SRILANKAN CATERING LIMITED
KATUNAYAKE

FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31ST MARCH, 2018

CONTENTS

Corporate Information

NAME OF THE COMPANY

SriLankan Catering Limited

COMPANY REGISTRATION NUMBER

PV1418 PB

LEGAL FORM

Public Limited Liability Company

BOARD OF DIRECTORS

Ranjit Fernando/Chairman

Mano Tittawella

Dr. Mrs. Roshan Perera

Air Marshal Kapila Jayampathy

S. Katugampola

S. G. Senarathne

Johann Wijesinghe

AUDIT COMMITTEE

Mano Tittawella (Chairman)
Director

Dr. Mrs. Roshan Perera (Member)
Director

S. G. Senaratne (Member)
Director

Air Marshal Kapila Jayampathy (Member)
Director

HUMAN RESOURCES & REMUNERATION COMMITTEE

Air Marshal Kapila Jayampathy
(Chairman)

Dr. Mrs. Roshan Perera (Member)
Director

S. Katugampola (Member)
Director

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
Auditor General's Department
No. 306/72, Polduwa Road
Battaramulla.

REGISTERED OFFICE

SriLankan Catering Limited
Airline Centre
Bandaranaike International Airport
Katunayake
Sri Lanka

CORPORATE WEBSITE
www.srilankancatering.com

Profile of the Directors

Ranjit Fernando

Currently serves as the Chairman of SriLankan Airlines Limited and SriLankan Catering Limited.

Mr. Fernando was the former CEO and a Director of the National Development Bank in Sri Lanka. After retiring from the Bank's service he served as the Secretary to the Ministry of Enterprise Development, Industrial Promotion and Industrial Policy as well as the Ministry of Constitutional Affairs.

He has and continues to serve on the Boards of many public listed and private companies both in Sri Lanka and abroad. He was the Chairman of Prasac Microfinance in Cambodia and United Motors PLC in Sri Lanka.

Mr. Fernando is an (Hons) Graduate in Law and an Attorney-at-Law (First Class). He is also a Fellow of the Chartered Institute of Bankers (UK), a Fellow of the Chartered Institute of Management Accountants (UK) and a Companion of the Chartered Institute of Management (UK).

Mano Tittawella

Mr Mano Tittawella is the Secretary General of the Secretariat for Coordinating Reconciliation Mechanisms (SCRM), which is entrusted with coordinating Transitional Justice Mechanisms in Sri Lanka. Mr Tittawella is also the Senior Adviser to the Hon. Minister of Finance and Mass Media.

Mr Tittawella was the Senior Presidential Adviser on Economic Affairs and was the Senior Director General - President's Office from August 2003 to November 2005. He was the first Chairman and the Chief Executive Officer of the Strategic Enterprises Management Agency (SEMA), which was an initiative that he promoted to bring better accountability, good governance and enhanced performance to the largest public enterprises in Sri Lanka. Apart from serving on the Board of National Council for Economic Development (NCED), which was the apex body, coordinating all economic development activities in Sri Lanka, he served as Chairman of Task Force to Rebuild the Nation (TAFREN), which was set-up to handle Post-Tsunami Reconstruction and Recovery of the Country.

Mr Tittawella has held many other key positions in the State Sector, such as Director General of Public Enterprises Reform Commission (PERC) - the then Privatization Agency of the Government of Sri Lanka and Chairman of People's Bank - a state owned bank in Sri Lanka, along with many Board positions in some of Sri Lanka's largest state sector enterprises. Mr Tittawella has over 35 years' experience in senior positions in the Private Sector as well.

Born on 8th May 1960, Mr Tittawella was educated at Royal College Colombo and has an MBA in Capital Markets & Finance, from the University of Edinburgh and a Post-graduate Diploma in Human Computer Interaction from the British Open University. He was also a Member of the International Board of Trustees (IBT) of the Chartered Institute of Marketing (CIM) UK, from year 2000 to 2003.

Mr Tittawella has been appointed to serve as Chairman of the Insurance Regulatory Commission of Sri Lanka and Board Member of Sri Lankan Airlines Limited.

Dr. Roshan Perera

Dr Roshan Perera is Additional Director, Bank Supervision Department of the Central Bank of Sri Lanka. Prior to this, she worked with the Central Bank in various other capacities: as a Senior Economist and a Deputy Director in the Economic Research Department and as an Additional Director at the Policy Review and Monitoring Department. She was seconded to the Ministry of Public Enterprise Development (MPED) from 2015-2017. At MPED she was involved in the restructuring of state owned enterprises; she assisted in updating the Handbook on Good Governance for Chairmen and Boards of Directors of Public Enterprises as and developing a capacity building framework to train directors and senior managers in public enterprises on corporate governance.

She has also been a consultant for the World Bank and UNDP, as well as a research fellow at the University of Melbourne and at the Institute of Policy Studies, Sri Lanka. She currently serves on the board of directors of the Institute of Policy Studies.

She has a BA. in Economics (Honours) from the University of Colombo and a PhD in Economics from the University of Melbourne. She is a passed finalist of the Chartered Institute of Management Accountants (CIMA).

Air Marshal Kapila Jayampathy

Kapila Veediya Bandara Jayampathy joined the Sri Lanka Air Force as an Officer Cadet in the General Duties Pilot Branch in the 10th Officer Cadet intake on 05th March 1982. After completing his basic and advanced helicopter flying training, he became the youngest Qualified Helicopter Instructor (QHI) in the Air Force history. Rising through the ranks, he was able to recognize himself as one of the most instrumental figures during the battles to defeat the ruthless terrorist forces of the LTTE and is credit for introducing and establishing the Airbase Defence and Rescue Squadron of the Sri Lanka Air Force, which later became the Regiment Special Forces.

Air Marshal Jayampathy sustained injuries during combat in 1989 and became the first battle casualty of the Sri Lanka Air Force granting him the honour of wearing the 'Desha Putra Sammanaya' that acknowledges his bravery that safeguarded lives and assets. He is a decorated war hero who has been awarded the 'Rana Sura Paddakkama' in four occasions, the 'Rana Wickrama Padakkama' and 'Weera Wickrama Wibhushanaya' for displaying selfless gallantry in the face of the enemy.

With a military career extending over more than 37 years, he has commanded numerous flying formations, performed duties as a Staff Officer and held appointment as a Base Commander and as the Commandant of the Sri Lanka Air Force Academy, China Bay, Trincomalee. Furthermore, Air Marshal Kapila Jayampathy served in the Air Force Board of Management as the Director Logistics and later as the Director Air Operations, contributing immensely for the advancement and modernization of the Air Force. This confidence bestowed upon him by the Sri Lanka Air Force is a true testament of his command, leadership and faculty as a professional military officer of the Armed Forces.

He reached the zenith of his Air Force career when he was appointed to hold office as the Commander of the Air Force and being at the helm with the promotion to the rank of Air Marshal by His Excellency the President Maithripala Sirisena on 11th September 2016. As the incumbent Commander of the Air Force, Air Marshal Jayampathy has formulated the 'Vision 2025' as the way forward for the Sri Lanka Air Force, underpinned on its core competencies and guided through a doctrine, to become one of the most technologically advanced and modern Air Forces in Asia.

Recognizing his unblemished and distinguished service to the nation, he has been recognized with multitude of service medals together with the 'Uttama Seva Padakkama' and 'Vishishta Seva Vibushanaya' in 2018. On par with his military career Air Marshal Kapila Jayampathy is a well-read academic in defence and strategic studies, warfare and international relations, graduating with MSc in International Relations from Preston University in Pakistan and MMSc in Strategic Studies from National Defence University in China and becoming an alumnus of Harvard University and the National Defence College in USA. In recognition of his exemplary service to the nation and the commitment to uphold the national vision towards sustainable development, His Excellency the President appointed Air Marshal Kapila Jayampathy as a Member of the Board of Directors of Sri Lankan Air Lines Limited on 29th March 2018. He is an ardent golfer and is married with four children.

Johann Wijesinghe

Johann Wijesinghe was appointed to the Board of SriLankan Airlines Limited on 8th May 2018 and subsequently appointed to the Board of SriLankan Airlines Catering.

Presently, Johann serves as the Managing Director of Hayleys Aviation and Projects and as Managing Director of Alufab PLC, a subsidiary of the Hayleys Group. He is also an Executive Director of S&T Interiors (Pvt) Ltd, a JV company of Hayleys. He is a member of the Hayleys Group Management Committee. He is responsible for the Aviation sector, Hotel Development, Construction Management, Aluminium Fabrication and Interior fit-out businesses of the Group. In addition to SriLankan Airlines, he currently serves as a director on the board of 17 companies, belonging to the Hayleys Group and Vallibel One.

Prior to joining Hayleys, Johann held several senior positions at SriLankan Airlines including management positions in the Far East, Europe, Middle East, and the Head Office in Colombo and was also a member of the Group Senior Management Team of the Airline.

Johann's affiliation with SriLankan Airlines goes back to June 1983 when he joined as a Trainee Marketing Executive of then Air Lanka. Subsequently his career with the Airline progressed to senior positions during a period of 14 years. His second stint with SriLankan commenced in October 2003 and at the time of resigning 5 years later from SriLankan, he was the Head of Cargo. Johann holds over 35 years' experience in the Aviation and Hospitality Industry.

He holds an MBA from the University of Leicester (UK) and is a Member of the Chartered Institute of Marketing (UK).

S. Katugampola

Don Susantha Katugampala, who is undoubtedly the leading Lawyer in Australia of Sri Lankan origin, left Sri Lanka 29 years ago to Australia where he completed his Bachelor's in Law LLB degree at prestigious Monash University in Melbourne. He was admitted to the Supreme Court of South Australia and Supreme Court of Victoria and practiced Law in both Adelaide and in Melbourne. In 1998 he started his practice in Immigration and Commercial Law at the renowned firm Knox and Hargrave Lawyers in Adelaide the oldest Law firm in South Australia established in 1838. In early stage of he engaged in commercial legal practice on behalf of Knox and Hargrave Lawyers in Adelaide and then established Fairfields Lawyers in Melbourne in 1999.

Katugampala is a Member of Law Council of Australia, Member of Law Institute of Victoria, Member of Law Asia and Member of International Section of American Bar Association (ABA). In 1999 Don has establised Fairfields Lawyers in Melbourne Australia that gained reputation nationaly and internationally in Australian Immigration and Commercial legal advisory. Don has advised many companies and investors from China, Japan, USA, UK, Singapore, Malaysia, India, Thailand, Indonesia Dubai and Sri Lanka to establish company strctures in Australia and secure investments in Australia including the services of joint venture agreements between Australian partners, Due-Dilegence of companies, Australian Government approvals, Finance agreements with Australian Banks and Investor visa matters.

Don has traveled extensively for his international legal work to many countries such as China, India, Japan, USA, UK, New Zealand, Singapore, Malaysia, Thailand, Indonesia, Dubai, Russia, Germany, France, Grece and many other countries in the world. He has the experience in dealing with International clients as an International lawyer in Australia of Sri Lankan origin. Going out of his way, Katugampala has helped countless Sri Lankans to legally settle in Australia realizing their 'Australian Dream' but never forgot his beloved motherland. In the aftermath of the 2004 Asian Tsunami, he mustered the help of other Sri Lankan expats to attract the attention and assistance of both the Australian government and her people to lend out a helping hand to Sri Lankans affected by the disaster. He was a founding member of Australia Sri Lanka Medical Aid Team (AUSLAMAT) extended millions of dollars' worth of Medical Aid to people in need in Sri Lanka.

As an expatriate Sri Lankan Lawyer in Australia, he has made significant contribution to advancement of ties between the two nations and has been well recognized and respected by the Australian public over many years. Katugampala was awarded the 'Best Lawyer Award' at the Serendib Sri Lankan Community Awards in Australia three years in a row. He continued to campaign to bring the Sri Lankan expats back and engage in the Sri Lanka's development that is essential today. Susantha Katugampala has been appointed as a Board Member of the Sri Lankan Airlines the national airline of Sri Lanka in April 2018 by Government of Sri Lanka. He has been aptly called the 'unofficial and unpaid Ambassador' for Sri Lanka in Australia by many Australians in Government, Private Sector and Politics.

S. G. Senarathne

Mr.S. G. Senarathna is the former Director General of Department of State Accounts- General Treasury, and now he is serving to the same department in the capacity of Consultant. He has devoted his full capacity to serve public sector for over 41 years with the extensive experience in accounting and reporting, financial management, project management and monitoring of public enterprises. Mr. Senarathna is a Chartered Public Finance Accountant, UK (CPFA). He is a fellow member of CA Sri Lanka (FCA), Institute of Certified Management Accountants of Sri Lanka (FCMA), Association of Public Finance Accountants of Sri Lanka (FPFA) and Association of Accounting Technicians of Sri Lanka (FMAAT).

He holds a B.com (Special) Degree from University of Sri Jayewardenepura, Higher National Diploma in Commerce from Poli Technical Institution, Diploma in Public Financial Management from Sri Lanka Institute of Development Administration (SLIDA) and Post Graduate Diploma in Business & Financial Administration from CA Sri Lanka.

Mr.Senarathna started his career as a teacher in Department of Education. By completing 7 years in teaching service, he joined to the Sri Lanka Accountant's Service and served for several departments, ministries, public enterprises and foreign funded projects in different capacities as an Accountant, Director, Chief Financial Officer (CFO), Director General and now serving as a Consultant. Not only that, during his career life, he serving as a visiting lecturer in several universities, SLIATE, banking institutions and public sector capacity building institutions.

Mr. Senarathna has extended his service by serving as a board member of the State Mortgage & Investment Bank, Puttalam Salt Ltd, Lanka Mineral Sands Ltd. Mantai Salt Ltd, Gal-oya Plantations Ltd, Agarapathana Plantations Ltd & Government Officers' Benefit Association, Association of Public Finance Accountants of Sri Lanka, Vehicular Emission Test Trust Fund, Judicial Infrastructure Maintenance Trust Fund and presently Sri Lankan Airlines Limited.

BOARD AUDIT COMMITTEE REPORT 2017/18

ROLE AND RESPONSIBITIES

The Board Audit Committee (BAC) of SriLankan Catering scope and responsibilities are governed by the Board Audit Committee Charter approved by the Board of Directors. The purpose of the Board Audit Committee is to assist the Board of Directors of SriLankan Catering Ltd in fulfilling its responsibilities for the system of internal controls, the financial reporting process, the risk management process, the governance process, the audit process and the Company's process for monitoring compliance with laws and regulations and code of conduct.

COMMITTEE COMPOSITION

The Board members who served on the BAC during the year ended 31 March 2018 were Mr. J. M. S. Brito (Chairman. Resigned 31 March 2018), Mr. R.C.D. De Silva (Member. Resigned 30 March 2018), Mr. M. Haradasa (Member. Resigned 30 March 2018), Mr. R. Jayawardena (Member. Resigned 29 March 2018) and Lt. Col. Sunil Peiris (Member. Resigned 15 August 2017). On 24 April 2018, new members were appointed to the BAC namely, Mr. M. Tittawella (Chairman), Mr. S G Senarathna (Member), Dr. R. Perera (Member) and Air Marshal K. Jayampathy (Member).

Ms. A.D. Dilrukshi, Superintendent of Audit, Auditor General's Department (w/e/f 05 December 2017) and Mr. K.A.C. Shamantha, Chief Internal Auditor, Ministry of Public Enterprise Division (w/e/f 14 March 2018) attended as independent observers at Audit Committee meetings.

MEETINGS

The Board Audit Committee held four (4) meetings during the year ended 31 March 2018. The members of the management attend the meetings upon invitation to brief the Board Audit Committee on specific issues.

GROUP ASSURANCE AND ADVISORY SERVCIES DIVISION

The Group Assurance and Advisory Services (GAAS) Division of SriLankan Airlines conducts internal audits and 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.
- Reviewed the key corporate risks and departmental risks including procedures adopted by management to mitigate the effects of business risks.
- Reviewed the progress of the Business Continuity Plan to ensure a structured framework is established at SriLankan Catering in order to minimise the effects of risks from business interruptions/disasters.
- Reviewed the Company's quarterly compliance dashboards to determine all relevant laws and regulations are complied with.
- Reviewed the Internal Audit function, including the independence and authority of its reporting obligations and the internal audit plan.

- Reviewed the results of the External Auditor's report including Auditor General's Report and management responses to the issues highlighted.
- Reviewed the Year-end Audited Financial Statements and recommended for Board approval.
- Reviewed the Related Party Transaction details submitted on quarterly basis for the year ended 31 March 2018.
- Reviewed the revisions to SriLankan Catering Information Technology Manual, Finance Policies and Procedures Manual and Procurement Manual and recommended for Board approval.

M. Tittawella (sgd.)
Chairman Board Audit Committee
11th October, 2018

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 2018.

1. PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

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

As part of its ancillary business activities the Company manages and operates the Serenediva Transit Hotel, an Industrial Laundry, the Vanilla Pod Boulangerie & Patisserie sales outlet and the Semondu Restaurant at 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 2018 duly signed by the Manager Finance and the Directors, and the Auditor's Report thereon for the year ended 31st March 2018 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 25.

REVENUE

Revenue generated by the Company amounted to Rs.8,597.52 Mn (2016/17- Rs. 7,216.13 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,

	2017/2018	2016/2017
	Rs. (Mn)	**Rs. (Mn)**
Net profit before tax	3,896.23	3,761.64
Taxation	(5,92)	(25,25)
Net profit after tax	**3,890.30**	**3,736.39**

DIVIDEND

Preferential Dividend - The Company paid out Rs.130.1 Mn on account of preference shares for the period ended 31st March 2018.

Ordinary Shares Dividend - A final dividend of Rs. 3,175.93 Mn for the financial year 2016/17 was paid on 26 September 2017 and interim dividend of Rs. 2,138.17 Mn for the financial year 2017/18 was paid on 28 March 2018.

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.2,121.29 Mn (2016/17: Rs. 2,109.97 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 (2016/17: Rs. 1,000 Mn). Details of the share capital is given in Note No 20 of page 30.

RESERVES

Total Company reserves as at 31 March 2018 amount to Rs.5,655.67 Mn (2016/17: 7,067.56 Mn). This consists of Revenue Reserve (Accumulated Profit) of Rs.3,818.01 Mn (2016/17: Rs. 5,229,59 Mn) and Capital Reserve (Revaluation Surplus) of Rs. 1,837.66 Mn (2016/17: Rs. 1,837.97 Mn). Movements in these Reserves are shown in the Statement of Changes in Equity in the Financial Statements.

CORPORATE DONATIONS

The Company has made Rs. 1,678,000/- 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, local laundry sales and other business income are liable for income tax at the prevailing tax rate of 28%.

SHARE INFORMATION

Share information as at 31st March 2018 is as follows:

<u>Ordinary Shares</u>

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

<u>Non-Voting Redeemable, Cumulative and Convertible Preference Shares (10 Year Term)</u>

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 2018 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

No circumstances have arisen since the Balance Sheet date that would require adjustment or disclosure in financial statement other than mentioned below.

The Company will discontinue its operation of Semondu Restaurant at Dutch Hospital w.e.f 01 September 2018 by sub leasing it to a third party.

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 1,061 (2016/2017: 1,008).

STATUTORY PAYMENTS

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

ENVIRONMENTAL PROTECTION

The Company's business activities can have direct and indirect 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 is as follows:-

Ranjit Fernando	- Chairman
Mano Tittawella	- Director
Dr. Mrs. Roshan Perera	- Director
Air Marshal Kapila Jayampathy	- Director
S. Katugampola	- Director
S. G. Senarathne	- Director
Johann Wijesinghe	- Director

DIRECTORS' REMUNERATION

The Directors' remuneration paid for the financial year ended 31st March 2018 is disclosed in note no 33 on page no .35.

DIRECTORS' INTERESTS IN CONTRACTS

The Directors' interest in Contracts of the Company are included in Note 33 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

Auditor General was appointed as the External Auditors in term of article 154 (1) of 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 2018 in term of article 154 (4) of the Constitution of the Democratic Socialist Republic.

By Order of the Board

Airlanka (Private) Limited
Secretaries

....
Director Director

11th October, 2018

Statement of Directors' Responsibilities

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

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

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

The Directors continue to adopt the going concern basis in preparing the Financial Statements. The Directors, after making enquiries and following a review of the company's Budget for the financial year ending 31st March 2018 including cash flows and borrowing facilities, consider that the Company has adequate resources to continue in operation.

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

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

By Order of the Board

Dalrene Thirukumar
Company Secretary

11h October, 2018

මගේ අංකය / எனது இல. / My No. } AVA/C/SLCL/06/18/61   ඔබේ අංකය / உமது இல. / Your No. }   දිනය / திகதி / Date } 19 October 2018

To the Shareholders of the,
SriLankan Catering Limited.

Report of the Auditor General on the Financial Statements of the SriLankan Catering Limited for the year ended 31 March 2018.

Opinion

I have audited the financial statements of SriLankan Catering Limited, which comprise the statement of financial position as at 31 March 2018, and the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 05 to 40 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. In Carrying 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 31st March 2018, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

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 am independent of the Company in accordance with the ethical requirements of the Code of Ethics issued by CA Sri Lanka (Code of Ethics) that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code of Ethics. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the 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 the management determines, 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 have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are 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 SLAuSs 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 SLAuSs, I exercise professional judgment and maintain professional skepticism 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 management.

- Conclude on the appropriateness of 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 upto 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, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during my audit.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, I have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company and the financial statements of the Company comply with the requirements of Section 151 of the Companies Act No. 07 of 2007.

Report to Parliament

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

H.M.Gamini Wijesinghe

Auditor General

SRILANKAN CATERING LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH, 2018

	Note	2017/2018 Rs.	2016/2017 Rs.
Revenue	3	8,597,515,248	7,216,128,422
Cost of sales		(1,973,230,190)	(1,630,662,049)
Gross profit		6,624,285,058	5,585,466,373
Other income	4	8,391,638	29,721,855
		6,632,676,696	5,615,188,228
Administrative expenses	5	(1,640,675,095)	(1,533,299,378)
Other operational expenses	6	(1,182,490,165)	(1,052,421,288)
Profit from operations		3,809,511,436	3,029,467,562
Finance income		221,329,406	862,351,230
Finance expenses		(134,612,494)	(130,177,829)
Net finance income	7	86,716,912	732,173,401
Net profit before taxation		3,896,228,348	3,761,640,963
Income tax expenses	8	(5,923,815)	(25,254,186)
Net profit for the year after taxation		3,890,304,533	3,736,386,777
Other comprehensive income			
Actuarial gains/(loss) on defined benefit plan, net of taxes		11,910,095	48,490,374
Total other comprehensive income		11,910,095	48,490,374
Total comprehensive income		3,902,214,628	3,784,877,151
Basic earnings per share	9	4.14	3.97

Figures in brackets indicate deductions.

The accounting policies and notes on pages 05 to 40 form an integral part of these financial statements.

Colombo
11th October, 2018

BDO PARTNERS
Chartered Accountants

SRILANKAN CATERING LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH, 2018

	Note	2017/2018 Rs.	2016/2017 Rs.
ASSETS			
Non-current assets			
Property, plant and equipment	10	2,121,286,417	2,109,969,497
Capital work-in-progress	11	71,921,345	11,896,261
Intangible assets	12	42,126,586	27,709,970
Non-current investments	13	-	-
Total non-current assets		2,235,334,348	2,149,575,728
Current assets			
Inventories	14	334,479,168	287,111,733
Amounts due from related companies	15	84,693,905	185,598,154
Trade receivables	16	5,976,925,456	7,261,853,183
Other receivables	17	268,990,772	277,088,694
Short-term investments	18	152,000,000	-
Cash and cash equivalents	19	360,409,379	430,035,057
Total current assets		7,177,498,680	8,441,686,821
Total assets		9,412,833,028	10,591,262,549
EQUITY AND LIABILITIES			
Stated capital and reserves			
Stated capital	20	1,000,000,000	1,000,000,000
Retained earnings		3,818,014,596	5,229,586,537
Revaluation reserve		1,837,656,746	1,837,973,259
Shareholders' fund		6,655,671,342	8,067,559,796
Non-current liabilities			
Redeemable preference shares	21	1,000,000,000	1,000,000,000
Loans and borrowings - long-term	22	58,918,882	-
Deferred tax liability	23	77,134,354	77,134,354
Retirement benefit obligations - gratuity	24	505,964,822	482,463,238
Total non-current liabilities		1,642,018,058	1,559,597,592
Current liabilities			
Loans and borrowings - short term	22	109,040,246	-
Amounts due to related companies	25	64,871,781	64,871,781
Trade payables		357,452,284	282,761,757
Other payables	26	567,546,766	580,647,164
Income tax payables	27	16,232,551	35,824,459
Total current liabilities		1,115,143,628	964,105,161
Total equity and liabilities		9,412,833,028	10,591,262,549

Figures in brackets indicate deductions.

The accounting policies and notes on pages 05 to 40 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.

....
Manager - Finance

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
11th October, 2018
SSR/cc

BDO PARTNERS Chartered Accountants

SRILANKAN CATERING LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH, 2018

	Stated capital Rs.	Revaluation reserves Rs.	Retained earnings Rs.	Total Rs.
Balance as at 01st April 2016	1,000,000,000	1,839,887,244	4,536,278,621	7,376,165,865
Profit for the year	-	-	3,736,386,777	3,736,386,777
Other comprehensive income				
- Define benefit plan actuarial gain	-	-	48,490,374	48,490,374
Ordinary share dividend - 2015/2016	-	-	(3,093,483,220)	(3,093,483,220)
Surplus reversal on during the year disposals	-	(1,913,985)	1,913,985	-
Balance as at 31st March 2017	1,000,000,000	1,837,973,259	5,229,586,537	8,067,559,796
Profit for the year	-	-	3,890,304,533	3,890,304,533
Other comprehensive income				
- Define benefit plan actuarial gain	-	-	11,910,095	11,910,095
Ordinary Share Dividend - Final 2016/17	-	-	(3,175,928,760)	(3,175,928,760)
Ordinary Share Dividend - Interim - 2017/18			(2,138,174,322)	(2,138,174,322)
Surplus reversal on during the year disposals	-	(316,513)	316,513	-
Balance as at 31st March 2018	1,000,000,000	1,837,656,746	3,818,014,596	6,655,671,342

The accounting policies and notes on pages 05 to 40 form an integral part of these financial statements.

Colombo
11th October, 2018

BDO PARTNERS Chartered Accountants

SRILANKAN CATERING LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH, 2018

	2017/2018 Rs.	2016/2017 Rs.
Cash flow from operating activities		
Net profit before taxation	3,896,228,348	3,761,640,963
Adjustments for ;		
- Depreciation on property, plant and equipment	188,017,850	282,514,083
- Amortization of intangible assets	8,528,431	2,152,404
- Provision for bonus	203,888,942	164,061,684
- Provision for gratuity	88,351,806	76,003,244
- Provision for leave encashment	10,490,795	12,917,763
- Provision for bad and doubtful debtors	52,205,655	(2,001,398)
- Provision for slow-moving stock	-	(7,013,048)
- Provision for litigation	12,917,016	52,500,000
- Provision for Impairment (Equipment MRIA F/kitchen)	11,241,785	11,241,785
- Preference share dividend	130,100,000	130,100,000
- Interest expenses	4,512,494	77,829
- Interest income	(19,629,610)	(29,850,763)
- Profit/(loss) on disposal of property, plant and equipment	269,146	(21,502,003)
	690,894,310	671,201,580
	4,587,122,658	4,432,842,543
Operating profit before working capital changes		
(Increase)/decrease in inventories	(47,367,435)	(42,922,593)
(Increase)/decrease in trade and other receivables	1,318,267,454	(667,389,558)
Increase/(decrease) in trade and other payables	4,798,355	60,671,626
	1,275,698,374	(649,640,525)
Cash generated from operations	5,862,821,032	3,783,202,018
Bonus paid	(170,504,979)	(146,269,821)
Payment of defined benefit plans - Gratuity	(52,940,127)	(23,683,899)
	(223,445,106)	(169,953,720)
Net cash flow from/(used in) operating activities	5,639,375,926	3,613,248,298
Cash flow from investing activities		
Acquisition of intangible assests	(22,945,047)	(25,263,045)
Acquisition of capital work-in-progress	(146,407,780)	(11,896,261)
Acquisition of property, plant and equipment	(125,373,193)	(197,058,146)
Interest received	18,465,864	29,850,763
Investments in short-term investments	(152,000,000)	-
Proceeds from disposal of property, plant and equipment	15,000	21,502,003
Withdrawal/(New) short-term and long-term investment (Net)	-	6,551,708
Net cash from/(used in) investing activities	(428,245,156)	(176,312,978)
Cash flow from financing activities		
Borrowings obtained	218,449,145	
Repayment of borrowings	(50,490,017)	(1,947,389)
Interest paid	(4,512,494)	(77,829)
Dividend paid - ordinary shares	(5,314,103,082)	(3,093,483,220)
Dividend paid - preference shares	(130,100,000)	(130,100,000)
Net cash from/(used in) financing activities	(5,280,756,448)	(3,225,608,438)
Net increase in cash and cash equivalents	(69,625,678)	211,326,882
Cash and cash equivalents at the beginning of the year (Note A)	430,035,057	218,708,175
Cash and cash equivalents at the end of the year (Note B)	360,409,379	430,035,057
At the beginning of the year		Note A
Balances at banks	429,401,099	217,544,772
Petty cash in hand	633,958	1,163,403
	430,035,057	218,708,175
Bank overdrafts	-	-
	430,035,057	218,708,175
At the end of the year		Note B
Balances at banks	359,579,514	429,401,099
Petty cash in hand	829,865	633,958
	360,409,379	430,035,057
Bank overdrafts	-	-
	360,409,379	430,035,057

Figures in brackets indicate deductions.

The accounting policies and notes on pages 05 to 40 form an integral part of these financial statements.

Colombo
11th October, 2018

BDO PARTNERS
Chartered Accountants

1. CORPORATE INFORMATION

1.1 General

SriLankan 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.

SriLankan 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, 2018 were authorized for issue by the Board of Directors on 11th October, 2018.

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.

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2.1.4 Statement of compliance

The statement of financial position, statement of comprehensive income, changes in equity and cash flows, together with accounting policies and notes ("financial statements") of the company as at 31st March, 2018 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.

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, 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 the judgements, apart from those involving estimations, which has the most significant effect on the amounts recognized in the financial statements.

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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 judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the relevant notes as follows;

- Note 24 - Employee benefits
- Note 23 - Deferred tax assets and liabilities

2.1 Assets and bases of their valuation

2.1.1 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, 2015 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	2014/15	After revaluation from 2015/16
Building improvements	20 years	39 years
Furniture	05 years	15 years
Plant and machinery	05 years	15-20 years
Electrical equipment	05 years	15 years
Motor vehicle	04 years	14 years
Computer equipment	05 years	10 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 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.

2.1.2 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.

2.1.3 Assets held for sale

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

2.1.4 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.

2.1.5 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).

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

2.1.6 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).

2.1.7 Leases

a) **Finance leases**

Leases in terms of which the company assumes that substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of a finance lease are measured at an amount equal to the lower of their fair value or the present value of minimum lease payments at the inception less accumulated depreciation and accumulated impairment losses.

The corresponding principal amount payable to the lessor is shown as a liability. The finance charges allocated to future periods are separately disclosed in the notes.

The interest element of the rental obligation applicable to each financial year is charged to the statement of comprehensive income over the period of the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The cost of improvements to, or on leased property, is capitalized, and depreciated over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is shorter.

Any excess of sales proceeds over the carrying amount of assets in respect of a sale and leaseback transaction that result in a finance lease, is deferred and amortized over the lease term.

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b) Operating leases

Leases where the lessor effectively retains substantially all the risks and rewards of an asset under the leased term, are classified as operating leases.

Lease payments (excluding cost of service such as insurance and maintenance) paid under operating leases are recognized as an expense in the statement of comprehensive income over the period of lease on a straight line basis.

c) Leasehold property

The initial cost of acquiring leasehold property is treated as an operating lease and is amortized over the period of the lease in accordance with the pattern of benefits expected to be derived from the lease. The carrying amount of leasehold property is tested for impairment annually.

2.1.8 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 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 upto 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 recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the assets 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, 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.

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2.1.9 Financial instruments

2.1.9.1 Financial assets

a) Initial recognition and measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The company determines the classification of its financial assets at initial recognition. All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Purchase or sale of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date on which the company commits to purchase or sell the asset.

b) Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. 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 income in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income in finance costs.

d) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the company has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. 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 income in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income in finance costs.

e) Available-for-sale financial investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

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After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is de-recognized, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is re-classified to the statement of comprehensive income in finance costs and removed from the available-for-sale reserve. Interest income on available-for-sale debt securities is calculated using the effective interest method and is recognized in profit or loss.

The company evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term is still appropriate. When the company is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the company may elect to re-classify these financial assets in rare circumstances. Re-classification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the company has the intent and ability to hold these assets for the foreseeable future or until maturity. Re-classification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset to be reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is re-classified to the statement of comprehensive income.

f) **De-recognition**

A financial asset (or, where applicable a part of a financial asset or part of a company of similar financial assets) is de-recognized when:

a) The rights to receive cash flows from the asset have expired
b) The company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either the company has transferred substantially all the risks and rewards of the asset, or the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognized to the extent of the company's continuing involvement in it.

In that case, the company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

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2.1.9.2 Impairment of financial assets

The company assesses at each reporting date to ascertain whether there is any objective evidence that a financial asset or a company of financial assets is impaired. A financial asset or a company of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the company of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a company of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.1.9.3 Financial assets carried at amortized cost

For financial assets carried at amortized cost, the company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a company of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral have been realized or transferred to the company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

c) **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 LKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

d) **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.

e) **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.

2.1.11 Off-setting 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.

2.1.12 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.

2.1.13 Trade and other receivables
Trade and other receivables are initially measured at fair value and, after initial recognition, at amortized cost less impairment losses for bad and doubtful debt, if any except for the following receivables.

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- Short term receivables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoice amount less impairment losses for bad and doubtful debt, if any.

2.1.14 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.

2.1.15 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.

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.

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2.4 Liabilities and provisions

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

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

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

2.5.2 Defined benefit plans - gratuity

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

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

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

The actuarial valuation was carried out by professionally qualified independent actuary Messrs. Acturial & 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:

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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.

2.7 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.

2.8 Statement of comprehensive income

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

2.8.1 Revenue recognition

a) **Sale of goods**

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

b) **Finance income**

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

c) **Other operating income**

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

2.8.2 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.

2.8.2.1 Operating lease

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

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2.8.2.2 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.

2.9 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.

2.10 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.

2.11 Comparative figures

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

2.12 Statement of director's responsibility

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

2.13 Operating segments

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

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

Other operations include following segments, which do not meet the quantitative thresholds for determining reportable segments in 2018 and 2017.

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

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

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 of which the Interest would be payable at the rate of AWPLR + 1.5% p.a (2016/2017- AWPLR + 1.5%). The company also has overdraft facility of USD 0.35 Mn of which the interest would be payable at the rate of LIBOR + 4%.

Further, during the year company has obtained a term loan of USD 3.5 Mn for which interest is payable at a rate of LIBOR (3 months) + 3.10% per annum and floor rate is 4.25%, which USD 1,429,681.00 has been utilized as 31 March 2018.

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.

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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
- 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.

2.16 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.

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		2017/2018 Rs.	2016/2017 Rs.
3.	**REVENUE**		
	Flight kitchen	6,754,961,994	5,526,495,497
	Vanilla pod café	25,168,922	22,232,378
	Serenediva transit hotel	149,447,206	113,693,614
	Semondu restaurant	90,810,735	78,357,915
	Emirates lounge	133,529,119	143,388,452
	Laundry sale (Note 3.1)	223,806,758	198,627,262
	Public restaurant	67,420,880	59,244,092
	Transit restaurant	1,142,918,898	1,045,245,749
	Public restaurant - MRIA	4,806,538	3,809,499
	Transit restaurant - MRIA	4,644,198	25,033,964
	Total sales (Note 3.2)	8,597,515,248	7,216,128,422
3.1	Laundry sales - Local	47,638,300	23,169,622
	- Airlines	213,129,190	186,159,693
		260,767,490	209,329,315
	Inter department sales	(36,960,732)	(10,702,053)
		223,806,758	198,627,262
3.2	**Revenue**		
	Meals	6,319,306,615	5,540,036,548
	Handling chargers	660,665,782	560,495,701
	Miscellaneous	1,265,007,192	825,965,487
	Other sales	352,535,659	289,630,686
		8,597,515,248	7,216,128,422
4.	**OTHER INCOME**		
	Profit/(loss) on disposal of fixed assets	(269,146)	21,502,003
	Disposal of garbage	7,995,392	8,167,289
	Sundry income	665,392	52,563
		8,391,638	29,721,855
5.	**ADMINISTRATION EXPENSES**		
	Donations	1,678,000	394,532
	Depreciation of property, plant and equipment	188,017,851	282,514,083
	Amortization of intangible assets	8,528,431	2,152,404
	Fees and other charges	9,890,773	10,291,704
	Audit fees	1,150,576	1,200,000
	Staff cost (Note 5.1)	1,414,265,354	1,218,762,790
	Other administration expenses	17,144,110	17,983,865
		1,640,675,095	1,533,299,378
5.1	**Staff cost**		
	Expenses related to defined benefit plans	88,351,806	76,003,244
	Salaries and wages	1,019,783,781	890,152,252
	Contribution to Employee's Provident Fund	82,420,276	71,823,169
	Contribution to Employee's Trust Fund	18,522,768	16,038,674
	Provision for bonus	203,888,942	164,061,684
	Prepaid staff cost	1,297,781	683,767
		1,414,265,354	1,218,762,790

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	2017/2018 Rs.	2016/2017 Rs.
6. OTHER OPERATIONAL EXPENSES		
General operating expenses	574,483,707	563,890,294
Common expenses	458,913,636	433,986,643
Provision for slow-moving stock	-	(7,013,048)
Provision for impairment (Equipment MRIA F/kitchen)	11,241,785	11,241,785
Provision for bad and doubtful debts	52,205,655	(2,001,398)
Concession fees	85,645,382	47,261,985
Share of profit	-	5,055,027
	1,182,490,165	1,052,421,288

7. NET FINANCE INCOME

Finance income		
Interest income	18,465,864	28,903,999
Interest income - staff loans	1,163,746	946,764
Exchange gain	201,699,796	832,500,467
	221,329,406	862,351,230
Finance expenses		
Bank interest	4,512,494	77,829
Preference share dividend	130,100,000	130,100,000
	134,612,494	130,177,829
Net finance income	86,716,912	732,173,401

8. INCOME TAX EXPENSES

Current income tax (Note 8.1)	16,232,551	25,254,186
Under/(Over) provision in respect of previous years	(10,308,736)	-
	5,923,815	25,254,186

8.1 Reconciliation of income tax

Profit before tax as per the statement of comprehensive income	3,896,228,348	3,761,640,963
Less: Profit exempt from income tax	(3,868,718,106)	(3,711,694,949)
Profit liable for income tax	27,510,242	49,946,014
Disallowable expenses	14,373,116	9,641,021
Allowable expenses	(9,356,506)	(5,001,560)
Other sources of income	25,446,545	35,608,045
Total statutory income	57,973,397	90,193,520
Less: Losses set off	-	
Taxable income	57,973,397	90,193,520
Income tax liability at 28%	16,232,551	25,254,186

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 weighted average number of ordinary shares outstanding during the year.

	2017/2018 Rs.	2016/2017 Rs.
Amounts used as numerator		
Profit attributable to ordinary shareholders	3,890,304,533	3,736,386,777
Number of ordinary shares used as the denominator		
Weighted average number of ordinary shares in issue	940,268,456	940,268,456
	4.14	3.97

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10. PROPERTY, PLANT AND EQUIPMENT

	Cost/Valuation					Depreciation				Written down value	
Description of Assets	Balance as at 31.03.2017 Rs.	Additions Rs.	Transfers Rs.	Disposals Rs.	Balance as at 31.03.2018 Rs.	Balance as at 31.03.2017 Rs.	Charge for the year Rs.	On disposals Rs.	Balance as at 31.03.2018 Rs.	As at 31.03.2018 Rs.	As at 31.03.2017 Rs.
Freehold											
Buildings	1,528,055,719	93,800,988	319,390	-	1,622,176,097	78,547,897	41,064,651	-	119,612,548	1,502,563,549	1,449,507,822
Machinery and equipment	837,447,164	116,406,486	4,439,138	(1,688,457)	956,604,331	437,778,561	88,906,600	(562,399)	526,122,762	430,481,569	399,668,603
Furniture and fittings	47,544,529	1,417,915	(432,512)		48,529,932	9,746,742	4,967,983	-	14,714,725	33,815,207	37,797,787
Motor vehicles	258,481,322	130,500		-	258,611,822	57,969,606	53,078,616	-	111,048,222	147,563,600	200,511,716
MRIA kitchen	59,534,711	-	(21,896,460)	-	37,638,251	37,051,142	11,241,785	(17,517,168)	30,775,759	6,862,492	22,483,569
	2,731,063,445	211,755,889	(17,570,444)	(1,688,457)	2,923,560,433	621,093,948	199,259,635	(18,079,567)	802,274,016	2,121,286,417	2,109,969,497

In compliance with the Accounting policy, the company revalued building, machinery and equipment, furniture and fittings, motor vehicles by an independent valuer Mr. P. B.. Kalugalgedara, incorporated valuer of the Institute of Valuers (Sri Lanka) as at 31st March, 2015.

10.1 Revaluation Property, plant and equipment

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

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

	Cost Rs.	Accumulated depreciation as at 31st March, 2018 Rs.	Carrying value as at 31st March, 2018 Rs.
Building in Katunayake	1,676,700,436	632,973,931	1,043,726,505
Machinery and equipment	1,695,226,564	1,548,450,127	146,776,437
Furniture and fittings	62,234,164	59,067,546	3,166,618
Motor vehicles	452,885,220	338,401,148	114,484,072

10.3 The buildings have been constructed on the lands belonging to Airport & Aviation Services (Sri Lanka) Ltd in Bandaranayake International Airport.

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11. CAPITAL WORK-IN-PROGRESS

	Balance as at 01.04.2017	Additions during the year	Capitalized during the year	Balance as at 31.03.2018
New training building	7,168,151	34,387,460	(41,555,611)	-
Enhancing security system (Security phase I)	4,728,110	24,607,013	(29,335,123)	-
Transit Hotel expansion	-	10,685,375	(10,685,375)	-
Basement store expansion	-	4,806,587	(4,806,587)	-
Enhancing security system Security phase II	-	47,548,252	-	47,548,252
BIA Restaurant refurbishment	-	22,261,179	-	22,261,179
Chiller modification	-	2,111,914	-	2,111,914
	11,896,261	146,407,780	(86,382,696)	71,921,345

	2017/2018 Rs.	2016/2017 Rs.
12. INTANGIBLE ASSETS		
Computer software		
Balance as at 01st April, 2017	61,807,262	36,544,217
Additions during the year	22,945,047	25,263,045
Balance as at 31st March, 2018	84,752,309	61,807,262
Accumulated amortization		
Balance as at 01st April, 2017	34,097,292	31,944,888
Amortization during the year	8,528,431	2,152,404
Balance as at 31st March, 2018	42,625,723	34,097,292
Carrying amount	42,126,586	27,709,970

13. NON-CURRENT INVESTMENTS

Investment in AirLanka (Pvt) Ltd	200,000	200,000
Less: Impairment	(200,000)	(200,000)
	-	-

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

14. INVENTORIES

Raw materials	206,662,160	173,629,221
Maintenance and miscellaneous	128,579,577	112,539,894
Equipment stocks	9,327,603	8,734,668
	344,569,340	294,903,783
Provision for slow moving stock	(18,228,248)	(18,228,248)
	326,341,092	276,675,535
Work-in-progress	8,138,076	10,436,198
	334,479,168	287,111,733

15. AMOUNTS DUE FROM RELATED COMPANIES

Airport & Aviation Services (Sri Lanka) Limited		84,213,184	133,735,018
Mihin Lanka (Pvt) Ltd		53,174,497	52,351,655
		137,387,681	186,086,673
Provision for bad debts	15.1	(52,693,776)	(488,519)
		84,693,905	185,598,154

15.1 Provision for bad debts from related companies

Provision as at 01st April, 2017	488,519	3,961,318
Provision for the year	52,494,275	-
Reversal of provision for the year	(289,018)	(3,472,799)
Provision as at 31st March, 2018	52,693,776	488,519

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16. TRADE RECEIVABLES

		2017/2018 Rs.	2016/2017 Rs.
Airlines and others	16.1	5,977,314,844	7,262,242,571
Provision for bad debts	16.2	(389,388)	(389,388)
		5,976,925,456	7,261,853,183

16.1 The above receivable balance includes following receivables which are due from related parties.

SriLankan Airlines Limited	5,362,156,319	6,707,465,409
	5,362,156,319	6,707,465,409

16.2 Provision for bad debts

Provision as at 01st April, 2017	389,388	989,388
Bad debts write off	-	(600,000)
Provision as at 31st March, 2018	389,388	389,388

17. OTHER RECEIVABLES

Distress loans	19,019,499	14,513,594
Prepaid staff cost	838,461	1,306,608
Other staff advances	3,260,990	2,486,375
V.A.T. Receivable	25,611,216	48,368,979
Advances to suppliers	91,401,718	95,514,350
Advances / deposits and sundry receivables	128,858,888	114,898,788
	268,990,772	277,088,694

18. SHORT-TERM INVESTMENTS

Fixed deposit - BOC	152,000,000	-
	152,000,000	-

19. CASH AND CASH EQUIVALENTS

Cash in hand	829,865	633,958
Bank -Current accounts	22,432,755	93,106,857
Bank - FCBU accounts	311,562,131	37,350,205
Treasury bills	25,584,628	298,944,037
	360,409,379	430,035,057

20. STATED CAPITAL

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

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

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

	2017/2018 Rs.	2016/2017 Rs.

21. REDEEMABLE PREFERENCE SHARES

Preference shares - 10 years redeemable, cumulative and convertible - EPF	1,000,000,000	1,000,000,000
	1,000,000,000	1,000,000,000

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 or 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.

22. LOANS AND BORROWINGS

	2017/2018 Rs.	2016/2017 Rs.
Balance as at 01st April, 2017	-	1,947,389
Borrowed during the year	218,449,145	-
Repayment during the year	(53,762,073)	(1,947,389)
Exchange (Gain)/ loss	3,272,056	-
Balance as at 31st March, 2018	167,959,128	-

22.1 Amount payable within 12 months	109,040,246	
Amount payable after 12 months	58,918,882	-
	167,959,128	-

23. DEFERRED TAX LIABILITY

Balance as at 01st April, 2017	77,134,354	77,134,354
Balance as at 31st March, 2018	77,134,354	77,134,354

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

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23. DEFERRED TAX LIABILITY (CONTD....)

23.1 Unrecognized deferred tax (assets)

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

	2018 31st March Assets Rs.	2017 31st March Assets Rs.	2018 31st March Liabilities Rs.	2017 31st March Liabilities Rs.	2018 31st March Net Rs.	2017 31st March Net Rs.
Property, plant and equipment	4,523,640	4,195,712	-	-	(4,523,640)	(4,195,712)
Employee benefits	75,894,724	72,369,486	-	-	(75,894,724)	(72,369,486)
	80,418,364	**76,565,198**	-	-	**(80,418,364)**	**(76,565,198)**

Deferred tax liability on revaluation gain on the building improvements has been recognized. Other revaluation gains do not give rise to deferred tax as they reverse within the tax holiday period. Deferred tax assets have not been recognized because of the tax holiday of the company that was extended upto 2021 and thereafter a concessionary rate of 15% will apply for another 8 years. Therefore, the tax impact would be off set over the remaining 3 years and any remaining amount is considered immaterial. Deferred tax is quantified at the rate of 15%.

Movement in temporary differences during the year

	Balance as at 31st March, 2016 Rs.	Additions during the year Rs.	Balance as at 31st March, 2017 Rs.	Additions during the year Rs.	Balance as at 31st March, 2018 Rs.
Property, plant and equipment	27,086,320	1,404	27,087,724	3,069,873	30,157,597
Employee benefits	478,634,267	3,828,970	482,463,237	23,501,584	505,964,821
	505,720,587	3,830,374	509,550,961	26,571,457	536,122,418

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	2017/2018 Rs.	2016/2017 Rs.
24. RETIREMENT BENEFIT OBLIGATION - GRATUITY		
Movement in the present value of the defined benefit obligations		
Balance as at 01st April, 2017	482,463,238	478,634,267
Current service costs	57,895,588	28,139,817
Interest cost	30,456,218	47,863,427
Actuarial (gain)/loss during the year	(11,910,095)	(48,490,374)
Benefits paid during the year	(52,940,127)	(23,683,899)
Balance as at 31st March, 2018	505,964,822	482,463,238
Expense recognized in comprehensive income		
Current service costs	57,895,588	28,139,817
Interest on obligation	30,456,218	47,863,427
	88,351,806	76,003,244
Expense recognized in other comprehensive income		
Actuarial (gain)/loss during the year	(11,910,095)	(48,490,374)
	(11,910,095)	(48,490,374)

The actuarial valuation was carried out by professionally qualified actuary, Messrs. Actuarial & Management Consultants (Pvt) Ltd for the year ended 31st March, 2018 based on the following assumptions;

	2017/2018	2016/2017
Discount rate at 31st March	10%	12%
Salary escalation rate	10%	12%
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	(28,794,374)	(28,794,374)
One percentage point decrease (-1%) in Discount Rate	32,055,815	32,055,815
One percentage point increase (+1%) in Salary Escalation Rate	34,138,061	34,138,061
One percentage point decrease (-1%) in Salary Escalation Rate	(31,177,150)	(31,177,150)

		2017/2018 Rs.	2016/2017 Rs.
25. AMOUNTS DUE TO RELATED COMPANIES			
Employees' Provident Fund - Preference dividend payable		64,871,781	64,871,781
		64,871,781	64,871,781
26. OTHER PAYABLES			
Other creditors and accrued expenses		331,509,822	388,483,732
Provision - Leave encashment	Note 26.1	34,815,556	24,324,761
Provision for bonus		201,017,075	167,690,900
TDL Payable		204,313	147,771
		567,546,766	580,647,164

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26. OTHER PAYABLES (CONTD...)

26.1 The future leave encashment liability of the company was valued by a professional actuary, Messrs Acturial & Management Consultants (Pvt) Ltd for the year ended 31st March, 2018 based on the following assumptions.

	2017/2018 Rs.	2016/2017 Rs.
Discount rate as at 31st March	10%	12%
Salary escalation rate	10%	12%
Retirement age	55 years	55 years

27. INCOME TAX PAYABLE

Balance as at 01st April, 2017	35,824,459	10,570,273
Provision for the year	16,232,551	25,254,186
Reversal of overprovision	(10,308,736)	-
Taxes paid/ Set off with tax credits	(25,515,723)	-
Balance as at 31st March, 2018	16,232,551	35,824,459

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

The following capital commitments have been approved by the Board of Directors which are now in the research stage unless it specifies the agreement signed date, but not provided for in the financial statements.

Guarantees	LKR	LKR
- Bank of Ceylon	19,544,250	19,544,250
	US$	US$
- Commercial Bank	83,870	35,172

Further, the company has entered into following construction contracts which were in progress as at the date of the statement of financial position.

	Description	Total contract value Rs.	Completed value as at 31.03.2018 Rs.	Commitment as at 31.03.2018 Rs.
a)	BIA restaurant refurbishment	26,213,383	22,261,179	3,952,204
b)	Security phase II	53,860,963	47,033,024	6,827,939
c)	Chiller modification	3,519,856	2,111,914	1,407,942

Operating lease commitments

The company has constructed its building on a land owned by Airport & Aviation Services (Sri Lanka) Limited on an operating lease of 30 years.

The future minimum lease payments under the agreements are as follows.	2017/2018 Rs.	2016/2017 Rs.
Not later than one year	145,341,521	131,227,684
Later than one year and not later than five years	324,950,062	399,693,182
Later than five years	409,137,664	406,183,753
	879,429,247	937,104,619

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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.

The Labour Tribunal Case (LT Case No.21/337/2015) - K.D.L.J. Kamalpem Vs SriLankan Catering Ltd is being heard. Further, there are 4 cases which had been appealed by the company as at the date of financial position. A deposit of Rs.19,997,905/- 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 occurred between reporting date and the date on which the financial statements are authorized for issue.

The Company will discontinue its operation of Semondu Restaurant at Old Dutch Hospital w.e.f 31st August 2018 by sub leasing it to a third party.

32. COMPARATIVE INFORMATION

Comparative figures have been re-classified where necessary in line with the presentation requirements for the current year.

	Note	Balance as at 31.03.2017 Rs.	Re-classification adjustment Rs.	Re-classified balance as at 31.03.2017 Rs.
Amounts due from related companies	15	6,893,063,563	(6,707,465,409)	185,598,154
Trade receivables	16	554,387,774	6,707,465,409	7,261,853,183
Amounts due to related companies	25	115,097,540	(50,225,759)	64,871,781
Trade Payable		232,535,998	50,225,759	282,761,757
Other payables	26	560,874,391	19,772,773	580,647,164
Other receivable	17	257,315,921	19,772,773	277,088,694

32.1 The receivable balance from Srilankan Airlines Limited has been re-classified to trade debtors.

32.2 The payable balance to Airport & Aviation Services (Sri Lanka) Limited has been re-classified to trade payables.

32.3 The credit balance of AR deposit recorded in other receivable has been re-classified to other payables.

33. RELATED PARTY TRANSACTIONS

33.1 Parent and ultimate controlling party

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

33.2 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, Chief Executive Officer /General Manager.

	2017/2018 Rs.
Short-term benefits	3,670,945
Post employee benefits	-

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The above includes Directors' fee paid during the year amounting to Rs.3,670,945/-. No loans have been given to the directors of the company.

33. RELATED PARTY TRANSACTIONS (CONTD....)

33.3 Transactions with related parties

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

Name of the company	Relationship	Nature of transactions	2017/2018 Rs.	2016/2017 Rs.
SriLankan Airlines Ltd	Parent company	Sales	5,265,231,273	4,043,808,978
		Freight service	13,994,970	20,030,232
		Other service	113,230,467	52,665,056
		Dividend-ordinary shares	5,314,103,082	3,093,483,220
Airport & Aviation Services (Sri Lanka) Limited	Owner related company	Rent and others	577,322,742	474,799,867
Mihin Lanka (Pvt) Ltd	Government owned	Sales	-	253,812,753
Employees' Provident Fund	Prefernce shareholder	Preference share dividend	130,100,000	130,100,000
Ceylon Electricity Board	Government owned	Electricity expenses	168,425,721	145,810,940
Sri Lankan Telecom Limited	Government owned	Telephone expenses	5,878,849	4,594,179
Ceylon Petroleum Corporation	Government owned	Diesel	106,840,669	107,929,099
IRD	Government owned	Tax	38,833,031	30,076,424
Sri Lanka Port Authority	Government owned	Clearing expenses	-	254,807
State Pharmaceuticals Corporation	Government owned	Medicine	285,503	436,660
Ministry of Foreign Affairs	Government owned	Sales	1,550,959	1,062,488
Ceylon Tourist Board	Government owned	License fees	1,486,445	566,892

(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.

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34. FAIR VALUE OF FINANCIAL INSTRUMENTS

34.1 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.

	Carrying amount				Fair value			
31st March, 2018	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	152,000,000	-	-	152,000,000	152,000,000	-	-	152,000,000
Trade and other receivables	6,245,916,228	-	-	6,245,916,228	6,245,916,228	-	-	6,245,916,228
Cash and cash equivalents	360,409,380	-	-	360,409,380	360,409,380	-	-	360,409,380
	6,758,325,608	-	-	6,758,325,608	6,758,325,608	-	-	6,758,325,608
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	-	-	357,452,284	357,452,284	357,452,284	-	-	357,452,284
	-	-	1,422,324,065	1,422,324,065	1,422,324,065	-	-	1,422,324,065

	Carrying amount				Fair value			
31st March, 2017	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								
Fixed deposits	-	-	-	-	-	-	-	-
Trade and other receivables	7,538,941,877	-	-	7,538,941,877	7,538,941,877	-	-	7,538,941,877
Cash and cash equivalents	430,035,057	-	-	430,035,057	430,035,057	-	-	430,035,057
	7,968,976,934	-	-	7,968,976,934	7,968,976,934	-	-	7,968,976,934
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	-	-	282,761,757	282,761,757	282,761,757	-	-	282,761,757
	-	-	1,347,633,538	1,347,633,538	1,347,633,538	-	-	1,347,633,538

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

35.1 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 related	Credit risk

35.2 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, 2018				
Non-derivative financial liabilities				
Trade payables	357,452,284	-	357,452,284	-
Due to related companies	64,871,781	-	64,871,781	-
Loans and borrowings	167,959,128	-	109,040,246	58,918,882
Other payables	567,546,766	-	567,546,766	-
	1,157,829,959	-	1,098,911,077	58,918,882

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

	Carrying amount	Contractual cash flows	Less than 01 year	More than 01 year
As at 31st March, 2017				
Non-derivative financial liabilities				
Trade payables	282,761,757	-	282,761,757	-
Due to related companies	64,871,781	-	64,871,781	-
Other payables	580,647,164	-	580,647,164	-
	928,280,702	-	928,280,702	-

35.3 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 2018 (Figures indicate in LKR)					
	LKR	USD	GBP	SGD	Others	Total
Trade receivable	4,459,181	6,057,160,180	-	-	-	6,061,619,361
Trade payables	229,861,313	76,096,764	9,183,092	12,798,896	29,512,219	357,452,284
	As at 31 March 2017 (Figures indicate in LKR)					
	LKR	USD	GBP	SGD	Others	Total
Trade receivable	4,241,024	7,443,210,314	-	-	-	7,447,451,338
Trade payables	161,200,718	69,174,075	6,941,170	25,910,890	19,534,904	282,761,757

The following significant exchange rates were applied during the year.

	Average rate	
	2018	2017
USD	153.09	147.48
GBP	201.99	194.30
SGD	112.68	106.58
EUR	178.05	161.21

	Reporting date spot rate	
	2018	2017
USD	155.57	151.75
GBP	218.89	189.52
SGD	118.63	108.67
EUR	191.49	161.93

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

34.4 Credit risk

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

Exposure to credit risk

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

	2018 Rs.	2017 Rs.
As at 31st March Carrying amount		
Trade receivables	5,976,925,456	7,261,853,183
Due from related companies	84,693,905	185,598,154
Other receivables	268,990,772	277,088,694
Short-term investment	152,000,000	-
Cash and cash equivalents	360,409,379	430,035,057
	6,843,019,512	8,154,575,088

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

	2018 Rs.	2017 Rs.
Domestic	5,503,293,758	6,893,552,082
Other foreign countries	611,408,767	554,777,162
	6,114,702,525	7,448,329,244
Less: Provision for impairment of trade receivables and due from related parties	(53,083,164)	(877,906)
	6,061,619,361	7,447,451,338

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

Airlines	6,110,952,767	7,444,088,220
Other(s)	3,749,758	4,241,024
	6,114,702,525	7,448,329,244
Less: Provision for impairment of trade receivables and due from related parties	(53,083,164)	(877,906)
	6,061,619,361	7,447,451,338

Impairment losses

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

	Gross amount 2018 Rs.	Impairement 2018 Rs.	Gross amount 2017 Rs.	Impairement 2017 Rs.
Neither past due nor impaired	5,908,244,257	-	7,222,439,584	-
Past due 31-90 days	83,807,501	-	188,724,899	-
Past due 91-365 days	77,615,434	-	32,348,316	-
Past due over 365 days	45,035,333	53,083,162	4,816,445	877,906
	6,114,702,525	53,083,162	7,448,329,244	877,906

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	5,362,156,319	992,948,313	935,968,520	1,233,984,465	2,204,134,040	(4,879,019)

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

	2018 Rs.	2017 Rs.
Balance at 01st April	877,905	4,950,705
Reversal of provision	(289,018)	(4,072,800)
Provision provided	52,494,275	-
Balance at 31st March	53,083,162	877,905

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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	
		2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Revenue	3	6,754,961,994	5,526,496,449	1,210,339,777	1,104,489,841	632,213,475	585,142,133	8,597,515,246	7,216,128,423
Cost of sales		(1,572,495,983)	(1,259,722,582)	(282,680,265)	(256,304,054)	(118,053,942)	(114,635,413)	(1,973,230,190)	(1,630,662,049)
Gross profit		5,182,466,011	4,266,773,867	927,659,512	848,185,787	514,159,533	470,506,720	6,624,285,056	5,585,466,374
Other income	4	8,391,637	29,681,342	-	-	-	40,513	8,391,637	29,721,855
Administration expenses		(1,341,794,255)	(1,259,509,435)	(168,463,327)	(157,456,237)	(130,417,512)	(116,333,705)	(1,640,675,094)	(1,533,299,377)
Other operational expenses	5	(793,618,659)	(698,969,628)	(213,721,640)	(208,439,185)	(175,149,866)	(145,012,472)	(1,182,490,165)	(1,052,421,285)
Results from operating activities	6	3,055,444,734	2,337,976,146	545,474,545	482,290,365	208,592,155	209,201,056	3,809,511,434	3,029,467,567
Finance income		214,571,626	860,023,840	6,054,308	2,019,759	703,473	307,631	221,329,407	862,351,230
Finance costs		(134,612,494)	(130,177,829)	-	-	-	-	(134,612,494)	(130,177,829)
Net finance (cost) / income		79,959,132	729,846,011	6,054,308	2,019,759	703,473	307,631	86,716,913	732,173,401
Profit before income tax		3,135,403,866	3,067,822,157	551,528,853	484,310,124	209,295,628	209,508,687	3,896,228,347	3,761,640,968
Income tax expenses	7	5,192,988	(13,240,378)	(7,520,558)	(4,998,827)	(3,596,244)	(7,014,981)	(5,923,814)	(25,254,186)
Profit for the year		3,140,596,854	3,054,581,779	544,008,295	479,311,297	205,699,384	202,493,706	3,890,304,533	3,736,386,782
Other comprehensive income:									
Revaluation of property, plant and equipment, net of tax		-	-	-	-	-	-	-	
Defined benefit plan actuarial gains (losses)	24	11,910,095	48,490,374	-	-	-	-	11,910,095	48,490,374
Revaluation of property, plant and equipment, net of tax									
Other comprehensive income for the year		11,910,095	48,490,374	-	-	-	-	11,910,095	48,490,374
Total comprehensive income for the year		3,152,506,949	3,103,072,153	544,008,295	360,920,719	205,699,384	129,598,419	3,902,214,628	3,784,877,156
Segment Assets		9,139,452,236	10,219,611,449	171,389,872	230,368,971	101,990,920	121,509,356	9,412,833,028	10,571,489,776
Segment Liabilities		2,738,553,668	2,481,411,704	6,994,679	21,089,910	11,613,339	1,428,366	2,757,161,686	2,503,929,980

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

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SRILANKAN CATERING LIMITED
FOR THE YEAR ENDED 31ST MARCH, 2018

		2017/2018 Rs.	2016/2017 Rs.
REVENUE			**Statement 1**
Flight kitchen		6,754,961,994	5,526,495,497
Vannila Pod Café		25,168,922	22,232,378
Serenediva transit hotel		149,447,206	113,693,614
Semondu restaurant		90,810,735	78,357,915
Emirates Lounge		133,529,119	143,388,452
Laundry sale		223,806,759	198,627,262
Public restaurant		67,420,880	59,244,092
Transit restaurant		1,142,918,898	1,045,245,749
MRIA restaurant		9,450,735	28,843,463
Total sales	**Statement 1.1**	8,597,515,248	7,216,128,422
Revenue			**Statement 1.1**
Meals		6,319,306,615	5,540,036,548
Handling charges		660,665,782	560,495,701
Miscellaneous		1,265,007,192	825,965,487
Other sales		352,535,659	289,630,687
		8,597,515,248	7,216,128,423
OTHER INCOME			**Statement 2**
Profit/(loss) on disposal of fixed assets		(269,146)	21,502,003
Disposal of of garbage		7,995,392	8,167,289
Sundry income		665,392	52,563
		8,391,638	29,721,855
ADMINISTRATION EXPENSES			**Statement 3**
Donations		1,678,000	394,532
Depreciation of property, plant and equipment		188,017,851	282,514,083
Amortization of intangible assets		8,528,431	2,152,404
Auditors Fees		1,150,576	1,200,000
Consultants Fees		2,052,301	1,725,495
Lawyer's Fees		1,843,719	1,800,000
Secretarial Fees		388,632	392,800
Subscription Fees		1,056,345	1,421,080
Business Promotion		952,956	860,079
Director Fees		3,596,820	4,092,250
Entertainment		459,805	1,038,776
Advertising		1,840,087	2,394,000
Staff cost	**Statement 3.1**	1,414,265,354	1,218,762,790
Other administration expenses		14,844,218	14,551,089
		1,640,675,095	1,533,299,378

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SRILANKAN CATERING LIMITED
FOR THE YEAR ENDED 31ST MARCH, 2018

	2017/2018 Rs.	2016/2017 Rs.
FINANCE INCOME		Statement 5
Interest income	18,465,864	28,903,999
Interest income - staff loans	1,163,746	946,764
Exchange gain	201,699,796	832,500,467
	221,329,406	862,351,230
FINANCE EXPENSES		Statement 6
Bank interest	(4,512,494)	(77,829)
Preference share dividend	(130,100,000)	(130,100,000)
	(134,612,494)	(130,177,829)
Net finance income	86,716,912	732,173,401

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