

**SRILANKAN CATERING LIMITED
BIA KATUNAYAKE**

**FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31ST MARCH, 2020**

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Corporate Information

NAME OF THE COMPANY

SriLankan Catering Limited

COMPANY REGISTRATION NUMBER

PV1418 PB

LEGAL FORM

Limited Liability Company

BOARD OF DIRECTORS

Asoka Pathirage /Chairman

M. Ashroff Omar

Malik Fernando

Manohara De Silva PC

Samantha Ratwatte PC

Sanjaya Mohottala

AUDIT COMMITTEE

Sanjaya Mohottala - Pro-tem Chairman

Malik Fernando (Member)

Manohara De Silva PC (Member)

Samantha Ratwatte PC (Member)

**HUMAN RESOURCES & REMUNERATION
COMMITTEE**

Ashroff Omar (Chairman)

Malik Fernando (Member)

Manohara De Silva PC (Member)

Samantha Ratwatte PC (Member)

Sanjaya Mohottala (Member)

SECRETARIES

AirLanka (Pvt) Limited

BANKERS

Commercial Bank of Ceylon PLC

Hatton National Bank PLC

Bank of Ceylon

Nations Trust Bank PLC

Seylan Bank PLC

AUDITORS

Auditor General

National Audit Office

No. 306/72, Polduwa Road

Battaramulla.

REGISTERED OFFICE

SriLankan Catering Limited

Airline Centre

Bandaranaike International Airport

Katunayake

Sri Lanka

CORPORATE WEBSITE

www.srilankancatering.com

PROFILE OF DIRECTORS

MR. ASOKA PATHIRAGE

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

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

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

MR. M. ASHROFF OMAR

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

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

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

MR. MALIK J. FERNANDO

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

Mr. Fernando is a Director of Dilmah Tea and MD of Resplendent Ceylon, the first local luxury resort brand, developing a remarkable circuit across Sri Lanka, with a range of authentic experiences, while contributing towards local communities & the environment through the MJF Foundation & Dilmah Conservation. After the Easter Sunday outrage, Mr. Fernando spearheaded

the Sri Lanka Tourism Alliance to mobilize the private tourism sector with one voice under the Love Sri Lanka banner.

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

MR. MANOHARA DE SILVA PC

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

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

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

MR. SAMANTHA RATWATTE PC

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

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

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

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

MR. SANJAYA MOHOTTALA

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

Mr. Sanjaya Mohottala was the Asia-Pacific node for Boston Consulting Group's shipping, transportation, and logistics sectors. He is also a core member of the Southeast Asia node for the Corporate Development and Principal Investors & Private Equity practices.

He has extensive experience in strategy, advance analytics, operational improvement, sales and marketing, and organization design.

Mr. Mohottala has led multiple merger discussions and post-merger integration efforts for a leading container shipping company. He has also worked on large-scale transformations and has been instrumental in developing advanced analytical tools for several global container shipping companies.

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

BOARD AUDIT COMMITTEE REPORT 2019/20

ROLES AND RESPONSIBILITIES

The Board Audit Committee (BAC) of SriLankan Catering Limited 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 members who served on the BAC during the year ended 31 March 2020 were Mr. S G. Senarathna (Chairman, resigned 09 December 2019), Air Marshal K. Jayampathy (Member, resigned 22 August 2019), Mr. S. Katugampala (Member, resigned 12 September 2019), Prof. A. De Silva (Member, resigned 08 January 2020), Mr. D. de Mel (Member, appointed 22 August 2019 resigned 17 November 2019), Mr. A M P M B Atapattu (Member, appointed 22 August 2019 resigned 08 January 2020), Mr. A K D D D Arandara (Member, appointed 24 September 2019 resigned 08 January 2020), Mr. S. Mohottala (Pro-tem Chairman, appointed 24 January 2020), Mr. M. Fernando (Member, appointed 24 January 2020), Mr. S. Ratwatte (Member, appointed 24 January 2020) and Mr. M. de Silva PC (Member, appointed 01 February 2020). Ms. A.D. Dilrukshi, Superintendent of Audit, National Audit Office attends Audit Committee meetings as an independent observer.

MEETINGS

The Board Audit Committee held five (5) meetings during the year ended 31 March 2020. The members of the management attend the meetings upon invitation to brief the Board Audit Committee on specific issues.

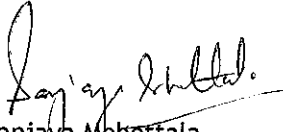
GROUP ASSURANCE AND ADVISORY SERVICES DIVISION

The Group Assurance and Advisory Services (GAAS) Division of SriLankan Airlines 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, Governance and Compliance processes.

KEY ACTIVITIES OF THE BAC DURING THE FINANCIAL YEAR

- Reviewed the internal audit reports on system of internal controls including IS/IT controls and ensured that follow-up action is taken by Heads of Departments in a timely manner. Also reviewed the External Audit report findings, recommendations and management actions taken.
- Reviewed the Year-end Audited Financial Statements and recommended for Board approval. Also reviewed the Management Letters submitted by External Auditor and management responses to the issues highlighted.
- Reviewed the Internal Audit function, including the independence and authority of its reporting obligations and the internal audit plan.
- 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 quarterly compliance dashboards to determine all relevant laws and regulations are complied with. As part of compliance, reviewed the checklist submitted by management on compliance to the Handbook on Public Enterprise Guidelines.
- Reviewed the Related Party Transaction details submitted on quarterly basis for the year ended 31 March 2020.
- Reviewed and recommended for Board approval the revised Enterprise Risk Management Manual, Emergency Response Planning Manual, addendum to the Finance Policies and Procedures Manual and Production Manual.
- Reviewed the Audit Committee Charter of SriLankan Catering Ltd and Group Assurance and Advisory Committee Charter prepared by Group Assurance & Advisory Services.



Sanjaya Mohottala

Pro-tem Chairman - Board Audit Committee

23rd July 2020

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

The Board of Directors of SriLankan Catering Limited has the pleasure in presenting the Audited Financial Statement of the Company for the year ended 31st March 2020.

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 which was sub-leased to Next Inning Ltd w.e.f. 10th September 2018 at Old Dutch Hospital, Fort.

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

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

FINANCIAL STATEMENTS

A complete set of Financial Statements for the year ended 31st March 2020 duly signed by the Chief Executive Office and the Directors, and the Auditor's Report thereon for the year ended 31st March 2020 are attached to this Report.

ACCOUNTING POLICIES AND CHANGES DURING THE YEAR

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

REVENUE

Revenue generated by the Company amounted to Rs. 9,026.15 Mn (2018/19- Rs. 9,749.65 Mn), a detailed analysis of turnover is given in Note 3 to the financial statements.

RESULTS AND DIVIDEND

Net results for the year are as follows,

	2019/2020	2018/2019
	Rs. (Mn)	Rs. (Mn)
Net profit before tax	4,794.19	5,675.91
Taxation	(34.68)	(73.42)
Net profit after tax	4,759.51	5,602.50

DIVIDEND

Preferential Dividend - The Company paid out Rs.130.1 Mn on account of preference shares for the period ended 31st March 2020.

Ordinary Shares Dividend - A final dividend of Rs. 1,701.25 Mn for the financial year 2018/19 was paid on 31st October 2019.

PROPERTY, PLANT AND EQUIPMENT

The net book value of the Property, Plant and Equipment of the Company as at the Balance Sheet date amounted to Rs. 2,681.54 Mn (2018/19: Rs. 2,667.89 Mn). Details of Property, Plant and Equipment and their movements are given in Note 10 to the Financial Statements.

STATED CAPITAL

The Stated Capital of the Company, consisting of 940,268,456 Ordinary Shares, amounts to Rs. 1,000 Mn (2018/19: Rs. 1,000 Mn). Details of the share capital is given in Note No 20 of page 29.

RESERVES

Total Company reserves as at 31 March 2020 amount to Rs.11,237.54 Mn (2018/19: Rs. 8,486.73 Mn). This consists of Revenue Reserve (Accumulated Profit) of Rs.8,905.84 Mn (2018/19: Rs. 6,143.54 Mn) and Capital Reserve (Revaluation Surplus) of Rs. 2,331.70 Mn (2018/19: Rs. 2,343.19 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. 421,250/- as donations during the year.

TAXATION

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

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

The net profit derived from the Public Restaurants, Vanilla Pod sales outlet, Semondu Restaurant (Rental income w.e.f.10th September 2018), local laundry sales and other business income are liable for income tax at the prevailing tax rate of 28% and 24%.

SHARE INFORMATION

Share information as at 31st March 2020 is as follows:

Ordinary Shares

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

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

Share Ownership	No of Shares	% of Holding	Values (Rs.)
Employees Provident Fund	10,000,000	100%	1,000,000,000

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent Liabilities as at 31st March 2020 are given in Note 30 to the Financial Statements. The commitments made on Capital Expenditure as at the balance sheet date are given in Note 29.

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no material events which occurred between reporting date and the date on which the financial statements are authorized for issue other than those disclosed below:

In response to the declaration of COVID-19 situation as a global pandemic on 11th March 2020, the Government of Sri Lanka declared a state of emergency situation with travel restrictions from 18th March 2020 and the operation of airlines has been suspended and the international borders were closed. As a result the operations of the Company was scaled down and the revenue was majorly impacted in the months subsequent to the year end. The global situation is extremely violent at present and the international airline industry will have a medium to long term impact due to the situation. However, the Company has implemented measures for the cost reduction, freezed capital expenditure, planning to enter in to in to new market segments and managing its cash flows during the period while monitoring the developments in the market globally.

The redeemable preference shares of the Company amounting to Rs. 1Bn was due on 16th May 2020. However as per the agreement signed with the Monetary Board of the Central Bank of Sri Lanka, the Company has settled Rs. 250Mn on 16th May 2020 and the balance amount will be settled as mentioned below:

On 16th August 2020	250,000,000/-
On 16th November 2020	250,000,000/-
On 16th February 2021	250,000,000/-

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 1,008 (2018/2019: 1,050).

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, on the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information generated. However, any system can ensure only reasonable and not absolute assurance that errors and irregularities are prevented or detected within a reasonable time. The Report of the Board Audit Committee forms part of this Annual Report.

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

GOING CONCERN

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

DIRECTORATE - SRILANKAN CATERING LIMITED

The current Directorate of SriLankan Catering Limited as follows:-

Mr. Asoka Pathirage (Chairman)	Appointed with effect from 24 th January 2020
Mr. M. Ashroff Omar	Appointed with effect from 24 th January 2020
Mr. Malik Fernando	Appointed with effect from 24 th January 2020
Mr. Manohara De Silva PC	Appointed with effect from 24 th January 2020
Mr. Samantha Ratwatta PC	Appointed with effect from 24 th January 2020
Mr. Sanjaya Mohottala	Appointed with effect from 01 st February 2020

Past Directors

The following Directors were in office during the financial year commencing 01st April 2019 until resignation from the Board on the following dates;

Dr. Mrs. Roshan Perera	Resigned with effect from 21 st June 2019
Air Chief Marshal (Rtd.) Kapila Jayampathy	Resigned with effect from 22 nd August 2019
Mr. Susantha Katugampala	Resigned with effect from 12 th September 2019
Mr. W. Deshal Praveen De Mel	Resigned with effect from 17 th November 2019
Mr. G.S. Withanage	Resigned with effect from 18 th November 2019
Mr. S. G. Senarathna	Resigned with effect from 9 th December 2019
Mr. Johann Wijesinghe	Resigned with effect from 08 th January 2020

Senior Prof. Arjuna P. De Silva
Mr. A.M.P.M.B Atapattu
Mr.A.K.D.D.D. Aranadara

Resigned with effect from 08th January 2020
Resigned with effect from 08th January 2020
Resigned with effect from 08th January 2020

DIRECTORS' REMUNERATION

The Directors' remuneration paid for the financial year ended 31st March 2020 is disclosed in note no 32 on page no .33 under key management personnel disclosure.

DIRECTORS' SHAREHOLDING

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

DIRECTORS' INTERESTS IN CONTRACTS

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


AUDITORS

The Auditor General shall audit the organization in terms of Article 36 of the 19th amendment to the Constitution of the Democratic Socialist Republic of Sri Lanka. Messrs BDO Partners has been appointed by the Auditor General as a qualified auditor to assist the Auditor General in the annual audit of the financial statement of the Company for the year ended 31st March 2020.

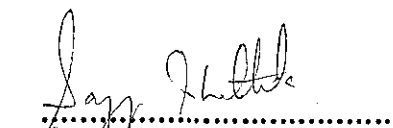
ANNUAL GENERAL MEETING

Annual General Meeting will be held on 25th September 2020, via Resolution in lieu of meeting in accordance with the Section 144 of the Companies Act No. 07 of 2007.

By Order of the Board


Airlanka (Pvt) Limited
Secretaries

.....
Director
23rd July 2020


.....
Director

Statement of Directors' Responsibilities

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

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

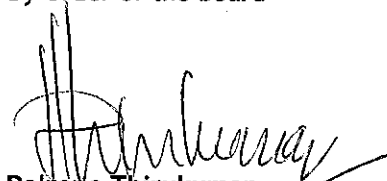
The Directors are responsible for ensuring that the Company keeps sufficient accounting records to disclose with reasonable accuracy the financial position of the Company for ensuring that the financial statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards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

The Directors continue to adopt the going concern basis in preparing the Financial Statements. The Directors, after making enquiries and following a review of the company's Budget for the financial year ending 31st March 2020 including cash flows and borrowing facilities, consider that the Company has adequate resources to continue in operation.

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

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

By Order of the Board



Dalrene Thirukumar

Company Secretary

23rd July 2020



ජාතික විගණන කාර්යාලය

தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல.
My No.

AVA/C/SLCL/06/19/112

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

24 August 2020

The Chairman
Sri Lankan Catering Limited

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Sri Lankan Catering Limited for the year ended 31 March 2020 in terms of Section 12 of the National Audit Act, No. 19 of 2018

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Sri Lankan Catering Limited (“Company”) for the year ended 31 March 2020 comprising the statement of financial position as at 31 March 2020 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2020, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.





1.2 Basis for Opinion

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

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

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

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

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

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

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

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



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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



2. Report on Other Legal and Regulatory Requirements

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

- I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company as per the requirement of section 163 (1) (d) of the Companies Act, No. 7 of 2007 and section 12 (a) of the National Audit Act, No. 19 of 2018.
- The financial statements of the Company comply with the requirement of section 151 of the Companies Act, No. 07 of 2007.
- The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

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

- to state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the normal course of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018.
- to state that the Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018.
- to state that the Company has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018.



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



W.P.C. Wickramaratne

Auditor General

SRILANKAN CATERING LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH, 2020

Page 1

	Note	2019/2020 Rs.	2018/2019 Rs.
Revenue from contracts with customers	3	9,026,146,362	9,749,651,133
Cost of sales		(1,705,104,636)	(2,026,416,836)
Gross profit		7,321,041,726	7,723,234,297
Other income	4	10,123,889	10,745,589
		7,331,165,615	7,733,979,886
Administrative expenses	5	(2,104,987,108)	(1,812,537,055)
Other operational expenses	6	(1,064,524,747)	(1,217,920,218)
Profit from operations		4,161,653,760	4,703,522,613
Finance income		899,941,850	1,111,661,132
Finance expenses		(267,408,722)	(139,270,352)
Net finance income	7	632,533,128	972,390,780
Net profit before taxation		4,794,186,888	5,675,913,393
Income tax expenses	8	(34,678,115)	(73,416,885)
Net profit for the year after taxation		4,759,508,773	5,602,496,508
Other comprehensive income			
Gain on revaluation of property, plant and equipment		-	602,820,380
Deffered tax provision on revaluation gain		-	(90,900,766)
Actuarial loss on defined benefit plan, net of taxes		(11,982,964)	(3,184,729)
Total other comprehensive income		(11,982,964)	508,734,885
Total comprehensive income		4,747,525,809	6,111,231,393
Basic earnings per share	9	5.06	5.96

Figures in brackets indicate deductions.

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

Colombo
23rd July, 2020



SRILANKAN CATERING LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH, 2020

Page 2

	Note	2019/2020 Rs.	2018/2019 Rs.
ASSETS			
Non-current assets			
Property, plant and equipment	10	2,681,536,151	2,667,889,301
Right of Used Assets	10.4	331,985,125	-
Capital work-in-progress	11	692,324	11,824,946
Intangible assets	12	25,416,160	32,464,801
Investment in non quoted shares	13	-	-
Total non-current assets		3,039,629,760	2,712,179,048
Current assets			
Inventories	14	315,220,176	341,681,420
Amounts due from related companies	15	125,260,758	53,252,625
Trade receivables	16	11,346,794,787	8,315,892,221
Other receivables	17	304,359,083	315,670,872
Financial assets at amortized cost	18	397,000,000	320,000,000
Cash and cash equivalents	19	363,800,032	530,997,373
Total current assets		12,852,434,836	9,877,494,511
Total assets		15,892,064,596	12,589,673,559
EQUITY AND LIABILITIES			
Stated capital and reserves			
Stated capital	20	1,000,000,000	1,000,000,000
Retained earnings		8,905,842,516	6,143,540,662
Revaluation reserve		2,331,701,825	2,343,185,802
Shareholders' fund		12,237,544,341	9,486,726,464
Non-current liabilities			
Redeemable preference shares	21	-	1,000,000,000
Loans and borrowings - long-term	22	835,254,628	86,604,672
Deferred tax liability	23	133,092,992	215,800,419
Retirement benefit obligations	24	600,518,514	537,071,918
Total non-current liabilities		1,568,866,134	1,839,477,009
Current liabilities			
Redeemable preference shares	21	1,000,000,000	-
Loans and borrowings - short term	22	137,737,418	123,201,408
Amounts due to related companies	25	64,871,781	64,871,781
Trade payables	26	207,894,344	331,314,920
Other payables	26	638,029,303	718,285,930
Income tax payables	27	37,121,275	25,796,047
Total current liabilities		2,085,654,121	1,263,470,086
Total equity and liabilities		15,892,064,596	12,589,673,559

Figures in brackets indicate deductions.

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

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


.....
Chief Executive Officer

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

Approved and signed for and on behalf of the Board.


.....
Director


.....
Director

Colombo
23rd July, 2020
HSR/tn



SRILANKAN CATERING LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH, 2020

Page 3

	Stated capital Rs.	Revaluation reserves Rs.	Retained earnings Rs.	Total Rs.
Balance as at 01st April 2018	1,000,000,000	1,837,656,746	3,818,014,596	6,655,671,342
Profit for the year	-	-	5,602,496,508	5,602,496,508
Other comprehensive income				
- Defined benefit plan actuarial gain	-	-	(3,184,729)	(3,184,729)
Ordinary Share Dividend - Final 2017/2018	-	-	(779,554,078)	(779,554,078)
Ordinary Share Dividend - Interim 2018/2019	-	-	(2,500,622,193)	(2,500,622,193)
Adjustment on super gain tax				
Gain on revaluation of property, plant and equipr	-	602,820,380	-	602,820,380
Deferred Tax Liability		(90,900,766)		(90,900,766)
Surplus reversal on during the year disposals	-	(6,390,558)	6,390,558	-
Balance as at 31st March 2019	<u>1,000,000,000</u>	<u>2,343,185,802</u>	<u>6,143,540,662</u>	<u>9,486,726,464</u>
Implication of adopting of SLFRS 16, net of tax	-	-	(295,457,749)	(295,457,749)
Restated balance as at 31st March 2019	1,000,000,000	2,343,185,802	5,848,082,913	9,191,268,715
Profit for the year	-	-	4,759,508,773	4,759,508,773
Other comprehensive income				
- Defined benefit plan actuarial gain			(11,982,964)	(11,982,964)
Ordinary Share Dividend - Final 2018/2019	-	-	(1,701,250,183)	(1,701,250,183)
Surplus of reversal on during the year disposals	-	(11,483,977)	11,483,977	-
Balance as at 31st March 2020	<u>1,000,000,000</u>	<u>2,331,701,825</u>	<u>8,905,842,516</u>	<u>12,237,544,341</u>

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

Colombo
23rd July, 2020



SRILANKAN CATERING LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH, 2020

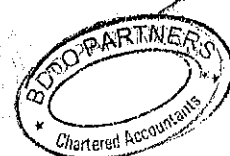
Page 4

	2019/2020 Rs.	2018/2019 Rs.
Cash flow from operating activities		
Net profit before taxation	4,794,186,888	5,675,913,393
Adjustments for ;		
- Depreciation on property, plant and equipment	320,310,510	207,609,061
- Amortization of intangible assets	10,230,989	10,720,649
- Amortization of right-of-use asset	47,176,066	-
- Provision for bonus	275,072,643	232,908,045
- Provision for gratuity	106,999,264	84,062,487
- Provision for leave encashment	9,561,234	4,172,460
- Provision for bad and doubtful debtors	4,805,388	8,036,896
- Provision for slow-moving stock	21,831,687	(8,846,431)
- Provision for Impairment (Equipment MRIA F/kitchen)	-	6,397,406
- Deferred tax on initial recognition of SLFRS 16	79,665,086	-
- Preference share dividend	130,100,000	130,100,000
- Interest expenses	8,608,229	9,170,352
- Interest expenses of right-of-use asset	128,700,493	-
- Interest income	(60,597,005)	(38,885,766)
- Profit/(loss) on disposal of property, plant and equipment	12,196,367	1,118,736
	<u>1,094,660,951</u>	<u>646,563,895</u>
	5,888,847,839	6,322,477,288
Operating profit before working capital changes		
(Increase)/decrease in inventories	4,629,557	1,644,181
(Increase)/decrease in trade and other receivables	(3,096,228,917)	(2,376,185,971)
Increase/(decrease) in trade and other payables	(236,865,600)	79,435,379
	<u>(3,328,464,960)</u>	<u>(2,295,106,411)</u>
Cash generated from operations	2,560,382,879	4,027,370,877
Bonus paid	(209,740,758)	(191,914,084)
Payment of defined benefit plans	(43,552,668)	(56,140,120)
Leave Encashment Paid	(3,984,266)	-
	<u>(257,277,692)</u>	<u>(248,054,204)</u>
Net cash flow from/(used in) operating activities	2,303,105,187	3,779,316,673
Cash flow from investing activities		
Acquisition of intangible assets	(3,182,348)	(1,058,864)
Acquisition of capital work-in-progress	(4,516,463)	(18,888,074)
Acquisition of property, plant and equipment	(331,757,303)	(81,798,841)
Interest received	60,597,005	37,078,749
Investments in short-term investments	(77,000,000)	(168,000,000)
Proceeds from disposal of property, plant and equipment	1,291,283	1,538,022
Net cash from/(used in) investing activities	<u>(354,567,826)</u>	<u>(231,129,008)</u>
Cash flow from financing activities		
Borrowings obtained	-	146,005,569
Repayment of borrowings	(116,410,815)	(104,158,617)
Lease Rental Paid	(159,365,475)	-
Interest paid	(8,608,229)	(9,170,352)
Dividend paid - ordinary shares	(1,701,250,183)	(3,280,176,271)
Dividend paid - preference shares	(130,100,000)	(130,100,000)
Net cash from/(used in) financing activities	<u>(2,115,734,702)</u>	<u>(3,377,599,671)</u>
Net increase in cash and cash equivalents	(167,197,341)	170,587,994
Cash and cash equivalents at the beginning of the year (Note A)	530,997,373	360,409,379
Cash and cash equivalents at the end of the year (Note B)	<u>363,800,032</u>	<u>530,997,373</u>
At the beginning of the year		Note A
Balances at banks	529,966,923	359,579,514
Petty cash in hand	1,030,450	829,865
	<u>530,997,373</u>	<u>360,409,379</u>
Bank overdrafts	-	-
	<u>530,997,373</u>	<u>360,409,379</u>
At the end of the year		Note B
Balances at banks	362,840,386	529,966,923
Petty cash in hand	959,646	1,030,450
	<u>363,800,032</u>	<u>530,997,373</u>
Bank overdrafts	-	-
	<u>363,800,032</u>	<u>530,997,373</u>

Figures in brackets indicate deductions.

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

Colombo
23rd July, 2020



1. CORPORATE INFORMATION

1.1 General

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

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

1.2 Principal activities and nature of operations

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

1.3 Parent enterprise

The parent undertaking and ultimate parent is SriLankan Airlines Limited.

1.4 Date of authorization for issue

The financial statements for the year ended 31st March, 2020 were authorized for issue by the Board of Directors on 23rd July, 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 General accounting policies

2.1.1 Basis of preparation

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

2.1.2 Basis of measurement

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

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

2.1.3 Presentation and functional currency

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



2.1.4 Statement of compliance

The statement of financial position, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows, together with accounting policies and notes ("financial statements") of the company as at 31st March, 2020 and for the year then ended have been prepared in compliance with the Sri Lanka Accounting Standards (LKAS and SLFRS) issued by the Institute of Chartered Accountants of Sri Lanka.

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

2.1.5 Going concern

The directors have made an assessment of the company's ability to continue as a going concern and they do not intend either to liquidate or to cease trading. In determining the assessment the management has considered the existing and anticipated effects of covid-19 and the appropriateness of the use of the going concern basis.

2.1.6 Comparative information

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

2.1.7 Discontinuing operations

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

As at the date of financial position, the company does not have any discontinuing operations.

2.1.8 Foreign currency transaction

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

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

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

2.1.9 Materiality and aggregation

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



2.1.10 Significant accounting judgements, estimates and assumptions

a) Judgements

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

b) Estimates and assumptions

The preparation of the company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities at reporting date. Actual results may differ from these estimates.

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

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

- Note 24 - Retirement benefit obligations
- Note 23 - Deferred tax assets and liabilities

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

2.1.11 Changes in Accounting Standards

The Company applied SLFRS 16 for the first time. The nature and effect of the changes as a result of the adoption of these new accounting standards are described below.

There are other amendments and interpretations applied for the first time in the 2019/2020 financial year, which do not have a significant impact on the financial statements of the Company. The Company has not adopted any standards, interpretations or amendments that have been issued but are not yet effective.

a) SLFRS 16 Leases

SLFRS 16 supersedes LKAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. The company has adopted SLFRS 16 using the modified retrospective method from 1st April 2019, without restating comparatives for the 2018/19 reporting period, as permitted under the specific transitional provisions in the standard. Lessor accounting under SLFRS 16 is substantially unchanged from under LKAS 17.



b) Nature of the effect of adoption of SLFRS 16

Upon adoption of SLFRS 16, the company applied a single recognition and measurement approach for all leases for which it is the lessee, except for short-term leases and leases of low-value assets. The company recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. The company has lease contracts for various items such as land, offices, and retail stores. Property leases are the major asset included in the right of use assets category, typically for between 30- 50 years of lease term and have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. On adoption of SLFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of LKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the company incremental borrowing rate as of the transition date.

c) Leases previously accounted for as operating leases

The company recognised right of use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right of use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

d) Estimating the incremental borrowing rate

The company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the company 'would have to pay', which requires estimation when no observable rates are available (such as for parent that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The company estimates the IBR using observable inputs (such as market interest rates) when available.

2.2 Assets and bases of their valuation

2.2.1 Property, plant and equipment

a) Cost

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

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

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



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

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

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

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

b) Useful lives of property, plant and equipment

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

c) Restoration costs

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

d) De-recognizing

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

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

2.2.2 Capital work-in-progress

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

2.2.3 Assets held for sale

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



SRILANKAN CATERING LIMITED
SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

2.2.4 Intangible assets

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.

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.

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

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.

2.2.5 Fair value measurement

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

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

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

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

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

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

When the transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently 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.

2.2.6 Determination of fair value

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement 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).

2.2.7 Impairment of non-financial assets

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

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



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

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

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

2.2.8 Financial assets

2.2.8.1 Initial recognition and measurement

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

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

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

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

2.2.8.2 Subsequent measurement

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

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



a) Financial assets at amortised cost

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

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

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

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

b) Financial assets at fair value through OCI

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

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

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

c) Equity Instruments

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

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

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



d) Financial assets at fair value through profit or loss

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

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

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

2.2.8.3 Financial assets - derecognition

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

2.2.8.4 Impairment of financial assets

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

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

2.2.9 Financial liabilities

2.2.9.1 Initial recognition and measurement

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

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

2.2.9.2 Subsequent measurement

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



a) Financial liabilities at fair value through profit or loss

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

b) Loans and borrowings

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

2.2.9.3 De-recognition

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

2.2.10 Offsetting of financial instruments

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

2.2.11 Fair value of financial instruments

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

2.2.12 Cash and cash equivalents

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



2.2.13 Inventories

Inventories are valued at the lower of cost and net 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.

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

2.3 Share capital

2.3.1 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.

2.3.2 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 re-measured 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.

2.4 Liabilities and provisions

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

A provision is 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.





2.5 Employee benefits

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

2.5.2 Retirement benefit obligations

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Any 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 the service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

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

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

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

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

This basis of payment will only be applicable for employees who have been in service on or before 01st April 2000, to employees who have joined the company after 01st April, 2000, the payment of gratuity will be made as per the provisions laid down in the Gratuity Act. The actuarial valuation was made on 31st March 2020.

The liability is not externally funded.

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

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

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

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

2.6 Leases

Right of use assets

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

Lease liabilities

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

2.7 Taxation

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.

2.7.1 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.

2.7.2 Deferred taxation

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

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



2.8 Commitments and contingencies

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

2.9 Statement of comprehensive income

For the purpose of the 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 the company's performance.

2.9.1 Revenue from contracts with customers

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

a) Goods transferred at a point in time

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

b) Services transferred over time

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

2.9.2 Expenditure recognition

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.

2.9.2.1 Finance expense

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

2.10 Events after the reporting period

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.

2.11 Related party transactions

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

2.12 Comparative figures

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





2.13 Statement of director's responsibility

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

2.14 Operating segments

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

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

Other operations include the following segments, which do not meet the quantitative thresholds for determining reportable segments in 2020 and 2019.

- Airport restaurant (MRIA) - Provision of restaurant services
- Aero Clean Laundry - Provision of laundry services
- Serenediva Transit Hotel- Provision of room and ancillary services to transit passengers
- Vanilla Pod Café - Supply of fast food items
- Semondu restaurant - Provision of restaurant service (Sub leased with effect from 10th September 2018)

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

2.15 Events after the reporting period

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

2.16 Financial risk management

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

- a) Credit risk
- b) Liquidity risk
- c) Market risk
- d) Currency risk
- e) Interest rate risk
- f) Operational risk.

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

2.16.1 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.

a) Credit risk

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

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 who fail to meet the Company's benchmark creditworthiness may transact with the company only on a prepayment basis.

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

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

b) Liquidity risk

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

The company always monitors and keeps minimum cash balances to maximize the company's return on investments. Typically, the company ensures that it has 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:

The company has obtained Rs.50 million overdraft facility from Commercial Bank of Ceylon PLC of which the interest would be payable at the rate of AWPLR + 1.5% p.a (2018/2019- AWPLR + 1.5% p.a). The company also has an overdraft facility of USD 350,000 from Commercial Bank of Ceylon PLC of which the interest would be payable at the rate of LIBOR (3 months) + 3.5% p.a. (2018/19 - LIBOR (3 months) + 3.5% p.a).

The company has obtained Rs. 50 million overdraft facility from Bank of Ceylon for which the interest would be payable at the rate of AWPLR + 2% p.a (2018/19- AWPLR +2% p.a). The company also has overdraft facility of USD 400,000 of which the interest would be payable at the rate of LIBOR (3 months) + 3.5% p.a. (2018/19 - LIBOR (3 months) + 3.5% p.a).

Further, in the year 2017 the company has obtained a term loan of USD 3.5 Mn for which interest is payable at a rate of LIBOR (3 months) + 3.5% p.a and floor rate is 4.25%, of which USD 2,242,092 has been utilized as 31 March 2020.

c) Market risk

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

d) Currency risk

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

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

e) Interest rate risk

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

f) Operational risk

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

The company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the company's reputation with overall cost effectiveness and to avoid control procedures 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



SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

- 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.

2.17 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.



	2019/2020 Rs.	2018/2019 Rs.
3. REVENUE FROM CONTRACTS WITH CUSTOMERS		
Flight kitchen	7,209,306,782	7,825,298,631
Vanilla pod café	34,004,925	31,877,009
Serenediva transit hotel	173,759,482	174,582,676
Semondu restaurant	25,484,691	38,603,093
Emirates lounge	128,326,982	140,227,853
Laundry sale (Note 3.1)	227,752,073	259,948,836
Public restaurant	98,404,614	73,556,116
Transit restaurant	1,121,587,868	1,192,756,613
Public restaurant - MRIA	4,180,103	4,477,460
Transit restaurant - MRIA	3,338,842	8,322,846
Revenue recognized at a point in time (Note 3.2)	9,026,146,362	9,749,651,133
3.1 Laundry sales - Local	46,135,785	47,900,529
- Airlines	216,796,160	249,811,426
Inter department sales	262,931,945	297,711,955
	(34,980,727)	(37,763,118)
	227,951,218	259,948,837
3.2 Revenue		
Meals	6,815,605,834	7,414,023,689
Handling chargers	1,046,114,281	985,800,315
Miscellaneous	786,152,155	937,777,669
Other sales	378,274,092	412,049,460
	9,026,146,362	9,749,651,133
4. OTHER INCOME		
Disposal of garbage	10,123,889	10,333,759
Sundry income	-	411,830
	10,123,889	10,745,589
5. ADMINISTRATION EXPENSES		
Donations	421,250	219,179
Depreciation of property, plant and equipment	320,310,508	207,609,062
Amortization of ROU assets	47,176,066	-
Amortization of intangible assets	10,230,989	10,720,649
Fees and other charges	9,612,636	14,586,290
Audit fees	1,250,402	2,730,769
Staff cost (Note 5.1)	1,697,624,761	1,559,202,059
Other administration expenses	18,360,496	17,469,047
	2,104,987,108	1,812,537,055
5.1 Staff cost		
Expenses related to defined benefit plans	95,016,300	84,062,487
Salaries and wages	1,202,966,561	1,128,261,929
Contribution to Employee's Provident Fund	99,695,385	91,124,259
Contribution to Employee's Trust Fund	22,812,740	20,700,211
Provision for bonus	275,072,643	232,908,045
Prepaid staff cost	2,061,132	2,145,128
	1,697,624,761	1,559,202,059



	2019/2020 Rs.	2018/2019 Rs.
6. OTHER OPERATIONAL EXPENSES		
Loss on disposal of fixed assets	12,196,367	1,118,736
General operating expenses	640,742,127	635,445,522
Common expenses	296,704,718	486,985,183
Provision for impairment (Equipment MRIA F/kitchen)	-	6,397,406
Provision for bad and doubtful debts	5,032,772	8,036,896
Concession fees	88,017,076	88,782,906
Provision/reversal of provision of slow moving inventory	21,831,687	(8,846,431)
	<u>1,064,524,747</u>	<u>1,217,920,218</u>
7. NET FINANCE INCOME		
Finance income		
Interest income	58,363,302	37,078,749
Interest income - staff loans	2,233,703	1,807,017
Exchange gain	839,344,845	1,072,775,366
	<u>899,941,850</u>	<u>1,111,661,132</u>
Finance expenses		
Bank interest	8,608,229	9,170,352
Lease Interest	128,700,493	-
Preference share dividend	130,100,000	130,100,000
	<u>267,408,722</u>	<u>139,270,352</u>
Net finance income	<u>632,533,128</u>	<u>972,390,780</u>
8. INCOME TAX EXPENSES		
Current income tax (Note 8.1)	37,121,275	25,796,047
Under/(over) provision in respect of previous years	599,181	(144,461)
Deferred tax expense	(3,042,341)	47,765,299
	<u>34,678,115</u>	<u>73,416,885</u>
8.1 Reconciliation of income tax		
Profit before tax as per the statement of comprehensive income	4,794,186,888	5,675,913,393
Less: Profit exempt from income tax	(4,610,660,073)	(5,640,112,276)
Profit liable for income tax	183,526,815	35,801,117
Disallowable expenses	-	10,018,826
Allowable expenses	(104,403,913)	(1,515,543)
Other sources of income	58,363,303	47,824,338
Total statutory income	137,486,205	92,128,738
Less: Losses set off	-	-
Taxable income	<u>137,486,205</u>	<u>92,128,738</u>
Income tax liability at 28%	28,872,103	25,796,047
Income tax liability at 24%	8,249,172	-
	<u>37,121,275</u>	<u>25,796,047</u>

9. BASIC EARNINGS PER SHARE

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

	2019/2020 Rs.	2018/2019 Rs.
Amounts used as numerator		
Profit attributable to ordinary shareholders	4,759,508,773	5,602,496,508
Number of ordinary shares used as the denominator		
Weighted average number of ordinary shares in issue	940,268,456	940,268,456
	<u>5.06</u>	<u>5.96</u>





10. PROPERTY, PLANT AND EQUIPMENT

Description of Assets	Cost/Valuation				Depreciation			Written down value	
	Balance as at 01.04.2019 Rs.	Additions Rs.	Disposals Rs.	Balance as at 31.03.2020 Rs.	Charge for the year Rs.	On revaluation On disposals Rs.	Balance as at 31.03.2020 Rs.	As at 31.03.2020 Rs.	As at 01.04.2019 Rs.
Buildings	1,565,490,000	29,955,516		1,595,445,516	83,245,108		83,245,108	1,512,200,408	1,565,490,000
Machinery and equipment	834,852,299	55,439,382	(14,862,300)	875,429,381	171,143,258	(2,932,511)	168,210,747	707,218,634	834,852,299
Furniture and fittings	38,270,303	1,048,435	(3,218,248)	36,100,490	7,558,391	(1,699,009)	7,332,682	28,767,808	36,797,003
Motor vehicles	230,749,999	260,963,055		491,713,054	58,363,753		58,363,753	433,349,301	230,749,999
MRIA kitchen	35,781,074			35,781,074			35,781,074		
	2,705,143,675	347,406,388	(18,080,548)	3,034,469,515	320,310,510	(4,631,520)	352,933,364	2,681,536,151	2,667,889,301

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

10.1 Revaluation on Property, plant and equipment

Description	Method of Valuation	Date of Valuation	Valuation	Valuer
Building in Katunayake	Market Value	31-03-2019	1,565,490,000	Mr. G.H.A.P.K. Fernando
Machinery and equipment	Market Value	31-03-2019	834,852,299	Mr. G.H.A.P.K. Fernando
Motor vehicles	Market Value	31-03-2019	230,749,999	Mr. G.H.A.P.K. Fernando
Furniture and fittings	Market Value	31-03-2019	34,221,500	Mr. G.H.A.P.K. Fernando

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

Description	Accumulated depreciation as at 31st March, 2020		Carrying value as at 31st March, 2020
	Cost Rs.	Rs.	
Building in Katunayake	1,792,514,485	1,122,487,853	670,026,632
Machinery and equipment	1,804,186,300	1,620,498,097	183,688,203
Furniture and fittings	60,352,981	55,314,435	5,038,546
Motor vehicles	694,040,266	400,807,085	293,233,181

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

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

10.4 Right of use Assets

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

Amounts recognised in the statement of financial position and income statement

	Leasehold Land Rs.	Total Rs.
Adjustment on SLFRS 16	617,754,667	617,754,667
Additions during the year	-	-
Balance as at 31st March 2020	<u>617,754,667</u>	<u>617,754,667</u>
Accumulated amortization		
Adjustment on SLFRS 16	238,593,476	238,593,476
Amortization during the year	47,176,066	47,176,066
Balance as at 31st March 2020	<u>285,769,542</u>	<u>285,769,542</u>
Carrying amount	<u>331,985,125</u>	<u>331,985,125</u>

10.5 Lease Liability

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

	Lease Liability Rs.
As at 1st April 2019	910,261,763
Additions	
Interest Expenses	128,700,493
Payments	(159,365,475)
Balance as at 31st March 2020	<u>879,596,781</u>

10.5.1 Amount payable within 12 months
Amount payable after 12 months

44,342,153
<u>835,254,628</u>
<u>879,596,781</u>

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



11. CAPITAL WORK-IN-PROGRESS

	Balance as at 01.04.2019	Additions during the year	Capitalized during the year	Balance as at 31.03.2020
4 Units of washrooms	2,964,173	3,504,929	(6,469,102)	-
Upgrading waste water system	3,262,800	177,100	(3,439,900)	-
Clarifier - wastewater	5,437,973	302,110	(5,740,083)	-
Architech Fee (Hotel & Restaurant)	-	-	-	-
New Toilets Palm Stript Lounge	-	33,028	-	33,028
Serenediva Transit Hotel Bed Room & Corodoor	-	287,991	-	287,991
BIA Restaurant Modification	160,000	211,305	-	371,305
	<u>11,824,946</u>	<u>4,516,463</u>	<u>(15,649,085)</u>	<u>692,324</u>

12. INTANGIBLE ASSETS

Computer software

	2019/2020 Rs.	2018/2019 Rs.
Balance as at 01st April, 2019	85,811,173	84,752,309
Additions during the year	3,182,348	1,058,864
Balance as at 31st March 2020	<u>88,993,521</u>	<u>85,811,173</u>

Accumulated amortization

Balance as at 01st April, 2019	53,346,372	42,625,723
Amortization during the year	10,230,989	10,720,649
Balance as at 31st March 2020	<u>63,577,361</u>	<u>53,346,372</u>
Carrying amount	<u>25,416,160</u>	<u>32,464,801</u>

13. INVESTMENT IN NON QUOTED SHARES

AirLanka (Pvt) Ltd	200,000	200,000
Less: Impairment	<u>(200,000)</u>	<u>(200,000)</u>
	<u>-</u>	<u>-</u>

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

14. INVENTORIES

Raw materials	197,378,992	193,697,982
Maintenance and miscellaneous	139,760,689	134,970,252
Equipment stocks	9,023,876	10,703,711
Inventoty held for sale	-	3,294,418
	<u>346,163,557</u>	<u>342,666,363</u>
Provision for slow moving stock	<u>(31,213,504)</u>	<u>(9,381,817)</u>
	314,950,053	333,284,546
Work-in-progress	270,123	8,396,874
	<u>315,220,176</u>	<u>341,681,420</u>

15. AMOUNTS DUE FROM RELATED COMPANIES

Airport & Aviation Services (Sri Lanka) Limited	125,261,180	53,565,820
Mihin Lanka (Pvt) Ltd	64,853,776	60,138,380
	190,114,956	113,704,200
Provision for bad debts	15.1 <u>(64,854,198)</u>	<u>(60,451,575)</u>
	<u>125,260,758</u>	<u>53,252,625</u>

15. Provision for bad debts from related companies

Provision as at 01st April, 2019	60,451,575	52,693,776
Provision for the year	4,402,623	7,757,799
Reversal of provision for the year	-	-
Provision as at 31st March 2020	<u>64,854,198</u>	<u>60,451,575</u>





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		2019/2020 Rs.	2018/2019 Rs.
16. TRADE RECEIVABLES			
Airlines and others	16.1	11,347,235,888	8,316,560,706
Provision for bad debts	16.2	(441,101)	(668,485)
		<u>11,346,794,787</u>	<u>8,315,892,221</u>
16.1	The above receivable balance includes the following receivables which are due from related parties.		
SriLankan Airlines Limited		10,686,389,491	7,627,316,883
Other Airline Receivables		660,846,397	689,243,823
		<u>11,347,235,888</u>	<u>8,316,560,706</u>
16.2	Provision for bad debts		
Provision as at 01st April, 2019		668,485	389,388
Provision for the year		-	279,097
Reversal of provision for the year		(227,384)	-
Provision as at 31st March 2020		<u>441,101</u>	<u>668,485</u>
17. OTHER RECEIVABLES			
Distress loans		21,762,735	23,468,886
Prepaid staff cost		2,140,835	2,317,032
Other staff advances		3,311,286	3,000,293
VAT Receivable		941,356	11,803,063
Advances to suppliers		81,012,798	122,279,938
Advances/deposits and sundry receivables		195,190,073	152,801,660
		<u>304,359,083</u>	<u>315,670,872</u>
18. FINANCIAL ASSETS AT AMORTIZED COST			
Fixed deposit - BOC		397,000,000	320,000,000
		<u>397,000,000</u>	<u>320,000,000</u>
19. CASH AND CASH EQUIVALENTS			
Cash in hand		959,646	1,030,450
Bank - Current accounts		216,613,148	369,409,620
Bank - FCBU accounts		146,227,238	132,779,919
Treasury bills		-	27,777,384
		<u>363,800,032</u>	<u>530,997,373</u>
20. STATED CAPITAL			
Ordinary shares		Nos. 940,268,456	Nos. 940,268,456
Ordinary shares		Rs. 1,000,000,000	Rs. 1,000,000,000
		<u>1,000,000,000</u>	<u>1,000,000,000</u>

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

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

	2019/2020 Rs.	2018/2019 Rs.
21. REDEEMABLE PREFERENCE SHARES		
Preference shares - 10 years redeemable, cumulative and convertible - EPF	1,000,000,000	1,000,000,000
	<u>1,000,000,000</u>	<u>1,000,000,000</u>

Preference shares - 10 years redeemable, cumulative and convertible - Employees' Provident Fund

Non voting redeemable cumulative convertible preference shares were convertible into ordinary shares on 16th May, 2015 at the option of the holder at agreed basis shall be a mandatory redemption on the date of maturity (16th May, 2020). However, the holder did not want to exercise the option. Dividend rate was 13.01% during the financial year as per the terms and conditions of the certificate. The holder is also entitled to a fixed preference dividend. Due to the favourable fixed preference dividend rate, this is classified along with liabilities. The liability has been classified to current liability as at 31st March 2020 as the redemption date was within the period of 12 months.

	2019/2020 Rs.	2018/2019 Rs.
22. LOANS AND BORROWINGS		
Balance as at 01st April, 2019	209,806,080	167,959,128
Borrowed during the year		146,005,569
Repayment during the year	(125,285,682)	(117,319,591)
Exchange (Gain)/ loss	8,874,867	13,160,974
Balance as at 31st March 2020 (Note 22.1)	<u>93,395,265</u>	<u>209,806,080</u>
22.1 Amount payable within 12 months		
Borrowings	93,395,265	123,201,408
Lease Liability Note 10.5.1	44,342,153	-
	<u>137,737,418</u>	<u>123,201,408</u>
Amount payable after 12 months		
Borrowings	-	86,604,672
Lease Liability Note 10.5.1	835,254,628	-
	<u>835,254,628</u>	<u>86,604,672</u>

23. DEFERRED TAX LIABILITY		
Balance as at 01st April, 2019	215,800,419	77,134,354
Provision for the year charged to statement of comprehensive income (Note 8)	(3,042,341)	47,765,299
Deferred tax on initial recognition of SLFRS 16	(79,665,086)	-
Provision on revaluation gain for the year	-	90,900,766
Balance as at 31st March 2020	<u>133,092,992</u>	<u>215,800,419</u>

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

23.2 Deferred tax for the year has been computed on the enacted rates as per Inland Revenue Act No.24 of 2017, since the proposed rates effective from 01st January 2020 have not been substantially enacted as per LKAS 12 - "Income Taxes".



	2019/2020 Rs.	2018/2019 Rs.
24. RETIREMENT BENEFIT OBLIGATION		
Movement in the present value of the defined benefit obligations		
Balance as at 01st April, 2019	537,071,918	505,964,822
Current service costs	35,938,389	50,596,482
Interest cost	59,077,911	33,466,005
Actuarial (gain)/loss during the year	11,982,964	3,184,729
Benefits paid during the year	(43,552,668)	(56,140,120)
Balance as at 31st March 2020	<u>600,518,514</u>	<u>537,071,918</u>
Expense recognized in comprehensive income		
Current service costs	35,938,389	50,596,482
Interest on obligation	59,077,911	33,466,005
	<u>95,016,300</u>	<u>84,062,487</u>
Expense recognized in other comprehensive income		
Actuarial (gain)/loss during the year	<u>11,982,964</u>	<u>3,184,729</u>
	11,982,964	3,184,729

The actuarial valuation was carried out by professionally qualified actuary, Messrs. Actuarial & Management Consultants (Pvt) Ltd for the year ended 31st March, 2020 based on the following assumptions:

Discount rate at 31st March	10%	11%
Salary escalation rate	10%	11%
Retirement age	55 years	55 years

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

24.1 Sensitivity of assumptions employed in actuarial valuation

Variable changed (while all other assumptions remain unchanged)	Effect on Change to Statement of Comprehensive Income	Effect on Employee Benefit Obligation
One percentage point increase (+1%) in Discount Rate	(34,508,699)	(31,179,098)
One percentage point decrease (-1%) in Discount Rate	38,396,790	34,709,858
One percentage point increase (+1%) in Salary Escalation Rate	40,816,824	36,890,181
One percentage point decrease (-1%) in Salary Escalation Rate	(37,294,985)	(33,683,833)
	2019/2020	2018/2019
	Rs.	Rs.

25. AMOUNTS DUE TO RELATED COMPANIES

Employees' Provident Fund - Preference dividend payable	64,871,781	64,871,781
	<u>64,871,781</u>	<u>64,871,781</u>

26. TRADE PAYABLES

Airlines and others	207,894,344	331,314,920
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26.1 The above payable balance includes the following payables which are due to related parties.

Airport & Aviation Services (Sl) Ltd	33,566,824	65,537,787
Other Airline Payables	174,327,520	265,777,133
	<u>207,894,344</u>	<u>331,314,920</u>

26. OTHER PAYABLES

Other creditors and accrued expenses	287,992,844	439,158,324
Provision - leave encashment	42,460,205	36,883,237
Provision for bonus	307,576,254	242,244,369
	<u>638,029,303</u>	<u>718,285,930</u>



Note 26.1

26. OTHER PAYABLES (CONTD...)

26.1 The future leave encashment liability of the company was valued by a professional actuary, Messrs Actuarial & Management Consultants (Pvt) Ltd for the year ended 31st March, 2020 based on the following assumptions:

	2019/2020 Rs.	2018/2019 Rs.
Discount rate as at 31st March	10%	11%
Salary escalation rate	10%	11%
Retirement age	55 years	55 years

27. INCOME TAX PAYABLE

Balance as at 01st April, 2019	25,796,047	16,232,551
Provision for the year	37,121,275	25,796,047
Charge /(Reversal) of under /(over) provision	599,181	(144,461)
Taxes paid/ Set off with tax credits	(26,395,228)	(16,088,090)
Balance as at 31st March, 2020	<u>37,121,275</u>	<u>25,796,047</u>

28. ASSETS PLEDGED AS COLLATERALS

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

29. CAPITAL COMMITMENTS

Guarantees	LKR	LKR
- Bank of Ceylon	19,544,250	19,544,250
	US\$	US\$
- Commercial Bank	83,870	83,870

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

Description	Total contract value Rs.	Completed value as at 31.03.2020 Rs.	Commitment as at 31.03.2020 Rs.
a) New Toilets Palm Strip Lounge	2,492,333	33,027	2,459,306
b) Serenediva Transit Hotel Bed Room & Corodoor	14,221,775	287,991	13,933,784
c) BIA Restaurant Modification	11,575,250	371,306	11,203,944



30. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

30.1 Contingent Liabilities

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

Labour tribunal cases pending:

LT case no. 21/337/2015	K D L J Kamalpem
LT case no. 21/384/2016	W D B I Perera
LT case no. 21/60/2019	J A D C K Jayasinghe
LT case no. 21/62/2019	H N H Kandamby
LT case no. 21/Add/1614/2019	D L B Abeywardena

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

30.2 Contingent Assets

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

31. EVENTS AFTER THE REPORTING DATE

There have been no material events which occurred between reporting date and the date on which the financial statements are authorized for issue other than those disclosed below:

31.1 In response to the declaration of COVID-19 situation as a global pandemic on 11th March 2020, the Government of Sri Lanka declared a state of emergency situation with travel restrictions from 18th March 2020 and the operation of airlines has been suspended and the international boarders were closed. As a result the operations of the Company was scaled down and the revenue was majorly impacted in the months subsequent to the year end. The global situation in extremely violent at present and the international airline industry will have a medium to long term impact due to the situation. However, the Company has implemented measures for the cost reduction, freezed capital expenditure, planning to enter in to in to new market segments and managing its cash flows during the period while monitoring the developments in the market globally.

31.2 The redeemable preference shares of the Company amounting to Rs. 1Bn was due on 16th May 2020. However as per the agreement signed with the Monetary Board of the Central Bank of Sri Lanka, the Company has settled Rs. 250Mn on 16th May 2020 and the balance amount will be settled as mentioned below:

On 16th August 2020	250,000,000/-
On 16th November 2020	250,000,000/-
On 16th February 2021	250,000,000/-

32. RELATED PARTY TRANSACTIONS

32.1 Parent and ultimate controlling party

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

32.2 Transactions with Key Management Personnel (KMP)

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

	2019/2020
	Rs.
	<hr/>
Short-term benefits	3,264,405
Post employee benefits	



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

32.3 Transactions with related parties

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

Name of the company	Relationship	Nature of transactions	2019/2020 Rs.	2018/2019 Rs.
SriLankan Airlines Ltd	Parent company	Sales	5,484,573,034	5,831,761,782
		Freight service	16,853,548	25,475,042
		Other service	143,918,734	135,709,222
		Dividend-ordinary shares	1,701,250,187	3,280,176,271
		Settlements received	3,099,065,700	4,611,629,525
Airport & Aviation Services (Sri Lanka) Limited	Owner related company	Rent and others	529,351,689	619,765,891
		Payments made	601,296,728	603,289,421
Mihin Lanka (Pvt) Ltd	Government owned	Sales	-	-
Employees' Provident Fund	Preference shareholder	Preference share dividend	130,100,000	130,100,000
		Payments made	130,100,000	130,100,000
Ceylon Electricity Board	Government owned	Electricity expenses	145,692,145	135,375,092
		Payments made	145,692,145	135,375,092
Sri Lankan Telecom Limited	Government owned	Telephone expenses	3,341,387	4,748,558
		Payments made	3,341,387	5,225,048
Ceylon Petroleum Corporation	Government owned	Diesel	101,295,952	123,939,335
		Payments made	104,587,744	118,205,411
IRD	Government owned	Tax	47,562,468	49,713,252
		Payments made	47,646,871	49,628,849
State Pharmaceuticals Corporation	Government owned	Medicine	643,982	687,287
		Payments made	740,879	627,127
Ministry of Foreign Affairs	Government owned	Sales	1,274,400	1,426,707
		Settlements received	1,450,921	2,233,066
Ceylon Tourist Board	Government owned	License fees	-	507,821
		Payments made	-	507,821

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



33. FAIR VALUE OF FINANCIAL INSTRUMENTS

33.1 Fair value of the financial instrument carried at amortized cost

Set out below is a comparison, by class, of the carrying amounts and fair values of the company's financial instruments that are not carried at fair value in the financial statements. This table does not include the fair values of non-financial assets and liabilities.

31st March, 2020	Carrying amount		Fair value					
	Loans and receivables	Available-for-sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Equity securities	-	-	-	-	-	-	-	-
Financial assets not measured at fair value								
Short-term investments	397,000,000	-	-	397,000,000	397,000,000	-	-	397,000,000
Trade and other receivables	11,776,414,628	-	-	11,776,414,628	11,776,414,628	-	-	11,776,414,628
Cash and cash equivalents	363,800,032	-	-	363,800,032	363,800,032	-	-	363,800,032
	12,537,214,660	-	-	12,537,214,660	12,537,214,660	-	-	12,537,214,660
Financial liabilities not measured at fair value								
Redeemable preference shares	-	-	1,000,000,000	1,000,000,000	1,000,000,000	-	-	1,000,000,000
Finance lease liabilities	-	-	-	-	-	-	-	-
Dividends payable on redeemable shares	-	-	64,871,781	64,871,781	64,871,781	-	-	64,871,781
Trade creditors	-	-	207,894,344	207,894,344	207,894,344	-	-	207,894,344
	-	-	1,272,766,125	1,272,766,125	1,272,766,125	-	-	1,272,766,125
31st March, 2019								
Financial assets measured at fair value								
Equity securities	-	-	-	-	-	-	-	-
Financial assets not measured at fair value								
Short-term investments	320,000,000	-	-	320,000,000	320,000,000	-	-	320,000,000
Trade and other receivables	8,684,815,718	-	-	8,684,815,718	8,684,815,718	-	-	8,684,815,718
Cash and cash equivalents	530,997,373	-	-	530,997,373	530,997,373	-	-	530,997,373
	9,535,813,091	-	-	9,535,813,091	9,535,813,091	-	-	9,535,813,091
Financial liabilities not measured at fair value								
Redeemable preference shares	-	-	1,000,000,000	1,000,000,000	1,000,000,000	-	-	1,000,000,000
Finance lease liabilities	-	-	-	-	-	-	-	-
Dividends payable on redeemable shares	-	-	64,871,781	64,871,781	64,871,781	-	-	64,871,781
Trade creditors	-	-	331,314,920	331,314,920	331,314,920	-	-	331,314,920
	-	-	1,396,186,701	1,396,186,701	1,396,186,701	-	-	1,396,186,701



34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

34.1 Introduction

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

Risk management framework

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

Principal financial instruments

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

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

34.2 Liquidity risk

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

	Carrying amount	Contractual cash flows	Less than 01 year	More than 01 year
As at 31st March, 2020				
Non-derivative financial liabilities				
Trade payables	207,894,344	-	207,894,344	-
Due to related companies	64,871,781	-	64,871,781	-
Loans and borrowings	972,992,046	-	137,737,418	835,254,628
Other payables	638,029,303	-	638,029,303	-
	<u>1,883,787,474</u>	<u>-</u>	<u>1,048,532,846</u>	<u>835,254,628</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 31st March, 2019

Non-derivative financial liabilities

Trade payables	331,314,920	-	331,314,920	-
Due to related companies	64,871,781	-	64,871,781	-
Loans and borrowings	209,806,080	-	123,201,408	86,604,672
Other payables	718,285,930	-	718,285,930	-
	<u>1,324,278,711</u>	<u>-</u>	<u>1,237,674,039</u>	<u>86,604,672</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 2020 (Figures indicate in LKR)					
	LKR	USD	GBP	SGD	Others	Total
Trade receivable	28,238,434	11,443,817,111	-	-	-	11,472,055,545
Trade payables	142,366,095	55,476,619	74,101	7,572,035	2,405,494	207,894,344
As at 31 March 2019 (Figures indicate in LKR)						
	LKR	USD	GBP	SGD	Others	Total
Trade receivable	11,027,304	8,358,117,542	-	-	-	8,369,144,846
Trade payables	209,591,125	62,757,240	5,035,790	16,870,270	37,060,494	331,314,920

The following significant exchange rates were applied during the year.

	Average rate	
	2020	2019
USD	178.98	167.60
GBP	228.62	221.06
SGD	130.73	123.73
EUR	197.80	194.93
Reporting date spot rate		
	2020	2019
USD	189.80	176.00
GBP	233.90	229.95
SGD	133.35	129.96
EUR	208.79	197.43



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

34.4 Credit risk

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

Exposure to credit risk

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

	2020 Rs.	2019 Rs.
As at 31st March Carrying amount		
Trade receivables	11,346,794,787	8,315,892,221
Due from related companies	125,260,758	53,252,625
Other receivables	304,359,083	315,670,872
Short-term investment	397,000,000	320,000,000
Cash and cash equivalents	363,800,032	530,997,373
	<u>12,537,214,660</u>	<u>9,535,813,091</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:

	2020 Rs.	2019 Rs.
Domestic	10,859,479,961	7,752,394,023
Other foreign countries	677,870,883	677,870,883
	<u>11,537,350,844</u>	<u>8,430,264,906</u>
Less: Provision for impairment of trade receivables and due from related parties	<u>(65,295,299)</u>	<u>(61,120,060)</u>
	<u>11,472,055,545</u>	<u>8,369,144,846</u>

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

	2020 Rs.	2019 Rs.
Airlines	11,527,127,667	8,420,041,729
Other(s)	10,223,177	10,223,177
	<u>11,537,350,844</u>	<u>8,430,264,906</u>
Less: Provision for impairment of trade receivables and due from related parties	<u>(65,295,299)</u>	<u>(61,120,060)</u>
	<u>11,472,055,545</u>	<u>8,369,144,846</u>

Impairment losses

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

	Gross amount 2020 Rs.	Impairment 2020 Rs.	Gross amount 2019 Rs.	Impairment 2019 Rs.
Neither past due nor impaired	11,341,364,423	-	8,042,819,571	-
Past due 31-90 days	130,149,934	-	279,915,511	-
Past due 91-365 days	12,800,682	-	46,375,088	-
Past due over 365 days	53,035,805	65,295,299.00	61,154,734	61,120,058
	<u>11,537,350,844</u>	<u>65,295,299.00</u>	<u>8,430,264,904</u>	<u>61,120,058</u>

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

	Total Rs.	1-30 days Rs.	31-90 days Rs.	91-180 days Rs.	181-360 days Rs.	More than 360 days Rs.
Srilankan Airlines Ltd	10,686,389,490	246,652,053	976,819,705	1,477,814,317	3,004,788,311	4,980,315,103

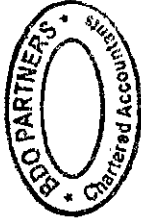
The movement in provision for impairment of trade receivables and due from related parties.

	2020 Rs.	2019 Rs.
Balance at 01st April	61,120,060	53,083,162
Reversal of provision	(227,384)	-
Provision provided	4,402,623	8,036,898
Balance at 31st March	<u>65,295,299</u>	<u>61,120,060</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.



35. SEGMENTAL ANALYSIS



Note	Flight Kitchen			BIA Restaurant			Other Segments			Total	
	2020	2019	2020	2020	2019	2020	2019	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
3	7,209,306,782 (1,278,128,193) 5,931,178,589	7,825,298,631 (1,618,749,988) 6,206,548,643	1,219,992,481 (348,819,069) 871,173,412	1,266,312,730 (311,478,383) 954,834,347	596,847,099 (78,157,375) 518,689,724	658,039,772 (96,188,465) 561,851,307	9,026,146,362 (1,705,104,637) 7,321,041,725	9,749,651,133 (2,026,416,836) 7,723,234,297			
4	10,123,890	10,745,589				10,123,890	10,745,589				
5	(1,719,674,510) (827,112,083)	(1,487,259,588) (821,203,782)	(238,307,604) (134,106,587)	(191,916,527) (224,465,049)	(147,004,994) (103,306,078)	(133,360,940) (172,251,387)	(2,104,987,108) (1,064,524,748)	(1,812,537,055) (1,217,920,218)			
6	3,394,515,885	3,908,830,862	498,759,222	538,452,771	268,378,652	256,238,980	4,161,653,758	4,703,522,613			
	895,774,072 (169,014,739) 726,759,333	1,086,685,537 (139,270,352) 947,415,185	3,927,110 (61,080,658) (57,153,548)	20,394,147 -	240,668 (37,313,325) (37,072,657)	4,581,448 -	899,941,850 (267,408,722) 632,533,128	1,111,661,132 (139,270,352) 972,390,780			
7	4,121,275,218 (20,073,024) 4,101,202,194	4,856,246,047 (56,257,914) 4,799,988,133	441,605,674 (6,315,491) 435,290,183	558,846,918 (13,087,992) 545,758,926	231,305,994 (8,289,601) 223,016,394	260,820,428 (4,070,979) 256,749,449	4,794,186,887 (34,678,115) 4,759,508,772	5,675,913,393 (73,416,885) 5,602,496,508			
		602,820,380						602,820,380			
24	(11,982,964)	(3,184,729) (90,900,766)					(11,982,964)	(3,184,729) (90,900,766)			
	(11,982,964)	508,734,884					(11,982,964)	508,734,884			
	4,089,219,230	5,308,723,017	435,290,183	545,758,926	223,016,394	256,749,449	4,747,525,809	6,111,231,392			
Segment Assets	15,259,856,038	12,291,317,066	361,099,541	184,791,823	271,109,018	113,564,670	15,892,064,596	12,589,673,559			
Segment Liabilities	2,958,715,503	3,088,577,833	424,267,209	6,737,874	271,537,544	7,631,388	3,654,520,255	3,102,947,095			

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

SRILANKAN CATERING LIMITED
DETAILED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH, 2020

	Statement	2019/2020 Rs.	2018/2019 Rs.
Revenue	1	9,026,146,362	9,749,651,133
Cost of sales		<u>(1,705,104,636)</u>	<u>(2,026,416,836)</u>
Gross profit		7,321,041,726	7,723,234,297
Other income	2	10,123,889	10,745,589
		<u>7,331,165,615</u>	<u>7,733,979,886</u>
Administrative expenses	3	(2,104,987,108)	(1,812,537,055)
Other operational expenses	4	<u>(1,064,524,747)</u>	<u>(1,217,920,218)</u>
Profit from operations		4,161,653,760	4,703,522,613
Finance income	5	899,941,850	1,111,661,132
Finance expenses	6	<u>(267,408,722)</u>	<u>(139,270,352)</u>
Net profit before taxation		<u><u>4,794,186,888</u></u>	<u><u>5,675,913,393</u></u>



SRILANKAN CATERING LIMITED
FOR THE YEAR ENDED 31ST MARCH, 2020

	2019/2020 Rs.	2018/2019 Rs.
REVENUE		Statement 1
Flight kitchen	7,209,306,782	7,825,298,631
Vannila Pod Café	34,004,925	31,877,009
Serenediva transit hotel	173,759,482	174,582,676
Semondu restaurant	25,484,691	38,603,093
Emirates Lounge	128,326,982	140,227,853
Laundry sale	227,752,073	259,948,836
Public restaurant	98,404,614	73,556,116
Transit restaurant	1,121,587,868	1,192,756,613
MRIA restaurant	7,518,945	12,800,306
Total sales	9,026,146,362	9,749,651,133
	Statement 1.1	
Revenue		Statement 1.1
Meals	6,815,605,834	7,414,023,689
Handling charges	1,046,114,281	985,800,315
Miscellaneous	786,152,155	937,777,669
Other sales	378,274,092	412,049,460
	9,026,146,362	9,749,651,133
OTHER INCOME		Statement 2
Disposal of of garbage	10,123,889	10,333,759
Sundry income	-	411,830
	10,123,889	10,745,589
ADMINISTRATION EXPENSES		Statement 3
Donations	421,250	219,179
Depreciation of property, plant and equipment	320,310,508	207,609,062
Amortization of ROU assets	47,176,066	-
Amortization of intangible assets	10,230,989	10,720,649
Auditors Fees	1,250,402	2,730,769
Consultants Fees	5,380,050	5,217,966
Lawyer's Fees	2,652,622	2,883,750
Secretarial Fees	330,000	360,000
Subscription Fees	1,445,034	1,676,471
Business Promotion	536,525	318,228
Director Fees	(731,595)	4,129,875
Entertainment	395,932	806,171
Advertising	3,867,643	1,837,017
Staff cost	1,697,624,761	1,559,202,059
Other administration expenses	14,096,921	14,825,859
	2,104,987,108	1,812,537,055



SRILANKAN CATERING LIMITED
FOR THE YEAR ENDED 31ST MARCH, 2020

	2019/2020 Rs.	2018/2019 Rs.
ADMINISTRATION EXPENSES (CONTD....)		
Personal Expenses		Statement 3.1
Staff Salaries	811,141,367	729,381,621
Contributions to Employees' Provident Fund	99,695,385	91,124,259
Contributions to Employees' Trust Fund	22,812,740	20,700,211
Overtime	114,337,043	132,596,199
Staff Welfare	237,277,482	235,836,359
Staff Insurance	8,440,485	6,964,512
Staff Training	5,267,385	3,220,954
Bonus	275,072,643	232,908,045
Uniforms	16,941,565	16,089,824
Expenses related to defined benefit plans	95,016,300	84,062,487
Prepaid staff cost	2,061,132	2,145,128
Provision for leave encashment	9,561,234	4,172,460
	<u>1,697,624,761</u>	<u>1,559,202,059</u>
OTHER OPERATIONAL EXPENSES		
		Statement 4
Profit/(loss) on disposal of fixed assets	12,196,367	1,118,736
Profit/(loss) on disposal of Scrap	3,021,664	-
Cleaning Material	81,164,542	83,225,407
Fuel and gas	130,953,547	149,409,568
Repairs and Maintenance	194,377,100	173,608,394
Travelling	10,226,081	9,181,873
Casual Labour	195,337,241	195,258,562
Garbage Disposal	24,537,242	22,911,544
Sundry Operational Expenses	1,124,710	1,850,174
Rent	10,870,440	162,465,457
MRIA Rent reversal	(11,122,000)	-
Licence Fees	56,800	934,869
Electricity	174,671,409	176,288,721
Water	16,330,461	23,832,098
Security	65,255,040	69,271,194
Storage	1,309,562	1,350,000
Insurance	13,739,498	11,819,817
Postage / Stamps	108,635	287,865
Telephone	7,543,320	8,241,864
Bank Charges	11,203,060	9,845,048
Rates and Taxes	2,341,456	1,983,490
Disallowable tax	1,897,037	5,943,508
Provision for bad debt provision - Mihin Lanka	5,032,772	8,036,896
Provision for slow moving stock	21,831,687	(8,846,431)
Provision for Impairment (Equipment MRIA F/Kitchen)	-	6,397,406
Concession fees	88,017,076	88,782,906
Litigation	2,500,000	14,721,252
	<u>1,064,524,747</u>	<u>1,217,920,218</u>



SRILANKAN CATERING LIMITED
FOR THE YEAR ENDED 31ST MARCH, 2020

	2019/2020 Rs.	2018/2019 Rs.
FINANCE INCOME		Statement 5
Interest income	58,363,302	37,078,749
Interest income - staff loans	2,233,703	1,807,017
Exchange gain	839,344,845	1,072,775,366
	<u>899,941,850</u>	<u>1,111,661,132</u>
FINANCE EXPENSES		Statement 6
Bank interest	(8,608,229)	(9,170,352)
Lease Interest	(128,700,493)	
Preference share dividend	(130,100,000)	(130,100,000)
	<u>(267,408,722)</u>	<u>(139,270,352)</u>
Net finance income	<u>632,533,128</u>	<u>972,390,780</u>

