

SRILANKAN CATERING LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2015

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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

KPMG
No. 32A, Sir Mohammed Macan Marker
Mawatha,
Colombo 03

REGISTERED OFFICE

AirLanka (Private) 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 Airlines on 12th February 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 and recently received an Alumni Achievement Award for 2015 from the University.

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.

Serves as a Director of SriLankan Catering Limited and Mihin Lanka (Private) Limited as Director/CEO.

Has over 30 years of experience and exposure in the Global Airline Industry working in a senior capacity as President/CEO and General Manager. These including 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.

He is also the President of King Power Traveler Co. Ltd in Hong Kong which provides a range of Airline travel retail services in the Asia-Pacific region. The customers include, Air Macau, Air Niugini, Cebu Pacific, Myanmar Airways, Druk Air, Mega Maldives, Mongolian Airlines, Golden Myanmar Airlines, Viet Jet Air, Bangladesh Airlines, Fiji Airways, Air Vanuatu and Jetstar Japan.

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.

Serves as a Director of SriLankan Catering Limited and Mihin Lanka (Private) Limited.

Retired army officer with twenty two years' service. Recognised as the 'Father of Commandos'. Had a distinguished career and retired prematurely.

Joined Ceylon Tobacco Company Limited and was Group Risk & Safety Manager and General Manager C.T.C. Trading Company Limited. Thereafter served as Director Sales & Marketing of Richard Peiris Exports Limited and Director Richard Pieris Distributors and Richard Pieris Keells Plantations Limited. He serves as Managing Director Amalgamated Graphite (Private) Limited. He was the Chairman Plastipak Limited, Australia and Managing Director of Nippon Nature Foams (Private) Limited.

J. M. S. Brito

Appointed to the Board of SriLankan Airlines Limited on 12th February 2015.

He also serves as a Director of SriLankan Catering Limited and Mihin Lanka (Private) 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, DFCC Vardhana 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.

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 up to 31st December 2013 and former Chairman of Sri Lanka Insurance Corporation, Trans Asia Hotel, Club Robinson, Union Bank of Colombo Ltd., and served as a director in Asian Alliance Insurance, Delmege Forsyth Limited, Lewis Brown and Company Limited, 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 (Private) 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, International Bar Association, Society for International Development, International Fiscal Association, Founder Member of IFA (Sri Lanka Branch), Asian Patent Attorneys Association and Inter Pacific Bar Association.

BOARD AUDIT COMMITTEE REPORT 2014/15

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 2015 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) who were appointed to the Audit Committee on 10 March 2015.

Until 10 March 2015 the Board Audit Committee comprised of four (4) members namely Mr. Susantha Ratnayake (Chairman), Mr. Nihal Jayamanne PC (Member), Mr. Sanath Ukwatte (Member) and Dr. Nalaka Godahewa (Member).

Meetings

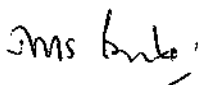
The Board Audit Committee held three (3) meetings during the year ended 31 March 2015. The members of the management attend the meetings upon invitation to brief the Board Audit Committee on specific issues.

Group Assurance and Advisory Services

The Group Assurance and Advisory Services (GAAS) function of SriLankan Catering 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 the follow-up action is taken by Heads of Departments in a timely manner.
- Reviewed the key corporate risks and departmental risks including procedures adopted by management to mitigate the effects of business risks.
- Reviewed and approved the revised Enterprise Risk Management Manual as well as the new 5 x 5 Risk Matrix.
- 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 March 2014 and September 2015 to determine all relevant laws and regulations are complied with.
- Reviewed the results of the external audit report and management response to the issues highlighted.



J. M. S. Brito
Chairman-Board Audit Committee
25 August, 2015

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

The Board of Directors of SriLankan Catering Limited, take pleasure in presenting the Annual Report of the Board of Directors for the year ended 31st March 2015.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

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

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

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

The Company is a wholly owned subsidiary of SriLankan Airlines Limited.

FINANCIAL STATEMENTS

A complete set of Financial Statements for the year ended 31st March 2015 duly signed by the Finance Manager and the Directors, and the Auditor's Report thereon for the year ended 31st March 2015 are attached to this Report.

ACCOUNTING POLICIES

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 07 to 22. There were no changes in the Accounting Policies adopted during the year.

TURNOVER

The turnover of the Company amounted to Rs. 5,958.95 Mn (2013/14: Rs. 5,628.29 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,

	2014/15	2013/14
	Rs. (Mn)	Rs. (Mn)
Net profit before taxation	2,205.87	2,280.36
Taxation	(13.74)	(18.01)
Net profit after taxation	2,192.13	2,262.35

Preference Dividend - The Company paid out Rs. 300 Mn on account of preference shares for the period ended 31st March 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. 2,525.22 Mn (2013/14: Rs. 1,484.42 Mn). Details of Property, Plant and Equipment and their movements are given in Note 12 to the Financial Statements.

STATED CAPITAL

The Stated Capital of the Company, consisting of 940,268,456 Ordinary Shares, amounts to Rs. 1,000 Mn (2014/15: Rs. 1,000 Mn).

RESERVES

Total Company reserves as at 31st March 2015 amount to Rs. 4,855.28 Mn (2013/14: 3,656.57 Mn). This consists of Revenue Reserve (Accumulated Profit) of Rs. 3,014.90 Mn (2013/14: Rs. 2,984.86 Mn) and Capital Reserve (Revaluation Surplus) of Rs. 1,840.38 Mn (2013/14: Rs. 671.71 Mn). Movements in these Reserves are shown in the Statement of Changes in Equity in the Financial Statements.

CORPORATE DONATIONS

The Company has made Rs. 1,786,000/- as cash donations during the year.

TAXATION

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

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

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

SHARE INFORMATION

Share information as at 31 March 2015 is as follows:

Ordinary Shares

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

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

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

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent Liabilities as at 31st March 2015 are given in Note 31 to the Financial Statements. No commitments made on Capital Expenditure as at the reporting date.

EVENTS OCCURRING AFTER THE REPORTING DATE

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

EMPLOYMENT POLICIES

Employment policies of the Company respect the individual and offer equal career opportunities regardless of sex, race or religion. Occupational health and safety standards receive substantial attention. The number of persons employed by the Company at the year-end was 883 (2014: 897).

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

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

Mr. Ajith N. Dias, Mr. J. M. S. Brito, Mr. Mahinda P. Haradasa, Mr. R. C. D. De Silva, Lt. Col. Sunil D. Peiris and Mr. Rakhita S. Jayawardena were appointed as Directors to the Board of SriLankan Catering Limited on 10th March 2015.

The following Directors were in office during the period 01st April 2014 to 09th March 2015 until their resignation from the Board on 10th March 2015.

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

* Independent Directors

DIRECTORS' REMUNERATION

The Directors' remuneration paid for the financial year ended 31st March 2015 is disclosed in note no 29.2 on page no 32.

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 29 to the Financial Statements under related party transactions. The Directors have no direct or indirect interest in any other contract or proposed contract of the Company.

AUDITORS

The Financial Statements for the year ended 31st March 2015 have been audited by Messrs KPMG, Chartered Accountants, who express their willingness to continue in office.


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

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

ANNUAL GENERAL MEETING

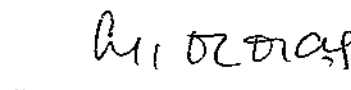
Annual General Meeting will be held in 15th October 2015.

By Order of the Board


Airlanka (Private) Limited
SECRETARIES



Director
25th August 2015



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 profit or loss and other 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.

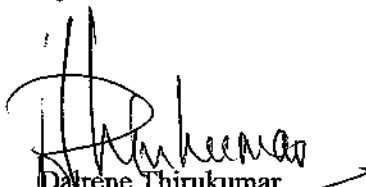
The Directors are responsible for ensuring that the Company keeps sufficient accounting records to disclose with reasonable accuracy the financial position of the Company for ensuring that the financial statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards 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 31st March 2015 including cash flows and borrowing facilities, consider that the Company has adequate resources to continue in operation.

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

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

By Order of the Board


Dalrene Thirukumar
Company Secretary
25th August 2015



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300,
Sri Lanka.

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
+94 - 11 254 1249
+94 - 11 230 7345
Internet : www.lk.kpmg.com

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF SRI LANKAN CATERING LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of SriLankan Catering Limited, ("the Company"), which comprise the statement of financial position as at March 31, 2015, and the statements of profit or loss and other comprehensive income, changes in equity and, cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 entity's preparation of the financial statements that give a true and fair view 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 entity'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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at March 31, 2015, 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, we state the following:

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

A handwritten signature in black ink, appearing to read 'KPMG'.

CHARTERED ACCOUNTANTS

Colombo

25 August 2015

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	2015	2014
Revenue	5	5,958,954,120	5,628,287,180
Cost of sales		<u>(1,442,274,982)</u>	<u>(1,396,022,784)</u>
Gross profit		4,516,679,138	4,232,264,396
Other income	6	16,875,473	12,038,117
Administration expenses	7	(1,278,063,215)	(1,096,984,834)
Other operational expenses	8	(1,050,944,291)	(879,236,845)
Results from operating activities	9	<u>2,204,547,105</u>	<u>2,268,080,834</u>
Finance income		309,858,565	317,536,692
Finance costs		(308,539,821)	(305,257,829)
Net finance income	10	<u>1,318,744</u>	<u>12,278,863</u>
Profit before income tax		2,205,865,849	2,280,359,697
Income tax expense		(13,744,233)	(18,007,996)
Profit for the year		<u><u>2,192,121,616</u></u>	<u><u>2,262,351,701</u></u>
Other comprehensive income			
Revaluation of property, plant & equipment, net of tax		1,169,244,413	-
Defined benefit plan actuarial gains (losses)	26	(62,650,657)	(35,528,195)
Other comprehensive income for the year		<u>1,106,593,756</u>	<u>(35,528,195)</u>
Total comprehensive income for the year		<u><u>3,298,715,372</u></u>	<u><u>2,226,823,506</u></u>

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	2015	2014
Assets			
Property, plant and equipment	12	2,525,223,731	1,484,416,642
Intangible assets	13	4,843,753	5,920,603
Loan -SriLankan Airlines Limited	14	-	828,028,637
Investment	15	7,404,991	7,321,431
Non-current assets		<u>2,537,472,475</u>	<u>2,325,687,313</u>
Inventories	16	319,670,818	290,485,242
Trade receivables	17	300,029,690	315,923,841
Due from related companies	18	5,628,617,688	4,141,385,628
Loan -SriLankan Airlines Limited	14	-	232,735,000
Other receivables	19	220,180,611	286,469,364
Assets held for sale	12.1	947,668	-
Cash and cash equivalents	20	80,090,161	142,189,880
Current assets		<u>6,549,536,636</u>	<u>5,409,188,955</u>
Total assets		<u><u>9,087,009,111</u></u>	<u><u>7,734,876,268</u></u>
Equity			
Stated capital	21	1,000,000,000	1,000,000,000
Retained earnings		3,014,901,551	2,984,856,111
Revaluation reserve	22	1,840,377,410	671,707,478
Total equity		<u>5,855,278,961</u>	<u>4,656,563,589</u>
Liabilities			
Redeemable preference shares	23	1,000,000,000	2,000,000,000
Loans and borrowings	24	14,902,547	100,309,147
Deferred tax liability	25	77,134,354	2,905,988
Employee benefits	26	449,922,669	354,261,979
Non-current liabilities		<u>1,541,959,570</u>	<u>2,457,477,114</u>
Redeemable preference shares	23	1,000,000,000	-
Loans and borrowings	24	8,926,848	9,114,837
Trade creditors		142,062,910	136,519,432
Due to related companies	27	116,164,507	124,121,721
Other payables	28	422,616,315	351,079,575
Current liabilities		<u>1,689,770,580</u>	<u>620,835,565</u>
Total liabilities		<u>3,231,730,150</u>	<u>3,078,312,679</u>
Total equity and liabilities		<u><u>9,087,009,111</u></u>	<u><u>7,734,876,268</u></u>

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

It is certified that the financial statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

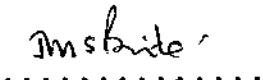

Finance Manager


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

Signed on behalf of the Board by,


.....
Director

25 August 2015 /
Colombo


.....
Director


.....
Director

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 2013		1,000,000,000	671,707,478	2,033,032,605	3,704,740,083
Profit for the year		-	-	2,262,351,701	2,262,351,701
Ordinary share dividend - First & final 2012/13		-	-	(1,275,000,000)	(1,275,000,000)
Other comprehensive income					
-Defined benefit plan actuarial gains (losses)		-	-	(35,528,195)	(35,528,195)
Balance as at 31 March 2014		<u>1,000,000,000</u>	<u>671,707,478</u>	<u>2,984,856,111</u>	<u>4,656,563,589</u>
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 during the year revaluation of property	22	-	1,243,472,779	-	1,243,472,779
Surplus reversal on during the year disposals	22	-	(574,481)	574,481	-
Deferred tax liability	25	-	(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>

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

SRILANKAN CATERING LIMITED
STATEMENT OF CASH FLOWS

For the year ended 31 March

All amounts in Sri Lankan Rupees

	2015	2014
Cash flows from operating activities		
Profit before tax	2,205,865,849	2,280,359,697
Adjustment for:		
Depreciation	278,128,616	283,452,043
Amortization of intangible assets	1,488,696	392,809
Provision for bonus	133,848,248	89,747,248
Provision for gratuity	62,818,447	52,314,566
Provision for bad and doubtful debtors	4,770,744	648,917
Provision for slow moving stock	15,028,340	1,046,972
Impairment for capital working progress	14,567,572	-
Interest expenses	8,539,821	5,257,829
Interest income	(13,207,189)	(9,371,253)
Preference dividend	300,000,000	300,000,000
Profit on disposal of property plant and equipment	2,613,937	-
Operating profit before changes in working capital	<u>3,014,463,081</u>	<u>3,003,848,828</u>
Changes in:		
Trade and other receivable	(3,532,941,271)	(2,782,706,392)
Inventories	(29,185,576)	65,423,198
Trade and other payable	1,068,613,307	33,011,388
Cash generated from operating activities	<u>520,949,541</u>	<u>319,577,022</u>
Bonus paid	(129,219,416)	(88,221,731)
Gratuity paid	(29,808,414)	(14,774,980)
Tax paid	-	-
Net cash from operating activities	<u>361,921,711</u>	<u>216,580,311</u>
Cash flows from investing activities		
Acquisition of intangible assets	(411,846)	(6,145,168)
Acquisition of property plant and equipment	(40,824,435)	(44,090,938)
Assets transferred from advances	(56,208,924)	-
Disposal of property plant and equipment	6,827,000	-
Reversal of advance payment	-	51,773,740
Interest received	10,993,754	5,114,398
Net cash from (used in) investing activities	<u>(79,624,451)</u>	<u>6,652,032</u>
Cash flows from financing activities		
Repayment of borrowings	(111,062,638)	(4,557,235)
Loan received	-	37,664,850
Interest paid	(8,539,821)	(5,257,829)
Dividend paid - preference shares	(224,794,520)	(150,000,000)
Net cash (used in) financing activities	<u>(344,396,979)</u>	<u>(122,150,214)</u>
Net increase from / (decrease) in cash and cash equivalents	<u>(62,099,719)</u>	<u>101,082,129</u>
Cash and cash equivalents at the beginning of the year	142,189,880	41,107,751
Cash and cash equivalents at the end of the year (note 20)	<u>80,090,161</u>	<u>142,189,880</u>

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

SRI LANKAN 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 16th March 2011.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with the Sri Lankan Accounting Standards (SLASs) 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 31st March 2015 were authorized for issue by the Directors on 25th August 2015.

(b) Basis of measurement

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

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

(c) Functional and presentation currency

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

(d) 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.

SRILANKAN CATERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS

(e) Use of estimates and judgments

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

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

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

- Note 26 - Employee benefits
- Note 25 - Deferred tax assets and liabilities

3. Significant accounting policies

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

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 valuers every five years.

3.2.3. Gains and losses on disposal

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

3.2.4. Subsequent expenditure

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

3.2.5. Depreciation

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

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

Asset class	2014/15	After revaluation from 2015/16
Building improvements	20 years	50 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. The Company conducted a review of the remaining useful life of all asset classes on 31st March 2015 and as a result, the expected useful life of the assets from the date of purchase have been increased as shown above.

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 loss arising from the 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.

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 classify 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 4 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").

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

3.5. Fair value measurement

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

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

1. the particular asset or liability that is the subject of the measurement
2. for a non-financial asset, the valuation premise that is appropriate for the measurement (consistently with its highest and best use).
3. the principal (or most advantageous) market for the asset or liability.
4. the valuation technique(s) appropriate for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use when pricing the asset or liability and the level of the fair value hierarchy within which the inputs are 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.

SRILANKAN CATERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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.

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 derecognises a financial asset when the contractual rights to the cash flows from the assets expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risk and

SRILANKAN CATERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS

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.

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

SRILANKAN CATERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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

The Actuarial valuation was carried out by professionally qualified independent actuary, Mr. M. Poopalanathan in March, 2015.

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

This basis of payment will only be applicable for employees who have been in service on or before 1st April 2000. The employees who have joined the Company after 1st April 2000, the payment of gratuity will be made as per the provisions laid down in the Gratuity Act. The actuarial valuation was made on 31st March 2015.

The liability is not externally funded.

SRILANKAN CATERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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

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

3.13. 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.

SRILANKAN CATERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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.

3.15. 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.

3.16. 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.

3.17. 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 recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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.

SRILANKAN CATERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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.

3.20. Operating segments

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

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

Other operations include following segments, which does not meets the quantitative thresholds for determining reportable segments in 2015 and 2014.

- 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 CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

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

The following SLFRSs have been issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) that have an effective date in the future and have not been applied in preparing these financial statements. Those SLFRSs will have an effect on the accounting policies currently adopted by the Company and may have an impact on the future financial statements.

SLFRS 9 - Financial Instruments Classification and Measurement

The objective of this SLFRS is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

An entity shall apply this SLFRS to all items within the scope of LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 is effective for annual period beginning on or after 1st January 2018 with early adoption permitted.

SLFRS 15 - Revenue from contracts with customers

The objective of this Standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. SLFRS 15 will be effective for financial periods beginning on or after 1st January 2018.

Standards Issued but not yet adopted which is not expected to have an impact

The following new or amended standards are not expected to have an impact of the Company's financial statements;

- SLFRS 14 Regulatory Deferral Accounts – effective from 01st January 2016
- Agriculture: Bearer Plants (Amendments to LKAS 16 and LKAS 41) – effective from 01st January 2016

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 Sri Lankan 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.

SRILANKAN CATERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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 PLR +2%p. a (2013/14 – 2%). The Company also has USD 0.35Mn overdraft facility that is unsecured. Interest would be payable at the rate of LIBOR+5%. (2013/14 – 5%)

SRILANKAN CATERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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.

SRILANKAN CATERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March

2015

2014

All amounts in Sri Lankan Rupees

5 Revenue				
Flight kitchen		4,781,748,871		4,596,952,350
Vanilla pod café		18,879,158		15,547,657
Serenediva transit hotel		63,974,131		58,554,346
Semondu restaurant		55,726,023		55,908,055
Ek lounge		70,627,641		62,481,766
Laundry Sales				
- Local	10,936,229		13,087,878	
- Others	139,244,059		130,259,688	
	<u>150,180,288</u>		<u>143,347,566</u>	
Inter department Laundry Sales	<u>(8,122,952)</u>	142,057,336	<u>(7,833,518)</u>	135,514,048
Public restaurant	52,026,194		61,241,261	
Transit restaurant	<u>759,049,203</u>	811,075,397	<u>625,954,512</u>	687,195,773
<u>MRIA Restaurant</u>				
Public Restaurant - MRJA	12,764,478		13,267,822	
Transit Restaurant - MRJA	<u>2,101,085</u>	14,865,563	<u>2,865,363</u>	16,133,185
Total sales (Note 5.1)		<u><u>5,958,954,120</u></u>		<u><u>5,628,287,180</u></u>
5.1 Revenue				
Meals		4,721,943,320		4,476,377,909
Handling charges		412,896,986		401,379,261
Miscellaneous		616,572,209		560,600,911
Other sales		207,541,605		189,929,099
		<u><u>5,958,954,120</u></u>		<u><u>5,628,287,180</u></u>
6 Other income				
Disposal of fixed assets		2,613,937		-
Disposal of garbage		10,624,692		11,176,140
Sundry income		3,636,844		861,977
		<u><u>16,875,473</u></u>		<u><u>12,038,117</u></u>
7 Administration expenses				
Donations		1,786,000		1,258,905
Depreciation of property, plant & equipment		278,128,616		283,452,043
Amortization of intangible assets		1,488,696		210,000
Fees & other charges		12,864,957		14,218,783
Staff cost (Note 7.1)		972,732,500		784,725,262
Other administration expenses		11,062,446		13,119,841
		<u><u>1,278,063,215</u></u>		<u><u>1,096,984,834</u></u>

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For the year ended 31 March

All amounts in Sri Lankan Rupees

	2015	2014
7.1 Staff cost		
Expenses related to defined benefit plans	62,818,447	52,314,566
Salaries and wages	704,786,168	586,871,661
Contribution to Employees' Provident Fund	57,570,001	44,118,066
Contribution to Employees' Trust Fund	12,625,353	9,873,474
Provision for bonus	133,848,248	89,747,248
Prepaid staff cost	1,084,283	1,800,247
	<u>972,732,500</u>	<u>784,725,262</u>
8 Other operational expenses		
General operating expenses	524,673,603	478,623,540
Common expenses	374,851,111	350,256,243
Tax - NBT	3,242	34,285
Reversal of bad debt provision - Mihin Lanka	-	(21,240,169)
Provision for slow moving stock	15,028,340	1,046,972
Provision for Impairment (Equipment MRJA F/Kitchen)	11,241,785	-
Provision for Impairment (Capital work in progress MRJA F/Kitchen)	3,325,787	-
Provision for bad and doubtful debts	4,770,744	-
Concession fees	116,811,328	70,227,974
Share of profit	238,351	288,000
	<u>1,050,944,291</u>	<u>879,236,845</u>
9 Result from operating activities		
Results from operating activities are arrived after deducting the following items:		
Raw materials, freight and handling charges	1,442,274,982	1,396,022,784
Depreciation of property, plant & equipment	278,128,616	283,452,044
Amortization of intangible assets	1,488,696	392,809
Fees & other charges	12,864,957	14,218,783

SRILANKAN CATERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March

2015

2014

All amounts in Sri Lankan Rupees

10 Net finance (cost) / income

Finance income

Interest income	10,993,754	5,114,398
Fair value impact on SLA loan	319,907	2,155,185
Interest income - staff loans	1,893,528	2,101,670
Exchange gain	296,651,376	308,165,439
	<u>309,858,565</u>	<u>317,536,692</u>

Finance expenses

Bank interest	(8,539,821)	(5,257,829)
Preference share dividend	(300,000,000)	(300,000,000)
	<u>(308,539,821)</u>	<u>(305,257,829)</u>

Net finance income

1,318,744

12,278,863

11 Income tax expense

Current income tax (Note 11.1)	13,497,714	15,597,954
Under/ (Over) provision in respect of previous years	246,519	2,410,042
	<u>13,744,233</u>	<u>18,007,996</u>

11.1 Reconciliation of income tax

Profit / (Loss) as per the statement of comprehensive income	2,205,865,849	2,280,359,697
Less:- Profit exempt from income tax	(2,191,887,372)	(2,243,997,363)
Profit / (Loss) liable for income tax	13,978,477	36,362,334
Disallowable expenses	24,669,076	13,077,402
Allowable expenses	(16,016,628)	(12,178,481)
Other sources of income	25,575,197	18,445,723
Taxable income	<u>48,206,122</u>	<u>55,706,978</u>
Income tax liability at 28%	<u>13,497,714</u>	<u>15,597,954</u>

SRI LANKAN CATERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 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 2013	1,279,625,919	828,482,068	34,530,065	150,925,816	55,119,527	2,348,683,395
Additions	11,337,259	18,221,263	14,532,416	-	-	44,090,938
Disposals during the year	-	-	-	-	(51,773,740)	(51,773,740)
Balance as at 31 March 2014	1,290,963,178	846,703,331	49,062,481	150,925,816	3,345,787	2,341,000,593
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
Transfers	-	-	-	-	56,208,924	56,208,924
Disposals	-	-	-	(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
Depreciation and impairment losses						
Balance as at 1 April 2013	132,405,516	357,910,971	11,073,034	71,742,387	-	573,131,908
Depreciation	65,985,136	168,373,332	11,362,121	37,731,454	-	283,452,043
Disposals	-	-	-	-	-	-
Balance as at 31 March 2014	198,390,652	526,284,303	22,435,155	109,473,841	-	856,583,951
Balance as at 1 April 2014	198,390,652	526,284,303	22,435,155	109,473,841	-	856,583,951
Charge for the year	64,559,130	170,373,506	9,891,635	33,304,345	-	278,128,616
Disposals during the year	-	-	-	(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
Carrying amount						
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
As at 31 March 2014	1,092,572,526	320,419,028	26,627,326	41,451,975	3,345,787	1,484,416,642

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

12.1 Assets held for sales

Operating Segment	Asset Type	Cost	Depreciation Transfer	Carrying amount
BIA Restaurant	Machinery & Equipment	7,250	6,284	966
Flight Kitchen	Machinery & Equipment	2,931,044	1,984,342	946,702
As at 31 March 2015		2,938,294	1,990,626	947,668

The assets were classified as assets held for sale on 28.02.2015 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	45,610,352	Mr. P.B. Kalugalgedara
Furniture and Fittings	Market Value	31-03-2015	117,794,329	Mr. P.B. Kalugalgedara
		Level 1	Level 2	Level 3
Property, plant & equipment		-	-	2,480,256,592
				Total
				2,480,256,592

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 2015	Carrying value as at 31 March 2015
Building in Katunayake	1,620,515,806	400,761,232	1,219,754,574
Machinery and Equipment	1,529,898,516	1,474,623,288	55,275,228
Furniture and Fittings	58,582,823	41,891,019	16,691,804
Motor Vehicles	313,238,743	283,276,380	29,962,363

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For the year ended 31 March

All amounts in Sri Lankan Rupees

		2015	2014
13 Intangible assets			
Computer software			
Balance as at 1 April		34,660,659	28,515,491
Additions during the year		411,846	6,145,168
Balance as at 31 March		<u>35,072,505</u>	<u>34,660,659</u>
Accumulated amortization			
Balance as at 1 April		28,740,056	28,347,247
Amortization during the year		1,488,696	392,809
Balance as at 31 March		<u>30,228,752</u>	<u>28,740,056</u>
Carrying amount		<u><u>4,843,753</u></u>	<u><u>5,920,603</u></u>
14 Loan - SriLankan Airlines Limited			
	31 March 2015	31 March 2014	
	Loan	Prepaid interest	Loan
			Prepaid interest
Balance as at beginning of the year	1,000,422,718	60,340,919	1,152,865,199
Granted during the year	-	-	-
Interest income	20,086,462	-	45,747,621
Repayment during the year	(1,016,011,678)	(41,101,147)	(233,247,393)
Prepaid interest cost amortized	-	(19,273,023)	-
Revaluation during the year	(4,497,502)	33,251	35,057,291
Balance as at end of the year	<u>-</u>	<u>-</u>	<u>1,000,422,718</u>
			<u>60,340,919</u>
Amount receivable within 12 months	-	-	195,885,310
Amount receivable after 12 months	-	-	804,537,408
			23,491,229
<p>An amount equivalent to USD 13.4 Mn had been transferred from current account with SriLankan Airlines Limited and had been treated as a long term loan carrying interest in USD at an annual rate equivalent to one month LIBOR with a cap of 0.5% per annum and with no floor rate. This loan has been settled in full on 30th September 2014. (2011- LIBOR+2.35% with a floor rate of 4%).</p>			
15 Investments			
15.1	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
Fixed deposit - Seylan Bank		7,204,991	7,121,431
		<u>7,404,991</u>	<u>7,321,431</u>
16 Inventories			
16.1	Raw materials		
Maintenance and miscellaneous		227,659,813	194,370,810
Equipment stocks		94,921,828	85,458,487
		<u>9,543,367</u>	<u>8,579,691</u>
		332,125,008	288,408,988
Provision for slow moving stock		(20,557,591)	(5,529,251)
		<u>311,567,417</u>	<u>282,879,737</u>
16.2	Work in progress		
		8,103,401	7,605,505
		<u>319,670,818</u>	<u>290,485,242</u>

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March

All amounts in Sri Lankan Rupees

	2015	2014
17 Trade receivables		
Airlines and others	304,267,994	319,352,719
Provision for debtors	(4,238,304)	(3,428,878)
	<u>300,029,690</u>	<u>315,923,841</u>
17.1 Provision for bad debts		
Provision as at beginning of the year	3,428,878	2,779,961
Provision for the year	809,426	648,917
Provision as at end of the year	<u>4,238,304</u>	<u>3,428,878</u>
18 Due from related companies		
SriLankan Airlines	5,454,316,600	3,617,987,525
Airport & Aviation Services Limited	71,434,822	73,752,252
Mihin Lanka Airlines	106,827,584	449,645,851
	<u>5,632,579,006</u>	<u>4,141,385,628</u>
Provision for bad debts	(3,961,318)	-
	<u>5,628,617,688</u>	<u>4,141,385,628</u>
18.1 Provision for bad debts from related companies		
Provision as at 1 April	-	21,889,086
Provision for the year	3,961,318	-
Reversal of provision for the year	-	(21,889,086)
Provision as at 31 March	<u>3,961,318</u>	<u>-</u>
19 Other receivables		
Distress loans	14,652,059	15,836,539
Prepaid staff cost	1,768,498	1,252,003
Other staff advances	1,113,600	858,931
V.A.T. Receivable	100,983,166	101,083,780
Advances to suppliers	23,871,903	79,791,915
Advances / deposits & sundry receivables	77,791,385	87,646,196
	<u>220,180,611</u>	<u>286,469,364</u>

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March

All amounts in Sri Lankan Rupees

	2015	2014
20 Cash and cash equivalent		
Cash in hand	1,085,946	727,323
Cash at bank	79,004,215	141,462,557
	<u>80,090,161</u>	<u>142,189,880</u>
21 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 totalling to Rs.4 Bn. The ordinary shares of the Company have been subdivided as one ordinary share into fifteen ordinary voting shares increasing the number of ordinary voting shares outstanding from 60,000,000 shares to 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.

22 Revaluation reserve		
Balance as at 1 April	671,707,478	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	(574,481)	-
Balance as at 31 March	<u>1,840,377,410</u>	<u>671,707,478</u>
23 Preference shares		
Preference shares - 5 years redeemable - Sri Lankan Airlines Ltd	1,000,000,000	1,000,000,000
Preference shares - 10 years convertible - Employees 'Provident Fund	1,000,000,000	1,000,000,000
	<u>2,000,000,000</u>	<u>2,000,000,000</u>

Preference shares - 5 years redeemable - Sri Lankan Airlines Ltd

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

Preference shares - 10 years convertible -Employees' Provident Fund

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

SRI LANKAN CATERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March

	2015 US\$	2014 US\$
24 Loans and borrowings		
24.1 Loan - Laundry project		
Balance as at 1 April	37,500	112,500
Repayment during the year	(37,500)	(75,000)
Balance as at 31 March	<u>-</u>	<u>37,500</u>
24.2 Loan - Flight kitchen project - Mattala		
	US\$	US\$
Balance as at 1 April	747,389	400,000
Loan obtained during the year	-	447,389
Repayment during the year	(747,389)	(100,000)
Balance as at 31 March	<u>-</u>	<u>747,389</u>
Total loans (\$)	<u>-</u>	<u>784,889</u>
Total loans (Rs.)	<u>-</u>	<u>102,624,283</u>
24.3 Lease facility		
	Rs.	Rs.
Balance as at 1 April	6,799,701	11,356,936
Borrowed during the year	30,234,610	-
Repayment during the year	(13,204,916)	(4,557,235)
Balance as at 31 March	<u>23,829,395</u>	<u>6,799,701</u>
	<u>23,829,395</u>	<u>109,423,984</u>
24.4 Amount payable within 12 months	8,926,848	9,114,837
Amount payable after 12 months	14,902,547	100,309,147
	<u>23,829,395</u>	<u>109,423,984</u>
25 Deferred tax liability		
Balance as at beginning of the year	2,905,988	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>2,905,988</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.

25.1 Unrecognized deferred tax (assets)

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

	2015 31 March Assets	2014 31 March Assets	2015 31 March Liabilities	2014 31 March Liabilities	2015 31 March Net	2014 31 March Net
Property, plant & equipment	4,051,290	4,050,192	-	-	(4,051,290)	(4,050,192)
Employee benefits	67,488,400	53,139,297	-	-	(67,488,400)	(53,139,297)
	<u>71,539,690</u>	<u>57,189,489</u>	<u>-</u>	<u>-</u>	<u>(71,539,690)</u>	<u>(57,189,489)</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. 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 6 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 2013	Additions during the year	Balance as at 31 March 2014	Additions during the year	Balance as at 31 March 2015
Property, plant & equipment	26,812,329	188,954	27,001,283	7,314	27,008,597
Employee benefits	281,194,198	73,067,781	354,261,979	95,660,690	449,922,669
	<u>308,006,527</u>	<u>73,256,735</u>	<u>381,263,262</u>	<u>95,668,004</u>	<u>476,931,266</u>

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	2015	2014
26 Employee benefits		
Movement in the present value of the defined benefit obligations		
Defined benefit obligations as at 1 April	354,261,979	281,194,198
Benefits paid during the year	(29,808,414)	(14,774,980)
Current service costs	27,392,249	21,383,204
Interest cost	35,426,198	30,931,362
Actuarial (gain)/loss during the year	62,650,657	35,528,195
Defined benefit obligations as at 31 March	449,922,669	354,261,979
Expense recognized in comprehensive income		
Current service costs	27,392,249	21,383,204
Interest on obligation	35,426,198	30,931,362
	62,818,447	52,314,566
Expense recognized in other comprehensive income		
Actuarial (gain)/loss during the year	62,650,657	35,528,195

The actuarial valuation was carried out by professionally qualified actuary, Mr. Poopalanathan of Actuarial & Management Consultants (Pvt) Ltd for the year ended 31 March 2015 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.

Sensitivity of assumptions employed in actuarial valuation

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

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

Increase / (Decrease) in Discount rate	Increase / (Decrease) in Salary escalation rate	Effect on charge to the statement of comprehensive income	Effect on employee benefit obligation
1%	*	(27,892,773)	(27,892,773)
-1%	*	31,275,050	31,275,050
**	1%	32,505,778	32,505,778
**	-1%	(29,522,710)	(29,522,710)

Note 01

* Discount rate - 10 %

** Salary escalation rate - 12%

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	2015	2014
27 Due to related companies		
Airport & Aviation Services Ltd - Other creditors	41,369,986	49,327,200
Employees' Provident Fund - Preference dividend payable	74,794,521	74,794,521
	<u>116,164,507</u>	<u>124,121,721</u>
28 Other payables		
Other creditors & accrued expenses	285,014,411	213,567,493
Provision for bonus	123,926,300	119,297,468
Income tax / NBT tax payable	13,675,604	18,214,614
	<u>422,616,315</u>	<u>351,079,575</u>

29 Related part transactions

29.1 Parent and ultimate controlling party

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

29.2 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

Short term benefits	25,270,487	27,017,846
Post employee benefits	3,786,116	4,474,966

The above includes Directors' fee paid during the year amounting to Rs. 2.5 Mn. (2014 - Rs. 3 Mn) No loans have been given to the directors of the Company.

29.3 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 2015
			2015	2014	
Sri Lankan Airlines Ltd	Parent Company	Sales	3,533,946,966	3,030,536,194	5,454,316,600
		Freight Service	9,674,324	9,024,960	-
		Other Service	21,236,476	19,939,722	-
		Dividend-Ordinary	2,100,000,000	1,275,000,000	-
		Dividend -Preference	150,000,000	150,000,000	-
		Loan Interest	813,439	2,155,185	-
		Loan receipts	1,016,011,678	233,247,393	-
		Preference Share Capital	-	-	(1,000,000,000)
Airport & Aviation Services Ltd Services (SriLankan) Ltd	Owner related Company	Rent & Others	318,184,614	312,373,237	(41,369,986)
Mihin Lanka (Pvt) Ltd.	Government owned	Sales	241,993,105	248,194,729	106,827,584
Employees' Provident Fund	Shareholder	Preference Share Dividend	150,000,000	150,000,000	74,794,520
		Preference Share Capital	-	-	(1,000,000,000)
Ceylon Electricity Board	Government owned	Electricity Expenses	190,639,629	194,043,580	(9,356)
SriLankan Telecom Limited	Government owned	Telephone Expenses	6,625,826	6,971,854	-
Ceylon Petroleum Corporation	Government owned	Diesel	110,955,719	115,842,059	-
Commissioner General of Inland Revenue	Government owned	Tax	35,572,984	31,243,286	(1,490,835)
Sri Lanka Ports Authority	Government owned	Clearing Expenses	980,554	896,276	(31,887)
State Pharmaceutical Corporation	Government owned	Medicine	175,872	145,365	(12,028)
Ministry of Foreign Affairs	Government owned	Sales	6,180,953	2,287,545	-
Ceylon Tourist Board	Government owned	Licence Fees	557,788	525,296	-
Sri Lanka Postal Authority	Government owned	Stamp Fees	290,000	267,000	-

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

30 Events after the reporting date

Liability to Super gain tax

The imposition of super gains tax was proposed through the budget proposal in January 2015 and bill dated 27 March 2015 was presented to Parliament for the said provision to be legislate. Since the Bill had not been approved by the Parliament as at the reporting date, being 31 March 2015, the Company has not provided for the potential liability in the Financial Statements for the year ended 31 March 2015.

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For the year ended 31 March

2015

2014

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31 Commitments and contingencies

Operating lease Commitments

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

Not later than one year	53,035,916	53,035,916
Later than one year and not later than five years	127,939,548	158,182,470
Later than five years	319,101,920	341,894,915
	<u>500,077,384</u>	<u>553,113,301</u>

Contingencies

In the opinion of the Company's lawyers, there are no pending litigations against the Company other than the following cases 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) that is ongoing and a further 25 cases that have been appealed by the Company. Where the Company has appealed, a deposit amounting to Rs. 40,435,811/- has been made by the Company.

SRILANKAN CATERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March

2014

All amounts in Sri Lankan Rupees

32 Comparative information

32.1 Reclassification

The following comparative figures have been restated in the financial statements for the year ended 31 March 2014 in order to provide a better presentation. Comparative information in the financial statements have been restated as follows:

32.1.1 Investment has been re-classified as follows

Investment amount previously reported	200,000
Fixed deposit transferred from Cash and cash equivalent	7,121,431
Reclassified balance	<u>7,321,431</u>

32.1.2 Cash and cash equivalent has been re-classified as follows

Cash previously reported	149,311,311
Fixed deposit transferred to Investment	(7,121,431)
Reclassified balance	<u>142,189,880</u>

32.1.3 Trade receivable has been reclassified as follows

Trade receivable previously reported	389,676,093
Airport and Aviation Service Limited receivable transferred to Due from related party	(73,752,252)
	<u>315,923,841</u>

32.1.4 Due from related companies has been reclassified as follows

Due from related companies previously reported	4,067,633,376
Airport and Aviation Service Limited transferred from Trade receivable	73,752,252
	<u>4,141,385,628</u>

32.1.5 Other payable has been reclassified as follows

Due to related companies previously reported	49,327,200
EPF - Preference share dividend payable transferred from Other payable	74,794,521
	<u>124,121,721</u>

32.1.6 Due to related companies has been reclassified as follows

Other payable previously reported	425,874,096
EPF - Preference share dividend payable transferred to Other payable	(74,794,521)
	<u>351,079,575</u>

33 Going concern

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

SRILANKAN CATERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March

All amounts in Sri Lankan Rupees

34 Financial instruments

34.1 Credit risk

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

Exposure to credit risk

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

As at 31st March	2015	2014
Carrying amount		
Trade receivables	304,267,994	319,352,719
Due from related companies	5,632,579,006	4,141,385,628
Other receivables	220,180,611	286,469,364
Cash and cash equivalents	80,090,161	142,189,880
	<u>6,237,117,772</u>	<u>4,889,397,591</u>

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

Domestic	5,654,012,222	4,118,779,629
Other foreign countries	291,034,400	345,387,596
	<u>5,945,046,622</u>	<u>4,464,167,225</u>

Less :- Provision for impairment of trade receivable and due from related parties	(8,199,622)	(3,428,878)
	<u>5,936,847,000</u>	<u>4,460,738,347</u>

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

Airlines	5,859,805,510	4,369,933,759
Other(s)	85,241,112	94,233,466
	<u>5,945,046,622</u>	<u>4,464,167,225</u>

Less :- Provision for impairment of trade receivable and due from related parties	(8,199,622)	(3,428,878)
	<u>5,936,847,000</u>	<u>4,460,738,347</u>

Impairment losses

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

	Gross amount 2015	Impairment 2015	Gross amount 2014	Impairment 2015
Neither past due nor impaired	5,836,063,841	-	3,927,024,307	-
Past due 31-90 days	43,156,522	-	19,858,364	-
Past due 91-365 days	44,181,270	-	509,896,574	-
Past due over 365 days	13,445,367	8,199,622	3,959,102	3,428,878
	<u>5,936,847,000</u>	<u>8,199,622</u>	<u>4,460,738,347</u>	<u>3,428,878</u>

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

	2015	2014
Balance at 1st April	3,428,878	24,669,047
Amounts written off during the year	-	(21,889,086)
Impairment loss recognized	4,770,744	648,917
Balance at 31st March	<u>8,199,622</u>	<u>3,428,878</u>

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

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34.2 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 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	-
	<u>704,673,127</u>	<u>-</u>	<u>689,770,580</u>	<u>14,902,547</u>

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

As at 31 March 2014

Non-derivative financial liabilities

Trade payables	136,519,432	-	136,519,432	-
Due to related companies	124,121,721	-	124,121,721	-
Loans and borrowings	109,423,984	-	9,114,837	100,309,147
Other payables	351,079,575	-	351,079,575	-
	<u>721,144,712</u>	<u>-</u>	<u>620,835,565</u>	<u>100,309,147</u>

34.3 Currency risk

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

Exposure to currency risk

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

			As at 31 March 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
			As at 31 March 2014			
	LKR	USD	GBP	SGD	Other	Total
Trade receivable	20,950,536	4,439,787,811	-	-	-	4,460,738,347
Trade payables	89,957,506	27,435,796	-	16,290,900	2,835,230	136,519,432

The following significant exchange rates were applied during the year

	Average rate	
	2015	2014
USD	130.91	118.93
GBP	212.66	205.60
SGD	118.03	121.64
EUR	168.21	173.64
<i>As at 31st March</i>	Reporting date spot rate	
	2015	2014
USD	133.00	130.75
GBP	196.88	217.48
SGD	101.73	120.93
EUR	144.02	179.75

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34.4 Financial assets and liabilities

	Carrying amount				Fair value			
	Loans and receivables	Available-for-sale	financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 March 2015								
Financial assets measured at fair value								
Equity securities	-	200,000	-	200,000	-	-	200,000	200,000
	-	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	-	-	2,000,000,000	2,000,000,000	-	-	2,000,000,000	2,000,000,000
Finance lease liabilities	-	-	23,829,395	23,829,395	-	-	23,829,395	23,829,395
Dividends payable on redeemable shares	-	-	74,794,520	74,794,520	-	-	74,794,520	74,794,520
Trade creditors	-	-	142,062,910	142,062,910	-	-	142,062,910	142,062,910
	-	-	2,240,686,825	2,240,686,825	-	-	2,240,686,825	2,240,686,825
31 March 2014								
Financial assets measured at fair value								
Equity securities	-	200,000	-	200,000	-	-	200,000	200,000
	-	200,000	-	200,000	-	-	200,000	200,000
Financial assets not measured at fair value								
Fixed deposits	7,121,431	-	-	7,121,431	-	-	-	-
Trade and other receivables	602,393,205	-	-	602,393,205	-	-	-	-
Cash and cash equivalents	142,189,880	-	-	142,189,880	-	-	-	-
	751,704,516	-	-	751,704,516	-	-	-	-
Financial liabilities not measured at fair value								
Redeemable preference shares	-	-	2,000,000,000	2,000,000,000	-	-	2,000,000,000	2,000,000,000
Finance lease liabilities	-	-	6,799,701	6,799,701	-	-	6,799,701	6,799,701
Dividends payable on redeemable shares	-	-	74,794,521	74,794,521	-	-	74,794,521	74,794,521
Trade creditors	-	-	136,519,432	136,519,432	-	-	136,519,432	136,519,432
	-	-	2,218,113,654	2,218,113,654	-	-	2,218,113,654	2,218,113,654

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Note	Night Kitchen		BIA Restaurant		Other Segments		Total
	2015	2014	2015	2014	2015	2014	
5	4,781,748,873	4,596,952,350	811,075,396	687,195,173	366,129,851	344,139,657	5,628,287,180
	(1,134,518,299)	(1,131,488,742)	(236,430,861)	(213,511,141)	(71,325,821)	(51,022,901)	(1,396,022,784)
	3,647,230,574	3,465,463,608	574,644,535	473,684,032	294,804,030	293,116,756	4,232,264,396
6	16,874,990	12,038,117	238	-	246	-	12,038,117
7	(1,085,747,086)	(941,058,618)	(121,007,556)	(91,482,932)	(71,308,573)	(64,443,284)	(1,096,984,834)
8	(688,399,397)	(573,442,449)	(183,170,871)	(131,766,834)	(179,374,022)	(174,027,562)	(879,236,845)
9	1,889,959,080	1,963,000,658	270,466,345	250,434,266	44,121,680	54,645,910	2,268,080,834
	309,858,565	331,864,861	-	-	-	(14,328,169)	317,536,692
	(308,539,821)	(329,534,326)	-	(400)	-	24,276,897	(305,257,829)
	1,318,744	2,330,535	-	(400)	-	9,948,728	12,278,863
	1,891,277,824	1,965,331,193	270,466,345	250,433,866	44,121,680	64,594,638	2,280,359,697
	(4,862,800)	(10,221,807)	(5,384,282)	(3,042,388)	(3,497,151)	(4,743,601)	(18,007,996)
	1,886,415,024	1,955,109,386	265,082,063	247,391,278	40,624,529	59,851,037	2,262,351,701
Other comprehensive income:							
Defined benefit plan actuarial gains (losses)	(62,650,657)	(35,328,195)	-	-	-	-	(35,328,195)
Other comprehensive income for the year	(62,650,657)	(35,328,195)	-	-	-	-	(35,328,195)
Total comprehensive income for the year	1,823,764,367	1,919,581,191	265,082,063	247,391,278	40,624,529	59,851,037	2,226,823,506
Segment assets	8,894,403,720	7,526,141,195	126,146,701	107,385,378	66,458,690	101,349,695	7,734,876,268
Segment liabilities	3,172,636,591	2,944,281,294	47,265,085	27,879,060	11,828,474	106,152,325	3,078,312,679

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