



SRILANKAN AIRLINES
ANNUAL REPORT 2017/18



CONTENTS

COMPANY AND REPORT OVERVIEW

Our Vision and Our Mission	2
Financial Highlights	3

MANAGEMENT REPORTS

Chairman's Message	4
Board of Directors	7
Senior Management	11
Enterprise Risk Management Framework	14
Management Discussion and Analysis	16

FINANCIAL REPORTS

Annual Report of the Board of Directors	45
Board Audit Committee Report	50
Statement of Directors' Responsibilities	51
Independent Auditors' Report	52
Statement of Financial Position	54
Statement of Profit or Loss	55
Statement of Comprehensive Income	56
Statement of Changes in Equity	57
Statement of Cash Flows	58
Notes to the Financial Statements	59

ANNEXES

Ten Year Review	102
Route Map	104
Milestones	106
Glossary	108
Notice of Meeting	109
Form of Proxy	111

Corporate Information	Inner Back Cover
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OUR VISION

To be the most preferred Airline
in Asia

OUR MISSION

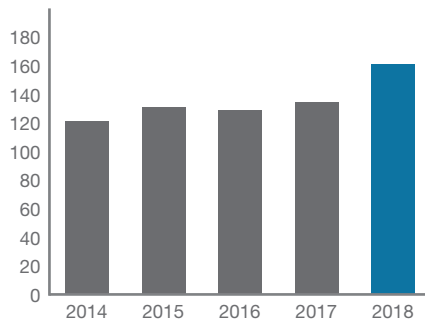
We are in the air transportation business. We provide our customers with a reliable and pleasant travel experience. We provide our business partners with a variety of innovative, professional and mutually profitable services. We meet shareholder expectations of profitably marketing Sri Lanka and contributing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

FINANCIAL HIGHLIGHTS

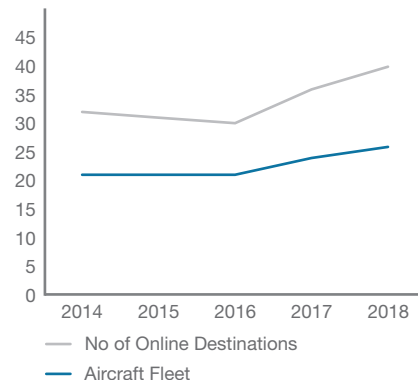
		Group 2018	Group 2017	Company 2018	Company 2017
Financial					
Revenue	LKR. Mn	164,859.51	138,590.83	161,654.46	135,491.19
Operating Expenditure	LKR. Mn	(175,254.73)	(146,080.65)	(176,104.44)	(146,760.81)
Loss Before Tax	LKR. Mn	(18,579.23)	(28,314.26)	(17,213.57)	(28,929.99)
Net Loss for the Year	LKR. Mn	(18,585.15)	(28,339.51)	(17,213.57)	(28,929.99)
Total Assets	LKR. Mn	71,585.14	55,413.77	67,566.96	51,633.63
Shareholders' Funds	LKR. Mn	(125,582.89)	(107,793.52)	(132,196.34)	(115,766.64)
Traffic					
Passenger Capacity	ASK Mn			18,487.54	15,608.10
Overall Capacity	ATK Mn			2,549.88	2,167.92
Passengers Carried	RPK Mn			15,280.78	12,455.05
Overall Load Carried	RTK Mn			1,749.14	1,475.29
Passenger Load Factor	%			82.65	79.80
Overall Load Factor	%			68.60	68.05
Breakeven Load Factor	%			81.90	80.91
Staff Productivity					
Average Strength	Nos.	8,090	8,029	7,019	7,021
Revenue per Employee	LKR. Mn	20.38	17.26	23.03	19.30
Aircraft Fleet					
A320-200	Nos.			5	6
A321-200	Nos.			3	3
A320neo	Nos.			2	2
A321neo	Nos.			3	-
A330-200	Nos.			6	6
A330-300	Nos.			7	7
Aircraft in Service at Year End	Nos.			26	24



Revenue LKR BN



No of Online Destinations Vs Aircraft Fleet



CHAIRMAN'S MESSAGE

“REBOUNDED FROM DOWN-TURN TRENDS THAT PERSISTED FOR OVER A DECADE, THE GLOBAL ECONOMY CONTINUED TO ACCELERATE WITH SYNCHRONISED GROWTH ACROSS ALL MAJOR ECONOMIES SINCE MID OF 2016.”

“Notwithstanding the upturn in the global scenario, the Sri Lankan economy in the year 2017 remained subdued, with real GDP growth at its lowest in the recent history, at 3.1%.”

The present Board of Directors assumed office in April 2018, being cautiously mindful of the legacy issues they inherited, and the onerous responsibilities they took upon themselves, both individually and collectively, by agreeing to serve on the Board.

Global Economy

Rebounding from down-turn trends that persisted for over a decade, the global economy continued to accelerate with synchronised growth across all major economies since mid of 2016. Broadly supported by accommodative macroeconomic policies as well as cyclical factors, we saw positive sentiments prevail in markets combined with improved financial conditions and lower deflationary pressures. Global trade strongly recovered with robust investment spending in nearly two thirds of the world in advanced nations as well as in emerging markets and developing economies. Several commodity exporting nations also showed a turn-

around, complemented by the upward trends in oil and other commodity prices.

As per the International Monetary Fund, global growth moved up to 3.8% in 2017 compared to 3.2% in the preceding year. The outlook for both 2018 and 2019 is set to be positive, with the growth forecasts at 3.9%. However, we must be mindful of the downside risks that persist—possible trade wars, financial sector vulnerabilities along with geopolitical tension, that may reverse the positive global economic performance in the medium-term.

Sri Lankan Economy

Notwithstanding the upturn in the global scenario, the Sri Lankan economy in the year 2017 remained subdued, with real GDP growth at its lowest in the recent history, at 3.1%. All three key sectors—industry, service and agriculture—were sluggish, performing below potential levels. We saw significant policy measures come into place within the macroeconomic front—a tighter monetary policy, market-based exchange rate along with revenue led fiscal consolidation. External sector performance was robust, with healthy earnings from exports and inflows to the financial account. The balance of payment position recorded a surplus, compared to the deficits recorded in the preceding two years.

We have much hope for the economy to reach higher growth levels in the ensuing years, particularly in the medium-term. The remedial action taken to balance out the macroeconomic fundamentals along with the ongoing development projects, inter-alia, will secure our path to usher in economic prosperity; with real GDP set to reach 4.7% by 2020 as per the forecast by the IMF. However, it is critical that we stand together as a nation and work in concert to manage the present-day socio-political dynamics, as we strive to reach out to our ambitious development aspirations.

Aviation Industry

Supported by the broad-based global economic growth combined with historically low energy prices and interest rates, the international aviation industry recorded a strong performance in the year 2017. Contributing around one percent of global GDP, the industry continued to see lower air fares, improved load factors and higher passenger traffic and air freight—reflecting well on industry top-lines and profitability levels.

As a result of the expected global economic growth, passenger numbers are projected to exceed capacity expansion in 2018, which will push up the average load factor

to record levels. However, despite this growth in volume, airlines have not been able to achieve a sustainable growth in yields. Another significant challenge for the industry in 2018 is the fuel cost which has risen by over 50% year on year. In spite of the forecast that the airlines' fuel bill will continue to rise, it is expected that the industry will focus intensely on improving fuel efficiency, through replacing fleet with new aircraft, better operations and efforts to persuade governments to remove the airspace and airport inefficiencies. Thereby, it is forecasted that fuel efficiency, in terms of capacity use, i.e. per available tonne kilometers (ATK), will improve with the deliveries of new aircraft and as fuel prices rise sharply.

Further adding to the woes of the industry, South Asia in particular, has seen a sharp depreciation of the local currencies. On a more positive note, falling travel cost has also added several percentage points to revenue passenger kilometers (RPK) growth in the past several years. Thereby, economic development worldwide is complemented by a significant boost from air transport. This wider economic benefit is being generated by increasing connections between cities—enabling the flow of goods, people, capital, technology and ideas—and reducing air transport cost.

The forecast growth in demand, however, provides a positive long-term opportunity for the industry. With the demand growth outpacing capacity expansion, it will partially set off the negative impact expected by the rise in oil prices. Carriers in North America continuing to lead, accounting for half of the industry's total profit, where market conditions are expected to be strong, with improvements in capacity growth, which will limit the impact of higher fuel cost. Europe is forecasted to experience the highest breakeven load factors, caused by low yields due to the competitive open aviation area, and high regulatory cost. Asia-Pacific's strong cyclical rise in cargo markets as well as an anticipated growth in passenger demand is expected to outpace capacity, has helped profitability of this region, offsetting higher fuel cost. The Middle Eastern region has been challenged by the impact of low oil revenues and regional conflict leading to a sharp slowdown in capacity growth and therein lower breakeven load factors, while Africa's weak regional economic situation which only shows signs of improving slowly, has affected its airlines. Though passenger numbers are growing, load factors remain lower than the industry average.

Airline's Financial Standing

The airline has been reporting losses since "Emirates" withdrew from managing the airline in the year 2008. The company loss for the year ended 31st March 2018 stood at LKR. 17.21 billion.

The continued losses incurred by the airline had been financed through bank borrowings, secured by comfort letters issued by the Government. The balance outstanding loans amounted to US\$ 704 million as at 31st March 2018. The balance sheet carried a negative equity to the extent of LKR 132 billion. Thus, when the major shareholder, the Government, which owns more than 90% of the shares of the Company, appointed the new Board, the Company was an unviable entity within the definitions set out in Sections 219 and 220 of the Companies Act.

The only fact that mitigated against such a conclusion was the commitment of the Government to support the restructuring of the airline and the formal undertaking given by the Government to support the airline financially until the restructuring is concluded. In fact, the mandate to the new Board was to lead and expedite the restructuring process.

Commitment to Good Governance

The first priority of the Board after assuming office was to establish a good governance framework within the organisation. This was done via an open dialogue with all stakeholders and identifying and recruiting credible individuals with experience in aviation.

Management Changes

The Board having realised that the most important decision—as any Board would be called upon to make on behalf of the Company they lead—is the appointment of the Chief Executive Officer and the top management team.

The filling of these vacancies by competent personnel has received the constant attention of the Board. Mr. Vipula Gunatilleka, who was the Chief Financial Officer of Sri Lankan Airlines during the period the airline was managed by 'Emirates' was appointed as the Chief Executive Officer. Until he took up the appointment at SriLankan he was an executive director of an African national carrier that was managed by Emirates Airlines. He was part of the team that was responsible for turning around the African carrier. He was head hunted and selected as the Group Chief Operating and Financial Officer in end July 2018. The Board of Directors after reviewing his performance, appointed him as the Chief Executive Officer of the airline. Mr D A G Jayasuriya previously worked as the Head of Engineering was brought in as the Chief Technical Officer and Capt. Rajind Ranathunga who was the Head of Flight Operations was appointed as the Acting Chief officer Service Delivery. The Board of Directors are also looking at the option of recruiting a suitable candidate for the position of the Chief Commercial Officer to strengthen the top management team.

CHAIRMAN'S MESSAGE CONTD.

Concerted Effort to Turnaround

The short period the present Board has been in office has reaffirmed our initial assessment that a turnaround can be achieved if there is a concerted effort by all stakeholders. The Board is extremely pleased that his Excellency the President has appointed an expert Committee to recommend the way forward in terms of government policy in restructuring the Company. The Expert Committee has already submitted their report and we are hopeful that meaningful steps will be taken in the near future to implement the recommendations.

There is no doubt that the balance sheet has to be restructured by removing the legacy debts. A fresh equity infusion is needed. However, an important point to note is that a mere infusion of capital will not result in a turnaround of the fortunes of the airline, unless the business model of the Airline is re-invented. In order to achieve this, some drastic changes are required. Which include making changes to the current network, optimising the usage of air craft, minimisation of cost and technological advancement required to bring the cost down to stay a head of competition. The Board and the management recently concluded a strategic planning exercise to set the future strategic direction of the Airline and the implementation of initiatives in the business plan will provide the solution to the short coming in the current business model.

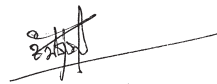
Turnaround of the Airline can not be achieved unless there are sacrifices from all stake holders. The Board set an example by volunteering not to draw any remuneration or enjoy any perks that come with the holding of office, till the airline makes an operating profit. The senior management staff had volunteered to sacrifice this year's earned increment in the same spirit. In financial terms, these may not add up to make a significant difference to the bottom-line. However, it is a gesture, of the resolve within the organisation to make a change.

We are in a globally competitive industry. To succeed, we have to be as good or better than our competitors. Our operational costs have to be in line with what it is in the industry. Weak management, interference by the Board and its members in the day to day operations of the Company, personal interests taking priority over the interests of the Company, have all resulted in certain sections of the staff enjoying privileges not enjoyed by employees of other airlines. These costs, inter alia, results in the Company's operations becoming unviable.

I am confident that the present Board will provide all the support and the required direction for the management to implement the strategic initiatives identified in the business which would bring about the required changes to turnaround the airline.

In Concluding

I wish to thank staff at all levels for the excellent cooperation they have extended to me and the Board of Directors during the short period we have been in office. They have displayed a strong sense of loyalty to the airline and a yearning to be an integral part of an efficient and profitable National Carrier that is also one of the best in Asia. I look forward to their cooperation and commitment in the future. I thank the Chief Executive Officer and the Senior Management for leading by example. Finally, my special thanks to his Excellency the President for taking a personnel interest in the future well being of the National Carrier.



G.S. Withanage
Chairman

28th February 2019

BOARD OF DIRECTORS

G. S. WITHANAGE (CHAIRMAN)

G. S. Withanage was appointed to the Board of SriLankan Airlines Limited on 13th November 2018 and subsequently appointed to the Board of SriLankan Catering Limited.

He is an eminent officer of the Sri Lanka Administrative Service, who has obtained the B.Sc. Degree in Management from the University of Sri Jayawardenepura and joined the Sri Lanka Administrative Services in 1984. He has obtained his Master of Business Administration Degree from the University of Colombo.

Joining the Sri Lanka Administrative Service in 1984, Mr. G.S. Withanage started his career as an Assistant Director in the Ministry of Public Administration. Later in 1990 he was appointed to the post of Deputy General Manager in the Sri Lanka Sugar Corporation and, subsequently, took up the position of Assistant Secretary in the Ministry of Defense.

In 1995, Withanage was appointed to the post of Assistant Secretary of the Ministry of Media, Tourism and Aviation and after a short period in the said position, he was promoted to the position of Senior Assistant Secretary in the Ministry of Tourism and Aviation. Then, in 2002, Mr. G. S. Withanage was promoted to hold the post of Additional Secretary in the Ministry of Transport, Highways and Civil Aviation. Having served in the said position until 2012, he was promoted to take up duty as the Secretary to the Ministry of Foreign Employment and carried out duties in the position till he assumed duties in the present position.

While holding the above positions, he was appointed to lead several delegations of the Sri Lankan government to foreign countries and was appointed the Chairman of the SAARC Regional Multimodal Transport Seminar conducted in Colombo in May, 2006. In addition, he organised the 5th Ministerial Consultation of Colombo Process (Regional Consultative Process among labour sending countries) on 25th August, 2016 and earned Sri Lanka the Chairmanship for the second time since 2003. Further, he also organised the Fourth Ministerial Consultation of the Abu Dhabi Dialogue, convened in Colombo on 24th January 2017, and secured the Chairmanship for Sri Lanka.

Since 18th September 2018 G. S. Withanage assumed duty as a secretary at the Ministry of Transport and Civil Aviation.

AIR MARSHAL KAPILA JAYAMPATHY

Commander of the Sri Lankan Airforce - WWV, RWP, RSP & three Bars, VSV, USP, MSc(Int Rel), MMSc(Strat Stu-China), MIM(SL), fndu(China), qhi

Air Marshal Kapila Jayampathy was appointed to the Board of SriLankan Airlines Limited on 29th March 2018 and subsequently appointed to the Board of SriLankan Catering Limited.

Kapila Veediya Bandara Jayampathy joined the Sri Lanka Air Force as an Officer Cadet in the General Duties Pilot Branch in the 10th Officer Cadet intake on 05th March 1982. After completing his basic and advanced helicopter flying training, he became the youngest Qualified Helicopter Instructor (QHI) in the Air Force history. Rising through the ranks, he was able to recognise himself as one of the most instrumental figures during the battles to defeat the ruthless terrorist forces of the LTTE and is credited for introducing and establishing the Airbase Defence and Rescue Squadron of the Sri Lanka Air Force, which later became the Regiment Special Forces. Air Marshal Jayampathy sustained injuries during combat in 1989 and became the first battle casualty of the Sri Lanka Air Force granting him the honour of wearing the 'Desha Putra Sammanaya' that acknowledges his bravery that safeguarded lives and assets. He is a decorated war hero who has been awarded the 'Rana Sura Paddakkama' in four occasions, the 'Rana Wickrama Padakkama' and 'Weera Wickrama Wibhushanaya' for displaying selfless gallantry in the face of the enemy.

With a military career extending over more than 37 years, he has commanded numerous flying formations, performed duties as a Staff Officer and held appointment as a Base Commander and as the Commandant of the Sri Lanka Air Force Academy, China Bay, Trincomalee. Furthermore, Air Marshal Kapila Jayampathy served in the Air Force Board of Management as the Director Logistics and later as the Director Air Operations, contributing immensely for the advancement and modernisation of the Air Force. This confidence bestowed upon him by the Sri Lanka Air Force is a true testament of his command, leadership and faculty as a professional military officer of the Armed Forces. He reached the zenith of his Air Force career when he was appointed to hold office as the Commander of the Air Force and being at the helm with the promotion to the rank of Air Marshal by His Excellency the President Maithripala Sirisena on 11th September 2016. As the incumbent Commander of the Air Force, Air Marshal Jayampathy has formulated the 'Vision 2025' as the way forward for the Sri Lanka Air Force,

BOARD OF DIRECTORS CONTD.

underpinned on its core competencies and guided through a doctrine, to become one of the most technologically advanced and modern Air Forces in Asia.

Recognising his unblemished and distinguished service to the nation, he has been recognised with multitude of service medals together with the 'Uttama Seva Padakkama' and 'Vishishta Seva Vibushanaya' in 2018. On par with his military career Air Marshal Kapila Jayampathy is a well-read academic in defence and strategic studies, warfare and international relations, graduating with MSc in International Relations from Preston University in Pakistan and MMSc in Strategic Studies from National Defence University in China and becoming an alumnus of Harvard University and the National Defence College in USA. In recognition of his exemplary service to the nation and the commitment to uphold the national vision towards sustainable development he was appointed to the Board of SriLankan Airlines Limited.

DR. MRS. ROSHAN PERERA

Dr. Mrs. Roshan Perera was appointed to the Board of SriLankan Airlines Limited on 29th March 2018 and subsequently appointed to the Board of SriLankan Catering Limited.

She is an additional Director, Bank Supervision Department of the Central Bank of Sri Lanka. Prior to this, she worked with the Central Bank in various other capacities, as a Senior Economist and a Deputy Director in the Economic Research Department and as an Additional Director at the Policy Review and Monitoring Department. She was seconded to the Ministry of Public Enterprise Development (MPED) from 2015-2017. At MPED she was involved in the restructuring of state owned enterprises. She assisted in updating the handbook on good governance for Chairman and Board of Directors of Public Enterprises and developing a capacity building framework to train Directors and Senior Managers in public enterprises on corporate governance.

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

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

SUSANTHA KATUGAMPALA

Don Susantha Katugampala was appointed to the Board of SriLankan Airlines Limited on 29th March 2018 and subsequently appointed to the Board of SriLankan Catering Limited.

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

He is a Member of Law Council of Australia, Member of Law Institute of Victoria, Member of Law Asia and Member of International Section of American Bar Association (ABA).

In 1999 He established Fairfields Lawyers in Melbourne Australia that gained reputation nationally and internationally in Australian Immigration and Commercial legal advisory. He has advised many companies and investors from China, Japan, USA, UK, Singapore, Malaysia, India, Thailand, Indonesia, Dubai and Sri Lanka to establish company structures in Australia and secure investments in Australia including the services of joint venture agreements between Australian partners, Due-Diligence of companies, Australian Government approvals, Finance agreements with Australian Banks and Investor visa matters.

He has experience in dealing with International clients as an International lawyer in Australia of Sri Lankan origin.

He has helped countless Sri Lankans to legally settle in Australia. He was a founding member of Australia Sri Lanka Medical Aid Team (AUSLAMAT) extended millions of dollars worth of Medical Aid to people in need in Sri Lanka.

As an expatriate Sri Lankan Lawyer in Australia, he has made significant contribution to the advancement of ties between the two nations and has been well recognised and respected by the Australian public over many years. He was awarded the 'Best Lawyer Award' at the Serendib Sri Lankan Community Awards in Australia three years in a row. He continued to campaign to bring the Sri Lankan expats back and engage in the Sri Lanka's development that is essential today.

S.G. SENARATHNA

CPFA(UK), FCA, FCMA, FPFA, MAAT, B Com (Sp), HNDC, DPFM, PGD

S.G. Senarathna was appointed to the Board of SriLankan Airlines Limited on 21st May 2018 as the Treasury representative and subsequently appointed to the Board of SriLankan Catering Limited.

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

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

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

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

JOHANN WIJESINGHE

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

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

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

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

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

BOARD OF DIRECTORS CONTD.

SENIOR PROFESSOR ARJUNA P DE SILVA

Senior Professor Arjuna P. De Silva MBBS, MD, MSc(Oxon), FRCP(Lond), FCCP, AGAF, FNASSL Consultant Physician was appointed to the Board of SriLankan Airlines Limited on 21st May 2018 and subsequently appointed to the Board of SriLankan Catering Limited.

Currently he is attached to the Faculty of Medicine, University of Kelaniya as a Senior Professor and is a Consultant Physician at Nawaloka Hospital (Pvt) Ltd. He also serves as Chairman of Sri Lanka Anti-Doping Agency (SLADA) and Chairman of South Asian Regional Anti-doping Agency (SARADO). He was instrumental in establishing SLADA and introducing new legislation to criminalise trafficking in banned substances. He is also a Commission Member of the National Science and Technology Commission, Board Member of Post Graduate Institute of Medicine Colombo, Associate Editor World Journal of Gastroenterology and a reviewer for many international journals.

He has held the positions of Head of Department, Faculty of Medicine University of Kelaniya, Chairman of Board of Study in Gastroenterology, Secretary of the Gastroenterology and Digestive Endoscopy Society of Sri Lanka, Director General of Sports Medicine, Chairman of George Steuart Finance Limited and Council Member of National Institute of Education, Team Physician for the London Olympics and was a member of the Medical panel for the National Cricket Team.

Educated at St Thomas College, Mount Lavinia he graduated with Bachelor of Medicine and Bachelor of Surgery degree from North Colombo Medical College and subsequently obtained a postgraduate Doctor of Medicine 1st in Order of Merit from the Postgraduate Institute of Medicine, University of Colombo. He has a MSc from University of Oxford and practiced as a Registrar in Gastroenterology and Research Fellow at Radcliffe Infirmary Oxford, UK. He was awarded MRCP from the Royal College of Physicians London. He is a Board Certified trainer in Gastroenterology and was awarded FCCP and became a Fellow of the Royal College of Physicians (FRCP, London). He is a fellow of the American Gastroenterological Association Fellow (AGAF) and fellow at the National Academy of Science in Sri Lanka (FNASSL). He has won many research awards including Presidential Research Awards 2001, 2006, 2008, 2010 2012 and 2013.

SENIOR MANAGEMENT

VIPULA GUNATILLEKA

Chief Executive Officer

Vipula Gunatilleka has been appointed as the Chief Executive Office effective 24th August 2018.

Prior to joining Srilankan, Mr Gunatilleka has been a board member and the CFO of TAAG Angola Airlines. He was initially nominated to the board of directors of TAAG by the Emirates Airline when Emirates took over the management of TAAG. He was reappointed to the board by the Government of Angola when the partnership with Emirates ended in July 2017. Leadership provided by Vipula in restructuring the national carrier of Angola resulted in airline achieving break even status and a strong cash flow position in a short period of time. Vipula held the position of CFO at Sri Lankan Airlines when the Airline was managed by Emirates and played a pivotal role during the management transition from Emirates Airline to the Government of Sri Lanka. He has held senior leadership positions across companies in Sri Lanka, Singapore and Australia. He was the past Chairman of the CIMA Sri Lanka regional board and was on the board of Sri Lanka Auditing & Accounting Standards Monitoring Board and has held several board positions. Vipula is a fellow member of CIMA - UK, CA - Sri Lanka, CPA - Australia and holds a MBA from the University of Colombo.

D.A.G JAYASURIYA

Chief Technical Officer

Mr. D.A.G Jayasuriya Joined SriLankan Airlines and was appointed as the Chief Technical Officer on the 1st of September 2018.

He first Joined SriLankan Airlines then known as Air Lanka in 1982 as a Senior Licensed Engineer and thereafter held various Managerial positions in the Company until 2009. Then he held the position of Senior Manager (Technical Contracts) in Oman Air. In 2016 he joined Civil Aviation Authority of Sri Lanka as the Director of Airworthiness.

Jayasuriya has an Aircraft Maintenance Engineers License from the Civil Aviation Authority in UK, and also hold CAA Pakistan Aircraft Maintenance Engineers License and CAA Sri Lanka Aircraft Maintenance License.

CAPT. RAJIND RANATUNGA

Acting Chief Officer Service Delivery

Captain Rajind Ranatunga, the Acting Chief Officer Service Delivery joined the Company as a Cadet Pilot in 1987. He progressed his way as Second Officer and a First Officer on L1011 prior to operating the Airbus Fleet. Supplementing his role in the higher management, he is also a Type A Designated Check Pilot on his current fleet A330.

DALRENE THIRUKUMAR

Company Secretary/Head of Corporate Secretarial Services

Dalrene Thirukumar joined the Company in 2013. She is the Company Secretary and the Head of Corporate Secretarial Services. The Division provides Corporate Secretarial Services to SriLankan Airlines Limited, SriLankan Catering Limited and in addition facilitates the Senior Management Payroll of these companies. She is a Trustee for the SriLankan Cares Trust.

She has over 20 years of post-qualifying experience and has held very senior and responsible positions in public quoted diversified conglomerates in Sri Lanka.

She is an Associate member of the Institute of Chartered Secretaries and Administrators in UK and holds a Master's in Business Administration (AUS). She is also a member of the Sri Lanka Institute of Directors.

YASANTHA DISSANAYAKE

Head of Financial Management

Yasantha Dissanayake joined the Company in 2004 and currently holds the position of Head of Financial Management. The Finance and Commercial Procurement functions of the Company report to him.

He has spearheaded many pioneering financing transactions for the Company, including the first International Bond issue and Islamic Financing which was recognised by two Asian Regional Awards.

He was also instrumental in formulating pre-delivery financing (PDP) for the new A330-300 fleet, a transaction which was recognised by the Air Finance journal as the 'PDP Financing Deal of the Year' in 2014. Prior to joining the Company, Yasantha held senior positions in the investment banking and telecommunications industries. He is an Accountant by profession (Fellow Member of the Chartered Institute of Management Accountants, UK) and holds a Master's Degree in Business Administration from the University of Wales, Cardiff.

SENIOR MANAGEMENT CONTD.

SRIMANTHAKA SENANAYAKE

Acting Head of Human Resource

A mature Legal Professional counting over two decades in Aviation, broadly experienced in International Relations and allied legal formalities. A specialist in several Legal, Bilateral and Multilateral disciplines including: Bilateral Aviation Treaty/ Commercial negotiations, negotiation of Bilateral Trade Agreements and the International Multilateral framework.

Currently Head of Human Resources (in an acting capacity) in addition to his substantive duties as Senior Manager International Relations, in which capacity he is responsible for commercial code shares with partner airlines and negotiates traffic rights on behalf of SriLankan together with State negotiating teams.

He also represents/has represented the Airline at the following fora:

Member of the drafting Committee of the National Civil Aviation Policy of Sri Lanka (NCAP 2016).

Member of the oneworld Alliance Management Board (oMB) representing SriLankan Airlines

Representative of SriLankan Airlines to IATA Passenger-Agency Conference (PACConf)

He has previously functioned in the capacity of Actg. Head of Human Resources at SriLankan from January to June 2011.

PRADEEPA KEKULAWALA

Head of Properties & Logistics

Pradeepa Kekulawala who was the company's Head of Human Resources from August 2011 to January 2019, now serves as the Head of Logistics and Properties .

He is a senior human resource development professional in the corporate sector with over 2 decades of managerial experience behind him. He has been holding key management positions in the disciplines of project management, general management, marketing and business development before focusing his interest and taking up the art of human resource development over 20 years ago. Pradeepa has held the positions of General Manager, Director and of Head of Human Resources for many leading companies - in the education, office automation, engineering and apparel sectors; before joining SriLankan Airlines as its Head of Human Resources Eight years back.

Pradeepa holds Post Graduate qualifications in Management, HR and IT including a MBA from the Commonwealth of Learning and a MSc in Information Management specialising

in Knowledge Management from the Sri Lanka Institute of Information Technology. He has had executive coaching in Human Resource Management from the National University of Singapore and the Post Graduate Institute of Management (PIM) in Sri Lanka.

MAYUKA RANASINGHE

Head of Group Legal Affairs

Mayuka Ranasinghe Joined the Company in 2009 and currently holds the position of Head of Group Legal Affairs of the SriLankan Group. He commenced his career in litigation and subsequently engaged in the telecommunication sector prior to joining the Airline. He possesses a wealth of experience gained by handling complex, structural and cross border commercial contracts at various levels, multi-jurisdictional litigation and dispute resolution, regulatory affairs, intellectual property and employment issues in various jurisdictions. An Attorney-at-Law by profession and he holds a Bachelors' in Law from the University of Colombo. He also holds a Masters-in-Law from the University of Colombo and a Master of Business Administration from the University of Wales.

CHAMARA PERERA

Head of Information Technology

Chamara Perera joined the airline in 1999 and holds the position of Head of Information Technology since 2012. He overlooks the Aviation ICT from ground operations to onboard connectivity covering airports, worldwide offices and strategic business units of the airline and the group.

Chamara spearheaded the implementation of IATA Simplifying the Business (StB) program which includes fast travel innovative solutions in Air Transportation. He also steered the compliance of globally recognised IT standards ensuring a holistic Airline IT Governance platform. SriLankan IT has been certified for ISO/IEC 27001:2013 Information Security Management, ISO 9001:2008 Software Quality Management and ISO/IEC 20000:2011 IT Service Management. He leads the Digital Transformation of the Airline Business and Operations with an array of well-integrated Airline IT Ecosystems.

He is an Engineer by profession holding a Bachelor of Science Degree in Electronics & Telecommunication Engineering from the University of Moratuwa, Sri Lanka and a Master's in Business Administration specialising in IT Management from the University of Leicester, UK.

CHAMARA RANASINGHE

Head of Cargo

Chamara Ranasinghe Joined the Company in 2013 as the Head of Cargo.

Has over 18 years of experience in the airline cargo and aviation industry in the field of customer services, cargo reservations, cargo sales & marketing and airport cargo operations.

Prior to joining the Company, he held senior management positions in reputed international airlines operating to Sri Lanka.

SUMUDU UPATISSA

Head of Revenue Management, Planning and Commercial Support

Sumudu Upatissa Joined the company in 2000 as a Trainee Executive and upon successful completion of the program, moved to the Commercial Division in 2001. He has 17 years of industry experience, with over 12 years managerial experience covering the areas of International Relations, Schedules Planning, Network & Revenue Planning, Revenue Management and was appointed as Head of Revenue Management, Planning and Commercial Support in 2017.

He is a graduate of the University of Sri Jayewardenepura, holding a Bachelor of Science Degree in Marketing Management, IATA Diploma in Airline Studies (Montreal) and a Postgraduate Diploma in Marketing from the Chartered Institute of Marketing (UK), of which he is an Associate Member (ACIM).

DIMUTHU TENNAKON

Head of Worldwide Sales & Distribution

Dimuthu Tennakoon counts for nearly 25 years of diverse experience in the fields of Finance, Marketing and Sales at SriLankan Airlines. He has also been based in many countries across the globe such as UAE, Canada, India and in China overlooking entire Far East region. He was the General Manager Commercial Operations prior to his appointment as Head of Worldwide Sales and Distribution in 2017. During his tenure at Oman Air, he served as Country Manager- North India based in Mumbai.

He holds a Bachelor of Law (LL.B) degree obtained from the University of Colombo.

BUDDHIKA MANAGE

Head of Cabin Services

Buddhika Manage Joined the company in 2003 as a Management Trainee and started her career as an executive in Commercial Procurement Division in 2004. She has 15 years of experience in the airline serving as Senior Inflight Service Executive (Admin and Crew Services) , Inflight Service Manager (Admin and Crew scheduling) , Manager Human Resource Development and Business Partnering , Senior Manager Human Resource Development and Business Partnering and finally taking up the position as Head of Cabin Services in 2018.

She holds a BSc (Hons) Special degree in Statistics from University of Colombo, MSc in Management from University of Moratuwa and has a Professional Qualification in Human Resource Management from IPM. She has obtained qualifications in Labour Law, Supply Chain Management and Information Technology.

PRIMAL DE SILVA

General Manager, SriLankan Aviation College

Primal De Silva joined the company in 1988 as a cabin crew member and continued until 2006 as a Purser. Currently holds the position of General Manager, Sri Lankan Aviation College and the responsibilities of the Accountable Manager (Part 147), Aircraft Maintenance and Training Organisation. Prior to this appointment his previous roles in the company include, Cabin Safety Manager and Manager Inflight operations and Training.

Lt Col BANDULA WERAGAMA

General Manager, Airport and Ground Services

Lt Col Bandula Weragama joined the company in 2012 with an unblemished service of 23 years in the Sri Lanka Army. Besides extensive experience in command and training within a tri-services environment he has also served the United Nations Department of Peace Keeping Operations. Having worked with the HR, Inflight and Security Divisions he was appointed to lead the Division of Airport and Ground Services in February of 2016.

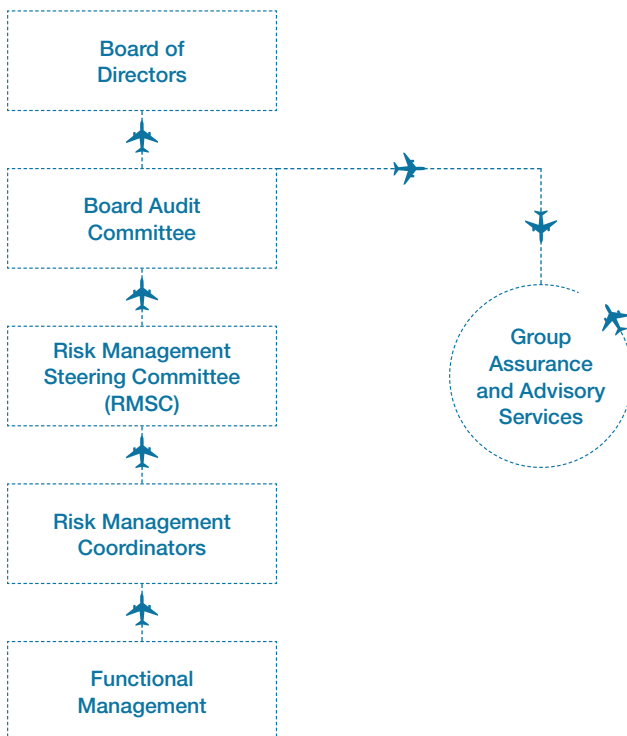
He holds a Master's in Defence Studies from the University of Kelaniya and a MSc from the University of Quetta, Pakistan.

ENTERPRISE RISK MANAGEMENT FRAMEWORK

Process Overview

The Enterprise Risk Management framework of SriLankan Airlines is approved by the Board of Directors and is centrally facilitated by the Group Assurance and Advisory Services Division. SriLankan Airlines ERM Framework is established to meet the requirements of industry regulations and best practices in identifying business risks and drawing up action plans in mitigating the impact of the risks to SriLankan Airlines. Risks are identified at strategic, process and project levels which includes financial, operational, information technology, safety & security, marketing, human resources, and macro environment risks. The responsibility for implementing Enterprise Risk Management at SriLankan Airlines rests with the Risk Management Steering Committee (Senior Management Team), Risk Management Coordinators and the Functional Management (Risk Owners).

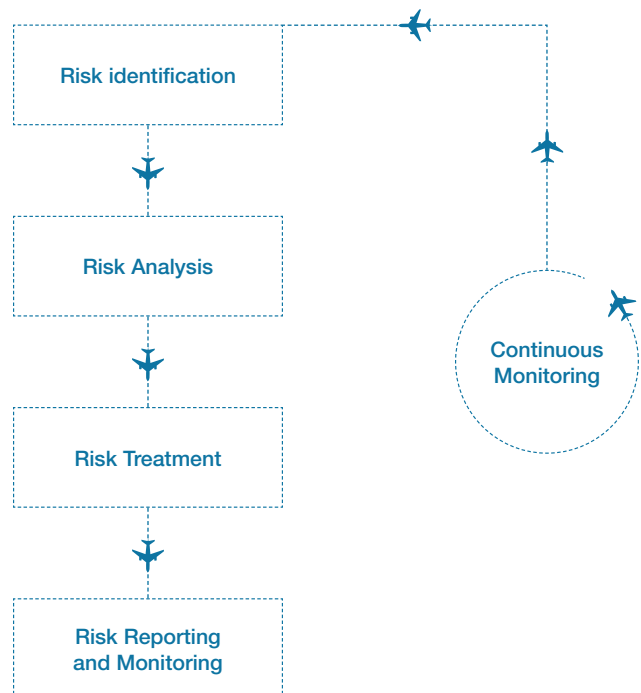
Risk Management Organisation Structure



SriLankan Airlines is committed for effective risk management as a fundamental component of good governance and SriLankan Airlines risk culture encourages all employees to make appropriate risk-based decisions.

Risk Management Process

The SriLankan Airlines risk management process comprises four key elements namely, risk identification, risk analysis, risk treatment and risk reporting and monitoring.



Risk Identification

SriLankan Airlines identifies internal and external factors that may cause any hindrance in achieving the functional and the corporate objectives. Risks are identified at functional level, through brainstorming sessions, interviews, and questionnaires under the guidance of Group Assurance and Advisory Services Division. The functional management provides all required information to the Divisional/ Departmental Risk Coordinators to update the risk registers. The identified risks are reviewed by the Risk Management Steering Committee quarterly and reported to the Board Audit Committee bi-annually.

Risk Analysis

The identified risks are analysed based on the likelihood and impact of the risk and rated as significant, high, medium or low based on the risk score. The risk score is computed by multiplying the likelihood rating with the impact rating.

Risk Treatment

Functional management is responsible in formulating action plans based on the risk ratings. The risk responses of SriLankan Airlines identified for risk treatment include mitigate, transfer, avoid and accept. The functional management is responsible in managing the risks identified and the action plans are quarterly reviewed by the Risk Management Steering Committee. The significant risk treatment actions are reviewed and approved by the CEO/ respective senior management team member. The high risk treatment actions are approved by the Senior Management Team. Medium risk treatment actions are approved by the Departmental Managers. Low risks are managed within current controls and are monitored closely for changes in the risk rating.

Risk Reporting and Monitoring

Risk Management registers are reviewed by divisional/ departmental heads quarterly to monitor implementation of the action items in a timely manner. The Risk Management Steering Committee reviews the key risks and reports to the Audit Committee bi-annually. The Board Audit Committee reviews key corporate risks on a bi-annual basis and reports to the Board of Directors on a bi-annual basis, unless circumstances require immediate attention of the Board of Directors.

MANAGEMENT DISCUSSION AND ANALYSIS



✈ Operating Environment

Global Outlook

In 2017, the global aviation industry recorded an unprecedented level of performance that aptly reflected its growing significance to the world economy. The improved overall global economic conditions fueled the growth of the aviation industry in the year. Airlines carried nearly 4.1 billion passengers, the highest ever annual passenger volume in the history of aviation. The air cargo business continued its positive momentum, with the industry-wide freight growing at 9.7% in terms of tonne kilometers.

Airline networks expanded to offer over 20,000 unique city pairs, representing over 7% increase from 2016. Air travel also became more accessible with airfares (in real terms) averaging less than half of the airfares in 1995.

Global airline industry was profitable in 2017, recording a worldwide net profit of US dollars 38 billion, exceeding the profitability of 2016 by over US dollars 3.0 billion. Soaring demand for air travel and positive world economic conditions were core ingredients for the industry's financial success in the past year. North American airlines dominated the global airline profitability by accounting for nearly 50% of the overall global profits. Profit margins continued to be thin in comparison with other industries despite an estimated operating profit margin of 7.5% in 2017 which was an historical high. At 9%, the return on capital invested in the aviation industry exceeded the cost of capital for the 3rd consecutive year, a critical prerequisite in attracting investors for the industry's future growth.

The demand for global air passenger services—industry-wide revenue passenger kilometers— increased by 8.1%, the fastest growth since 2005. However, the growth in the



overall global capacity—available seat kilometers—was lower at 6.7% growth. In freight operations, available freight tonne kilometers grew by 4.8% year-on-year, the lowest since 2013. As a result of the shortage in capacity, passenger and freight load factors increased in 2017.

Local Outlook

SriLankan Airlines continued with its selective growth strategy. The Airline created lead markets for the network by adding capacity to those markets with higher growth potential, thereby, enabling our unique competitive advantage. Accordingly, operations to four new destinations—Coimbatore, Hyderabad and Visakhapatnam in India and Melbourne in Australia—were introduced in 2017.

It was a challenging year for the Sri Lankan economy in 2017 with the macroeconomic performance slowing down

significantly. Growth of Gross Domestic Product (GDP) was only 3.1%, the lowest in 16 years. Lower GDP growth was primarily caused by adverse weather conditions where both floods and prolonged drought affected the agricultural sector, resulting in a negative growth.

Tourism industry continued to grow in 2017. Total tourist arrivals stood at 2.1 million in 2017, representing a 3.2% growth over the previous year and the highest influx of tourists the country has experienced thus far. India continued to be the top source market with 384,628 arrivals (up 7.8 %) followed by China with 268,952 (down 1%) and UK 201,879 (up 7.3%). Direct contribution to the GDP by the tourism industry was US dollars 4.4 billion.

Competitor capacity to and from Sri Lanka grew by over 8% year-over-year in 2017/18. Several new airlines began service to Colombo during the year, including some from key markets operated to by SriLankan. The growth in competitor capacity which has sustained a 7% compound annual growth rate during the last five financial years, has resulted in a significant erosion of market fares as capacity growth outpaced demand with competitors resorting to lower fares to stimulate demand.

✈ Financial Review

The Airline continues to grapple with an increasingly challenging operating environment characterised by intense competition, overcapacity in key markets, which continue to put significant pressure on yields and increasing fuel prices.

In spite of the global economic upswing that has intensified growth opportunities, Jet fuel prices spiked through the second half of 2017 and into 2018. While the induction of new Airbus neo aircraft to the fleet contributed to a notable improvement in fuel efficiency, the upsurge in consumed fuel volumes due to higher capacity resulted in increased costs to the airline. Nonetheless, there has been little sign of higher fuel costs translating into higher air fares due to fare reductions and tactical promotions carried out to stimulate demand amidst strong competition. Consequent to the extension of certain aircraft lease agreements, aircraft maintenance and overhaul costs also saw an increase during the year.

The Group recorded an increased operating loss of LKR 10,395.22 Mn for the financial year ended 31st March 2018, compared to the LKR 7,489.82 Mn deficit in the previous financial year.

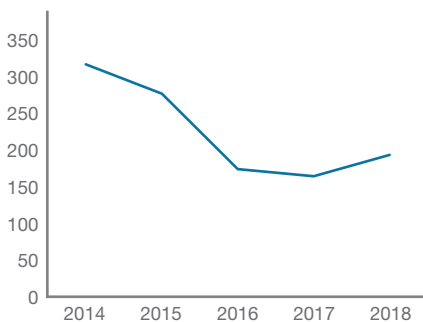
MANAGEMENT DISCUSSION AND ANALYSIS CONTD.

Furthermore, weakening of the Sri Lankan Rupee against key revenue generating currencies (mainly US Dollar) and increased finance costs remain a challenge for the Group's performance, impacting the bottom line adversely.

Nevertheless, financial recovery and the future sustainability of the airline is underway, aided by the strategic initiatives which are being put in place, as a key element of the restructuring plan. As part of the broad-based restructuring plan, the Group will intensify its focus on cost management, revisit its revenue optimisation strategies and challenge the status quo to identify more viable options to strengthen its competitive position in the market.

Impact of the external environment

Fuel Price Movement (US\$/USG)



Movement

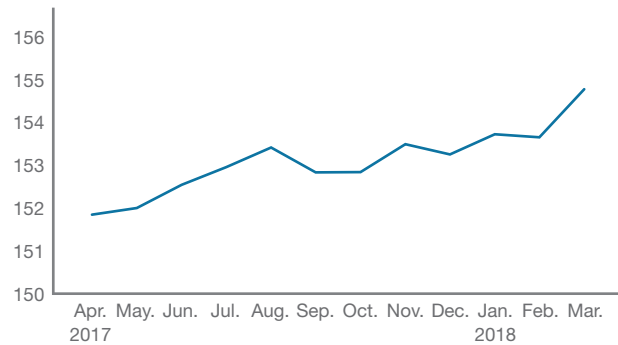
In contrast to the declining trend experienced a few years ago, jet fuel prices have trended upwards since early 2017 on the thriving demand for air travel fueled by global economic growth. IATA has forecasted the jet fuel price average for 2018 sitting at USC 176 per gallon, an increase of 12.5% over the preceding year. It is further estimated that the demand for fuel will increase by 1.9% to 2.6% each year until 2025.

Impact to SLA

The benefit derived from adding more fuel-efficient aircraft to our fleet has been offset by the jet fuel price increase as well as the increase in consumed fuel volumes that mainly stems from the increase in capacity. Consequently, the overall fuel cost which constitutes 27% of the Airline's operating cost, increased by 42% during the year under review.

Exchange rate

LKR/USD



Currency Movement

The Sri Lankan Rupee depreciated a record low of LKR 154.775 against the US Dollar at the end of the financial year under review, from LKR 151.81 at the beginning, reflecting a depreciation of 2%. It is expected to fall further in 2018, steeper than last year, with a rising fuel import bill and heavy government borrowings. Furthermore, the Sri Lankan Rupee continued to depreciate against the other main revenue generating currencies as well.

Impact to SLA

As a result of 80% of the Company's revenue being generated in foreign currencies, the weakening of Sri Lankan Rupee against the key revenue generating currencies resulted in a increase in revenue (LKR). In spite of the exchange loss incurred during the year being less than in the previous year, the exchange impact to the bottom line remained due to the fact that a substantial proportion of the Company's operating costs are being incurred in foreign currencies (mainly US Dollars).

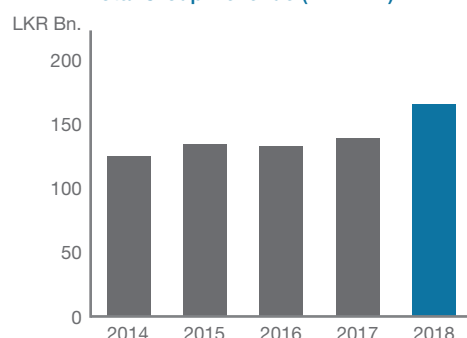
Revenue

Despite the challenging operating environment, the Group saw a 19.0% increase in revenue to LKR 164,859.51 Mn, largely attributable to the significant year-on-year growth of passenger numbers. This increase was however partially offset by the drop in revenue recorded from air terminal and other services.

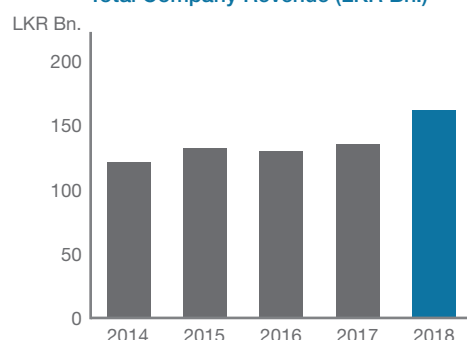
Similarly, the revenue of the Company in LKR terms increased by 19.3% to LKR 161,654.46 Mn, stemming from the significant increase in passenger demand and the growth in carriage of cargo. The concentrated efforts to expand the regional network with effective capacity utilisation and opening up of new avenues with the fleet expansion process, contributed to this increase of revenue.

However, this increase was curtailed to some extent due to the loss of revenue in the face of depreciation of the Sri Lankan Rupee against key revenue generating currencies coupled with compressed yields amidst overcapacity and intense competition in certain key markets. However, the year in review marked history with the Company achieving the highest ever revenue and cabin factor.

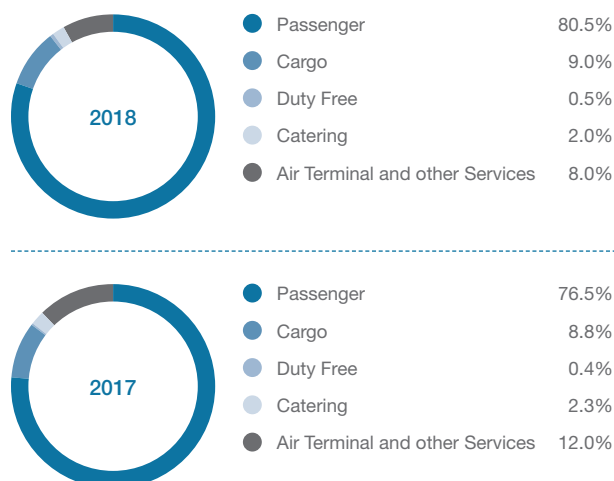
Total Group Revenue (LKR Bn.)



Total Company Revenue (LKR Bn.)



Composition of Group Revenue



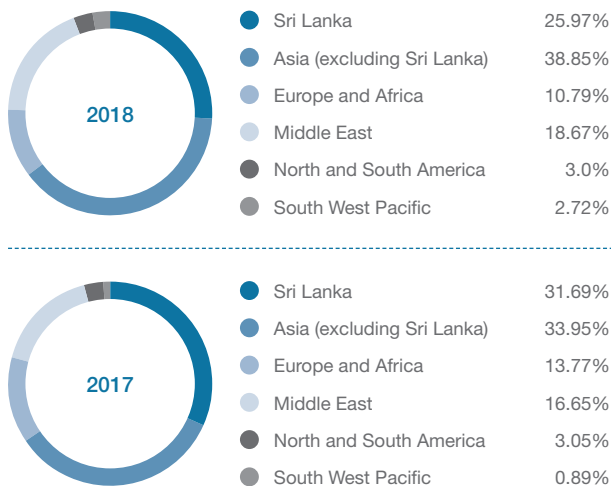
The Company continued to take steps towards restructuring its network, with a view to achieving future sustainability through an optimised fleet and reduced losses. Accordingly, three new destinations in Asia and one in Australia were added to the SriLankan network.

With the launch of new services to Visakhapatnam, Hyderabad and Coimbatore in July 2017, the airline strengthened its longstanding presence in the Indian market and leveraged its position as a regional carrier. This brought the number of destinations in India to a total of 14 cities.

The route optimisation strategy was further strengthened when the airline marked a significant milestone in October 2017, by commencing daily flights between Colombo and Melbourne. By offering a non-stop service to its passengers between Sri Lanka and Australia, the airline is well positioned to achieve competitive advantage through differentiation.

MANAGEMENT DISCUSSION AND ANALYSIS CONTD.

Company Revenue by Geographical Segment



The increase in passenger revenue excluding excess baggage and non-scheduled services of LKR 26,686.54 Mn is attributable to:

	LKR Mn.
2.24% increase in passenger yield in LKR	2,543.95
18.45% increase in seat capacity	20,906.27
2.86% points increase in passenger load factor	3,236.32
	26,686.54

Although an increase of 2.24% is reflected in passenger yield in LKR terms, the passenger yield in USD terms decreased due to the fact that 80% of the Company's revenue is generated in foreign currencies.

	2018	2017	Change %
Passenger yield in LKR	8.62	8.43	+2.24
Passenger yield in USC	5.63	5.72	-1.50

The sensitivity of passenger revenue to a 1% point change in passenger load factor, 1% change in seat capacity and a 1% change in passenger yield is as follows:

	LKR Mn.
1% point change in passenger load factor, if yield and seat capacity remain constant	1,593.56
1% change in seat capacity, if yield and load factor remain constant	1,051.09
1% change in passenger yield, if passenger traffic remains constant	1,317.15

Expenditure

In 2018, the Group's expenses were LKR 184,209.49 Mn, representing an increase of 10% from LKR 167,496.56 Mn in 2017. The breakdown of the Group expenses is set out below:

	2018		2017		Variance	
	LKR Mn.	%	LKR Mn.	%	LKR Mn.	%
Aircraft Fuel Cost	47,037.86	26%	33,129.60	20%	13,908.26	42%
Employee Cost	20,897.26	11%	20,012.56	12%	884.70	4%
Airport Enroute and Passenger Expenses	25,248.56	14%	21,302.32	13%	3,946.24	19%
Rentals on Leased Aircraft	25,726.29	14%	22,789.22	14%	2,937.07	13%
Aircraft Maintenance and Overhaul Costs	22,829.07	12%	17,644.09	11%	5,184.98	29%
Depreciation/Amortisation	1,976.04	1%	2,326.30	1%	(350.26)	(15%)
Selling Marketing and Advertising Expenses	15,814.59	9%	12,737.28	8%	3,077.31	24%
Crew Expenses	6,035.58	3%	5,435.73	3%	599.84	11%
Exchange Loss	1,815.64	1%	2,835.07	2%	(1,019.43)	(36%)
Other Expenses	7,873.84	4%	7,868.48	5%	5.36	0%
Finance Charges	8,954.77	5%	7,053.10	4%	1,901.67	27%
Compensation for Cancellation of Aircraft Lease Agreement	-	0%	14,362.81	9%	(14,362.81)	(100%)
Total Group Expenses	184,209.50	100%	167,496.56	100%	16,712.94	

The total expenses of the Group increased by LKR 16,712.94 Mn in 2018 relative to 2017 primarily due to the increase in direct operating costs. The increase in the fleet by three aircraft resulted in the introduction of 67 additional flights per week which contributed to an 18% increase in passenger capacity in terms of ASK's (Available seat Kilometers), compared to the previous year.

The Aircraft Fuel Costs is 26% of the Group's total expenses, LKR 13,908.26 Mn higher than last year, this was due to two factors, an increase in the global fuel price and an increase in the volume uplifted.

The average fuel price increased to USC 191 in 2018 compared to USC 161 in 2017. The additional routes to India and the commencement of Melbourne operations were the main contributor to the increase in the fuel volume uplifted which resulted in the adverse variance.

The adverse impact of foreign exchange caused by the weakening of Sri Lankan Rupee against the US Dollar resulted in a loss of LKR 1,398.68 Mn. (The average rate USD/LKR is LKR 153 in 2018 and LKR 147 in 2017).

	LKR Mn
18.21% increase in fuel price	(7,194.84)
16.23% increase in volume uplifted	(5,314.74)
3.80% weakening of Rupee against the US Dollar	(1,398.68)
	(13,908.26)

Fuel productivity as measured by the Revenue Tonne – Km per US Gallon (RTK/USG) increased by 0.22 RTK/USG over the previous year to 10.93 RTK/USG.

A change in the price of fuel of one US Cent per US Gallon (USG) affects the Group's annual cost by approximately LKR 246.81 Mn, if the US dollar exchange rate and fuel consumption remain constant.

Similarly, a 1% change in fuel productivity would impact the Group's annual fuel costs by approximately LKR 470.38 Mn, if the fuel price and US Dollar exchange rate remain constant.

Aircraft lease cost increased by 13% to LKR 25,726.29 Mn in 2018 compared to 2017. This was partly due to 2018 being the first full financial year in which the airline's new A320neo fleet was operational, and the fact that as three new A321neo aircraft were inducted during the financial year.

The Aircraft Maintenance and Overhaul Costs recorded an increase of LKR 5,184.98 Mn in 2018 compared to previous year, which was a 29% increase. This was driven by the increase in the number of aircraft in the fleet by three neo aircraft and as a result of the increase in provision for heavy maintenance checks due to the lease extension of certain A330-200 aircraft.

Selling, Marketing and Advertising Expenses have increased by 24% year on year due to increases in Global Distribution System (GDS) cost, overriding commission (pax) and special incentives paid to UL agents which is on par with the 31% increase in passenger numbers carried compared to the previous year.

The Company was successful in curtailing the increase in expenditure on Airport, En-route and Passenger, Crew and other Expenses to only a marginal increase, compared to the 30% increase in the number of flights operated in 2017/18.

Pay revisions and the associated retirement costs based on Collective Bargaining Agreements, resulted in a 4% increase in employee costs during the year.

✈ Operational Review

Commercial Operations

Route network and fleet

SriLankan Airlines currently flies to 40 online destinations in 20 countries. Through codeshare operations, the airline offers passengers access to 64 destinations in 27 countries across North America, Europe, Central Asia, Africa, Canada and Australia.

During the financial year 2017/18, SriLankan Airlines expanded its cooperation with existing codeshare partners, Qantas and Japan Airlines with the addition of several new routes to Australasia and Far East Asia. SriLankan also launched a reciprocal codeshare partnership with Myanmar Airways International, enabling the Airline to facilitate the travel of passengers to Yangon through its hubs in Singapore and Bangkok. The codeshare cooperation also allows Myanmar Airways International to use SriLankan's services to promote passengers to Colombo. At present, SriLankan Airlines partners with Etihad Airways, Malaysia Airlines, Air Canada, Alitalia, Oman Air, Finnair, Japan Airlines, Qantas Airways, Jetstar Asia Airways, Qatar Airways and Myanmar Airways International on codeshare cooperation.

MANAGEMENT DISCUSSION AND ANALYSIS CONTD.

As at 31st March 2018, SriLankan operated over 350 scheduled flights out of Colombo each week across 38 routes. Of these routes, 10 were operated on South East Asian routes, 17 on regional routes, 10 on Middle Eastern routes and one to Europe.

Network optimisation and Revenue

Intensified regional competitive climate took SriLankan's passenger yields to record below the expected levels in 2017 whilst the freight operations enjoyed a significant growth in both demand and market yield. Despite the drop in passenger yields, effective commercial capacity utilisation and revenue management practices enabled the Airline to record the highest ever revenue and carried the largest number of passengers in its history, during the financial year ended 31st March 2018. The airline carried 5.8 million passengers at an overall cabin factor of 82.7%. This was the highest ever passenger load factor of the airline since inception and recorded passenger revenue of US dollars 860.38 million (LKR 131.72 billion) and cargo revenue of US dollars 95.51 million (LKR 14.62 billion). The total air transport revenue stood at US dollars 963.93 million (LKR 147.56 billion) with a growth of 28% as compared to the lower operating capacity of 18.5% in 2016/17.

Introduction of new destinations to India (Coimbatore, Hyderabad, Visakhapatnam) and launch of Melbourne in Australia accounted for most of SriLankan's productive capacity increase in 2017/18.

During the year, the airline successfully expanded its fleet to the highest ever in the history of a Sri Lanka based airline and achieved a major milestone in the nation's aviation history. This was primarily accomplished by the induction of three Airbus A321neo and one Airbus A320neo aircraft to the fleet. With the induction of neo family aircraft, SriLankan was able to pursue its intended strategy of operating a frequency-based schedule on regional routes. At the end of the financial year, 2017/18, SriLankan operated a fleet of 26 aircraft.

Worldwide Sales and Distribution

The challenging operating landscape in the airline industry continued to pose a substantial impact on our sales and distribution functions during the financial year under review. The most adverse impact came from the regional carriers with transitional business models—from legacy carriers to low cost or hybrid carriers.

In response, we have re-thought our selling and distribution strategy for both offline and online points of selling. Our passenger revenue stood at 1.71% above the budget alongside our net traffic revenue at 2.92% above the

budget—demonstrating our strong selling strategy that we maintained during the year. We celebrate this revenue achievement for the first time after 10 years which was also the highest revenue target in the history of the Airline. Our capacity also increased by 18.45% compared to the financial year 2016/17. The closely monitored channel wise route revenue coupled with the augmented agency commission levels also complemented the returns achieved in the year under review.

Our newly launched four stations in Visakhapatnam, Hyderabad, Coimbatore in India and Melbourne in Australia paved the way to expand our global presence and access new market segments, in turn, significantly contributing to our revenue portfolio. This together with our planned increases in frequency to existing destinations—Doha-Qatar, Dubai, Bangkok, New Delhi, Bombay and Bangalore—enhanced our service scope and revenue. Further, all flights traditionally operated through via-points—Colombo Canton via Bangkok and Colombo Hong Kong via Bangkok are now being operated as direct flights in order to best serve the passenger demand.

In the ensuing financial year, we intend to bring in structural and operational changes in terms of our global distribution system, agency commission programmes and direct channel optimisations. These changes are expected to reap exponential market returns in the next financial year despite the intensely competitive business backdrop.

Global Contact Centre

The Global Contact Centre is operated by the well-known Malaysian based contact centre operator, 'Scicom'. Through the contact centre, worldwide customers and FlySmiLes members have a one-stop touch point for numerous services including new reservations, date changes, ancillary and other services. The contact centre is equipped to handle 24x7 calls and email, Skype, extended payment options with Amex, Visa, Master and local bank deposits. The customers have the facility of reaching the contact centre through their local numbers from countries such as France, Germany, Singapore, United Kingdom, Hong Kong, India, Japan, Kuwait, Malaysia, Pakistan, Thailand and China. Firm plans are in place to expand this facility to all our online destinations. At present, the centre provides services in multiple languages including English, Sinhala, Tamil and Mandarin and have the capability of extending to other languages when necessary. To be in line with the digital initiatives undertaken by Sri Lankan Airlines, the centre will expand its 24x7 customer support to social media channels such as the Facebook and Twitter by the second quarter of the financial year 2018/19.

FlySmiLes

Marking a decade of excellence, FlySmiLes celebrated its 10th Anniversary on 1st April 2018 where four promotional campaigns were launched to increase member enrollment, engagement and to evaluate our service standards.

The latest member of the oneworld airline alliance, FlySmiLes serves over half a million passengers globally with a significant member growth of 12% compared to the previous financial year. Sri Lanka, India and United Arab Emirates have been the highest contributors amounting to 57% of the total membership growth.

FlySmiLes offers its loyal members a vast variety of accrual and redemption options among 13 oneworld member airlines, two FlySmiLes partner airlines and 28 local and international non-airline partners. The earn burn ratio for the financial year 2017/18 stood at 58% which stands above the industry benchmark. In comparison to the last financial year, FlySmiLes has experienced a 11% growth in total revenue generated through the loyalty programme which included a 29% non-airline partner revenue growth.

FlySmiLes has continuously been a vital part of strengthening the bond between the Airline and much valued passengers. We remained consistent in our efforts to provide an enhanced frequent flyer experience to our loyal members in the year 2017/18. This included the relocation of the FlySmiLes Service Centre to Iceland Business Centre, in Colombo 03; launch of the dedicated FlySmiLes webpage; and the commencement of the "Red Carpet" promotional campaign phase 01.

Furthermore, in order to enhance the profitability and growth of the FlySmiLes loyalty programme, the accrual chart and excess baggage redemption rates were revised and a single redemption chart for SriLankan Airlines and oneworld partners to redeem award tickets was implemented.

In the ensuing year, 2018/19, we have plans to increase our non-airline partner portfolio to enable additional accrual and redemption options to our valuable members and facilitate redemption options on ancillary products and services. We also intend to encourage exclusive benefits for online transactions.

SriLankan Holidays

The business portfolio of SriLankan is not limited to air travel and transport, but, encompasses the totality of travel and transportation services. SriLankan Holidays, the leisure arm of the Airline, offers a range of services to both inbound and

outbound passengers. The Island has a tremendous edge in the fact that it offers diverse attractions with accessibility within a short period of time.

SriLankan Holidays partners with a number of leading hotels, tour operators and other tourism related organisations to leverage on this advantage. The inbound arm networks with 24 SriLankan Holidays franchise operators, operating from all our destinations. The strategy of SriLankan Holidays thus, mirrors our overall corporate strategy which focuses on growth markets.

In addition, the outbound arm of SriLankan Holidays provides travel services within our network to travelers from Sri Lanka and serves the passengers channeled through travel agents as well as corporates and direct passengers. During the year, we further penetrated operations into outlying markets in Sri Lanka with the aim of establishing the SriLankan Holidays brand in all parts of the island.

In terms of cost management, many costs saving initiatives were also introduced to the Connecting Point Services programme, resulting in a substantial saving for the Company. SriLankan Holidays offered travelers, whatever their nationality, origin or destination, a range of enjoyable holiday opportunities from which they can select according to their tastes and their budgets.

Ancillary Services

Ancillary services revenue recorded a remarkable achievement in the financial year 2017/18, with the year-on-year growth of 36%. This exceeded the annual capacity growth, highlighting the success in customer acceptance of such services.

The driving principle of the Airline during this period was to identify customer needs and provide such ancillary services as a value addition. In addition to the existing ancillary products of seat upgrade, prepaid baggage allowances, extra legroom seats and car rental services, the Airline intends to launch advance reservation of preferred seats and the facility to order a special meal for economy class passengers for the ensuing financial year, 2018/2019.

Further taking into account the growing importance of ancillary revenue for the industry, SriLankan has taken steps to launch a new brand campaign to create further consumer awareness of the ancillary products offered by the Airline.

MANAGEMENT DISCUSSION AND ANALYSIS CONTD.

SriLankan Cargo

The year 2017 was an exceptional year for the air cargo industry, achieving its strongest performance since the global financial crisis in 2010—largely due to a surge in the inventory restocking cycle during the period. According to the International Air Transport Association (IATA) the demand, measured through freight ton kilometers, grew by 9.0%—greater than double the annual growth of 3.6% measured in 2016. While the available capacity in the market rose by 3.0%, it was the slowest annual capacity growth since 2012, with the demand growth outpacing the growth in capacity by a factor of three. Strong consumer confidence in e-commerce and pharmaceutical transportation stood as the key drivers of this growth. All global markets enjoyed a significant increase in yield and thereby, recording favorable operational margins.

SriLankan Cargo was able to capitalise on strong global market dynamics and achieved revenue of US dollars 96.2 million in the financial year under review, representing a growth of 18% over the previous year's performance. This accounted for 10% of the total air traffic revenue recorded for the period. The airline recorded a cargo carriage of 132,958 metric tons for the period, representing 14% increase over the previous financial year and cargo yields per revenue ton kilometer saw 10% growth being recorded at US dollars 0.23.

The base station, Sri Lanka, accounted for 24% of the revenue and 5.0% increase in total uplifted volumes from the previous year. India accounted for 21% of the total cargo revenue, with Chennai accounting for 10% of the same. China, a key air cargo market, accounted for 19% of the cargo revenue, corresponding to 10% reduction from the previous year due to the reduction in capacity on the Guangzhou and Hong Kong routes. The Middle East market, traditionally poor contributors for air cargo, faced the highest growth from the previous year by 67% during the period, mainly supplemented by the restructuring of historical network distributions from key producer markets in order to maximise the overall cargo revenue potential on the SriLankan network. Europe accounted for 6.0% of the total revenue, with the United Kingdom market achieving an improvement of 107% from the previous year. The improvement from the United Kingdom was achieved through the commencement of operations into Melbourne in October 2017, allowing SriLankan to capitalise on the high yielding e-commerce movements from the region. The Melbourne route has proven to be a lucrative operation for cargo and will continue to be a key gateway for Europe in the future.

SriLankan cargo took the strategic decision to cease third-party freighter operation that was maintained on an ACMI (Aircraft, Crew, Maintenance, Insurance) basis since 2014,

on 31st December 2017. The freighter was mainly operated into Bangalore with operations into Mumbai and Dhaka based on demand. The operation was deemed unfeasible with the reduction of network capacity and thereby, the poor connectivity options for the desired yield cargo. In order to supplement the loss of freighter capacity to the key market, Bangalore, SriLankan Cargo entered into strategic trucking agreements connecting the cargo vice versa utilising the wide body capacity on the Chennai and Cochin routes.

Special Prorated Agreements (SPA's) with partner carriers continued to be a key avenue for customer connectivity and will increase in importance for SriLankan Cargo with the forecasted route rationalisation from key cargo hubs. The SPA's were able to supplement the capacity reduction on the Hong Kong route and providing connectivity via Kuala Lumpur and Maldives as well as providing additional capacity for high demand sectors out of China that aided in increasing SriLankan cargo's share in the growing e-commerce market.

Post Office Mail revenue amounted to US dollars 1.2 million in the financial year under review. The movement was mainly supplemented by e-commerce, an identified driver of air freight profitability. Its momentum is forecasted to support the air cargo demand beyond the rate of expansion of world trade in 2018. The e-commerce segment was a strong area of focus for SriLankan Cargo in 2017/18 and will continue to be so in the future.

Despite the exceptional year that air cargo had in 2017, the industry continued to face challenges in terms of sustainability, profitability and customer satisfaction. The threat of substitutes remains high with shipping and rail offering new products and with customers looking at mixing transport options to balance cost and speed. The industry is therefore challenged to increase the efficiency and service quality of air cargo. The year ahead looks to be another good year for air cargo provided that the carrier is poised with the required levels of service to stay above the competition, not only in the air freight industry, but, amongst that of the substitutes as well. SriLankan Cargo will face a challenging year ahead with the rationalisation of key cargo routes and would require dynamic strategies to ensure customer expectations of speed and connectivity.

Flight Operations

Safety is an absolute need in aviation with no room for compromise—a global industry standard by compulsion. To remain consistent and performance centric in this regard, we have placed compliance, standards, training and aircraft performance functions under the purview of three Chief

Pilots led by the Head of Flight Operations. Our Airline has successfully and consistently held an unblemished record of safety, in its laurels, second to none by global industry comparisons. During the period under review, the Airline flew 34,477 flights, carrying 5.8 million customers, with a wing span of 41 destinations in 20 countries by highly skilled and trained crew of 320 pilots.

Airline Operation Control Centre (AOCC)

AOCC is the nerve centre, entrusted for carrying out the published schedule whilst managing disruptive eventualities, making proactive and swift operational decisions for fast recovery of the flight schedule. AOCC is responsible for monitoring the operation '24x7', working in close coordination with all stakeholders and taking a broader view of the entire network operation. Planning, monitoring and disruptive impact evaluation to the network are salient daily routine functions, ensuring customer convenience, process efficiencies and cost-effective decisions. AOCC acts as a forerunner in on-time-performance (OTP), ensuring timeliness of flights in line with the stipulated minimum ground times for preparing an aircraft for a departure. Punctuality monitoring section makes a synergetic coordination with AOCC and with the entire network stations along with all stakeholders for monitoring OTP for consistency, which is an industry key performance indicator. The airline maintained an average OTP of 80% <15 (within 15 minutes departure) and 82% < 15 (within 15 minutes arrival) as against an industry bench mark of 85% <15 minutes.

The prime function of Flight Dispatch Centre (FDC) under the purview of AOCC is to prepare flight plans, comply with all international regulations, route clearances and allow maximum payload uplift for each flight. FDC also keeps a closer tab on global fuel prices and relies on 'tankering', an exercise carried out to optimise the Airline's fuel consumption. The Airline was able to reap considerable savings on fuel as a result of this exercise during the period under review. Further, the services rendered handling foreign airlines, strengthened FDC's ancillary revenue.

Fuel Monitoring

Fuel is a major component of the Airlines' cost structure, especially in the backdrop of global price volatility. Monitoring the usage of aviation fuel (jet A-1) under Flight Operations department is vital to ensure optimal fuel usage and cost effectiveness. This stringent monitoring process of aviation fuel has created an awareness amongst all stakeholders to be cautious and accurate in weight calculation, distribution and planning—factors that determine fuel burn, with flying techniques of skillful pilots for optimum performance.

The Airline secured a measure of global rankings for fuel usage and efficiency, placing 15th and 8th in the category of similar business models, consecutively in 2015 and 2016. The results for the year 2017 are yet to be made known by the competent body.

Emergency Response Plan (ERP)

Readiness and ability to act fast in the event of an emergency is an absolute 'Sine qua non' in aviation as upheld by SriLankan Airlines. The corporate emergency response plan that is in place, is a well-articulated plan, for all stakeholders involved in handling an eventuality. Periodic training and simulation exercises are carried out for maintaining a consistent level of awareness, boosting the know-how and fine-tuning the response time to face an emergency situation. ERP is spearheaded by the Head of Flight Operations.

Inflight Services

Inflight Administration

Aligned to the SriLankan brand values, we continued to uphold our much-valued tradition of hospitality. The cabin team, well-poised and trained, gave precedence and strived to reach out to excellence in inflight services. Demonstrating our commitment, passenger surveys conducted during the year, reflected a 90% overall rating for business class inflight experience.

The key initiatives carried out in the financial year under review are set out below:

- ➔ **Engaging Pursers:** Seeking to instill SriLankan brand values, the management team of the Inflight Services sought to engage pursers through an interactive discussion. At the discussion, the management emphasised the importance of their job functions in delivering the brand promise on-board, with the support of their respective cabin crew. The discussion, inter-alia, focused on the commitment and dedication of the pursers and their teams, customer service, product development, engineering concerns for crew compliance and food and beverage delivery on board.
- ➔ **Crew day:** Closely engaging the cabin crew, the Inflight Services initiated a crew day to be held on a monthly basis where the inflight management team could meet the crew arriving after flight duty between 5 am to 5 pm. This initiative is expected to improve communication between the crew and the management and pave the way to iron out and redress crew grievances effectively.
- ➔ **Monitoring of crew leave:** The stringent monitoring of crew leave by the Inflight Administration section has lowered the number of sick reportees by 30%

MANAGEMENT DISCUSSION AND ANALYSIS CONTD.

- ➔ **Service recurrent Training:** Introduction of Service recurrent training to ensure crew consistency and standards in delivery.
- ➔ **Business class service:** Introduction of dedicated stewardesses in the Business class cabin to ensure an excellent service is extended to the passengers travelling on Business Class

Inflight Support Services

The Support Services division continued to focus on being thrifty, improving efficiency and driving for cost savings in the year under review. The division achieved a saving of USD 389,000 on inflight publications, aircraft laundry, inflight amenities and catering equipment. A considerable system-wide reduction in meal costs were achieved without compromising on quality and standards and the passenger ratings on food and beverage. The meal costs reduction touched approximately USD 106,000 with respect to overseas stations and USD 255,000 from Colombo. This year, we also introduced 'buy on-board' meal for the Economy class passengers to further improve the Support Services income. The division also sought to repair, refurbish and re-use meal carts, particularly, those returned from the stations that closed in the year. This enabled the Support Services to save substantially without purchasing new meal carts.

Inflight Duty Free

The first cycle of the in-house on-board duty free sales operations commenced on 28th June 2017 and ended on 2nd July 2018. Inflight Duty Free recorded a monthly average profit of US dollars 210,000 and a daily average revenue of US dollars 15,000.

Inflight Training

Driving for excellence in service standards, we extended comprehensive inflight training opportunities to the cabin crew in the year under review. We re-commenced service recurrent courses to ensure crew consistency and standards in delivering the best passenger experience on-board. The training covered economy and business class service needs, standard operating procedures, customer feedback and passenger interaction. We also extended well-rounded training for dedicated stewardesses to cater to the discerning needs of the business class passengers. The stewardesses were selected on the basis of their seniority, body mass index (BMI), attendance records and performance.

Inflight News

A monthly staff newsletter was launched to disseminate information on the inflight department's progress, events, announcements, special staff achievements and industry news. The newsletter is aimed at keeping 1,300 inflight staff members well-informed and up-to-date.

Inflight Future Outlook

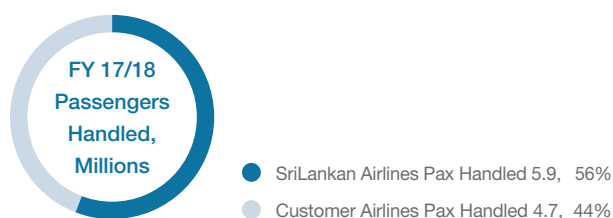
The Inflight Services will continue to give strategic priority in the ensuing financial year to extend an outstanding cabin service aligned to the SriLankan brand. To this end, we will continue to invest in cabin crew training in terms of product as well as service quality. Apart from service standards, the inflight departments will remain focused on optimising costs. Plans are in place to further automate the processes including the cabin crew voyage report and seek to be fuel efficient, particularly, re-evaluating and driving for weight reductions of all on-board items.

✈ Business Units Review

SriLankan Airport and Ground Services

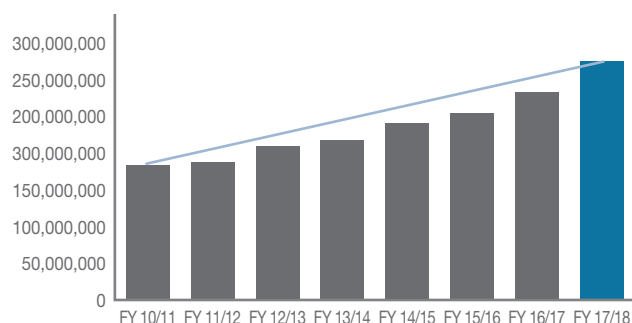
Performance

Committed in our efforts to deliver 'safety, precision and service', our Airport and Ground Services marked an outstanding financial year in 2017/2018. The department achieved 13% and 21% growth in work volume and in net earnings respectively as against the last financial year.



Significant increases in work volume came by way of the national carrier, Sri Lankan Airlines, with increased destinations and flight frequencies accounting for 53% of the total flights handled at the Bandaranaike International Airport. Both airport and cargo handling recorded 14% growth in revenue as against the preceding financial year; contributing US dollars 103.98 million to the total earnings of the Airport and Ground Services. This gave rise to the highest ever net earnings of US dollars 61.55 million.

Cargo Tonnage Handled



Airport services witnessed increased business volumes on account of signing fresh contracts with key customers such as Indigo, Silk Air, China Southern, Gulf and Enter Airline Operators. The number of aircraft movements handled by the Airport and Ground Services was 65,090. The total number

of passengers handled reached 10.6 million whilst airport services contributed US dollars 79 million to the division's total revenue.

Cargo operations recorded the highest tonnage handled to date, 277,000 metric tons, whilst maintaining 99.95% handling reliability throughout the financial year. The total revenue contribution from cargo operations amounted to US dollars 25 million. Recognising the importance of keeping abreast with digitalisation taking place within the cargo handling industry, key initiatives were rolled out to encourage user migration to e-air-way-bills. This resulted in achieving 70% penetration of digitised work processing within the Colombo market.

Key Improvements

Airport and Ground Service department rolled-out a number of key initiatives in the year under review as set out below, with the aim of improving service and operational standards, enhancing efficiencies and infrastructure in passenger, baggage and cargo handling operations.

- ➔ Service interventions were launched in consultation with industry experts with a view to improve service levels offered to the valued guest
- ➔ Carried out necessary improvements to handling infrastructure in partnership with the airport operator, Airport and Aviation Services Sri Lanka with respect to an additional baggage scanning facility
- ➔ Requisite priority was afforded to making investments towards re-fleeting of Ground Support Equipment
- ➔ Extended additional incentives to staff for their commitment and dedication to the Airline
- ➔ Introduced variable rosters to best-fit operational demands
- ➔ Extended training opportunities to staff to enhance product knowledge and skills
- ➔ Placed special emphasis on safety aspects by organising knowledge sharing workshops, compliance audits and awareness programmes
- ➔ Participated in the Company-wide environmental campaign, the 'Green Challenge' where our cargo operations team won with their proposal to reduce polythene products in operations

Compliance and Recognition

Airport and Ground Services comply with the regulatory standards of the International Aviation Bodies of IATA Ground Handling Council, IATA Safety Audit for Ground Operations (ISAGO) and IATA Operational Safety Audit (IOSA). The team is geared to face the next cycle of audits by these international bodies proposed to be carried out in the ensuing financial year.

MANAGEMENT DISCUSSION AND ANALYSIS CONTD.

During the year, Airport and Ground Services was recognised by the Korean Air for the continuous cooperation and support extended during their internal evaluation of service quality and nominated the department as the highest quality service provider amongst the ground handling companies in the South East Asia. Malaysia Airlines also recognised Airport and Ground Service for an outstanding effort and commitment given in support of 100% safety in the year 2017.

Future Outlook

Airport and Ground Services stands committed to take forward its ambitious plans of re-structure; seeking to bring in a leaner and more efficient work culture, thereby, enabling the department to navigate through the competition. The team ensured 'safety, precision and service' in executing duties towards our valued customers.

Engineering

SriLankan Engineering, our in-house aircraft maintenance division, recorded a milestone year in 2017/18. The division successfully completed the transition to the 'Modern Maintenance, Repair and Overhaul' (MRO) model, with dedicated production lines to carry out parallel maintenance checks. Accordingly, our operations now comprise individual 'A' Check and 'C' Check lines, capable of conducting maintenance up to 4C/6Y checks. This transition has enabled to streamline the maintenance process, thereby, improving efficiency and reducing the turn-around times for aircraft maintenance. We also streamlined our operations at the line maintenance division, seeking to expand our third-party revenue. Well aligned to the new Part M regulatory (CAASL-IS Part M) guidelines in relation to continuing airworthiness management, several internal procedural changes were initiated along with the necessary revisions to the management structure to optimise these capabilities.

In the year under review, we carried out nine heavy maintenance checks on the Airlines' fleet including two 12Y checks. We took delivery of three new Airbus A320neo family aircrafts. The engineering team played a key role in technical acceptance of the aircrafts and coordinated effectively with the aircraft and engine manufacturers and the aircraft lessor to minimise the impact to the airline from engine related issues that impacted the global A320neo family fleet. They worked closely with relevant parties to resolve issues which impacted ETOPS operations and took necessary steps to further the engine condition monitoring process in collaboration with the engine manufacturer. As per the data from the aircraft manufacturer, Airbus, SriLankan's A320neo family aircraft reliability as well as utilisation were well above the global average for this period as a result of these initiatives.

We also upgraded and enhanced our infrastructure facilities during the period under review, including several enhancements to its narrow-body aircraft hangar to bring it in line with the latest international standards. Renovation work on the wide-body aircraft hangar is currently ongoing and is due for completion and launch in the ensuing financial year, 2018/19.

The engineering division anticipates an expanded scope of work for third party activities during the next financial year, with plans to expand the aircraft certification approvals as well as gain approval for additional component repairs.

SriLankan Aviation College



Top Performing Training Centre in the South Asian Region 2018
SLAC was recognised at the IATA Global Regional Training Partners Conference, Istanbul, Turkey, 16th-18th April 2018

The SriLankan Aviation College (SLAC), the training arm of SriLankan Airlines, marked a noteworthy performance with key milestones achieved in the year under review. The College collaborated with well renowned training and academic institutions and extended comprehensive aviation study options to students as well as to working professionals. The recognition gained from the IATA Global Regional Training Partners at the Conference held in Turkey stands as a testimony in this regard. The key initiatives of the financial year are set out below:

- ➔ **Bachelor of Engineering:** The College successfully collaborated and signed a Memorandum of Understanding with the Kingston University, London, to extend the Bachelor of Engineering (Honors) top-up degree in aircraft engineering in Sri Lanka. This programme which was initiated in the UK since 2001 is expected to enable students who are qualified up to an 'EASA B License Training Certificate' to obtain an honors degree, accredited by the Royal Aeronautical Society. Working professionals who have obtained the EASA

Part 66/CAASL IS 66 License or equivalent Category B Aircraft Maintenance Engineering Course are eligible to apply for the top-up degree on a part time basis. An experienced panel of lecturers from the Kingston University will support the programme with convenient course schedules to best-fit the employees working for the Airline.

- **Bachelor of Science:** SLAC also collaborated with Sir John Kotelawala Defence University (KDU) in the year under review and jointly launched a new programme, Bachelor of Science in Aircraft Maintenance Engineering. The first batch commenced their studies in April 2018. The four-year degree programme focuses on preparing undergraduates to be more competent and confident to take up their future role as aircraft maintenance engineers.
- **Practical training:** The College also initiated and developed the necessary processes to set up a practical training unit for the technical training students. The proposed acquisition of two non-worthy aircrafts will further add value and support the training unit. SLAC also commenced operations in Colombo with fully equipped training facilities to extend full and part time course options.
- **Diversification and rebranding:** Apart from the aviation courses, the College also sought to venture into non-aviation related areas which will complement internal and external training initiatives.
- **Rebranding:** Firm plans are in place to rebrand the College and strengthen and promote the institution. SLAC proposes to appoint an academic consultant to overlook all academic functions whilst seeking to obtain university status under the purview of the University Grants Commission.
- **Eco-friendly training:** The College continued to advocate responsible environmental practices in training and remained focused in its efforts to be 'paperless' in terms of using training aids, preparing manuals and carrying out examinations. SLAC staff was encouraged to adopt environmentally friendly habits like 'saying no; to polythene lunch sheets and creating awareness on responsible consumption of resources including paper, water and energy.

SriLankan Catering Limited

Performance

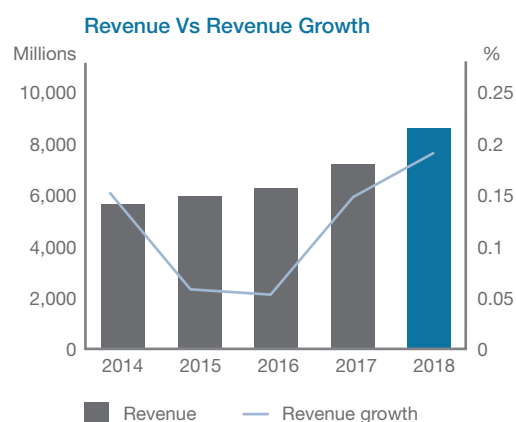
SriLankan Catering Limited is a fully own subsidiary of SriLankan Airlines Limited and is the sole provider of inflight catering at the Bandaranaike International Airport (BIA). SriLankan Catering recorded another successful year, with a noteworthy growth in performance and made a significant contribution to the bottom-line of SriLankan Airlines.

SriLankan Catering's performance of the last 10 years has given a clear indication of its strengths and potential. The Company has proved its ability to deliver attractive returns to its shareholders, even in the midst of adverse business conditions.

Apart from its main operation of inflight catering, the Company also manages and operates restaurant cum lounges for transit passengers at the BIA and the Mattala International Airport (MRIA). As a part of its ancillary business activities, it also manages and operates the Serenediva Transit Hotel, an industrial laundry, the vanilla pod outlet and Semondu restaurant at the Dutch Hospital in Fort.

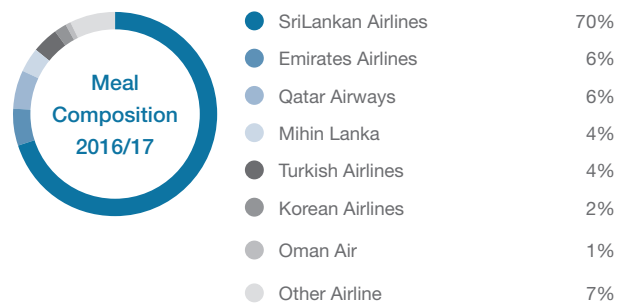
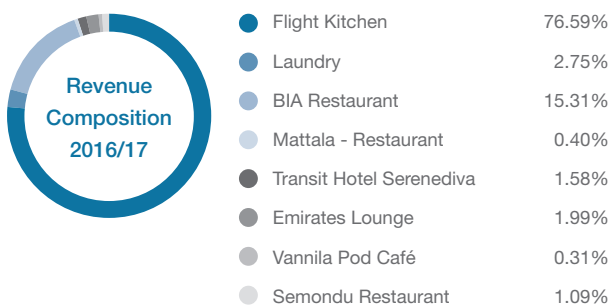
Revenue

SriLankan Catering continued to strengthen its top-line, with revenue increasing by 19.14% to LKR 8,598 million during the year as against LKR 7,216 million achieved during the corresponding year. The revenue grew by a 5-year compounded annual growth rate (CAGR) of 11.93% from the financial year 2013/2014 to 2017/18.



There is no major change in the composition of revenue during the year under review in comparison to the previous financial year. During the year, inflight catering contributed 78.57% to the total revenue, just above the share of 76.59% in the previous year. The impressive performance of the inflight catering division had a 22.23% increase in revenue to LKR 6,755 million in 2017/2018 compared to LKR 5,527 million in 2016/17. This was mainly due to the increase in number of meals by 22.61% compared to 6,270,457 meals recorded in the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS CONTD.



SriLankan Catering was also able to enlarge its customer base during the period, with two other airlines namely China Southern and Gulf Air added to its portfolio. However, during the period under review, the SriLankan Catering ceased its business ties with Saudia Airline.

The main contributor to inflight catering turnover is SriLankan Airlines which represents 65.59% from total inflight turnover and 75.56% of the total meal production compared to 69.86% in 2016/2017. During the period, number of meals bought by SriLankan Airlines increased by 32.6% to 5,808,805 meals from 4,380,690 meals in the preceding year.

The contribution from the airport restaurant at the BIA was 14.08% of the total revenue. The airport restaurant revenue increased by 9.58% to LKR 1,210 million as against LKR 1,104 million in the preceding year. Apart from that, the other ancillary business turnover has increased by 8.04%.

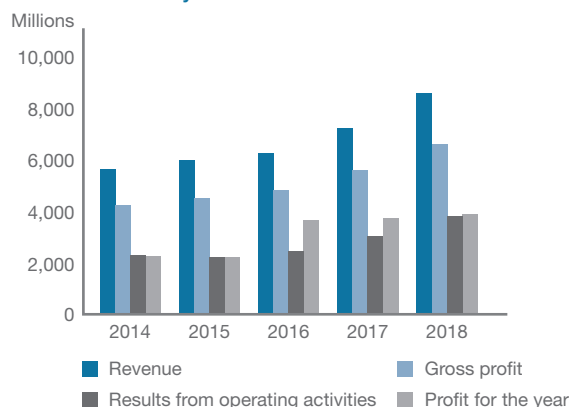
Operational Expenses

Total operating expenses increased by 9.18% to LKR 2,823 million during the year as compared to LKR 2,586 million in 2016/17, given the increases in administrative expenses by 7.00% and other operating expenses by 12.36% compared to the last year.

Profitability

Gross profit increased by 18.60% to reach LKR 6,624 million in the year under review with the diminishing gross profit margin by 0.46% from 77.40% in 2016/17 to 77.05% in 2017/18. This was due to the increase of cost of sales more than the increase in turnover. However, SriLankan Catering was able to continue with a stable gross profit margin over the last five years between 75% and 77%.

Profitability



During the financial year under review, the operating profit grew by 25.75% to LKR 3,809 million and operating profit margin recorded an increase of 5.4% from 41.98% in 2016/17 to 44.31% during the period as a result of the strong growth in the top-line. Net profit has increased by 4.12% to LKR 3,890 million compared to the previous year. However, the net profit margin has decreased from 51.78% to 45.25% mainly due to the fall in exchange gain recorded in the year under review.

SriLankan Catering has recorded earnings per share of LKR 4.14 for the year in comparison to the earnings per share of LKR 3.97 recorded in the previous year. During the year, there was no change in the number of issued shares. Hence, the increase in the earnings per share of 4.12% is equal to the increase recorded in the net profit attributable to equity shareholders.

Key Improvements

During the year under review, SriLankan Catering has invested approximately LKR 284 million in many new expansion projects. This includes the enhancement of security project to meet the ICAO security standard requirement; the first phase is fully completed and 95% of the 2nd phase was completed during the year under review. SriLankan Catering also, has invested in modernising the BIA airport restaurant to increase its capacity to cater to the increasing demand; 90% of the refurbishment was completed at the end of the financial year under review. Apart from these, SriLankan Catering invested in a construction project of a training and welfare facility center for outsourced staff. The Company also made an investment in Serenediva transit hotel to expand its existing capacity by increasing the number of rooms. This investment is expected to increase the turnover of the transit hotel.

SUPPORT SERVICES

Information Technology

SriLankan IT Systems

SriLankan information technology, branded as 'SriLankan IT systems' facilitates the digital Transformation of Airline Business and Operations with the state-of-the-art Aviation ICT back bone and digital initiatives spanning across the SriLankan Group.

Enabling the airline strategic priorities of providing passengers with reliable and pleasant travel experience, SriLankan IT systems introduced new customer centric digital solutions and revamped number of e-business products during the financial year 2017/18. These included mainly the revamping of the corporate web site, online Sales Channels, FlySmiLes website, the Airline's frequent flyer programme; Mobile App enhancements, enabling e-voucher for SriLankan Holidays, the holiday arm of SriLankan and activation of shopping basket solution with series of new ancillary services through Airline Passenger Services System.

New FlySmiLes Website

SriLankan IT modernised the FlySmiLes website with a new look and more functionalities to improve online experience of frequent flyers. The revamped website has shown an improved customer satisfaction with simplified user centric features while maintaining the consistency within all SriLankan corporate websites and meeting the required compliance and standards in Aviation regulations. This modernisation has also facilitated to offer promotions to FlySmiLes members within the expected time frame. This website entailed significant improvements on the user interface and user experience aspects in the website. The new site is mobile friendly with responsive web interface design that facilitates customers with a new and a simplified user registration page which enhanced customer reachability through mobile technology.

Digitalisation / Improved Efficiency

Seeking to improve airline process efficiencies, SriLankan IT Implemented digitisation solutions for both internal and external stakeholders of the Airline. The on-board duty free system which was initiated in the previous year has been implemented to digitise on board retail platform with online,

MANAGEMENT DISCUSSION AND ANALYSIS CONTD.

real-time payment capability which eliminated paper-based processes. Similarly, Interactive Voice Response Integration (IVR) at the Global Contact Center resulted process automation with improved work efficiency. The customers of SriLankan Holidays were given the privilege of using an e-voucher that replaced the manual voucher enabling improved efficiency and digital customer experience. Furthermore, an automation of the Electronic Miscellaneous Document (EMD) reconciliation process benefited to improve work efficiencies in multiple departments by proving an increased level of customer satisfaction as another end result.

Innovation / Cloud Technology

SriLankan IT Systems extended its e-business product suite through Cloud Technology to gain maximum on-line presence and higher customer reachability. World Wide Content Delivery Network (CDN) has been set up to make www.srilankan.com and associated web sites and web portals accessible through multiple geographical spread across the globe. An improved web presence with increased speed of access made greater customer satisfaction. Cloud based Technology supported by industry leading technology platform is now in place for seamless web experience of the global passenger.

Management Information System (MIS)

SriLankan IT Systems further enabled data driven, real time Management Information System (MIS) platform for Airline business and operations. This entailed a self-service business intelligence (BI) platform supported by predictive analytics and scenario simulations. Airline Insights are currently being populated across each business units as a key decision support system which will be further improved with Machine Learning (ML) and Artificial Intelligence (AI). The platform is fully integrated with mobile dashboards and real time feeds supported by operational statistics representing the critical data sets required by the business. The Airline is expected to benefit more with the further innovation through cost effective MIS solution.

Standards, Compliance and IT Governance

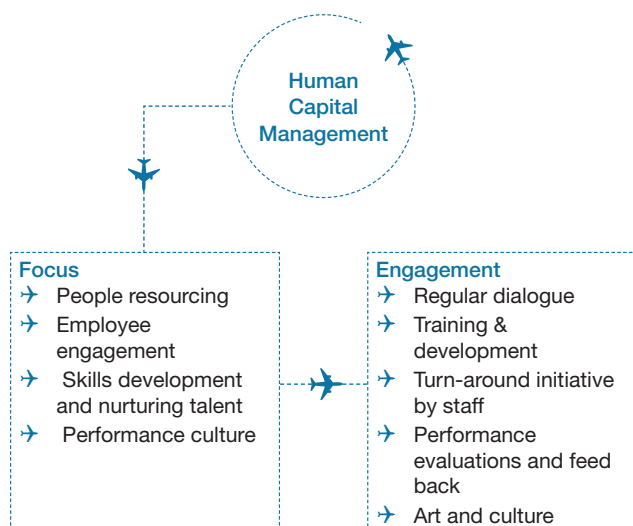
Upholding Aviation ICT standards for compliance in Air transportation Industry SriLankan IT Systems continued to carry out the required IT regulatory and governance programs in a timely manner. Enterprise Resource Planning

System (ERP) has been enhanced with a tier upgrade, AIRMAN A320 Expansion and MEL Linking programs were initiated successfully in this direction. The required passenger processing data standards, information exchange and live feeds with travel destination has been governed successfully. A solution for Identity management has been introduced to strengthen the company directory services in order to facilitate real-time update of employee data objects with HR and IT Systems. Network security compliance and threat management solutions were implemented and the Security Information and Event Management (SIEM) solution was adopted to sustain high security in the IT services. SriLankan achieved ISO/IEC 27001:2013 Information Security Management System (ISMS) certification for the SriLankan Group IT during the financial year 2017/18. SriLankan IT is also certified for ISO/IEC 20000:2011 in Service Management Systems and ISO 9001:2015 in Quality Management Standards.

High Available Aviation ICT

SriLankan Business and Operational Continuity with always on 24x7 uninterrupted ICT services is one of the key goals of SriLankan IT Systems. During the preceding financial year, SriLankan Airlines was able to maintain a record of service excellence through uninterrupted business with robust Aviation ICT service covering worldwide airline operations. The required ICT services covering global communication and business systems have been established for the newly launched destination Melbourne, Australian with end to end system operations. SriLankan IT systems provides round the clock 24x7 IT shared Services to SriLankan Group entities and all airlines operating in Colombo Airport.

✈ Human Resources Management



Operating within the aviation industry and considering the challenges we have in hand, we recognise the significance and give top priority towards building a strong team to lead the organisation and meet our strategic goals. Our management approach to human resources (HR) encompasses four strategic areas—optimising on people resourcing; closely engaging employees; skills building and nurturing talent; and driving for a performance-based culture. Aligned to these four areas, we give due precedence to recruit the right-profiled people, extend an enabling workplace where our team could learn and develop their skills and be recognised and rewarded for their dedication and performance; in turn, boosting employee morale and securing higher level of productivity—essential to turn-around and ensure the viability of our operations.

People Resourcing

The team SriLankan is our most valuable asset and we stand fully committed and responsible to channel this asset in the most productive and fulfilling manner. We are focused in our efforts to optimise our cadre structure, thereby, paving the way towards leaner and efficient operations. The key initiatives carried out in the reporting year in this regard are as follows:

- ✈ **Restructuring teams:** We closely engaged our line managers and worked in concert to redesign job roles, amalgamated job functions to eliminate duplication of work, strategically invested in technology for greater automation and introduced new work patterns to optimise on our cadre numbers.
- ✈ **Bracing the recruitment process:** We re-looked at and refined our recruitment strategy to attract the right-profiled talent, especially significant in a more challenging job market with shifting expectations of job seekers and increased competition for the right talent. We launched in the year our online career site, progressively moving towards 'social recruiting'—securing the right talent within the captive market through social media. We also networked and tied up with career guidance units in universities to ensure a talent pipeline ready for recruitment. We introduced a new scheme 'pay as you earn' to obtain professional qualifications, particularly, aiming at attracting young and potential talent and support them with necessary skills to best-fit our job requirements.

Employee Engagement

Driving to sustain our positioning as an 'employer of choice', we continued to strive to create an inclusive workplace, upholding equal opportunity for all employees across the organisation. We closely engaged and encouraged them to be dedicated and committed to their work, thus, complementing the operational performance and supporting our efforts to deliver our corporate strategy. The key activities carried out in the year under review to engage employees are set out below:

- ✈ **Campaign UL 1st:** Initiated an employee engagement theme to encourage them to come together and work in unison to achieve our corporate goals. This year's theme invited everyone to prioritise SriLankan above self-centered motives and sought to inspire the team to be focused and work for the common good of the organisation. We nurtured the SriLankan values—creativity, diligence, leadership, proactiveness and accountability—within the workplace, to make positive strides towards achieving our corporate goals.

MANAGEMENT DISCUSSION AND ANALYSIS CONTD.

→ **UL 1st team challenge:** Well in line with the values advocated by this year's employee theme, UL 1st, as discussed above, we organised a cricket tournament along with a learning session for our employees across the Airline. This programme was structured to educate employees through the game on the theme 'think, learn and win' and encouraged them to adopt and replicate the learning at the workplace. Recognising that "cricket is an extravagant metaphor for life", the programme extended a good training opportunity for all participants to brainstorm, strategise, work together as a team, perform under pressure and to be committed to achieve goals. Well received by the team, this programme paved way to boost staff interaction, strengthen bonds between employees, enhance life skills and create a team centric work environment.

Skills Building and Nurturing Talent

In a challenging aviation industry backdrop, focusing on building expertise with diverse skills is critical to ensure viability of operations and business continuity. This underscores our efforts and the investments we make to develop and harness human talent across the organisation. To this end, we offer comprehensive and well-structured skills training opportunities, mentoring, coaching and on-the-job training, thereby, seeking to build key competencies in terms of technical as well as soft skills.

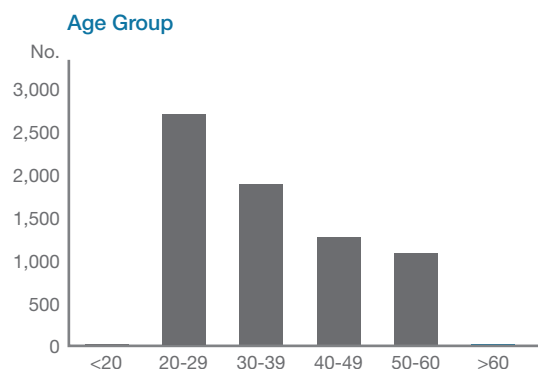
- **Succession planning:** The scope of our talent management programme encompasses key senior management positions as well as middle management and executive grades across all departments in the organisation. Great emphasis is placed on developing a contingency plan to keep the organisation prepared for unexpected attrition that may take place and to minimise the impact of losing key employees. Our talent management policy looks at filling 80 percent of managerial vacancies with home-grown talent within the organisation, thus, saving a considerable amount of time and cost whilst enabling career progression for the existing employees.
- **Country/area managers talent pool:** As an employer with a clear understanding of the importance of people, we continued to be proactive and take necessary measures to develop the next generation to take on the mantle of leadership in the future. With the vision of unearthing and developing skills of the next generation of country/

area managers, we initiated the 'manager talent pool' by shortlisting a group of potential employees possessing talent, expertise, experience, skills and personality traits required to represent the Airline as a country/area manager.

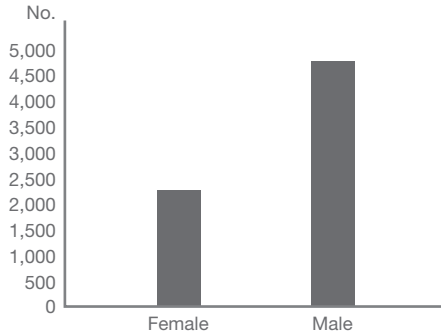
Performance based Compensation and Rewards

Nurturing a performance-based work culture is given top priority within the Airline's HR strategy. We continue to advocate and duly reward performance to transform our organisation into results-oriented workplace. Hence, we place a strong emphasis on driving a fair performance assessment across the Company and aligning compensation and rewards with results ascertained through this process.

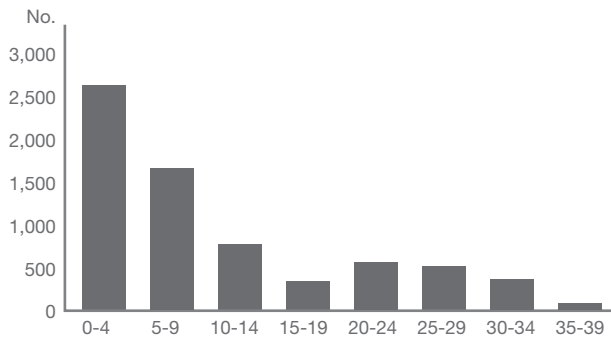
In the reporting year, we continued with our efforts to improve and refine our performance evaluation system. We set up performance review committees to drive each phase of the performance cycle whilst educating all managers across the organisation on effective goal planning and performance management. We initiated a performance driven compensation model to tie up compensation to performance and customised our reward schemes to give due recognition to specific achievements.



Gender

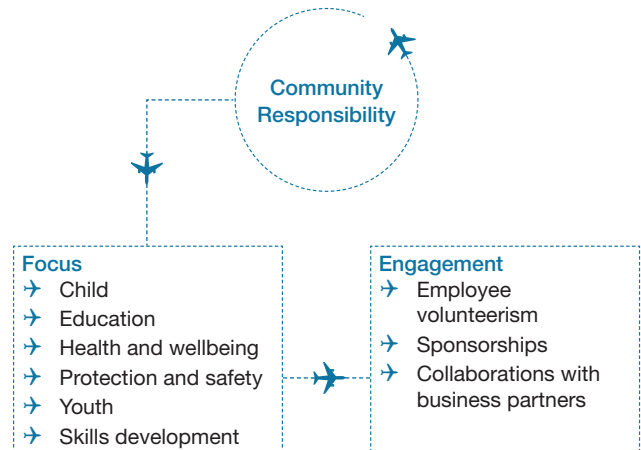


No of Years Service



Row Labels	Count of EMP NO
CABIN CREW	1208
ENGINEERS	181
EXECUTIVES	525
FLIGHT CREW	328
NON EXECUTIVES	3996
MANAGERS	257
SENIOR MANAGEMENT	39
TECHNICIANS	463
TRAINEES	22
Grand Total	7019

✈️ Community Engagement



Community responsibility at SriLankan Airlines comes under the purview of our dedicated CSR unit, 'SriLankan Cares'—with a compelling agenda to support and empower communities, particularly the underprivileged in our society. The projects undertaken are aimed at creating a meaningful social impact, with special emphasis on children and youth, covering three focused areas—education, health and safety. Apart from child and youth focused initiatives, we also engage in other CSR activities including disaster relief, elderly care and other charity initiatives.

The programmes are carried out through active campaigns in collaboration with the airline's business partners and employee volunteerism. Key projects and activities for the reporting period are presented below.

MANAGEMENT DISCUSSION AND ANALYSIS CONTD.

Education



World
Children's Day



Aligned to the nation's development plans, we have prioritised education within our community responsibility agenda. Our initiatives seek to give learning opportunities to educate children and youth, develop their skills, build awareness on key and relevant issues of national importance, inculcate good habits and support and provide better facilities to uplift underprivileged schools and children's institutions.

In the year under review, following key projects and activities were carried out in this regard.

World Children's Day

Project Goal: Give exposure to children, develop their social skills and build confidence.

'SriLankan Cares' organised a special programme for children to mark the World Children's Day on 1st October 2017 in collaboration with the Galle Face Hotel and Ebert Silva Holidays. The programme was structured to offer an experiential learning opportunity to 62 children from 'Kirillawela Senehasa Deri Sevana Children's Development Centre', 'Senarath Gunawardena Children's Development Centre' and 'Gangodawila Children's Development Centre'.

The programme entailed breakfast at the Galle Face Hotel, Colombo City tour on a special 'double-decker' bus and a visit to the Bandaranaike International Airport where the

children were given an opportunity to explore an A330 aircraft and enjoy on board hospitality and inflight entertainment. The programme also included lunch, music, dancing and a magic show along with presents for all the children.

Donate a Book – Help Educate a Child

Project Goal: Facilitate education for the children at the SOS village.

Supporting educational needs of the children at the SOS village in Piliyandala, 'SriLankan Cares' organised a book donation campaign on 8th December 2017. SriLankan staff members across all departments came in numbers to donate and collect exercise books to drive and strengthen the charity initiative. The staff response was encouraging as SriLankan Cares was able to collect more than 2000 exercise books which were duly distributed amongst the SOS children.

Village Heart Beat Centre

Project Goal: Empower youth through vocational training.

'SriLankan Cares' collaborated with the Foundation of Goodness to set up the eighth Village Heartbeat Centre in Oddusuddan, Mullaitivu in the Northern Province. A fully-fledged training facility, the Centre focuses on empowering children and youth at the grassroots level through educational skills training and empowerment programmes.



Medical Camp
Dehigahalanda
Maha Vidyalaya
Ambalantota



The centre has the capacity to provide vocational training to around 600-700 youth. Currently around 400 young men and women are learning and training at the centre.

Healthcare

Our healthcare related initiatives as set out below seek to ensure the physical and mental wellbeing of children, particularly those who are underprivileged in our society.

Medical Camp

Project Goal: *Ensure the wellbeing of the students and teachers of an underprivileged school.*

Celebrating the World's Children's Day, 'SriLankan Cares' organised a medical camp for the children at the Dehigahalanda Maha Vidyalaya, Ambalantota on 5th October 2017. The camp was held with the support of three physicians, ophthalmologist and two nurses. The camp offered free consultations, health advice and medicine to the teachers and children of the school. The project was organised in collaboration with Shangri-La Hotels and Resorts, assisted by SriLankan staff from the Mattala International Airport.

Christmas in the City

Project Goal: *Bring Christmas cheer to the children at the Cancer Home.*

In the spirit of Christmas, 'SriLankan Cares' organised a fun-filled day for 30 children and their parents from the 'CCC Home', affiliated to the National Cancer Hospital in Maharagama. The programme offered a city tour on a double-decker bus with a 'Santa Clause' and calypso music for entertainment. They were also hosted for dinner at the Galle Face Hotel and was treated to a magic show. All the participants were presented with personalised gifts, fulfilling their wishes for Christmas. This event was held jointly with the support of the Galle Face Hotel and Ebert Silva Holidays.

Little Hearts Project

Project Goal: *Raise funds to support critical patients at the Lady Ridgeway Hospital.*

Celebrating the Valentine's season, 'SriLankan Cares' organised a fund raising programme amongst the staff members to support the Little Hearts Project, an initiative to set up a cardiac and critical care complex at the Lady Ridgeway Hospital. The programme was fittingly themed as 'Give your love to a heart that truly deserves your love'. The staff across the organisation came together in support of this initiative and successfully raised Rs.374,583 on the Valentine's Day.

MANAGEMENT DISCUSSION AND ANALYSIS CONTD.

Child Protection and Safety

Project Goal: *Safeguard Children's rights and prevent violence against children.*

Committed to protect and ensure the welfare of children, 'SriLankan Cares' partnered with the Rotary Club of Colombo Metropolitan in the year under review to set up and launch the first ever 'Child Friendly Police Station' in Ragama. This is a dedicated police station where traumatised children would feel safe and comfortable to report child abuse complaints and reach out for support and solace for their grievances. This pilot project also extends comprehensive training to police officers on how to handle children in distress. The Ministry of Law and Order and the Ragama Police collaborated and extended their support to launch the project.

Other CSR Initiatives

Disaster Relief

Project Goal: *Support and bring relief to those affected by floods.*

Responding to the devastation caused by floods from the South Western monsoons, 'SriLankan Cares' initiated a relief campaign to support the flood victims in the Southern and Sabaragamuwa provinces. The SriLankan team collected and handed over dry rations, linen, medicine, toiletries, clothing and other essentials worth LKR 1.6 million to the Air Force Flood Relief Base in Ratmalana. 'SriLankan Cares' also donated pharmaceutical items worth LKR 133, 000 to the Air Force Hospital.

Alzheimer's Walk

Project Goal: *Create awareness on dementia and Alzheimer's disease and support fund raising.*

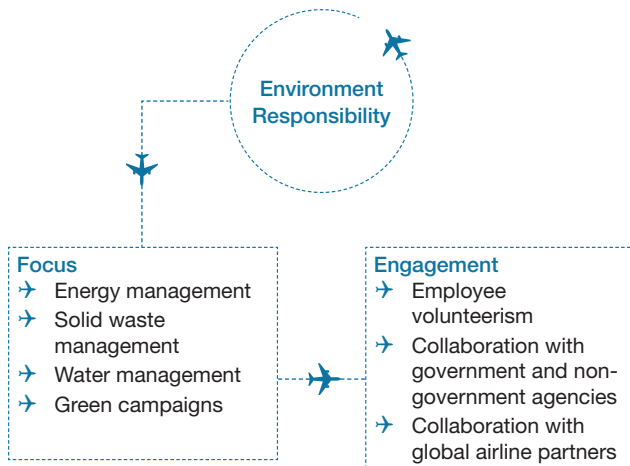
Marking the World Alzheimer's Day, SriLankan Airlines joined hands with the Lanka Alzheimer's Foundation to support "Remember Me", the annual walk on 30th September 2018. This event sought to create awareness and raise funds to support people living with cognitive impairment and dementia. A large number of SriLankan staff members represented the Company at the walk.

'Care Giving Days'

Project Goal: *Strategic training for the cabin crew to be caring and compassionate.*

'Care Giving Days' are special programmes organised to train the cabin crew on how to care for the elderly, children and differently-abled persons on board the aircraft. This reporting year, 'SriLankan Cares' organised eight 'Care Giving Days' at the Janadara Elders Home in Moratuwa, Devusiri Sevana Elders Home, Salani Children's Home and Sarana Sewana Children's Home. As a part of these training sessions, the crew members helped in cleaning the homes, interacting and entertaining the elderly and the children.

✈ Environment Management



At SriLankan, we are committed in our efforts to integrate best environmental practices in our daily operations and seek to curtail our airline footprint. With a mission to be a 'Planet Friendly SriLankan' as initiated in 2009 and as underscored in our environmental policy, we stand committed to adopt best solutions to be efficient in the way we use our resources; manage solid waste; control green-house-gas emissions; and give voice, create awareness and spearhead campaigns to address the pressing environmental issues; thereby, enabling us to do our part to abate global warming and climate change.

We have in place a dedicated team—environmental strategic and compliance unit—to support our environmental initiatives and we collaborate with government and non-government agencies including the International Air Transport Association and the Biodiversity Sri Lanka. We are also conscientious in meeting and complying with all applicable environmental laws and regulations, both from a domestic as well as from a global perspective.

Energy Management

In the aviation industry, energy management is a critical aspect both in terms of operational viability as well as in terms of environmental sustainability. Therefore, we are focused in our efforts to be leaner in the way we use energy across our operations. Our energy management strategy is twofold:

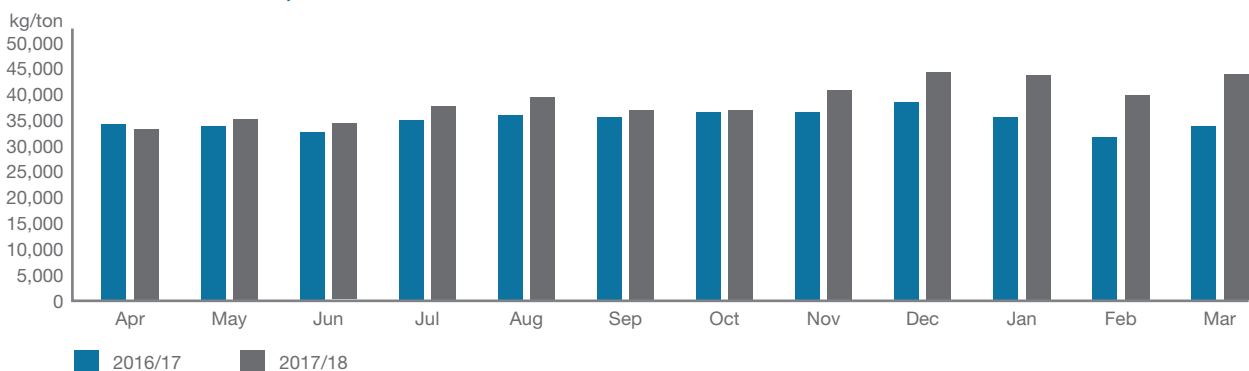
1. Thermal Energy Management

Comprising aviation fuel along with ground operations' fuel to a lesser extent, thermal energy takes up nearly 99 percent share of the total energy consumed. Our fuel management committee initiated by the Flight Operations Aviation Fuel Management section follows a well-structured conservation strategy and also the quantification is done by using an in-house-built fully fledged Fuel Management Information System. This system enables the Flight Operations division to track and effectively monitor the fuel consumption, emissions and efficiency of the conservation measures adopted by the relevant divisions. Fuel consumption during the latter part of the year 2017 increased due to the introductions of our latest destination Melbourne, Australia. Even though the consumption increased, our fuel efficiency remains as above industry average due to our stringent and focussed strategies implemented by the Flight Operations division.

2. Electricity Management

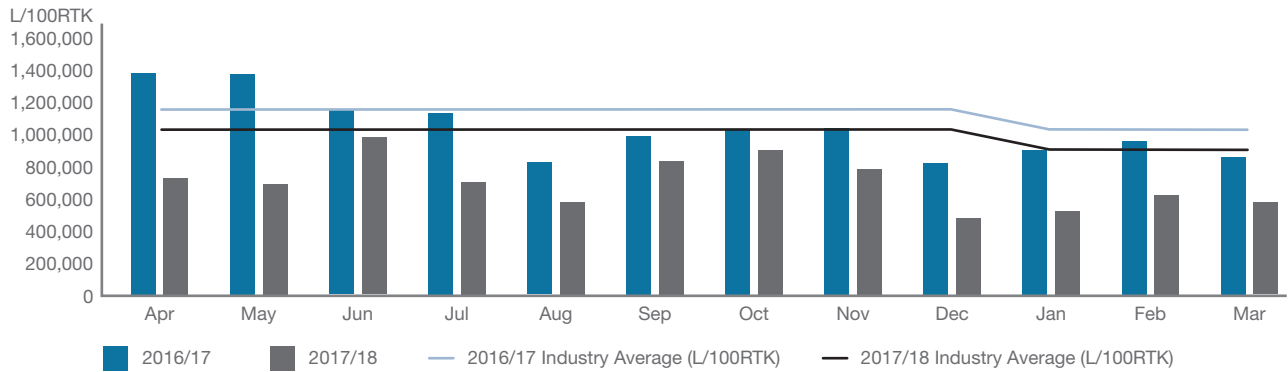
Prioritised under our 'Planet Friendly SriLankan' agenda, electricity management comes under the purview of the properties and facilities department. Focused measures are in place to reduce electricity usage including the use of solar for street lights, LED bulbs in the work areas, solar tubing systems for hangers and carrying out staff awareness programmes.

Aviation Fuel Consumption

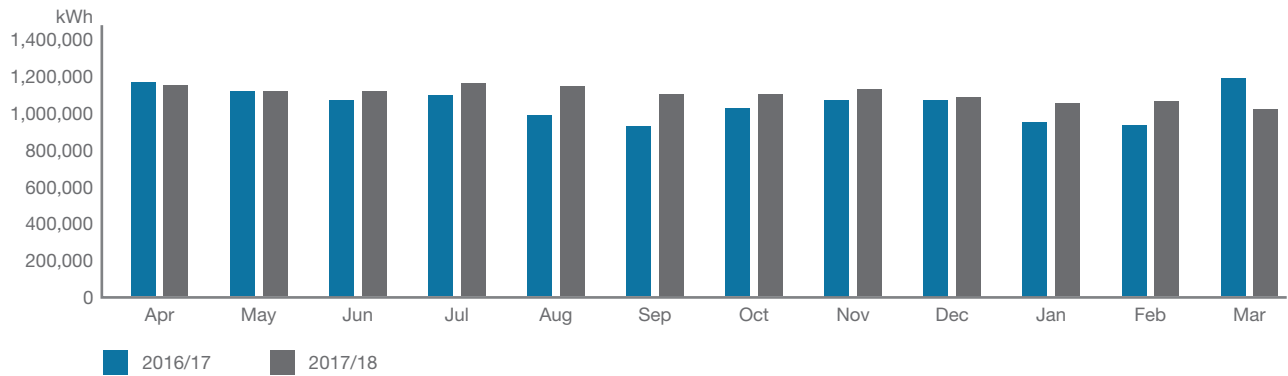


MANAGEMENT DISCUSSION AND ANALYSIS CONTD.

Aviation Fuel Efficiency



Electricity Consumption



flygreen
save our planet

QAS Quality Assurance Standard
Beyond doubt

Accreditation
QAS Carbon
Neutral

Carbon Emissions

We are well renowned for our efforts and commitment to curtail our carbon footprint. In this regard, we have in place, inter-alia, a strict monitoring mechanism; energy efficient measures and processes; route optimisation strategies; using light weight material on aircrafts; along with the team commitment across the organisation to support our emission goals.

Our voluntary carbon offset programme, 'Flygreen', further adds on and complements our efforts to move towards carbon neutrality. A collaboration with the International Aviation Transportation Association, this programme enables passengers and staff to offset their flight related carbon footprint by investing on an eco-project. Also, this programme complies with the global best practices for carbon offsetting and is accredited by the Quality Assurance Standard (QAS) following a stringent and independent QAS audit with a 40-point check list.

Our carbon footprint tracking system, OASIS, which launched recently, is streamlined to monitor the corporate's carbon footprint through collating information from various systems. The second phase of the system set to disseminate data through dashboards and management reports for effective decision-making and in the reporting financial year, 2017/18, our emissions stood at 1.4m tCO₂.

Our solid waste is disposed only after due segregation in to food waste, paper, metal, plastics and electronic waste. We have in place a bio-gas plant to convert food waste from our main staff canteen into energy. We use technology effectively, mainly relying on electronic documentation and communication, to reduce the use of paper. We recycle paper and plastic waste through a reputed recycling company. E-waste is also disposed responsibly through a certified company following accepted norms.

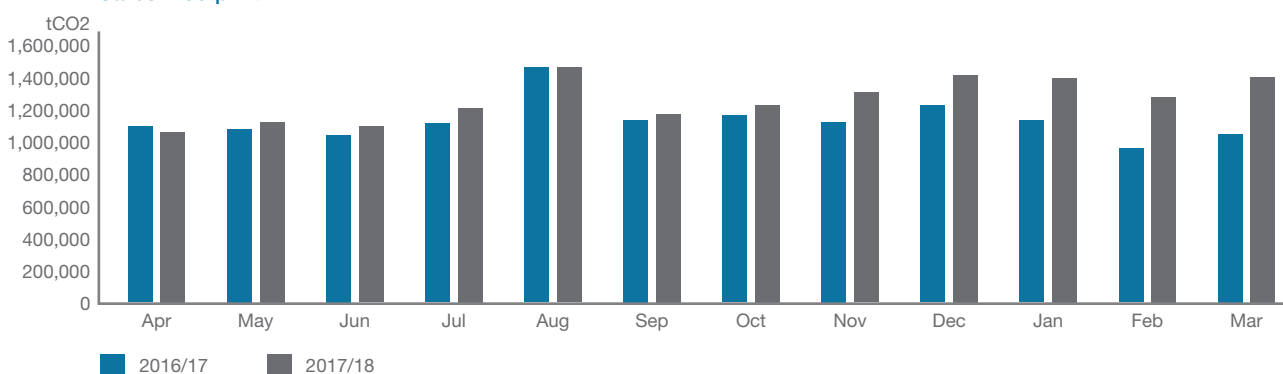
Water Management

Most of the airline's primary water requirements are sourced from an internal water source. The water is purified daily and tested periodically for required quality. Our effluent treatment plant treats waste water generated from the workshops in the main hanger prior to discharge from the premises. The sludge left from this process is disposed through an authorised company in a controlled environment as per the accepted norms and regulations. Plans are also underway to set up our second effluent treatment plant for the new A320 hanger and related workshops.

Environmental Campaigns

Steadfast in our mission to be a 'planet friendly SriLankan', we advocate green social responsibility through our awareness building programmes and green campaigns—educating and engaging our staff, school children and the society at large. The key initiatives in this regard are as follows:

Carbon footprint



Waste Management

With a considerable amount of waste generated as an airline, it is critical that we give top priority to be efficient in the way we utilise our resources and the way we manage our waste. In this regard, we advocate and practice 3Rs in waste management—reduce, reuse and recycle.

Project BLUEprint

SriLankan Airlines collaborated with the Whale and Dolphin Conservation UK, a leading marine animal conservation charity on the Project BLUEprint. This programme entailed awareness campaigns on responsible whale watching and safe tour boat operations, particularly, aimed at the coastal communities.

MANAGEMENT DISCUSSION AND ANALYSIS CONTD.



Earth Hour
'Kaduru' Plant Campaign

School Green Club



School Green Club

Instilling the importance of environmental responsibility amongst school children, our environment unit together with our CSR team, 'SriLankan Cares', initiated to set up a 'School Green Club' at the Andiambalama Maha Vidyalaya. The setting up of club coincided with the World's Environment Day.

With the club membership reaching to 50, SriLankan Airlines educated the children on the importance of protecting the environment, on green practices and latest initiatives. The club enables the children to have an interactive platform where they could learn and share their ideas to protect their living environment. SriLankan team supports the club and extends guidance for the children to draw up action plans and carryout long-term green projects that will have measurable benefits to the school and to the community at large. In this regard, the SriLankan team assisted the members to learn on recycling paper and even organised a visit to one of the largest paper manufacturing companies, 'Nithya Paper and Boards Pvt Ltd', in Horana.

Wanajeevi Magazine

Promoting wildlife tourism, SriLankan included a digital version of the Wanajeevi magazine published by the Department of Wildlife Conservation on board the aircrafts. This enabled to educated the local and foreign passengers on the country's wildlife and endangered and endemic flora and fauna.

Earth Hour

Earth Hour initiated by the World Wild Life Fund (WWF) is a world acclaimed campaign on climate change. In observing the day and 'Going Beyond the Hour', the environment unit initiated a unique tree planting initiative with the engagement of the staff. Under this programme, we planted 300 'Kaduru' plants which were adopted and nurtured by our staff members for a period of two months. With great enthusiasm, 15 volunteering staff planted the trees near the Negambo lagoon with the support of the officials at the local Coastal Conservation Authority.

United for Wildlife

Pledging the support against illegal trade in wildlife, SriLankan joined the worldwide movement— 'United for Wildlife' in the preceding year. Spearheaded by the Royal Foundation in the UK, SriLankan together with other wildlife protection organisations continued to work towards the eleven commitments set out in the 'Buckingham Palace Declaration' under this initiative.

Compliance

With precedence given to environmental responsibility, we are compliant with the laws, rules and regulations stipulated by the Central Environment Authority and in compliance with the aviation certification standards on environmental facets. SriLankan Airlines has not been subjected to any fines for non-compliance in the year under review.

FINANCIAL REPORTS

Annual Report of the Board of Directors	45
Board Audit Committee Report	50
Statement of Directors' Responsibilities	51
Independent Auditors' Report	52
Statement of Financial Position	54
Statement of Profit or Loss	55
Statement of Comprehensive Income	56
Statement of Changes in Equity	57
Statement of Cash Flows	58
Notes to the Financial Statements	59

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 31 March 2018.

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 MRJA. 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 Auditors' Report thereon for the year ended 31 March 2018 are attached to this Report.

ACCOUNTING POLICIES

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 59 to 69.

GROUP TURNOVER

The turnover of the Group amounted to LKR 164,859 Mn (2016/17: LKR 138,591 Mn). A detailed analysis of Group Turnover is given in Note 20 to the Financial Statements.

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

RESULTS

The Group's net loss for the year after taxation is LKR 18,585 Mn (2016/17: LKR 28,340 Mn). Group incurred a taxation expense of LKR 6 Mn. (2016/17 – LKR 25 Mn).

The Statement of Profit or Loss for the year is given on page 55.

GROUP INVESTMENT

Group capital expenditure during the year on property, plant and equipment amounted to LKR. 1,676 Mn (2016/17: LKR. 1,094 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. 10,348 Mn (2016/17: LKR. 9,834 Mn). Details of Property, Plant and Equipment and their movements are given in Note 4 to the Financial Statements.

STATED CAPITAL

The Stated Capital of the Company amounts to LKR. 51,617 Mn. (2016/17: LKR. 51,617 Mn).

RESERVES

Total Group Reserves as at 31 March 2018 amount to a negative LKR. 177,201 Mn (2016/17: negative LKR. 159,411 Mn). This consists of accumulated losses of LKR. 181,821 Mn (2016/17: LKR. 163,620 Mn), Capital Reserves of LKR 4,620 M (2016/17: LKR. 4,209 Mn). Movement in these Reserves is shown in the Statement of Changes in Equity in the Financial Statements.

CORPORATE DONATIONS

The Group made donations amounting to LKR. 2.48 Mn during the year. (2016/2017: LKR. 2.49 Mn).

TAXATION

The Company enjoyed a tax holiday up to 31 March 2013 in terms of its agreement with the Board of Investment of Sri Lanka. The Company was exempted from all taxes in respect of all its business activities up to 31 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. However, with the enactment of the Inland Revenue Act No 24 of 2017, the Company is liable for income tax for all its business activities with effect from 1 April 2018.

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

The Subsidiary, SriLankan Catering Limited enjoys a tax holiday up to 30th of May 2021 in terms of its agreement with the Board of Investment of Sri Lanka. At present, net

ANNUAL REPORT OF THE BOARD OF DIRECTORS CONTD.

profit earned from the operations of Flight Kitchen, Transit Restaurant, Transit Hotel, Airline laundry and EK lounge are fully exempted from Income Tax up to 30th May 2021. Thereafter, net profit shall be liable at the concessionary rate of 15% for further 8 years up to 30th May 2029. The net profit earned from Public Restaurant, Vanilla Pod food outlets, Semondu Restaurant and the local laundry and other income are liable for income tax at the prevailing tax rate of 28%

SHARE INFORMATION

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

Share Ownership	No. of Shares	% of Holding
Government of Sri Lanka	511,574,169	99.11%
Employees Provident Fund	1,863,676	0.36%
Others	2,736,510	0.53%

COMPLIANCE WITH LAW AND REGULATIONS

The Company at all times ensured that it complied with the applicable laws and regulations. The Management Officers responsible for compliance, tables a report on the compliance at the quarterly meetings of the Audit Committee.

RELATED PARTY TRANSACTIONS

Related Party transactions are disclosed in Note 28 to the Financial Statements.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent Liabilities as at 31 March 2018 and Commitments made on Capital Expenditure as at that date are given in Note 25 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 27 to the Financial Statements.

HUMAN RESOURCE/EMPLOYMENT POLICIES

The Company continued to invest in human capital development and implement effective workforce aligned around new business priorities and to ensure that its employees are developing the skills and knowledge required for the future success of the Company.

Employment policies of the Group respect the individual and offer equal career opportunities regardless of gender, race or religion. Occupational health and safety standards receive substantial attention.

The number of persons employed by the Company at the year-end was 7,019 (2016/17: 7,021) and by the Subsidiary was 1,071 (2016/17 – 1,022).

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 responsibility 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.

THE BOARD OF DIRECTORS

In accordance with Article 79 of the Articles of Association of the Company the Directors are appointed by the Government of Sri Lanka. Brief profiles of the present Directors are given on pages 7 to 10 of the Annual Report. Mr. G.S. Withanage is a full time Chairman since 20th December 2018 and the other Directors are Non-Executive Directors.

Mr. G. S. Withanage (Chairman)	Appointed with effect from 13th November 2018
Air Marshal Kapila Jayampathi	Appointed w.e.f. 29th March 2018
Dr. Mrs. Roshan Perera	Appointed w.e.f. 29th March 2018
Mr. Susantha Katugampala	Appointed w.e.f. 29th March 2018
Mr. Johann Wijesinghe	Appointed w.e.f. 8th May 2018
Mr. S.G. Senarathna (Treasury Representative)	Appointed w.e.f. 21st May 2018
Senior Prof. Arjuna P De Silva	Appointed w.e.f. 21st May 2018.
Mr. Ranjit Fernando	Appointed on 29th March 2018 and resigned w.e.f. 12th November 2018
Mr. Manopriya Tittawella	Appointed on 29th March 2018 and resigned w.e.f. 30th October 2018

Past Directors

The Following Directors were in office during the period 1st April 2017 until resignation from the Board on the following dates,

Mr. Ajith N. Dias (Chairman)	Resigned w.e.f. 29th March 2018
Mr. J M S Brito	Resigned w.e.f. 31st March 2018
Mr. R. Chanaka D. De Silva	Resigned w.e.f. 30th March 2018
Mr. Mahinda P. Haradasa	Resigned w.e.f. 30th March 2018
Mr. Rakhita S. Jayawardena	Resigned w.e.f. 29th March 2018
Lt. Col. Sunil D. Peiris	Resigned w.e.f. 15th August 2017
Mr. Harendra K. Balapatabendi	Resigned w.e.f. 2nd April 2018
Mr. N. De Silva Deva Aditya	Resigned w.e.f. 29th March 2018

HUMAN RESOURCES AND REMUNERATION COMMITTEE

The primary objective of the Remuneration Committee is to lead to establish a formal and transparent procedure for the development of a remuneration policy and the establishment of a remuneration structure.

A remuneration policy has been formulated based on market and industry factors and individual performance for all group Companies

The Human Resources and Remuneration Committee meets every quarter.

The following members of the Board were appointed to the Human Resources and Remuneration Committee (HR&RC) of the Company.

Air Marshal Kapila Jayampathi (Chairman)
Mr. Susantha Katugampala
Dr. Mrs. Roshan Perera
Senior Prof. Arjuna de Silva

The below members were in the Human Resources and Remuneration Committee during the period from 1st April 2017 until their resignation as follows,

Lt.Col. Sunil D. Peiris (Chairman)	Resigned w.e.f. 15th August 2017
Mr. J M S Brito	Resigned w.e.f. 31st March 2018
Mr. R. Chanaka D. De Silva	Resigned w.e.f. 30th March 2018
Mr. Mahinda P. Haradasa	Resigned w.e.f. 30th March 2018
Mr. Rakhita S. Jayawardena	Resigned w.e.f. 29th March 2018

MEMBERS OF AUDIT COMMITTEE

On 24 April 2018, new Members were appointed to the Board Audit Committee namely;

Mr. Manopriya Tittawella (Chairman Audit Committee until 30th October 2018)
Mr. S. G. Senarathna (Chairman w.e.f. 24th January 2019)
Air Marshal Kapila Jayampathi
Dr. Mrs. Roshan Perera
Senior Prof. Arjuna P De Silva (w.e.f. 2nd January 2019)
Mr. Susantha Katugampala (w.e.f. 24th January 2019)

Mr. S.G. Senarathna Director Treasury representative was appointed on the 28th of May 2018 to the Board Audit Committee and elected Chairman of the Audit Committee on 24th January 2019.

ANNUAL REPORT OF THE BOARD OF DIRECTORS CONTD.

The following Members were in the Audit Committee during the period from 1st April 2017 until their resignation as follows,

Mr. J M S Brito (Chairman)	Resigned w.e.f. 31st March 2018
Mr. R. Chanaka D. De Silva	Resigned w.e.f. 30th March 2018
Mr. Mahinda P. Haradasa	Resigned w.e.f. 30th March 2018
Mr. Rakhita S. Jayawardena	Resigned w.e.f. 29th March 2018
Lt. Col. Sunil D. Peiris	Resigned w.e.f. 15th August 2017

The Audit Committee Report is given on page 50 of this Annual Report.

DIRECTORS' MEETING ATTENDANCE

Twelve Board Meetings were convened during the financial year and the attendance of the Directors were as follows;

Director	Meetings attend (out of 12)
Mr. Ajith N. Dias	12
Mr. J M S Brito	12
Mr. Mahinda P. Haradasa	10
Mr. R. Chanaka D. De Silva	09
Mr. Rakhita S. Jayawardena	12
Lt. Col. Sunil D. Peiris (resigned w.e.f. 15th August 2017)	02
Mr. N. J. De Silva Deva Aditya	07
Mr. Harendra K. Balapatabendi	12

DIRECTORATE – SRILANKAN CATERING LIMITED

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

Mr. G.S. Withanage	Appointed Chairman w.e.f. 26th November 2018.
Air Marshal Kapila Jayampathi	Appointed w.e.f. 30th March 2018.
Dr. Mrs. Roshan Perera	Appointed w.e.f. 30th March 2018.
Mr. Susantha Katugampala	Appointed w.e.f. 30th March 2018.
Mr. S.G. Senarathna	Appointed w.e.f. 30th May 2018.
Mr. Johann Wijesinghe	Appointed w.e.f. 30th May 2018.

Senior Prof. A. de Silva	Appointed Director w.e.f. 24th January 2019
Mr. Ranjit Fernando (Chairman)	Appointed w.e.f. 30th March 2018 resigned w.e.f. 13th November 2018
Mr. Manopriya Tittawella	Appointed w.e.f. 30th March 2018 resigned w.e.f. 30th October 2018.

Mr. Ranjit Fernando, Mr. Manopriya Tittawella, Mr. Susantha Katugampala, Dr. Mrs. Roshan Perera and Air Marshal Kapila Jayampathi were appointed as Directors to the Board of SriLankan Catering Limited on 30th March 2018.

Mr. Johann Wijesinghe and Mr. S.G. Senarathna were appointed to the SriLankan Catering Board with effect from 30th May 2018. Senior Professor A De Silva appointed to the Board w.e.f. 24th January 2019.

The following Directors were in office during the period from 1st April 2017 until their resignation from the SriLankan Catering as follows,

Mr. Ajith N. Dias (Chairman)	Resigned w.e.f. 29th March 2018
Mr. J M S Brito	Resigned w.e.f. 31st March 2018
Mr. R. Chanaka D. De Silva	Resigned w.e.f. 30th March 2018
Mr. Mahinda P. Haradasa	Resigned w.e.f. 30th March 2018
Mr. Rakhita S. Jayawardena	Resigned w.e.f. 29th March 2018
Lt. Col. Sunil D. Peiris	Resigned w.e.f. 15th August 2017
Mr. Harendra K. Balapatabendi	Resigned w.e.f. 2nd April 2018

DIRECTORS' REMUNERATION

Aggregated remuneration paid to the No-Executive Directors of the Company is disclosed under Note 28 on page 92 of this Report as per the requirements of section 168 (1) (f) of the Companies Act, No.7 of 2007.

The Board of Directors appointed in March 2018 and May 2018 have voluntarily decided not to accept Directors Fees until such time the Company becomes a profitable entity.

DIRECTORS' SHAREHOLDINGS

By virtue of office two of the Government of Sri Lanka (GOSL) Nominee Directors Mr. G. S. Withanage and Air Marshal Kapila Jayampathi are holders of 03 Ordinary Shares of the Company.

INTERESTS REGISTER

The Company maintains the Interests Register conforming to the provisions of the Companies Act No.7 of 2007. All Directors of the Company have disclosed their interests in other companies to the Board and those interests are recorded in the Directors' Interests Register confirming to Sections 192 (1) and 192 (2) of the Companies Act, No. 7 of 2007.

The Interests register is available for inspection as required under the Companies Act No.7 of 2007.

DIRECTORS' INTERESTS IN CONTRACTS

The Directors have had no direct or indirect interest in any other contracts or proposed contracts in relation to the business of the Company.

ANNUAL GENERAL MEETING

The 40th Annual General Meeting of the Company will be held on the 30th day of April 2019 at 10.00a.m. at the Auditorium of the Institute of Chartered Accountants of Sri Lanka, 30A, Malalasekara Mawatha, Colombo 7.

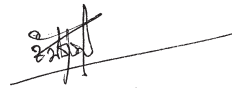
The notice of the Annual General Meeting in on page 109 of the Annual Report.

AUDITORS

In accordance with Article 36 of the Nineteenth Amendment to the constitution the Auditor General is hereby appointed Auditors of the Company.

Details of audit fees are set out in Note 22 to the Financial Statements. The Auditors, do not have any relationship (other than of an Auditor) with the Company or its Subsidiary.

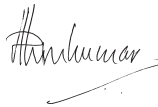
Signed on behalf of the Board



G.S. Withanage
Chairman



S.G. Senarathna
Director



Dalrene Thirukumar
Company Secretary/ Head of Corporate Secretarial Services

28th February 2019
Colombo

BOARD AUDIT COMMITTEE REPORT

ROLE AND RESPONSIBILITIES

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

COMMITTEE COMPOSITION

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

On 24th January 2019 Mr. S. G. Senarathna was appointed as the Chairman to the Board Audit Committee. New members were appointed to the Board Audit Committee namely, Senior Prof. Arjuna De Silva (Member, w.e.f. 2 January 2019 and Mr. Susantha Katugampala (Member, w.e.f. 24 January 2019).

Ms. A.D. Dilrukshi, Superintendent of Audit, Auditor General's Department (w.e.f. 5th December 2017) and Mr. K.A.C. Shamantha, Chief Internal Auditor, Ministry of Public Enterprise Division (w.e.f. 14 March 2018) attended as independent observers at Audit Committee meetings.

MEETINGS

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

GROUP ASSURANCE AND ADVISORY SERVICES DIVISION

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

KEY ACTIVITIES OF THE BAC DURING THE FINANCIAL YEAR

- ➔ Reviewed the implementation of annual audit plan and the key audit findings on system of internal controls including IS/IT controls and the implementation status of audit recommendations.
- ➔ Reviewed the Business Risk Management processes and procedures adopted by management to mitigate the effects of business risks.
- ➔ Reviewed the Company's compliance framework to determine that it provides reasonable assurance that all relevant laws and regulations have been complied.
- ➔ Reviewed and recommended to the Board for approval the Cargo Sales and Marketing Manual, SriLankan Asset Management Manual, Engineering Third Party Maintenance Operations Manual, Revisions to Credit Control, Financial Services, Corporate Information Security Manuals, and Group Handling Procedures.
- ➔ Reviewed the implementation of the Business Continuity Plans in order to minimise the effects of risks from business interruptions/disasters.
- ➔ Met with External Auditors to ascertain the nature, scope and approach of the External Audit and review Audited Financial Statements and Management Letter.
- ➔ Reviewed the Year-end Audited Financial Statements and recommended for Board approval.
- ➔ Reviewed the Internal Audit Function, including the independence and authority of its reporting obligations.



S.G. Senarathna
Chairman
Board Audit Committee

28th February 2019

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 52.

The Companies Act No.7 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.

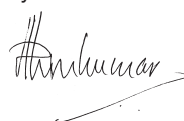
The Directors are responsible for ensuring that the Company and its subsidiary keep sufficient accounting records to disclose with reasonable accuracy the financial position of the Company and the Group for ensuring that the financial statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards and provide the information required by the Companies Act No.7 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, after considering the Government of Sri Lanka's (GOSL) continuous support to the Company by way of providing Letters of Comfort/ Government Guarantee to obtain bank facilities. Also considering GOSL's efforts in the restructuring of the company and a view to strengthening the operational and financial position of the Company. Further the GOSL by way of Cabinet approval dated 5th February 2019 has confirmed that the GOSL will extend the required financial support to the Company to continue its operations as a 'Going Concern' until the implementation of the proposed restructuring process is completed as described under Note 3 to the Financial Statements.

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

The Directors confirm that to their best of knowledge, all taxes, levies and financial obligations of the Company 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

28th February 2019

INDEPENDENT AUDITORS' REPORT



ජාතික විගණන කාර්යාලය தேசிய கணக்காய்வு அலுவலகம் NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல.
My No.

AVA/C/SLAL/06/18/80

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

18 March 2019

To the shareholders of Sri Lankan Airlines Limited

Report of the Auditor General on the Consolidated Financial Statements of the Sri Lankan Airlines Limited and its Subsidiary for the year ended 31 March 2018

Financial Statements

Opinion

The audit of the accompanying financial statements of the Sri Lankan Airlines Limited ("Company") and the consolidated financial statements of the Company and its subsidiary ("Group") for the year ended 31 March 2018 comprising the statement of financial position as at 31 March 2018 and the statement of profit or loss and other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. My comments and observations which I consider should be published with the annual report of the Company appear in this report. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice.

In my opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards

Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and I have fulfilled my other ethical responsibilities in accordance with the Code of Ethics. I

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

Material Uncertainty Related to Going Concern

I draw attention to Note 03 to the consolidated financial statements, which indicates that the Group and the Company incurred a net loss of Rs.18,585.15 Million and Rs.17,213.57 Million respectively during the year ended 31 March 2018 and, as of that date, the Group's and the Company's current liabilities exceeded its current assets by Rs.94,205.97 Million and Rs.100,268.11 Million and total liabilities exceeded its total assets by Rs.125,582.89 Million and Rs.132,196.34 Million respectively. As stated in Note 3, these events and conditions, along with other matters as set forth in Note 3, indicate a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Having taken into account the mitigating factors as disclosed in Note 3 along with the Cabinet approval on 05 February 2019 as notified by the letter of Secretary to the President dated 13 February 2019 and the letter issued by the Secretary to the Treasury on 28 February 2019 confirming the support of the Government of Sri Lanka (GOSL) to the Company to continue its operations as a "Going Concern", these financial statements have been prepared using going concern assumption. My opinion is not modified in respect of this matter.

Board's Responsibilities and those charged with Governance 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.

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



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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- ➔ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ➔ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.
- ➔ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ➔ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my

auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- ➔ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ➔ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.
- ➔ I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report on Other Legal and Regulatory Requirements

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

- a) The basis of opinion, scope and limitations of the audit are as stated above.
- b) In my opinion:
 - I have obtained all the information and explanations that were required for the audit and, as far as appears from my examination, proper accounting records had been kept by the Company,
 - 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.

Report to Parliament

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



H.M. Gamini Wijesinghe
Auditor General

STATEMENT OF FINANCIAL POSITION

		Group		Company	
As at 31 March	Note	2018 LKR. Mn	2017 LKR. Mn	2018 LKR. Mn	2017 LKR. Mn
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	4	10,348.22	9,834.07	8,154.98	7,712.19
Aircraft Predelivery Payments	5	2,528.12	2,528.12	2,528.12	2,528.12
Aircraft Maintenance Reserve	6	20,724.17	8,135.68	20,724.17	8,135.68
Aircraft and Spare Engine Deposits		5,820.58	5,616.48	5,820.58	5,616.48
Intangible Assets	7	248.30	653.36	206.17	625.65
Investments	8	0.40	0.40	42.44	42.44
		39,669.79	26,768.11	37,476.46	24,660.56
Current Assets					
Inventories	9	4,755.98	4,502.67	4,421.51	4,215.57
Trade and Other Receivables	10	18,266.51	15,515.18	17,296.91	14,559.72
Aircraft Maintenance Reserve	6	6,226.64	6,501.62	6,226.64	6,501.62
Aircraft and Spare Engine Deposits		74.68	72.84	74.68	72.84
Investments	8.1	749.96	292.94	589.59	292.94
Cash and Bank Balances	11	1,841.58	1,760.41	1,481.17	1,330.38
		31,915.35	28,645.66	30,090.50	26,973.07
Total Assets		71,585.14	55,413.77	67,566.96	51,633.63
EQUITY AND LIABILITIES					
Capital and Reserves					
Stated Capital	12	51,617.44	51,617.44	51,617.44	51,617.44
Reserves	13	4,620.38	4,209.36	2,782.72	2,371.38
Accumulated Losses		(181,820.71)	(163,620.32)	(186,596.50)	(169,755.46)
Total Equity		(125,582.89)	(107,793.52)	(132,196.34)	(115,766.64)
Non-Current Liabilities					
Preference Shares	14	1,000.00	1,000.00	-	-
Interest Bearing Liabilities	15	44,556.66	27,914.74	44,497.74	27,914.74
Other Long-term Liabilities	16	25,490.05	13,742.57	24,906.95	13,182.98
		71,046.71	42,657.31	69,404.69	41,097.72
Current Liabilities					
Sales in Advance of Carriage	17	23,629.03	18,778.71	23,629.03	18,778.71
Trade and Other Payables	18	34,561.86	39,136.89	38,924.42	44,925.29
Income Tax Payable		191.68	211.28	175.45	175.45
Interest Bearing Liabilities	15	67,738.75	62,423.10	67,629.71	62,423.10
		126,121.32	120,549.98	130,358.61	126,302.55
Total Liabilities		197,168.03	163,207.29	199,763.30	167,400.27
Total Equity and Liabilities		71,585.14	55,413.77	67,566.96	51,633.63

These Financial Statements are prepared in compliance with the requirements of the Companies Act No. 7 of 2007.



Yasantha Disanayake
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:



G.S. Withanage
Chairman



S.G. Senarathna
Director

The Accounting Policies and Notes on pages 59 through 99 form an integral part of these Financial Statements.

28 February 2019
Colombo

STATEMENT OF PROFIT OR LOSS

Year ended 31 March	Note	Group		Company	
		2018 LKR. Mn	2017 LKR. Mn	2018 LKR. Mn	2017 LKR. Mn
Revenue	20	164,859.51	138,590.83	161,654.46	135,491.19
Expenditure					
Aircraft Fuel Cost		(47,037.86)	(33,129.60)	(47,037.86)	(33,129.60)
Employee Cost		(20,897.26)	(20,012.56)	(19,482.99)	(18,793.79)
Airport, Enroute and Passenger Expenses		(25,248.56)	(21,302.32)	(28,667.79)	(23,788.17)
Rentals on Leased Aircraft		(25,726.29)	(22,789.22)	(25,726.29)	(22,789.22)
Aircraft Maintenance and Overhaul Costs		(22,829.07)	(17,644.09)	(22,829.07)	(17,644.09)
Depreciation/Amortisation		(1,976.04)	(2,326.30)	(1,779.49)	(2,041.63)
Selling, Marketing and Advertising Expenses		(15,814.59)	(12,737.28)	(15,814.59)	(12,684.88)
Crew Expenses		(6,035.58)	(5,435.73)	(6,035.58)	(5,435.73)
Other Operating Expenses		(9,689.48)	(10,703.55)	(8,730.78)	(10,453.70)
Operating Loss	22	(10,395.22)	(7,489.82)	(14,449.98)	(11,269.62)
Other Income and Gains	21	570.14	501.52	5,875.58	3,565.27
Finance Income	23.1	200.62	89.95	180.99	60.09
Finance Cost	23.2	(8,954.77)	(7,053.10)	(8,820.16)	(6,922.92)
Compensation for Cancellation of Aircraft Lease Agreement	18.1	-	(14,362.81)	-	(14,362.81)
Loss Before Taxation		(18,579.23)	(28,314.26)	(17,213.57)	(28,929.99)
Income Tax Expense	24	(5.92)	(25.25)	-	-
Loss for the Year		(18,585.15)	(28,339.51)	(17,213.57)	(28,929.99)

The Accounting Policies and Notes on pages 59 through 99 form an integral part of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March	Note	Group		Company	
		2018 LKR. Mn	2017 LKR. Mn	2018 LKR. Mn	2017 LKR. Mn
Loss for the Year		(18,585.15)	(28,339.51)	(17,213.57)	(28,929.99)
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	16.2	384.44	302.69	372.53	254.20
Revaluation of Property Plant and Equipment		616.81	-	616.81	-
		1,001.25	302.69	989.34	254.20
Other Comprehensive Income /(Loss) will be reclassified to profit or loss in Subsequent periods (net of tax):					
Net Movement on Cash Flow Hedge		(205.47)	690.41	(205.47)	690.41
		(205.47)	690.41	(205.47)	690.41
Total Other Comprehensive Income/(Loss) for the Year, Net of Tax		795.78	993.10	783.87	944.61
Total Comprehensive Income/(Loss) for the Year, Net of Tax		(17,789.37)	(27,346.41)	(16,429.70)	(27,985.38)

The Accounting Policies and Notes on pages 59 through 99 form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

GROUP	Stated Capital	Revaluation Reserve	Cash Flow Hedge Reserve	Accumulated Losses	Total
Year ended 31 March	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Balance as at 31 March 2016	51,617.44	4,338.90	(818.04)	(135,585.41)	(80,447.11)
Loss for the year	-	-	-	(28,339.51)	(28,339.51)
Other Comprehensive Income	-	-	690.41	302.69	993.10
Total Comprehensive Income / (Loss)	-	-	690.41	(28,036.82)	(27,346.41)
Reversal of Surplus on Revaluation due to Disposal during the Year	-	(1.91)	-	1.91	-
Balance as at 31 March 2017	51,617.44	4,336.99	(127.63)	(163,620.32)	(107,793.52)
Reversal of Surplus on Revaluation due to Disposal during the Year	-	(0.32)	-	0.32	-
Loss for the year	-	-	-	(18,585.15)	(18,585.15)
Other Comprehensive Income	-	616.81	(205.47)	384.44	795.78
Total Comprehensive Income / (Loss)	-	616.81	(205.47)	(18,200.71)	(17,789.37)
Balance as at 31 March 2018	51,617.44	4,953.48	(333.10)	(181,820.71)	(125,582.89)

COMPANY	Stated Capital	Revaluation Reserve	Cash Flow Hedge Reserve	Accumulated Losses	Total
Year ended 31 March	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Balance as at 31 March 2016	51,617.44	2,499.01	(818.04)	(141,079.67)	(87,781.26)
Loss for the year	-	-	-	(28,929.99)	(28,929.99)
Other Comprehensive Income	-	-	690.41	254.20	944.61
Total Comprehensive Income / (Loss)	-	-	690.41	(28,675.79)	(27,985.38)
Balance as at 31 March 2017	51,617.44	2,499.01	(127.63)	(169,755.46)	(115,766.64)
Loss for the year	-	-	-	(17,213.57)	(17,213.57)
Other Comprehensive Income	-	616.81	(205.47)	372.53	783.87
Total Comprehensive Income / (Loss)	-	616.81	(205.47)	(16,841.04)	(16,429.70)
Balance as at 31 March 2018	51,617.44	3,115.82	(333.10)	(186,596.50)	(132,196.34)

The Accounting Policies and Notes on pages 59 through 99 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

Year ended 31 March	Note	Group		Company	
		2018 LKR. Mn	2017 LKR. Mn	2018 LKR. Mn	2017 LKR. Mn
Cash Flows From/(Used in) Operating Activities					
Loss before Income Tax Expense		(18,579.23)	(28,314.26)	(17,213.57)	(28,929.99)
Adjustments for					
Depreciation / Amortisation / Impairment		1,987.28	2,337.54	1,779.49	2,041.63
Finance Cost	23.2	8,954.77	7,053.10	8,820.16	6,922.92
Loss/(Gain) on Disposal of Property, Plant and Equipment and Intangible Assets		14.41	(24.50)	14.14	(2.99)
Finance Income	23.1	(200.62)	(89.95)	(180.99)	(60.09)
Provision for Impairment of Receivables		172.92	781.36	172.92	728.96
Security Deposit forgone on cancellation of Aircraft Lease Agreement		-	1,095.30	-	1,095.30
Provision for Slow Moving Inventory	9.1	251.60	797.40	251.60	797.40
Provision for Impairment of Maintenance Reserve	6.2	3,948.95	2,637.43	3,948.95	2,637.43
Effect on Unrealised Exchange Loss		976.32	2,468.01	807.18	3,168.30
Write Back of Sales in Advance		(1,628.86)	(2,462.04)	(1,628.89)	(2,462.04)
Provision for Gratuity	16.2	1,028.16	964.07	939.80	888.07
Operating Loss before Working Capital Changes		(3,074.30)	(12,756.54)	(2,289.21)	(13,175.10)
Decrease/ (Increase) in Inventories		(504.91)	(369.55)	(457.54)	(319.63)
Increase in Sales in Advance of Carriage		6,479.19	3,670.35	6,479.19	3,670.35
(Increase)/Decrease in Trade and Other Receivables		(3,171.90)	(2,132.71)	(3,102.50)	(2,195.89)
Increase/(Decrease) in Trade and Other Payables		5,982.62	5,084.04	4,692.92	4,972.35
(Increase)/Decrease in Maintenance Reserves		(7,464.64)	(6,960.78)	(7,464.64)	(6,960.78)
Increase in Aircraft Security Deposits		(60.87)	(289.37)	(60.87)	(289.37)
Cash Generated From/(Used in) Operations		(1,814.81)	(13,754.56)	(2,202.65)	(14,298.07)
Finance Cost Paid		(8,891.94)	(7,092.71)	(8,757.33)	(6,962.53)
Gratuity Paid	16.2	(502.10)	(414.66)	(449.16)	(390.98)
Net Cash flows Used in Operating Activities		(11,208.85)	(21,261.93)	(11,409.14)	(21,651.58)
Cash Flows From/(Used in) Investing Activities					
Interest Received		176.52	89.95	165.26	60.09
Acquisition of Property, Plant and Equipment		(1,566.90)	(1,131.77)	(1,295.98)	(921.14)
(Investment)/ Realisation of Short Term Investment		(419.78)	2,219.63	(267.78)	2,219.63
Net (Payment) / Receipts from Aircraft Predelivery Payments		-	(108.04)	-	(108.04)
Acquisition of Intangible Assets		(106.96)	(146.28)	(84.00)	(121.01)
Proceeds from Disposal of Property, Plant and Equipment and Intangible Assets		1.26	27.36	1.24	3.94
Net Cash (used in)/from Investing Activities		(1,915.86)	950.85	(1,481.26)	1,133.47
Cash Flows (used in)/from Financing Activities					
Repayment of Interest Bearing Liabilities		(8,236.44)	(11,258.27)	(8,182.68)	(11,256.29)
Proceeds from Interest Bearing Loans and Borrowings		27,226.48	26,172.36	27,008.03	26,172.36
Net Cash from / (used in) Financing Activities		18,990.04	14,914.09	18,825.35	14,916.07
Net Increase/(Decrease) in Cash and Cash Equivalents		5,865.33	(5,396.99)	5,934.95	(5,602.04)
Cash and Cash Equivalents at the beginning of the year	11	(5,780.89)	(383.90)	(6,210.92)	(608.88)
Cash and Cash Equivalents at the end of the year	11	84.44	(5,780.89)	(275.97)	(6,210.92)

The Accounting Policies and Notes on pages 59 through 99 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.

The consolidated financial statements comprises the Company and its subsidiary (together referred to the Group). The Company does not have an identifiable parent of its own. The Company is the ultimate parent of the Group.

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 MRJA. 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 31 March 2018 were authorised for issue by the Board of Directors on the 28th February 2019.

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 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 re-arranged whenever necessary to confirm to the current year presentation. Reclassifications made to the financial statements are disclosed in Note 30.

2.2 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 March 2018. 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 re-assesses 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 in line with the Group's accounting policies. All intra-

NOTES TO THE FINANCIAL STATEMENTS CONTD.

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 judgements, 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 judgements, estimates and assumptions addresses amongst others that are subjective and have significant effect on the amounts recognised in the financial statements.

(a) Judgements

(i) Going Concern

As disclosed in Note 3 these financial statements have been prepared and presented on a going concern basis.

(ii) Contingent Liabilities – Litigations

As disclosed in Note 25.3 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 are not 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 if 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 trends 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 judgement 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 or passage of time.

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 6)

(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 utilisation or time depending on the nature of the overhaul. 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, inflight 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.

(ix) Deferred Tax

Deferred tax assets and liabilities are calculated and disclosed in the note 24 on all taxable and deductible temporary differences arising from differences between accounting bases and tax bases of assets and liabilities. When assessing deferred tax, significant judgement was involved to decide whether the temporary differences will be taxable/ deductible in future in order to recognise/disclose in the financial statements.

(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 2.4.16)

(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 4.

2.4 Summary of Significant Accounting Policies

2.4.1 Foreign Currency Translation

The financial statements are presented in Sri Lanka 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.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

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 was entitled for a tax exemption period of 10 years for all its business activities effective from 1 April 2011 to 31 March 2021. However with the enactment of the Inland Revenue act No 24 of 2017, the Company is liable for income tax for all its business activities with effect from 1 April 2018.

(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.

The Income from Flight Kitchen and Transit Restaurant is exempted from income tax up to 31 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 land and buildings and flight kitchen 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 and 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 costs 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 rotatable 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 & 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) De-recognition

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 re-configuration 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 substantially all the risks and benefits incidental to ownership of the leased item to the Group, 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 result 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 consist of Aircraft and Ground Service related stocks, Raw materials and Consumables.

Inventories are stated at the lower of cost and net realisable value. Cost of inventories is the sum of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Weighted Average cost method is applied in the calculation of cost of inventories. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

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. In relation to aircraft related assets such as rotables and improvement to aircrafts carried under property, plant and equipment, the management assesses the impairment based on indicators identified by the engineers such as physical damages, obsolescence due to return of the related type of aircrafts with no possibility of being used for other aircrafts on an asset by asset basis.

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 04.

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.

Group's financial assets consist of loans and receivables. Group policy on subsequent measurement, impairment and de-recognition 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 method.

b) 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.

c) 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.

d) 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 assets'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 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, loans and borrowings, other financial liabilities or derivatives designated as hedge instruments constituting an effective hedge 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 effective interest method.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

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.

2.4.9.3 Cash Flow Hedge Reserve

The Company designated its identified foreign currency loans as a hedging instrument against its highly probable, specifically identified future revenue in foreign currency, through which the Company hedged the risk of changes in value of the identified foreign currency loans, caused by the fluctuations in foreign exchange rates.

The effective portion of the gain or loss on the hedging instrument is recognised directly in Other Comprehensive Income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the Statement of Profit or Loss as other operating expenses. Amounts recognised as Other Comprehensive Income are transferred to Statement of Profit or Loss when the hedged transaction occurs (when the forecast revenue realises). If the forecast transaction is no longer expected to occur, the cumulative gain or loss previously recognised in Other Comprehensive Income is transferred to the Statement of Profit or Loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in Other Comprehensive Income remains in equity until the forecast transaction occurs as per the hedge agreement.

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 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 Short term Investments

Short term Investments are the fixed deposits at Banks with maturity more than three months. Short term investment has been measured at its amortised cost.

2.4.14 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.

In the statement of cash flows, 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.

2.4.15 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 as specified in Note 2.3. (b) (iv). 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.

2.4.16 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 statute. 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 except for overseas stations where the same is estimated based on the applicable legislation.

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 Long-term Liabilities” in the statement of financial position. Overseas-based employees are covered under social security schemes applicable in their host 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.

2.4.17 Frequent Flyer Programme

Company operates a frequent flyer programme ‘FlySmiLes’ that provides travel awards to members of the program 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.

2.4.18 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, excess baggage and mail, rendering of airport terminal services, engineering services, air charters and related activities.

- (i) Passenger, cargo, excess baggage sales and other related fees are recognised as operating revenue when the transportation/ facility 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 they remain unutilised and expire 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.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

(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 method.

(f) Other income

Other income is recognised on an accrual basis.

2.4.19 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.

2.4.20 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.

2.4.21 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

Certain new accounting standards and amendments / improvements to existing standards have been published, that are not effective as of 31 March 2018 reporting periods. None of those have been early adopted by the Group/ Company.

SLFRS 9 Financial Instruments

SLFRS 9 replaces the existing guidance in LKAS 39 – Financial Instruments: Recognition and Measurement. SLFRS 9 contains three principal classification categories for financial assets – i.e. measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The existing LKAS 39 categories of Held-to-maturity, Loans and receivables and Available-for-sale are removed.

SLFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

SLFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

SLFRS 16 Leases

SLFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease

payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

SLFRS 16 replaces existing leases guidance including LKAS 17 - Leases, IFRIC - 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply SLFRS 15 Revenue from Contracts with Customers at or before the date of initial application of SLFRS 16.

Pending the completion of the detailed impact analysis, possible Impact from SLFRS 9, SLFRS 15 and SLFRS 16 is not reasonably estimable as of the Reporting date.

3. GOING CONCERN

During the current year the Company recorded a loss of LKR. 17,213.57 Mn (2017 - LKR. 28,929.99 Mn) with an accumulated loss of LKR. 186,596.50 Mn (2017 - LKR. 169,755.46 Mn) as at 31 March 2018. Further, the Company's current liabilities exceeded its current assets by LKR. 100,268.11 Mn (2017 - LKR. 99,329.48 Mn) and the total equity of the Company as at reporting date has declined to a negative LKR. 132,196.34 Mn (2017 - negative LKR. 115,766.64 Mn). The Company's net assets are less than half of its stated capital and face a serious loss of capital, therefore the Company had an Extraordinary General Meeting (EGM) on 16th of June 2015 and discussed the restructuring plan in accordance with Companies Act. No.07 of 2007 Section 220.

The Restructuring process of SriLankan Airlines consists of key areas, namely restructuring of the Route Network, Aircraft fleet, Overheads, Debt and Organisational structure. The National Agency for Public Private Partnership (NAPPP) of the Ministry of Finance together with the Board of Directors was engaged in the restructuring efforts and appointed an international consultant in the last quarter of 2017 who was working together with the Management and the then Board of Directors to finalise the details of the restructuring plans. The present Board of Directors have adopted the key recommendations made by the consultants and are engaged with the management in finalising a broader restructuring/

business plan for the next five years including a renegotiation with Airbus on the pre delivery payments made for four Airbus A350-900 aircrafts as detailed in note 5 to the financial statements. The company is expected to break even within the next three years subject to the actions specified in the restructuring plan being implemented by the Government together with the support of other major stakeholders.

The GOSL continued to support the Company and during the year under review, has approved the issuance of new Letters of Comfort to the value of USD 50 million to state banks in order to obtain short term loan facilities. Further, the GOSL by way of a Cabinet approval dated 5th February 2019 has confirmed that the GOSL will continue to extend the required financial support to the Company to continue its operations as "Going Concern" until the implementation of the proposed restructuring process is completed.

Pursuant to recommendations made by the Expert Committee appointed in January 2019 by His Excellency the President on the Restructuring of SriLankan Airlines, the company is expected to raise cash in the future by divesting minority stakes in profitable business ventures that it is engaged in at present. Further the GOSL is expected to continue with its effort to attract an investor/ joint venture partner to establish a Public Private Partnership (PPP), with a view to bring in the capital infusion to improve the negative net worth of the Company.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

4. PROPERTY, PLANT AND EQUIPMENT

4.1 GROUP

	Land and Buildings	Plant & Equipment	Improvements to Aircraft on Operating Leases	Aircraft Related Equipment	Leasehold Plant & 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 01 April 2017	3,999.24	7,690.90	2,296.24	8,596.35	3,183.31	27.35	25,793.39
Acquisitions/Modifications/ Improvements	19.17	912.74	-	413.24	-	330.60	1,675.75
Revaluation	311.60	-	-	-	-	-	311.60
Transferred from WIP	126.10	19.52	-	-	-	(145.62)	-
Adjustments	(11.68)	1.85	(4.32)	(3.15)	0.70	(0.53)	(17.13)
Reclassifications	0.32	85.47	-	-	(85.79)	-	-
Disposals/Retirements	-	(83.38)	-	(34.34)	-	-	(117.72)
Balance as at 31 March 2018	4,444.75	8,627.10	2,291.92	8,972.10	3,098.22	211.80	27,645.89
Accumulated Depreciation							
Balance as at 01 April 2017	379.70	5,631.24	1,811.53	6,571.94	1,564.91	-	15,959.32
Charge for the Year	138.77	588.80	161.53	493.05	396.50	-	1,778.65
Revaluation	(305.21)	-	-	-	-	-	(305.21)
Reclassifications	-	85.41	-	-	(85.41)	-	-
Adjustments	-	(19.70)	-	-	-	-	(19.70)
Disposals/Retirements	-	(81.48)	-	(33.91)	-	-	(115.39)
Balance as at 31 March 2018	213.26	6,204.27	1,973.06	7,031.08	1,876.00	-	17,297.67
Net Book Value as at 31 March 2018	4,231.49	2,422.83	318.86	1,941.02	1,222.22	211.80	10,348.22
Net Book Value as at 31 March 2017	3,619.54	2,059.66	484.71	2,024.41	1,618.40	27.35	9,834.07

4.2 (a) The Fair Value of the land and buildings of the Company were determined by means of a revaluation carried out respectively by Ranjan J Samarakone (A.I.V Sri Lanka – Corporate Valuer) during the financial year ended 31 March 2018 and the Fair Value of the land and buildings and the flight kitchen equipment of the Subsidiary were determined by Mr. P.B. Kalugalgedara (Chartered Valuation Surveyor), independent valuers during the financial year ended 31 March 2015.

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 value method	31-Mar-18	Estimated price per perch LKR.18 Mn	Positively correlated sensitivity	Level 3
Buildings - Colombo / Katunayake	Depreciated Replacement Cost	31-Mar-18	Estimated price per square foot LKR. 643.47- LKR. 11,000		
Flight Kitchen Equipment included under Plant and Equipment - Katunayake	Open Market value method	31-Mar-15	Fair value was derived using the Open Market value approach for each equipment		

4. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

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	Cost LKR. Mn	Cumulative Depreciation if assets were carried at cost LKR. Mn	Net Carrying Amount 2018 LKR. Mn	Net Carrying Amount 2017 LKR. Mn
Land and Buildings	2,916.19	1,461.33	1,454.86	1,689.65
Plant and Equipment	2,210.35	1,945.92	264.43	215.99

(b) During the year, the Group acquired property, plant and equipment to the aggregate value of LKR. 1,675.75 Mn (2017 - LKR. 1,093.98 Mn). Cash payments amounting to LKR.1,566.90 Mn (2017 - LKR. 1,131.77 Mn) were made during the year to acquire property, plant and equipment.

(c) Group Property, plant and equipment includes fully depreciated assets having a gross carrying amount of LKR. 10,588 .66 Mn (2017- LKR 9,356.27 Mn).

4.3 COMPANY

	Land and Buildings	Plant & Equipment	Improvements to Aircraft on Operating Leases	Aircraft Related Equipment	Leasehold Plant & 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 01 April 2017	2,471.19	6,487.86	2,296.24	8,596.35	3,183.31	15.46	23,050.41
Acquisitions/Modifications/ Improvements	11.75	794.78	-	413.24	-	184.19	1,403.96
Revaluation	311.60	-	-	-	-	-	311.60
Transferred from WIP	39.72	19.52	-	-	-	(59.24)	-
Adjustments	(11.68)	21.04	(4.32)	(3.15)	0.70	(0.53)	2.06
Reclassifications	-	85.79	-	-	(85.79)	-	-
Disposals/Retirements	-	(81.70)	-	(34.34)	-	-	(116.04)
Balance as at 31 March 2018	2,822.58	7,327.29	2,291.92	8,972.10	3,098.22	139.88	24,651.99
Accumulated Depreciation							
Balance as at 01 April 2017	301.16	5,088.68	1,811.53	6,571.94	1,564.91	-	15,338.22
Charge for the Year	97.70	430.61	161.53	493.05	396.50	-	1,579.39
Revaluation	(305.21)	-	-	-	-	-	(305.21)
Reclassifications	-	85.41	-	-	(85.41)	-	-
Disposals/Retirements	-	(81.48)	-	(33.91)	-	-	(115.39)
Balance as at 31 March 2018	93.65	5,523.22	1,973.06	7,031.08	1,876.00	-	16,497.01
Net Book Value as at							
31 March 2018	2,728.93	1,804.07	318.86	1,941.02	1,222.22	139.88	8,154.98
Net Book Value as at							
31 March 2017	2,170.03	1,399.18	484.71	2,024.41	1,618.40	15.46	7,712.19

NOTES TO THE FINANCIAL STATEMENTS CONTD.

4. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

4.4 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 ended 31 March 2018. The results of such revaluation were incorporated in the Financial Statements effective from 31 March 2018.

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	31-Mar-18	Estimated price per perch LKR. 18 Mn	Positively correlated sensitivity	Level 3
Buildings - Colombo / Katunayake	Depreciated replacement cost	31-Mar-18	Estimated price per square foot LKR. 643.47- LKR. 8,092.50		

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	Cost LKR. Mn	Cumulative Depreciation if assets were carried at cost LKR. Mn	Net Carrying Amount 2018 LKR. Mn	Net Carrying Amount 2017 LKR. Mn
Land and buildings	1,239.49	828.36	411.13	658.98

c) During the year, the Company acquired property, plant and equipment to the aggregate value of LKR. 1,403.96 Mn (2017 - LKR. 885. 02 Mn). Cash payments amounting to LKR. 1,295.98 Mn (2017 - LKR. 921.14 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. 10,233.31 Mn (2017 - LKR. 9,043.60 Mn).

5. AIRCRAFT PREDELIVERY PAYMENTS

Predelivery payments as at the Reporting date consists of predelivery payments made for four Airbus A350-900 aircraft to be delivered in 2020 and 2021 amounting to LKR 2,528.12 Mn (USD 19.21 Mn). The Company has informed Airbus on the requirement to revisit the Purchase Agreement for the four A350-900 aircraft and as at the Reporting date there is an amount of USD 19.04 Mn as unpaid predelivery payments to Airbus. The Company has been in discussion with Airbus and subsequent to the discussion, Airbus has submitted their proposal for amending the said Purchase Agreement with A321neo which is under discussion at present. Accordingly the Board does not anticipate a loss of the predelivery payments or penalties arising from the renegotiation.

6. AIRCRAFT MAINTENANCE RESERVE

Group / Company	2018 LKR. Mn	2017 LKR. Mn
Balance as at 01 April	26,432.40	21,853.57
Payments	10,247.45	7,070.67
Adjustments	-	(3,574.27)
Write off	(656.17)	-
Recoveries	(2,272.72)	(109.90)
Exchange Gain	766.85	1,192.33
	34,517.81	26,432.40
Less: Provision for impairment (Note 6.2)	(7,567.00)	(11,795.10)
Net Recoverable Balance as at 31 March (Note 6.1)	26,950.81	14,637.30

6.1 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 31 March 2018	34,517.81	(7,567.00)	26,950.81	6,226.64	20,724.17
Balance as at 31 March 2017	26,432.40	(11,795.10)	14,637.30	6,501.62	8,135.68

6.2 Movement of Provision for Impairment

	2018 LKR. Mn	2017 LKR. Mn
Balance as at 1 April	11,795.10	11,656.20
Charged during the year	4,459.04	2,637.43
Write off	(656.17)	-
Adjustments	(8,336.69)*	(3,006.29)
Exchange Loss	305.72	507.76
Balance as at 31 March	7,567.00	11,795.10

*Adjustments represent the reversal of provision for impairment in Maintenance Reserve due to the extension of four Aircraft Lease agreements. The related provision for the same reflected in Aircraft maintenance and overhaul cost is given under note 16.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

7. INTANGIBLE ASSETS

Computer Software	Software	Group Capital work-in- progress	Total	Software	Company Capital work-in- progress	Total
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Cost						
Balance as at 01 April 2017	2,239.63	8.25	2,247.88	2,177.82	8.25	2,186.07
Acquisitions/Modifications/ Improvements	90.85	15.61	106.46	67.90	15.61	83.51
Transferred from WIP	11.77	(11.77)	-	11.77	(11.77)	-
Disposals	(970.48)	-	(970.48)	(970.48)	-	(970.48)
Balance as at 31 March 2018	1,371.77	12.09	1,383.86	1,287.01	12.09	1,299.10
Accumulated Amortisation						
Balance as at 01 April 2017	1,594.52	-	1,594.52	1,560.42	-	1,560.42
Charge for the Year	208.62	-	208.62	200.09	-	200.09
Disposals	(667.58)	-	(667.58)	(667.58)	-	(667.58)
Balance as at 31 March 2018	1,135.56	-	1,135.56	1,092.93	-	1,092.93
Net Book Value as at 31 March 2018	236.21	12.09	248.30	194.08	12.09	206.17
Net Book Value as at 31 March 2017	645.11	8.25	653.36	617.40	8.25	625.65

As at the Reporting date Intangible Assets of the Group and Company include fully amortised assets having a gross carrying amount of LKR. 510.70 Mn and LKR.479.96 Mn (2017 - LKR. 446.25 Mn and LKR. 420.93 Mn) respectively.

8. INVESTMENTS

	Group		Company	
Non- Current Investments	2018 LKR. Mn	2017 LKR. Mn	2018 LKR. Mn	2017 LKR. Mn
Investments in Subsidiary in Sri Lanka				
-SriLankan Catering Limited (940,268,456 shares, 100% holding) (Directors' Valuation based on Net Asset Value LKR. 6.66 Bn (2017 -LKR. 8.07 Bn)	-	-	42.24	42.24
- 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 and has not been consolidated due to immateriality.

8.1. Current Investment

	Group		Company	
	2018	2017	2018	2017
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Fixed Deposits at Bank	749.96	292.94	589.59	292.94

9. INVENTORIES

	Group		Company	
	2018	2017	2018	2017
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Engineering related stock	5,631.08	5,259.41	5,631.08	5,259.41
Ground Service related stock	474.15	433.34	474.15	433.34
Raw materials and Consumables	846.41	807.12	493.70	501.78
	6,951.64	6,499.87	6,598.93	6,194.53
Less: Provision for Slow moving stock (Note 9.1)	(2,195.66)	(1,997.20)	(2,177.42)	(1,978.96)
	4,755.98	4,502.67	4,421.51	4,215.57

9.1 Provision for Slow Moving Stock

	Group		Company	
	2018	2017	2018	2017
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Balance as at 01 April	(1,997.20)	(1,539.78)	(1,978.96)	(1,514.54)
Provision made during the year	(251.60)	(797.40)	(251.60)	(797.40)
Written off during the year	53.14	339.98	53.14	332.98
Balance as at 31 March	(2,195.66)	(1,997.20)	(2,177.42)	(1,978.96)

10. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018	2017	2018	2017
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Trade Receivables	15,332.07	12,630.95	14,569.81	11,879.53
Less: Provision for Impairment of Receivables (Note 10.2)	(1,152.02)	(980.65)	(1,098.74)	(927.37)
	14,180.05	11,650.30	13,471.07	10,952.16
Other Debtors	84.95	124.02	84.95	124.02
Deposits, Advances and Prepayments	3,936.67	3,670.15	3,699.17	3,431.14
	18,201.67	15,444.47	17,255.19	14,507.32
Loans and Advances to Company Officers (Note 10.3)	64.84	70.71	41.72	52.40
	18,266.51	15,515.18	17,296.91	14,559.72

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

NOTES TO THE FINANCIAL STATEMENTS CONTD.

10.1 As at 31 March the Ageing Analysis of Trade Receivables is as follows :

As at 31 March 2018, Trade receivables amounting to LKR. 1,152.02 Mn. related to Group and LKR. 1,098.74 Mn. related to Company were impaired and fully provided for. Refer below Note 10.2 for the movement in provision for impairment of trade receivables.

Balances as at 31 March 2018	Total LKR. Mn	Neither Past due nor impaired LKR. Mn	Past Due not impaired			
			30-60 LKR. Mn	61-90 LKR. Mn	91-180 LKR. Mn	>180 LKR. Mn
Company	13,471.07	12,041.53	991.04	378.37	23.01	37.12
Group	14,180.05	12,650.65	1,060.20	393.02	35.41	40.77

10.2 Movement for Provision for Impairment of Receivables

	Group LKR. Mn 2018	Company LKR. Mn 2018
Balance as at 1 April	980.65	927.37
Provision for the year	172.92	172.92
Written off during the year	(1.55)	(1.55)
Balance as at 31 March	1,152.02	1,098.74

As at the Reporting date provision for impairment of receivables includes provision of LKR 925 Mn Group and LKR 872.12 Mn Company in respect of related parties, out of which LKR 56.60 Mn relates to current financial year.

10.3 Loans to Company Officers:

Given below are particulars of loans granted to Company officers in excess of LKR. 20,000.

	Group		Company	
	2018 LKR. Mn	2017 LKR. Mn	2018 LKR. Mn	2017 LKR. Mn
Balance as at 01 April	1.32	1.28	0.02	0.04
Loans granted during the year	-	0.21	-	-
Repayments	(1.07)	(0.17)	(0.01)	(0.02)
Balance as at 31 March	0.25	1.32	0.01	0.02

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

Components of Cash and Cash Equivalents

	Group		Company	
	2018 LKR. Mn	2017 LKR. Mn	2018 LKR. Mn	2017 LKR. Mn
11.1 Favourable Cash and Cash Equivalent Balances				
Cash and Bank Balances	1,841.58	1,760.41	1,481.17	1,330.38
11.2 Unfavourable Cash and Cash Equivalent Balances				
Bank Overdrafts (Note 15)	(1,757.14)	(7,541.30)	(1,757.14)	(7,541.30)
Total Cash and Cash Equivalents for the purpose of Statement of Cash Flows	84.44	(5,780.89)	(275.97)	(6,210.92)

12. STATED CAPITAL

12.1 Issued capital

	Group		Company	
	2018 LKR. Mn	2017 LKR. Mn	2018 LKR. Mn	2017 LKR. Mn
516,174,355 Number of Ordinary shares issued and fully paid	51,617.44	51,617.44	51,617.44	51,617.44
As at 31 March	51,617.44	51,617.44	51,617.44	51,617.44

13. RESERVES

	Group		Company	
	2018 LKR. Mn	2017 LKR. Mn	2018 LKR. Mn	2017 LKR. Mn
Revaluation Reserve	4,953.48	4,336.99	3,115.82	2,499.01
Cash flow hedge reserve (Note 13.1)	(333.10)	(127.63)	(333.10)	(127.63)
As at 31 March	4,620.38	4,209.36	2,782.72	2,371.38

13.1 Movement in Cash Flow Hedge Reserve

	Group		Company	
	2018 LKR. Mn	2017 LKR. Mn	2018 LKR. Mn	2017 LKR. Mn
Balance as at 1 April	(127.63)	(818.04)	(127.63)	(818.04)
Net Movement of Cash Flow Hedge Reserve	(205.47)	690.41	(205.47)	690.41
Balance as at 31 March	(333.10)	(127.63)	(333.10)	(127.63)

14. PREFERENCE SHARES

Preference shares -Employees' Provident Fund

Non Voting Redeemable Cumulative Preference shares held by Employees' Provident Fund are mandatorily redeemable on the date of maturity (16 May 2020). The holder is entitled to a fixed preference dividend of 13.01% per annum.

15. INTEREST BEARING LIABILITIES

	Group		Company	
	2018 LKR. Mn	2017 LKR. Mn	2018 LKR. Mn	2017 LKR. Mn
Current Liabilities				
Long-term Loans / Bonds (Note 15.1)	8,310.22	819.39	8,201.18	819.39
Finance Leases (Note 15.3)	306.39	952.66	306.39	952.66
Short Term Loan	57,365.00	53,109.75	57,365.00	53,109.75
Bank Overdraft (Note 11.2)	1,757.14	7,541.30	1,757.14	7,541.30
	67,738.75	62,423.10	67,629.71	62,423.10
Non-Current Liabilities				
Long-term Loans / Bonds (Note 15.1)	43,524.13	26,687.24	43,465.21	26,687.24
Finance Leases (Note 15.3)	1,032.53	1,227.50	1,032.53	1,227.50
	44,556.66	27,914.74	44,497.74	27,914.74

NOTES TO THE FINANCIAL STATEMENTS CONTD.

15.1 Long-term Loans / Bonds

	Group		Company	
	2018	2017	2018	2017
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
(a) Current /Non Current Classification				
Payable within one year included under Current Liabilities	8,310.22	819.39	8,201.18	819.39
After one year but not more than five years	43,524.13	26,687.24	43,465.21	26,687.24
	51,834.35	27,506.63	51,666.39	27,506.63
(b) Movement in Long-term Loans / Bonds				
Balance as at 01 April	27,506.63	36,553.42	27,506.63	36,553.42
Additions during the year	26,882.53	173.88	26,664.08	173.88
Payments during the year	(3,748.82)	(10,708.94)	(3,695.06)	(10,708.94)
Unrealised Exchange Loss	1,194.01	1,488.27	1,190.74	1,488.27
Balance as at 31 March	51,834.35	27,506.63	51,666.39	27,506.63
	Group		Company	
	2018	2017	2018	2017
	Mn	Mn	Mn	Mn
(c) Long-term Loans / Bonds denominated in foreign currencies				
Long - term Loans / Bonds - USD denominated	335.41	182.37	334.33	182.37

15.2 Company

Lender	Balance as at 31 March 2018 LKR. Mn	Balance as at 31 March 2017 LKR. Mn	Repayment Term	Security
(a) Bank Loans				
Interest linked to LIBOR				
Standard Chartered Bank	-	4,097.25	Payment on maturity March, 2018.	Ticket Sales collected by IATA from Kuwait, Bahrain, UAE ,Saudi Arabia, Oman, UK ,China, France, India.
Credit Suisse Bank AG	16,421.81	-	Monthly instalments ending April, 2021.	Ticket Sales Receivables of UAE, Kuwait and Saudi Arabia
Commercial Bank of Ceylon PLC	-	331.32	Monthly instalments ending February, 2018	US\$ 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	-	124.94	Monthly instalments ending December, 2017.	US\$ 350,000/- Fixed Deposit & Mortgage over the ground handling equipment imported under the facility
Commercial Bank of Ceylon PLC	98.55	384.45	Monthly instalments ending September, 2019.	US\$ 800,000/- Fixed Deposit
Commercial Bank of Ceylon PLC	151.67	65.79	Monthly instalments ending July, 2018.	

Lender	Balance as at 31 March 2018 LKR. Mn	Balance as at 31 March 2017 LKR. Mn	Repayment Term	Security
Amana Bank Limited	130.68	200.31	Monthly instalments ending December, 2021.	Restriction on SLA to sell, lease, alienate or mortgage A320 hanger and simulator building excluding land
Bank of Ceylon	5,056.19	4,931.88	Payment on maturity December, 2018.	Letter of comfort from Ministry of Finance
Bank of Ceylon	6,611.94	6,449.38	Payment on maturity October, 2018.	Letter of comfort from Ministry of Finance
Bank of Ceylon	3,889.38	-	Payment on maturity February, 2019.	Letter of comfort from Ministry of Finance
Peoples Bank	5,056.19	4,931.88	Payment on maturity December, 2018.	Letter of comfort from Ministry of Finance
Peoples Bank	6,611.94	6,449.38	Payment on maturity October, 2018.	Letter of comfort from Ministry of Finance
Peoples Bank	3,889.38	-	Payment on maturity February, 2019.	Letter of comfort from Ministry of Finance
Interest linked to AWPLR				
Bank of Ceylon	12,900.00	12,900.00	Payment on maturity June, 2018.	Letter of comfort from Ministry of Finance
Peoples Bank	13,350.00	13,350.00	Payment on maturity June, 2018.	Letter of comfort from Ministry of Finance

(b) International Bond

Lender	Balance as at 31 March 2018 LKR. Mn	Balance as at 31 March 2017 LKR. Mn	Repayment Term	Security
Fixed Interest Rate				
International Bond	27,225.63	26,556.25	Payment on maturity in June 2019	Government Guarantee for USD 175 Mn.

(c) Loans from other institutions

Fixed Interest Rate				
Deferred payment arrangement from a supplier	7,985.05	-	Monthly instalments ending January, 2021.	None
Aircraft Lessor	-	10.93	Monthly instalments ending July, 2017.	None

SUBSIDIARY

(a) Bank Loans

Interest Linked to LIBOR				
Bank of Ceylon	167.96	-	Monthly installments ending November 2019	None

* Interest bearing liabilities denominated in USD were converted to Sri Lankan Rupees at the exchange rates of LKR. 155.575 (2017 LKR. 151.75) as at 31 March 2018.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

15.3 Finance Lease Liability

	Group		Company	
	2018 LKR. Mn	2017 LKR. Mn	2018 LKR. Mn	2017 LKR. Mn
Payable within one year included under Current Liabilities	306.39	952.66	306.39	952.66
After one year but not more than five years included under Non-Current Liabilities	1,032.53	1,063.68	1,032.53	1,063.68
More than 5 Years included under Non-Current Liabilities	-	163.82	-	163.82
After one year included under Non-Current Liabilities	1,032.53	1,227.50	1,032.53	1,227.50

(b) Finance Leases denominated in Foreign Currencies

	Group/ Company	
(In Millions)	2018	2017
Finance Leases - EUR denominated	6.70	7.82
Finance Leases - GBP denominated	-	0.03
Finance Leases - USD denominated	0.25	5.65

(c) Movement in Finance Lease Liabilities

	Gross Payable LKR. Mn	Finance Charges for future periods LKR. Mn	Net Payable 2018 LKR. Mn	Net Payable 2017 LKR. Mn
Group				
Balance as at 01 April	2,566.02	(385.86)	2,180.16	2,580.88
Additions during the year	-	-	-	43.76
Payments during the year	(514.73)	129.71	(385.02)	(474.87)
Adjustments	(708.50)	20.78	(687.72)	-
Exchange (Gain)/Loss	286.30	(54.80)	231.50	30.39
Balance as at 31 March	1,629.09	(290.17)	1,338.92	2,180.16
Company				
Balance as at 01 April	2,566.01	(385.85)	2,180.16	2,578.93
Additions during the year	-	-	-	43.76
Payments during the year	(514.73)	129.71	(385.02)	(472.92)
Adjustments	(708.50)	20.78	(687.72)	-
Exchange (Gain)/Loss	286.30	(54.80)	231.50	30.39
Balance as at 31 March	1,629.08	(290.16)	1,338.92	2,180.16

16. OTHER LONG-TERM LIABILITIES

	Group		Company	
	2018	2017	2018	2017
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Provision for Aircraft Maintenance and Overhaul Cost (Note 16.1) (b)	19,701.58	8,095.72	19,701.58	8,095.72
Retirement Benefit Obligation (Note 16.2)	5,711.34	5,569.72	5,205.37	5,087.26
Deferred Tax Liability	77.13	77.13	-	-
	25,490.05	13,742.57	24,906.95	13,182.98

16.1 Provision for Future Aircraft Maintenance and Overhaul cost

	Group		Company	
	2018	2017	2018	2017
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
(a) Movement				
As at 1 April	12,919.39	12,253.24	12,919.39	12,253.24
Provisions during the year	8,224.42	6,029.15	8,224.42	6,029.15
Adjustments (Note 6)	8,336.69	625.86	8,336.69	625.86
Utilisation	(2,483.06)	(5,988.86)	(2,483.06)	(5,988.86)
As at 31 March	26,997.44	12,919.39	26,997.44	12,919.39
(b) Current/non current classification				
Payable with in one year included under Trade payables (Note 18)	7,295.86	4,823.67	7,295.86	4,823.67
After one year included under Long Term Liabilities	19,701.58	8,095.72	19,701.58	8,095.72
	26,997.44	12,919.39	26,997.44	12,919.39

16.2 Retirement Benefit Obligation - Gratuity

	Group		Company	
	2018	2017	2018	2017
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Balance as at 01 April	5,569.72	5,323.00	5,087.26	4,844.37
Current service cost and interest cost	1,028.16	964.07	939.80	888.07
Actuarial (Gain)	(384.44)	(302.69)	(372.53)	(254.20)
Payments during the year	(502.10)	(414.66)	(449.16)	(390.98)
Balance as at 31 March	5,711.34	5,569.72	5,205.37	5,087.26

NOTES TO THE FINANCIAL STATEMENTS CONTD.

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

	Company		Subsidiary	
	2018	2017	2018	2017
i) Rate of Interest			10%	12%
- LKR	10.5%	13%		
- USD	6.5%	5%		
ii) Rate of Salary Increase				
- LKR	7.5%	10%	10%	12%
- USD	3%	3%		
iii) Retirement Age - Years	60	60	55	55
iv) The entity will continue as a going concern				
(v) Expected Remaining Service Life	16 Years	8 Years	9.21 Years	9.04 Years

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			
		2018		2017	
		Company LKR. Mn	Subsidiary LKR. Mn	Company LKR. Mn	Subsidiary LKR. Mn
1%	-	(356.62)	(28.79)	(326.64)	(29.27)
-1%	-	407.84	32.06	370.49	32.77
-	1%	414.72	34.14	375.17	34.09
-	-1%	(367.11)	(31.18)	(334.80)	(31.01)

17. SALES IN ADVANCE OF CARRIAGE

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

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2018 LKR. Mn	2017 LKR. Mn	2018 LKR. Mn	2017 LKR. Mn
Trade and Other Payables	27,266.00	28,258.39	31,628.56	34,046.79
Provision for Future Aircraft Maintenance and Overhaul Cost (Note 16.1) (b)	7,295.86	4,823.67	7,295.86	4,823.67
Compensation for cancellation of lease agreements (Note 18.1)	-	6,054.83	-	6,054.83
	34,561.86	39,136.89	38,924.42	44,925.29

18.1 During the financial year 2016/2017 the Company has entered into a Termination and Amendment Agreement (The Agreement) with a Lessor to cancel three A350-900 aircraft. The balance cancellation fee of USD 39.9 Mn (LKR 6,054.83 Mn) was payable as at 31 March 2017 and this amount has been settled in full during the Reporting period.

19. FINANCIAL INSTRUMENTS

Classification of Financial Instruments

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

Group	2018		2017	
	Loans and Receivables	Financial Liabilities at Amortised Cost	Loans and Receivables	Financial Liabilities at Amortised Cost
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Financial Assets				
Trade and Other Receivables	15,693.90	-	13,127.34	-
Aircraft Maintenance Reserve	26,950.81	-	14,637.30	-
Aircraft and Spare Engine Deposits	5,895.26	-	5,689.32	-
Investments	749.96	-	292.94	-
Cash and Bank Balances	1,841.58	-	1,760.41	-
Total	51,131.51	-	35,507.31	-
Financial Liabilities				
Interest Bearing Loans and Borrowings	-	112,295.41	-	90,337.84
Provision for Aircraft Maintenance and Overhaul Cost	-	26,997.44	-	12,919.39
Trade and Other Payables	-	26,998.76	-	36,697.06
Total	-	166,291.61	-	139,954.29
Company				
Financial Assets				
Trade and Other Receivables	14,892.62	-	12,386.48	-
Aircraft Maintenance Reserve	26,950.81	-	14,637.30	-
Aircraft and Spare Engine Deposits	5,895.26	-	5,689.32	-
Investments	589.59	-	292.94	-
Cash and Bank balances	1,481.17	-	1,330.38	-
Total	49,809.45	-	34,336.42	-
Financial Liabilities				
Interest Bearing Loans and Borrowings	-	112,127.45	-	90,337.84
Provision for Aircraft Maintenance and Overhaul Cost	-	26,997.44	-	12,919.39
Trade and Other Payables	-	26,009.10	-	35,956.39
Total	-	165,133.99	-	139,213.62

The following methods and assumptions were used to estimate the fair values:

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

The Management assessed that the fair value of 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.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

20. REVENUE AND SEGMENT INFORMATION

	Group		Company	
	2018 LKR. Mn	2017 LKR. Mn	2018 LKR. Mn	2017 LKR. Mn
20.1 Revenue				
Scheduled services - Passenger	131,715.05	105,028.51	131,715.05	105,028.51
- Cargo	14,621.41	11,987.31	14,621.41	11,987.31
- Excess Baggage	1,032.81	926.73	1,032.81	926.73
- Mail	185.09	218.43	185.09	218.43
	147,554.36	118,160.98	147,554.36	118,160.98
Air Terminal and Other Services	13,185.94	16,671.49	13,313.17	16,744.17
Duty Free	774.13	579.22	774.13	579.22
Non-Scheduled Services	12.80	6.82	12.80	6.82
Flight Catering	3,332.28	3,172.32	-	-
Total	164,859.51	138,590.83	161,654.46	135,491.19

20.2 Segment Information

(a) Primary Reporting by Geographical Segment - Revenue by Origin of Sale

	Sri Lanka	Asia (excluding Sri Lanka)	Europe & Africa	Middle East	North & South America	South West Pacific	Total 2018 LKR. Mn
Revenue 2018							
Scheduled services							
- Passenger	21,649.77	55,768.54	16,703.68	28,841.82	4,642.75	4,108.49	131,715.05
- Cargo	4,467.96	7,731.49	923.75	1,121.27	40.61	336.33	14,621.41
- Excess Baggage	119.26	370.36	42.81	491.51	0.85	8.02	1,032.81
- Mail	39.64	45.96	66.70	25.94	0.11	6.74	185.09
	26,276.63	63,916.35	17,736.94	30,480.54	4,684.32	4,459.58	147,554.36
Air Terminal and Other Services	13,185.94	-	-	-	-	-	13,185.94
Duty Free	-	131.61	54.19	301.91	263.20	23.22	774.13
Non-Scheduled Services	12.80	-	-	-	-	-	12.80
Flight Catering	3,332.28	-	-	-	-	-	3,332.28
Segment Revenue	42,807.65	64,047.96	17,791.13	30,782.45	4,947.52	4,482.80	164,859.51

20.2 Segment Information (contd.)

	Sri Lanka	Asia (excluding Sri Lanka)	Europe & Africa	Middle East	North & South America	South West Pacific	Total 2017 LKR. Mn
Revenue 2017							
Scheduled services							
- Passenger	19,178.29	40,702.68	17,975.83	21,766.20	4,198.22	1,207.29	105,028.51
- Cargo	4,693.76	5,678.12	958.64	620.50	33.00	3.29	11,987.31
- Excess Baggage	104.21	285.17	28.82	506.49	1.11	0.93	926.73
- Mail	94.71	68.45	39.97	-	-	15.30	218.43
	24,070.97	46,734.42	19,003.26	22,893.19	4,232.33	1,226.81	118,160.98
Air Terminal and Other Services	16,671.49	-	-	-	-	-	16,671.49
Duty Free	-	319.77	76.47	182.98	-	-	579.22
Non-Scheduled Services	6.82	-	-	-	-	-	6.82
Flight Catering	3,172.32	-	-	-	-	-	3,172.32
Segment Revenue	43,921.60	47,054.19	19,079.73	23,076.17	4,232.33	1,226.81	138,590.83

(b) Secondary Reporting by Business Segment

	Business Segment				Business Segment			
	Airline	Flight Catering	Inter- segment eliminations	Group	Airline	Flight Catering	Inter- segment eliminations	Group
	2018	2018	2018	2018	2017	2017	2017	2017
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Revenue								
Sales to external customers	161,654.46	8,597.52	(5,392.47)	164,859.51	135,491.19	7,216.13	(4,116.49)	138,590.83
Results								
Profit / (Loss) After Tax	(17,213.57)	3,890.30	(5,261.89)	(18,585.15)	(28,929.99)	3,736.39	(3,145.91)	(28,339.51)
Other Segment Information								
Assets	67,566.96	9,412.83	(5,394.65)	71,585.14	51,633.63	10,571.49	(6,791.35)	55,413.77
Liabilities	199,763.30	2,757.16	(5,352.43)	197,168.03	167,400.27	2,503.93	(6,696.91)	163,207.29
Acquisition of Property, Plant and Equipment	1,403.96	271.79	-	1,675.75	885.02	208.96	-	1,093.98
Acquisition of Intangible Assets	83.51	22.95	-	106.46	22.66	25.26	-	47.92
Depreciation and Amortisation	1,779.49	196.55	-	1,976.04	2,041.63	284.67	-	2,326.30
Finance Cost	8,820.16	134.61	-	8,954.77	6,922.92	130.18	-	7,053.10
Finance Income	180.99	221.33	(201.70)	200.62	60.09	862.36	(832.50)	89.95
Tax	-	5.92	-	5.92	-	25.25	-	25.25
Operating Expenses	176,104.44	4,796.66	(5,646.37)	175,254.73	146,760.81	4,216.38	(4,896.54)	146,080.65
Trade debtor written off	1.55	-	-	1.55	6.85	4.07	-	10.92
Inventory written off	53.14	-	-	53.14	332.98	7.00	-	339.98

NOTES TO THE FINANCIAL STATEMENTS CONTD.

21. OTHER INCOME AND GAINS

	Group		Company	
	2018	2017	2018	2017
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Profit on Disposal of Property, Plant and Equipment	-	24.50	-	2.99
Miscellaneous	570.14	477.02	561.48	468.80
Dividends from SriLankan Catering Ltd.	-	-	5,314.10	3,093.48
	570.14	501.52	5,875.58	3,565.27

22. OPERATING LOSS

	Group		Company	
stated after charging/(crediting):	2018	2017	2018	2017
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Aircraft Insurance	478.37	485.26	478.37	485.26
Franchise Fees	442.86	383.59	442.86	383.59
Provision for Slow Moving Inventory	251.60	797.40	251.60	797.40
Loss on Disposal of Property, Plant and Equipment	14.41	-	14.14	-
Auditors' Remuneration				
Other Services	0.23	4.38	-	3.72
Audit	9.48	9.26	8.10	8.06
Provision for Impairment of Receivables	172.92	781.36	172.92	728.96
Provision for Impairment of Property, Plant and Equipment	11.24	11.24	-	-
Exchange loss	1,815.64	2,835.07	2,017.34	3,667.57

23. FINANCE INCOME AND COST

23.1 Finance Income

	Group		Company	
	2018	2017	2018	2017
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Interest Income	200.62	89.95	180.99	60.09

23.2 Finance Cost

Interest Cost on Borrowings, Bank Overdrafts and Overdue Supplier Balances	8,694.96	6,746.49	8,690.45	6,746.41
Finance Charges on Lease Liabilities	129.71	176.51	129.71	176.51
Preference Share Dividend	130.10	130.10	-	-
	8,954.77	7,053.10	8,820.16	6,922.92

24. TAXATION

	Group	
	2018	2017
	LKR. Mn	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 (Note 24.1)	16.23	25.25
Under/(Over) Provision of current taxes in respect of prior years	(10.31)	-
	5.92	25.25

24.1 Reconciliation between Current Tax Expense and the product of Accounting Loss

	Group	
	2018	2017
	LKR. Mn	LKR. Mn
Accounting Loss before Tax	(18,579.23)	(28,314.26)
Income not subject to Tax	18,606.74	28,364.18
Statutory Income applicable under Tax Rate of 28%	27.51	49.92
Taxable Profit	27.51	49.92
Statutory Tax Charge at Tax Rate 28%	7.70	13.98
Tax effect of net non deductible expenses	1.40	1.30
Tax on other income	7.13	9.97
	16.23	25.25
Less: Tax effect of Losses set off	-	-
Current Income Tax Expense	16.23	25.25

24.2 Deferred Tax Liability

	Group	
	2018	2017
	LKR. Mn	LKR. Mn
Deferred Tax Liability	77.13	77.13
Movement in Deferred Tax Liability	Balance as at 31 March 2016	Movement during the year
	Balance as at 31 March 2017	Movement during the year
		Balance as at 31 March 2018
Revaluation gains on the Buildings	77.13	-
	77.13	-
		77.13

Subsidiary

SriLankan Catering Limited has recognised deferred tax on the revaluation gains on buildings.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

24.2 Deferred Tax Liability (Contd.)

Unrecognised Deferred tax (Asset)

Group

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

	Assets		Liability		Net asset/ (liability)	
	2018	2017	2018	2017	2018	2017
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Property, Plant & Equipment	4.65	4.20	(1,029.53)	(318.59)	(1,024.88)	(314.39)
Revaluation of Land - Colombo	-	-	(171.67)	-	(171.67)	-
Revaluation of Buildings	-	-	(700.76)	(588.11)	(700.76)	(588.11)
Retirement Benefit Obligation	1,533.40	1,496.80	-	-	1,533.40	1,496.80
Provision for Impairment of Maintenance Reserve	2,118.76	-	-	-	2,118.76	-
Provision for Slow Moving Stocks	609.68	-	-	-	609.68	-
Provision for Aircraft Maintenance and Overhaul Cost	7,559.28	-	-	-	7,559.28	-
	11,825.77	1,501.00	(1,901.96)	(906.70)	9,923.81	594.30

Movement in Deferred Tax during the Year

	Balance as at 31 March 2016	Movement during the year	Balance as at 31 March 2017	Movement during the year	Balance as at 31 March 2018
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Property, Plant & Equipment	4.06	(318.45)	(314.39)	(710.49)	(1,024.88)
Revaluation of Land - Colombo	-	-	-	(171.67)	(171.67)
Revaluation of Buildings	-	(588.11)	(588.11)	(112.65)	(700.76)
Retirement Benefit Obligation	71.80	1,425.00	1,496.80	36.60	1,533.40
Provision for Impairment of Maintenance Reserve	-	-	-	2,118.76	2,118.76
Provision for Slow Moving Stocks	-	-	-	609.68	609.68
Provision for Aircraft Maintenance and Overhaul Cost	-	-	-	7,559.28	7,559.28
	75.86	518.44	594.30	9,329.51	9,923.81

24.2 Deferred Tax (Contd.)

Company

	Assets		Liability		Net asset/ (liability)	
	2018 LKR. Mn	2017 LKR. Mn	2018 LKR. Mn	2017 LKR. Mn	2018 LKR. Mn	2017 LKR. Mn
Property, Plant & Equipment	-	-	(1,029.53)	(318.59)	(1,029.53)	(318.59)
Revaluation of Land - Colombo	-	-	(171.67)	-	(171.67)	-
Revaluation of Buildings	-	-	(700.76)	(588.11)	(700.76)	(588.11)
Retirement Benefit Obligation	1,457.50	1,424.43	-	-	1,457.50	1,424.43
Provision for Impairment of Maintenance Reserve	2,118.76	-	-	-	2,118.76	-
Provision for Slow Moving Stocks	609.68	-	-	-	609.68	-
Provision for Aircraft Maintenance and Overhaul Cost	7,559.28	-	-	-	7,559.28	-
	11,745.22	1,424.43	(1,901.96)	(906.70)	9,843.26	517.73

	Balance as at 31 March 2016 LKR. Mn	Movement during the year LKR. Mn	Balance as at 31 March 2017 LKR. Mn	Movement during the year LKR. Mn	Balance as at 31 March 2018 LKR. Mn
Property, Plant & Equipment	-	(318.59)	(318.59)	(710.94)	(1,029.53)
Revaluation of Land - Colombo	-	-	-	(171.67)	(171.67)
Revaluation of Buildings	-	(588.11)	(588.11)	(112.65)	(700.76)
Retirement Benefit Obligation	-	1,424.43	1,424.43	33.07	1,457.50
Provision for Impairment of Maintenance Reserve	-	-	-	2,118.76	2,118.76
Provision for Slow Moving Stocks	-	-	-	609.68	609.68
Provision for Aircraft Maintenance and Overhaul Cost	-	-	-	7,559.28	7,559.28
	-	517.23	517.73	9,325.53	9,843.26

Company

The rate of tax used is 28% which is the tax rate that is expected to be applied to the temporary differences when they reverse, based on the tax laws enacted as at the Reporting date. The Company has not recognised the deferred tax Liability arose as a result of Land and Building revaluation and gain on actuarial assumptions amounting to LKR. 976.74 Mn through other comprehensive income since there are deferred tax assets which can be recognised through profit or loss to the extent of the liability. As such net deferred tax assets amounting to LKR. 9,843.26 Mn as at 31 March 2018 was not recognised in the financial statements as it is not probable that the future taxable profits will be adequate to utilise the available deferred tax assets in the foreseeable future.

Subsidiary

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 is valid 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 3 years and any remaining amount is considered immaterial. Deferred tax is quantified at the rate of 15%.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

25. COMMITMENTS AND CONTINGENCIES

25.1 Capital Expenditure Commitments

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

	Group		Company	
	2018 LKR. Mn	2017 LKR. Mn	2018 LKR. Mn	2017 LKR. Mn
Authorised and contracted but not provided for				
Tangible *	167,571.38	163,890.77	167,526.59	163,890.77
Intangible	-	5.86	-	5.86
	167,571.38	163,896.63	167,526.59	163,896.63
Authorised but not contracted for				
Tangible	158.69	247.09	158.69	247.09
Intangible	50.53	145.39	50.53	145.39
	209.22	392.48	209.22	392.48
	167,780.60	164,289.11	167,735.81	164,289.11

*As of 31 March 2018, an amount of LKR 167,439.77 Mn (USD 1,076 Mn) (2017 - LKR 163,323.06 Mn (USD 1,076 Mn)) representing the list price, excluding cost of any additional features and credits available for the purchase of four A350-900 Aircraft have been considered under capital commitment. Further refer Note 5 in relation to the same.

25.2 Financial Commitments

(a) Total future minimum lease commitment under non-cancellable operating leases as at 31 March were as follows:

	Group		Company	
	2018 LKR. Mn	2017 LKR. Mn	2018 LKR. Mn	2017 LKR. Mn
Within one year	27,085.44	25,055.34	27,085.44	25,055.34
After one year but not more than five years	98,999.94	98,090.83	98,999.94	98,090.83
Later than five years	96,584.39	116,434.10	96,584.39	116,434.10
	222,669.77	239,580.27	222,669.77	239,580.27

(a) Lease Commitments as at 31 March 2018 includes the Lease Commitments on one A321 - 200neo aircraft expected to be delivered during the third quarter of 2018. The lease commitment on the new delivery is based on the Base Rental which excludes adjustments for Standard Airbus escalation, interest rate adjustments and the cost of any additional features which will be adjusted at delivery. However, estimated lease commitment as at 31 March 2018 may increase by LKR 1,251.64 Mn. at delivery in respect of this A321neo aircraft.

Lease Commitments as at 31 March 2017 included the following aircraft which were to be delivered between the years 2017 to 2018: Four A321neo and one used A330 - 200 aircraft amounting to LKR.36,325.02 Mn and LKR. 9,924.45 Mn respectively. The lease commitment was based on the Base Rental which excluded adjustments for Standard Airbus escalation, interest rate adjustments and the cost of any additional features which were adjusted at delivery. At present , all of the above aircraft are included in the fleet , with the exception of the A321-200neo mentioned above which is expected during the third quarter of 2018.

25.2 Financial Commitments (contd.)

(b) As at 31 March 2018, the Company has issued Letters of Credit with the value of LKR. 1,361.67 Mn (USD 8.97 Mn) (2017 - LKR.1,050.89 Mn (USD 6.93 Mn) as Security deposits for leased Aircraft.

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

	Group		Company	
	2018 LKR. Mn	2017 LKR. Mn	2018 LKR. Mn	2017 LKR. Mn
Instalment payable:				
Within one year	768.74	780.00	623.40	648.77
After one year but not more than five years	1,791.38	2,000.09	1,466.43	1,600.40
Later than five years	2,001.87	2,303.98	1,592.73	1,897.79

25.3 Contingencies

Company

The Contingent liabilities are based on claims made of LKR. 15,085.72 Mn as at 31 March 2018 (2017: LKR. 3,315.53 Mn). The Contingent Liability of LKR 15,085.72 Mn includes claims made by several suppliers of aircraft parts as a result of cancellation of aircraft lease agreements amounting to LKR 12,240.89 Mn (USD 77.56 Mn and EUR 0.91 Mn), a penalty levied by an overseas tax authority pertaining to payment of airport taxes amounting to LKR 576.74 Mn (USD 3.71 Mn), a claim of LKR 631.93 Mn (USD 4.06 Mn) made by a supplier pursuant to the discontinuation of a contract and Service Tax disputes with an overseas tax authority amounting to LKR 1,239.13 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.

Subsidiary

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

The Labour Tribunal Case (LT Case No.21/337/2015) is being heard. Further, there are 4 cases which had been appealed by the company as at the Reporting date. A deposit of LKR. 20 Mn has been made for those appealed cases.

26. ASSETS PLEDGED

Company /Group

Refer Note 15.2 for details of the assets pledged against facilities obtained.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

27. EVENTS OCCURRING AFTER THE REPORTING DATE

27.1 Company

- In September 2018, the A330-200 Aircraft which was on sub lease during the year was returned to the Company on expiry of the sub lease term.
- Further, considering the ongoing restructuring plans as disclosed in note 3 to the financial statements the Company extended the lease agreement of a A320 Aircraft for a further period of four months ending March 2019 and a lease agreement of a A321 aircraft for a further period of six months ending February 2019 which was returned to the lessor upon the expiry of extension period.

Apart from the above there are no events occurring after the Reporting date that require adjustments to or disclosure in the financial statements.

27.2 Subsidiary

There are no events occurring after the Reporting date that require adjustments to or disclosure in the financial statements.

28. RELATED PARTY DISCLOSURES

28.1 GROUP & COMPANY

28.1.1 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;

	2018 LKR. Mn	2017 LKR. Mn
Short Term Benefits	304.17	323.21
Post Employment Benefits	46.09	39.40
Termination Benefits	12.43	-

The above includes Directors' fee paid during the year amounting to LKR. 6.01 Mn (2017: LKR. 9.86 Mn) and privilege and other firm air tickets amounting to LKR. 18.65 Mn (2017- LKR. 19.55 Mn) which include Free of Charge Business Class travel on SriLankan Airlines by the Directors, their spouses and dependent children during their term of office. In addition to the above, the other Key Management Personnel and their spouses and dependent children are also entitled for free of charge air tickets.

28. RELATED PARTY DISCLOSURES (CONTD.)

28.2 Group

The Government of Sri Lanka (GOSL) being the Major Share holder of the Company has the controlling power over the Group.

The following significant transactions have been carried out with entities controlled by the GOSL in the ordinary course of business.

Name of the Company	Relationship	Nature of Transactions	Transaction Amount		Receivable/ (Payable) Balance	
			2018 LKR. Mn	2017 LKR. Mn	2018 LKR. Mn	2017 LKR. Mn
Ceylon Petroleum Corporation	Government owned	Fuel	(25,959.20)	(19,921.07)	(4,907.32)	(10,327.05)
		Deferred Supplier Payments	-	-	(7,985.05)	-
		Finance Cost on Overdue Payments	(490.61)	(368.64)	(83.96)	(445.21)
Airport and Aviation Services Ltd.	Government owned	Landing, Parking, Aero Bridge, Lounge, Rent, Franchise fees & Garbage Incineration charges	(3,489.83)	(3,415.30)	(1,214.16)	(1,210.65)
Civil Aviation Authority	Government controlled	Licenses, permits and Levies	(9,779.95)	(6,484.09)	(0.84)	(0.21)
Mihin Lanka (Pvt) Ltd	Government owned	Sales	74.48	6,123.54	745.43	744.54
		Purchases	(20.88)	(5,560.40)	-	-
Sri Lanka Insurance Corporation	Government owned	Insurance Services	(477.53)	(407.88)	-	-
Bank of Ceylon	Government owned	Loan Repayments	-	(43.35)	(28,457.50)	(24,281.25)
		Loan Received	4,107.83	11,381.25	-	-
		Short term Deposits	-	-	679.57	216.04
		Interest	(2,770.01)	(2,175.33)	-	-
		Bank Overdraft	-	-	(1,757.14)	(6,805.31)
Peoples Bank	Government owned	Loan Received	3,889.38	11,381.25	(28,907.50)	(24,731.25)
		Interest	(2,343.83)	(2,137.39)	-	-
Employees' Provident Fund	Shareholder of the Subsidiary	Preference Share Dividend	(130.10)	(130.10)	(64.87)	(64.87)
		13.01% Non-Voting Redeemable Cumulative (5 years) Preference Shares	-	-	(1,000.00)	(1,000.00)

NOTES TO THE FINANCIAL STATEMENTS CONTD.

28. RELATED PARTY DISCLOSURES (CONTD.)

28.2 Group (Contd.)

As of the Reporting date the Company has utilised Bank Guarantee facility of LKR 1,926.42 Mn (2017 - LKR 1,159.94 Mn) from Bank of Ceylon.

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.

The Group has impaired trade receivables from related parties amounting to LKR 56.6 Mn (2017- LKR 744.54 Mn) during the year. As of the Reporting date provision for impairment relating to related parties amounted to LKR 928.9 Mn (2017- LKR 872.85 Mn).

Limited disclosures have been made in accordance with LKAS 24 - 'Related Party Disclosures' for transactions that are individually significant because of their size and due to the impracticability of capturing and disclosure of all transactions which have been carried out with all government controlled/related entities.

Following are some of such other Government controlled/related entities with whom the group has transacted with, during the year :

- | | |
|------------------------------------|--------------------------------------|
| - Ceylon Electricity Board | - Ceylon Tourist Board |
| - Department of Inland Revenue | - Sri Lanka postal Authority |
| - State Pharmaceutical Corporation | - Sri Lanka Tourism Promotion Bureau |
| - Ministry of Foreign Affairs | - Presidential Secretariat |

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

Transactions with the related parties took place at commercial terms.

28 RELATED PARTY DISCLOSURES (CONTD.)

28.3 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.

Name of the Company	Relationship	Nature of Transactions	Transaction Amount		Receivable/ (Payable) Balance	
			2018 LKR. Mn	2017 LKR. Mn	2018 LKR. Mn	2017 LKR. Mn
SriLankan Catering Limited	Subsidiary	Freight Services	13.99	20.03	-	-
		Flight Catering and Other Services	(5,378.46)	(4,096.48)	(5,352.44)	(6,707.47)
		Dividend	5,314.10	3,093.48	-	-
Ceylon Petroleum Corporation	Government owned	Fuel	(25,852.36)	(19,813.14)	(4,907.32)	(10,327.05)
		Deferred Supplier Payments	-	-	(7,985.05)	-
		Finance Cost on Overdue Payments	(490.61)	(368.64)	(83.96)	(445.21)
Airport and Aviation Services Ltd.	Government owned	Landing, Parking, Aero Bridge, Lounge, Rent, Franchise fees & Garbage Incineration charges	(2,912.51)	(2,940.50)	(1,236.06)	(1,294.15)
Civil Aviation Authority	Government controlled	Licences, permits and Levies	(9,779.95)	(6,484.09)	(0.84)	(0.21)
Mihin Lanka (Pvt) Ltd	Government owned	Sales	74.48	5,869.73	745.43	692.14
		Purchases	(20.88)	(5,560.40)	-	-
Sri Lanka Insurance Corporation	Government owned	Insurance Services	(477.53)	(407.88)	-	-
Bank of Ceylon	Government owned	Loan Repayments	-	(43.35)	(28,457.50)	(24,281.25)
		Loan Received	3,889.38	11,381.25	-	-
		Short term Deposits	-	-	679.57	216.04
		Interest	(2,770.01)	(2,175.33)	-	-
		Bank Overdraft	-	-	(1,757.14)	(6,805.31)
Peoples Bank	Government owned	Loan Received	3,889.38	11,381.25	(28,907.50)	(24,731.25)
		Interest	(2,343.83)	(2,137.39)	-	-

NOTES TO THE FINANCIAL STATEMENTS CONTD.

28 RELATED PARTY DISCLOSURES (Contd.)

28.3 COMPANY (Contd.)

As of the Reporting date the Company has utilised Bank Guarantee facility of LKR 1,906.88 Mn (2017 - LKR 1,159.94 Mn) from Bank of Ceylon.

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.

The Company has impaired trade receivables from related parties amounting to LKR 56.6 Mn (2017- 692.14 Mn) during the year. As of the Reporting date provision for impairment relating to related parties amounted to LKR 875.73 Mn (2017- LKR 820.45 Mn).

Limited disclosures have been made in accordance with LKAS 24 - 'Related Party Disclosures' for transactions that are individually significant because of their size and due to the impracticability of capturing and disclosure of all transactions which have been carried out with all government controlled/ related entities.

Following are some of such Other Government controlled/related entities with whom the Company has transacted with, during the year :

- | | |
|------------------------------------|--------------------------------------|
| - Ceylon Electricity Board | - Ceylon Tourist Board |
| - Department of Inland Revenue | - Sri Lanka Postal Authority |
| - State Pharmaceutical Corporation | - Sri Lanka Tourism Promotion Bureau |
| - Ministry of Foreign Affairs | - Presidential Secretariat |

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).

Transactions with the related party took place at commercial terms.

29. 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 of 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. With all other variables held constant, the Group/Company loss before tax would have been affected through the impact on floating rate borrowings as follows.

	2018		2017	
	Effect on Loss before Tax		Effect on Loss before Tax	
	Group	Company	Group	Company
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Increase/(Decrease) in Interest Rate				
+1%	732.47	730.44	462.72	462.72
-1%	(732.47)	(730.44)	(462.72)	(462.72)

* Increase in interest rates result 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.

Group manages its foreign exchange exposure by a policy of matching as far as possible, receipts and payments in each individually significant currency and hedging identified foreign currency loans against its highly probable, specifically identified future revenue in foreign currency.

The following table demonstrates the sensitivity to a reasonably possible change in Sri Lankan Rupee (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 statement of financial position as of the Reporting date). The Group's exposure to foreign currency changes for all other currencies is not material.

	2018				2017			
	Effect on OCI		Effect on Loss before Tax		Effect on OCI		Effect on Loss before Tax	
	Group	Company	Group	Company	Group	Company	Group	Company
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Appreciation/(Depreciation) of USD against LKR								
+3%	500.16	500.16	1,227.33	1,247.02	11.07	11.07	1,330.14	1,644.65
-3%	(500.16)	(500.16)	(1,227.33)	(1,247.02)	(11.07)	(11.07)	(1,330.14)	(1,644.65)

* Appreciation of USD results in an increase in losses.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

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

(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.

Group	2018					Total
	On demand LKR. Mn	Less than three months LKR. Mn	3 to 12 Months LKR. Mn	1 to 5 year LKR. Mn	More than 5 years LKR. Mn	
Interest Bearing Liabilities	1,757.14	2,145.17	60,855.24	29,302.27	29.82	94,089.64
Aircraft Maintenance and Overhaul Cost	2,946.37	1,505.50	217.43	19,016.36	3,522.74	27,208.40
Trade and Other Payables	-	26,998.76	-	-	-	26,998.76
Preference Shares	-	65.05	65.05	1,195.15	-	1,325.25
	4,703.51	30,714.48	61,137.72	49,513.78	3,552.56	149,622.05
Company						
Interest Bearing Liabilities	1,757.14	2,115.84	60,769.38	29,242.38	29.82	93,914.56
Aircraft Maintenance and Overhaul Cost	2,946.37	1,505.50	217.43	19,016.36	3,522.74	27,208.40
Trade and Other Payables	-	26,009.10	-	-	-	26,009.10
	4,703.51	29,630.44	60,986.81	48,258.74	3,552.56	147,132.06
Group	2017					Total
	On demand LKR. Mn	Less than three months LKR. Mn	3 to 12 Months LKR. Mn	1 to 5 year LKR. Mn	More than 5 years LKR. Mn	
Interest Bearing Liabilities	7,541.30	1,218.78	55,323.39	30,202.57	176.49	94,462.53
Aircraft Maintenance and Overhaul Cost	1,409.25	689.74	2,724.68	5,561.65	2,534.07	12,919.39
Trade and Other Payables	-	36,697.06	-	-	-	36,697.06
Preference Shares	-	65.05	65.05	1,276.46	-	1,406.56
	8,950.55	38,670.63	58,113.12	37,040.68	2,710.56	145,485.54
Company						
Interest Bearing Liabilities	7,541.30	1,218.27	55,321.87	30,202.57	176.49	94,460.50
Aircraft Maintenance and Overhaul Cost	1,409.25	689.74	2,724.68	5,561.65	2,534.07	12,919.39
Trade and Other Payables	-	35,956.39	-	-	-	35,956.39
	8,950.55	37,864.40	58,046.55	35,764.22	2,710.56	143,336.28

(iii) Credit Risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The 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 business plan as more fully described in Note 3 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.

30. Comparative information

The following items in the statement of profit or loss and statement of financial position have been reclassified in order to achieve better presentation.

	Group			Company		
	2017		2017	2017		2017
	Reclassifications LKR. Mn	LKR. Mn	Reclassified LKR. Mn	Reclassifications LKR. Mn	LKR. Mn	Reclassified LKR. Mn
STATEMENT OF FINANCIAL POSITION						
Investments	-	292.94	292.94	-	292.94	292.94
Cash and Bank Balances	2,053.35	(292.94)	1,760.41	1,623.32	(292.94)	1,330.38
STATEMENT OF PROFIT OR LOSS						
Revenue	138,563.23	27.60	138,590.83	135,463.59	27.60	135,491.19
Selling, Marketing and Advertising Expenses	(12,709.68)	(27.60)	(12,737.28)	(12,657.28)	(27.60)	(12,684.88)
Employee Cost	(20,015.81)	3.25	(20,012.56)	(18,797.04)	3.25	(18,793.79)
Other Operating Expenses	(10,700.30)	(3.25)	(10,703.55)	(10,450.45)	(3.25)	(10,453.70)
Impact to the Net Assets		-			-	

ANNEXES

Ten Year Review	102
Route Map	104
Milestones	106
Glossary	108
Notice of Meeting	109

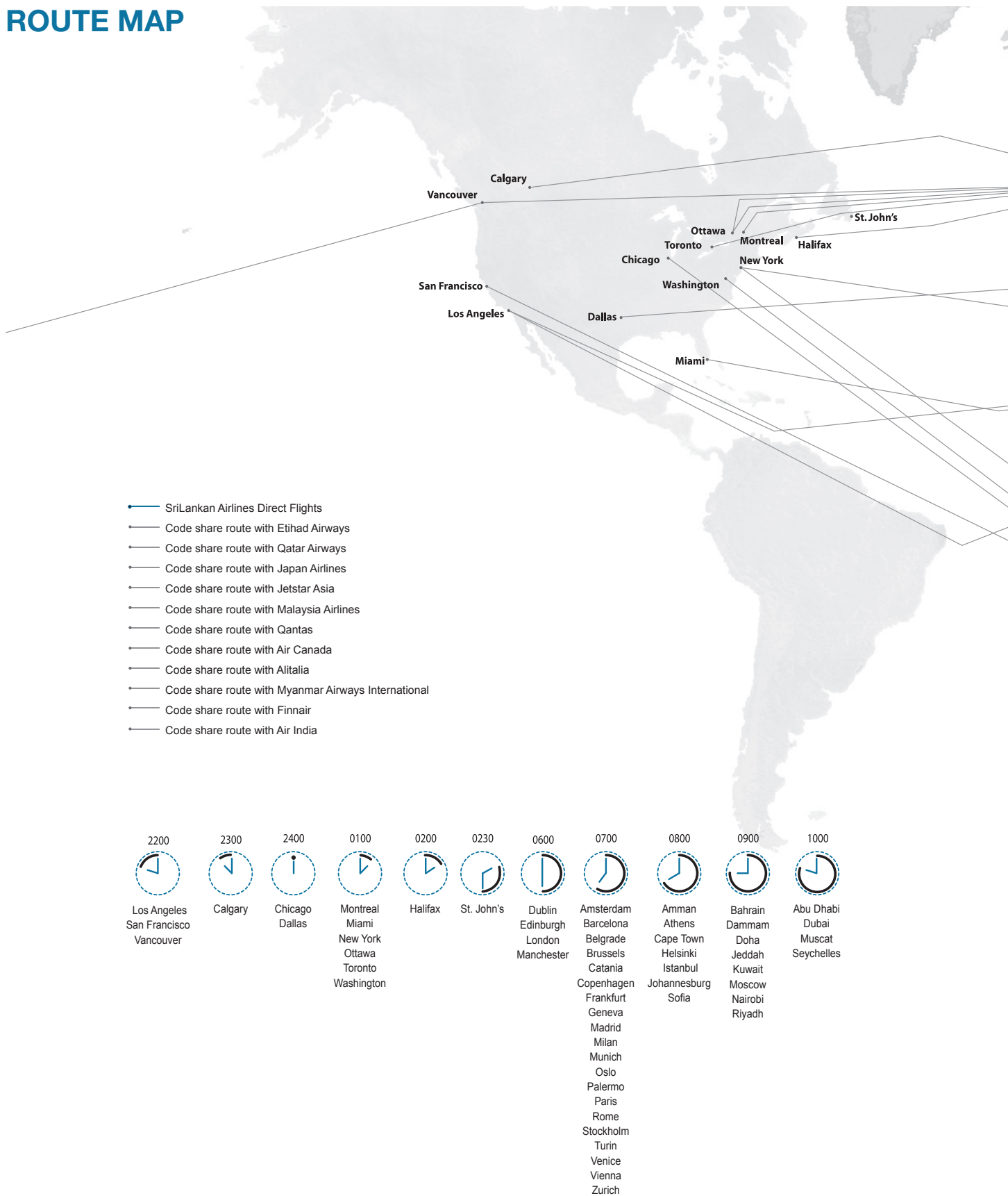


TEN YEAR REVIEW

		2018	2017	2016	2015
STATEMENT OF PROFIT OR LOSS					
Revenue	LKR. Mn	161,654.46	135,491.19	129,480.41	131,922.13
Operating Expenditure	LKR. Mn	176,104.44	146,760.81	137,311.44	145,983.35
Net Profit/(Loss)	LKR. Mn	(17,213.57)	(28,929.99)	(12,621.69)	(16,494.66)
STATEMENT OF FINANCIAL POSITION					
Share Capital / Stated Capital	LKR. Mn	51,617.44	51,617.44	51,617.44	51,617.44
Non Current Assets	LKR. Mn	37,476.46	24,660.56	23,548.01	22,836.77
Current Assets	LKR. Mn	30,090.50	26,973.07	26,901.02	49,721.49
Total Assets	LKR. Mn	67,566.96	51,633.63	50,449.03	72,558.26
Current Liabilities	LKR. Mn	130,358.61	126,302.55	100,334.44	103,414.31
YIELD/UNIT COST					
Overall Yield	LKR. tkm	84.37	80.08	79.06	80.32
Unit Cost	LKR. tkm	69.10	64.79	61.39	61.88
Breakeven Load Factor	%	81.90	80.91	77.65	77.03
Revenue per RPK	LKR./RPK	8.60	8.40	8.20	8.20
PRODUCTION					
Passenger Capacity	ASK Mn	18,487.54	15,608.10	15,790.28	16,180.27
Overall Capacity	ATK Mn	2,549.88	2,167.92	2,165.21	2,224.87
TRAFFIC					
Passengers Carried	Nos. 000	5,839	4,446	4,328	4,348
Passengers Carried	RPK Mn	15,280.78	12,455.05	12,727.66	12,963.71
Passenger Load Factor	%	82.65	79.80	80.60	80.12
Cargo carried	Tonnes	132,958	116,221	102,082	101,878
Cargo Load Carried	RTK Mn	401.66	374.46	356.76	373.32
Overall Load Carried	RTK Mn	1,749.14	1,475.29	1,484.77	1,519.93
Overall Load Factor	%	68.60	68.05	68.57	68.32
STAFF					
Average Strength	Nos.	7,019	7,021	6,959	6,987
Revenue per Employee	LKR.	23,030,982	19,294,059	18,606,181	18,881,084
Capacity per Employee	Tonne-km	363,283	308,776	311,139	318,430
Load carried per Employee	Tonne-km	249,201	210,126	213,359	217,537
FLEET					
A320-200	Nos.	5	6	6	6
A321-200	Nos.	3	3	2	2
A320neo	Nos.	2	2	-	-
A321neo	Nos.	3	-	-	-
A330-200	Nos.	6	6	6	7
A330-300	Nos.	7	7	7	2
A340-300	Nos.	-	-	-	4
Turbo Otter	Nos.	-	-	-	-
Aircraft in Service at Year End	Nos.	26	24	21	21
AIRCRAFT UTILISATION					
A320-200	Blk. Hrs. per day	13.12	11.70	12.43	12.86
A320-neo	Blk. Hrs. per day	12.25	9.31	-	-
A321-200	Blk. Hrs. per day	12.42	12.08	12.65	13.1
A321-neo	Blk. Hrs. per day	13.14	-	-	-
A330-200	Blk. Hrs. per day	11.94	11.67	12.59	14.11
A330-300	Blk. Hrs. per day	15.02	14.03	14.66	13.43
A340-300	Blk. Hrs. per day	-	-	-	11.42
Fleet	Blk. Hrs. per day	13.25	12.44	12.02	12.90

2014	2013	2012	2011	2010	2009
121,585.83	119,570.90	92,867.93	77,125.45	62,363.58	73,307.77
150,389.46	146,700.24	111,775.88	81,334.34	69,026.74	84,794.86
(32,408.34)	(26,088.57)	(19,778.03)	(381.61)	(2,698.20)	(9,305.94)
51,617.44	32,032.75	19,432.67	5,146.35	5,146.35	5,146.35
25,212.47	23,338.28	37,591.58	19,862.87	28,531.75	19,333.18
37,154.23	54,905.22	22,072.71	18,276.59	15,910.82	15,008.38
62,366.70	78,243.50	59,664.29	38,139.46	44,442.57	34,341.56
88,609.07	71,346.64	64,235.43	28,017.97	28,399.92	25,012.31
77.26	74.31	64.47	60.27	54.94	64.85
64.96	64.68	57.28	45.92	43.37	50.71
84.07	87.03	88.84	76.19	78.94	78.19
7.80	7.60	6.60	6.30	5.80	6.80
15,780.54	15,944.31	14,248.94	12,481.41	10,724.83	11,731.56
2,187.18	2,186.96	1,978.33	1,755.23	1,541.03	1,635.62
4,175	4,255	3,459	2,867	2,558	2,735
12,810.95	12,968.74	11,270.23	9,584.02	8,357.89	8,546.44
81.18	81.34	79.10	76.79	77.93	72.85
94,410	101,100	87,750	86,053	72,058	73,106
355.59	377.75	345.67	332.98	283.83	302.36
1,466.74	1,513.70	1,338.30	1,184.13	1,028.11	1,065.15
67.06	69.22	67.65	67.46	66.72	65.12
6,578	6,359	5,594	4,998	4,614	4,837
18,483,708	18,803,412	16,601,346	15,431,263	13,516,164	15,155,627
332,499	343,916	353,652	351,186	333,991	338,148
222,976	238,041	239,238	236,922	222,825	220,210
8	8	7	4	3	3
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
7	7	7	5	4	4
-	-	-	-	-	-
6	6	6	5	5	5
-	1	2	2	-	-
21	22	22	16	12	12
12.11	11.79	11.21	11.77	11.23	10.76
-	-	-	-	-	-
9.54	-	-	-	-	-
-	-	-	-	-	-
14.68	13.82	14.30	14.56	12.86	13.45
-	-	-	-	-	-
11.44	13.10	15.22	15.16	14.31	15.04
12.76	12.82	13.48	14.05	13.05	13.15

ROUTE MAP

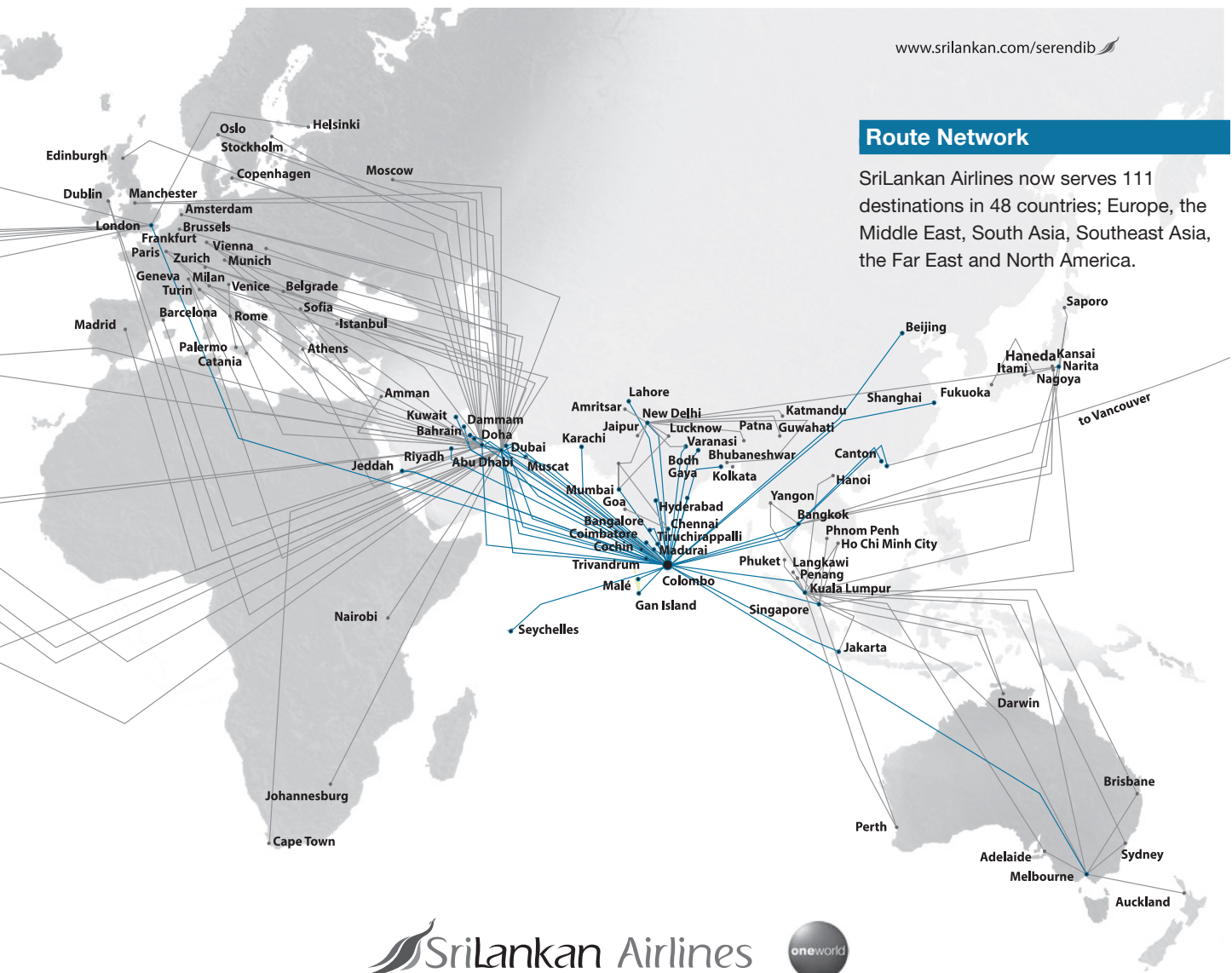


TIME ZONES ALL TIMES IN GMT, WHERE COLOMBO IS AT 1130

www.srilankan.com/serendib

Route Network

SriLankan Airlines now serves 111 destinations in 48 countries; Europe, the Middle East, South Asia, Southeast Asia, the Far East and North America.



1100	1130	1130	1300	1400	1500	1530	1600	1800
Gan Island Karachi Lahore Malé	India, incl Amritsar Bangalore Bhubaneshwar Bodh Gaya Chennai Cochin Coimbatore Goa Guwahati Hyderabad Jaipur Katmandu Kolkata Lucknow Madurai Mumbai New Delhi Patna Tiruchirappalli Trivandrum Varanasi	Colombo	Bangkok Hanoi Ho Chi Minh City Jakarta Phuket Phnom Penh Yangon	Beijing Canton Kuala Lumpur Langkawi Penang Perth Shanghai Singapore	Fukuoka Haneda Itami Kansai Nagoya Narita Saporo	Adelaide Darwin	Brisbane Melbourne Sydney	Auckland

MILESTONES



- 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. Consequently commencing from 1st April 2008 management of the company has been vested in the Government of Sri Lanka.



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



- The Company took delivery of one A320 aircraft and one Airbus A330 wide-body aircraft under an operating lease agreement.
- In July 2010 the Government of Sri Lanka facilitated the purchase of the 42.63% equity stake held by Emirates in the Company.



- The Company entered into oneworld alliances in May 2014.
- In June 2014, the Company for the first time issued a five-year International Bond.
- The Company took delivery of three brand new A330-300 aircraft in October 2014 and March 2015 respectively as part of a wide body aircraft re-fleeting programme.



- The Airline was shortlisted for four prestigious titles: Best in the Region Asia and Australasia, Best inflight Publication, 'Best inflight Video' and Best Ground Experience at APEX Passenger Choice Awards 2015. This is the first time the Airline has been nominated for four categories. The Airline won superior Achievement Award for Passenger Experience in the Asia and Australasia – September 2015 APEX Portland Oregon and best full service airline, Central and South Asia – Future Travel Experience Awards Asia 2015 - Singapore
- The Company took delivery of four Brand New A330-300 aircraft in August and November and two aircraft in December 2015, as part of the wide-body aircraft re-fleeting programme.



- Induction of two A320neo aircraft in February 2017 and March 2017 – the first two A320/A321 Family New Engine Option Aircraft joined the fleet.
- SriLankan launched services to eleven exciting new destinations – Lahore, Jakarta, Dhaka, Calcutta, Madurai, Varanasi, Bodhgaya, Muscat, Bahrain, Seychelles and Gan Islands.
- The Company was awarded "Top travel award Best Airline in South Asia", "Best Full Services Airline in Central and South Asia for the second consecutive year at the Future Travel Experience Asia 2016". The Airline claimed the "training Excellence Award" and Best HR Strategy in line with Business" at the 7th Asia Employer Brand Awards.

2011
2012

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

2012
2013

- Commissioning of First Flight A320 Simulator in SriLanka for training of Airbus A320 pilot.
- The Company took delivery of one Airbus A320 aircraft under an operating lease agreement.
- Commencing international flights from Mattala 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
2014

- Commissioning of Flight Simulator for Airbus A330 pilot training.
- In December 2013, the Company cutover the passenger services system to Amadeus Alteia.
- In March 2014, the Company entered into financing arrangement with a syndicate of banks to secure a USD 150 Mn. Medium –term financing.

2017
2018

- The Company took delivery of three brand new Airbus A321neo aircraft in June, October and December 2017.
- SriLankan, launched services to four new destinations - Melbourne, Hyderabad, Coimbatore and Visakhapatnam.
- The Airline received a four Star rating of excellence from Airline Passenger Experiences Association (APEX), and at Future Travel Experiences Award 2017 – Singapore the Airline walked away with award for outstanding services for the third consecutive year. The Company Also won the “Innovation in Commercial Airlines Cabins” award at the In-flight Asia Pacific Awards in Singapore -2017.

GLOSSARY

AVAILABLE SEAT KILOMETERS (ASK)

The product of seats offered for sale and distance over which they are carried.

AVAILABLE TONNE KILOMETERS (ATK)

This is the measures 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 or which they are carried.

REVENUE TONNES 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 loads 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 costs 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.

BREAKEVEN LOAD FACTOR

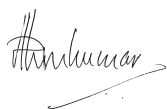
The load factor required to equate revenue from scheduled airline operations with operating costs.

NOTICE OF MEETING

NOTICE is hereby given that the Fortieth Annual General Meeting of the Shareholders of SriLankan Airlines Limited will be held on Tuesday, 30th April 2019 at 10.00a.m. at the Auditorium of The Institute of Chartered Accountants of Sri Lanka, 30A, Malalasekera Mawatha, Colombo 7, for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors and the Financial Statements for the year ended 31st March 2018 together with the Report of the Auditors thereon.
2. In accordance with Sec. 36 of the 19th Amendment to the Constitution, the Auditor General will audit the Company and the Directors are hereby authorised to determine their remuneration.

By Order of the Board



Dalrene Thirukumar
Company Secretary

28th February 2019
Colombo

Notes:

1. A member is entitled to appoint a proxy to attend and vote instead of him/herself. A proxy need not be a member of the Company. A Form of Proxy accompanies this Notice.
2. The completed Form of Proxy must be deposited at the Registered Office, 'Airline Centre', Bandaranaike International Airport, Katunayake not later than 10.00 a.m. on the 28th April 2019 being 48 hours before the time appointed for holding of the meeting.
3. A person representing a Corporation is required to carry a certified copy of the resolution authorising him/her to act as the representative of the Corporation. A representative need not be a member.

NOTES

[illegible]

FORM OF PROXY

SRILANKAN AIRLINES LIMITED

*I/We, of

 being a Member / Members of SRILANKAN AIRLINES LIMITED hereby appoint:
 of
 or failing *him/her,
 one of the following Directors;

Mr. Ganegama Sena Withanage
 Air Marshal Kapila Jayampathy
 Dr. Mrs. Roshan Perera
 Mr. Susantha Katugampala
 Mr. S.G. Senarathne
 Mr. Johann Wijesinghe
 Senior Prof. Arjuna De Silva

as *my/our proxy to represent *me/us and vote for *my/our behalf at the Fortieth Annual General Meeting of the Shareholders of SriLankan Airlines Limited to be held on Tuesday, 30th April 2019 at 10.00a.m. at the Auditorium of The Institute of Chartered Accountants of Sri Lanka, 30A, Malalasekera 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 2018 together with the Report of the Auditors thereon. | ☐ | ☐ |
| 2. In accordance with Sec. 36 of the 19th Amendment to the Constitution, the Auditor General will audit the Company and the Directors are hereby authorised to determine their remuneration. | ☐ | ☐ |

Signed this day of Two Thousand and Nineteen.

.....
 Signature/s

NOTE:

(a) * Please delete the inappropriate word

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/she 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 and forward by 28th April 2019.
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.

CORPORATE INFORMATION

Name of the Company

SriLankan Airlines Limited

Company Registration Number

PB 67

Legal Form

Public Limited Liability Company

Board of Directors

Mr. G. S. Withanage (Chairman)

Air Marshal Kapila Jayampathi

Dr. Mrs. Roshan Perera

Mr. Susantha Katugampala

Mr. S. G. Senarathna

Mr. Johann Wijesinghe

Senior Prof. Arjuna P de Silva

Board Audit Committee

Mr. S. G. Senarathna - Treasury Representative (Chairman)

Air Marshal Kapila Jayampathi

Dr. Mrs. Roshan Perera

Mr. Susantha Katugampala

Senior Prof. Arjuna P de Silva

Board Human Resource and Remuneration Committee

Air Marshal Kapila Jayampathi (Chairman)

Dr. Mrs. Roshan Perera

Mr. Susantha Katugampala

Senior Prof. Arjuna P de Silva

Company Secretary /Head of Corporate Secretarial Services

Mrs. Dalrene Thirukumar (ACIS)

Bankers

Bank of Ceylon

People's Bank

National Development Bank PLC

Standard Chartered Bank

Citibank NA

Sampath Bank PLC

Nations Trust Bank PLC

Hatton National Bank PLC

Commercial Bank of Ceylon PLC

Amana Bank PLC

Auditors

Auditor General

Auditor General's Department

306/72,

Polduwa Road,

Battaramulla.

Registered Office

Airline Centre

Bandaranaike International Airport,

Katunayake,

Sri Lanka.

Corporate Website

www.srilankan.com



Airline Centre, Bandaranaike International Airport, Katunayake, Sri Lanka.
www.srilankan.com