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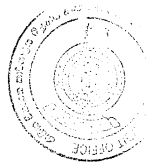
**SRI LANKAN CATERING LIMITED**

**FINANCIAL STATEMENTS**

**31 MARCH 2023**

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## **Corporate Information**

**Name of the Company**  
SriLankan Catering Limited

**Company Registration Number**  
PV1418 PB

**Legal Form**  
Limited Liability Company

### **Board of Directors**

Mr. Asoka Pathirage (Chairman)  
Mr. Malik J. Fernando  
Mr. Joseph Micheal Jayanth Perera  
Mr. Ananda Wijetilaka Atukorala  
Mr. A.K.D.D.D. Arandara/Treasury Representative  
Mr. A.M.A.A. Lakmal Ratnayake  
Mr. D.D. Shiran Chaminda Dammage

### **Audit Committee**

Mr. D.D. Shiran Chaminda Dammage (Chairman)  
Mr. Malik J. Fernando  
Mr. Joseph Micheal Jayanth Perera  
Mr. A.K.D.D.D. Arandara

### **Human Resources & Remuneration Committee**

Mr. Malik J. Fernando (Chairman)  
Mr. Joseph Jayanth Michael Perera  
Mr. A.K.D.D.D. Arandara  
Mr. A.M.A.A. Lakmal Ratnayake

### **Board Group Risk Committee**

Mr. Joseph Micheal Jayanth Perera (Chairman)  
Mr. Malik J. Fernando  
Dr. Shridhir Sariputta Hansa Wijayasuriya  
(Director – SriLankan Airlines Limited)  
Mr. A.K.D.D.D. Arandara  
Mr. D.D. Shiran Chaminda Dammage  
Mr. Ananda Wijetilaka Atukorala (Observer)

### **Company Secretary**

Mrs. Dalrene Thirukumar/ACG UK  
(w.e.f. 25 March 2022)

### **Bankers**

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

### **Auditors**

Auditor General  
National Audit Office  
No. 306/72, Polduwa Road  
Battaramulla.

### **Registered Office**

SriLankan Catering Limited  
Airline Centre  
Bandaranaike International Airport  
Katunayake  
Sri Lanka

### **Corporate Website**

[www.srilankancatering.com](http://www.srilankancatering.com)



## **Profile of Directors**

### **Mr. Asoka Pathirage**

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

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

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

### **Mr. Malik J. Fernando**

Mr. Malik J. Fernando was appointed to the Board of SriLankan Airlines Limited on 8 January 2020 and was subsequently appointed to the Board of SriLankan Catering Limited. He is a member of the Audit Committee, Human Resources and the Remuneration Committee, and the Enterprise Risk Management Committee of SriLankan Airlines and its subsidiary.

He is the Co-Chair of MJF Holdings and the Chairman of MJF Leisure/Resplendent Ceylon, the first local luxury resort brand, developing a remarkable circuit across Sri Lanka with a range of authentic experiences, while contributing towards local communities and the environment through the MJF Foundation and Dilmah Conservation. After the Easter Sunday Attacks, Mr. Fernando spearheaded the Sri Lanka Tourism Alliance to mobilise the private tourism sector with one voice under the "Love Sri Lanka" banner.

Mr. Fernando has a BSc in Business Management from Babson College in the US.

### **Mr. Jayantha Perera**

Mr. J.M. Jayanth Perera was appointed to the Board SriLankan Airlines, effective 27 March 2021 and was subsequently appointed to the Board of SriLankan Catering Limited w.e.f. 21 May 2021. He is the Chairman of the Group Board Risk Committee and member of the Audit Committee and Human Resources and the Remuneration Committee of the Company and its subsidiary.

Mr. Perera has over 40 years of experience in the financial sector with the majority of those years being at Senior Management and board levels.

He is a fellow of the Chartered Institute of Bankers (London) and has undergone extensive training in a host of International Financial Centres such as in London, New York, San Francisco, Hong Kong and Singapore.

He serves as an independent Non- Executive Director of Singer Finance PLC, McLarens Group of Companies - Main Board, Lanka Ratings Ltd, Interocean Energy (Pvt) Ltd, Qwest Destinations (Pvt) Ltd, Qwest Cruises Ltd, Sri Lankan Airlines Ltd., Sri Lankan Catering Services Ltd., ODEL PLC, Horana Plantations PLC and Softlogic Stockbrokers (Pvt) Ltd.

He counts a long and illustrious career at Hatton National Bank PLC (HNB) where he worked as Senior Deputy General Manager- International, Business Development and Corporate Credit including Treasury Operations. He was also a Founding Director of HNB Assurance PLC. During his term at HNB, He was able bring many reforms by coordinating with the Central Bank of Sri Lanka. He was also Managing Director Of Acuity Stockbrokers (Pvt) Ltd including Acuity Securities and Acuity Partners - jointly owned by HNB and DFCC Bank. In these positions he contributed immensely towards business growth. He also served as Director of Lanka Ventures (Pvt) Ltd, LVL Energy and as a Board Member of the Credit information Bureau of Sri Lanka.

**Mr. Lakmal Ratnayake**

Mr. Lakmal Ratnayake was appointed to the Board of SriLankan Airlines Limited 10th April 2023 and was subsequently appointed to the Board of SriLankan Catering Limited. He is a member of the Human Resources and the Remuneration Committee of SriLankan Airlines and its subsidiary.

He is an Attorney-at-Law of the Supreme Court of Sri Lanka and a Counsel who is in private practice for nearly 20 years and has represented individuals, cooperate entities in public, private and state institutions as an Attorney, In original and appellate courts as a lead counsel in civil and criminal matters and public law litigation.

He previously held the post of Chairman of the National Institute of Co-operative Development from 2010 to 2015, and during his tenure as Chairman he developed the infrastructure of the National Institute of Co-operative Development and upgraded the NICD into a facility of international standard. He has also represented Sri Lanka at the International Cooperative Alliance General Assemblies held in Cancun Mexico, Manchester United Kingdom and Cape town South Africa in years of 2011, 2012 and 2013 and also represented the country at the International Cooperative Alliance Conference held in Quebec, Canada in 2014.

Mr. Ratnayake has also held the post of Chairman of the Co-operative Wholesale Establishment (C.W.E.), Director of the Sri Lanka Ports Authority, Chairman of Sri Lanka Port Management & Consultancy Services (Private) Limited, Board Member of Hambantota International Port Services Company (Private) Limited, Lanka Coal Company (Private) Limited, Colombo International Container Terminals Limited and Hambantota International Port Group (Private) Limited. Mr. Ratnayake currently holds positions as Chairman of the Jaya Container Terminals Limited which is a fully owned subsidiary of the Sri Lanka Ports Authority.

**Mr. A.K.D.D.D. Arandara**

Mr. A.K.D.D.D Arandara was appointed to the Board of SriLankan Airlines Limited, 16th March 2023 and was subsequently appointed to the Board of SriLankan Catering Limited. He serves as a Director cum the Treasury Representative to the Board, and a member of the Human Resources and the Remuneration Committee, Audit Committee, and the Group Risk Committee.

Mr. Arandara is an Attorney-at-Law by profession and serves as the Additional Director General in the Department of Legal Affairs, Ministry of Finance.

**Mr. Ananda Atukorala**

Mr. Ananda Atukorala was appointed to the Board of SriLankan Airlines Limited on 3rd February 2023 and was subsequently appointed to the Board of SriLankan Catering Limited. He is an observer of the Group Board Risk Committee.

He holds a BSc (University of Leeds, UK), MTT (North Carolina State University, USA) and a MBA. He was a former Director of the Sri Lanka Banks Association (Guarantee) Ltd. and the Credit Information Bureau of Sri Lanka (CRIB) and a Committee Member of the Banker's Club of Sri Lanka. He possesses extensive experience

in banking extending over 40 years, having been with the ANZ Grindlays Banking Group in Sri Lanka, London, & other overseas territories and having served as Deputy General Manager of ANZ Grindlays Bank, Sri Lanka and Country Manager - Sri Lanka of Mashreq Bank PSC,.

He was also a former advisor to the Ministry of Policy Development & Implementation. He has also served as a Member of the Technology Initiative for the Private Sector - an USAID sponsored project with the Ministry of Industrial Development, a Member of the Commercial Banking Sector of the Presidential Commission on Finance and Banking.

He currently serves as the Chairman of the NAPPP. He is also an Independent Non-Executive Director on the Boards of NDB Capital Holdings Ltd., NDB Securities (Pvt) Ltd, NDB Zephyr Partners Ltd, Mauritius., United Motors Lanka PLC., Unimo Enterprises Ltd., Colombo City Holdings PLC., Arni Holdings & Investments (Pvt) Ltd., and Unawatuna Boutique Resort (Pvt) Ltd.

He was formerly the Independent Non-Executive Chairman of NDB Bank PLC., and DHPL Ltd. He was also an Independent Non-Executive Director of DFCC Bank PLC., DFCC Vardhana Bank Ltd., Union Bank PLC., UB Finance Company Ltd., Orient Finance PLC and TVS Lanka Ltd.

**Mr. Shiran Dammage**

Mr. Shiran Perera was appointed to the Board SriLankan Airlines, effective 4th May 2023 and was subsequently appointed to the Board of SriLankan Catering Limited w.e.f. 26th May 2023. He is the Chairman of the Audit Committee and member of the Group Board Risk Committee of the Company and its subsidiary.

He is a Director of Finance in WSO2. He is responsible of Management of monthly global accounting closing, including preparation and communication of global close calendars, close progression, and acting as the global point person for related inquiries, review, and analysis of consolidated financial statements and global reporting packages.

Mr. Dammage has a MBA from university of Edith Coven Australia and MSC from university of West London in UK. He also holds Associate Member of Chartered Institute of Marketing (CIM) UK and Chartered Institute of Management Accounts (CIMA) UK. He holds association of business executives (ABE) UK. He has also Leadership & Strategic Management from Cornell University US.



## **BOARD AUDIT COMMITTEE REPORT 2022/23**

### **ROLE OF THE COMMITTEE**

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 members who served on the BAC during the year ended 31 March 2023 were Mr. Sanjaya Mohottala (Chairman, resigned 29 April 2022), Mr. Sarath Kumara (Chairman, appointed 30 September 2022, resigned 03 February 2023), Mr. Jayanth Perera (Member and appointed as Pro-tem Chairman on 31 March 2023), Mr. Malik Fernando (Member), Mr. Samantha Ratwatte (Member, resigned 11 July 2022), Mr. Manohara De Silva (Member, resigned 11 July 2022), Mr. A.K.D.D Arandara (Member, appointed 31 March 2023). Subsequent to the year-end Mr. Shiran Dammage was appointed as the Audit Committee Chairman on 26 May 2023. Ms. A.D. Dilrukshi, Superintendent of Audit, National Audit Office attended Audit Committee meeting as an independent observer.

### **MEETINGS**

The Board Audit Committee met once during the financial year ended 31 March 2023. In terms of the Guidelines on Corporate Governance for SOEs, the Chairman of the Audit Committee should possess knowledge and qualifications in financial management and with the resignation of the previous Audit Committee Chairman on 29 April 2022 the Secretary to the Treasury appointed a director with the required qualification on 30 September 2022 to chair the Audit Committee meetings.

### **GROUP ASSURANCE AND ADVISORY SERVICES DIVISION**

The SriLankan Catering Internal Audit function is handled by Group Assurance and Advisory Services (GAAS) Division of SriLankan Airlines and reports functionally to the SriLankan Catering Board Audit Committee.

### **KEY ACTIVITIES OF THE BAC DURING THE FINANCIAL YEAR**

- Reviewed the year-end Audited Financial Statements and recommended for Board approval.
- Reviewed the Internal Audit function to ensure the independence and authority of its reporting obligations.
- Reviewed and approved the internal audit plan.
- Reviewed the internal audit reports on system of internal controls including IS/IT controls and monitored that follow-up action is taken by Heads of Departments in a timely manner.
- Reviewed the Company's debtors age analysis report.
- Reviewed the Company's compliance dashboards to determine all relevant laws and regulations are complied with.
- Reviewed the Related Party Transaction details.
- Reviewed licenses/permits required by Sri Lankan Catering for its operations.

Mr. Jayanth Perera  
Chairman (in chair)  
Board Audit Committee  
23 October 2023



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

The Board of Directors of SriLankan Catering Limited has the pleasure in presenting the Audited Financial Statement of the Company for the year ended 31<sup>st</sup> March 2023.

### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal business activities of the Company are the provision of operating and maintaining the Flight Kitchen.

Apart from its main operation of inflight catering, it also operates all Airline lounges at the Airport including the Serendib, Emirates, Araliya, Lotus lounges and the airport restaurants at BIA and MRIA. As a part of its ancillary business activities, SriLankan Catering also operates the Serenediva Transit Hotel, Aeroclean Industrial Laundry, and Cuisine Gastronome - Ready to Eat Frozen Meal range produced for local and export markets.

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

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

### FINANCIAL STATEMENTS

A complete set of Financial Statements for the year ended 31<sup>st</sup> March 2023 duly signed by the Chief Executive Officer and the Directors, and the Auditor's Report thereon for the year ended 31<sup>st</sup> March 2023 are attached to this Report.

### ACCOUNTING POLICIES AND CHANGES DURING THE YEAR

The Company prepared the financial statements 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 adopted 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 08 to 43.

### REVENUE

Revenue generated by the Company amounted to Rs.12,543 Mn (2021/22 - Rs.3,902 Mn), a detailed analysis of turnover is given in Note 3 to the financial statements.

### RESULTS AND DIVIDEND

Net results for the year are as follows,

|                       | 2022/2023 | 2021/2022 |
|-----------------------|-----------|-----------|
|                       | Rs. (Mn)  | Rs. (Mn)  |
| Net profit before tax | 5,701     | 3,231     |
| Taxation              | (1,004)   | (429)     |
| Net profit after tax  | 4,697     | 2,803     |



## DIVIDEND

### Ordinary Shares Dividend

A final dividend of Rs. 2,382,295,772 was declared and paid out of the profit earned during the FY 2021/22. No dividend declared out of the profit earned during the FY 2022/23.

## 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. 4,295 Mn (2021/22: Rs.2,044 Mn). During the year PPE was revalued by an independent valuer, Mr. A. R. Ajith Fernando, an incorporated chartered valuer. Details of Property, Plant and Equipment and their movements are given in Note 9 to the financial statements.

## STATED CAPITAL

The Stated Capital of the Company, consisting of 940,268,456 Ordinary Shares, amounts to Rs. 1,000 Mn (2021/22: Rs. 1,000 Mn). Details of the share capital are given in Note 18.

## RESERVES

Total Company reserves as at 31 March 2023 amount to Rs. 13,787 Mn (2021/22: Rs. 9,655 Mn). This consists of Revenue Reserve (Accumulated Profit) of Rs. 9,637 Mn (2021/22: Rs.7,335 Mn) and Capital Reserve (Revaluation Surplus) of Rs. 4,150 Mn (2021/22: Rs. 2,321 Mn). Movements in these Reserves are shown in the Statement of Changes in Equity in the financial statements.

## CORPORATE DONATIONS

No donations were made during the year.

## TAXATION

The Company is subject to pay income tax at a concessionary rate of 15% up to 30<sup>th</sup> of May 2029 and thereafter, all profit shall be taxable at normal rate in terms of its agreement with the Board of Investment of Sri Lanka.

At present, net profit derived from the Flight Kitchen, Transit Restaurant, Transit Hotel and Airline Laundry are taxable at the concessionary rate of 15%.

The net profit derived from the Public Restaurants, Vanilla Pod sales outlet, local laundry sales and other business income are liable for income tax at the prevailing tax rate of 24% for first six month and 30% for the second six months.

## SHARE INFORMATION

Share information as at 31<sup>st</sup> March 2023 is as follows:

### Ordinary Shares

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

## CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent Liabilities as at 31<sup>st</sup> March 2023 are given in Note 27 to the Financial Statements. The commitments made on Capital Expenditure as at the balance sheet date are given in Note 26.

## EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no material events which occurred between the reporting date and the date on which the financial statements are authorized for issue.



### **EMPLOYMENT POLICIES**

Employment policies of the Company respect the individual and offer equal career opportunities regardless of gender, race or religion. Occupational health and safety standards receive substantial attention. The number of persons employed by the Company at the year-end was 763 (2021/22: 819).

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

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

### **GOING CONCERN**

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

### **DIRECTORATE - SRILANKAN CATERING LIMITED**

The current Directorate of SriLankan Catering Limited is as follows;

Mr. Asoka Pathirage (Chairman)

Mr. Malik J. Fernando

Mr. Joseph Micheal Jayanth Perera

Mr. Ananda Wijetilaka Atukorala

Mr. A.K.D.D.D. Arandara/Treasury Representative

Mr. A.M.A.A. Lakmal Ratnayake

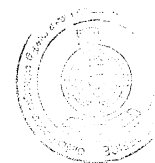
Mr. D.D. Shiran Chaminda Dammage

Mr. Sanjaya Mohottala (Resigned w.e.f. 29<sup>th</sup> April 2022)

Mr. Manohara Ratnavibhushana De Silva PC (Resigned w.e.f. 11<sup>th</sup> July 2022)

Mr. Samantha Ratwatte PC (Resigned w.e.f. 11<sup>th</sup> July 2022)

Mr. Weerasinghe Achchige Sarath Kumara - (Appointed w.e.f. 30<sup>th</sup> September 2022/ Resigned w.e.f. 3<sup>rd</sup> February 2023)



**DIRECTORS' REMUNERATION**

The Directors' remunerations paid for the financial year ended 31<sup>st</sup> March 2023 is disclosed in note no 29 under key management personnel disclosure.

**DIRECTORS' SHAREHOLDING**

By virtue of office M/s. Asoka Pathirage/ Chairman and Mr. Malik Fernando/ Director are holding one ordinary share each.

**DIRECTORS' INTERESTS IN CONTRACTS**

The Directors' interest in Contracts of the Company are included in Note 29 to Financial Statements under related party transactions. The Directors have no direct or indirect interest in any other contracts or proposed contracts of the Company.

**AUDITORS**

The Auditor General shall audit the organization in terms of Article 36 of the 19<sup>th</sup> amendment to the Constitution of the Democratic Socialist Republic of Sri Lanka. Messrs Ernst & Young have 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 2023.

**ANNUAL GENERAL MEETING**

Annual General Meeting will be held on 29 November 2023, via Resolution in accordance with the Section 144 of the Companies Act No. 07 of 2007.

By Order of the Board

Mrs. Dalrene Thirukumar  
Company Secretary

.....  
Director

.....  
Director



## Statement of Directors' Responsibilities

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

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

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

The Directors continue to adopt the going concern basis in preparing the Financial Statements. The Directors, after making enquiries and following a review of the company's Budget for the financial year ending 31<sup>st</sup> March 2023 including cash flows and borrowing facilities, consider that the Company has adequate resources to continue in operation.

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

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

By Order of the Board



**Dalrene Thirukumar**  
Company Secretary  
23 October 2023



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தேசிய கணக்காய்வு அலுவலகம்  
NATIONAL AUDIT OFFICE



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எனது இல.  
My No.

AAV/B/SLCL/FA/2022/39

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உமது இல.  
Your No.

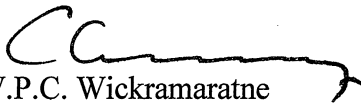
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திகதி  
Date

01 November 2023

Chairman  
SriLankan Catering Limited

**Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the SriLankan Catering Limited and its subsidiary for the year ended 31 March 2023 in terms of Section 12 of the National Audit Act, No. 19 of 2018.**

Above mentioned report together with the Audited Financial Statements is sent herewith.

  
W.P.C. Wickramaratne

Auditor General





# ජාතික විගණන කාර්යාලය

## தேசிய கணக்காய்வு அலுவலகம்

### NATIONAL AUDIT OFFICE



මගේ අංකය  
எனது இல.  
My No.

AAV/B/SLCL/FA/2022/39

ඔබේ අංකය  
உமது இல.  
Your No.

දිනය  
திகதி  
Date

01 November 2023

Chairman  
SriLankan Catering Limited

**Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the SriLankan Catering Limited for the year ended 31 March 2023 in terms of Section 12 of the National Audit Act, No. 19 of 2018.**

## 1. Financial Statements

### 1.1 Opinion

The audit of the financial statements of the SriLankan Catering Limited (“Company”) for the year ended 31 March 2023 comprising the statement of financial position as at 31 March 2023 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.



## 1.2 Basis for Opinion

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

## 1.3 Other information included in the Company's 2022 Annual Report

The other information comprises the information included in the Company's 2022 Annual Report but does not include the financial statements and my auditor's report thereon, which is expected to be made available to me after the date of this auditor's report. Management is responsible for the other information.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the Company's 2022 Annual Report, if I conclude that there are material misstatements therein, I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed those will be included in my report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution that will be tabled in due course.

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

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

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

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

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

### **1.5 Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

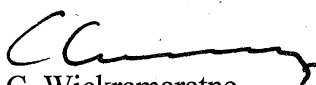
## **2. Report on Other Legal and Regulatory Requirements**

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

2.1.1 I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company as per the requirement of section 163 (2) of the Companies Act, No. 7 of 2007 and section 12 (a) of the National Audit Act, No. 19 of 2018.



- 2.1.2 The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- 2.1.3 The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.
- 2.2 Based on the procedures performed and evidence obtained were limited to matters that are material, nothing has come to my attention;
- 2.2.1 to state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the normal cause of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018.
- 2.2.2 to state that the Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018.
- 2.2.3 to state that the Company has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018.
- 2.2.4 to state that the resources of the Company had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018.

  
W.P.C. Wickramaratne  
Auditor General

**SriLankan Catering Limited**  
**STATEMENT OF COMPREHENSIVE INCOME**  
Year ended 31 March 2023

|   | Note | 2023<br>Rs.     | 2022<br>Rs.     |
|---|------|-----------------|-----------------|
| Revenue from contracts with customers   | 3    | 12,542,845,586  | 3,902,074,800   |
| Cost of sales   |      | (3,145,315,047) | (1,014,341,124) |
| <b>Gross profit</b>   |      | 9,397,530,539   | 2,887,733,676   |
| Administrative expenses   | 4    | (2,709,066,727) | (1,934,017,844) |
| Other operational expenses  | 5    | (1,678,147,764) | (479,465,553)   |
| <b>Profit from operations</b>   |      | 5,010,316,048   | 474,250,279     |
| <b>Net finance cost</b>   |      |                 |                 |
| Finance income  | 6    | 72,711,779      | 24,920,051      |
| Finance cost  | 6    | (88,010,539)    | (90,822,036)    |
| Exchange Gain   | 6    | 705,819,233     | 2,822,870,314   |
| Net finance income  |      | 690,520,473     | 2,756,968,329   |
| <b>Net Profit/(Loss) before taxation</b>  |      | 5,700,836,521   | 3,231,218,608   |
| Income tax (expenses)/Reversal  | 7    | (1,003,622,024) | (428,517,700)   |
| <b>Net Profit/(Loss) for the year after taxation</b>  |      | 4,697,214,497   | 2,802,700,908   |
| <b>Other comprehensive income</b>   |      |                 |                 |
| Other comprehensive income that will not be reclassified to profit/ (Loss) in subsequent period |      |                 |                 |
| Actuarial gain/(loss) on defined benefit plan   | 21   | (6,170,461)     | 38,455,630      |
| Deferred tax impact on actuarial gain/(loss) on defined benefit plan                            | 20   | 1,851,138       | (5,768,344)     |
| Actuarial gain / (loss) on leave encashment liability   | 21   | (12,062,040)    | 22,832,042      |
| Deferred tax impact on actuarial (gain)/loss on leave encashment liability                      | 20   | 3,618,612       | (3,424,806)     |
| Revaluation surplus on property plant & equipment   | 9    | 2,613,837,321   | -               |
| Deferred tax on revaluation gain on property plant & equipment                                  | 20   | (784,151,197)   | -               |
| <b>Other comprehensive income for the year, net of tax</b>                                      |      | 1,816,923,373   | 52,094,522      |
| <b>Total comprehensive income</b>   |      | 6,514,137,870   | 2,854,795,430   |
| Basic earnings per share  | 8    | 5.00            | 2.98            |

Figures in brackets indicate deductions.


The accounting policies and notes on pages 08 to 43 form an integral part of these financial statements.



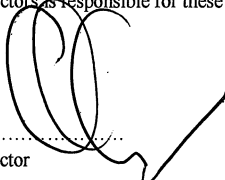
**SriLankan Catering Limited**  
**STATEMENT OF FINANCIAL POSITION**  
As at 31 March 2023

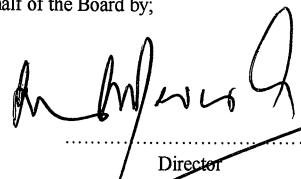
| ASSETS                                   | Note | 2023<br>Rs.           | 2022<br>Rs.           |
|--|------|-----------------------|-----------------------|
| <b>Non-current assets</b>                |      |                       |                       |
| Property, plant and equipment            | 9    | 4,294,836,509         | 2,044,452,027         |
| Right of use assets                      | 9    | 176,194,619           | 269,056,132           |
| Intangible assets                        | 10   | 10,063,099            | 12,146,397            |
| <b>Total non-current assets</b>          |      | <u>4,481,094,227</u>  | <u>2,325,654,556</u>  |
| <b>Current assets</b>                    |      |                       |                       |
| Inventories                              | 12   | 580,446,666           | 252,730,058           |
| Amounts due from related companies       | 13   | 143,722,512           | 90,347,438            |
| Trade receivables                        | 14   | 12,574,651,803        | 9,878,163,787         |
| Other receivables                        | 15   | 323,509,824           | 121,201,408           |
| Other Financial assets at amortized cost | 16   | 427,134,390           | 255,599,542           |
| Cash and cash equivalents                | 17   | 1,006,426,410         | 571,862,829           |
| <b>Total current assets</b>              |      | <u>15,055,891,605</u> | <u>11,169,905,062</u> |
| <b>Total assets</b>                      |      | <u>19,536,985,832</u> | <u>13,495,559,618</u> |
| <b>EQUITY AND LIABILITIES</b>            |      |                       |                       |
| <b>Equity</b>                            |      |                       |                       |
| Stated capital                           | 18   | 1,000,000,000         | 1,000,000,000         |
| Revaluation reserve                      |      | 4,150,320,337         | 2,320,634,213         |
| Retained earnings                        |      | 9,636,653,964         | 7,334,497,991         |
| <b>Total Equity</b>                      |      | <u>14,786,974,301</u> | <u>10,655,132,204</u> |
| <b>Non-current liabilities</b>           |      |                       |                       |
| Loans and borrowings                     | 19   | 729,200,148           | 885,882,122           |
| Deferred tax liability                   | 20   | 1,311,140,555         | 431,986,366           |
| Retirement benefit obligations           | 21   | 709,668,965           | 635,000,997           |
| <b>Total non-current liabilities</b>     |      | <u>2,750,009,668</u>  | <u>1,952,869,485</u>  |
| <b>Current liabilities</b>               |      |                       |                       |
| Loans and borrowings                     | 19   | 172,295,903           | 171,927,980           |
| Trade payables                           | 22   | 304,629,792           | 305,725,292           |
| Other payables                           | 23   | 1,170,361,504         | 368,786,912           |
| Income tax payable                       | 24   | 352,714,664           | 41,117,745            |
| <b>Total current liabilities</b>         |      | <u>2,000,001,863</u>  | <u>887,557,929</u>    |
| <b>Total liabilities</b>                 |      | <u>4,750,011,531</u>  | <u>2,840,427,414</u>  |
| <b>Total equity and liabilities</b>      |      | <u>19,536,985,832</u> | <u>13,495,559,618</u> |


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

  
.....  
Chief Executive Officer

The Board of Directors is responsible for these financial statements. Approved and signed for and on behalf of the Board by:

  
.....  
Director

  
.....  
Director



Figures in brackets indicate deductions.

The accounting policies and notes on pages 08 to 43 form an integral part of these financial statements.

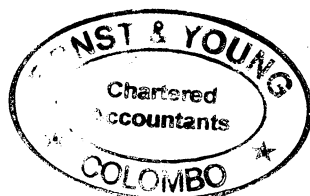


**SriLankan Catering Limited****STATEMENT OF CHANGES IN EQUITY**

Year ended 31 March 2023

|  | Stated<br>capital<br>Rs. | Revaluation<br>reserves<br>Rs. | Retained<br>earnings<br>Rs. | Total<br>Rs.          |
|--|--------------------------|--------------------------------|-----------------------------|-----------------------|
| <b>Balance as at 01 April 2021</b>                                 | 1,000,000,000            | 2,325,438,307                  | 4,474,898,468               | 7,800,336,774         |
| Profit for the year  | -                        | -                              | 2,802,700,908               | 2,802,700,908         |
| Other comprehensive income   | -                        | -                              | 52,094,522                  | 52,094,522            |
| <b>Total comprehensive Income</b>                                  | -                        | -                              | 2,854,795,430               | 2,854,795,430         |
| Transfer of surplus on revaluation due to disposal during the year | -                        | (4,804,093)                    | 4,804,093                   | -                     |
| <b>Balance as at 01 April 2022</b>                                 | <u>1,000,000,000</u>     | <u>2,320,634,213</u>           | <u>7,334,497,991</u>        | <u>10,655,132,204</u> |
| Profit for the year  | -                        | -                              | 4,697,214,497               | 4,697,214,497         |
| Other comprehensive income   | -                        | 1,829,686,124                  | (12,762,751)                | 1,816,923,373         |
| <b>Total comprehensive Income</b>                                  | -                        | 1,829,686,124                  | 4,684,451,746               | 6,514,137,870         |
| Dividend - Ordinary shares- Final 2021/22                          | -                        | -                              | (2,382,295,772)             | (2,382,295,772)       |
| <b>Balance as at 31 March 2023</b>                                 | <u>1,000,000,000</u>     | <u>4,150,320,337</u>           | <u>9,636,653,964</u>        | <u>14,786,974,302</u> |

The accounting policies and notes on pages 08 to 43 form an integral part of these financial statements.



**SriLankan Catering Limited**  
**STATEMENT OF CASH FLOWS**  
Year ended 31 March 2023

|   | Note | 2023<br>Rs.            | 2022<br>Rs.            |
|---|------|------------------------|------------------------|
| <b>Cash flow from operating activities</b>                              |      |                        |                        |
| Net profit/ (Loss) before taxation                                      |      | 5,700,836,520          | 3,231,218,608          |
| Adjustments for ;   |      |                        |                        |
| - Depreciation on property, plant and equipment                         | 9    | 424,556,031            | 403,133,686            |
| - Amortization of intangible assets                                     | 10   | 4,504,518              | 10,903,676             |
| - Amortization of right-of-use asset                                    | 9    | 39,279,449             | 53,282,468             |
| - Provision/ (Reversal) for bonus                                       |      | 426,177,423            | 109,121,273            |
| - Provision for gratuity  | 21   | 130,868,067            | 78,418,829             |
| - Provision for leave encashment  | 21   | 4,969,894              | 3,979,205              |
| - Impairment on debtors   | 5    | 15,812,968             | 69,198,379             |
| - Provision/ (reversal) for slow-moving stock                           | 5    | 46,063,524             | (55,931,803)           |
| - Interest expenses   | 6    | -                      | 36,938                 |
| - Interest expenses of lease liability                                  | 6    | 88,010,539             | 90,785,098             |
| - Interest income   | 6    | (72,711,779)           | (24,920,051)           |
| - Concession on rent  | 9    | (80,798,723)           | (147,919,129)          |
| - Impact of remeasurement of lease liability                            | 9.6  | (32,000,229)           | -                      |
| - Unrealized Exchange (gain)/loss on lease liability                    | 9.6  | 105,324,723            | 259,524,826            |
| - Profit/(loss) on disposal of property, plant and equipment            |      | -                      | 1,383,975              |
|   |      | <u>1,100,056,404</u>   | <u>850,997,370</u>     |
|   |      | <b>6,800,892,924</b>   | <b>4,082,215,978</b>   |
| <b>Operating profit/ (Loss) before working capital changes</b>          |      |                        |                        |
| (Increase)/decrease in inventories                                      |      | (373,780,132)          | (24,055,847)           |
| (Increase)/decrease in trade and other receivables                      |      | (3,096,575,940)        | (3,728,851,993)        |
| Increase/(decrease) in trade and other payables                         |      | 552,630,791            | 362,667,837            |
|   |      | <u>(2,917,725,282)</u> | <u>(3,390,240,003)</u> |
| <b>Cash generated from operations</b>                                   |      | <u>3,883,167,642</u>   | <u>691,975,975</u>     |
| Bonus paid  |      | (177,233,623)          | (103,341,751)          |
| Gratuity Paid   | 21   | (74,657,215)           | (16,603,356)           |
| Leave Encashment Paid   | 21   | (4,745,279)            | (1,070,608)            |
| Income Tax Paid   | 24   | (591,552,362)          | (46,577,672)           |
|   |      | <u>(848,188,479)</u>   | <u>(167,593,387)</u>   |
| <b>Net cash flow from/(used in) operating activities</b>                |      | <u>3,034,979,163</u>   | <u>524,382,588</u>     |
| <b>Cash flows from investing activities</b>                             |      |                        |                        |
| Acquisition of intangible assets  |      | (2,421,220)            | (466,600)              |
| Acquisition of property, plant and equipment                            |      | (61,103,192)           | (138,681,578)          |
| Interest received   |      | 28,650,820             | 24,920,051             |
| Proceeds from disposal of property, plant and equipment                 |      | -                      | 1,765,326              |
| <b>Net cash from/(used in) investing activities</b>                     |      | <u>(34,873,592)</u>    | <u>(112,462,801)</u>   |
| <b>Cash flows from financing activities</b>                             |      |                        |                        |
| Borrowings obtained   |      | -                      | 13,238,783             |
| Repayment of borrowings   |      | -                      | (1,000,000)            |
| Lease Rental Paid   |      | (183,246,219)          | (36,262,319)           |
| Interest paid   |      | -                      | (36,938)               |
| Dividend paid - ordinary shares   |      | (2,382,295,772)        | -                      |
| <b>Net cash from/(used in) financing activities</b>                     |      | <u>(2,565,541,991)</u> | <u>(24,060,474)</u>    |
| <b>Net (decrease) / increase in cash and cash equivalents</b>           |      | 434,563,581            | 387,859,313            |
| <b>Cash and cash equivalents at the beginning of the year (Note 17)</b> |      | 571,862,829            | 184,003,516            |
| <b>Cash and cash equivalents at the end of the year (Note 17)</b>       |      | <u>1,006,426,410</u>   | <u>571,862,829</u>     |

Figures in brackets indicate deductions.

The accounting policies and Notes on pages 08 to 43 form an integral part of these financial statements.



**1. CORPORATE INFORMATION**

**1.1 General**

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

Sri Lankan Catering was converted to a limited liability company on 16 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, Mahinda Rajapakse International Airport and Colombo International Airport, Rathmalana. The company is also engaged in operating restaurants and a transit hotel at Bandaranaike International Airport besides 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 31 March 2023 were authorized for issue by the Board of Directors on 23 October 2023.



**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.1 General accounting policies**

**2.1.1 Basis of preparation**

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

**2.1.2 Basis of measurement**

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

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

**2.1.3 Presentation and functional currency**

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

**2.1.4 Statement of compliance**

The statement of financial position, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows, together with accounting policies and notes ("financial statements") of the company as at 31 March, 2023 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 Board of Directors have made an assessment of the Company's to continue as a going concern and they do not intend either to liquidate or to cease trading.

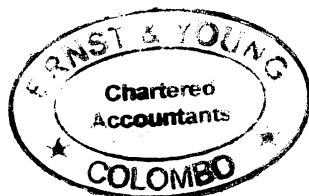
In determining the basis of preparing the financial statements for the year ended 31 March 2023, based on available information, the management has considered the current economic conditions and the appropriateness of the use of the going concern basis.

**2.1.6 Comparative information**

The accounting policies have been consistently applied by the company and are consistent with those of the previous year.

The financial statements provide comparative information in respect of the previous period.

Other than above, the previous year's figures and phrases have been re-arranged wherever necessary to conform to the current year's presentation.





**2.1.7 Foreign currency transaction**

All foreign exchange transactions are initially converted to Sri Lanka Rupees, which is the reporting currency, at the monthly average rates.

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

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

**2.1.8 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.

**2.1.9 Standards issued but not yet effective**

The new and amended standards and interpretations that are issued up to the date of issuance of the Group's financial statements but are not effective for the current annual reporting period, are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective

**Definition of Accounting Estimates - Amendments to LKAS 8**

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

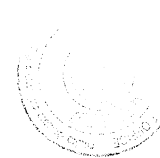
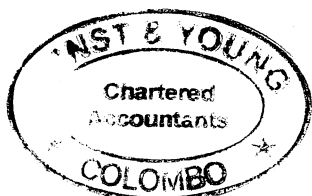
The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

**Disclosure of Accounting Policies - Amendments to LKAS 1 and IFRS Practice Statement 2**

Amendments to LKAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies.
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.



**Classification of Liabilities as Current or Non-current - Amendments to LKAS 1**

Amendments to LKAS 1 Presentation of Financial Statements specify the requirements for classifying liabilities as current or non-current. The amendments clarify -

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification
- Disclosures

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

The below standards and amendments are not materially affect the company.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to LKAS 12
- SLFRS 17 Insurance Contracts

**2.1.10 Significant accounting judgments, estimates and assumptions.**

**a) Judgments**

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

**b) Estimates and assumptions.**

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

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

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

- Note 20 - Deferred tax assets and liabilities.
- Note 21 - Retirement benefit obligations.

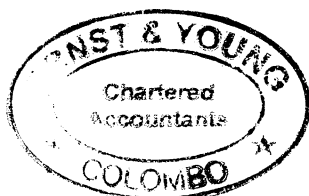
**2.2 Significant accounting policies**

**2.2.1 Property, plant and equipment**

**a) Cost**

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

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



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

The property, plant and equipment of the company had been valued by an independent valuer as at 31 March, 2023 and the details are disclosed in note 9 to the financial statements.

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

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

| Asset class              | Useful life |
|--------------------------|-------------|
| Building improvements    | 20 years    |
| Furniture and Fittings   | 05 years    |
| Plant and machinery      | 05 years    |
| Motor vehicle            | 04 years    |
| MRIA Kitchen Equipment's | -           |

**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. Judgment made by the management based on the professional experts is exercised in the estimation of these values, rates, and methods.

**c) Restoration costs**

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

**d) De-recognizing**

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

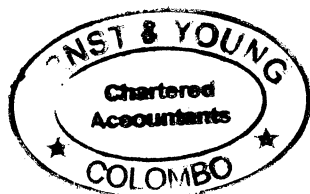
**2.2.2 Capital work-in-progress.**

Capital work in progress consists of the cost of assets, labour and other direct costs associated with property, plant and equipment being constructed by the company. Once the assets become operational, the related costs are transferred from construction in progress to the appropriate asset category and are depreciated together with the related asset. During the year no capital work in progress was existing.

**2.2.3 Intangible assets**

An intangible asset is recognized 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 amortization and accumulated impairment losses.

Subsequent expenditure is capitalized 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, are recognized in profit or loss as incurred.



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

An intangible asset is de-recognized at 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-recognized.

#### 2.2.4 Fair value measurement

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

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

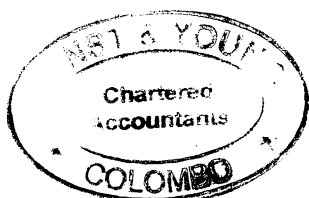
- a) The particular asset or liability is the subject of the measurement.
- b) For a non-financial asset, the valuation premise that is appropriate for the measurement (consistently with its highest and best use).
- c) The principal (or most advantageous) market for the asset or liability.
- d) The valuation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

Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between the market participants at the measurement date under the 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 maximizes the use of relevant observable inputs and minimizes 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 the assumptions about risk. As a result, an entity's intention to hold an asset or to settle or otherwise fulfill a liability is not relevant when measuring fair value.

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

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



### 2.2.5 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 judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumption and other risks affecting the specific instrument.

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

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

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

### 2.2.6 Impairment of non-financial assets

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

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

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

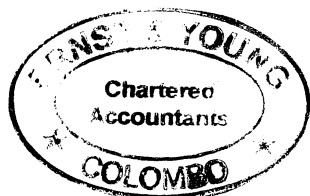
That increased amount cannot "exceed" the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income unless the asset is carried at revalued amount, in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

### 2.2.7 Financial assets

#### 2.2.7.1 Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. This assessment is referred to as the SPPI test and is performed at an instrument level. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.



With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient they are measured at the transaction price.

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

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

#### 2.2.7.2 Subsequent measurement

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

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

##### a) Financial assets at amortised cost

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

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

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

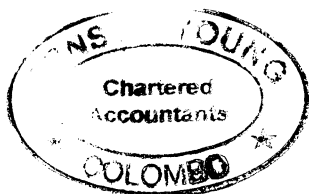
The Company's financial assets at amortized cost include trade receivable and short-term investments.

##### b) Financial assets at fair value through OCI

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

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

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



**c) Equity Instruments**

The Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under “LKAS 32 Financial Instruments:

Presentation” and are not held for trading. The classification is determined on an instrument-by-instrument basis.

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

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

**d) Financial assets at fair value through profit or loss**

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

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

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

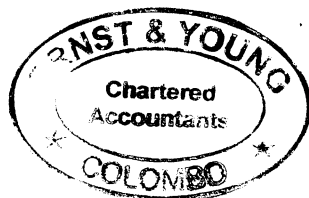
**2.2.7.3 Financial assets – de-recognition**

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

**2.2.7.4 Impairment of financial assets**

The Company has assessed on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by SLFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.



## 2.2.8 Financial liabilities

### 2.2.8.1 Initial recognition and measurement

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

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

### 2.2.8.2 Subsequent measurement

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

#### a) Financial liabilities at fair value through profit or loss

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

#### b) Loans and borrowings

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

### 2.2.8.3 De-recognition

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

### 2.2.9 Offsetting of financial instruments

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

### 2.2.10 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 the 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 the fair values of financial instruments and further details as to how they are measured are provided in the notes.





#### 2.2.11 Cash and cash equivalents

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

#### 2.2.12 Inventories

Inventories are valued at the lower of cost and net realizable 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 realizable 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 recognized as expense when they are used for sale.

Perishables, products with short shelf lives or expiration dates or specific seasonal inventories were considered for the impairment.

#### 2.2.13 Share capital

##### Ordinary shares

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

#### 2.2.14 Liabilities and provisions

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

A provision is recognized 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.

#### 2.2.15 Employee benefits

##### 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 recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the company has a present legal or constructive obligation to pay this amount as a result of a past service provided by the employee, and the obligation can be estimated reliably.

##### Retirement benefit obligations – Gratuity

Gratuity is a defined benefit plan; the Company is liable to pay in terms of Gratuity Act No. 12 of 1983 and the Minimum Retirement Age of Workers Act, No. 28 of 2021. 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 unrecognized 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 the service by employees is recognized 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 recognized immediately in profit or loss.

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

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

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

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

This basis of payment will only be applicable for employees who had been in service on or before 01 April 2000, to employees who have joined the Company after 01 April 2000, the payment of gratuity will be made as per the provisions laid down in the Gratuity Act.

The liability is not externally funded.

#### **Leave Encashment**

The Company is liable for the accumulated leave which is unutilized from the end of the reporting period based on employment contracts at the retirement. The Company's net obligation towards unutilized accumulated leave is measured at the present value of the defined benefit plan of the local employees with the advice of an Actuary every year using the Projected Unit Credit method.

The Company recognises the actuarial gain/loss arising from leave encashment in other comprehensive income and expenses related to leave encashment in the statement of profit or loss.

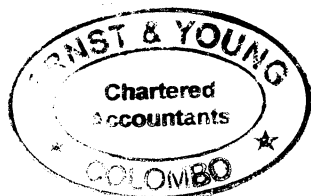
The leave encashment liability is not externally funded. This item is grouped under "Retirement benefit obligations" in the statement of financial position.

#### **2.2.16 Defined contribution plans – Employees' Provident Fund (EPF) and Employees' Trust Fund (ETF)**

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 recognized as an employee benefit expense in profit or loss when they are due. Prepaid contributions are recognized 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 the employees as Trust Fund (ETF) contributions and contributions to the Provident Fund (PF) are as shown below;

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



#### 2.2.17 Leases

##### Right of use assets

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

##### Lease liabilities

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

##### Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### 2.2.18 Taxation

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

##### Current tax

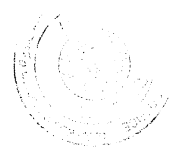
Current tax is the expected tax payable on the taxable income for the year, using the tax rates enacted at the reporting date and any adjustments to tax payable in respect of previous years.

The Income from Flight Kitchen, Transit Restaurants, transit hotel, airline laundry was exempted from income tax up to 31 May 2021 and then taxable at concessionary rate of 15% for 8 years ending on 31 May 2029 as per the agreement with Board of Investment (BOI). The income from other sources is liable at the normal rate.

##### Deferred taxation

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Thus, the Company's deferred tax liability has been calculated based on future tax rates applicable for each segments which are at 15% and 30%.

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 the current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.



**2.2.19 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. During the year no commitment and contingencies existed.

**2.3 Statement of comprehensive income**

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

**2.3.1 Revenue from contracts with customers**

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

**a) Goods transferred at a point in time**

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

**b) Services transferred over time**

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

**2.3.2 Expenditure recognition**

All expenditure incurred in the running of the business have 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.

**2.3.2.1 Finance expense**

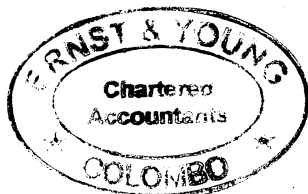
Finance costs comprise interest expense on borrowing, and interest on overdrafts. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method. Foreign currency gain or losses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

**2.4 Events after the reporting period**

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

**2.5 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.



**2.6 Comparative figures**

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

**2.7 Statement of director's responsibility**

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

**2.8 Operating segments**

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

- Flight kitchen- Supply of In-flight Catering and other related services to international airlines.
- Airport restaurant (BIA) - provision of restaurant/lounge services.

Other operations include the following segments, which do not meet the quantitative thresholds for determining reportable segments in 2023 and 2022:

- 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
- Frozen Meals – Supply frozen meals

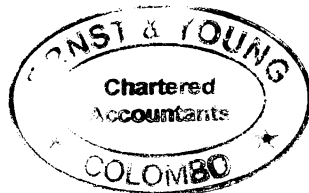
Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Company's Chief Executive Officer. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the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

**2.9 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 risks, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.



**2.9.1 Risk management framework**

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

The Company's Audit Committee oversees how management monitors in 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 the country in which the 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's Management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. Customers who fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

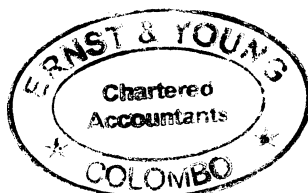
More than 95 percent of the Company's customers have been transacting with the Company for over five years, and losses have occurred rarely. Goods are sold subject to securities by banks so that in the event of non-payment, the Company may have a secured claim.

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

**b) Liquidity risk**

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

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



The Company has obtained Rs.50 million overdraft facility from the Commercial Bank of Ceylon PLC to which the Interest would be payable at the rate of AWPLR (monthly) + 1.5% p.a (2021/2022- AWPLR (monthly) + 1.5% p.a). The Company also has an overdraft facility of USD 350,000 from the Commercial Bank of Ceylon PLC to which the interest would be payable at the rate of LIBOR (3 months) + 5.5% p.a. (2021/22- LIBOR (3 months) + 5.5% p.a).

The Company has obtained Rs. 50 million overdraft facility from the Bank of Ceylon to which the interest would be payable at the rate of AWPLR + 2% p.a (2021/22- AWPLR +2% p.a). The Company also has an overdraft facility of USD 400,000 to which the interest would be payable at the rate of LIBOR (3 months) + 3.5% p.a. (2021/22 - LIBOR (3 months) + 3.5% p.a).

**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 the market risk exposures within the 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 currency of the Company. The currencies in which these transactions primarily are denominated are USD, EURO, GBP and SGD.

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

**e) Interest rate risk**

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

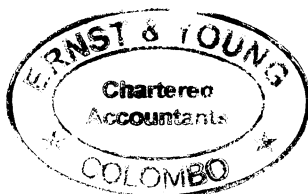
**f) Operational risk**

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

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



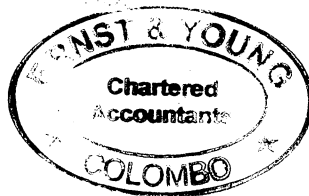
Risk mitigation, including insurance when this is effective.

Compliance with the 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 compliance with quality and hygienic standards.

**2.10 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 the future development of the business. The management monitors the return on capital, which the Company defines as profit for the year divided by the total equity.

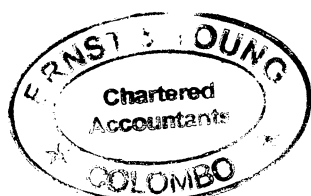
There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.





**SriLankan Catering Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year ended 31 March 2023

| 3. REVENUE FROM CONTRACTS WITH CUSTOMERS       | Note | 2023<br>Rs.                  | 2022<br>Rs.                 |
|--|------|------------------------------|-----------------------------|
| Flight kitchen                                 |      | 9,729,885,229                | 3,028,598,850               |
| Restaurants, café, Lounge and Hotels           |      | 2,402,377,843                | 778,052,356                 |
| Laundry sale                                   |      | 324,673,433                  | 80,527,871                  |
| Frozen meal                                    |      | 78,823,849                   | 11,775,452                  |
| Disposal of garbage                            |      | 6,809,738                    | 2,227,427                   |
| Sundry income                                  |      | 275,494                      | 892,844                     |
| <b>Revenue recognized at a point in time</b>   |      | <u><u>12,542,845,586</u></u> | <u><u>3,902,074,800</u></u> |
| <br>   |      |                              |                             |
| 4. ADMINISTRATION EXPENSES                     |      | 2023<br>Rs.                  | 2022<br>Rs.                 |
| Donations                                      |      | -                            | 200,000                     |
| Depreciation of property, plant and equipment  |      | 424,556,032                  | 403,133,686                 |
| Depreciation of RoU assets                     |      | 39,279,450                   | 53,282,468                  |
| Amortization of intangible assets              |      | 4,504,518                    | 10,903,676                  |
| Fees and other charges                         |      | 10,725,575                   | 7,804,719                   |
| Audit fees                                     |      | 1,144,095                    | 1,848,000                   |
| Staff cost                                     | 4.1  | 2,211,523,274                | 1,446,297,053               |
| Other administration expenses                  |      | 17,333,783                   | 10,548,242                  |
|  |      | <u><u>2,709,066,727</u></u>  | <u><u>1,934,017,844</u></u> |
| <br>   |      |                              |                             |
| 4.1 Staff cost                                 |      | 2023<br>Rs.                  | 2022<br>Rs.                 |
| Expenses related to defined benefit plans      |      | 130,868,067                  | 78,418,829                  |
| Salaries and wages                             |      | 1,515,745,467                | 1,147,422,213               |
| Contribution to Employees' Provident Fund      |      | 108,663,652                  | 89,857,015                  |
| Contribution to Employees' Trust Fund          |      | 24,816,635                   | 20,769,271                  |
| Provision/ (Reversal) for bonus                |      | 426,177,423                  | 109,121,273                 |
| Staff cost                                     |      | 5,252,030                    | 708,452                     |
|  |      | <u><u>2,211,523,274</u></u>  | <u><u>1,446,297,053</u></u> |
| <br>   |      |                              |                             |
| 5. OTHER OPERATIONAL EXPENSES                  |      | 2023<br>Rs.                  | 2022<br>Rs.                 |
| Loss on disposal of fixed assets               |      | -                            | 1,383,975                   |
| General operating expenses                     |      | 1,048,622,168                | 223,693,761                 |
| Common expenses                                |      | 410,388,728                  | 195,857,068                 |
| Provision for debtor impairment                |      | 15,812,968                   | 69,198,379                  |
| Concession fees                                |      | 157,260,376                  | 45,264,170                  |
| Provision / Reversal for slow moving inventory |      | 46,063,524                   | (55,931,803)                |
|  |      | <u><u>1,678,147,764</u></u>  | <u><u>479,465,553</u></u>   |

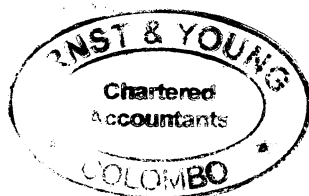


SriLankan Catering Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

| 6. NET FINANCE INCOME  | Note | 2023<br>Rs.          | 2022<br>Rs.          |
|--|------|----------------------|----------------------|
| <b>6.1 Finance income</b>  |      |                      |                      |
| Interest income  |      | 71,672,702           | 24,597,372           |
| Interest income - staff loans  |      | 1,039,077            | 322,679              |
|  |      | <u>72,711,779</u>    | <u>24,920,051</u>    |
| <b>6.2 Finance expenses</b>  |      |                      |                      |
| Bank interest  |      | -                    | 36,938               |
| Lease interest   |      | 88,010,539           | 90,785,098           |
|  |      | <u>88,010,539</u>    | <u>90,822,036</u>    |
| <b>6.3 Exchange gain</b>   |      |                      |                      |
|  |      | <u>705,819,233</u>   | <u>2,822,870,314</u> |
| <b>Net finance income</b>  |      | <u>690,520,473</u>   | <u>2,756,968,329</u> |
| <b>7. INCOME TAX EXPENSES</b>  |      |                      |                      |
|  |      | <b>2023</b>          | <b>2022</b>          |
|  |      | <b>Rs.</b>           | <b>Rs.</b>           |
| Current income tax   | 7    | 903,149,282          | 87,695,417           |
| Deferred tax expense/ (reversal)   | 20   | 100,472,742          | 340,822,283          |
|  |      | <u>1,003,622,024</u> | <u>428,517,700</u>   |
| <b>7.1 Reconciliation between tax expense and the product of accounting Profit/ (Loss)</b> |      |                      |                      |
| Accounting Profit/ (Loss) before tax   |      | 5,700,836,521        | 3,231,218,608        |
| Less: Profit exempt from income tax  |      | -                    | (123,330,118)        |
| Profit/ (Loss) liable for income tax   |      | <u>5,700,836,521</u> | <u>3,107,888,490</u> |
| Disallowable expenses  |      | 638,654,209          | 616,714,220          |
| Allowable expenses   |      | (519,161,264)        | (3,085,917,326)      |
| Taxable Business Profit/ (Loss)  |      | <u>5,820,329,466</u> | <u>638,685,384</u>   |
| Less: Losses set off   |      | -                    | (54,049,269)         |
| Taxable income   |      | <u>5,820,329,466</u> | <u>584,636,115</u>   |
| Income tax liability at 15%  |      | 864,476,212          | 87,695,417           |
| Income tax liability at 24%  |      | 17,188,031           | -                    |
| Income tax liability at 30%  |      | 21,485,039           | -                    |
|  |      | <u>903,149,282</u>   | <u>87,695,417</u>    |
| <b>7.2 Tax Losses Carried Forward</b>  |      |                      |                      |
|  |      | <b>2023</b>          | <b>2022</b>          |
|  |      | <b>Rs.</b>           | <b>Rs.</b>           |
| Tax Losses Brought Forward   |      | -                    | 54,049,269           |
| Tax Losses Utilized  |      | -                    | (54,049,269)         |
| <b>Tax Losses Carried Forward</b>  |      | <u>-</u>             | <u>-</u>             |



SriLankan Catering Limited  
NOTES TO THE FINANCIAL STATEMENTS  
Year ended 31 March 2023

8. **BASIC EARNINGS/ (LOSS) PER SHARE**

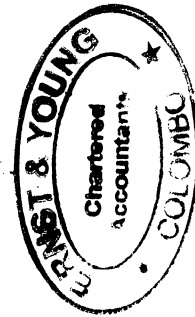
The basic earnings per share are calculated by dividing the net profit or loss for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

| Amounts used as numerator<br>Profit/ (Loss) attributable to ordinary shareholders                        | 2023<br>Rs.   | 2022<br>Rs.   |
|--|---------------|---------------|
| Number of ordinary shares used as the denominator<br>Weighted average number of ordinary shares in issue | 4,697,214,497 | 2,802,700,908 |
|  | 940,268,456   | 940,268,456   |
|  | 5.00          | 2.98          |

9. **PROPERTY, PLANT AND EQUIPMENT**

| Description of Assets  | Cost/Valuation                  |                  |           |                           | Depreciation                       |                                 |                            | Written down value  |                                 |                         |
|------------------------|---------------------------------|------------------|-----------|---------------------------|------------------------------------|---------------------------------|----------------------------|---------------------|---------------------------------|-------------------------|
|                        | Balance as at 01.04.2022<br>Rs. | Additions<br>Rs. | Disposals | Adjustment on Revaluation | Revaluation during the year<br>Rs. | Balance as at 31.03.2023<br>Rs. | Charge for the year<br>Rs. | On disposals<br>Rs. | Balance as at 31.03.2023<br>Rs. | As at 31.03.2022<br>Rs. |
| Buildings              | 1,628,614,316                   | 5,718,009        | -         | (321,055,577)             | 449,523,117                        | 1,762,799,865                   | 66,017,853                 | -                   | 1,762,799,865                   | 1,373,576,592           |
| Machinery & equipment  | 899,755,413                     | 47,649,005       | -         | (702,241,770)             | 1,303,976,999                      | 1,549,139,647                   | 184,033,786                | -                   | 1,549,139,647                   | 381,547,429             |
| Furniture and fittings | 37,183,817                      | 5,954,678        | -         | (29,637,639)              | 67,196,141                         | 80,696,997                      | 7,941,434                  | -                   | 80,696,997                      | 15,487,612              |
| Motor vehicles         | 582,620,521                     | 1,781,500        | -         | (475,343,085)             | 793,141,064                        | 902,200,000                     | 166,562,958                | -                   | 902,200,000                     | 275,840,394             |
| MRIA kitchen Equipment | 35,781,074                      | -                | -         | -                         | -                                  | 35,781,074                      | -                          | -                   | 35,781,074                      | -                       |
|                        | 3,183,955,141                   | 61,103,192       | -         | (1,528,278,071)           | 2,613,837,321                      | 4,330,617,583                   | 424,556,031                | -                   | 4,294,836,509                   | 2,044,452,027           |

In compliance with the Accounting policy, the Company has revalued its building, machinery and equipment, furniture and fittings and motor vehicles using an independent valuer Mr. A.R.Ajith Fernando, an incorporated chartered valuer as at 31 March, 2023.



9. **PROPERTY, PLANT AND EQUIPMENT (Contd...)**

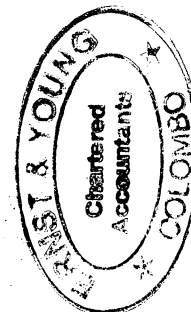
Details of Company's building and other plant and equipment stated at valuation are indicated below;

| Asset  | Method of Valuation   | Effective date of valuation | Significant unobservable inputs   | Revalued Amount Rs. | Sensitivity of fair value to unobservable inputs | Level of Fair value Hierarchy |
|--|---|-----------------------------|---|---------------------|--|-------------------------------|
| Buildings - Katunayake   | <b>Depreciated Replacement Cost</b><br>This method considers the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.<br>Further, in relation to buildings on leasehold premises, the underlying properties have been considered as "freehold basis" in assessing the related fair values. This assumption is based on Management's assessment that there will be uninterrupted continuation of the relevant leases which are of strategic importance for the continuation of the underlying operations. | 31-Mar-23                   | Estimated price per square foot Rs 4,000 - Rs 12,000<br>Management's assessment of uninterrupted continuation of relevant land leases | 1,762,799,865       | Positively correlated sensitivity                | Level 3                       |
| Flight Kitchen Equipment included under Plant and Equipment - Katunayake | <b>Depreciated Replacement Cost</b><br>This method considers the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.  | 31-Mar-23                   | Fair value was derived using the Net Replacement Cost (NRC) approach for each equipment   | 2,532,036,644       |  |                               |

9.2 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<br>Rs.   | Accumulated depreciation as at 31 March, 2023 |             | Carrying value as at 31 March, 2023 |     | Carrying value as at 31 March, 2022 |     |
|-------------------------|---------------|---|-------------|-------------------------------------|-----|-------------------------------------|-----|
|                         |               | Rs.   | Rs.         | Rs.                                 | Rs. | Rs.                                 | Rs. |
| Building in Katunayake  | 1,830,979,920 | 1,393,992,529                                 | 436,987,391 | 522,677,219                         |     |                                     |     |
| Machinery and equipment | 1,845,978,194 | 1,756,177,937                                 | 89,800,257  | 97,420,553                          |     |                                     |     |
| Furniture and fittings  | 67,349,576    | 60,509,870                                    | 6,839,706   | 3,278,457                           |     |                                     |     |
| Motor vehicles          | 634,798,013   | 505,836,575                                   | 128,961,438 | 185,494,479                         |     |                                     |     |
|                         | 4,379,105,703 | 3,716,516,911                                 | 662,588,792 | 808,870,708                         |     |                                     |     |

9.3 The buildings have been constructed on the land belonging to Airport & Aviation Services (Sri Lanka) (Pvt) Ltd at the Bandaranaike International Airport and the right to use of the land is recorded as per SLFRS 16 under note 9.4.



**9. PROPERTY, PLANT AND EQUIPMENT (Contd...)****9.4 Right of use assets**

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

Amounts recognised in the statement of financial position and statement of comprehensive income.

|                                      | 2023<br>Rs.        | 2022<br>Rs.        |
|--------------------------------------|--------------------|--------------------|
| <b>Cost</b>                          |                    |                    |
| Balance at the beginning of the year | 675,816,722        | 662,577,939        |
| Impact from remeasurement            | (53,582,064)       | 13,238,783         |
| Balance at the end of the year       | <u>622,234,658</u> | <u>675,816,722</u> |
| <b>Accumulated amortization</b>      |                    |                    |
| Balance at the beginning of the year | 406,760,590        | 353,478,122        |
| Depreciation Expense                 | 39,279,449         | 53,282,468         |
| Balance at the end of the year       | <u>446,040,039</u> | <u>406,760,590</u> |
| <b>Carrying amount</b>               | <u>176,194,619</u> | <u>269,056,132</u> |

**9.5 Lease liability**

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

|  | 2023<br>Rs.        | 2022<br>Rs.          |
|--|--------------------|----------------------|
| Balance at the beginning of the year         | 1,057,810,102      | 878,439,609          |
| Additions during the year                    | -                  | 13,238,783           |
| Impact from remeasurement                    | (85,604,270)       | -                    |
| Interest Expenses                            | 88,010,438         | 90,785,098           |
| Concession received on rent                  | (80,798,723)       | (147,919,129)        |
| Exchange loss                                | 105,324,723        | 259,528,060          |
| Payment made during the year                 | (183,246,219)      | (36,262,319)         |
| Balance at the end of the year               | <u>901,496,051</u> | <u>1,057,810,102</u> |
| <b>9.5.1 Amount payable within 12 months</b> | 172,295,903        | 171,927,980          |
| Amount payable after 12 months               | 729,200,148        | 885,882,122          |
|  | <u>901,496,051</u> | <u>1,057,810,102</u> |

Lease liability is included under interest-bearing loans and borrowings - Note 19

**9.6 The following are the amounts recognised in statement of comprehensive income:**

|  | 2023<br>Rs.        | 2022<br>Rs.        |
|--|--------------------|--------------------|
| Depreciation expense of right-of-use assets (Included under administration expenses) | 39,279,449         | 53,282,468         |
| Interest expense on lease liabilities  | 88,010,438         | 90,785,098         |
| Expense relating to leases of low-value assets (included in administrative expenses) | 2,501,614          | -                  |
| Concession received on rent  | (80,798,723)       | (147,919,129)      |
| Exchange loss  | 105,324,723        | 259,528,060        |
| Impact of remeasurement (Other operational expenses)                                 | (32,022,207)       | -                  |
|  | <u>122,295,294</u> | <u>255,676,497</u> |

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

| 10. INTANGIBLE ASSETS                | 2023<br>Rs.        | 2022<br>Rs.       |
|--------------------------------------|--------------------|-------------------|
| <b>Computer software</b>             |                    |                   |
| Balance at the beginning of the year | 98,058,684         | 97,592,084        |
| Additions during the year            | 2,421,220          | 466,600           |
| Balance at the end of the year       | <u>100,479,904</u> | <u>98,058,684</u> |
| <b>Accumulated amortization</b>      |                    |                   |
| Balance at the beginning of the year | 85,912,287         | 75,008,611        |
| Amortization during the year         | 4,504,518          | 10,903,676        |
| Balance at the end of the year       | <u>90,416,805</u>  | <u>85,912,287</u> |
| <b>Carrying amount</b>               | <u>10,063,099</u>  | <u>12,146,397</u> |

Company intangible assets include fully amortized assets having a gross carrying amount of Rs. 85,718,141 (2022- Rs. 62,065,344) which are still in use.

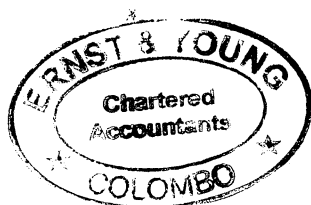
| 11. INVESTMENT IN NON-QUOTED SHARES | 2023<br>Rs.      | 2022<br>Rs.      |
|-------------------------------------|------------------|------------------|
| AirLanka (Pvt) Ltd                  | 200,000          | 200,000          |
| Less: Impairment                    | <u>(200,000)</u> | <u>(200,000)</u> |
|                                     | -                | -                |

11.1 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 which controls the entity.

| 12. INVENTORIES                                  | Note | 2023<br>Rs.          | 2022<br>Rs.         |
|--|------|----------------------|---------------------|
| Raw materials                                    |      | 445,839,813          | 176,732,144         |
| Maintenance and miscellaneous                    |      | 231,422,362          | 138,314,558         |
| Equipment stocks                                 |      | 12,641,144           | 9,846,991           |
|  |      | <u>689,903,319</u>   | <u>324,893,693</u>  |
| Allowance for obsolete and slow-moving inventory | 12.1 | <u>(123,886,587)</u> | <u>(77,823,063)</u> |
|  |      | 566,016,732          | 247,070,630         |
| Work-in-progress                                 |      | 14,429,934           | 5,659,428           |
|  |      | <u>580,446,666</u>   | <u>252,730,058</u>  |

The cost of inventory recognised as an expense for 2023 amounted to Rs. 3,145,315,047/- (2022- Rs. 1,014,341,124/-).

| 12.1 Movement in Allowance for obsolete and slow-moving inventory | 2023<br>Rs.        | 2022<br>Rs.       |
|---|--------------------|-------------------|
| Balance at the beginning of the year                              | 77,823,063         | 133,754,866       |
| Provision for the year  | 46,063,524         | -                 |
| Reversal of provision for the year                                | -                  | (55,931,803)      |
| Balance at the end of the year                                    | <u>123,886,587</u> | <u>77,823,063</u> |

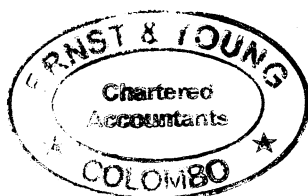


SriLankan Catering Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

| 13. AMOUNTS DUE FROM RELATED COMPANIES                                      | Note | 2023<br>Rs.           | 2022<br>Rs.          |
|---|------|-----------------------|----------------------|
| Airport & Aviation Services (Sri Lanka) (Pvt) Limited                       |      | 143,722,512           | 90,347,349           |
| Mihin Lanka (Pvt) Ltd   |      | 111,833,622           | 100,458,430          |
|   |      | <u>255,556,134</u>    | <u>190,805,779</u>   |
| Provision for impairment  | 13.1 | <u>(111,833,622)</u>  | <u>(100,458,341)</u> |
|   |      | <u>143,722,512</u>    | <u>90,347,438</u>    |
| <b>13.1 Provision for bad debts from related companies</b>                  |      |                       |                      |
| Balance at the beginning of the year  |      | 100,458,341           | 68,509,827           |
| Provision for the year  |      | 11,375,281            | 31,948,514           |
| Balance at the end of the year  |      | <u>111,833,622</u>    | <u>100,458,341</u>   |
| <b>14. TRADE RECEIVABLES</b>  |      |                       |                      |
|   |      | <b>2023<br/>Rs.</b>   | <b>2022<br/>Rs.</b>  |
| Airlines and others   | 14.1 | 12,631,198,613        | 9,930,272,822        |
| Provision for debtor impairment   | 14.2 | <u>(56,546,810)</u>   | <u>(52,109,035)</u>  |
|   |      | <u>12,574,651,803</u> | <u>9,878,163,787</u> |
| <b>14.1 The above receivable balance includes the following receivables</b> |      |                       |                      |
| SriLankan Airlines Limited - Parent   |      | 7,773,257,182         | 9,242,924,658        |
| Other airline receivables   |      | <u>4,857,941,431</u>  | <u>687,348,164</u>   |
|   |      | <u>12,631,198,613</u> | <u>9,930,272,822</u> |
| <b>14.2 Provision for debtor impairment</b>                                 |      |                       |                      |
| Balance at the beginning of the year  |      | 52,109,035            | 14,859,257           |
| Provision for the year  |      | 4,437,775             | 38,045,071           |
| Reversal of provision for the year  |      | -                     | (795,293)            |
| Balance at the end of the year  |      | <u>56,546,810</u>     | <u>52,109,035</u>    |
| <b>15. OTHER RECEIVABLES</b>  |      |                       |                      |
|   |      | <b>2023<br/>Rs.</b>   | <b>2022<br/>Rs.</b>  |
| Distress loans  |      | 35,580,683            | 9,789,203            |
| Prepaid staff cost  |      | (299,364)             | 19,253               |
| Other staff advances  |      | 67,000                | -                    |
| VAT Receivable  |      | -                     | 117,551              |
| Advances to suppliers   |      | 246,564,030           | 84,798,573           |
| Advances, deposits and sundry receivables                                   |      | 41,597,475            | 26,476,828           |
|   |      | <u>323,509,824</u>    | <u>121,201,408</u>   |



SriLankan Catering Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

| 16. FINANCIAL ASSETS AT AMORTIZED COST | 2023               | 2022               |
|--|--------------------|--------------------|
|  | Rs.                | Rs.                |
| Fixed deposit                          | 377,473,889        | 250,000,000        |
| Interest Receivable                    | 49,660,501         | 5,599,542          |
|  | <u>427,134,390</u> | <u>255,599,542</u> |

Please refer note 26 for the fixed deposits which have been pledged against bank guarantees.

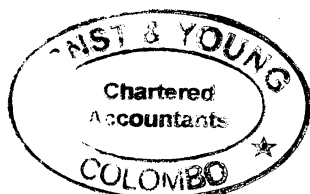
| 17. CASH AND CASH EQUIVALENTS | 2023                 | 2022               |
|-------------------------------|----------------------|--------------------|
|                               | Rs.                  | Rs.                |
| Cash in hand                  | 1,282,041            | 2,148,025          |
| Bank - Current accounts       | 114,143,508          | 227,239,382        |
| Bank - FCBU accounts          | 891,000,861          | 342,475,422        |
|                               | <u>1,006,426,410</u> | <u>571,862,829</u> |

The above amounts were considered as cash and cash equivalents in the statement of Cash flow.

| 18. STATED CAPITAL | 2023                 | 2022                 |
|--------------------|----------------------|----------------------|
|                    | Numbers              | Numbers              |
| Ordinary shares    | 940,268,456          | 940,268,456          |
|                    | Rs.                  | Rs.                  |
| Ordinary shares    | 1,000,000,000        | 1,000,000,000        |
|                    | <u>1,000,000,000</u> | <u>1,000,000,000</u> |

| 19. LOANS AND BORROWINGS             | 2023     | 2022        |
|--------------------------------------|----------|-------------|
|                                      | Rs.      | Rs.         |
| Balance at the beginning of the year | -        | 1,000,000   |
| Repayment during the year            | -        | (1,000,000) |
| Balance at the end of the year       | <u>-</u> | <u>-</u>    |

| 19.1 Amount payable within 12 months | Note  | 2023               | 2022               |
|--------------------------------------|-------|--------------------|--------------------|
|                                      |       | Rs.                | Rs.                |
| Borrowings                           |       | -                  | -                  |
| Lease Liability                      | 9.5.1 | 172,295,903        | 171,927,980        |
|                                      |       | <u>172,295,903</u> | <u>171,927,980</u> |
| Amount payable after 12 months       |       |                    |                    |
| Lease Liability                      | 9.5.1 | 729,200,148        | 885,882,122        |
|                                      |       | <u>729,200,148</u> | <u>885,882,122</u> |





**SriLankan Catering Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year ended 31 March 2023

**20. DEFERRED TAX LIABILITY**

|   | 2023<br>Rs.          | 2022<br>Rs.        |
|---|----------------------|--------------------|
| Balance at the beginning of the year      | 431,986,366          | 81,970,933         |
| Charged to profit & loss                  | 100,472,742          | 340,822,283        |
| Charged to the other comprehensive income | 778,681,447          | 9,193,151          |
| Balance at the end of the year            | <u>1,311,140,555</u> | <u>431,986,366</u> |

**Deferred Tax Relates to the Following:**

| Deferred Tax Liability Arising on:               | 2023                 |                      | 2022               |                    |
|--|----------------------|----------------------|--------------------|--------------------|
|  | Rs.                  | Rs.                  | Rs.                | Rs.                |
| Property, Plant and Equipment                    | 52,680,575           | 60,848,524           | (8,167,949)        | -                  |
| Revaluation of Property, Plant and Equipment     | 966,048,210          | 181,897,013          | -                  | 784,151,197        |
| Intangible Assets                                | 1,154,838            | 1,595,276            | (440,438)          | -                  |
| ROU Asset  | 26,539,004           | 40,358,420           | (13,819,416)       | -                  |
| Unrealized exchange gain                         | 595,314,409          | 420,698,613          | 174,615,796        | -                  |
|  | <u>1,641,737,036</u> | <u>705,397,846</u>   |                    |                    |
| <b>Deferred Tax Assets Arising on:</b>           |                      |                      |                    |                    |
| Gratuity   | (199,274,905)        | (90,280,256)         | (107,143,511)      | (1,851,138)        |
| leave encashment liability                       | (13,625,784)         | (4,969,894)          | (5,037,278)        | (3,618,612)        |
| Allowance for obsolete and slow-moving inventory | (19,374,050)         | (11,673,460)         | (7,700,590)        | -                  |
| Provision for trade debtors                      | (8,843,094)          | (7,816,355)          | (1,026,739)        | -                  |
| Lease Liability                                  | (89,478,642)         | (158,671,515)        | 69,192,867         | -                  |
|  | <u>(330,596,475)</u> | <u>(273,411,480)</u> |                    |                    |
| <b>Net deferred tax liability</b>                | <u>1,311,140,561</u> | <u>431,986,366</u>   |                    |                    |
| <b>Net deferred tax expense</b>                  |                      |                      | <u>100,472,742</u> | <u>778,681,447</u> |

20.1 Deferred tax liability has been calculated based on the future tax rates applicable to each segment. According to the BOI agreement for Flight Kitchen, Transit Restaurants, Transit Hotel, and airline laundry are liable at a concessionary rate of 15% until 31 May 2029, and other income at 30% which is the tax rate effective from 01 October 2022 as per the Inland Revenue Act No 24 of 2017. The impact on deferred tax of income tax rate change is Rs. 54.38 Mn.

**21. RETIREMENT BENEFIT OBLIGATIONS**

|                         | 2023<br>Rs.        | 2022<br>Rs.        |
|-------------------------|--------------------|--------------------|
| Gratuity (21.1)         | 664,249,684        | 601,868,371        |
| Leave encashment (21.2) | 45,419,281         | 33,132,626         |
|                         | <u>709,668,965</u> | <u>635,000,997</u> |

**21.1 Gratuity**

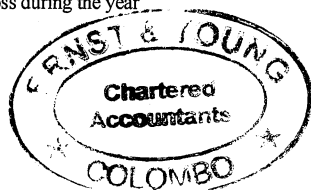
|  | 2023<br>Rs.        | 2022<br>Rs.        |
|--|--------------------|--------------------|
| <b>Movement in the present value of the gratuity</b> |                    |                    |
| Balance at the beginning of the year                 | 601,868,371        | 578,508,528        |
| Current service costs                                | 40,587,811         | 34,096,266         |
| Past Service Cost                                    | -                  | 934,423            |
| Interest cost  | 90,280,256         | 43,388,140         |
| Actuarial (gain)/loss during the year                | 6,170,461          | (38,455,630)       |
| Benefits paid during the year                        | (74,657,215)       | (16,603,356)       |
| Balance at the end of the year                       | <u>664,249,684</u> | <u>601,868,371</u> |

**Expense recognized in comprehensive income**

|                        |                    |                   |
|------------------------|--------------------|-------------------|
| Current service costs  | 40,587,811         | 34,096,266        |
| Past Service Cost      | -                  | 934,423           |
| Interest on obligation | 90,280,256         | 43,388,140        |
|                        | <u>130,868,067</u> | <u>78,418,829</u> |

**Expense recognized in other comprehensive income**

|                                       |                  |                     |
|---------------------------------------|------------------|---------------------|
| Actuarial (gain)/loss during the year | 6,170,461        | (38,455,630)        |
|                                       | <u>6,170,461</u> | <u>(38,455,630)</u> |



**SriLankan Catering Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year ended 31 March 2023

**21. RETIREMENT BENEFIT OBLIGATIONS (Contd...)**

**21.1 Gratuity (Contd...)**

**21.1.1 Sensitivity of assumptions employed in actuarial valuation as at 31 March 2023**

| Variable changed (while all other assumptions remain unchanged) | Effect on Employee Benefit Obligation<br>Rs. | Effect on Employee Benefit Obligation<br>Rs. |
|---|--|--|
| One percentage point increase (+1%) in Discount Rate            | 617,174,921                                  | 555,744,433                                  |
| One percentage point decrease (-1%) in Discount Rate            | 716,985,953                                  | 653,987,127                                  |
| One percentage point increase (+1%) in Salary Escalation Rate   | 720,018,283                                  | 656,308,227                                  |
| One percentage point decrease (-1%) in Salary Escalation Rate   | 613,782,268                                  | 552,965,113                                  |

**21.1.2 Maturity analysis of the payments**

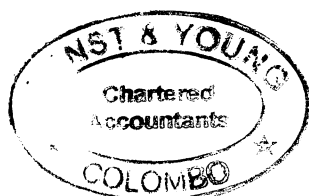
The following payments are expected on employee benefit liabilities in future years;

|   | 2023<br>Rs.        | 2022<br>Rs.        |
|---|--------------------|--------------------|
| Less than or equal 1 year                   | 32,088,942         | 27,136,059         |
| Over 1 year and less than or equal 2 years  | 50,307,385         | 45,899,856         |
| Over 2 years and less than or equal 5 years | 90,331,615         | 90,576,811         |
| Over 5 years                                | 491,521,742        | 438,255,645        |
|   | <u>664,249,684</u> | <u>601,868,371</u> |

**21.1.3** The Company weighted average duration of the defined benefit plan obligation at the end of the reporting period is 8.8 years (2022: 9.3 years)

**21.2 Leave Encashment**

|  | 2023<br>Rs.       | 2022<br>Rs.         |
|--|-------------------|---------------------|
| <b>Movement in the present value of the leave encashment</b> |                   |                     |
| Balance at the beginning of the year                         | 33,132,626        | 53,056,071          |
| Interest cost  | 4,969,894         | 3,979,205           |
| Actuarial (gain)/loss during the year                        | 12,062,040        | (22,832,042)        |
| Benefits paid during the year                                | (4,745,279)       | (1,070,608)         |
| Balance at the end of the year                               | <u>45,419,281</u> | <u>33,132,626</u>   |
| <b>Expense recognized in comprehensive income</b>            |                   |                     |
| Interest on obligation                                       | <u>4,969,894</u>  | <u>3,979,205</u>    |
| <b>Expense recognized in other comprehensive income</b>      |                   |                     |
| Actuarial (gain)/loss during the year                        | <u>12,062,040</u> | <u>(22,832,042)</u> |
|  | <u>12,062,040</u> | <u>(22,832,042)</u> |



**SriLankan Catering Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year ended 31 March 2023

**21. RETIREMENT BENEFIT OBLIGATIONS (Contd...)**

**21.2.1 Sensitivity Analysis**

| Variable changed (while all other assumptions remain unchanged) | Effect on Employee Benefit Obligation Rs. | Effect on Employee Benefit Obligation Rs. |
|---|---|---|
| One percentage point increase (+1%) in Discount Rate            | 41,729,972                                | 30,209,940                                |
| One percentage point decrease (-1%) in Discount Rate            | 49,645,716                                | 36,518,634                                |
| One percentage point increase (+1%) in Salary Escalation Rate   | 49,854,949                                | 36,640,223                                |
| One percentage point decrease (-1%) in Salary Escalation Rate   | 41,493,683                                | 30,058,476                                |

**21.3** The actuarial valuation for gratuity liability and leave encashment liability was carried out by a professionally qualified actuary, Messrs. Actuarial & Management Consultants (Pvt) Ltd for the year ended 31 March, 2023 based on the following assumptions:

|                        | 2023     | 2022     |
|------------------------|----------|----------|
| Discount rate          | 18%      | 15%      |
| Salary escalation rate | 17%      | 15%      |
| Retirement age         | 60 years | 60 years |

Assumptions regarding future mortality are based on A 1967/70 mortality table, issued by the Institute of Actuaries, London.

The Company uses market yields (at the end of the reporting period) on treasury bonds issued by the Government of Sri Lanka (T-bonds) to determine the discount rate. However, due to the economic conditions prevailing in the country as at the period end, the exceptionally high T-bond market yields would not be a reasonable reflection of the time value of money. Therefore, period end T-bond market yields have been adjusted for the credit risk spread to derive the rate used to discount the defined benefit obligation. Such adjustment has been made based on the method set out in illustration 1 of the Frequently Asked Questions (FAQs) on Use of Discount Rate under the uncertain economic conditions issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). Credit risk spread has been calculated based on Sovereign Default and Recovery Rates published by Moody's. Adjusted discount rates have been calculated for tenors available, and estimated using the yield curve for any remaining maturities and corresponds with the remaining average working life of the employees of the Company.

**22. TRADE PAYABLES**

|                | 2023<br>Rs.        | 2022<br>Rs.        |
|----------------|--------------------|--------------------|
| Trade payables | 304,629,792        | 305,725,292        |
|                | <u>304,629,792</u> | <u>305,725,292</u> |

**23. OTHER PAYABLES**

|                                      | 2023<br>Rs.          | 2022<br>Rs.        |
|--------------------------------------|----------------------|--------------------|
| Other creditors and accrued expenses | 866,424,402          | 313,793,611        |
| Provision for bonus                  | 303,937,102          | 54,993,301         |
|                                      | <u>1,170,361,504</u> | <u>368,786,912</u> |



| 24. INCOME TAX PAYABLE               | 2023<br>Rs.        | 2022<br>Rs.       |
|--------------------------------------|--------------------|-------------------|
| Balance at the beginning of the year | 41,117,745         | -                 |
| Provision for the year               | 903,149,282        | 87,695,417        |
| Taxes paid/ Set off with tax credits | (591,552,362)      | (46,577,672)      |
| Balance at the end of the year       | <u>352,714,664</u> | <u>41,117,745</u> |

#### 25. ASSETS PLEDGED AS COLLATERALS

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

#### 26. CAPITAL COMMITMENTS & GUARANTEES

##### Capital commitments

No material capital commitments as at 31 March 2023.

| Guarantees<br>Bank  | Purpose                             | Period                        | 2023<br>Rs.   | 2022<br>Rs.   |
|---------------------|-------------------------------------|-------------------------------|---------------|---------------|
| Bank of Ceylon      | Agreement - AASL<br>(Restaurant)    | From 01/03/2022 to 31/08/2022 | 19,544,250    | 19,544,250    |
| Commercial Bank PLC | Agreement - AASL<br>(Transit Hotel) | From 01/04/2022 to 31/03/2023 | USD<br>83,870 | USD<br>83,870 |

The above mentioned bank guarantees have been issued against fixed deposits. Please refer note 16.

#### 27. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

##### 27.1 Contingent Liabilities

In the opinion of the Company's lawyers, there are no pending litigations against the Company, other than below pending Labour Tribunal cases that will have an impact on the the Company.

##### Labour Tribunal cases pending:

|                              |                   |
|------------------------------|-------------------|
| LT case no. 21/384/2016      | W D B I Perera    |
| LT case no. 21/62/2019       | H N H Kandamby    |
| LT case no. 21/Add/1725/2022 | D L B Abeywardena |
| LT case no. 21/Add/1759/2022 | H.G.Saman         |

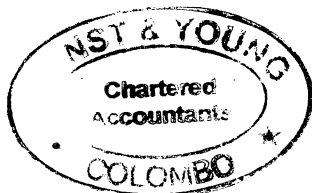
A sum of Rs. 3,739,424/- has been deposited for the above appealed cases.

##### 27.2 Contingent Assets

There are no contingent assets as at reporting date.

#### 28. EVENTS AFTER THE REPORTING DATE

There has been no material events occurring after the reporting date that requires adjustment to or disclosure in the financial statements.



**SriLankan Catering Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year ended 31 March 2023

**29. RELATED PARTY TRANSACTIONS**

**29.1 Parent and ultimate controlling party**

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

**29.2 Transactions with Key Management Personnel (KMP)**

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

|   | 2023<br>Rs. | 2022<br>Rs.       |
|---|-------------|-------------------|
| Short-term benefits                           | 28,460,948  | 23,175,785        |
| Post employee benefits                        | 2,700,360   | 2,750,350         |
| Termination benefits                          | -           | 13,934,695        |
| <b>29.3 Transactions with related parties</b> | <b>-</b>    | <b>13,934,695</b> |

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

| Name of the company                                   | Relationship          | Nature of transactions       | 2023<br>Rs.   | 2022<br>Rs.   |
|---|-----------------------|------------------------------|---------------|---------------|
| SriLankan Airlines Limited                            | Parent company        | Sales                        | 7,713,282,818 | 2,266,339,832 |
|   |                       | Freight service              | 322,629,891   | 94,070,903    |
|   |                       | Other service                | 230,515,816   | 128,984,458   |
|   |                       | Dividend-ordinary shares     | 2,382,295,772 | -             |
|   |                       | Receivable/(Payable) balance | 7,773,257,182 | 6,005,911,450 |
| Airport & Aviation Services (Sri Lanka) (Pvt) Limited | Owner related company | Rent and others              | 925,987,170   | 178,355,776   |
|   |                       | Receivable/(Payable) balance | 143,722,512   | 90,347,349    |
| Ceylon Electricity Board                              | Government owned      | Electricity expenses         | 209,637,286   | 93,307,959    |
|   |                       | Receivable/(Payable) balance | -             | -             |
| Sri Lankan Telecom Limited                            | Government owned      | Telephone expenses           | 2,312,709     | 2,015,426     |
|   |                       | Receivable/(Payable) balance | -             | -             |
| Ceylon Petroleum Corporation                          | Government owned      | Diesel                       | 377,961,963   | 71,748,600    |
|   |                       | Receivable/(Payable) balance | 6,220,369     | 9,307,963     |
| Inland Revenue Department                             | Government owned      | Tax                          | 989,448,470   | 9,952,209     |
|   |                       | Receivable/(Payable) balance | (357,344,366) | -             |
| State Pharmaceuticals Corporation                     | Government owned      | Medicine                     | 1,261,801     | 622,172       |
|   |                       | Receivable/(Payable) balance | (23,900)      | -             |
| Ministry of Foreign Affairs                           | Government owned      | Sales                        | 194,008       | 119,914       |
|   |                       | Receivable/(Payable) balance | 46,773        | 66,352        |

(a) Sales made to SriLankan Airlines Limited are at volume discounted prices. The transactions with government owned enterprises have been disclosed above based on the nature and materiality of the transactions which have taken place at arm's length.

**30. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The carrying amounts of the Company's financial instruments by classes, that are not carried at fair value in the financial statements, are not materially different from their fair values.



**SriLankan Catering Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year ended 31 March 2023

**31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

**31.1 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 the 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:

| <b>Instrument</b>                     | <b>Risk(s)</b>                     |
|---------------------------------------|------------------------------------|
| · Trade receivables                   | Credit risk                        |
| · Cash and cash equivalents           | Liquidity risk                     |
| · Trade payables                      | Liquidity risk                     |
| · Bank loans                          | Interest rate risk/ Liquidity risk |
| · Amounts due from/to related parties | Credit risk                        |

**31.2 Liquidity risk**

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

| <b>As at 31 March 2023</b>                  | <b>Carrying<br/>amount<br/>Rs.</b> | <b>Less than<br/>01 year<br/>Rs.</b> | <b>More than<br/>01 year<br/>Rs.</b> |
|---|------------------------------------|--------------------------------------|--------------------------------------|
| <b>Non-derivative financial liabilities</b> |                                    |                                      |                                      |
| Trade payables                              | 304,629,792                        | 304,629,792                          | -                                    |
| Loans and borrowings                        | 901,496,051                        | 172,295,903                          | 729,200,148                          |
|   | <u>1,206,125,843</u>               | <u>476,925,695</u>                   | <u>729,200,148</u>                   |

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

| <b>As at 31 March 2022</b>                  | <b>Carrying<br/>amount<br/>Rs.</b> | <b>Less than<br/>01 year<br/>Rs.</b> | <b>More than<br/>01 year<br/>Rs.</b> |
|---|------------------------------------|--------------------------------------|--------------------------------------|
| <b>Non-derivative financial liabilities</b> |                                    |                                      |                                      |
| Trade payables                              | 305,725,292                        | 305,725,292                          | -                                    |
| Loans and borrowings                        | 1,057,810,102                      | 171,927,980                          | 885,882,122                          |
|   | <u>1,363,535,394</u>               | <u>477,653,272</u>                   | <u>885,882,122</u>                   |



SriLankan Catering Limited  
**NOTES TO THE FINANCIAL STATEMENTS**  
 Year ended 31 March 2023

**31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd...)**

**31.3 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 2023 (Figures indicate in LKR)**

|                   | LKR         | USD            | SGD       | Others     | Total          |
|-------------------|-------------|----------------|-----------|------------|----------------|
| Trade receivables | 483,086,233 | 12,235,288,083 | -         | -          | 12,718,374,315 |
| Trade payables    | 107,579,522 | 150,006,470    | 7,285,394 | 39,758,406 | 304,629,792    |

**As at 31 March 2022 (Figures indicate in LKR)**

|                   | LKR         | USD           | SGD       | Others     | Total         |
|-------------------|-------------|---------------|-----------|------------|---------------|
| Trade receivables | 23,477,162  | 9,945,034,063 | -         | -          | 9,968,511,225 |
| Trade payables    | 108,675,022 | 150,006,470   | 7,285,394 | 39,758,406 | 305,725,292   |

The following significant exchange rates were applied during the year.

|     | Average rate |        |
|-----|--------------|--------|
|     | 2023         | 2022   |
| USD | 342.05       | 204.90 |
| GBP | 431.13       | 280.20 |
| SGD | 259.64       | 152.19 |
| EUR | 374.74       | 239.97 |

|     | Reporting date spot rate |        |
|-----|--------------------------|--------|
|     | 2023                     | 2022   |
| USD | 327.29                   | 294.00 |
| GBP | 406.8                    | 386.14 |
| SGD | 247.5                    | 217.57 |
| EUR | 357.34                   | 332.78 |

**31.4 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:

|                                       | 2023<br>Rs.           | 2022<br>Rs.           |
|---------------------------------------|-----------------------|-----------------------|
| <b>As at 31 March Carrying amount</b> |                       |                       |
| Trade receivables                     | 12,574,651,803        | 9,878,163,787         |
| Due from related companies            | 143,722,512           | 90,347,438            |
| Short-term investment                 | 427,134,390           | 255,599,542           |
| Cash and cash equivalents             | 1,006,426,410         | 571,862,829           |
|                                       | <u>14,151,935,115</u> | <u>10,795,973,596</u> |
| Other receivables                     | 323,509,824           | 121,201,408           |



## 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd...)

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

|                                | 2023<br>Rs.           | 2022<br>Rs.           |
|--------------------------------|-----------------------|-----------------------|
| Domestic                       | 12,030,345,315        | 9,481,514,749         |
| Other foreign countries        | 856,409,432           | 639,563,852           |
|                                | <u>12,886,754,747</u> | <u>10,121,078,601</u> |
| Less: Provision for impairment | <u>(168,380,432)</u>  | <u>(152,567,376)</u>  |
|                                | <u>12,718,374,315</u> | <u>9,968,511,225</u>  |

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

|                                | 2023<br>Rs.           | 2022<br>Rs.           |
|--------------------------------|-----------------------|-----------------------|
| Airlines                       | 12,830,252,229        | 10,096,991,058        |
| Other(s)                       | 56,502,518            | 24,087,543            |
|                                | <u>12,886,754,747</u> | <u>10,121,078,601</u> |
| Less: Provision for impairment | <u>(168,380,432)</u>  | <u>(152,567,376)</u>  |
|                                | <u>12,718,374,315</u> | <u>9,968,511,225</u>  |

**Impairment losses**

The impairment of trade receivables and due from related parties at the 31 March as follows,

|                               | Gross amount<br>2023<br>Rs. | Impairment<br>2023<br>Rs. | Gross amount<br>2022<br>Rs. | Impairment<br>2022<br>Rs. |
|-------------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|
| Neither past due nor impaired | 3,499,849,346               | -                         | 9,935,455,465               | -                         |
| Past due 31-90 days           | 2,054,459,184               | -                         | 35,457,866                  | 2,402,107                 |
| Past due 91-365 days          | 2,309,355,199               | 2,643,494                 | 24,458,096                  | 24,458,096                |
| Past due over 365 days        | 5,023,091,019               | 165,736,938               | 125,707,174                 | 125,707,174               |
|                               | <u>12,886,754,747</u>       | <u>168,380,432</u>        | <u>10,121,078,601</u>       | <u>152,567,377</u>        |

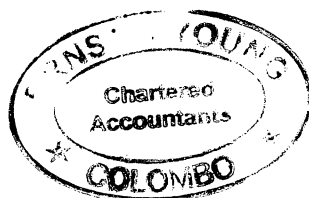
Further, the age analysis for the amount receivable from Srilankan Airlines Limited from the date of the invoices are as follows:

|                            | Total<br>Rs.  | 1-30<br>days<br>Rs. | 31-90<br>days<br>Rs. | 91-180<br>days<br>Rs. | 181-360<br>days<br>Rs. | More than<br>360 days<br>Rs. |
|----------------------------|---------------|---------------------|----------------------|-----------------------|------------------------|------------------------------|
| Srilankan Airlines Limited | 7,773,257,182 | 1,289,979,923       | 1,348,708,654        | 610,311,792           | 598,928,659            | 3,925,328,154                |

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

|                       | 2023<br>Rs.        | 2022<br>Rs.        |
|-----------------------|--------------------|--------------------|
| Balance at 01 April   | 152,567,376        | 83,369,084         |
| Reversal of provision | -                  | (795,292)          |
| Provision provided    | 15,813,056         | 69,993,584         |
| Balance at 31 March   | <u>168,380,432</u> | <u>152,567,376</u> |

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





**SriLankan Catering Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year ended 31 March 2023

**31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd...)**

**31.5 Market Risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices that will affect the Company's income or the value of its holdings of financial instruments.

**a. Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company has exposure to foreign currency risk as it has foreign currency transactions and balances which are affected by foreign exchange rate movements. An analysis of the carrying amount of financial instruments based on the currency they are denominated as at 31 March are as follows:

| Company   | 2023              | 2022              |
|---|-------------------|-------------------|
|   | USD               | USD               |
| Cash at Bank and in Hand                              | 3,216,795         | 1,202,697         |
| Trade receivables                                     | 39,190,004        | 33,657,522        |
| Dues from related companies                           | 756,126           | 624,900           |
| Trade Payables  | (21,034)          | (610,226)         |
| Interest bearing Loans & Borrowings payable in USD    | (2,754,426)       | (2,750,319)       |
| Net Aggregate Carrying Value in respective currencies | <u>40,387,465</u> | <u>32,124,574</u> |
| <b>Net aggregate carrying value in LKR</b>            | 13,218,413,282    | 9,444,624,663     |

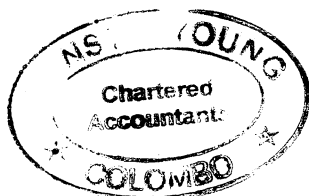
**Foreign Currency Sensitivity**

The following table demonstrate the sensitivity of Group's profit before tax to a reasonably possible change in USD exchange rates, assuming all other variables being held constant.

|                           |  | Sensitivity related to Interest bearing Loans & Borrowings |  | Sensitivity related to Deposits and Other Balances |  |
|---------------------------|--|--|--|--|--|
|                           |  | Effect on Profit Before Tax 31.03.2023                     | Effect on Profit Before Tax 31.03.2022 | Effect on Profit Before Tax 31.03.2023             | Effect on Profit Before Tax 31.03.2022 |
|                           |  | Rs.  | Rs.                                    | Rs.  | Rs.                                    |
| Change in USD Rate (+10%) |  | (90,838,044)   | (98,800,014)                           | 1,412,679,372                                      | 1,043,262,510                          |
| Change in USD Rate (-10%) |  | 90,838,044   | 98,800,014                             | (1,412,679,372)                                    | (1,043,262,510)                        |
| Change in USD Rate (+20%) |  | (181,676,088)  | (197,600,028)                          | 2,825,358,745                                      | 2,086,525,019                          |
| Change in USD Rate (-20%) |  | 181,676,088  | 197,600,028                            | (2,825,358,745)                                    | (2,086,525,019)                        |

**b. Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. As of the reporting date the Company does not have long-term debt obligations with floating interest rates.

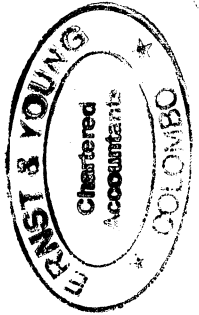


SriLankan Catering Limited  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year ended 31 March 2023

32. **SEGMENTAL ANALYSIS**

| Note | Flight Kitchen  |                 |               | BIA Restaurant |                 |               | Other Segments  |                 |                 | Total           |  |
|------|-----------------|-----------------|---------------|----------------|-----------------|---------------|-----------------|-----------------|-----------------|-----------------|--|
|      | 2023            | 2022            | 2023          | 2022           | 2023            | 2022          | 2023            | 2022            | 2023            | 2022            |  |
|      | Rs.             | Rs.             | Rs.           | Rs.            | Rs.             | Rs.           | Rs.             | Rs.             | Rs.             | Rs.             |  |
| 3    | 9,736,970,462   | 3,031,712,751   | 1,415,568,921 | 483,451,388    | 1,390,306,203   | 386,910,661   | 12,542,845,586  | 3,902,074,800   | 12,542,845,586  | 3,902,074,800   |  |
|      | (2,235,069,433) | (691,361,158)   | (560,129,837) | (200,841,746)  | (350,115,777)   | (122,138,220) | (3,145,315,047) | (1,014,341,124) | (3,145,315,047) | (1,014,341,124) |  |
|      | 7,501,901,029   | 2,340,351,593   | 855,439,084   | 282,609,642    | 1,040,190,426   | 264,772,441   | 9,397,530,539   | 2,887,733,676   | 9,397,530,539   | 2,887,733,676   |  |
| 4    | (993,168,892)   | (1,579,913,640) | (249,555,839) | (210,126,397)  | (1,466,341,996) | (143,977,807) | (2,709,066,727) | (1,934,017,844) | (2,709,066,727) | (1,934,017,844) |  |
| 5    | (1,340,378,226) | (460,883,510)   | (114,446,013) | 556,362        | (223,323,526)   | (19,138,405)  | (1,678,147,764) | (479,465,553)   | (1,678,147,764) | (479,465,553)   |  |
|      | 5,168,353,912   | 299,554,443     | 491,437,232   | 73,039,607     | (649,475,096)   | 101,656,229   | 5,010,316,048   | 474,250,279     | 5,010,316,048   | 474,250,279     |  |
| 6    | 72,711,779      | 24,920,051      | -             | -              | -               | -             | 72,711,779      | 24,920,051      | -               | -               |  |
| 6    | (36,485,695)    | (34,471,243)    | (25,044,434)  | (38,267,817)   | (26,480,410)    | (18,082,976)  | (88,010,539)    | (90,822,036)    | (88,010,539)    | (90,822,036)    |  |
| 6    | 650,193,140     | 3,076,287,513   | 79,698,579    | (143,191,431)  | (24,072,486)    | (110,225,768) | 705,819,233     | 2,822,870,314   | 705,819,233     | 2,822,870,314   |  |
|      | 686,419,224     | 3,066,736,321   | 54,654,143    | (181,459,248)  | (50,552,895)    | (128,308,744) | 690,520,474     | 2,756,968,329   | 690,520,474     | 2,756,968,329   |  |
|      | 5,854,773,136   | 3,366,290,764   | 546,091,375   | (108,419,641)  | (700,027,991)   | (26,652,515)  | 5,700,836,521   | 3,231,218,608   | 5,700,836,521   | 3,231,218,608   |  |
| 7    | (34,812,942)    | (439,719,220)   | (72,718,629)  | -              | (576,090,453)   | 11,201,520    | (1,003,622,024) | (428,517,700)   | (1,003,622,024) | (428,517,700)   |  |
|      | 5,499,960,195   | 2,926,571,544   | 473,372,746   | (108,419,641)  | (1,276,118,444) | (15,450,995)  | 4,697,214,497   | 2,802,700,908   | 4,697,214,497   | 2,802,700,908   |  |
|      | (6,170,461)     | 38,455,630      | -             | -              | -               | -             | (6,170,461)     | 38,455,630      | -               | -               |  |
| 20   | 1,851,138       | (5,768,344)     | -             | -              | -               | -             | 1,851,138       | (5,768,344)     | -               | -               |  |
|      | (12,062,040)    | 22,832,042      | -             | -              | -               | -             | (12,062,040)    | 22,832,042      | -               | -               |  |
| 20   | 3,618,612       | (3,424,806)     | -             | -              | -               | -             | 3,618,612       | (3,424,806)     | -               | -               |  |
|      | 2,613,837,321   | -               | -             | -              | -               | -             | 2,613,837,321   | -               | -               | -               |  |
|      | (784,151,197)   | -               | -             | -              | -               | -             | (784,151,197)   | -               | -               | -               |  |
|      | 1,816,923,373   | 52,094,522      | -             | -              | -               | -             | 1,816,923,373   | 52,094,522      | -               | -               |  |
|      | 7,316,883,568   | 2,978,666,066   | 473,372,746   | (108,419,641)  | (1,276,118,444) | (15,450,995)  | 6,514,137,870   | 2,854,795,430   | 6,514,137,870   | 2,854,795,430   |  |
|      | 18,502,863,180  | 12,754,058,701  | 528,390,163   | 352,170,233    | 505,732,489     | 389,330,685   | 19,536,985,832  | 13,495,559,618  | 19,536,985,832  | 13,495,559,618  |  |
|      | 3,140,838,190   | 2,091,091,454   | 302,876,776   | 357,285,746    | 1,306,296,565   | 392,050,214   | 4,750,011,531   | 2,840,427,414   | 4,750,011,531   | 2,840,427,414   |  |

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

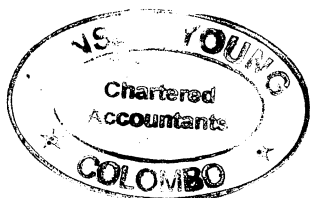


SriLankan Catering Limited

DETAILED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2023

|  | Statement | 2023<br>Rs.                 | 2022<br>Rs.                 |
|--|-----------|-----------------------------|-----------------------------|
| Revenue  | I         | 12,542,845,586              | 3,902,074,800               |
| Cost of sales                                  |           | <u>(3,145,315,047)</u>      | <u>(1,014,341,124)</u>      |
| <b>Gross profit</b>                            |           | 9,397,530,539               | 2,887,733,676               |
| Administrative expenses                        | II        | (2,709,066,727)             | (1,934,017,844)             |
| Other operational expenses                     | III       | <u>(1,678,147,764)</u>      | <u>(479,465,553)</u>        |
| <b>Operating Profit/(Loss) from operations</b> |           | 5,010,316,048               | 474,250,279                 |
| Finance income                                 | IV        | 72,711,779                  | 24,920,051                  |
| Finance expenses                               | V         | (88,010,539)                | (90,822,036)                |
| Exchange Gain                                  | VI        | <u>705,819,233</u>          | <u>2,822,870,314</u>        |
| <b>Net Profit/(Loss) from operations</b>       |           | <u><u>5,700,836,521</u></u> | <u><u>3,231,218,608</u></u> |



SriLankan Catering Limited

DETAILED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2023

STATEMENT I

REVENUE

|                              | 2023<br>Rs.           | 2022<br>Rs.          |
|------------------------------|-----------------------|----------------------|
| Flight kitchen               | 9,727,370,849         | 3,027,847,157        |
| Flight kitchen -Local        | 2,514,380             | 751,693              |
| Vannila Pod Café             | 30,636,973            | 83,730,291           |
| Serenediva transit hotel     | 469,590,221           | 106,009,816          |
| Emirates Lounge              | 221,401,170           | 57,131,434           |
| Laundry sale                 | 324,673,433           | 80,527,871           |
| Public restaurant            | 175,214,267           | 103,094,488          |
| Transit restaurant           | 1,240,354,654         | 380,356,900          |
| MRIA restaurant              | 88,575,540            | 45,531,269           |
| Frozen meal - Local          | 68,415,017            | 7,646,828            |
| Frozen meal - Foreign        | 10,408,832            | 4,128,625            |
| Ratmalana Airport Restaurant | 12,534,518            | 2,198,157            |
| Staff Canteens - SLA         | 164,070,500           | -                    |
| Disposal of garbage          | 6,809,738             | 2,227,427            |
| Sundry income                | 275,494               | 892,844              |
| Total sales                  | <u>12,542,845,586</u> | <u>3,902,074,800</u> |

Revenue

|                  |                       | Statement 1.1      |
|------------------|-----------------------|--------------------|
| Meals            | 9,431,706,286         | 423,840,288        |
| Handling charges | 1,498,074,777         | 159,363,477        |
| Miscellaneous    | 864,217,116           | 102,938,418        |
| Other sales      | 748,847,407           | 7,857,953          |
|                  | <u>12,542,845,586</u> | <u>694,000,136</u> |

STATEMENT II

ADMINISTRATION EXPENSES

|   |                      |                      |
|---|----------------------|----------------------|
| Donations                                     | -                    | 200,000              |
| Depreciation of property, plant and equipment | 424,556,032          | 403,133,686          |
| Depreciation of RoU assets                    | 39,279,450           | 53,282,468           |
| Amortization of intangible assets             | 4,504,518            | 10,903,676           |
| Auditors Fees                                 | 1,144,095            | 1,848,000            |
| Consultants fees                              | 4,165,740            | 2,603,152            |
| Lawyer's fees                                 | 1,860,504            | 1,316,985            |
| Secretarial fees                              | 397,437              | 369,160              |
| Subscription fees                             | 1,639,369            | 1,934,122            |
| Business promotion                            | 2,662,525            | 1,581,300            |
| Entertainment                                 | 368,032              | 77,123               |
| Advertising                                   | 1,264,467            | 1,312,654            |
| Staff cost                                    | 2,211,523,274        | 1,446,297,053        |
| Other administration expenses                 | 15,701,284           | 9,158,465            |
|   | <u>2,709,066,727</u> | <u>1,934,017,844</u> |

Statement II.1



**SriLankan Catering Limited**

**DETAILED STATEMENT OF COMPREHENSIVE INCOME**

Year ended 31 March 2023

**STATEMENT II.1**

**ADMINISTRATION EXPENSES (Contd...)**

**Personal Expenses**

|  | <b>2023</b>          | <b>2022</b>          |
|--|----------------------|----------------------|
|  | <b>Rs.</b>           | <b>Rs.</b>           |
| Staff Salaries                             | 775,622,089          | 727,036,573          |
| Contributions to Employees' Provident Fund | 108,663,652          | 89,857,015           |
| Contributions to Employees' Trust Fund     | 24,816,635           | 20,769,271           |
| Overtime                                   | 280,387,146          | 111,675,958          |
| Staff Welfare                              | 429,630,929          | 288,487,029          |
| Staff Insurance                            | 6,721,281            | 8,503,022            |
| Staff Training                             | 3,569,244            | 942,130              |
| Provision for bonus                        | 426,177,423          | 109,121,273          |
| Uniforms                                   | 14,844,884           | 6,798,296            |
| Expenses related to defined benefit plans  | 130,868,067          | 78,418,829           |
| Prepaid staff cost                         | 5,252,030            | 708,452              |
| Provision for leave encashment             | 4,969,894            | 3,979,205            |
|  | <u>2,211,523,274</u> | <u>1,446,297,053</u> |

**STATEMENT III**

**OTHER OPERATIONAL EXPENSES**

|   |                      |                    |
|---|----------------------|--------------------|
| Loss on disposal of property, plant and equipment | -                    | 1,383,975          |
| Cleaning Material                                 | 132,435,650          | 40,875,759         |
| Fuel and gas                                      | 475,295,859          | 93,356,956         |
| Repairs and Maintenance                           | 359,525,421          | 166,505,175        |
| Travelling  | 11,179,322           | 10,184,714         |
| Casual Labour                                     | 155,906,645          | 49,427,500         |
| Garbage Disposal                                  | 19,579,804           | 8,886,244          |
| Sundry Operational Expenses                       | 7,031,294            | 970,684            |
| Other Operating Costs - Stock spire & Damages     | 467,126              | 1,405,859          |
| Rent  | 2,501,614            | (387,088)          |
| Licence Fees                                      | 411,181              | 189,117            |
| Electricity                                       | 267,955,944          | 120,899,678        |
| Water   | 15,305,618           | 5,727,177          |
| Security  | 52,096,981           | 33,880,302         |
| Storage   | 1,957,921            | 453,021            |
| Insurance   | 28,279,397           | 14,488,574         |
| Postage / Stamps                                  | 215,649              | 14,475             |
| Telephone   | 4,770,153            | 6,739,477          |
| Bank Charges                                      | 23,846,807           | 8,106,944          |
| Rates and Taxes                                   | 2,975,494            | 2,975,494          |
| Frozen meal operation cost                        | 208,000              | 267,937            |
| Marketing expenses - Frozen                       | 1,228,478            | 1,456,112          |
| Disallowable tax                                  | 18,185,492           | 1,045,850          |
| Impairment on debtors                             | 15,812,968           | 69,198,379         |
| Provision for slow moving stock                   | 46,063,524           | (55,931,803)       |
| Concession fees                                   | 157,260,376          | 45,264,170         |
| Rent Concession                                   | (80,798,723)         | (147,919,129)      |
| Impact of remeasurement of lease liability        | (32,000,229)         | -                  |
| Litigation  | (9,550,000)          | -                  |
|   | <u>1,678,147,764</u> | <u>479,465,553</u> |



**SriLankan Catering Limited**

**DETAILED STATEMENT OF COMPREHENSIVE INCOME**

Year ended 31 March 2023

| <b>STATEMENT IV</b>           | <b>2023</b>               | <b>2022</b>                 |
|-------------------------------|---------------------------|-----------------------------|
|                               | <b>Rs.</b>                | <b>Rs.</b>                  |
| <b>FINANCE INCOME</b>         |                           |                             |
| Interest income               | (71,672,702)              | 24,597,372                  |
| Interest income - staff loans | (1,039,077)               | 322,679                     |
|                               | <u>(72,711,779)</u>       | <u>24,920,051</u>           |
| <br><b>STATEMENT V</b>        |                           |                             |
| <b>FINANCE EXPENSES</b>       |                           |                             |
| Bank interest                 | -                         | (36,938)                    |
| Lease Interest                | 88,010,539                | (90,785,098)                |
|                               | <u>88,010,539</u>         | <u>(90,822,036)</u>         |
| <br><b>STATEMENT VI</b>       |                           |                             |
| Exchange gain                 | <u>705,819,233</u>        | <u>2,822,870,314</u>        |
| <br><b>Net finance income</b> | <u><u>721,117,993</u></u> | <u><u>2,756,968,329</u></u> |

