SriLankan
Airlines

Annual Report 2014/15

Contents

SriLankan Airlines
You're our world

OUR VISION

TO BE THE MOST PREFERRED AIRLINE IN ASIA

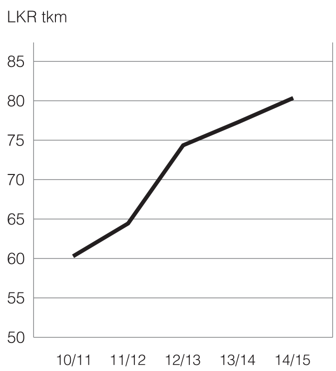
OUR MISSION

We are in the air transportation business. We provide our customers with a reliable and pleasant travel experience. We provide our business partners with a variety of innovative, professional and mutually profitable services. We meet shareholder expectations of profitably marketing Sri Lanka and contributing towards the well-being of society. We are a competent, proactive and diligent team. Our contribution is recognised and rewarded.

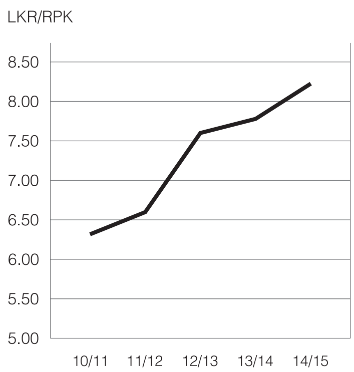
HIGHLIGHTS

		Group		Company	
		2015	2014	2015	2014
Financial					
Revenue	LKR Mn.	134,316.22	124,154.62	131,922.13	121,585.83
Operating Expenditure	LKR Mn.	(145,893.49)	(150,393.31)	(145,983.35)	(150,389.46)
Loss Before Tax	LKR Mn.	(16,254.53)	(31,297.64)	(16,433.03)	(32,357.98)
Net Loss for the Year	LKR Mn.	(16,329.90)	(31,365.83)	(16,494.66)	(32,408.34)
Total Assets	LKR Mn.	76,158.30	65,386.97	72,558.27	62,366.70
Shareholders' Funds	LKR Mn.	(67,292.86)	(51,678.69)	(74,105.90)	(57,220.95)
Traffic					
Passenger Capacity	ASK Mn.			16,180.27	15,780.54
Overall Capacity	ATK Mn.			2,224.87	2,187.18
Passengers Carried	RPK Mn.			12,963.71	12,810.95
Overall Load Carried	RTK Mn.			1,519.93	1,466.74
Passenger Load Factor	%			80.12	81.18
Overall Load Factor	%			68.32	67.06
Break Even Load Factor	%			77.03	84.07
Staff Productivity					
Average Strength	Nos.	7,870	7,475	6,987	6,578
Revenue per Employee	LKR Mn.	17.07	16.61	18.88	18.48
Value Added per Employee	LKR Mn.	(1.08)	(3.55)	(1.41)	(4.33)
Aircraft Fleet					
A320-200	Nos.			6	8
A321-200	Nos.			2	–
A330-200	Nos.			7	7
A330-300	Nos.			2	–
A340-300	Nos.			4	6
Aircraft in Service at Year End	Nos.			21	21

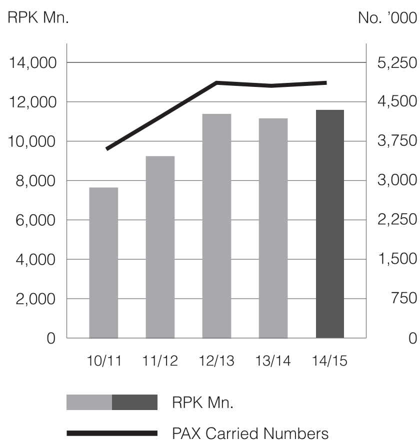
Overall Yield



Revenue/RPK



PAX Carried Vs RPK



CHAIRMAN'S MESSAGE

Across the Board, we have been tremendously heartened by the co-operation and support we have received from all quarters. There is a visible shift in culture and mood within the Airline and an eagerness to see change that leads to sustainable profitability.

Before you is the Annual Report and Audited Accounts of SriLankan Airlines Limited for the Financial Year 2014/15.

My message comes to you against a backdrop of significant change for the Airline, with my appointment and that of a new Board of Directors in February 2015, virtually at the end of the year under review.

The comments therefore will largely be forward looking, announcing a period of substantial change during which SriLankan will embark on radical reform towards bringing about a turnaround of fortune.

Faced with continuing losses over the period under review, the fundamental question before the Board was whether a realistic and sustainable turnaround was possible, within what time frame and in how self-sufficient a manner it could be achieved.

As a key preliminary outcome of this process of self-evaluation, we have developed a restructuring plan which we expect to implement over the next three years (2015/16 onwards). This plan will call for certain fundamental changes in how we approach key areas of the Airline's business.

To lead the change we wish to see, the Airline is in the process of recruiting required talent to the key senior positions of Chief Executive Officer, Chief Commercial Officer, Chief Technical Officer and Chief Financial and Administration officer.

The Government of Sri Lanka supports the new plan and we are awaiting its progress through the proper channels to effect full implementation.

I would like to say at this juncture that the Board has had extensive dialogue with the management, staff and their five representative unions, talking about change and encouraging their inputs and responses. Across the Board, we have been tremendously heartened by the co-operation and support we have received from all quarters. There is a visible shift in culture and mood within the Airline and an eagerness to see change that leads to sustainable profitability.

We are extremely thankful for and encouraged by this response.

Going forward SriLankan Airlines will support Mihin Lanka's strategy and operations within a relationship that brings the two entities closer together. We see significant potential for mutual advancement by using the synergies that exist within this relationship. There is a place in the 'scheme of things' for both SriLankan as the international, full service carrier and Mihin Lanka as the budget carrier of quality, serving more of the 'air space' of Sri Lanka.

I wish to make note of the progress made by SriLankan Catering Limited, SriLankan Aviation College and SriLankan Engineering [particularly in providing, Maintenance, Repair and Overhaul (MRO) services to customer airlines] – all of whom have enjoyed a good year.

"We are indebted to many stakeholders especially the Government who have encouraged and helped to deliver our plans".

Ajith Nissanka Dias
Chairman
25th August 2015

CHIEF EXECUTIVE OFFICER'S REVIEW

Notwithstanding the challenges, we recognised that SriLankan has some unique strengths and opportunities which needed to be harnessed in a meaningful manner to build the foundations for sustainability and future growth.

When the new Board of Directors took over in February 2015, we were faced with a very critical financial situation.

The total accumulated loss of the Company as at 31st March 2014 was LKR 110.74 Bn. and 31st March 2015 was LKR 128.24 Bn.

The Company has suffered a serious loss of capital as a result of the accumulated losses.

The inherited debt of the Company stood at LKR 76.07 Bn. (approximately USD 572 Mn.) as at 31st March 2015.

The financing cost for the Financial Year 2014/15 alone was LKR 5.01 Bn.

The Government of Sri Lanka (GOSL) funding of USD 125 Mn. which was due for the Financial Year 2014/15 had not yet been received.

The Board was presented with a budget for 2015/16 which was reviewed and significant improvements were incorporated.

A daunting task undoubtedly.

The new Board quickly set about getting to grips with the core problems the business was facing. We soon ascertained that although many efforts have been made over the years, SriLankan has not been able to establish itself as a financially sustainable airline, except for very short periods, in the Airline's history. Many factors have contributed to this, both external and internal. From inception the Airline has been under capitalised. The Airline's unit cost has remained consistently higher than its unit revenues. While the Airline has an advantage over its peers in competition in terms of unit costs, it is not adequate to compensate for the revenue disadvantage.

Therefore, we realised that if the Airline is to seek a different outcome from past experiences, it would have to take bold steps and have confidence and courage to try a different approach and stay the course with this approach until it has consolidated its financial performance.

As a priority, we sought to obtain the funding from the shareholder which was overdue. At this point, while the GOSL reiterated the importance of the role of the National Airline in the overall economy, and committed to support it financially, it also required the Airline to present, together with Mihin Lanka, a clear and realistic path to attain self-sufficiency in the near term with reducing dependence on GOSL funding and taking a commercial approach to its business which had hitherto been somewhat unclear.

The GOSL, through a Cabinet Decision, Directed the Company to prepare a viable and comprehensive business plan for each airline, and to prepare an appropriate plan to amalgamate the two.

Notwithstanding the challenges, we recognised that SriLankan has some unique strengths and opportunities which needed to be harnessed in a meaningful manner to build the foundations for sustainability and future growth.

We took cognisance of these challenges, strengths, opportunities and developed the foundation of a Three Year Business Plan which has been approved in principle by the GOSL. The main features of this Plan consist of financial restructuring and a network/fleet optimisation.

We also took immediate steps to improve the current performance of the business, and re-forecast the 2015/16 budget with a series of cost and revenue initiatives to reduce the projected deficit.

The new Board also actively engaged the employees and employee groups and communicated with them openly about the state of the business and discussed options for the future in line with the GOSL's expectations of the Company.

A Red to Black Campaign and a Bright Ideas Campaign have been initiated and are ongoing and the results have been extremely encouraging. These results have amply proven to the Board, the commitment of the employees towards improving the financial performance of the Company towards achieving meaningful and sustainable change.

In the coming year, we will pursue a closely monitored action plan to continue to improve passenger and cargo yields.

The customer experience will be enhanced with a superior product on board both in EY and BC so as to make SriLankan the preferred choice of our customers in the markets we serve.

In the budget review and monitoring process, divisions will be monitored rigorously to ensure that we deliver the expectations of our shareholders.

The Airline has embarked on an extremely ambitious journey – yet it is one underpinned by careful strategy and more importantly, by a collective will to succeed. Where there is a will there usually is a way! The years ahead will be extremely challenging but we are confident that all the elements to attain sustainable financial well-being and growth are in hand.

In conclusion, I would like to express my sincere gratitude to the Board of Directors, Senior Management Team and every member of the staff for their dedication and hard work.

Rakhita Jayawardena
Protem CEO
25th August 2015

PROFILES OF THE DIRECTORS

AJITH NISSANKA DIAS

Mr. Ajith Nissanka Dias was appointed to the Board of SriLankan Airlines Limited on 12th February 2015 and serves as the Chairman of SriLankan Airlines Limited, SriLankan Catering Limited and Mihin Lanka (Private) Limited.

He is a Fellow Member of the Textile Institute, UK, a Chartered Textile Technologist from the University of Salford, UK and recently received an Alumni Achievement Award for 2015 from the University.

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

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

RAKHITA JAYAWARDENA

Appointed to the Board of SriLankan Airlines Limited on 20th February 2015 and as Protem CEO on 10th March 2015.

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

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

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

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

SUNIL PEIRIS

Appointed to the Board of SriLankan Airlines Limited on 12th February 2015 and serves as the Executive Director – HR.

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

Retired army officer with twenty two years service. Had a distinguished career and retired prematurely.

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

JOSEPH BRITO

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

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

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

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

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

CHANAKA DE SILVA

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

He is also a Director of SriLankan Catering Limited.

Served as the Chairman of Kelani Tyres PLC since privatisation (1992) and as the Chairman of CEAT Sri Lanka Group of Companies since the formation of the Joint Venture (1998) and presently the Chairman of Wheels Group of Companies.

He was also the Chairman of Union Commodities (Private) Limited founded by him, up to 31st December 2013 and former Chairman of Sri Lanka Insurance Corporation, TransAsia Hotel, Club Robinson, Union Bank of Colombo Limited, and served as a Director in Asian Alliance Insurance, Delmege Forsyth Limited, Lewis Brown and Company Limited, Intercontinental Hotel and Oberoi Hotel.

MAHINDA HARADASA

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

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

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

He is a lawyer by profession and is a member of the Bar Association of Sri Lanka, International Bar Association, Society for International Development, International Fiscal Association, Founder member of IFA (Sri Lanka Branch), Asian Patent Attorneys Association and Inter Pacific Bar Association.

NIRANJAN DE SILVA DEVA ADITYA

Appointed to the Board of SriLankan Airlines Limited on 26th May 2015.

He is an Aeronautical Engineer, a graduate of the Royal Aeronautical Society having obtained an Honours Degree in Aero Engineering from the University of Loughborough.

He served as the Chairman of the Committee on De-regulation of European Air Transport under Prime Minister Margaret Thatcher and was a founder member of the Board of Air Europe and Airlines of Europe the owners of S7 Aircraft.

He is a member of the Conservative Party and has been a Member of the European Parliament representing South East England since 1999. He was previously a Member of Parliament (MP) in the British House of Commons from 1992 to 1997, representing the constituency of Brentford and Isleworth and a Member of the British Government in the Scottish Office. He was the first Post-Colonial Asian-born person to be elected a Member of the House of Commons and was the first Asian-Born person to be elected a Conservative Member of the European Parliament. He is a Deputy Lieutenant for the Lord Lieutenancy of London.

He is the Chairman of the EU-Korea delegation to bring peace between North Korea and South Korea and peace between Korean peninsula and Japan together to stabilise East Asia.

HARINDRA BALAPATABENDI

Appointed to the Board of SriLankan Airlines Limited on 26th June 2015.

He is an accomplished entrepreneur with over 20 years experience ranging from security printing, franchise banking to luxury home development (Australia). He was instrumental in introducing Nike and Reebok brands to Sri Lanka and was a former Executive Director at Ceylon Shipping Lines. He has engaged multinational corporations from France, USA, Australia, the Netherlands, China and India on consulting assignments.

Mr. Balapatabendi is the Chairman/CEO of Opel Group, which he founded. The group is engaged in security card printing, construction, water treatment, alternative power, oil re-refining (BOI), and represents Obertheur (France) and HID (USA) in Sri Lanka.

Educated in Sri Lanka, USA and Australia, he holds a degree in Business Management and Master's in Business Administration (MBA-AUS) and is a Member of the Association of Business Executives (MABE-UK).

FINANCIAL REPORTS

ANNUAL REPORT OF THE BOARD OF DIRECTORS

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal business activities of the Company 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 ('BIA') and the Mattala Rajapaksa International Airport ('MRIA'), sale of duty-free goods on-board, marketing inbound and outbound holiday packages constitute other main activities of the Company. Providing third party aircraft maintenance, provision of flight operation services and conducting aviation-related training constitute ancillary activities of the Company.

There was no significant change in the nature of activities of the Company during the financial year.

The Group consists of the Company and its wholly-owned Subsidiary SriLankan Catering Limited, whose principal activity is the provision of inflight catering services to airlines operating through BIA and MRIA. Other ancillary activities consist of operating public and transit restaurants, provision of laundry services and managing the transit hotel.

FINANCIAL STATEMENTS AND AUDITORS' REPORT

The complete Financial Statements duly signed by the Head of Financial Management and the Directors and the Auditor's Report thereon for the year ended 31st March 2015 are attached to this Report.

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Financial Statements are given on pages 27 to 70.

GROUP TURNOVER

The turnover of the Group amounted to LKR 134,316 Mn. (2013/14 – LKR 124,154 Mn.). A detailed analysis of Group turnover is given in Note 19 to the Financial Statements.

Transactions between the Company and its fully-owned Subsidiary, SriLankan Catering Limited is conducted at fair market prices.

RESULTS

Group results before taxation amounted to a deficit of LKR 16,254 Mn. (2013/14 – Group deficit LKR 31,298 Mn.). After adjusting LKR 75 Mn. (2013/14 – LKR 68 Mn.) for taxation, the Group result for the year was a deficit of LKR 16,330 Mn. (2013/14 – Group deficit of LKR 31,366 Mn.).

The Statement of Profit or Loss for the year is given on page 23.

GROUP INVESTMENT

Group capital expenditure during the year on property, plant and equipment amounted to LKR 2,897 Mn. (2013/14 – LKR 3,202 Mn.).

PROPERTY, PLANT AND EQUIPMENT

The net book value of the property, plant and equipment of the Group as at the reporting date amounted to LKR 12,336 Mn. (2013/14 – LKR 9,856 Mn.). Details of property, plant and equipment and their movements are given in Note 3 to the Financial Statements.

STATED CAPITAL

The stated capital of the Company amounts to LKR 51,617 Mn. (2013/14 – LKR 51,617 Mn.).

RESERVES

Total Group reserves as at 31st March 2015 amount to a negative LKR 118,910 Mn. (2013/14 – negative LKR 103,296 Mn.). This consists of accumulated losses of LKR 123,265 Mn. (2013/14 – LKR 105,873 Mn.), capital reserves of LKR 4,355 Mn. (2013/14 – LKR 2,577 Mn.). Movement in these reserves is shown in the Statement of Changes in Equity in the Financial Statements.

CORPORATE DONATIONS

The Group has made cash donations of LKR 3.65 Mn. during the year.

TAXATION

The Company enjoyed a tax holiday up to 31st March 2013 in terms of its agreement with the Board of Investment of Sri Lanka. The Company has been exempted from all taxes in respect of all its business activities up to 31st March 2021 under the provisions of the Inland Revenue Act No. 10 of 2006 as amended by the Inland Revenue (Amendment) Act No. 22 of 2011.

The Company is liable for tax on its overseas operations in countries where there are no double taxation treaties at present.

In the case of the wholly-owned Subsidiary, SriLankan Catering Limited the income derived from the Flight Kitchen and Transit Restaurant is exempted from taxation with effect from 1st June 2006, in terms of its agreement with the Board of Investment of Sri Lanka. The income derived from other sources is liable at the normal rate.

SHARE INFORMATION

Share information as at 31st March 2015 is as follows:

Share Ownership	No. of Shares	% of Holding
Government of Sri Lanka	490,986,328	95.12
Bank of Ceylon	12,115,571	2.35
People's Bank	4,236,136	0.82
National Savings Bank	4,236,135	0.82
Employees' Provident Fund	1,863,676	0.36
Others	2,736,509	0.53

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent liabilities as at 31st March 2015 and commitments made on capital expenditure as at that date are given in Note 24 to the Financial Statements.

EVENTS OCCURRING AFTER THE REPORTING DATE

No circumstances have arisen since the reporting date that would require adjustment or disclosure, other than those disclosed in Note 26 to the Financial Statements.

EMPLOYMENT POLICIES

Employment policies of the Group respect the individual and offer equal career opportunities regardless of sex, race or religion. Occupational health and safety standards receive substantial attention. The number of persons employed by the Company and its Subsidiary at the year-end was 7,870 (2013/14 – 7,475).

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

CORPORATE GOVERNANCE/INTERNAL CONTROL

Adoption of good governance practices has become an essential requirement in today's corporate world.

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

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

GOING CONCERN

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

DIRECTORATE – COMPANY

The current directorate of the Company is set out below:

Mr. Ajith Nissanka Dias – Chairman
Mr. Joseph Brito
Mr. Mahinda Haradasa
Mr. Chanaka De Silva
Mr. Rakhita Jayawardena
Lt. Col. Sunil Peiris
Mr. Niranjan De Silva Deva Aditya
Mr. Harindra Balapatabendi

Mr. Ajith Nissanka Dias, Mr. Joseph Brito, Mr. Mahinda Haradasa, Lt. Col. Sunil Peiris and Mr. Chanaka De Silva, were appointed as Directors to the Board of SriLankan Airlines Limited on 12th February 2015.

Mr. Rakhita Jayawardena was appointed to the Board with effect from 20th February 2015.

Mr. Niranjan De Silva Deva Aditya and Mr. Harindra Balapatabendi were appointed to the Board on 26th May 2015 and 26th June 2015 respectively.

PAST DIRECTORS

The following Directors were in office during the period 1st April 2014 to 11th February 2015 until their resignation from the Board on 12th February 2015:

Mr. Nishantha Wickremasinghe – Chairman
Mr. Nihal Jayamanne PC
Mr. Kapila Chandrasena
Mr. Shameendra Rajapaksa
Mr. Manilal Fernando
Mrs. Lakshmi Sangakkara
Mr. Sanath Ukwatte
Mr. Susantha Ratnayake

APPOINTMENT OF DIRECTOR WHO IS OVER 70 YEARS OF AGE

Upon the recommendation of the Board, it is recommended that Mr. R. Chanaka De Silva who is over 70 years of age be reappointed as a Director of the Company for a further period of one year from the conclusion of the Annual General Meeting and that the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not be applicable.

DIRECTORATE – SRILANKAN CATERING

The current Directorate of SriLankan Catering Limited is as follows:

Mr. Ajith Nissanka Dias – Chairman
Mr. Joseph Brito
Mr. Chanaka De Silva
Mr. Mahinda Haradasa
Lt. Col. Sunil Peiris
Mr. Rakhita Jayawardena

Mr. Ajith Nissanka Dias, Mr. Joseph Brito, Mr. Mahinda Haradasa, Mr. Chanaka De Silva, Lt. Col. Sunil Peiris and Mr. Rakhita Jayawardena were appointed as Directors to the Board of SriLankan Catering Limited on 10th March 2015.

The following Directors were in office during the period 1st April 2014 to 9th March 2015 until their resignation from the Board on 10th March 2015:

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

** Independent Directors*

DIRECTORS' REMUNERATION

Directors' remuneration is disclosed in Note 27 to the Financial Statements.

DIRECTORS' SHAREHOLDINGS

By virtue of office, two of the Government of Sri Lanka's (GOSL) Nominee Directors including Chairman are holders of three ordinary shares of the Company.

DIRECTORS' INTERESTS IN CONTRACTS

Directors' interests in contracts of the Company are disclosed in Note 27 to the Financial Statements and have been declared at meetings of the Directors. The Directors have no direct or indirect interest in any other contracts or proposed contracts with the Company.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 15th October 2015.

AUDITORS

In accordance with the Companies Act No. 07 of 2007, a resolution proposing the reappointment of Messrs Ernst & Young, Chartered Accountants, as Auditors of the Company will be submitted at the Annual General Meeting.

Details of audit fees are set out in Note 21 to the Financial Statements. The Auditors do not have any relationship (other than of an Auditor) with the Company or its Subsidiary.

By Order of the Board,

Dalrene Thirukumar
Company Secretary

Director

Director
25th August 2015

BOARD AUDIT COMMITTEE REPORT

THE ROLE AND RESPONSIBILITIES

The Board Audit Committee (BAC) of SriLankan Airlines scope and responsibilities are governed by the Board Audit Committee Charter approved by the Board of Directors. The primary role of the Board Audit Committee 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, the Company's process for monitoring compliance with laws and regulations, management of Group Assurance and Advisory Services function and the independence of the external audit function.

COMPOSITION AND MEETINGS

The members of the BAC as at 31st March 2015 were Mr. Joseph Brito (Chairman), Mr. Chanaka De Silva (Member), Mr. Mahinda Haradasa (Member) and Lt. Col. Sunil Peiris (Member) who were appointed to the Audit Committee on 12th February 2015.
Mr. Rakhita Jayawardena was a member of the Board Audit Committee from 20th February to 10th March 2015.

Until 12th February 2015 the Board Audit Committee comprised of four (4) members namely Mr. Susantha Ratnayake (Chairman), Mr. Nihal Jayamanne PC (Member), Mrs. Lakshmi Sangakkara (Member) and Mr. Sanath Ukwatte (Member).
Mr. S.M. Chadrapala, representative of the Ministry of Civil Aviation attended the meetings as an independent observer.

During the financial year ended 31st March 2015, the Board Audit Committee held five (5) meetings. The members of the management attended the meetings upon invitation to brief the Board Audit Committee on specific issues. In addition the Board Audit Committee had meetings with the External Auditors Messrs Ernst & Young to ascertain the nature, scope and approach of the external audit, to review the Financial Statements and the Management Reports.

GROUP ASSURANCE AND ADVISORY SERVICES

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

KEY ACTIVITIES OF THE BOARD AUDIT COMMITTEE DURING THE FINANCIAL YEAR

- Reviewed the audit findings on system of internal controls including IS/IT controls and the status of audit recommendations.
- Reviewed the key corporate level risks and procedures adopted by management to mitigate the effects of business risks.
- Reviewed the Company's compliance dashboard on a quarterly basis to determine that all relevant laws and regulations are complied with.
- Reviewed and approved the outstation finance manual for the purpose of better system of control at overseas stations.
- Reviewed and approved the revised risk matrix and the Enterprise Risk Management manual for better presentation of corporate risks.
- Reviewed the status of the Business Continuity Plan and to ensure a structured framework is established at SriLankan Airlines in line with the ISO 22301 Standard in order to minimise the effects of risks from business interruptions/disasters.
- Reviewed the results of the external audit report and management response to the issues highlighted.

JMS Brito

J. M. S. Brito
Chairman – Board Audit Committee
20th August 2015

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The responsibilities of the Directors in relation to the Financial Statements of the Company and the Group differ from the responsibilities of the Auditors which are set out in their Report appearing on page 21.

The Companies Act No. 07 of 2007 requires the Directors to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company and the Group as at end of the financial year and of the Profit or Loss of the Company and the Group for the 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 and its Subsidiary keep sufficient accounting records to disclose with reasonable accuracy the financial position of the Company and the Group 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. 07 of 2007. They are also responsible for taking reasonable measures to safeguard the assets of the Group, 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 Group's Budget for the financial year ending 31st March 2016 including cash flows and borrowing facilities and having considered the new business plan which was approved by the Cabinet which includes substantial funding by the Government of Sri Lanka including new equity and the provision of sovereign guarantees described in detail under Note 2.1.2 to the Financial Statements, consider that the Group has adequate resources to continue in operation.

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

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

By Order of the Board

Dalrene Thirukumar
Company Secretary
25th August 2015

INDEPENDENT AUDITORS' REPORT

Building a better working world

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TO THE SHAREHOLDERS OF SRILANKAN AIRLINES LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of SriLankan AirLines Limited, ("the Company"), and the consolidated financial statements of the Company and its Subsidiary ("Group"), which comprise the statement of financial position as at 31st March 2015, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 27 to 70.

BOARD'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31st March 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

EMPHASIS OF MATTER

Without qualifying our opinion we draw attention to note 2.1.2 in the financial statements which describes the unfavourable financial position, the management assessment of these conditions and the mitigating factors.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

b) In our opinion:

- We have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.
- the financial statements of the Company give a true and fair view of the financial position of the Company as at 31st March 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
- The financial statements of the Company and the Group, comply with the requirements of Sections 151 and 153 of the Companies Act No. 07 of 2007.

EMPHASIS OF MATTER

Without qualifying our opinion we draw attention to note 2.1.2 in the financial statements which describes the unfavourable financial position, the management assessment of these conditions and the mitigating factors.

25th August 2015
Colombo

STATEMENT OF FINANCIAL POSITION

		Group		Company	
As at 31st March	Note	2015 LKR Mn.	2014 LKR Mn.	2015 LKR Mn.	2014 LKR Mn.
Assets					
Non-Current Assets					
Property, Plant and Equipment	3	12,336.15	9,855.74	9,809.97	8,371.32
Aircraft Predelivery Payments	4	2,267.93	4,053.25	2,267.93	4,053.25
Aircraft Maintenance Reserve	5	6,069.40	7,350.71	6,069.40	7,350.71
Aircraft and Spare Engine Deposits		3,366.81	3,087.46	3,366.81	3,087.46
Intangible Asset	6	1,285.07	2,313.21	1,280.23	2,307.29
Investments	7	0.40	0.40	42.44	42.44
		25,325.76	26,660.77	22,836.78	25,212.47
Current Assets					
Inventories	8	5,397.87	5,040.23	5,078.20	4,749.74
Trade and Other Receivables	9	32,818.75	17,091.66	32,114.66	15,959.49
Aircraft Maintenance Reserve	5	6,209.96	9,384.01	6,209.96	9,384.01
Aircraft and Spare Engine Deposits		1,559.26	603.67	1,559.26	603.67
Cash and Bank Balances	10	4,846.70	6,606.63	4,759.41	6,457.32
		50,832.54	38,726.20	49,721.49	37,154.23
Total Assets		76,158.30	65,386.97	72,558.27	62,366.70
Equity and Liabilities					
Capital and Reserves					
Stated Capital	11	51,617.44	51,617.44	51,617.44	51,617.44
Reserves	12	4,355.27	2,576.72	2,514.89	1,905.01
Accumulated Loss		(123,265.57)	(105,872.85)	(128,238.23)	(110,743.40)
Total Equity		(67,292.86)	(51,678.69)	(74,105.90)	(57,220.95)
Non-Current Liabilities					
Preference Shares	13	1,000.00	1,000.00	–	–
Interest-Bearing Liabilities	14	35,707.81	23,175.52	35,692.91	23,830.99
Other Long-Term Liabilities	15	8,084.01	7,504.76	7,556.95	7,147.59
		44,791.82	31,680.28	43,249.86	30,978.58
Current Liabilities					
Sales in Advance of Carriage	16	18,166.28	17,037.51	18,166.28	17,037.51
Trade and Other Payables	17	39,922.28	46,420.09	44,699.86	49,438.18
Income Tax Payable		189.13	193.48	175.45	175.45
Interest-Bearing Liabilities	14	40,381.65	21,734.30	40,372.72	21,957.93
		98,659.34	85,385.38	103,414.31	88,609.07
Total Equity and Liabilities		76,158.30	65,386.97	72,558.27	62,366.70

These Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

Head of Financial Management

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
Signed for and on behalf of the Board by:

Director Director

The Accounting Policies and Notes on pages 27 through 70 form an integral part of these Financial Statements.

25th August 2015
Colombo

STATEMENT OF PROFIT OR LOSS

Year ended 31st March	Note	Group 2015 LKR Mn.	Group 2014 LKR Mn.	Company 2015 LKR Mn.	Company 2014 LKR Mn.
Revenue	19	134,316.22	124,154.62	131,922.13	121,585.83
Expenditure					
Aircraft Fuel Cost		(53,451.02)	(59,946.90)	(53,451.02)	(59,946.90)
Employee Cost		(10,186.63)	(9,102.15)	(9,213.90)	(8,352.93)
Airport, Enroute and Passenger Expenses		(20,091.51)	(20,296.42)	(22,214.10)	(21,959.90)
Rentals on Leased Aircraft		(16,315.67)	(14,555.03)	(16,315.67)	(14,555.03)
Aircraft Maintenance and Overhaul Costs		(11,605.42)	(17,356.23)	(11,605.42)	(17,356.23)
Depreciation/Amortisation		(2,555.60)	(1,886.63)	(2,275.98)	(1,602.79)
Selling, Marketing and Advertising Expenses		(11,828.85)	(10,250.27)	(11,828.85)	(10,250.27)
Crew Expenses		(10,643.54)	(8,992.43)	(10,643.54)	(8,992.43)
Other Operating Expenses		(9,215.25)	(8,007.25)	(8,434.87)	(7,372.98)
Operating Loss	21	(11,577.27)	(26,238.69)	(14,061.22)	(28,803.63)
Other Income and Gains	20	292.47	260.50	2,525.59	1,673.46
Finance Income	22.1	124.95	974.81	112.06	969.11
Finance Cost	22.2	(5,094.68)	(6,294.26)	(5,009.46)	(6,196.92)
Loss Before Taxation		(16,254.53)	(31,297.64)	(16,433.03)	(32,357.98)
Income Tax Expense	23	(75.37)	(68.19)	(61.63)	(50.36)
Loss for the Year		(16,329.90)	(31,365.83)	(16,494.66)	(32,408.34)

The Accounting Policies and Notes on pages 27 through 70 form an integral part of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31st March	Note	Group 2015 LKR Mn.	Group 2014 LKR Mn.	Company 2015 LKR Mn.	Company 2014 LKR Mn.
Loss for the Year		(16,329.90)	(31,365.83)	(16,494.66)	(32,408.34)
Other Comprehensive Income/(Loss)					
Other Comprehensive Income/(Loss) not to be Reclassified to Profit or Loss in Subsequent Periods (Net of Tax):					
Actuarial Gain/(Loss) on Retirement Benefit Obligation	15.2	(1,116.89)	512.66	(1,054.24)	548.19
Revaluation of Property, Plant and Equipment		1,906.85	–	663.95	–
Deferred Tax Liability on Revalued Assets		(74.23)	–	–	–
		715.73	512.66	(390.29)	548.19
Other Comprehensive Income/(Loss) Reclassified to Profit or Loss (Net of Tax):					
Net Gain on Available-for-Sale Investments		–	1,027.30	–	1,027.30
		–	1,027.30	–	1,027.30
Total Other Comprehensive Income/(Loss) for the Year, Net of Tax		715.73	1,539.96	(390.29)	1,575.49
Total Comprehensive Income/(Loss) for the Year, Net of Tax		(15,614.17)	(29,825.87)	(16,884.95)	(30,832.85)

The Accounting Policies and Notes on pages 27 through 70 form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

Year ended 31st March	Note	Group Stated Capital LKR Mn.	Revaluation Reserve LKR Mn.	Available-for-Sale Reserve LKR Mn.	Revenue Reserve LKR Mn.	General Reserve LKR Mn.	Accumulated Loss LKR Mn.	Total LKR Mn.
Balance as at 1st April 2013		32,032.75	2,522.65	(1,027.30)	0.63	53.44	(75,019.68)	(41,437.51)
Loss for the Year		–	–	–	–	–	(31,365.83)	(31,365.83)
Other Comprehensive Income		–	–	1,027.30	–	–	512.66	1,539.96
Total Comprehensive Income/(Loss)		–	–	1,027.30	–	–	(30,853.17)	(29,825.87)
Advance Towards Share Capital	11.4	19,584.69	–	–	–	–	–	19,584.69
Balance as at 31st March 2014		51,617.44	2,522.65	–	0.63	53.44	(105,872.85)	(51,678.69)
Reserves Transferred*		–	–	–	(0.63)	(53.44)	54.07	–
Loss for the Year		–	–	–	–	–	(16,329.90)	(16,329.90)
Other Comprehensive Income		–	1,832.62	–	–	–	(1,116.89)	715.73
Total Comprehensive Income/(Loss)		–	1,832.62	–	–	–	(17,446.79)	(15,614.17)
Balance as at 31st March 2015		51,617.44	4,355.27	–	–	–	(123,265.57)	(67,292.86)

	Note	Company Stated Capital LKR Mn.	Revaluation Reserve LKR Mn.	Available-for-Sale Reserve LKR Mn.	Revenue Reserve LKR Mn.	General Reserve LKR Mn.	Accumulated Loss LKR Mn.	Total LKR Mn.
Balance as at 1st April 2013		32,032.75	1,850.94	(1,027.30)	0.63	53.44	(78,883.25)	(45,972.79)
Loss for the Year		–	–	–	–	–	(32,408.34)	(32,408.34)
Other Comprehensive Income		–	–	1,027.30	–	–	548.19	1,575.49
Total Comprehensive Income/(Loss)		–	–	1,027.30	–	–	(31,860.15)	(30,832.85)
Advance Towards Share Capital	11.4	19,584.69	–	–	–	–	–	19,584.69
Balance as at 31st March 2014		51,617.44	1,850.94	–	0.63	53.44	(110,743.40)	(57,220.95)
Reserves Transferred*		–	–	–	(0.63)	(53.44)	54.07	–
Loss for the Year		–	–	–	–	–	(16,494.66)	(16,494.66)
Other Comprehensive Income		–	663.95	–	–	–	(1,054.24)	(390.29)
Total Comprehensive Income/(Loss)		–	663.95	–	–	–	(17,548.90)	(16,884.95)
Balance as at 31st March 2015		51,617.44	2,514.89	–	–	–	(128,238.23)	(74,105.90)

**As the revenue reserve and general reserve amounting to LKR 0.63 Mn. and LKR 53.44 Mn. respectively has remained unutilised for a considerable period of time and the management has no plans to utilise these reserves. These reserve balances have been transferred to the accumulated loss reserve during the year.*

The Accounting Policies and Notes on pages 27 through 70 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

Year ended 31st March	Note	Group 2015 LKR Mn.	Group 2014 LKR Mn.	Company 2015 LKR Mn.	Company 2014 LKR Mn.
Cash Flows from/(used in) Operating Activities					
Loss before Income Tax Expense		(16,254.53)	(31,297.64)	(16,433.03)	(32,357.98)
Adjustments for –					
Depreciation/Amortisation		2,521.76	1,886.63	2,238.82	1,602.79
Finance Cost	22.2	5,094.68	6,294.26	5,009.46	6,196.92
Gain on Disposal of Property, Plant and Equipment and Intangible Assets	20	(5.08)	(9.08)	(2.47)	(9.08)
Finance Income	22.1	(124.95)	(974.81)	(112.06)	(969.11)
(Reversal)/Provision for Impairment of Receivables		230.32	97.51	225.55	118.75
Provision for Slow Moving Inventory	8.1	279.85	303.83	264.83	302.78
Provision for Impairment of Maintenance Reserve		4,024.42	3,061.11	4,024.42	3,061.11
Effect on Unrealised Exchange Loss		503.23	318.47	753.48	656.77
Write Back of Sales in Advance		(1,269.28)	(1,357.28)	(1,269.28)	(1,357.28)
Provision for Gratuity	15.2	591.36	544.48	528.54	492.17
Operating Loss before Working Capital Changes		(4,408.22)	(21,132.52)	(4,771.74)	(22,262.16)
Increase in Inventories		(637.50)	(322.21)	(593.29)	(387.63)
Increase in Sales in Advance of Carriage		2,398.05	339.49	2,398.05	339.49
(Increase)/Decrease in Trade and Other Receivables		(3,390.28)	187.36	(3,813.59)	487.89
Increase/(Decrease) in Trade and Other Payables		(1,461.62)	19,433.95	43.91	19,975.02
(Increase)/Decrease in Maintenance Reserves		(4,498.15)	(3,635.17)	(4,498.15)	(3,635.17)
Increase In Aircraft Security Deposits		(1,155.50)	(448.90)	(1,155.50)	(448.90)
Cash Generated from/(used in) Operations		(13,153.22)	(5,578.00)	(12,390.31)	(5,931.46)
Finance Cost Paid		(4,512.68)	(3,920.77)	(4,427.45)	(3,765.51)
Gratuity Paid	15.2	(231.50)	(194.53)	(201.69)	(179.76)
Income Tax Paid		(18.09)	(54.29)	–	–
Net Cash Flows Used in Operating Activities		(17,915.49)	(9,747.59)	(17,019.45)	(9,876.73)
Cash Flows from/(used in) Investing Activities					
Interest Received		124.95	974.81	112.06	969.11
Acquisition of Property, Plant and Equipment		(1,977.32)	(1,770.87)	(1,893.30)	(1,725.90)
Reversal of Advance Payment on Property, Plant and Equipment		–	51.77	–	–
Net Receipts from Aircraft Predelivery Payments		2,035.12	(6,799.00)	2,035.12	(6,799.00)
Acquisition of Intangible Assets		(273.68)	(706.42)	(273.26)	(700.28)
Proceeds from Disposal of Property, Plant and Equipment and Intangible Assets		13.44	15.94	7.12	15.94
Net Cash used in Investing Activities		(77.49)	(8,233.77)	(12.26)	(8,240.13)
Cash Flows from used in Financing Activities					
Repayment of Interest-Bearing Liabilities		(24,032.91)	(31,117.71)	(24,983.43)	(31,090.39)
Proceeds from Disposal of Treasury Bonds		–	22,477.99	–	22,477.99
Proceeds from Interest-Bearing Loans and Borrowings		40,926.58	28,740.00	40,977.85	28,739.98
Net Cash from Financing Activities		16,893.67	20,100.28	15,994.42	20,127.58
Net Increase/(Decrease) in Cash and Cash Equivalents		(1,099.31)	2,118.92	(1,037.29)	2,010.72
Cash and Cash Equivalents at the Beginning of the Year	10	(2,419.11)	(4,538.03)	(2,568.42)	(4,579.14)
Cash and Cash Equivalents at the End of the Year	10	(3,518.42)	(2,419.11)	(3,605.71)	(2,568.42)

The Accounting Policies and Notes on pages 27 through 70 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 GENERAL

COMPANY

SriLankan Airlines Limited ('the Company') is a Limited Liability Company incorporated and domiciled in Sri Lanka. The registered office of the Company and the principal place of business is located at Airline Centre, Bandaranaike International Airport, Katunayake, Sri Lanka.

1.2 PRINCIPAL ACTIVITIES AND NATURE OF OPERATIONS

COMPANY

The principal activities of the Company consist of operating 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 ('BIA') and Mattala Rajapaksa International Airport ('MRIA'), sale of duty free goods on-board, marketing inbound and outbound holiday packages constitute other main activities. Providing third party aircraft maintenance, flight operation services and conducting aviation-related trainings constitute ancillary activities of the Company.

SUBSIDIARY – SRILANKAN CATERING LIMITED

The principal activity of SriLankan Catering Limited ('the Subsidiary') is to provide in-flight catering services to airlines operating through BIA and MRIA. Other ancillary activities consist of operating public and transit restaurants, provision of laundry services and managing the transit hotel.

1.3 DATE OF AUTHORISATION FOR ISSUE

The Financial Statements for the year ended 31st March 2015 were authorised for issue by the Board of Directors on 25th August 2015.

2. GENERAL ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The Financial Statements of the Company and the Group have been prepared on an accrual basis and under historical cost convention, except for land and buildings and flight kitchen equipment that has been measured at fair value.

All values are presented in Sri Lankan Rupees and rounded to the nearest Million Rupees, except when otherwise indicated.

2.1.1 STATEMENT OF COMPLIANCE

The Financial Statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS) as issued by The Institute of Chartered Accountants of Sri Lanka. The preparation and presentation of these Financial Statements is in compliance with the Companies Act No. 07 of 2007.

2.1.2 GOING CONCERN

During the current year, the Company recorded a loss of LKR 16,494.66 Mn. (2014 – LKR 32,408.34 Mn.) with an accumulated loss of LKR 128,238.23 Mn. (2014 – LKR 110,743.40 Mn.). Further, the Company's current liabilities exceeded its current assets by LKR 53,692.82 Mn. (2014 – LKR 51,454.84 Mn.) and the total equity of the Company as at reporting date has declined to a negative LKR 74,105.90 Mn. (2014 – negative LKR 57,220.95 Mn.).

The performance of the Company improved significantly compared to the previous financial year as a result of the strategic initiatives taken by the management, as well as the decline in global fuel prices especially during the latter part of the financial year. However, this was insufficient to achieve a breakeven position and the Company continues to rely on the support of its major shareholder, the Government of Sri Lanka (GOSL) to fund operations through equity infusions and sovereign guarantees to raise debt financing.

Following the change of Government in January 2015, the new Board of Directors (BOD) took steps to initiate further measures to reduce losses and the annual budget for the next financial year was revised accordingly. Further, the Cabinet requested the BOD to prepare a viable and comprehensive business plan and accordingly the BOD presented a revised business plan which was approved by the Cabinet in June 2015. The new business plan entails a restructuring of the airline to improve its operational results and to progressively reduce the dependence on shareholder support to bridge operating losses in the future.

The key elements of the restructuring programme include re-evaluating of the route network such as reducing frequencies to/exiting from loss making routes and developing routes which have high potential for growth; aligning the aircraft fleet with the revised route network; reducing cost; rationalising the investment and achieving the full potential of the strategic business units of the Group (SriLankan Catering, Airport Services, Engineering, Training), restructure of Mihin Lanka with a view to converting same to a strategic business unit of the Group and financing of the Company using both internal sources as well as GOSL equity infusions/guarantees.

The Cabinet approved a total equity infusion of USD 255 Mn. based on the new business plan from 2015/16 to 2016/17 (includes USD 125 Mn. due for 2014/15 which is the last tranche of the USD 500 Mn. equity infusion approved previously). Further, in order to support the airline until the restructuring plans are implemented and the GOSL equity infusion takes place, GOSL Treasury ‘Letters of Comfort’ have been issued to obtain substantial short- term facilities in order to settle outstanding dues and fund future purchases of jet fuel.

The implementation of the cost reduction programme with the objective of reducing operating cost over a three-year planning horizon, which is an important element of the restructuring plan, has already being initiated.

Based on the continuous substantial support extended by the GOSL and the Company’s new business plan/strategic initiatives, the Directors are confident that the Company would improve its financial position and continue to operate as a going concern into the foreseeable future. Furthermore, the Directors consider that the significant value attached with the Company’s strong and well-recognised brand, ability to utilise existing bilateral air services agreements as a designated national carrier of Sri Lanka together with its landing rights at overseas airports, creates significant shareholder value.

2.1.3 CHANGES IN ACCOUNTING POLICIES

SLFRS 10, SLFRS 11, SLFRS 12 and SLFRS 13, were effective for the annual periods beginning on or after 1st January 2014, accordingly, these standards are effective for the current financial year of the Group. However, these new standards had no material impact on the Financial Statements of the Group other than for the resulting improved disclosures which are duly made under respective accounting policies and Note 3.

2.1.4 COMPARATIVE INFORMATION

The Accounting Policies and estimates adopted by the Group are consistent with those of the previous financial year.

The previous year's figures and phrases have been rearranged whenever necessary to conform to the current year presentation.

2.2 BASIS OF CONSOLIDATION

The Consolidated Financial Statements comprise the Financial Statements of the Company and its subsidiary as at 31st March 2015. Control is achieved when the Group is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a Subsidiary begins when the Group obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Company. When necessary, adjustments are made to the Financial Statements of Subsidiary to bring their accounting policies into line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets, liabilities and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.3 SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

The preparation of Financial Statements of the Group require the management to make judgments, estimates and assumptions that may affect the reported amounts of assets, liabilities, income and expense and disclosures at the reporting date. The key judgments, estimates and associated assumptions are assessed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following key judgments, estimates and assumptions addresses amongst others that are subjective and have significant effect on the amounts recognised in the Financial Statements:

(a) JUDGMENTS

(i) Going Concern

As disclosed in Note 2.1.2 these Financial Statements have been prepared and presented on a going concern basis.

(ii) Contingent Liabilities – Litigations

As disclosed in Note 24 the Group has several pending litigations with various parties at the end of the reporting period. The Board of Directors, after due consultation with the Group's legal counsel, assess the merits of each case and make necessary provisions when it is determined that there would be a possibility of an outflow of resources in the future.

(iii) Finance and Operating Leases

A lease is classified as a finance lease when substantially all the risks and rewards of ownership are transferred to Group. In determining the appropriate classification, the substance of the transaction rather than the form is considered. Factors considered include but not are limited to the following: whether the lease transfers ownership of the asset to the lessee by the end of the lease term; the lessee has the option to purchase the asset at the price that is expected to be sufficiently lower than the fair value on exercise date; the lease term is for the major part of economic life of the asset even of the title is not transferred and at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased assets.

(b) ESTIMATES

(i) Depreciation/Amortisation of Property, Plant and Equipment and Intangible Assets

Management assigns useful lives and residual values to property, plant and equipment and intangible assets based on the intended use of assets and the economic lives of these assets. Management reviews the residual values, useful lives and depreciation/amortisation method at each reporting date and ensures consistency with previous estimates and patterns of consumptions of the economic benefits that embodies in these assets. Changes in useful lives and residual values of these assets may result in revision of future depreciation charges. [Refer Policy 2.4.3 (b) and 2.4.4]

(ii) Frequent Flyer Programme

Award credits are accounted for as a separately identifiable component of revenue. The consideration is allocated to award credits based on their fair value and is accounted as a liability (deferred revenue) in the Consolidated Statement of Financial Position.

Estimation techniques are used to determine the fair value of mile credits and reflect the weighted average of a number of factors i.e., fare per sector, flight upgrades and partner rewards. Historical trend are used as the basis of the fair value calculations.

Adjustments to the fair value of miles are also made for miles not expected to be redeemed by members and for expired miles.

A level of judgment is exercised by management due to the diversity of inputs that go into determining the fair value of miles.

(iii) Maintenance Reserve

The Company makes monthly payments to lessors on account of several aircraft and engines which are under operating leases based on agreed terms towards maintenance. These monthly payments are based on the number of hours or cycles flown. Periodically management evaluates the recoverability of such payments based on best estimates of the amounts recoverable. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. (Refer Note 5).

(iv) Provision for Aircraft Maintenance and Overhaul Costs

The Company is obligated to carry out heavy maintenance checks on the airframe, engines and landing gears, which are under operating leases based on agreed terms towards maintenance. Provision for heavy maintenance cost is made progressively in the Financial Statements based on the number of flight hours or cycles. In arriving at the provision, assumptions are made on the estimated condition of the asset at the time of check, the material and overhead costs to be incurred and the timing of when the check is to be carried out. These assumptions are formed based on past experience, and are regularly reviewed to ensure they approximate to the actual. Any revision in assumptions and estimations that causes a material effect to the provision would be adjusted prospectively in the Financial Statements.

(v) Provisions for Air Transportation Services-Related Direct Operating Expenses

The operation of air transportation services inevitably involves the making of various provisions on direct expenses, such as fuel, ground handling charges, landing and parking charges, in-flight meals, reservation systems booking fees and information technology-related expenses. The estimates and associated assumptions are based on various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making provisions for carrying values of liabilities as at the end of reporting period.

(vi) Inventories

Company reviews the existence and usability of inventories based on a perpetual inventory count. Provisions are made when management determines obsolete stock and/or assesses a reduction in recoverable value.

(vii) Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. Management uses judgment in estimating such impairment considering the duration of outstanding and any other factors management is aware of that indicates uncertainty in recoverability.

(viii) Impairment of Financial Assets

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Management uses judgment in estimating such impairment considering the duration of outstanding and any other factors management is aware of that indicates uncertainty in recoverability.

(C) ASSUMPTIONS

(i) Defined Benefit Plan

The cost of the retirement benefit plan of staff based in Sri Lanka is determined using an actuarial valuation. The actuarial valuation is based on assumptions concerning the rate of interest, rate of salary increase, special premium, retirement age and going concern of the Company. Due to the long-term nature of the plan, such estimates are subject to significant uncertainty. (Refer Note 2.4.15).

(ii) Revaluation of Property, Plant and Equipment

Land and building and flight kitchen equipment are measured at revalued amounts using the services of an independent qualified valuer. Such valuer uses assumptions and valuation techniques to determine the fair value. The basis of valuation is disclosed in Note 3.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.4.1 FOREIGN CURRENCY TRANSLATION

The Financial Statements are presented in Sri Lankan Rupees, which is the Group's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. The resultant foreign exchange gains and losses are recognised in the Statement of Profit or Loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

2.4.2 TAXATION

(i) Current Income Tax

Company

(a) Local Taxation

Under the provisions of the Inland Revenue Act No. 10 of 2006 as amended by the Inland Revenue (Amendment) Act No. 22 of 2011, the Company is entitled for a tax exemption period of 10 years for all its business activities effective from 1st April 2011 to 31st March 2021.

(b) Overseas Taxation

The Company is liable for tax on its overseas operations in countries where there are no double tax treaties at present. However, there is no liability in the current year due to carry forward tax losses available to the Company.

Subsidiary – SriLankan Catering Limited

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The income from Flight Kitchen and Transit Restaurant is exempted from income tax up to 31st May 2021 as per the agreement with Board of Investment (BOI). The income from other sources are liable at the normal rate.

(ii) Deferred Income Tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4.3 PROPERTY, PLANT AND EQUIPMENT

(a) Cost and Valuation

All items of property, plant and equipment are initially recorded at cost. Cost includes expenditure that is directly attributable to the acquisition or construction. Where items of property, plant and equipment are subsequently revalued such revalued property, plant and equipment are carried at revalued amounts less any subsequent depreciation thereon and impairment. All other property, plant and equipment are stated at historical cost less depreciation and/or accumulated impairment losses, if any.

Land and buildings and flight kitchen equipment measured at revalued amounts, any revaluation surplus is recognised in other comprehensive income and accumulated in equity in the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Profit or Loss, in which case the increase is recognised in the Statement of Profit or Loss. A revaluation deficit is recognised in the Statement of Profit or Loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Valuations are performed with an adequate frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Subsequent cost are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be reliably measured.

Cost of repairs and maintenance are charged to the Statement of Profit or Loss during the period in which they are incurred.

Property, plant and equipment includes amongst others the following:

(i) Aircraft Rotable Spares

Aircraft rotable spares, which are treated as tangible assets, are initially recorded at cost and depreciated over the estimated useful life. This item is grouped under 'Aircraft-Related Equipment'.

(ii) Capital Work-in-Progress

Capital work-in-progress is stated at cost which include all costs incurred from the date of acquisition to the date on which it is commissioned. When commissioned, capital work-in-progress is transferred to the appropriate category under property, plant and equipment and depreciated over the estimated useful life.

(b) Depreciation

Provision for depreciation is calculated by using a straight line method on cost or valuation of all property, plant and equipment, other than freehold land, in order to write-off such amounts over the following estimated useful lives in equal instalments:

Aircraft-Related Equipment	– over shorter of 8 years or lease period
Plant and Equipment	– over periods ranging from 3 to 10 years based on the type of equipment
Buildings	– over the expected useful life ranging from 15 to 50 years
Improvements on aircraft on operating leases	– over shorter of 10 years or lease period

The residual values, useful lives and depreciation method are reviewed at each reporting date and adjusted prospectively when appropriate.

The depreciation rates stated above are applicable to all periods presented.

(c) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognising 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 Profit or Loss in the reporting period the asset is derecognised.

2.4.4 INTANGIBLE ASSETS

Intangible assets are recognised if it is probable that the future economic benefits that are attributable to the assets will flow to the entity and the cost of the assets can be measured reliably. Accordingly, these assets are stated in the Statement of Financial Position at cost less accumulated amortisation and any accumulated impairment losses.

The cost of acquisition or development of computer software that is separable from an item of related hardware is capitalised separately and amortised over a period not exceeding 5 years on a straight-line basis. The amortisation period and the amortisation method is reviewed at each reporting date. The carrying value of this asset is reviewed at each reporting date for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

2.4.5 LEASES

(a) Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the leased term are treated as operating leases. Operating lease payments are recognised as an operating expense in the Statement of Profit or Loss on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the users benefit.

Cost incurred on reconfiguration of assets under operating leases are capitalised and depreciated over the shorter of the useful life and the remaining lease period. (Refer Accounting Policy 2.4.3)

(b) Finance Leases

Leases that transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the Statement of Profit or Loss.

Capitalised leased assets are disclosed as property, plant and equipment and depreciated over the period the Group is expected to benefit from the use of the leased assets. (Refer Accounting Policy 2.4.3)

(c) Sale and Leaseback

Profits arising on sale and leaseback transactions which resulted in operating leases are recognised in the Statement of Profit or Loss immediately to the extent that the sales proceeds do not exceed the fair value of the assets concerned.

2.4.6 INVENTORIES

Inventories are valued at the lower of cost and net realisable value after making due allowances for obsolete and slow moving items. All inventories are valued on the basis of Weighted Average Cost.

2.4.7 IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing is required for an asset, the Group makes an assessment of the assets' recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2.4.8 FAIR VALUE MEASUREMENT

The Group measures its land and buildings and flight kitchen equipment at fair value. Fair value related disclosures are disclosed in the Note 3.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either –

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of such assets is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All the assets for which fair value is measured are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the Financial Statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as PPE. Selection criteria for external valuers include market knowledge, reputation, independence and whether professional standards are maintained. The Group decides, after discussions with the external valuers, which valuation techniques and inputs to use for each case.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.4.9 FINANCIAL INSTRUMENTS – INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

2.4.9.1 Financial Assets

Financial assets are recognised on the Statement of Financial Position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are classified as Fair Value Through Profit or Loss (FVTPL), loans and receivables, Held-to-Maturity investments or Available-for-Sale (AFS) as appropriate. Management determines the classification of its financial assets at initial recognition and the classification depends on the nature of the asset and the purpose for which the assets were acquired.

All financial assets are recognised initially at fair value.

Company's financial assets consist of loans and receivables and investments categorised as AFS. Group policy on subsequent measurement, impairment and derecognition of such items are set out below:

(a) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate ('EIR'), less impairment. Amortised 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 method. The amortisation is included in finance income in the Statement of Profit or Loss.

(b) Available-for-Sale Financial Assets

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

Available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for-sale reserve to the Statement of Profit or Loss in finance costs. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the EIR method.

(c) Derecognition

A financial asset is derecognised when:

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

(d) Impairment of Financial Assets

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or the group of debtors is experiencing significant financial difficulty, default of the payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicates that there is a measurable decrease in the estimated future cash flows.

(i) Financial Assets Carried at Amortised Cost
If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Profit or Loss.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited in the Statement of Profit and Loss.

(ii) Available-for-Sale Financial Assets
For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. When there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the Statement of Profit or Loss is removed from Other Comprehensive Income and recognised in the Statement of Profit or Loss. Impairment losses on equity investments are not reversed through the Statement of Profit or Loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

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

2.4.9.2 Financial Liabilities

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at Fair Value Through Profit or Loss or Loans and Borrowings as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings and financial guarantee contracts.

The subsequent measurement of financial liabilities depends on their classification as described below:

(a) Subsequent Measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised 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 amortisation is included in finance costs in the Statement of Profit or Loss.

(b) Derecognition

A financial liability is derecognised 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit or Loss.

(c) 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 recognised amounts; and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4.10 AIRCRAFT MAINTENANCE RESERVE

Aircraft maintenance reserve consists of payments made to lessors on a monthly basis for the future overhaul of engines, airframes and aircraft components in terms of operating lease agreements. Company recovers the cost incurred on overhauls of engines, airframes and aircraft components (up to the amount already paid to the reserve) from lessors against such reserve on completion of the maintenance event.

Based on the nature Aircraft maintenance reserve has been classified under loans and receivables and the relevant accounting policy for this category of financial assets is stated in Note 2.4.9.1 (a) above.

2.4.11 TRADE AND OTHER RECEIVABLES

Trade debtors, including deposits and other debtors (excluding non-financial assets classified under deposits and other receivables which are measured at cost) classified and accounted for as loans and receivable. Based on the nature the relevant accounting policy for this category of financial assets is stated in Note 2.4.9.1 (a) above.

2.4.12 INVESTMENTS

(i) Investment in Subsidiary

In the Company's Financial Statements, investment in the subsidiary Company has been accounted for at cost, net of any impairment for other than temporary diminution in value.

2.4.13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are defined as cash at bank and in hand, call deposits and short-term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of cash flow statement, cash and cash equivalents consist of cash at bank, cash in hand and call deposits in banks net of outstanding bank overdrafts and restricted cash. Investments with short maturities (i.e. three months or less from date of acquisition) are also treated as cash equivalents. Bank overdrafts are disclosed under Interest-bearing liabilities in the Statement of Financial Position.

2.4.14 PROVISIONS

(i) General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement.

(ii) Aircraft Maintenance and Overhaul Costs

The Group recognises Aircraft maintenance and overhaul expenses (except Aircraft heavy maintenance, engine overhaul and landing gear overhaul expenses) on an incurred basis. Aircraft heavy maintenance, engine overhaul and landing gear overhaul expenses are accounted on an accrual basis. Provision for Aircraft heavy maintenance, engine overhaul and landing gear overhaul expenses are made progressively in the Financial Statements based on utilisation or time depending on the nature of the overhaul. For engine overhaul costs covered by 'power by-hour' third-party maintenance agreements, the cost is expensed at an agreed fixed rate per hour over the tenure of the agreement.

2.4.15 RETIREMENT BENEFIT OBLIGATION

(a) Defined Benefit Plan – Gratuity

Gratuity is a defined benefit plan, the Company and its Subsidiary are liable to pay in terms of the relevant statue. The Group measures the present value of the defined benefit plan with the advice of an Actuary every year using the Projected Unit Credit method.

The Group recognises the actuarial gain/loss arising from defined benefit plans in other comprehensive income and expenses related to defined benefit plans in the Statement of Profit or Loss.

The gratuity liability is not externally funded. This item is grouped under 'Other Deferred Liabilities' in the Statement of Financial Position. Overseas-based employees are covered under social security schemes applicable in their home countries.

(b) Defined Contribution Plans – Employees' Provident Fund and Employees' Trust Fund

Employees based in Sri Lanka are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with the respective statutes and regulations. The Company contributes 15% and 3% of gross emoluments to Employees' Provident Fund and Employees' Trust Fund whilst the Subsidiary contributes 12% and 3% respectively.

2.4.16 FREQUENT FLYER PROGRAMME

Company operates a frequent flyer programme 'FlySmiLes' that provides travel awards to members of the programme based on accumulated mileage. A portion of passenger revenue attributable to the award of frequent flyer benefits is deferred until they are utilised. The deferment of the revenue is estimated based on historical trends of redemption, which is then used to project the expected utilisation of these benefits. The fair value of credits awarded is estimated by reference to the weighted average value of the services for which the award credits may be redeemed. These estimates are reviewed at each reporting date and the liability is adjusted accordingly. Miles accrued through utilising the services of programme partners and paid for by the participating partners are also accounted for as deferred revenue until they are utilised. A liability is not recognised for miles that are expected to expire.

2.4.17 REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable.

(a) Airline Revenue

Revenue is generated principally from the carriage of passengers, cargo and mail, rendering of airport terminal services, engineering services, air charters and related activities.

(i) Passenger and cargo sales are recognised as operating revenue when the transportation is provided.

(ii) The value of unused tickets and airway bills is included in current liabilities as sales in advance of carriage. The value of unused tickets and airway bills are recognised as revenue if remains unutilised and expired after one year.

(iii) Revenue from the provision of airport terminal services is recognised upon rendering of services.

(iv) Revenue from provision of third party maintenance services is recognised upon completion of such event.

(v) Revenue from the provision of flight operation services is recognised upon rendering of services.

(b) Revenue from Airline Catering Services

Sale of Goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes value added sales taxes and is arrived at after deduction of trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods and continuing management involvement with the goods.

(c) Dividend Income

Dividend income is accounted for when the shareholders right to receive the payment is established.

(d) Rental Income

Rental income is recognised on an accrual basis.

(e) Interest Income

For all financial instruments measured at amortised cost, interest income or expense is recorded using the Effective Interest Rate (EIR).

(f) Other Income

Other income is recognised on an accrual basis.

2.4.18 EXPENDITURE RECOGNITION

Expenses are recognised in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the Statement of Profit or Loss. For the purpose of presentation of the Statement of Profit or Loss, the 'nature of expenses' method has been adopted, on the basis that it presents fairly the elements of the Group's performance.

2.4.19 BORROWING COSTS

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent where borrowing costs that are directly attributable to the acquisition, construction, or production of an asset that takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of that asset.

2.4.20 SEGMENT REPORTING

A segment is a distinguishable component of the Group that is engaged in providing services within a particular economic environment which is subject to risks and rewards that are different from those of other segments.

Primary segments are determined based on the geographical spread of operations as the Group's risks and rate of return are predominantly affected by the fact that it operates in different countries. The analysis of turnover by origin of sale is derived by allocating revenue to the area in which the sale was made. Expenses that cannot be directly identifiable to a particular segment are not segregated and disclosed.

Management considers that there is no suitable basis for allocating assets and related liabilities to geographical segments. Accordingly, segment assets, segment liabilities and other segment information by geographical segment are not disclosed.

The secondary reporting by business segment is based on the nature of services provided by the Group. The Group is engaged in two main business segments – Air transportation and in-flight catering services through its subsidiary.

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of these Financial Statements are set out below. The Group will adopt these standards when they become effective. Pending a detailed review, the financial impact of these standards is not reasonably estimable.

SLFRS 9 – Financial Instruments: Classification and Measurement

This Standard was originally effective for annual periods commencing on or after January 2018.

SLFRS 15 – Revenue from Contracts with Customers

SLFRS 15 – Establishes a new five-step model that will apply to revenue arising from contracts with customers. Under SLFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in SLFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under SLFRS 15. Either a full or modified retrospective application is required for annual periods beginning on or after 1st January 2018 with early adoption permitted.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 GROUP

	Land and Buildings LKR Mn.	Plant and Equipment LKR Mn.	Improvements to Aircraft on Operating Leases LKR Mn.	Aircraft-Related Equipment LKR Mn.	Leasehold Plant and Equipment LKR Mn.	Advances/ Capital Work-in-Progress LKR Mn.	Total LKR Mn.
Cost/Revaluation							
Balance as at 1st April 2014	3,971.43	6,102.96	3,201.69	6,892.60	2,639.61	76.71	22,885.00
Acquisitions/Modifications/Revaluations*	649.14	302.27	636.10	969.55	402.91	431.52	3,391.49
Transfers/Adjustments	44.39	(42.47)	–	(1.00)	22.87	(74.99)	(51.20)
Disposals/Retirements	(8.34)	(23.13)	(1,258.62)	(2.53)	–	(1.58)	(1,294.20)
Balance as at 31st March 2015	4,656.62	6,339.63	2,579.17	7,858.62	3,065.39	431.66	24,931.09
Accumulated Depreciation							
Balance as at 1st April 2014	760.10	4,572.68	2,044.81	5,276.75	374.92	–	13,029.26
Charge for the Year	299.83	525.49	647.01	363.44	380.72	3.33	2,219.82
Transfers/Adjustments/Revaluation	(512.97)	(865.35)	–	0.01	7.64	–	(1,370.67)
Disposals/Retirements	(6.33)	(15.99)	(1,258.62)	(2.53)	–	–	(1,283.47)
Balance as at 31st March 2015	540.63	4,216.83	1,433.20	5,637.67	763.28	3.33	12,594.94
Net Book Value as at 31st March 2015	**4,115.99**	**2,122.80**	**1,145.97**	**2,220.95**	**2,302.11**	**428.33**	**12,336.15**
Net Book Value as at 31st March 2014	3,211.33	1,530.28	1,156.88	1,615.85	2,264.69	76.71	9,855.74

3.2 a. The fair values of the land and buildings of the Group and the flight kitchen equipment of the Subsidiary were determined by means of a revaluation respectively by Mr. Ranjan J. Samarakone (A.I.V. Sri Lanka – Corporate Valuer) and Mr. P. B. Kalugalgedara (Chartered Valuation Surveyor), independent valuers during the financial year. The results of such revaluation were incorporated in these Financial Statements effective from 31st March 2015. The surplus arising from the revaluation, was transferred to a revaluation reserve.

** Above revaluation adjustment is net of LKR 37.8 Mn. in respect of impairment buildings which have been recognised in the Statement of Profit or Loss.*

Details of Group's land, building and other plant and equipment stated at valuation are indicated below:

Asset	Method of Valuation	Effective Date of Valuation	Significant Unobservable Inputs	Sensitivity of Fair Value to Unobservable Inputs	Level of Fair Value Hierarchy
Land – Colombo	Open Market	31st March 15	Estimated Price Per Perch LKR 12 Mn.	Positively Correlated Sensitivity	Level 3
Buildings – Colombo/ Katunayake	Depreciated Replacement Cost	31st March 15	Estimated price per Square Foot LKR 475 – LKR 9,000		
Flight Kitchen Equipment Included Under Plant and Equipment – Katunayake	Open Market Value Method	31st March 15	Estimated Value LKR 793.54 Mn.		

b. The carrying amount of revalued assets that would have been included in the Financial Statements had the assets been carried at cost less depreciation is as follows:

Class of Asset	2015 Cost	2015 Cumulative Depreciation if Assets were Carried at Cost	2015 Net Carrying Amount	2014 Net Carrying Amount
	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
Land and Buildings	**3,076.48**	**853.94**	**2,222.54**	1,795.05
Plant and Equipment	**1,901.72**	**1,799.79**	**101.93**	99.75

c. During the year, the Group acquired property, plant and equipment to the aggregate value of LKR 2,896.64 Mn. (2014 – LKR 3,201.72 Mn.). Cash payments amounting to LKR 1,977.32 Mn. (2014 – LKR 1,770.87 Mn.) were made during the year to acquire property, plant and equipment.

d. Group property, plant and equipment includes fully-depreciated assets having a gross carrying amount of LKR 10,647.44 Mn. (2014 – LKR 7,518.51 Mn.).

3.3 COMPANY

	Land and Buildings	Plant and Equipment	Improvements to Aircraft on Operating Leases	Aircraft-Related Equipment	Leasehold Plant and Equipment	Advances/ Capital Work-in-Progress	Total
	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
Cost/Revaluation							
Balance as at 1st April 2014	2,704.85	5,031.89	3,201.69	6,892.60	2,639.61	73.36	20,544.00
Acquisitions/Modifications/Revaluations*	416.80	377.20	636.10	969.55	402.91	386.55	3,189.11
Transfers/Adjustments	20.01	(18.09)	–	(1.00)	22.87	(74.99)	(51.20)
Disposals/Retirements	(8.34)	(11.26)	(1,258.62)	(2.53)	–	(1.56)	(1,282.31)
Balance as at 31st March 2015	3,133.32	5,379.74	2,579.17	7,858.62	3,065.39	383.36	22,399.60
Accumulated Depreciation							
Balance as at 1st April 2014	561.68	3,914.52	2,044.81	5,276.75	374.92	–	12,172.68
Charge for the Year	235.27	311.92	647.01	363.44	380.72	–	1,938.36
Transfers/Adjustments/Revaluation	(249.99)	(1.41)	–	0.01	7.64	–	(243.75)
Disposals/Retirements	(6.33)	(10.18)	(1,258.62)	(2.53)	–	–	(1,277.66)
Balance as at 31st March 2015	540.63	4,214.85	1,433.20	5,637.67	763.28	–	12,589.63
Net Book Value as at 31st March 2015	2,592.69	1,164.89	1,145.97	2,220.95	2,302.11	383.36	9,809.97
Net Book Value as at 31st March 2014	2,143.17	1,117.37	1,156.88	1,615.85	2,264.69	73.36	8,371.32

3.4 a. The fair value of the Company's land and buildings was determined by means of a revaluation by Mr. Ranjan. J. Samarakone (A.I.V. Sri Lanka – Corporate Valuer) an independent valuer during the financial year. The results of such revaluation were incorporated in these Financial Statements effective from 31st March 2015. The surplus arising from the revaluation, was transferred to a revaluation reserve.

** Above revaluation adjustment is net of LKR 37.8 Mn. in respect of impairment buildings which have been recognised in the Statement of Profit or Loss.*

Details of Company's land and buildings stated at valuation are indicated below:

Asset	Method of Valuation	Effective Date of Valuation	Significant Unobservable Inputs	Sensitivity of Fair Value to Unobservable Inputs	Level of Fair Value Hierarchy
Land – Colombo	Open Market	31st March 15	Estimated Price Per Perch LKR 12 Mn.	Positively Correlated Sensitivity	Level 3
Buildings – Colombo/ Katunayake	Depreciated Replacement Cost	31st March 15	Estimated Price Per Square Foot LKR 475 - LKR 9,000		

b. The carrying amount of revalued assets that would have been included in the Financial Statements had the assets been carried at cost less depreciation is as follows:

	2015			2014
Class of Asset	Cost	Cumulative Depreciation if Assets were Carried at Cost	Net Carrying Amount	Net Carrying Amount
	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
Land and Buildings	1,455.96	453.18	1,002.78	802.61

c. During the year, the Company acquired property, plant and equipment to the aggregate value of LKR 2,810.85 Mn. (2014 – LKR 3,209.43 Mn.). Cash payments amounting to LKR 1,893.30 Mn. (2014 – LKR 1,725.90 Mn.) were made during the year to acquire property, plant and equipment.

d. Property, plant and equipment of the Company includes fully-depreciated assets having a gross carrying amount of LKR 10,533.91 Mn. (2014 – LKR 7,515.20 Mn.).

4. AIRCRAFT PREDELIVERY PAYMENTS

The predelivery payments consist of payments made by the Company based on the purchase agreement with Airbus for the purchase of six A330-300 and four A350-900 Aircraft for delivery between 2014 and 2021. Predelivery payments as at the reporting date consists of predelivery payments made for three A330-300 and four A350-900 aircraft to be delivered between 2015 and 2021. Predelivery payments which are recoverable from lessors within twelve months amounting to LKR 16,639.67 Mn. is included under trade and other receivables.

5. AIRCRAFT MAINTENANCE RESERVE

		Group/Company	
	Note	2015 LKR Mn.	2014 LKR Mn.
Balance as at 1st April		26,261.65	21,737.58
Payments		8,471.22	8,739.21
Adjustments*		(9,255.77)	(123.47)
Recoveries		(3,973.06)	(4,916.86)
Unrealised Exchange Gain		544.78	825.19
		22,048.82	26,261.65
Less: Provision for Impairment	5.2	(9,769.46)	(9,526.93)
Net Recoverable Balance as at 31st March	5.1	12,279.36	16,734.72

5.1 CURRENT/NON-CURRENT CLASSIFICATION

	Gross LKR Mn.	Provision for Impairment LKR Mn.	Net LKR Mn.	Amount Recoverable Within One Year LKR Mn.	Amount Recoverable After One Year LKR Mn.
Balance as at 31st March 2015	22,048.82	(9,769.46)	12,279.36	6,209.96	6,069.40
Balance as at 31st March 2014	26,261.65	(9,526.93)	16,734.72	9,384.01	7,350.71

5.2 MOVEMENT OF PROVISION FOR IMPAIRMENT

	2015 LKR Mn.	2014 LKR Mn.
Balance as at 1st April	9,526.93	1,835.65
Charged during the Year	4,024.42	3,061.11
Adjustments*	(4,011.22)	4,566.46
Unrealised Exchange Gain	229.33	63.71
Balance as at 31st March	9,769.46	9,526.93

** Current year impact on Statement of Profit or Loss represents the net impact of write back of Provision for Aircraft Maintenance and Overhaul Cost (Note 15) and the write off of net Aircraft Maintenance Reserve amounts (Note 5) following renegotiated return conditions for the three A340-300 aircraft.*

6. INTANGIBLE ASSET

	Group			Company		
	Software LKR Mn.	Capital Work-in-Progress LKR Mn.	Total LKR Mn.	Software LKR Mn.	Capital Work-in-Progress LKR Mn.	Total LKR Mn.
Computer Software						
Cost						
Balance as at 1st April 2014	2,870.65	22.73	2,893.38	2,835.99	22.73	2,858.72
Acquisitions/Modifications	133.18	20.60	153.78	132.77	20.60	153.37
Transfers/Adjustments	(840.83)	(39.15)	(879.98)	(840.83)	(39.15)	(879.98)
Disposals	(8.61)	–	(8.61)	(8.61)	–	(8.61)
Balance as at 31st March 2015	2,154.39	4.18	2,158.57	2,119.32	4.18	2,123.50
Accumulated Amortisation						
Balance as at 1st April 2014	580.17	–	580.17	551.43	–	551.43
Charge for the Year	338.81	–	338.81	337.32	–	337.32
Transfers/Adjustments	(36.87)	–	(36.87)	(36.87)	–	(36.87)
Disposals	(8.61)	–	(8.61)	(8.61)	–	(8.61)
Balance as at 31st March 2015	873.50	–	873.50	843.27	–	843.27
Net Book Value as at 31st March 2015	1,280.89	4.18	1,285.07	1,276.05	4.18	1,280.23
Net Book Value as at 31st March 2014	2,290.48	22.73	2,313.21	2,284.56	22.73	2,307.29

Intangible Assets of the Group/Company include fully-amortised assets having a gross carrying amount of LKR 474.54 Mn. (2014 – LKR 409.56 Mn.).

7. INVESTMENTS

	Group		Company	
	2015 LKR Mn.	2014 LKR Mn.	2015 LKR Mn.	2014 LKR Mn.
Non-Current Investments				
Investments in Subsidiary in Sri Lanka				
- SriLankan Catering Limited	–	–	42.24	42.24
(Directors' Valuation Based on Net Asset Value LKR 5.87 Bn. (2014 – LKR 4.65 Bn.)				
- Air Lanka (Private) Limited (40,000 Shares)*	0.40	0.40	0.20	0.20
	0.40	0.40	42.44	42.44

**50% of Share Capital of Air Lanka (Private) Limited is held by the Company and the remaining 50% is held by the Subsidiary Company. Air Lanka (Private) Limited is a dormant Company since inception.*

8. INVENTORIES

	Note	Group		Company	
		2015 LKR Mn.	2014 LKR Mn.	2015 LKR Mn.	2014 LKR Mn.
Consumables and Spares		6,159.71	5,568.10	6,055.24	5,474.06
Raw Materials		235.75	201.98	–	–
Duty Free Merchandise		2.37	2.21	2.37	2.21
Less: Provision for Slow Moving Stock	8.1	(999.96)	(732.06)	(979.41)	(726.53)
		5,397.87	5,040.23	5,078.20	4,749.74

8.1 PROVISION FOR SLOW MOVING STOCK

	Group		Company	
	2015 LKR Mn.	2014 LKR Mn.	2015 LKR Mn.	2014 LKR Mn.
Balance as at 1st April	(732.06)	(650.69)	(726.53)	(646.21)
Provision Made During the Year	(279.85)	(303.83)	(264.83)	(302.78)
Written Off During the Year	11.95	222.46	11.95	222.46
Balance as at 31st March	(999.96)	(732.06)	(979.41)	(726.53)

9. TRADE AND OTHER RECEIVABLES

	Note	Group 2015 LKR Mn.	Group 2014 LKR Mn.	Company 2015 LKR Mn.	Company 2014 LKR Mn.
Trade Receivables		10,165.86	11,017.39	9,673.74	10,168.27
Less: Provision for Impairment of Receivables	9.2	(201.65)	(384.04)	(193.45)	(380.61)
		9,964.21	10,633.35	9,480.29	9,787.66
Other Debtors		1,274.39	191.88	1,274.40	191.88
Aircraft Predelivery Payments	4	16,639.67	2,745.75	16,639.67	2,745.75
Deposits, Advances and Prepayments		3,178.95	2,414.87	2,976.30	2,146.34
From Aircraft Induction Activities		1,701.19	1,032.32	1,701.19	1,032.32
		32,758.41	17,018.17	32,071.85	15,903.95
Loans and Advances Given to Staff	9.3	60.34	73.49	42.81	55.54
		32,818.75	17,091.66	32,114.66	15,959.49

Trade receivables are non-interest bearing and are generally on 30 days credit term.

9.1 AS AT 31ST MARCH THE AGEING ANALYSIS OF TRADE RECEIVABLES IS AS FOLLOWS:

As at 31st March 2015, trade receivables amounting to LKR 201.65 Mn. related to Group and LKR 193.45 Mn. related to Company were impaired and fully provided for. See below Note 9.2 for the movement in impairment of trade receivables.

	Total	Neither Past Due Nor Impaired	Past Due Not Impaired			
			30-60 Days	61-90 Days	91-180 Days	>180 Days
	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
Balance as at 31st March 2015						
Company	9,480.29	6,425.57	2,154.27	289.98	442.60	167.87
Group	9,964.21	6,630.28	2,340.90	333.13	486.78	173.12

9.2 MOVEMENT FOR PROVISION FOR IMPAIRMENT OF RECEIVABLES

	Group 2015 LKR Mn.	Company 2015 LKR Mn.
Balance as at 1st April	384.04	380.61
Impairment for the Year*	230.32	225.55
Amount Written Off During the Year	(412.71)	(412.71)
Balance as at 31st March	201.65	193.45

**Provision for impairment of receivables includes a provision of LKR 127.82 Mn. (2014 – LKR 12.16 Mn.) made on account of doubtful receivables from Government-related entities.*

9.3 LOANS AND ADVANCES GIVEN TO STAFF

Given below are particulars of loans and advances granted to staff in excess of LKR. 20,000 only.

	Group		Company	
	2015 LKR Mn.	2014 LKR Mn.	2015 LKR Mn.	2014 LKR Mn.
Balance as at 1st April	1.52	2.89	0.74	2.14
Loans Granted During the Year	2.75	2.80	–	–
Repayments	(3.21)	(4.17)	(0.69)	(1.40)
Balance as at 31st March	1.06	1.52	0.05	0.74

10. CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS

Components of Cash and Cash Equivalents

		Group		Company	
	Note	2015 LKR Mn.	2014 LKR Mn.	2015 LKR Mn.	2014 LKR Mn.
10.1 FAVOURABLE CASH AND CASH EQUIVALENT BALANCES					
Cash and Bank Balances		3,749.18	5,500.14	3,669.09	5,350.83
Short-Term Deposits		1,097.52	1,106.49	1,090.32	1,106.49
		4,846.70	6,606.63	4,759.41	6,457.32
10.2 UNFAVOURABLE CASH AND CASH EQUIVALENT BALANCES					
Bank Overdrafts	14	(5,533.26)	(7,342.76)	(5,533.26)	(7,342.76)
		(686.56)	(736.13)	(773.85)	(885.44)
10.3 RESTRICTED CASH	14.2 (a)	(2,831.86)	(1,682.98)	(2,831.86)	(1,682.98)
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement		(3,518.42)	(2,419.11)	(3,605.71)	(2,568.42)

11. STATED CAPITAL

11.1 ISSUED CAPITAL

	Group/Company	
	2015 Numbers Mn.	2014 Numbers Mn.
Ordinary Shares–Issued and Fully Paid		
As at 1st April	320.32	51.46
Issued and Fully Paid During the Year	195.85	268.86
As at 31st March	516.17	320.32

11.2 MOVEMENT IN STATED CAPITAL

		Group		Company	
	Note	2015 LKR Mn.	2014 LKR Mn.	2015 LKR Mn.	2014 LKR Mn.
Ordinary Shares – Issued and Fully Paid	11.3	51,617.44	32,032.75	51,617.44	32,032.75
Advance Towards Share Capital	11.4	–	19,584.69	–	19,584.69
Preference Shares		1,000.00	1,000.00	–	–
		52,617.44	52,617.44	51,617.44	51,617.44
Less: Preference Shares Reclassified	13	(1,000.00)	(1,000.00)	–	–
		51,617.44	51,617.44	51,617.44	51,617.44

11.3 ORDINARY SHARES ISSUED AND FULLY PAID

		Group/Company	
	Note	2015 LKR Mn.	2014 LKR Mn.
As at 1st April		32,032.75	5,146.35
Ordinary Shares Issued During the Year	11.4	19,584.69	26,886.40
As at 31st March		51,617.44	32,032.75

11.4 ADVANCE TOWARDS SHARE CAPITAL

	Group/Company	
	2015 LKR Mn.	2014 LKR Mn.
As at 1st April	19,584.69	26,886.40
Advances Received During the Year	–	19,584.69
Shares Issued During the Year	(19,584.69)	(26,886.40)
As at 31st March	–	19,584.69

12. RESERVES

	Group		Company	
	2015 LKR Mn.	2014 LKR Mn.	2015 LKR Mn.	2014 LKR Mn.
Revaluation Reserve	4,355.27	2,522.65	2,514.89	1,850.94
Revenue Reserve	–	0.63	–	0.63
General Reserve	–	53.44	–	53.44
	4,355.27	2,576.72	2,514.89	1,905.01

13. PREFERENCE SHARES

PREFERENCE SHARES - 10 YEARS CONVERTIBLE – EMPLOYEES' PROVIDENT FUND

Non-voting redeemable cumulative convertible preference shares are convertible in to ordinary shares on 16th May 2015 at the option of the holder at an agreed basis or mandatory redemption on the date of maturity (16th May 2020). The holder is also entitled to a fixed preference share dividend of 15% per annum.

14. INTEREST-BEARING LIABILITIES

		Group		Company	
	Note	2015 LKR Mn.	2014 LKR Mn.	2015 LKR Mn.	2014 LKR Mn.
Current Liabilities					
Long-Term Loans	14.1	11,750.63	11,065.54	11,750.63	11,293.38
Finance Leases	14.4	610.42	449.50	601.49	445.29
Short-Term Loans		22,487.34	2,876.50	22,487.34	2,876.50
Bank Overdraft		5,533.26	7,342.76	5,533.26	7,342.76
		40,381.65	21,734.30	40,372.72	21,957.93
Non-Current Liabilities					
Long-Term Loans	14.1	33,590.45	21,211.26	33,590.45	21,869.32
Finance Leases	14.4	2,117.36	1,964.26	2,102.46	1,961.67
		35,707.81	23,175.52	35,692.91	23,830.99

14.1 LONG-TERM LOANS

	Group		Company	
	2015 LKR Mn.	2014 LKR Mn.	2015 LKR Mn.	2014 LKR Mn.
a. Current/Non-Current Classification				
Payable within One Year Included Under Current Liabilities	11,750.63	11,065.54	11,750.63	11,293.38
After One Year but not more than Five Years	33,590.45	21,211.26	33,590.45	21,869.32
	45,341.08	32,276.80	45,341.08	33,162.70

	Group		Company	
	2015 Mn.	2014 Mn.	2015 Mn.	2014 Mn.
b. Long-term Loans Denominated in Foreign Currencies				
Long-Term Loans – USD Denominated	312.42	209.83	312.42	209.05
Long-Term Loans – AED Denominated	122.43	183.65	122.43	183.65

	Group		Company	
	2015 LKR Mn.	2014 LKR Mn.	2015 LKR Mn.	2014 LKR Mn.
c. Movement in Long-term Loans				
Balance as at 1st April	32,276.80	36,125.96	33,162.70	37,187.69
Additions/Transfers During the Year	23,989.48	19,805.34	24,061.74	19,805.34
Payments During the Year	(11,792.14)	(24,717.21)	(12,746.63)	(24,927.67)
Unrealised Exchange Loss	866.94	1,062.71	863.27	1,097.34
Balance as at 31st March	45,341.08	32,276.80	45,341.08	33,162.70

14.2 COMPANY

Lender	Balance as at 31st March 2015 LKR Mn.	Balance as at 31st March 2014 LKR Mn.	Repayment Term	Security	
a. Bank Loans					
Interest Linked to LIBOR					
Syndicated Loan through Standard Chartered Bank	13,191.89	19,453.13	Monthly instalments ending March, 2017.	Ticket Sales collected by IATA from Kuwait, Bahrain, UAE, Saudi Arabia, Oman, UK, China, France, India and a Government Guarantee for USD 50 Mn. Three Loan Instalments being maintained as security.	
Standard Chartered Bank	3,077.62	–	Monthly instalments ending September, 2015.	Ticket Sales collected by IATA from Thailand, Germany and Sri Lanka	
Bank of Ceylon	518.70	980.63	Monthly instalments ending April, 2016.	Mortgage over ordinary shares of SriLankan Catering Limited.	
Bank of Ceylon	–	2,615.00	Monthly instalments ended August, 2014.	Letter of undertaking from SLA to repay the loan from the proceeds of the international bond.	
Commercial Bank of Ceylon PLC	923.35	1,218.86	Monthly instalments ending February, 2018.	USD 750,000 Fixed Deposit	Ticket sales collected by IATA from Qatar and cargo sales collected by IATA from United Kingdom
Commercial Bank of Ceylon PLC	402.21	441.22	Monthly instalments ending March, 2019.	USD 350,000 Fixed Deposit and Mortgage over the ground handling equipment imported under the facility.	
Commercial Bank of Ceylon PLC	842.34	–	Monthly instalments ending July, 2018.	USD 800,000 Fixed Deposit	
Amāna Bank Limited	292.16	248.43	Monthly instalments ending December, 2020.	Restriction on SLA to sell, lease, alienate or mortgage A320 hanger and simulator building excluding land.	
Interest Linked to AWPLR					
Bank of Ceylon	5,000.00	–	Upon receipt of capital infusion by the Government.	Letter of undertaking ensuring settlement upon receipt of Capital infusion by the Government.	
Fixed Interest Rate					
CITI Bank	266.00	261.50	90 days rolling facility.	None	

Lender	Balance as at 31st March 2015 LKR Mn.	Balance as at 31st March 2014 LKR Mn.	Repayment Term	Security
b. International Bond				
Fixed Interest Rate				
International Bond	23,275.00	–	Payment on maturity in June, 2019.	GOSL guarantee of USD 175 Mn.
c. Loans from Other Institutions				
Interest Linked to LIBOR				
PDP Loan Facility	14,143.72	–	Upon the delivery of each aircraft.	Secured on the aircraft to be delivered.
Subsidiary	–	1,060.76	5 annual instalments ended September, 2014.	None
Deferred Payment Arrangement from a Supplier	6,367.37	10,218.39	Quarterly instalments ending September, 2016.	None
Fixed Interest Rate				
Aircraft Lessor	67.03	89.37	Monthly instalments ending July, 2017.	

14.3 SUBSIDIARY

Lender	Balance as at 31st March 2015 LKR Mn.	Balance as at 31st March 2014 LKR Mn.	Repayment Term	Security
a. Bank Loans				
Interest Linked to LIBOR				
Commercial Bank of Ceylon PLC	–	97.72	Fully settled in 2015	Unconditional and Irrevocable payment guarantee for USD 3,000,000 executed by SriLankan Airlines Limited
Commercial Bank of Ceylon PLC	–	4.90	Fully settled in 2015	Mortgage Bond for USD 200,000 over Machinery Executed by the Subsidiary

** Interest-bearing liabilities denominated in USD and AED were converted to Sri Lankan Rupees at the exchange rates of LKR 133.00 (2014 – LKR 130.75) and LKR 35.33 (2014 – LKR 34.73) respectively as at 31st March 2015.*

14.4 FINANCE LEASE LIABILITY

	Group		Company	
	2015 LKR Mn.	2014 LKR Mn.	2015 LKR Mn.	2014 LKR Mn.
a. Current/Non-Current Classification				
Payable within One Year Included Under Current Liabilities	610.42	449.50	601.49	445.29
After One Year but not more than Five Years Included under Non-Current Liabilities	1,665.41	968.65	1,650.51	966.06
More than 5 Years Included under Non-Current Liabilities	451.95	995.61	451.95	995.61
After One Year Included Under Non-Current Liabilities	2,117.36	1,964.26	2,102.46	1,961.67

	Group/Company	
	2015 Mn.	2014 Mn.
b. Finance Leases denominated in Foreign Currencies		
Finance Leases - EUR Denominated	10.10	12.42
Finance Leases - GBP Denominated	0.08	0.10
Finance Leases - USD Denominated	8.62	0.31

	Group			
	Gross Payable LKR Mn.	Finance Charges for Future Periods LKR Mn.	Net Payable 2015 LKR Mn.	Net Payable 2014 LKR Mn.
c. Movement in Finance Lease Liabilities				
Balance as at 1st April	3,290.98	(877.22)	2,413.76	950.71
Additions During the Year	1,342.91	(185.61)	1,157.30	1,454.45
Payments During the Year	(676.81)	229.15	(447.66)	(101.04)
Unrealised Exchange (Gain)/Loss	(537.53)	141.91	(395.62)	109.64
Balance as at 31st March	3,419.55	(691.77)	2,727.78	2,413.76

	Company			
	Gross Payable LKR Mn.	Finance Charges for Future Periods LKR Mn.	Net Payable 2015 LKR Mn.	Net Payable 2014 LKR Mn.
Balance as at 1st April	3,285.06	(878.10)	2,406.96	939.35
Additions During the Year	1,312.68	(176.37)	1,136.31	1,454.45
Payments During the Year	(672.59)	228.90	(443.69)	(96.48)
Unrealised Exchange (Gain)/Loss	(537.53)	141.90	(395.63)	109.64
Balance as at 31st March	3,387.62	(683.67)	2,703.95	2,406.96

15. OTHER LONG-TERM LIABILITIES

		Group		Company	
	Note	2015 LKR Mn.	2014 LKR Mn.	2015 LKR Mn.	2014 LKR Mn.
Provision for Aircraft Maintenance and Overhaul Cost	15.1 (b)	3,427.88	4,399.61	3,427.88	4,399.61
Retirement Benefit Obligation	15.2	4,578.99	3,102.24	4,129.07	2,747.98
Deferred Tax Liability		77.14	2.91	–	–
		8,084.01	7,504.76	7,556.95	7,147.59

15.1 PROVISION FOR AIRCRAFT MAINTENANCE AND OVERHAUL COST

		Group/Company	
	Note	2015 LKR Mn.	2014 LKR Mn.
a. Movement			
As at 1st April		22,308.57	23,073.46
Provisions during the Year		3,524.27	3,002.72
Adjustments due to Renegotiation of Re-delivery Conditions	5	(5,939.27)	–
Utilisation		(6,414.07)	(3,767.61)
As at 31st March		13,479.50	22,308.57
b. Current/Non-Current Classification			
Payable within One Year Included Under Trade Payables	17	10,051.62	17,908.96
After One Year Included Under Long-Term Liabilities		3,427.88	4,399.61
		13,479.50	22,308.57

15.2 RETIREMENT BENEFIT OBLIGATION - GRATUITY

	Group		Company	
	2015 LKR Mn.	2014 LKR Mn.	2015 LKR Mn.	2014 LKR Mn.
Balance as at 1st April	3,102.24	3,264.95	2,747.98	2,983.76
Current Year Service Cost and Interest Cost	591.36	544.48	528.54	492.17
Actuarial (Gain)/Loss	1,116.89	(512.66)	1,054.24	(548.19)
Payments During the Year	(231.50)	(194.53)	(201.69)	(179.76)
Balance as at 31st March	4,578.99	3,102.24	4,129.07	2,747.98

The Actuarial Valuation was carried out by professionally-qualified actuary, Mr. M. Poopalanathan of Actuarial & Management Consultants (Private) Limited for the years ended 31st March based on the following key assumptions:

	Company		Subsidiary	
	2015	2014	2015	2014
i. Rate of Interest	10%	10%	10%	10%
ii. Rate of Salary Increase				
- LKR	10%	7%	–	–
- USD	3%	2%	–	–
- Executives	–	–	12%	12%
- Non-Executives	–	–	12%	12%
iii. Retirement Age – Years	60	60	55	55
iv. The Entity will Continue as a Going Concern				
v. Expected Remaining Service Life – Years	11.81	11.60	9.03	7.80

SENSITIVITY OF ASSUMPTIONS EMPLOYED IN ACTUARIAL VALUATION

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

The sensitivity of the Statement of Comprehensive Income and Statement of Financial Position is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss and employment benefit obligation for the year.

Increase/(Decrease) in Discount Rate	Increase/(Decrease) in Salary Escalation Rate	Effect on Retirement Benefit Obligation			
		2015		2014	
		Company LKR Mn.	Subsidiary LKR Mn.	Company LKR Mn.	Subsidiary LKR Mn.
1%	*	(277.05)	(27.89)	(176.59)	(22.28)
-1%	*	314.70	31.28	199.40	24.93
**	1%	312.77	32.51	209.50	25.89
**	-1%	(279.30)	(29.52)	(187.78)	(23.82)

** Salary Escalation Rate 10% and 3% for the Company and 12% for the Subsidiary.*
*** Discount Rate - 10%.*

16. SALES IN ADVANCE OF CARRIAGE

Sales in advance of carriage represents the value of unutilised tickets up to 12 months.

17. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2015 LKR Mn.	2014 LKR Mn.	2015 LKR Mn.	2014 LKR Mn.
Trade and Other Payables		29,870.66	25,956.50	34,648.24	29,049.38
Deferred Engine Upgrade Cost		–	2,479.84	–	2,479.84
Provision for Aircraft Maintenance and Overhaul Cost	15.1 (b)	10,051.62	17,908.96	10,051.62	17,908.96
Preference Dividend Payable		–	74.79	–	–
		39,922.28	46,420.09	44,699.86	49,438.18

18. FINANCIAL INSTRUMENTS

18.1 FINANCIAL ASSETS AND LIABILITIES BY CATEGORIES

Financial assets and liabilities in the tables below are split in to categories in accordance with LKAS 39:

	Group			
	2015		2014	
	Loans and Receivables LKR Mn.	Financial Liabilities at Amortised Cost LKR Mn.	Loans and Receivables LKR Mn.	Financial Liabilities at Amortised Cost LKR Mn.
Financial Assets				
Trade and Other Receivables	10,636.52	–	10,900.52	–
Aircraft Predelivery Payments	18,907.60	–	6,799.00	–
Aircraft Maintenance Reserve	12,279.36	–	16,734.72	–
Aircraft Spare Engine Deposits	4,926.07	–	3,691.13	–
Cash and Bank Balances	4,846.70	–	6,606.63	–
	51,596.25	–	44,732.00	–
Financial Liabilities				
Interest-Bearing Loans and Borrowings	–	76,089.46	–	44,909.82
Trade and Other Payables	–	37,490.27	–	46,420.09
Total	–	113,579.73	–	91,329.91

	Company			
	2015		2014	
	Loans and Receivables LKR Mn.	Financial Liabilities at Amortised Cost LKR Mn.	Loans and Receivables LKR Mn.	Financial Liabilities at Amortised Cost LKR Mn.
Financial Assets				
Trade and Other Receivables	10,136.84	–	10,036.88	–
Aircraft Predelivery Payments	18,907.60	–	6,799.00	–
Aircraft Maintenance Reserve	12,279.36	–	16,734.72	–
Aircraft Spare Engine Deposits	4,926.07	–	3,691.13	–
Cash and Bank Balances	4,759.41	–	6,457.32	–
	51,009.28	–	43,719.05	–
Financial Liabilities				
Interest-Bearing Loans and Borrowings	–	76,065.63	–	45,788.92
Trade and Other Payables	–	42,391.76	–	49,438.18
Total	–	118,457.39	–	95,227.10

THE FOLLOWING METHODS AND ASSUMPTIONS WERE USED TO ESTIMATE THE FAIR VALUES:

The Management assessed cash and bank balances, trade and other receivables, trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

The Management assessed long-term variable rate borrowings approximate their carrying amounts largely due to the market based interest rates. Hence the carrying amounts of Group/Company financial instruments are reasonable approximation of their fair values.

19. REVENUE AND SEGMENT INFORMATION

19.1 REVENUE

		Group		Company	
		2015 LKR Mn.	2014 LKR Mn.	2015 LKR Mn.	2014 LKR Mn.
Scheduled Services	– Passenger	106,601.38	99,669.52	106,601.38	99,669.52
	– Cargo	13,595.28	12,416.17	13,595.28	12,425.19
	– Excess Baggage	958.47	715.16	958.47	715.16
	– Mail	170.87	185.81	170.87	185.81
		121,326.00	112,986.66	121,326.00	112,995.68
Air Terminal and Other Services		9,296.66	7,836.33	9,327.58	7,856.27
Duty Free		508.88	410.82	508.88	410.82
Non-Scheduled Services		759.67	323.06	759.67	323.06
Flight Catering		2,425.01	2,597.75	–	–
Total		134,316.22	124,154.62	131,922.13	121,585.83

19.2 SEGMENT INFORMATION

a. Primary Reporting by Geographical Segment – Revenue by Origin of Sale

		Sri Lanka LKR Mn.	Asia (Excluding Sri Lanka) LKR Mn.	Europe & Africa LKR Mn.	Middle East LKR Mn.	North & South America LKR Mn.	South West Pacific LKR Mn.	Total 2015 LKR Mn.
Revenue								
Scheduled Services	– Passenger	18,452.83	37,810.98	24,734.25	21,354.09	3,355.02	894.21	106,601.38
	– Cargo	5,937.35	5,765.16	1,481.30	393.34	5.81	12.32	13,595.28
	– Excess Baggage	88.14	302.02	44.98	517.53	5.00	0.80	958.47
	– Mail	46.82	29.01	90.38	–	–	4.66	170.87
		24,525.14	43,907.17	26,350.91	22,264.96	3,365.83	911.99	121,326.00
Air Terminal and Other Services		9,296.66	–	–	–	–	–	9,296.66
Duty Free		–	280.93	67.19	160.76	–	–	508.88
Non-Scheduled Services		759.67	–	–	–	–	–	759.67
Flight Catering		2,425.01	–	–	–	–	–	2,425.01
Segment Revenue		37,006.48	44,188.10	26,418.10	22,425.72	3,365.83	911.99	134,316.22

	Sri Lanka	Asia (Excluding Sri Lanka)	Europe & Africa	Middle East	North & South America	South West Pacific	Total 2014
	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
Revenue							
Scheduled Services – Passenger	22,460.03	31,944.61	22,888.37	18,821.15	3,067.40	487.96	99,669.52
– Cargo	5,508.46	5,265.29	1,302.64	322.40	11.83	5.55	12,416.17
– Excess Baggage	91.35	301.17	50.29	269.85	2.19	0.31	715.16
– Mail	108.60	19.40	48.62	0.05	0.19	8.95	185.81
	28,168.44	37,530.47	24,289.92	19,413.45	3,081.61	502.77	112,986.66
Air Terminal and Other Services	7,836.33	–	–	–	–	–	7,836.33
Duty Free	115.03	156.11	49.30	90.38	–	–	410.82
Non-Scheduled Services	323.06	–	–	–	–	–	323.06
Flight Catering	2,597.75	–	–	–	–	–	2,597.75
Segment Revenue	39,040.61	37,686.58	24,339.22	19,503.83	3,081.61	502.77	124,154.62

b. Secondary Reporting by Business Segment

	2015				2014			
	Business Segment			Group	Business Segment			Group
	Airline	Flight Catering	Inter-Segment Eliminations		Airline	Flight Catering	Inter-Segment Eliminations	
	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
Revenue	131,922.13	5,958.95	(3,564.86)	134,316.22	121,585.83	5,628.29	(3,059.50)	124,154.62
Results								
Profit/(Loss) After Tax	(16,494.66)	2,192.12	(2,027.36)	(16,329.90)	(32,408.34)	2,262.53	(1,220.02)	(31,365.83)
Other Segment Information								
Assets	72,558.27	9,087.01	(5,486.98)	76,158.30	62,366.70	7,734.88	(4,714.61)	65,386.97
Liabilities	146,664.17	3,231.73	(6,444.74)	143,451.16	119,587.65	3,078.13	(5,600.12)	117,065.66
Acquisition of Property, Plant and Equipment	2,810.85	85.79	–	2,896.64	3,209.43	44.09	(51.80)	3,201.72
Acquisition of Intangible Assets	153.37	0.41	–	153.78	2,320.97	6.15	(0.01)	2,327.11
Depreciation and Amortisation	2,275.98	279.62	–	2,555.60	1,602.79	283.84	–	1,886.63
Finance Cost	5,009.46	308.54	(223.32)	5,094.68	6,196.92	305.26	(207.92)	6,294.26
Finance Income	112.06	13.21	(0.32)	124.95	969.11	9.37	(3.67)	974.81
Tax	61.63	13.74	–	75.37	50.36	17.83	–	68.19
Operating Expenses	145,983.35	3,474.63	(3,564.49)	145,893.49	150,389.46	3,372.24	(3,368.39)	150,393.31
Trade Debtor Written Off	412.71	–	–	412.71	–	–	–	–
Inventory Written Off	11.95	–	–	11.95	222.46	–	–	222.46

20. OTHER INCOME AND GAINS

	Note	Group 2015 LKR Mn.	Group 2014 LKR Mn.	Company 2015 LKR Mn.	Company 2014 LKR Mn.
Profit on Disposal of Property, Plant and Equipment		5.08	26.88	2.47	14.84
Miscellaneous	20.1	287.39	233.62	273.12	233.62
Dividends from SriLankan Catering Limited		–	–	2,250.00	1,425.00
		292.47	260.50	2,525.59	1,673.46

20.1 Miscellaneous income includes receipts from insurance claims and interest on Aircraft security deposits and maintenance reserves.

21. OPERATING LOSS

	Group 2015 LKR Mn.	Group 2014 LKR Mn.	Company 2015 LKR Mn.	Company 2014 LKR Mn.
Stated After Charging/(Crediting):				
Aircraft Insurance	481.45	539.58	481.45	539.58
Franchise Fees	252.57	229.24	252.57	229.24
Provision for Slow Moving Inventory	279.85	303.83	264.83	302.78
Auditors' Remuneration – Audit	8.03	7.71	6.30	6.11
– Other Services	1.15	9.44	0.45	8.71
Provision for Impairment of Receivables	230.32	97.51	225.55	118.75
Provision for Impairment of Property, Plant and Equipment*	167.98	–	164.65	–
Exchange Loss	409.98	380.38	706.63	653.76

** Provision for impairment of property, plant and equipment includes LKR 126.85 Mn. made in respect of assets deployed at MRIA.*

22. FINANCE INCOME AND FINANCE COST

22.1 FINANCE INCOME

	Group 2015 LKR Mn.	Group 2014 LKR Mn.	Company 2015 LKR Mn.	Company 2014 LKR Mn.
Interest Income	124.95	58.16	112.06	52.46
Interest on Treasury Bonds	–	916.65	–	916.65
	124.95	974.81	112.06	969.11

22.2 FINANCE COST

	Group		Company	
	2015 LKR Mn.	2014 LKR Mn.	2015 LKR Mn.	2014 LKR Mn.
Interest Cost on Borrowings, Bank Overdrafts and Overdue Supplier Balances	4,683.57	3,757.95	4,748.35	3,810.61
Loss on Disposal of Treasury Bond	–	2,100.43	–	2,100.43
Finance Charges on Deferred Engine Upgrade	–	141.84	–	141.84
Finance Charges on Lease Liabilities	261.11	144.04	261.11	144.04
Preference Share Dividend	150.00	150.00	–	–
	5,094.68	6,294.26	5,009.46	6,196.92

23. TAXATION

		Group		Company	
	Note	2015 LKR Mn.	2014 LKR Mn.	2015 LKR Mn.	2014 LKR Mn.
Tax Expense					
The Major Components of Income Tax Expense are as Follows:					
Current Income Tax					
Current Tax Expense on Ordinary Activities for the Year	23.1	13.50	15.42	–	–
Economic Service Charge Written Off		61.63	50.36	61.63	50.36
Under/(Over) Provision of Current Taxes in Respect of Prior Years		0.24	2.41	–	–
		75.37	68.19	61.63	50.36

23.1 RECONCILIATION BETWEEN CURRENT TAX EXPENSE AND THE PRODUCT OF ACCOUNTING LOSS

	Group	
	2015 LKR Mn.	2014 LKR Mn.
Accounting Loss Before Tax	(16,254.53)	(31,297.64)
Income Not Subject to Tax	16,279.75	31,334.00
Statutory Income Applicable Under Tax Rate of 28%	25.22	36.36
Taxable Profit	25.22	36.36
Statutory Tax Charge at Tax Rate 28%	7.06	10.18
Tax Effect of Net Non-Deductible Expenses	(0.73)	0.26
Tax on Other Income	7.17	4.98
Current Income Tax Expense	13.50	15.42

23.2 UNRECOGNISED DEFERRED TAX (ASSETS)

SUBSIDIARY

Deferred tax assets attributable to the following items of the Subsidiary has not been recognised.

	Assets		Liability		Net	
	2015 LKR Mn.	2014 LKR Mn.	2015 LKR Mn.	2014 LKR Mn.	2015 LKR Mn.	2014 LKR Mn.
Property, Plant and Equipment	4.05	4.05	–	–	(4.05)	(4.05)
Employee Benefits	674.88	53.14	–	–	(674.88)	(53.14)
	678.93	57.19	–	–	(678.93)	(57.19)

Deferred tax liability on revaluation gain on the building improvements has been recognised. Other revaluation gains do not give rise to deferred tax as they reverse within the tax holiday period. Deferred tax assets have not been recognised because of the tax holiday of the Company that extended up to 2021 and thereafter a concessionary rate will apply for another 8 years. Therefore, the tax impact would be off set over the remaining 6 years and any remaining amounts is considered immaterial. Deferred tax is quantified at the rate of 15%.

MOVEMENT IN TEMPORARY DIFFERENCES DURING THE YEAR

	Balance as at 31st March 2013 LKR Mn.	Additions During the Year LKR Mn.	Balance as at 31st March 2014 LKR Mn.	Additions During the Year LKR Mn.	Balance as at 31st March 2015 LKR Mn.
Property, Plant and Equipment	26.81	0.19	27.00	0.01	27.01
Employee Benefits	281.19	73.07	354.26	95.66	449.92
	308.00	73.26	381.26	95.67	476.93

24. COMMITMENTS AND CONTINGENCIES

24.1 CAPITAL EXPENDITURE COMMITMENTS

The Group's and Company's commitment for acquisition of property, plant and equipment incidental to the ordinary course of business were as follows:

	2015 LKR Mn.	2014 LKR Mn.
Contracted but not provided for		
Tangible*	143,434.38	141,771.40
Intangible	3.12	15.82
Cabin Retrofit	295.08	1,293.08
	143,732.58	143,080.30
Authorised by the Board, but not contracted for		
Tangible	327.48	161.08
Intangible	164.12	26.49
Cabin Retrofit	–	314.09
	491.60	501.66
	144,224.18	143,581.96

**As of 31st March 2015, an amount of LKR 143,143 Mn. (USD 1,076 Mn.) [2014 - LKR 140,772 Mn. (USD 1,076 Mn.)] represents the list price excluding cost of any additional features and credit available for the purchase of the four A350-900 Aircraft have been considered under capital commitment.*

24.2 FINANCIAL COMMITMENTS

a. Total future minimum lease commitments under non-cancellable operating leases as at 31st March were as follows:

	Group/Company	
	2015 LKR Mn.	2014 LKR Mn.
Within One Year	19,449.10	14,310.02
After One Year but not more than Five Years	101,185.34	76,370.98
Later than Five Years	178,448.06	140,527.01
	299,082.50	231,208.01

Lease Commitments as at 31st March 2015 Includes

a. Lease commitment as at 31st March 2015 includes lease commitments amounting to LKR 199,500.03 Mn. on account of agreements outstanding as of reporting date in respect of four A330-300 Aircraft (amounting to LKR 75,554.13 Mn.), Four A350-900 Aircraft (amounting to LKR 92,109.15 Mn.) and four 321 NEO Aircraft (amounting to LKR 31,836.75 Mn.) for which delivery is expected between the years 2015 and 2018. In this regard, other than for one A330-300 Aircraft received in August 2015, the lease commitment has been determined based on the base rental.

Lease commitment as at 31st March 2014 includes lease commitments amounting to LKR 182,034.02 Mn. on account of agreements outstanding as of 31st March 2014 in respect of six A330-300 Aircraft (amounting to LKR 114,597.42 Mn.), three A350-900 Aircraft (amounting to LKR 67,436.60 Mn.) for which delivery is expected between the years 2014 and 2016. In this regard, the lease commitment has been determined based on the base rental.

b. As at 31st March 2015, the Company has issued Letters of Credit with the value of LKR 2,118.04 Mn. (USD 15.92 Mn.) [2014 – LKR 996.46 Mn. (USD 7.62 Mn.)] as security deposits for leased Aircraft.

c. The remaining lease rental commitment for the land and buildings leased by the Group and the Company is as follows:

	Group		Company	
	2015 LKR Mn.	2014 LKR Mn.	2015 LKR Mn.	2014 LKR Mn.
Instalment Payable				
Within One Year	443.45	396.47	390.42	372.47
After One Year but not more than Five Years	1,778.14	1,688.84	1,650.20	1,572.84
Later than Five Years	3,514.76	3,098.34	3,195.66	2,756.34

24.3 CONTINGENCIES

Company

The management estimates contingent liabilities based on claims made of LKR 123.54 Mn. as at 31st March 2015 (2014 – LKR 421.88 Mn.). No provision has been made in these Financial Statements as the Directors do not anticipate any significant liability in respect of any contingent liabilities arising in the course of business of the Company in respect of legal actions, other claims and potential claims being made against the Company by customers, suppliers and employees. The Company has no legal actions other than from its customers, suppliers and employees.

Subsidiary

In the opinion of the Company's lawyers, there are no pending significant litigations against the Company as at the reporting date (2014 – No significant pending litigation).

25. ASSETS PLEDGED

Group/Company

Refer Note 14.2 and 14.3 for details of the assets pledged against facilities obtained.

26. EVENTS OCCURRING AFTER THE REPORTING DATE

Company

The Company re-delivered to the lessor two A340-300 Aircraft upon the expiry of the respective lease contracts.

The Cabinet approved the issue of GOSL Treasury 'Letters of Comfort' for SriLankan Airlines to obtain short-term facilities from State Banks amounting to LKR 26.7 Bn. to settle outstanding dues and fund future purchase of jet fuel. Of this facility LKR 13.35 Bn. has been utilised subsequent to the reporting date

In August 2015, the Company took delivery of one new A330-300 Aircraft.

Subsidiary

There are no events occurring after the reporting date that require adjustments to or disclosure in the Financial Statements.

27. RELATED PARTY DISCLOSURES

27.1 GROUP AND COMPANY

27.1.1 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL (KMP)

Related parties include KMPs defined as those persons having authority and responsibility for planning, directing and operating the activities of the Company and its Subsidiary. Such KMPs include the Board of Directors, Chief Executive Officer and Other Senior Management Executives of the Group who meet the criteria described above.

In line with the Group/Company policy which stipulate that any transaction between the Company and the related party (where the affiliates of the Company, the Directors, Employees or their close family members have an interest) shall be disclosed, the associated declarations made by the KMPs have been considered.

The significant transactions carried out by the KMP in the ordinary course of business during the reporting period are as follows:

	2015 LKR Mn.	2014 LKR Mn.
Short-Term Benefits	**208.28**	166.79
Post-Employment Benefits	**36.28**	22.81

The above includes Directors' remuneration paid during the year amounting to LKR 14.40 Mn. (2014 – LKR 13.17 Mn). In addition to the above benefits disclosed, the KMP, their spouses and dependent children are entitled to free of charge business class travel on SriLankan Airlines online services during their term of office.

No remuneration has been paid to the new Board Members appointed with effect from 12th February 2015. Further, with effect from the same date, Board Members, their spouses and their dependent children are entitled to three sets of business class tickets per annum.

27.2 GROUP

The Government of Sri Lanka (GOSL) being the major Shareholder of the Company has the controlling power over the Group. Significant transactions including the following have been carried out with entities controlled by the GOSL in the ordinary course of business.

			Transaction Amount		Receivable/(Payable) Balance	
Name of the Company	Relationship	Nature of Transactions	2015 LKR Mn.	2014 LKR Mn.	2015 LKR Mn.	2014 LKR Mn.
Ceylon Petroleum Corporation	Government owned	Fuel	(29,992.65)	(33,204.64)	(14,255.93)	(9,317.43)
		Deferred Supplier Payments	(3,951.24)	(3,791.19)	(6,367.37)	(10,218.39)
		Finance Cost on Overdue Payments	(786.83)	(1,713.35)	(229.34)	(131.23)
Airport and Aviation Services Limited	Government owned	Landing, Parking, Aero Bridge, Lounge, Rent, Franchise Fees and Garbage Incineration Charges	(3,185.43)	(2,464.36)	(1,808.86)	(2,882.69)
Civil Aviation Authority	Government owned	Licenses, Permits and Levies	(4,009.41)	(3,734.78)	(0.20)	–
Mihin Lanka Limited	Government owned	Sales	6,428.13	4,988.82	867.55	1,882.77
		Purchases	(5,684.39)	(4,312.02)	–	–
Sri Lanka Insurance Corporation	Government owned	Insurance Services	(515.28)	(546.02)	–	–
Bank of Ceylon	Government owned	Loan Repayments	(3,076.93)	(552.04)	(5,518.70)	(3,595.63)
	Shareholder	Loan Received	5,000.00	–	–	–
		Short-term Deposits	–	–	741.96	264.60
		Bank Overdraft	–	–	(5,097.59)	(6,675.25)
Employees' Provident Fund	Shareholder of the Subsidiary	Preference Share Dividend	(150.00)	(150.00)	(74.79)	(74.79)
		15% Non-Voting Redeemable Cumulative (10 years) Preference Shares	–	–	(1,000.00)	(1,000.00)

**Balances from/to entities controlled by the GOSL are included under trade and other receivables/payables and interest-bearing liabilities in the Statement of Financial Position.*

Further transactions relating to contributions for employment retirement benefits are made in line with the respective statutes and regulations to Employees' Provident Fund (EPF) and Employees' Trust Fund (ETF).

27.3 COMPANY

Significant Transactions including the following have been carried out with subsidiary and entities controlled by the Government of Sri Lanka (GOSL) in the ordinary course of business.

			Transaction Amount		Receivable/(Payable) Balance	
Name of the Company	Relationship	Nature of Transactions	2015 LKR Mn.	2014 LKR Mn.	2015 LKR Mn.	2014 LKR Mn.
SriLankan Catering Limited	Subsidiary	Freight Services	9.67	9.02	–	–
		Flight Catering and Other Services	(3,533.95)	(3,001.57)	(5,444.73)	(3,617.98)
		Dividend	2,100.00	1,275.00	–	–
		Settlement of Long-Term Loan	(988.51)	(235.40)	–	–
		15% Non-Voting Redeemable Cumulative(5 years) Preference Shares	150.00	150.00	1,000.00	1,000.00
Ceylon Petroleum Corporation	Government owned	Fuel	(29,881.70)	(33,088.80)	(14,255.93)	(9,317.43)
		Deferred Supplier Payments	(3,951.24)	(3,791.19)	(6,367.37)	(10,218.39)
		Finance Cost on Overdue Payments	(786.83)	(1,713.35)	(229.34)	(131.23)
Airport and Aviation Services Limited	Government owned	Landing, Parking, Aero Bridge, Lounge, Rent, Franchise Fees and Garbage Incineration Charges	(2,867.24)	(2,151.98)	(1,767.49)	(2,833.36)
Civil Aviation Authority	Government owned	Licences, Permits and Levies	(4,009.41)	(3,734.78)	(0.20)	–
Mihin Lanka Limited	Government owned	Sales	6,186.14	4,740.63	760.72	1,433.13
		Purchases	(5,684.39)	(4,312.02)	–	–
Sri Lanka Insurance Corporation	Government owned	Insurance Services	(515.28)	(546.02)	–	–
Bank of Ceylon	Government owned	Loan Repayments	(3,076.93)	(552.04)	(5,518.70)	(3,595.63)
	Shareholder	Loan Received	5,000.00		–	–
		Short-Term Deposits	–	–	741.96	264.60
		Bank Overdraft	–	–	(5,097.59)	(6,675.25)

**Balances from/to entities controlled by the GOSL are included under trade and other receivables/payables and interest-bearing liabilities in the Statement of Financial Position.*

Further transactions relating to contributions for employment retirement benefits are made in line with the respective statutes and regulations to Employees' Provident Fund (EPF) and Employees' Trust Fund (ETF).

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise loans and borrowings, trade and other payables and other financial liabilities. The main purpose of these financial liabilities is to finance the Group's operations. The Group's financial assets comprise trade and other receivables and cash and short-term deposits that are derived directly from its operations.

The corporate management periodically reviews and updates a comprehensive risk management matrix and has identified the following financial risks that have a significant impact:

i. Market Risk
   - Interest rate risk
   - Currency risk
ii. Liquidity Risk
iii. Credit Risk

The Group reviews its risk management policies and procedures on regular basis to reflect changes in markets and other financial risk taking activities and these are governed by appropriate policies and procedures to ensure that risks are identified, measured and managed in accordance with set policies and procedures.

I. MARKET RISK

INTEREST RATE RISK

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group's policy is to maintain an appropriate balance between fixed and variable rate borrowings including Aircraft leasing in order to mitigate the effect of interest rate fluctuations.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on loans and borrowings and the investment in bonds. With all other variables held constant, the Group/Company loss before tax is affected through the impact on floating rate borrowings outstanding as of the reporting date as follows:

	Effect on Loss Before Tax			
	Group		Company	
	2015 LKR Mn.	2014 LKR Mn.	2015 LKR Mn.	2014 LKR Mn.
Increase/(Decrease) in Interest Rate				
+1%	527.91	711.47	527.91	719.12
-1%	(527.91)	(711.47)	(527.91)	(719.12)

** Increase in interest rates results in an increase in losses.*

Foreign 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 Group is exposed to the effect of foreign exchange rate fluctuations because of its foreign currency denominated revenue, expenses, borrowings and other financial instruments.

The Group manages its foreign exchange exposure by a policy of matching as far as possible, receipts and payments in each individually significant currency.

The following table demonstrates the sensitivity to a reasonably possible change in Sri Lankan Rupees (LKR) against US Dollar (USD), with all other variables held constant, of the Group/Company loss before tax (due to changes in the fair value of outstanding monetary assets and liabilities recorded in the Statement of Financial Position as of the reporting date). The Group's exposure to foreign currency changes for all other currencies is not material.

	Effect on Loss Before Tax			
	Group		Company	
	2015 LKR Mn.	2014 LKR Mn.	2015 LKR Mn.	2014 LKR Mn.
Appreciation/(Depreciation) of USD against LKR				
+3%	816.00	320.41	823.88	346.99
-3%	(816.00)	(320.41)	(823.88)	(346.99)

**Appreciation of USD results in an increase in losses.*

II. LIQUIDITY RISK

The liquidity risk is the risk that the Group may not be able to meet its present and future cash obligations when they fall due. The Group monitors its risk of shortage of funds using a daily/weekly/monthly and annual cash management and budgeting process. Group obtains multiple sources of funding from financial institutions including long-term and short-term loans, bank overdraft facilities and finance/operating leases in order to mitigate the risk.

The table below summarises the maturity profile of the Group's/Company's financial liabilities based on contractual undiscounted payments:

	2015					
	On Demand LKR Mn.	Less than Three Months LKR Mn.	3 to 12 Months LKR Mn.	1 to 5 Years LKR Mn.	More than 5 Years LKR Mn.	Total LKR Mn.
Group						
Interest-Bearing Liabilities	5,533.26	3,453.27	33,016.72	40,968.53	514.59	83,486.37
Trade and Other Payables	11,286.80	26,203.47	–	–	–	37,490.27
Preference Shares	–	37.50	112.50	600.00	1,150.00	1,900.00
	16,820.06	29,694.24	33,129.22	41,568.53	1,664.59	122,876.64
Company						
Interest-Bearing Liabilities	5,533.26	3,451.04	33,010.03	40,954.53	514.59	83,463.45
Trade and Other Payables	11,286.80	31,104.96	–	–	–	42,391.76
	16,820.06	34,556.00	33,010.03	40,954.53	514.59	125,855.21

	2014					
	On Demand LKR Mn.	Less than Three Months LKR Mn.	3 to 12 Months LKR Mn.	1 to 5 Years LKR Mn.	More than 5 Years LKR Mn.	Total LKR Mn.
Group						
Interest-Bearing Liabilities	7,342.76	5,533.26	11,288.87	25,464.06	1,477.53	51,106.48
Trade and Other Payables	4,160.47	42,259.62	–	–	–	46,420.09
Preference Shares	–	37.50	112.50	600.00	1,300.00	2,050.00
	11,503.23	47,830.38	11,401.37	26,064.06	2,777.53	99,576.57
Company						
Interest-Bearing Liabilities	7,342.76	4,005.83	11,207.49	25,461.40	1,477.54	49,495.02
Trade and Other Payables	4,160.47	40,408.92	–	–	–	44,569.39
	11,503.23	44,414.75	11,207.49	25,461.40	1,477.54	94,064.41

III. CREDIT RISK

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

The sale of passenger and cargo transportation is primarily through IATA accredited sales agents. The credit risk of such sales is relatively small owing to a broad diversification. Settlements from these agents are collected by IATA through their passenger and cargo settlement schemes. The funds collected are settled directly to the Airline by IATA which gives further assurance of the credit worthiness of such agents.

Receivables and payables among major airlines are primarily settled via the IATA Clearing House. Receivables and payables are generally netted and settled on weekly intervals, which lead to a clear reduction in the risk of default.

For other service relationships, collateral is required depending on the nature and scope of the services rendered. Such collaterals from debtors include bank guarantees and security deposits.

Impairment is made for doubtful accounts receivable whenever risks are identified.

CAPITAL MANAGEMENT

Based on the approved business plan as more fully described in Note 2.1.2 to these Financial Statements, the Government of Sri Lanka has demonstrated its commitment to infuse the required funding by way of equity infusion and sovereign guarantee/ Letters of Comfort to raise debt financing.

Group management continuously reviews and monitors the capital structure and appropriate action is taken to make adjustments to reflect the current market conditions and operations of the Group.

TEN YEAR REVIEW

		Company									
		2006	2007	2008	2009	2010	2011	2012	2013	2014	**2015**
Statement of Profit or Loss											
Revenue	LKR Mn.	61,160.14	67,963.76	79,128.56	73,307.77	62,363.58	77,125.45	92,867.93	119,570.90	121,585.83	**131,922.13**
Operating Expenditure	LKR Mn.	60,720.29	69,406.68	82,154.01	84,794.86	69,026.74	81,334.34	111,775.88	146,700.24	150,389.46	**145,983.35**
Net Profit/(Loss)	LKR Mn.	476.53	568.04	4,428.23	(9,305.94)	(2,698.20)	(381.61)	(19,778.03)	(26,088.57)	(32,408.34)	**(16,494.66)**
Statement of Financial Position											
Share Capital/ Stated Capital	LKR Mn.	5,146.35	5,146.35	5,146.35	5,146.35	5,146.35	5,146.35	19,432.67	32,032.75	51,617.44	**51,617.44**
Non-Current Assets	LKR Mn.	16,136.77	16,568.73	15,730.43	19,333.18	28,531.75	19,862.87	37,591.58	23,338.28	25,212.47	**22,836.78**
Current Assets	LKR Mn.	21,866.73	21,347.46	32,209.67	15,008.38	15,910.82	18,276.59	22,072.71	54,905.22	37,154.23	**49,721.49**
Total Assets	LKR Mn.	38,003.50	37,916.19	47,940.10	34,341.56	44,442.57	38,139.46	59,664.29	78,243.50	62,366.70	**72,558.27**
Current Liabilities	LKR Mn.	25,485.05	25,006.65	29,134.89	25,012.31	28,399.92	28,017.97	64,235.43	71,346.64	88,609.07	**103,414.31**
Yield/Unit Cost											
Overall Yield	LKR tkm	52.2	55.71	61.01	64.85	54.94	60.27	64.47	74.31	77.26	**80.32**
Unit Cost	LKR tkm	37.62	40.30	46.48	50.71	43.37	45.92	57.28	64.68	64.96	**61.88**
Break-Even Load Factor	%	72.0	72.34	76.18	78.19	78.94	76.19	88.84	87.03	84.07	**77.03**
Revenue per RPK	LKR/RPK	5.3	5.6	6.5	6.8	5.8	6.3	6.6	7.6	7.8	**8.2**
Production											
Passenger Capacity	ASK Mn.	11,934.86	12,375.62	12,599.58	11,731.56	10,724.83	12,481.41	14,248.94	15,944.31	15,780.54	**16,180.27**
Overall Capacity	ATK Mn.	1,590.55	1,695.91	1,741.10	1,635.62	1,541.03	1,755.23	1,978.33	2,186.96	2,187.18	**2,224.87**
Traffic											
Passengers Carried	No. '000	3,005	3,176	3,196	2,735	2,558	2,867	3,459	4,255	4,175	**4,348**
Passengers Carried	RPK Mn.	9,050.44	9,535.79	9,793.05	8,546.44	8,357.89	9,584.02	11,270.23	12,968.74	12,810.95	**12,963.71**
Passenger Load Factor	%	75.83	77.05	77.73	72.85	77.93	76.79	79.10	81.34	81.18	**80.12**
Cargo Carried	Tonnes	82,142	88,833	93,161	73,106	72,058	86,053	87,750	101,100	94,410	**101,878**
Cargo Load Carried	RTK Mn.	300.73	325.97	350.35	302.36	283.83	332.98	345.67	377.75	355.59	**373.32**
Overall Load Carried	RTK Mn.	1,102.77	1,150.84	1,232.62	1,065.15	1,028.11	1,184.13	1,338.30	1,513.70	1,466.74	**1,519.93**
Cargo Load Factor	%	56.11	58.44	61.60	53.17	56.42	56.80	53.78	53.89	49.79	**52.14**
Overall Load Factor	%	69.33	67.86	70.80	65.12	66.72	67.46	67.65	69.22	67.06	**68.32**
Staff											
Average Strength	Nos.	5,395	5,272	5,113	4,837	4,614	4,998	5,594	6,359	6,578	**6,987**
Revenue per Employee	LKR	11,336,449	12,891,457	15,475,955	15,155,627	13,516,164	15,431,263	16,601,346	18,803,412	18,483,708	**18,881,084**
Capacity per Employee	Tonne-km	294,820	321,683	340,523	338,148	333,991	351,186	353,652	343,916	332,499	**318,430**
Load Carried per Employee	Tonne-km	204,406	218,293	241,077	220,210	222,825	236,922	239,238	238,041	222,976	**217,537**
Fleet											
A320-200	Nos.	5	5	5	3	3	4	7	8	8	**6**
A321-200	Nos.	–	–	–	–	–	–	–	–	–	**2**
A330-200	Nos.	4	4	4	4	4	5	7	7	7	**7**
A330-300	Nos.	–	–	–	–	–	–	–	–	–	**2**
A340-300	Nos.	5	5	5	5	5	5	6	6	6	**4**
Turbo Otter	Nos.	2	2	–	–	–	2	2	1	–	**–**
Aircraft in service at year end	Nos.	16	16	14	12	12	16	22	22	21	**21**

ROUTE MAP

SriLankan Direct Flights

Code share route with Mihin Lanka

Code share route with Alitalia

Code share route with Air Canada

Code share route with Etihad Airways

Code share route with Finn Air

Code share route with Malaysia Airlines

Code share route with Oman Air

Code share route with Siberian Airlines

SriLankan Airlines now operates to
89 Destinations in 44 Countries

MILESTONES

2004/05

- Launch of SriLankan Cares charity arm of the Airline.
- The Company took delivery of an Airbus A320 aircraft under an operating lease agreement in April 2004.

2006/07

- SriLankan Catering commissions new state-of-the-art flight kitchen.
- Launch of International Aviation Academy.

2007/08

- SriLankan becomes first foreign carrier to have 100 flights per week to India.

2008/09

- The Company took delivery of one Airbus A320 Aircraft under an operating lease agreement.
- Management control of the Company held by Emirates for a period of ten years, expired in March 2008 Consequentially, commencing from 1st April 2008 management of the Company has been vested in the Government of Sri Lanka.
- Induction of ‘FlySmiLes’ a frequent flyer programme operated by the Company.

2009/10

- The Company took delivery of two Airbus A320 Aircrafts under an operating lease agreement.

2010/11

- The Company took delivery of one Airbus A320 Aircraft and one Airbus A330 Wide-body Aircraft under operating lease agreements.
- In July 2010 the Government of Sri Lanka facilitated the purchase of the 43.63% equity stake held by Emirates in the Company.

2011/12

- The Company took delivery of four Airbus A320 aircraft, two Airbus A330 wide-body aircraft and one Airbus A340 wide-body aircraft under operating lease agreements.
- The Cabinet approved an equity investment of USD 500 Mn. by the GOSL in order to recapitalise the airline.

2012/13

- Invitation to join **one**world - a world's leading Airline Alliance.
- Commissioning of First Flight Simulator in Sri lanka for training of A320 pilots.
- The Company took delivery of one Airbus A320 Aircraft under an operating lease agreement.
- Commencing international flights from Mattala Rajapaksa International Airport.
- In May 2012, the Company entered into a financing arrangement with a syndicate of foreign banks to secure financing amounting to USD 175 Mn.

2013/14

- Commissioning of a Flight Simulator for Airbus A330 pilot training.
- In order to replace the Wide-body fleet, in June 2013, the Company entered into Purchase Agreements with Airbus for the purchase of six A330-300 and four A350-900 aircraft for delivery between 2014 to 2021 and also entered into Lease agreements to take delivery of further three new A350-900 aircraft in 2016.
- In December 2013, the Company cut over the Passenger Services System to Amadeus Altea.
- In March 2014, the Company entered into financing arrangement with a syndicate of banks to secure a USD 150 Mn. medium-term financing.

2014/15

- The Company entered into **one**world alliance in May 2014
- In June 2014, the Company for the first time issued a 5 year International Bond.
- The Company took delivery of three Brand New A330-300 aircraft in October 2014, December 2014 and March 2015 respectively as part of wide-body aircraft reflecting Program.

GLOSSARY

AVAILABLE SEAT KILOMETRES (ASK)
The product of seats offered for sale and distance over which they are carried.

AVAILABLE TONNE KILOMETRES (ATK)
This is the measure of transport production.

The ATK produced by a flight are the capacity for payload of the aircraft measured in tonnes multiplied by the distance flown.

REVENUE PASSENGER KILOMETRES (RPK)
The product of passengers carried and the distance over which they are carried.

REVENUE TONNE KILOMETRES (RTK)
The product of passenger and cargo carried in tonnes and the distance over which they are carried.

LOAD FACTOR
The percentage relationship of revenue load to capacity provided.

The passenger load factor relates RPK to ASK while the overall load factor relates RTK to ATK.

REVENUE PER RPK
The revenue per RPK relates the passenger revenue to RPK.

UNIT COST
The unit cost relates the total operating cost to ATK.

OVERALL YIELD
Overall Yield relates the net traffic revenue to RTK.

The net traffic revenue being the sum of the passenger, excess baggage, cargo and mail revenue.

BREAK-EVEN LOAD FACTOR
The load factor required to equate revenue from scheduled airline operations with operating costs.

NOTICE OF MEETING

NOTICE is hereby given that the Thirty Seventh Annual General Meeting of the Shareholders of SriLankan Airlines Limited will be held on Thursday,15th October 2015 at 10.00 a.m at the 'Mihilaka Medura' of Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 7, for the following purposes:

AGENDA

1. To receive and consider the Annual Report of the Board of Directors and the Financial Statements for the year ended 31st March 2015 with the Report of the Auditors thereon.

2. To reappoint Mr. R. Chanaka De Silva as a Director of the Company who is over Seventy Years of age and to consider and if deemed fit to pass the following Ordinary Resolution:

   "IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not be applicable to Mr. R. Chanaka De Silva who is 73 years of age and that he be reappointed as a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year."

3. To reappoint Messrs Ernst & Young as Auditors and authorise the Directors to determine their remuneration.

By Order of the Board,

Dalrene Thirukumar
Company Secretary
25th August 2015
Katunayake

Note:

1. *Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her.*
2. *A proxy need not be a member of the Company.*
3. *A Form of Proxy accompanies this Notice.*
4. *Shareholders/proxies attending the meeting are requested to bring this Notice and their National Identity Cards.*

NOTES

FORM OF PROXY

SRILANKAN AIRLINES LIMITED

I/We,…………………………………………………...……………………..……………………………………….......................…………......of

…………………………………………….....………………………………………............................………………........…………………........

being a member/s of SriLankan Airlines Limited hereby appoint: ………………...…………………………………………………………… of

……………………………………………………………………………………......……………..…………….or failing him/her,

one of the following Directors:

Mr. Ajith Nissanka Dias
Mr. Rakitha Jayawardena
Lt. Colonel Sunil Peiris
Mr. Joseph Brito
Mr. Mahinda Haradasa
Mr. Chanaka De Silva
Mr. Niranjan De Silva Deva Aditya
Mr. Harindra Balapatabendi

as my/our proxy to represent me/us and vote on my/our behalf at the Thirty-Seventh Annual General Meeting of the Shareholders of SriLankan Airlines Limited to be held on Thursday, 15th October 2015 at 10.00 a.m. at 'Mihilaka Medura', Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 7, and at any adjournment thereof.

		For	Against
1.	To receive and consider the Annual Report of the Board of Directors and the Financial Statements for the year ended 31st March 2015 with the Report of the Auditors thereon.		
2.	To reappoint Mr. Chanaka De Silva as a Director of the Company who is over Seventy Years of age and to consider and if deemed fit to pass the following Ordinary Resolution: "IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not be applicable to Mr. Chanaka De Silva who is 73 years of age and that he be reappointed as a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year."		
3.	To reappoint M/s Ernst & Young as Auditors and authorise the Directors to determine their remuneration.		

Signed this …………. day of…………………….……………… Two Thousand and Fifteen.

……………………………………….………
Signature

Note:

If no words are deleted or there is in the view of the proxy holder doubt (by reason of the way in which the instructions contained in the proxy have been completed) as to the way in which the proxy holder should vote, the proxy holder will vote as he thinks fit.

INSTRUCTIONS AS TO COMPLETION

1. Perfect the Form of Proxy after filling in legibly your full name and address, by signing in the space provided and filling in the date of signature.
2. In the case of Resident/Non-Resident shareholders, the stamping will be attended to on return of the completed Form of Proxy to the Company.
3. To be valid the completed Form of Proxy should be deposited at the Registered Office of the Company situated at Airline Centre, Bandaranaike International Airport, Katunayake not later than 10 a.m. on 13th October 2015, being 48 hours before the time appointed for holding of the meeting.

CORPORATE INFORMATION

NAME OF THE COMPANY

SriLankan Airlines Limited

COMPANY REGISTRATION NUMBER

PB 67

LEGAL FORM

Public Limited Liability Company

BOARD OF DIRECTORS

Mr. Ajith Nissanka Dias – Chairman
Mr. Rakhita Jayawardena
Lt. Col. Sunil Peiris
Mr. Joseph Brito
Mr. Chanaka De Silva
Mr. Mahinda Haradasa
Mr. Niranjan De Silva Deva Aditya
Mr. Harindra Balapatabendi

AUDIT COMMITTEE

Mr. Joseph Brito – Chairman
Mr. Chanaka De Silva
Mr. Mahinda Haradasa
Lt. Col. Sunil Peiris

HUMAN RESOURCES AND REMUNERATION COMMITTEE

Lt. Col. Sunil Peiris – Chairman
Mr. Joseph Brito
Mr. Chanaka De Silva
Mr. Mahinda Haradasa

COMPANY SECRETARY

Mrs. Dalrene Thirukumar

BANKERS

Amãna Bank Limited
Bank of Ceylon
National Development Bank PLC
Citibank N.A.
Commercial Bank of Ceylon PLC
Deutsche Bank A.G.
Hatton National Bank PLC
Nations Trust Bank PLC
People's Bank
Sampath Bank PLC
Standard Chartered Bank
The Hongkong and Shanghai Banking Corporation Limited

AUDITORS

Ernst & Young
Chartered Accountants
201, De Saram Place
Colombo 10

REGISTERED OFFICE

Airline Centre
Bandaranaike International Airport
Katunayake
Sri Lanka

CORPORATE WEBSITE

www.srilankan.com

This Annual Report is Carbon Neutral

This SriLankan Airlines annual report has been produced by Smart Media The Annual Report Company, a certified carbon neutral organisation. Additionally, the greenhouse gas emissions resulting from activities outsourced by Smart Media in the production of this annual report, including the usage of paper and printing, are offset through verified sources.

www.smart.lk www.carbonfund.org

Airline Centre
Bandaranaike International Airport
Katunayake
Sri Lanka