SRILANKAN CATERING LIMITED
AIRLINE CENTRE, BIA
KATUNAYAKA

FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31ST MARCH, 2017

CONTENTS

Corporate Information

NAME OF THE COMPANY

Sri Lankan Catering Limited

COMPANY REGISTRATION NUMBER

PV1418 PB

LEGAL FORM

Public Limited Liability Company

BOARD OF DIRECTORS

Mr. A. N. Dias

Mr. R. S. Jayawardena

Lt. Col. Sunil. D. Peiris

Mr. J. M. S. Brito

Mr. R. C. D. De Silva

Mr. M. P. Haradasa

AUDIT COMMITTEE

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

Mr. R. S. Jayawardena (Member)
Director

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

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

Mr. M. P. Haradasa (Member)
Director

HUMAN RESOURCES & REMUNERATION COMMITTEE

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

Mr. R. S. Jayawardena (Member)
Director

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

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

Mr. M. P. Haradasa (Member)
Director

SECRETARIES
AirLanka (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

Ajith N. Dias

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

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

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

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

Rakhita Jayawardena

He is appointed to the Board of SriLankan Airlines Limited on 20th February 2015 and serves as a Director of SriLankan Catering Limited and Mihin Lanka (Pvt) Limited.

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

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

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

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

Sunil D. Peiris

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

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

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

J M S Brito

Appointed to the Board of SriLankan Airlines Limited on 12th February, 2015 and serves as a Director of SriLankan Catering Limited and Mihin Lanka (Pvt) Limited. He also serves as the Chairman of the Audit Committee of Srilankan Catering Limited.

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

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

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

R. C. D. De Silva

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

He is also a Director of SriLankan Catering Limited.

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

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

Mahinda Haradasa

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

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

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

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

Board Audit Committee Report 2016/17

Role and Responsibilities

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

Committee Composition

The Board Audit Committee comprises of five (5) members. The members of the BAC as at 31 March 2017 were Mr. J. M. S. Brito (Chairman), Mr. R.C.D. De Silva (Member), Mr. M. Haradasa (Member), Lt. Col. Sunil Peiris (Member) and Mr. R. Jayawardena (Member).

Meetings

The Board Audit Committee held four (4) meetings during the year ended 31 March 2017. The members of the management attend the meetings upon invitation to brief the Board Audit Committee on specific issues.

Group Assurance and Advisory Services

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

Functions of the Committee

- Reviewed the internal audit reports on system of internal controls including IS/IT controls and ensured that follow-up action is taken by Heads of Departments in a timely manner.
- Reviewed the key corporate risks and departmental risks including procedures adopted by management to mitigate the effects of business risks.
- Reviewed the progress of the Business Continuity Plan to ensure a structured framework is established at SriLankan Catering in order to minimise the effects of risks from business interruptions/disasters.
- Reviewed the Company's 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 audit report including Auditor General's Report and management responses to the issues highlighted.
- Reviewed the Related Party Transaction details submitted on quarterly basis for the year ended 31st March 2017.

JMS Brito

J. M. S. Brito
Chairman-Board Audit Committee

12th July 2017

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, 2017.

1. **Principal Activities and Business Review**

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

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

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

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

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

Financial Statements

A complete set of Financial Statements for the year ended 31st March, 2017 duly signed by the Finance Manager and the Directors, and the Auditor's Report thereon for the year ended 31st March, 2017 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.7,216 Mn (2016- Rs. 6,283 Mn), a detailed analysis of turnover is given in Note 03 to the financial statements.

Results and Dividend

Net results for the year are as follows,

	2016/2017 Rs. (Mn)	2015/2016 Rs. (Mn)
Net profit before tax	3,761.64	3,634.93
Taxation	(25.25)	2.93
Net profit after tax	**3,736.39**	**3,637.86**

Dividend

Preferential Dividend - The Company paid out Rs.130.1Mn on account of preference shares for the period ended 31st March 2017.

Ordinary Shares Dividend - A final dividend of Rs. 3,093 Mn for the year 2015/16 (2014/15 - LKR 2,100 Mn) was paid on 30th September 2016.

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. 2,109,97Mn (2015/16: Rs. 2,206.671Mn). 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. 1,000Mn (2015/16: Rs. 1,000Mn). Details of the share capital is given in Note No 19 of page 30.

Reserves

Total Company reserves as at 31st March, 2017 amount to Rs.7,067.56 Mn (2015/16: 6,376.17 Mn). This consists of Revenue Reserve (Accumulated Profit) of Rs. 5,229,59 Mn (2015/16: Rs. 4,536.28 Mn) and Capital Reserve (Revaluation Surplus) of Rs. 1,837.97 Mn (2015/16: Rs. 1,839.89 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. 394,532/- 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 on the importation of goods for the purpose of providing international transportation with effect from 01st of January, 2012.

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

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

Share Information

Share information as at 31st March, 2017 is as follows:

Ordinary Shares

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

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

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

Contingent Liabilities

Contingent Liabilities as at 31st March, 2017 are given in Note 29 to the Financial Statements. Capital commitments made on Capital Expenditure as are given in Note 28 to the Financial Statements.

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.

Employment Policies

Employment policies of the Company respect the individual and offer equal career opportunities regardless of sex, race or religion. Occupational health and safety standards receive substantial attention. The number of persons employed by the Company at the year-end was 1,008 (2015/2016: 910).

Statutory Payments

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

Environmental Protection

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

Corporate Governance/Internal Control

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

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

Going Concern

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

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

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

Appointment of the Director who is over 70 Years of Age
Upon the recommendation of the board, it is recommended that Mr. Chanaka De Silva and Mr. J.M.S. Brito who are over 70 years of age be reappointed as Directors of the Company for a further period of one year from the conclusion of the Annual general Meeting and that the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not be applicable.

Directors' Remuneration
The Directors' remuneration paid for the financial year ended 31st March, 2017 is disclosed in note no 31.2 on page no. 35.

Directors' Shareholding
By virtue of office M/s. Ajith N. Dias, J.M.S. Brito, Chanaka de Silva and M. Haradasa are the holders of 01 Ordinary Share in the Company.

Directors' Interests in Contracts
The Directors' interest in Contracts of the Company are included in Note 31 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, 2017 in term of article 154 (4) of the Constitution of the Democratic Socialist Republic

Annual General Meeting
Annual General Meeting will be held in 25th September, 2017

By Order of the Board

Airlanka (Private) Limited
Secretaries

Ajith Dias	JMS Brito
....	....
Director	Director

12th July, 2017

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. 07 of 2007 requires the Directors to prepare financial statement for each financial year giving true and fair view of the state of affairs of the Company as at end of the financial year and of the statement of comprehensive income of the company for financial year. In preparing the financial statements, appropriate accounting policies have been selected and applied consistently, reasonable and prudent judgments and estimates have been made, and applicable accounting standards have been followed.

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

The Directors continue to adopt the going concern basis in preparing the Financial Statements. The Directors, after making enquiries and following a review of the company's Budget for the financial year ending 31st March, 2017 including cash flows and borrowing facilities, consider that the Company has adequate resources to continue in operation.

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

The Directors confirm that to the best of their 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

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Secretaries
AirLanka (Pvt) Limited.

12th July, 2017

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මගේ අංකය / எனது இல. / My No. AVA/C/SLCL/06/17/37 ඔබේ අංකය / உமது இல. / Your No. දිනය / திகதி / Date 09 August 2017

To the shareholders of Sri Lankan Catering Limited

Report of the Auditor General on the Financial Statements of the Sri Lankan Catering Limited for the year ended 31 March 2017.

The audit of the financial statements of the Sri Lankan Catering Limited for the year ended 31 March 2017 comprising the statement of financial position as at 31 March 2017 and the statement of comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summery of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March, 2017 and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

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

a) The basis of opinion, scope and limitations of the audit are as stated above.

b) In my opinion I have obtained all the information and explanations that were required for the audit, as far as appears from my examination, proper accounting records had been kept by the Company and the financial statements of the Company comply with the requirements of Sections 151 and 153 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, 2017

	Note	2016/2017 Rs.	2015/2016 Rs.
Revenue	3	7,216,128,422	6,283,183,711
Cost of sales		(1,630,662,049)	(1,464,356,569)
Gross profit		5,585,466,373	4,818,827,142
Other income	4	29,721,855	13,453,644
		5,615,188,228	4,832,280,786
Administrative expenses	5	(1,533,299,378)	(1,431,064,258)
Other operational expenses	6	(1,052,421,288)	(981,025,648)
Profit from operations		3,029,467,562	2,420,190,880
Finance income		862,351,230	1,403,666,770
Finance expenses		(130,177,829)	(188,929,932)
Net finance income	7	732,173,401	1,214,736,838
Net profit before taxation		3,761,640,963	3,634,927,718
Income tax expenses	8	(25,254,186)	2,927,441
Net profit for the year after taxation		3,736,386,777	3,637,855,159
Other comprehensive income			
Actuarial gains/(loss) on defined benefit plan, net of taxes		48,490,374	(7,537,021)
Total other comprehensive income		48,490,374	(7,537,021)
Total comprehensive income		3,784,877,151	3,630,318,138
Basic earnings per share	9	3.97	3.87

Figures in brackets indicate deductions.

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

Colombo
12th July, 2017

BDO PARTNERS
Chartered Accountants

BDO PARTNERS Chartered Accountants

SRILANKAN CATERING LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH, 2017

	Note	2016/2017 Rs.	2015/2016 Rs.
ASSETS			
Non-current assets			
Property, plant and equipment	10	2,109,969,497	2,206,666,264
Capital work in progress	11	11,896,261	
Intangible assets	12	27,709,970	4,599,329
Non-current investments	13	-	-
Total non-current assets		2,149,575,728	2,211,265,593
Current assets			
Inventories	14	287,111,733	237,176,091
Amounts due from related companies	15	6,893,063,563	6,382,984,690
Trade receivables	16	554,387,774	400,878,960
Other receivables	17	257,315,921	243,050,955
Assets held for sale		-	272,338
Current investments		-	6,280,325
Cash and cash equivalents	18	430,035,057	218,708,175
Total current assets		8,421,914,048	7,489,351,534
Total assets		10,571,489,776	9,700,617,127
EQUITY AND LIABILITIES			
Stated capital and reserves			
Stated capital	19	1,000,000,000	1,000,000,000
Retained earnings		5,229,586,537	4,536,278,621
Revaluation reserve		1,837,973,259	1,839,887,244
Shareholders' fund		8,067,559,796	7,376,165,865
Non-current liabilities			
Redeemable preference shares	20	1,000,000,000	1,000,000,000
Loans and borrowings - long-term	21	-	-
Deferred tax liability	22	77,134,354	77,134,354
Retirement benefit obligations - gratuity	23	482,463,238	478,634,267
Total non-current liabilities		1,559,597,592	1,555,768,621
Current liabilities			
Loans and borrowings - short term	21	-	1,947,389
Amounts due to related companies	24	115,097,540	106,635,842
Trade payables		232,535,998	156,658,389
Other payables	25	560,874,391	492,870,748
Income tax payables	26	35,824,459	10,570,273
Total current liabilities		944,332,388	768,682,641
Total equity and liabilities		10,571,489,776	9,700,617,127

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.

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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
12th July, 2017
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SRILANKAN CATERING LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH, 2017

	Stated capital Rs.	Revaluation reserves Rs.	Retained earnings Rs.	Total Rs.
Balance as at 31st March 2015	1,000,000,000	1,840,377,410	3,014,901,551	5,855,278,961
Adjustment for super gain tax	-	-	(9,431,234)	(9,431,234)
Balance as at 31st March 2015 (Restated)	1,000,000,000	1,840,377,410	3,005,470,317	5,845,847,727
Profit for the year	-	-	3,637,855,159	3,637,855,159
Ordinary share dividend	-	-	(2,100,000,000)	(2,100,000,000)
Surplus reversal on during the year disposals	-	(490,166)	490,166	-
Other comprehensive income				
- Define benefit plan acturial gain	-	-	(7,537,021)	(7,537,021)
Balance as at 31st March 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 acurial gain	-	-	48,490,374	48,490,374
Ordinary share dividend	-	-	(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

Figures in brackets indicate deductions.

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

Colombo
12th July, 2017

BDO PARTNERS
Chartered Accountants

BDO PARTNERS Chartered Accountants

SRILANKAN CATERING LIMITED
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31ST MARCH, 2017

	2016/2017 Rs.	2015/2016 Rs.
Cash flow from operating activities		
Net profit before taxation	3,761,640,963	3,634,927,718
Adjustments for ;		
- Depreciation on property, plant and equipment	282,514,083	303,814,780
- Amortization of intangible assets	2,152,404	1,716,136
- Provision for bonus	164,061,684	158,390,040
- Provision for gratuity	76,003,244	73,794,960
- Provision for leave encashment	12,917,763	11,406,998
- Provision for bad and doubtful debtors	(2,001,398)	989,388
- Provision for slow moving stock	(7,013,048)	4,683,705
- Provision for litigation	52,500,000	14,928,489
- Provision for Impairment (Equipment MRIA F/kitchen)	11,241,785	11,241,785
- Impairment for investment in shares	-	200,000
- Preference share dividend	130,100,000	186,854,592
- Interest expenses	77,829	2,075,340
- Interest income	(29,850,763)	(9,859,001)
- Written off property, plant and equipment	-	446,694
- Profit on disposal of property, plant and equipment	(21,502,003)	325,183
	671,201,580	761,009,089
	4,432,842,543	4,395,936,807
Operating profit before working capital changes		
(Increase)/decrease in Inventories	(42,922,593)	77,811,022
(Increase)/decrease in trade and other receivables	(667,389,558)	(881,996,415)
Increase/(decrease) in trade and other payables	60,671,626	43,506,035
	(649,640,525)	(760,679,358)
Cash generated from operations	3,783,202,018	3,635,257,449
Bonus paid	(146,269,821)	(132,417,303)
Payment of defined benefit plans - Gratuity	(23,683,899)	(52,620,383)
	(169,953,720)	(185,037,686)
Net cash flow from/(used in) operating activities	3,613,248,298	3,450,219,763
Cash flow from investing activities		
Acquisition of intangible assests	(25,263,045)	(1,471,712)
Acquisition of capital work in progress	(11,896,261)	-
Acquisition of property, plant and equipment	(197,058,146)	(16,181,744)
Interest received	29,850,763	7,200,286
Proceeds from disposal of property, plant and equipment	21,502,003	19,586,099
Withdrawal/(New) short-term and long-term investment (Net)	6,551,708	-
Net cash from/(used in) investing activities	(176,312,978)	9,132,929
Cash flow from financing activities		
Repayment of borrowings	(1,947,389)	(21,882,006)
Interest paid	(77,829)	(2,075,340)
Redemption of preference shares	-	(1,000,000,000)
Dividend paid - ordinary shares	(3,093,483,220)	(2,100,000,000)
Dividend paid - preference shares	(130,100,000)	(196,777,332)
Net cash from/(used in) financing activities	(3,225,608,438)	(3,320,734,678)
Net increase in cash and cash equivalents	211,326,882	138,618,014
Cash and cash equivalents at the beginning of the year (Note A)	218,708,175	80,090,161
Cash and cash equivalents at the end of the year (Note B)	430,035,057	218,708,175

		Note A
At the beginning of the year		
Balances at banks	217,544,772	79,004,215
Petty cash in hand	1,163,403	1,085,946
	218,708,175	80,090,161
Bank overdrafts	-	-
	218,708,175	80,090,161

		Note B
At the end of the year		
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

Figures in brackets indicate deductions.

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

Colombo
12th July, 2017

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 at MRIA. The company also engages in operating restaurants and a transit hotel in 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, 2017 were authorized for issue by the Board of Directors on 12th July, 2017.

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 of SLFRS and LKAS (hereafter referred as "SLFRS"), as 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 Lankan Rupees, which is the company's functional currency. All financial information presented in Sri Lankan Rupees has been rounded to the nearest rupees, unless stated otherwise.

2.1.4 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, 2017 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 rearranged 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 affected.

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 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 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 require 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 26 - Employee benefits
- Note 25 - 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 is initially measured at cost and subsequently measured at cost or revalued amount.

Property, plant and equipment is 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 has been valued by an independent valuer as at 31st March, 2015 and the details are disclosed in note 9.1 to the financial statements.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition 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 derecognized.

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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 derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognizing 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 if its carrying amount will be recovered principally through a sale transaction rather than through continuing use in accordance with SLFRS 5 Non-current assets held for sale and discontinued operation.

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 market participants at the measurement date.

A fair value measurement requires an entity to determine all the followings;

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 market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

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

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

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

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 of 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.

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 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 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 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 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.

Purchases or sales 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 that the company's' 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.

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 derecognized, 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 reclassified 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 reclassify these financial assets in rare circumstances. Reclassification 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. Reclassification 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 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 reclassified 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 derecognized 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.

2.1.9.2 Impairment of financial assets

The company assesses at each reporting date 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 has 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 indicate 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 has been realized or has been 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.

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2.1.9.4 Available-for-sale financial investments

For available-for-sale financial investments, the company assesses at each reporting date whether there is objective evidence that an investment or a company of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of comprehensive income is removed from other comprehensive income and recognized in the statement of comprehensive income. Impairment losses on equity investments are not reversed through the statement of comprehensive income; increases in their fair value after impairments are recognized directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of comprehensive income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, 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. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of comprehensive income, the impairment loss is reversed through the statement of comprehensive income.

2.1.10 **Financial liabilities**

a) **Initial recognition and measurement**

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial liabilities at initial recognition.

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

b) **Subsequent measurement**

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

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

This basis of payment will only be applicable for employees who have been in service on or before 01st April 2000. The employees who have joined the company after 01st April, 2000, the payment of gratuity will be made as per the provisions laid down in the Gratuity Act. The actuarial valuation was made on 31st March 2017.

The liability is not externally funded.

2.5.3 Defined contribution plans - employees' provident fund and employees' trust fund

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

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

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

2.6 Taxation

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

2.6.1 Current tax

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

2.6.2 Deferred taxation

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

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.

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

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 2017 and 2016.

- 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.

2.14 Accounting standards issued but not yet effective

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

Accounting standard	Requirement
SLFRS 9 - 'Financial Instruments'	The objective of this SLFRS is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. An entity shall apply this SLFRS to all items within the scope of LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 is effective for annual period beginning on or after 01st January, 2018 with early adoption permitted.
SLFRS 15 - 'Revenue from Contracts with Customers'	The objective of this Standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. SLFRS 15 will be effective for financial periods beginning on or after 01st January, 2018.
IFRS 16 - 'Leases'	IFRS 16 eliminates the classification of leases as either operating or finance for lessees and instead, introduce single lessee accounting model. This model reflects that leases result in a company obtaining the right to use an asset at the start of the lease and, because most lease payments are made over time, also obtaining financing. As a result, the new standard requires lessees to account for all of their leases in a manner similar to how finance leases were treated applying IAS 17. IFRS 16, supersedes the requirement in IAS 17 leases and will become effective on 01st January, 2019.

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

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

2.15 Financial risk management

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

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

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

2.15.1 Risk management framework

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

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

a) **Credit risk**

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

Trade and other receivables

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

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

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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 (2015/2016- AWPLR+ 1%). The company also has overdraft facility of USD 0.35 Mn of which the interest would be payable at the rate of LIBOR+4%.

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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	2016/2017 Rs.	2015/2016 Rs.
3. REVENUE		
Flight kitchen	5,526,495,497	4,970,855,277
Vannila pod café	22,232,378	21,379,600
Serenediva transit hotel	113,693,614	76,167,525
Semondu restaurant	78,357,915	51,083,083
Emirates lounge	143,388,452	114,935,668
Laundry sale (Note 3.1)	198,627,262	176,095,964
Public restaurant	59,244,092	45,401,759
Transit restaurant	1,045,245,749	822,848,358
Public restaurant - MRIA	3,809,499	3,605,282
Transit restaurant - MRIA	25,033,964	811,195
Total sales (Note 3.2)	7,216,128,422	6,283,183,711
3.1 Laundry sales - Local	23,169,622	19,993,307
- Airlines	186,159,693	164,238,450
	209,329,315	184,231,757
Inter department sales	(10,702,053)	(8,135,793)
	198,627,262	176,095,964
3.2 Revenue		
Meals	5,862,488,015	4,826,637,219
Handling chargers	560,495,701	492,653,693
Miscellaneous	790,314,835	711,289,467
Other sales	2,829,871	252,603,332
	7,216,128,422	6,283,183,711
4. OTHER INCOME		
Disposal of fixed assets	21,502,003	(325,183)
Disposal of garbage	8,167,289	10,392,827
Sundry income	52,563	3,386,000
	29,721,855	13,453,644
5. ADMINISTRATION EXPENSES		
Donations	394,532	300,000
Depreciation of property, plant and equipment	282,514,083	303,814,781
Amortization of intangible assets	2,152,404	1,716,136
Fees and other charges	10,291,704	11,427,376
Audit fees	1,200,000	2,520,000
Staff cost (Note 5.1)	1,218,762,790	1,097,509,342
Other administration expenses	17,983,865	13,776,623
	1,533,299,378	1,431,064,258
5.1 Staff cost		
Expenses related to defined benefit plans	76,003,244	73,794,960
Salaries and wages	890,152,252	788,020,573
Contribution to Employee's Provident Fund	71,823,169	62,118,703
Contribution to Employee's Trust Fund	16,038,674	13,409,644
Provision for bonus	164,061,684	158,390,040
Prepaid staff cost	683,767	1,775,422
	1,218,762,790	1,097,509,342

	2016/2017 Rs.	2015/2016 Rs.
6. OTHER OPERATIONAL EXPENSES		
General operating expenses	563,890,292	565,014,019
Common expenses	433,986,642	325,600,090
Provision for slow moving stock	(7,013,048)	4,883,705
Provision for impairment (Equipment MRIA F/kitchen)	11,241,785	11,241,785
Provision for bad and doubtful debts	(2,001,398)	989,388
Concession fees	47,261,985	71,517,963
Share of profit	5,055,027	1,778,698
	1,052,421,285	981,025,648

7. NET FINANCE INCOME

	2016/2017 Rs.	2015/2016 Rs.
Finance income		
Interest income	28,903,999	7,200,286
Interest income - staff loans	946,764	2,658,715
Exchange gain	832,500,467	1,393,807,769
	862,351,230	1,403,666,770
Finance expenses		
Bank interest	77,829	2,075,340
Preference share dividend	130,100,000	186,854,592
	130,177,829	188,929,932
Net finance income	732,173,401	1,214,736,838

8. INCOME TAX EXPENSES

	2016/2017 Rs.	2015/2016 Rs.
Current income tax (Note 8.1)	25,254,186	5,915,586
Under/(Over) provision in respect of previous years	-	(8,843,028)
	25,254,186	(2,927,442)

8.1 Reconciliation of income tax

	2016/2017 Rs.	2015/2016 Rs.
Profit as per the statement of comprehensive income	3,761,640,963	3,634,927,718
Less: Profit exempt from income tax	(3,711,694,949)	(3,628,125,652)
Profit liable for income tax	49,946,014	6,802,066
Disallowable expenses	9,641,021	12,778,996
Allowable expenses	(5,001,560)	(14,740,193)
Other sources of income	35,608,045	19,265,633
Total statutory income	90,193,520	24,106,502
Less: Losses set off	-	(2,979,409)
Taxable income	90,193,520	21,127,093
Income tax liability at 28%	25,254,186	5,915,586

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.

	2016/2017 Rs.	2015/2016 Rs.
Amounts used as numerator		
Profit attributable to ordinary shareholders	3,736,386,777	3,637,855,159
Number of ordinary shares used as the denominator		
Weighted average number of ordinary shares in issue	940,268,456	940,268,456
	3.97	3.87

10. PROPERTY, PLANT AND EQUIPMENT

Description of Assets	Cost/Valuation				Depreciation				Written down value	
	Balance as at 31.03.2016 Rs.	Additions Rs.	Disposals Rs.	Balance as at 31.03.2017 Rs.	Balance as at 31.03.2016 Rs.	Charge for the year Rs.	On disposals Rs.	Balance as at 31.03.2017 Rs.	As at 31.03.2017 Rs.	As at 31.03.2016 Rs.
Freehold										
Buildings	1,527,971,469	84,250	-	1,528,055,719	39,252,243	39,295,654	-	78,547,897	1,449,507,822	1,488,719,226
Machinery and equipment	803,108,368	34,338,796	-	837,447,164	225,063,096	212,715,465	-	437,778,561	399,668,603	578,045,272
Furniture and fittings	46,809,610	734,919	-	47,544,529	4,838,037	4,908,705	-	9,746,742	37,797,787	41,971,573
Motor vehicles	98,495,124	161,900,181	(1,913,983)	258,481,322	34,290,285	25,593,304	(1,913,983)	57,969,606	200,511,716	64,204,839
MRIA kitchen	59,534,711	-	-	59,534,711	25,809,357	11,241,785	-	37,051,142	22,483,569	33,725,354
	2,535,919,282	197,058,146	(1,913,983)	2,731,063,445	329,253,018	293,754,913	(1,913,983)	621,093,948	2,109,969,497	2,206,666,264

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, 2017 Rs.	Carrying value as at 31st March, 2017 Rs.
Building in Katunayake	1,582,899,448	552,218,170	1,030,681,278
Machinery and equipment	1,574,090,115	1,521,109,084	52,981,031
Furniture and fittings	60,816,249	59,412,072	1,404,177
Motor vehicles	452,754,720	291,151,945	161,602,774

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		2016/2017 Rs.	2015/2016 Rs.
11.	**CAPITAL WORK IN PROGRESS**		
	Balance as at 01st April, 2016	-	-
	Additions during the year	11,896,261	-
	Capitalized during the year	-	-
	Balance as at 31st March, 2017	11,896,261	-
12.	**INTANGIBLE ASSETS**		
	Computer software		
	Balance as at 01st April, 2016	36,544,217	35,072,505
	Additions during the year	25,263,045	1,471,712
	Balance as at 31st March, 2017	61,807,262	36,544,217
	Accumulated amortization		
	Balance as at 01st April, 2016	31,944,888	30,228,752
	Amortization during the year	2,152,404	1,716,136
	Balance as at 31st March, 2017	34,097,292	31,944,888
	Carrying amount	27,709,970	4,599,329
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.

			2016/2017 Rs.	2015/2016 Rs.
14.	**INVENTORIES**			
	Raw materials		173,629,221	153,934,149
	Maintenance and miscellaneous		112,539,894	89,141,986
	Equipment stocks		8,734,668	9,449,615
			294,903,783	252,525,750
	Provision for slow moving stock		(18,228,248)	(25,241,296)
			276,675,535	227,284,454
	Work-in-progress		10,436,198	9,891,637
			287,111,733	237,176,091
15.	**AMOUNTS DUE FROM RELATED COMPANIES**			
	SriLankan Airlines Limited		6,707,465,409	5,970,500,699
	Airport & Aviation Services (Sri Lanka) Limited		133,735,018	117,551,737
	Mihin Lanka (Pvt) Ltd		52,351,655	298,893,572
			6,893,552,082	6,386,946,008
	Provision for bad debts	15.1	(488,519)	(3,961,318)
			6,893,063,563	6,382,984,690
15.1	**Provision for bad debts from related companies**			
	Provision as at 01st April, 2016		3,961,318	3,961,318
	Provision/reversal for the year		(3,472,799)	-
	Provision as at 31st March, 2017		488,519	3,961,318

		2016/2017	2015/2016
		Rs.	Rs.
16. TRADE RECEIVABLES			
Airlines and others		554,777,162	401,868,348
Provision for bad debts	16.1	(389,388)	(989,388)
		554,387,774	400,878,960
16.1 Provision for bad debts			
Provision as at 01st April, 2016		989,388	4,238,304
Provision for the year		-	989,388
Bad debts write off		(600,000)	(4,238,304)
Provision as at 31st March, 2017		389,388	989,388
17. OTHER RECEIVABLES			
Distress loans		14,513,594	14,069,080
Prepaid staff cost		1,306,608	926,994
Other staff advances		2,486,375	3,024,741
V.A.T. Receivable		48,368,979	85,638,353
Advances to suppliers		95,514,350	41,645,652
Advances / deposits and sundry receivables		95,126,015	97,746,135
		257,315,921	243,050,955
18. CASH AND CASH EQUIVALENTS			
Cash in hand		633,958	1,163,403
Bank -Current accounts		93,106,857	5,074,504
Bank - FCBU accounts		37,350,205	149,936,219
Treasury bills		298,944,037	62,534,049
		430,035,057	218,708,175
19. 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 subdivided as one ordinary share into fifteen ordinary voting shares increasing the number of ordinary voting shares outstanding from 60,000,000 shares to 900,000,000.

Retained earnings amounting to Rs. 900,000,000/- was capitalized in the books of the company for the issue of 40,268,456 new ordinary voting shares to the current shareholders at a consideration of Rs. 22.35 per share be ratified and that in the opinion of the Board, the consideration is fair and reasonable to the company and existing shareholders. The holders of ordinary shares are entitled to receive dividend as declared from time to time and are entitled to one vote per share at meetings of the company.

	2016/2017 Rs.	2015/2016 Rs.

20. REDEEMABLE PREFERENCE SHARES

	2016/2017 Rs.	2015/2016 Rs.
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 in to 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 changed from 15% to 13% 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.

21. LOANS AND BORROWINGS

	2016/2017 Rs.	2015/2016 Rs.
Balance as at 01st April, 2016	1,947,389	23,829,395
Repayment during the year	(1,947,389)	(21,882,006)
Balance as at 31st March, 2017	-	1,947,389

21.1 Amount payable within 12 months	-	1,947,389
	-	1,947,389

22. DEFERRED TAX LIABILITY

Balance as at 01st April, 2016	77,134,354	77,134,354
Balance as at 31st March, 2017	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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22. DEFERRED TAX LIABILITY (CONTD....)

22.1 Unrecognized deferred tax (assets)

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

	2017	2016	2017	2016	2017	2016
	31st March	31st March	31st March	31st March	31st March	31st March
	Assets	Assets	Liabilities	Liabilities	Net	Net
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Property, plant and equipment	4,195,712	4,062,948	-	-	(4,195,712)	(4,062,948)
Employee benefits	72,369,486	71,795,140	-	-	(72,369,486)	(71,795,140)
	76,565,198	**75,858,088**	-	-	**(76,565,198)**	**(75,858,088)**

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

Movement in temporary differences during the year

	Balance as at 31st March, 2015	Additions during the year	Balance as at 31st March, 2016	Additions during the year	Balance as at 31st March, 2017
	Rs.	Rs.	Rs.	Rs.	Rs.
Property, plant and equipment	27,008,597	77,723	27,086,320	885,091	27,971,411
Employee benefits	449,922,669	28,711,598	478,634,267	3,828,970	482,463,237
	476,931,266	**28,789,321**	**505,720,587**	**4,714,061**	**510,434,648**

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25. OTHER PAYABLES (CONTD...)

25.1 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, 2017 based on the following assumptions.

	2016/2017 Rs.	2015/2016 Rs.
Discount rate as at 31st March	12%	-
Salary escalation rate	12%	-
Retirement age	55 years	-

26. INCOME TAX PAYABLES

Balance as at 01st April, 2016	10,570,273	13,497,714
Provision for the year	25,254,186	19,338,034
Reversal of overprovision	-	(22,265,475)
Balance as at 31st March, 2017	35,824,459	10,570,273

27. ASSETS PLEDGED AS COLLATERALS

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

28. CAPITAL COMMITMENTS

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

Guarantees	LKR	LKR
- Seylan Bank	-	5,339,948
- Bank of Ceylon	19,544,250	-
	US$	US$
- Commercial Bank	35,172	35,172

Further, the company has agreed in to following construction contracts which are in progress as at the date of the statement of financial position.

	Description	Total contract value Rs.	Completed value as at 31.03.2017 Rs.	Commitment as at 31.03.2017 Rs.
a)	Construction of personal checking security Manager's office	31,085,843	4,728,110	26,357,733
b)	New training and dining building facility	40,650,000	7,168,150	33,481,850

Operating lease commitments

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

The future minimum lease payments under the agreements are as follows.

Not later than one year	131,227,684	74,144,971
Later than one year and not later than five years	399,693,182	280,191,155
Later than five years	406,183,753	273,515,932
	937,104,619	627,852,058

29. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

29.1 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 or 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 that is going on. Further, there are 21 cases which have been appealed by the company as at the date of financial position. A deposit of Rs.27,374,985/- has been deposited for such appealed cases.

29.2 Contingent Assets

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

30. 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.

31. RELATED PARTY TRANSACTIONS

31.1 Parent and ultimate controlling party

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

31.2 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.

	2016/2017 Rs.
Short term benefits	3,585,000
Post employee benefits	-

The above includes Directors' fee paid during the year amounting to Rs.3,585,000/-. No loans have been given to the directors of the company.

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31. RELATED PARTY TRANSACTIONS (CONTD....)

31.3 Transactions with related parties

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

Name of the company	Relationship	Nature of transactions	2016/2017 Rs.	2015/2016 Rs.
SriLankan Airlines Ltd	Parent company	Sales	4,043,808,978	3,523,531,549
		Freight service	20,030,232	14,447,816
		Other service	52,665,056	27,307,849
		Dividend-ordinary shares	3,093,483,220	2,100,000,000
		Dividend-preference shares	-	54,246,646
Airport & Aviation Services Ltd	Owner related company	Rent and others	474,799,867	395,333,957
Mihin Lanka (Pvt) Ltd	Government owned	Sales	253,812,753	336,924,917
Employees' Provident Fund	Prefernce shareholder	Preference share dividend	130,100,000	132,607,945
Ceylon Electricity Board	Government owned	Electricity expenses	145,810,940	138,648,834
Sri Lankan Telecom Limited	Government owned	Telephone expenses	4,594,179	4,472,724
Ceylon Petroleum Corporation	Government owned	Diesel	107,929,099	91,784,094
IRD	Government owned	Tax	30,076,424	24,085,411
Sri Lanka Port Authority	Government owned	Clearing expenses	254,807	906,965
State Pharmaceuticals Corporation	Government owned	Medicine	436,660	201,228
Ministry of Foreign Affairs	Government owned	Sales	1,062,488	1,284,196
Ceylon Tourist Board	Government owned	License fees	566,892	487,273

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

(b) **Receivable balance from Srilankan Airlines Limited**

Due to continuing loss-making position and funds required for debt service of the parent company (Srilankan Airlines Limited), the Government of Srilanka (GOSL) has provided financial support through provision of "letter of Comfort" to continue its operations as a "going concern" untill the proposed restructuring process is completed.

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32. FAIR VALUE OF FINANCIAL INSTRUMENTS

32.1 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, 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	811,703,695	-	-	811,703,695	-	-	-	-
Cash and cash equivalents	430,035,057	-	-	430,035,057	-	-	-	-
	1,241,738,752	-	-	1,241,738,752	-	-	-	-
Financial liabilities not measured at fair value								
Redeemable preference shares	-	-	1,000,000,000	1,000,000,000	-	-	-	-
Finance lease liabilities	-	-	-	-	-	-	-	-
Dividends payable on redeemable shares	-	-	64,871,781	64,871,781	-	-	-	-
Trade creditors	-	-	232,535,999	232,535,999	-	-	-	-
	-	-	1,297,407,780	1,297,407,780	-	-	-	-

	Carrying amount							
31st March, 2016	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	6,280,325	-	-	6,280,325	-	-	-	-
Trade and other receivables	643,929,915	-	-	643,929,915	-	-	-	-
Cash and cash equivalents	218,708,175	-	-	218,708,175	-	-	-	-
	868,918,415	-	-	868,918,415	-	-	-	-
Financial liabilities not measured at fair value								
Redeemable preference shares	-	-	1,000,000,000	1,000,000,000	-	-	-	-
Finance lease liabilities	-	-	1,947,389	1,947,389	-	-	-	-
Dividends payable on redeemable shares	-	-	64,871,781	64,871,781	-	-	-	-
Trade creditors	-	-	156,658,394	156,658,394	-	-	-	-
	-	-	1,223,477,564	1,223,477,564	-	-	-	-

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33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

33.1 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 parties	Credit risk

33.2 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, 2017				
Non-derivative financial liabilities				
Trade payables	232,535,998	-	232,535,998	-
Due to related companies	115,097,540	-	115,097,540	-
Other payables	560,874,391	-	560,874,391	-
	908,507,929	-	908,507,929	-

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

As at 31st March, 2016				
Non-derivative financial liabilities				
Trade payables	156,658,389	-	156,658,389	-
Due to related companies	106,635,842	-	106,635,842	-
Loans and borrowings	1,947,389	-	1,947,389	-
Other payables	492,870,748	-	492,870,748	-
	758,112,368	-	758,112,368	-

33.3 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 2017					
	LKR	USD	GBP	SGD	Others	Total
Trade receivable	4,241,024	7,443,210,314	-	-	-	7,447,451,338
Trade payables	110,974,960	69,174,075	6,941,170	25,910,890	19,534,904	232,535,999
	As at 31 March 2016					
	LKR	USD	GBP	SGD	Others	Total
Trade receivable	34,924,763	6,748,938,887	-	-	-	6,783,863,650
Trade payables	98,335,233	27,220,526	3,249,831	13,962,438	13,890,361	156,658,389

The following significant exchange rates were applied during the year.

	Average rate	
	2017	2016
USD	147.48	139.16
GBP	194.30	209.00
SGD	106.58	100.39
EUR	161.21	153.51

	Reporting date spot rate	
	2017	2016
USD	151.75	144.50
GBP	189.52	207.19
SGD	108.67	107.05
EUR	161.93	163.40

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

33.4 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:

	2017 Rs.	2016 Rs.
As at 31st March Carrying amount		
Trade receivables	554,777,162	401,868,347
Due from related companies	6,893,552,082	6,386,946,008
Other receivables	257,315,921	243,050,955
Cash and cash equivalents	430,035,057	218,708,175
	8,135,680,222	7,250,573,485

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

	2017 Rs.	2016 Rs.
Domestic	6,893,552,082	6,386,946,008
Other foreign countries	554,777,162	401,868,347
	7,448,329,244	6,788,814,355
Less :- Provision for impairment of trade receivables and due from related parties	(877,906)	(4,950,705)
	7,447,451,338	6,783,863,650

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

Airlines	7,444,088,220	6,722,912,624
Other(s)	4,241,024	65,901,731
	7,448,329,244	6,788,814,355
Less :- Provision for impairment of trade receivables and due from related parties	(877,906)	(4,950,705)
	7,447,451,338	6,783,863,650

Impairment losses

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

	Gross amount 2017 Rs.	Impairement 2017 Rs.	Gross amount 2016 Rs.	Impairement 2016 Rs.
Neither past due nor impaired	7,222,439,584	-	6,217,659,310	-
Past due 31-90 days	188,724,899	-	347,440,766	-
Past due 91-365 days	32,348,316	-	200,321,069	-
Past due over 365 days	4,816,445	877,906	23,393,209	4,950,705
	7,448,329,244	877,906	6,788,814,354	4,950,705

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

	2017 Rs.	2016 Rs.
Balance at 1st April	4,950,705	8,199,622
Reversal of provision	(4,072,800)	-
Impairment loss recognized	-	989,387
Provision Write off	-	(4,238,304)
Balance at 31st March	877,905	4,950,705

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

34. SEGMENTAL ANALYSIS

	Note	Flight Kitchen		BIA Restaurant		Other Segments		Total	
		2017	2016	2017	2016	2017	2016	2017	2016
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Revenue	3	5,526,496,448	4,970,861,043	1,104,489,841	868,250,118	585,142,133	444,072,551	7,216,128,422	6,283,183,712
Cost of sales		(1,272,659,559)	(1,150,786,995)	(256,304,054)	(239,537,067)	(101,698,436)	(74,032,507)	(1,630,662,049)	(1,464,356,569)
Gross profit		4,253,836,889	3,820,074,048	848,185,787	628,713,051	483,443,697	370,040,044	5,585,466,373	4,818,827,143
Other income	4	29,681,342	13,222,171	-	231,184	40,513	290	29,721,855	13,453,645
Administration expenses		(1,259,566,026)	(1,207,565,464)	(157,456,237)	(138,483,957)	(116,277,115)	(99,943,326)	(1,533,299,378)	(1,445,992,747)
Other operational expenses	5	(687,164,663)	(708,292,443)	(208,439,185)	(122,016,547)	(156,817,440)	(135,788,169)	(1,052,421,288)	(966,097,159)
Results from operating activities	6	2,336,787,542	1,917,438,312	482,290,365	368,443,731	210,389,655	134,308,839	3,029,467,562	2,420,190,882
Finance income		860,023,840	1,403,666,771	2,019,759	-	307,631	-	862,351,230	1,403,666,771
Finance costs		(130,177,829)	(188,929,932)	-	-	-	-	(130,177,829)	(188,929,932)
Net finance (cost) / income		729,846,011	1,214,736,839	2,019,759	-	307,631	-	732,173,401	1,214,736,839
Profit before income tax		3,066,633,553	3,132,175,151	484,310,124	368,443,731	210,697,286	134,308,839	3,761,640,963	3,634,927,721
Income tax expenses	7	(13,240,378)	15,160,873	(4,998,827)	(7,523,012)	(7,014,981)	(4,710,420)	(25,254,186)	2,927,441
Profit for the year		3,053,393,175	3,147,336,024	479,311,297	360,920,719	203,682,305	129,598,419	3,736,386,777	3,637,855,162
Other comprehensive income:									
Revaluation of property, plant and equipment, net of tax		-	-	-	-	-	-	-	
Defined benefit plan actuarial gains (losses)	22	48,490,374	(7,537,021)	-	-	-	-	48,490,374	(7,537,021)
Revaluation of property, plant and equipment, net of tax									
Other comprehensive income for the year		48,490,374	(7,537,021)	-	-	-	-	48,490,374	(7,537,021)
Total comprehensive income for the year		3,101,883,549	3,139,799,003	479,311,297	360,920,719	203,682,305	129,598,419	3,784,877,151	3,630,318,141
Segment Assets		10,219,611,449	9,401,000,371	230,368,971	169,143,057	121,509,356	130,473,699	10,571,489,776	9,700,617,127
Segment Liabilities		2,481,411,704	2,256,243,197	21,089,910	48,701,967	1,428,366	19,506,098	2,503,929,980	2,324,451,262

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.