)	(135,788,169)	(179,374,022)	(966,097,159)
Results from operating activities	9	1,917,438,310	1,889,959,079	368,443,731	270,466,345	134,308,839	44,121,681	2,420,190,880
Finance income		1,403,666,770	309,858,565	-	-	-	-	1,403,666,770
Finance costs		(188,929,932)	(308,539,821)	-	-	-	-	(188,929,932)
Net finance (cost) / income	10	1,214,736,838	1,318,744	-	-	-	-	1,214,736,838
Profit before income tax		3,132,175,148	1,891,277,823	368,443,731	270,466,345	134,308,839	44,121,681	3,634,927,718
Income tax expense	11	15,160,873	(4,862,800)	(7,523,012)	(5,384,282)	(4,710,420)	(3,497,151)	2,927,441
Profit for the year		3,147,336,021	1,886,415,023	360,920,719	265,082,063	129,598,419	40,624,530	2,192,121,616
Other comprehensive income:								
Revaluation of property, plant & equipment, net of tax		-	1,169,244,413	-	-	-	-	1,169,244,413
Defined benefit plan actuarial gains (losses)		(7,537,021)	(62,650,657)	-	-	-	-	(7,537,021)
Revaluation of property, plant & equipment, net of tax	25	-	-	-	-	-	-	(7,537,021)
Other comprehensive income for the year		(7,537,021)	1,106,593,756	-	-	-	-	(7,537,021)
Total comprehensive income for the year		3,139,799,000	2,993,008,779	360,920,719	265,082,063	129,598,419	40,624,530	3,630,318,138
Segment Assets		9,401,000,371	8,894,403,720	169,143,057	126,146,701	130,473,699	66,458,690	9,700,617,127
Segment Liabilities		2,256,243,197	3,172,636,591	48,701,967	47,265,085	19,506,098	11,828,474	2,324,451,262

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

PROXY

SRILANKAN CATERING LIMITED

I/We,..... of

.....

being a member/s of SriLankan Catering Limited hereby appoint:

..... of

.....or failing him/her,

one of the following Directors;

Mr. Ajith N. Dias
Mr. Rakitha Jayawardena
Colonel Sunil Peiris
Mr. Joseph M.S. Brito
Mr. Mahinda Haradasa
Mr. R. Chanaka De Silva

as my/our proxy to represent me/us and vote on my/our behalf at the Thirty Eighth Annual General Meeting of the Shareholders of SriLankan Catering Limited to be held on **Wednesday, 28th September 2016 at 10.00 a.m. at the Board Room of SriLankan Airlines Limited, Level 22 East Tower, World Trade Centre**, and at any adjournment thereof.

For

Against

- | | | | |
|----|--|--------------------------|--------------------------|
| 1. | To receive and consider the Annual Report of the Board of Directors and the Financial Statements for the year ended 31 st March 2015 with the Report of the Auditors thereon. | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. | To re-appoint Mr. R. Chanaka De Silva as a Director of the Company who is over Seventy Years of age and to consider and if deemed fit to pass the following Ordinary Resolution:
"IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not be applicable to Mr. R. Chanaka De Silva who is 73 years of age and that he be re-appointed as a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year." | <input type="checkbox"/> | <input type="checkbox"/> |

Signed this day of..... Two Thousand and Sixteen.

.....
Signature

NOTE:

If no words are deleted or there is in the view of the proxy holder doubt (by reason of the way in which the instructions contained in the proxy have been completed) as to the way in which the proxy holder should vote, the proxy holder will vote as he thinks fit.




NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of SriLankan Catering Limited will be held on **Wednesday, 28th September 2016 at 10.00 a.m.** at the **Board Room of SriLankan Airlines Limited, Level 22 East Tower, World Trade Centre** for the following purposes:

Agenda

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Financial Statements for the year ended 31st March 2016 with the Report of the Auditors thereon.
2. To re-appoint Mr. R. Chanaka De Silva as a Director of the Company who is over Seventy Years of age and to consider and if deemed fit to pass the following Ordinary Resolution:
"IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not be applicable to Mr. R. Chanaka De Silva who is 73 years of age and that he be re-appointed as a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year."

By Order of the Board


Secretaries
AirLanka (Pvt) Limited

13th July 2016
Katunayake

Note:

1. Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him.
2. A Proxy need not be a member of the Company
3. A form of Proxy accompanies this Notice
4. Shareholders/Proxies attending the meeting are requested to bring this Notice and their National Identity Cards.

INSTRUCTIONS AS TO COMPLETION:

1. Perfect the Form of Proxy after filling in legibly your full name and address, by signing in the space provided and filling in the date of signature.
2. In the case of Resident/Non-Resident shareholders, the stamping will be attended to on return of the completed Form of Proxy to the Company.
3. To be valid the completed form of proxy should be deposited at the Registered Office of the Company situated at Airline Centre, Bandaranaike International Airport, Katunayake not later than 10.00 a.m on 26th September 2016, being 48 hours before the time appointed for holding of the meeting.