



The Skies are Clearing

SRILANKAN AIRLINES ANNUAL REPORT 2015/16

Contents

Highlights	3
Chairman's Message	4
Chief Executive Officer's Review	6
Board of Directors	8
Key Members of Management	11
Management Discussion and Analysis	18

Financial Reports

Annual Report of the Board of Directors	33
Board Audit Committee Report	37
Statement of Directors' Responsibilities	38
Independent Auditors' Report of the Auditor General	39
Statement of Financial Position	40
Statement of Profit or Loss	41
Statement of Comprehensive Income	42
Statement of Changes in Equity	43
Statement of Cash Flows	44
Notes to the Financial Statements	45

Annexes

Ten Year Review	81
Route Map	82
Milestones	84
Glossary	85
Notice of Meeting	86
Form of Proxy	Enclosed
Corporate Information	Inner Back Cover

Within an extremely challenging environment, SriLankan Airlines has recorded commendable improvement in performance, across many parameters of business.

Whilst acknowledging that we have 'more miles to fly' to achieve 'cloudless skies', a significant reduction in deficit; rationalisation of our route network and fleet; improvement of services particularly in the cabin; reorientation and realignment of staff culture and relationships including the strengthening of management cadres – all of these and the continued success of our key business units and subsidiary prove that we are on track with our plans to restructure the airline for the years ahead.

Put succinctly, **we are right sizing for clearer skies.**

You're our world

 SriLankan Airlines



 SriLankan Catering

 SriLankan Engineering

 FLY SMILES
Frequent flyer rewards

 SriLankan Economy

 SriLankan Business

 SriLankan Holidays
A world of memories

 SriLankan MICE
Meet the world

 SriLankan Cares

 SriLankan Cargo

 SriLankan Training
TRAINING & DEVELOPMENT

 SriLankan IT Systems

 Upgrad
e-auction

OUR VISION

TO BE THE MOST PREFERRED AIRLINE IN ASIA

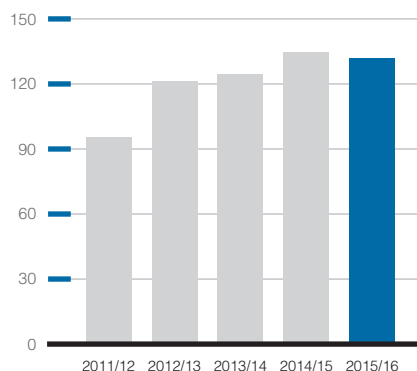
OUR MISSION

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.

		Group		Company	
		2015/16	2014/15	2015/16	2014/15
Financial					
Revenue	LKR Mn.	132,198.31	134,316.22	129,480.41	131,922.13
Operating Expenditure	LKR Mn.	(136,112.00)	(145,893.49)	(137,195.18)	(145,983.35)
Loss Before Tax	LKR Mn.	(12,086.55)	(16,254.53)	(12,621.69)	(16,433.03)
Net Loss for the Year	LKR Mn.	(12,083.62)	(16,329.90)	(12,621.69)	(16,494.66)
Total Assets	LKR Mn.	54,078.99	76,158.30	50,376.30	72,558.27
Shareholders' Fund	LKR Mn.	(80,447.11)	(67,292.86)	(87,781.26)	(74,105.90)
Traffic					
Passenger Capacity	ASK Mn.			15,790.28	16,180.27
Overall Capacity	ATK Mn.			2,165.21	2,224.87
Passengers Carried	RPK Mn.			12,727.66	12,963.71
Overall Load Carried	RTK Mn.			1,484.77	1,519.93
Passenger Load Factor	%			80.60	80.12
Overall Load Factor	%			68.57	68.32
Break Even Load Factor	%			75.54	77.03
Staff Productivity					
Average Strength	Nos.	7,860	7,870	6,959	6,987
Revenue per Employee	LKR Mn.	16.82	17.07	18.61	18.88
Value Added per Employee	LKR Mn.	(0.32)	(1.08)	(0.63)	(1.41)
Aircraft Fleet					
A320-200	Nos.			6	6
A321-200	Nos.			2	2
A330-200	Nos.			6	7
A330-300	Nos.			7	2
A340-300	Nos.			–	4
Aircraft in Service at Year End	Nos.			21	21

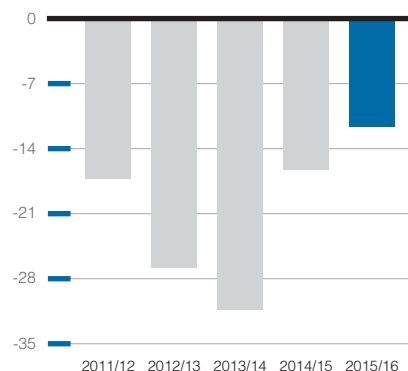
Revenue (Group)

LKR Bn.



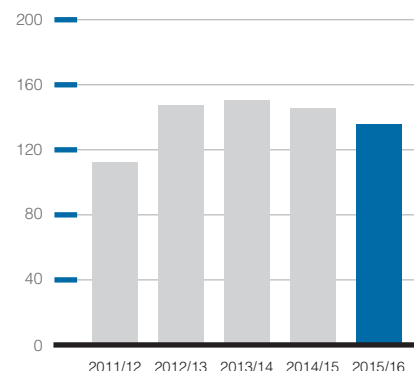
Net Loss (Group)

LKR Bn.



Operating Expenditure (Group)

LKR Bn.





Our performance provides confidence that we are on the right track in our restructuring strategy for a sustainable business in the long term.

I am pleased to present to you the Annual Report and Audited Accounts of SriLankan Airlines Limited for the financial year 2015/16.

SriLankan recorded a strong improvement in performance during the year under review, to achieve a 26% year over year reduction in deficit. The benefit from the reduction in fuel costs was a major contributor, but our improved financial performance cannot be attributed only to the fuel costs. A significant saving in procurement and fees paid to service providers and increased efficiency helped in reducing our losses.

The Airline still continues to grapple with both internal and external challenges and our improved performance must be viewed in the backdrop of these challenges. In that context, our performance provides confidence that we are on the right track in our restructuring strategy for a sustainable business in the long term. However, there is still much to be done and the improvement in the work ethic besides increased efficiency, will help in reducing our losses still further.

The year in review has been equally good for our business units, Engineering, Ground Handling and the SriLankan Aviation College. Our fully owned Subsidiary SriLankan Catering Limited has enjoyed its best year ever, posting a profit of LKR 3.64 Bn. As has been observed in the airline industry over the years, the supporting businesses of this industry tend to deliver greater returns than the core air transportation business and during a difficult restructuring phase, the contribution from these supporting businesses is critical.

The global operating environment in terms of lower yields and overcapacity has undoubtedly left a serious dent in our revenues, exacerbated by the currency depreciation in some of our key markets. Internally, SriLankan continues to carry a large debt burden – which accounted for LKR 6.1 Bn. in interest payments during the year – in relation to a total loss of LKR 12.1 Bn. during the year. This has largely overshadowed an otherwise stronger improvement in the Operating Loss by 66% compared to the previous year and continues to be a key issue that will be addressed by the Government's decision to absorb the debt.

We have also identified that achieving improvements in our aircraft ownership costs will be critical for a successful turnaround of our business. We are collaborating on this with our business partners. Dismantling legacy cost structures, work practices and processes is an ongoing challenge, which we will continue to address in consultation with all stakeholders, despite intransigence in some areas. On a positive note I am encouraged by those who have recognised that these barriers must be revisited to bring about meaningful change. My colleagues on the Board and I are committed to achieving this in a fair and equitable manner.

Throughout the past year, there has been a continuous dialogue and engagement with the shareholder, the Government of Sri Lanka, and regular updates have been provided on performance and ongoing challenges.

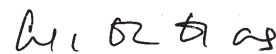
The Government of Sri Lanka has accepted the position that it would be extremely difficult if not impossible to turn the Airline around with such an inherited debt profile, dragging down the balance sheet. As a result, it has made a decision to restructure the debt and seek Expressions of Interest from prospective partners, for a Public-Private Partnership, possibly by mid 2017.

Last year, I mentioned that we were looking to recruit suitable persons to key senior management positions at the Airline. We had identified the need to infuse experience, particularly international, to these areas. I am happy to report that we have successfully recruited a new Chief Executive Officer, Chief Commercial Officer, Chief Technical Officer and Chief Financial and Administrative Officer who will provide leadership to the changes the Airline must undergo.

In like vein, we have also looked ahead at strengthening our management structure and have implemented a Management Trainee Recruitment Scheme, under which we have engaged several extremely talented, skilled and qualified persons, who will be further moulded to meet the Airline's requirements into the future.

The airline industry's operating environment continues to be challenging. However, I am certain that the actions taken in 2015/16 have better equipped SriLankan to be financially sustainable and provide industry leading services.

In conclusion, I wish to thank the Government of Sri Lanka for their continued support for and belief in the Airline. I thank my colleagues on the Board for their contribution in steering the affairs of the Airline. Though we are all Non-Executive Directors, several have contributed by their regular presence and, by guiding the Company and its staff, with the benefit of their areas of expertise. I also wish to thank the management, all employees and the Unions for their co-operation, hard work and commitment to the Airline.



Ajith Nissanka Dias
Chairman

22nd December 2016



Our results were influenced by changing market conditions and we had to make tough decisions as part of what is possibly the biggest transition in our history.

SriLankan achieved a significant improvement in performance during the 2015/16 financial year, with a substantial reduction in deficit year-over-year. Our Cost per Seat Kilometre decreased in USD terms by 10% during the year, driven by lower fuel costs and the increased efficiencies from our new A330-300 fleet, as well as initial reductions in some of our costs due to the implementation of a company-wide restructuring programme which commenced in June 2015. While the legacy costs remain a challenge and are being addressed, progress has been made in other areas which have helped to lower the unit cost and this is indeed a positive trend. We expect this to continue and improve the cost base in the coming financial year.

SriLankan's Subsidiary SriLankan Catering and other Strategic Business Units made a growing contribution to the Group's performance during the year under review. A noteworthy improvement in the financial performance was seen from SriLankan Catering, Airport and Ground Services, SriLankan Engineering as well as SriLankan Aviation College – the latter of which had its second graduation programme at the end of the year, awarding professional aviation qualifications to over 300 students in different disciplines. We will continue to invest in our strategic business units in order to provide a superior service to our customers.

On the Engineering front, with the receipt of European Aviation Safety Agency (EASA) Type 145 and 147 certification, we have been able to grow our third party engineering maintenance business and training capability over the years. Expansion plans are already underway to increase the capacity in our hangars in preparation for more third party work.

The airline industry has seen an unprecedented year of change. The steep and largely unforeseen drop in the price of oil, has led to a significant short term boost to the industry. For a short period fares held up and the airlines were able to reap considerable profits.

Since then, however, the market has reasserted itself. We have seen a similarly unprecedented drop in yields (fares) in the last few months. In many cases, particularly from Europe to Asia, yields have almost halved over a two year period.

The record profits reported by many airlines appears to be a short lived phenomena, as the airline business returns to its historic conundrum of providing excellent value for money, but failing to make an adequate return on capital.

However, irrespective of this situation, we have witnessed irrational capacity increases in the market by some large airlines in pursuit of market share. This has aggravated the market situation with a further erosion of yields.

Our own results were influenced by these changing market conditions and we had to make tough decisions as part of what is possibly the biggest transition in our history. Our decision to discontinue operations to the European points of Frankfurt, Paris and Rome was a part of these initiatives and was prompted by the extremely challenging market conditions which made operation of these routes unsustainable. This decision, taken after careful and detailed analysis of its impact on both the Airline and Sri Lanka's tourism industry, is expected to yield a major cost saving for the business going forward. We have also ensured that the

connectivity between these points and Sri Lanka will continue to be maintained through code share flights in partnership with our **oneWorld** and other airline partners.

Moving forward, SriLankan will seek to strengthen its presence on the well performing Asian routes – improving the Company's financial performance, enhancing Sri Lanka's connectivity with key regional centres and serving niche markets. While we are aggressively saving costs across our operation, we have deliberately sought to invest in improving our product and services. These investments, along with our young fleet, will enhance our competitiveness in the marketplace and help make SriLankan a preferred choice for more customers. The results on these initiatives are already apparent with a noticeable improvement in SriLankan's customer ratings across all channels. Customers are at the heart of SriLankan's strategy and we are committed to enhancing their experience both on ground and in air.

During 2017, SriLankan intends to introduce the first of many Airbus A320neo family aircraft to its fleet, again enhancing passenger comfort and driving efficiencies. These new aircraft will complement our new strategy well and provide us the ability to respond to market changes in a quick and agile manner.

However, the headwinds are not over. A critical issue revolving around our future plans is the decision – made under very different economic and operating conditions – to induct four Airbus A350-900 aircraft to our fleet for delivery in 2016 and 2017. Commercially, operating this type of aircraft is not a feasible option for SriLankan. We have engaged extensively with Airbus and the aircraft lessor to find an acceptable solution for these aircraft. Accordingly, we were able to cancel the lease agreement for one aircraft in March 2016 at a one-time cancellation fee, which significantly impacted the loss reported for the year and the negotiations on the remaining three aircrafts were also finalised in October 2016 and lease termination agreements with the lessor have now been concluded. This decision, albeit at a cost, is supported by external expert analysis and an exhaustive evaluation of the economic environment. It is without doubt the best available option for the future sustainability of the airline. Given the current surplus of wide-body aircraft in the market, this cancellation was a prescient decision.

The competition in the marketplace will continue to be fierce and only those who adapt to the changes in the market will survive. I believe that the fleet mix that we hope to achieve, along with previously mentioned network changes, will help build the foundations of a sustainable future for our Airline. The goal of our restructuring programme is just that and I am confident that it is a goal we can achieve, together with the support of our partners.

I thank all the Group's employees, shareholders, customers and partners for their support throughout the year. We have much work to do in the years ahead, but we approach that work with a growing sense of optimism and confidence.



Capt. Suren Ratwatte
Chief Executive Officer

22nd December 2016

BOARD OF DIRECTORS



AJITH N. DIAS
Chairman



J. M. S. BRITO



R. CHANAKA D. DE SILVA



MAHINDA P. HARADASA



RAKHITA S. JAYAWARDENA



LT. COL. SUNIL D. PEIRIS

**HARENDR K. BALAPATABENDI****1. AJITH N. DIAS**

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

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

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

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

2. J. M. S. BRITO

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

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

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

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

**NIRANJAN DE SILVA DEVA ADITYA****3. R. CHANAKA D. DE SILVA**

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

He is also a Director of SriLankan Catering Limited.

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

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

4. MAHINDA P. HARADASA

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

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

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

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

5. RAKHITA S. JAYAWARDENA

Appointed to the Board of SriLankan Airlines Limited on 20th February 2015 and serves as a Director of SriLankan Catering Limited and Mihin Lanka (Private) Limited.

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

His contribution to the Airline Travel Retail Industry has been recognised globally, with many awards and accolades.

- 2015 Fellowship Award, at the 'ISPY' Oscars in London
- Inflight Personality of the Year 2014, Airline Retail Conference
- Unanimously appointed as the Founding President of the Asia Pacific Travel Retail Association (APTRA) the voice of the industry, which has a turnover in excess of USD 10 Bn.

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

6. LT. COL. SUNIL D. PEIRIS

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

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

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

7. HARENDRA K. BALAPATABENDI

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

He is an accomplished entrepreneur with over 20 years experience ranging from Security Printing, Franchise Banking (Commonwealth Bank Australia) and Luxury Home Development (Australia). He was instrumental in introducing Nike and Reebok brands to Sri Lanka and was a former Executive Director at Ceylon Shipping Lines. He has engaged multinational corporations from France, USA, Australia, Netherlands, China and India on consulting assignments.

Mr. Balapatabendi is the Chairman/CEO of Opel Group, which he founded. The Group is engaged in Security Card Printing, Construction, Hotel/Property Development, Alternative Power, Oil Refining (BOI) and represents Oberthur (France) and HID (USA) in Sri Lanka.

Educated in Sri Lanka, USA and Australia, he holds a Degree in Business Management and Master's in Business Administration (AUS) and is a Member of the Association of Business Executive (MABE – UK). Fellow of the Chartered Management Institute (FCMI – UK).

Member – European Chamber of Commerce (ECCSL).

Member – Sri Lanka-China Business Council.

8. NIRANJAN DE SILVA DEVA ADITYA

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

He is an Aeronautical Engineer having obtained an Honours Degree in Aero Engineering from the Loughborough University of Technology, a Graduate of the Royal Aeronautical Society and the Institution of Mechanical Engineers. He was appointed by Prime Minister Margaret Thatcher to Chair the Committee on the De-regulation of European Air Transport in 1986; served on the Board of the Air Europe – the then second largest Airline in the UK and served in the Government of John Major as Parliamentary Private Secretary in the Scottish Office with responsibility for Transport. He served on the Transport Committee of the Europe Parliament and is now Vice President of the Committee of Overseas Development overseeing the 23 Bn. Euro Development budget.

He is a Conservative Member of the European Parliament representing 8 Mn. people of the South East England since 1999. He was previously a Member of Parliament (MP) in the British House of Commons from 1992 to 1997, representing the constituency of Brentford and Isleworth and was Vice-Chairman of the House of Commons Committee on Air Transport. He was the first non-white and Asian-born post-colonial person to be elected a Conservative Member of the House of Commons and was the first Asian-Born person to be elected a Conservative Member of the European Parliament.

He is the Chairman of the EU-Korea delegation to bring peace between North Korea and South Korea.

He is the Chairman of the EU-China Parliamentary Friendship Group; Life President of the EU-India Chamber of Commerce. He has served as Her Majesty's Deputy Lieutenant for the Lord Lieutenancy of Greater London since 1985 representing Her Majesty the Queen in London and was knighted by the Catholic Church in 2011 and given the Vishva Kirthi Sri Lanka Abhimani by the Buddhist Clergy for his Tsunami Relief work. Recently he was appointed an Honorary Senior Advisor to the Prime Minister of Sri Lanka. He serves on various other publicly-listed company boards in London and Colombo.

KEY MEMBERS OF MANAGEMENT



CAPT. SUREN RATWATTE
Chief Executive Officer

Capt. Suren Ratwatte was appointed as the Chief Executive Officer with effect from 15th October 2015.

He is an airline pilot with over 30 years of experience in the field. Since first joining Air Lanka in 1984, he went onto Emirates in 1989 and has held a variety of positions in that company. With over 19,000 flying hours in a number of different aircraft types including the Boeing 777 and Airbus A380, he has a wide experience in a global environment.

As a holder of Bachelor's and Master's Degrees from Embry Riddle Aeronautical University, a Fellow of the Royal Aeronautical Society and the author of several published works, Suren has been deeply immersed in airline operations for many years.

Suren is also a well-known Human Factors researcher and practitioner, having published a number of articles and essays in the field. His expertise includes a variety of senior instructional and management roles in airlines, most recently at Emirates Airlines.



SIVA RAMACHANDRAN
Chief Commercial Officer

Forty years industry veteran who has served several leading airlines in the past, namely – Singapore Airlines, Qatar Airways, Kingfisher Airlines Jet Airways and lastly Arik Air of Nigeria. He also served SriLankan Airlines, Air Lanka as it was then known, in the decade 1991-2002. He has held several strategic positions with these airlines and worked in many locations in Asia, Middle East, Europe, North America and Africa. He held the position of Senior Vice-President – Commercial for the African Carrier Arik Air before joining SriLankan Airlines as the Chief Commercial Officer. While his main focus is commercial, his previous experience in Ground Services and insight into finance, flight operations and maintenance adds value to his contribution to the airline.



MANIQUE GUNASEKERA

Chief Corporate Affairs Officer

Joined the Company in 1995 and served in many managerial positions until 2010 and is currently the Chief Corporate Affairs Officer of the Company on a fixed term contract.

During her time with the Company, she has held various roles in International Relations, Commercial Planning and Insurance. Prior to joining the Company, Ms. Gunasekera worked for Westpac Banking Corporation, Australia and James Berry and Associates, Dubai. She holds a Bachelor's in Law from the University of Colombo, Sri Lanka and a Master's in Law from Harvard Law School, United States of America.



LALITH WITHANA

Group Chief Finance and Administrative Officer

Lalith Withana has held management positions in the corporate sector for over 25 years. He has been in Senior Management levels for more than 20 years and has a breadth of experience in Banking, Manufacturing and Trading. He has worked with many organisations including the Brandix Group, Ernst & Young, Amsterdam Rotterdam (Amro) Bank, IBM World Trade Corporation, Carson Cumberbatch PLC, MJF Group and Yamaha Corporation (USA).

Mr. Withana is currently the Group Chief Finance and Administrative Officer for SriLankan Airlines and Mihin Lanka looking after finance, IT and logistic functions. In addition to this role, he is also managing its Subsidiary SriLankan Catering as its General Manager.

He had previously served as an Independent Director on the Boards of Bank of Ceylon, Dankotuwa Porcelain PLC, Merchant Bank of Sri Lanka PLC, Ceylease Limited and at Seylan Bank. Mr. Withana had also been a Commissioner of the Telecommunication Regulatory Commission.

Mr. Withana holds a Master of Business Administration (MBA) Degree from the University of Sri Jayewardenepura, Colombo and a Bachelor of Arts (BA) Hons. Degree from the University of Manchester Metropolitan, UK. He is a fellow member of the both Chartered Institute of Management Accountants (FCMA), UK and The Institute of Chartered Accountants of Sri Lanka (FCA). He is also a Project Management Professional at the Project Management Institute (PMI), USA.

**DINNAGA PADMAPERUMA**

Chief Technical Officer

Joined the Company in 2016 as Chief Technical Officer. Prior to joining the Company he held senior positions in aircraft leasing companies, namely Amentum Capital and MCAP Europe Limited where he was involved in technical and commercial matters of acquiring aircraft from manufacturers and other lessors and leasing aircraft to airlines. Prior to this he was attached to Lufthansa Technik (LHT) and held senior positions at LHT facilities in Ireland and in The Philippines. He holds a Bachelor of Science in Mechanical Engineering from North Carolina State University, USA and a Master of Science in Mechanical Engineering from Virginia Polytechnic Institute and State University, USA.

**CHANAKA OLAGAMA**

Head of Cabin Services

Joined the Company in 1984 and was appointed as the Head of Cabin Services in 2016.

His previous roles within the Company include Head of Service Delivery in Charge of Ground Handling, Cargo Operations, Product Development, Customer Affairs and Security, Country Manager for Sri Lanka and Maldives, the United Kingdom, Ireland, Scandinavia, the United States of America and Canada, China, Kuwait, Jordan and Lebanon, Qatar and Bahrain.

He has experience in Flight Operations and Ground Handling as well.

He holds a Master's in Business Administration from the Cardiff Metropolitan University, London.



CAPT. RAJIND RANATUNGA

Head of Flight Operations

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



CHAMARA RANASINGHE

Head of Cargo

Joined the Company in 2013 as the Head of Cargo.

Has over 16 years of experience in the airline cargo and aviation industry in the fields of customer services, cargo reservations, cargo sales & marketing and airport cargo operations.

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



9

PRADEEPA KEKULAWALA

Head of Human Resources

Pradeepa Kekulawala is a senior human resource development professional in the corporate sector with over two 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 15 years ago. Pradeepa has held the position 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 five years back. He has also been a Consultant and a Skill Development Facilitator for the corporate sector over a decade in addition to his core professional activities.

Pradeepa holds Postgraduate qualifications in Management, HR and IT including an 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 Postgraduate Institute of Management (PIM) in Sri Lanka.

Pradeepa is currently the President of the HR Professionals Association (HRP) of Sri Lanka. He is also a member of the Chartered Institute of People Development (CIPD).

Pradeepa also serves as a founder steering committee member of the Geneva-based International Air Transport Association's (IATA) Human Capital Council. He is currently a PhD candidate in Management at the University of Colombo, Sri Lanka.



10

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, Mr. Dissanayake 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.



DALRENE THIRUKUMAR

Company Secretary/Head of Corporate Secretarial Services

Joined the Company in 2013 as the Company Secretary and most recently promoted to Head of Corporate Secretarial Services. The Corporate Secretarial Services Division provides secretarial services to SriLankan Airlines Limited, SriLankan Catering Limited and Mihin Lanka (Private) Limited, and facilitates the Senior Management Payroll for these three companies. She is a Trustee for the SriLankan Cares Trust.

She has over 20 years of experience in the field of Company Secretarial Practice in public quoted companies and held senior posts in diversified conglomerates in Sri Lanka.

Mrs. Thirukumar is an Associate Member of the Institute of Chartered Secretaries and Administrators in UK and holds a Master's in Business Administration (Aus).



PRIMAL DE SILVA

General Manager, SriLankan Aviation College

Joined the Company in 1988 as a Cabin Crew Member and currently holds the position of General Manager, SriLankan Aviation College. Prior to this appointment his previous roles in the Company include, Cabin Safety Manager and Manager – In-Flight Operations and Training.

Towards a new era of sustainable viability for Sri Lanka's national carrier

SriLankan Airlines will focus on strengthening its regional position and concentrate on the Company's bottom line. To further develop the Airline, the Government of Sri Lanka has called for expressions of interest from parties who wish to enter into a public-private partnership with SriLankan and expects to complete the procedure by this financial year's end. This signals the beginning of yet another 'era' for the Airline, one which will have as its overriding objective, true sustainable viability for SriLankan.

MANAGEMENT DISCUSSION AND ANALYSIS

OUR OPERATING ENVIRONMENT

A DEMANDING GLOBAL OUTLOOK

Over the year 2015, the world's aviation industry contributed to the global economy, connecting people and places, and helping to drive economic development. According to the International Air Transport Association (IATA), the industry reported a net profit of USD 35.3 Bn. (a 4.9% net profit margin) for the year 2015. The industry's return on capital barely exceeded its cost of capital whilst its net profit margins remained amongst the lowest across all industries. On average, airlines will still make less than USD10 for each passenger carried. In fact, IATA's Director General and CEO at the time – Tony Tyler has described the industry's profitability as 'fragile' rather than sustainable.

While global GDP increased by 2.5% in 2015, a strong performance in key economies (including the faster than expected recovery in the Eurozone) outweighed the overall impact of slower growth in China and Brazil. Lower air fares stimulated greater air travel, with passenger demand in the Middle East and Asia-Pacific increasing and surpassing that of their North American counterparts. Despite this, industry revenue actually declined from USD 758 Bn. in 2014 to USD 710 Bn. in 2015.

A key reason for this decline was an aggressive increase in capacity by many airlines hoping to capture additional market share, which exceeded the actual market demand. This resulted in a very challenging trading environment and a rapid deterioration of yields. Lower oil prices had less of an impact than expected because many markets strongly moderated their prices against the appreciation of the US Dollar.

Whilst continuing to work off thin profit margins, the airline industry continues to make a positive impact on the global economy at both a macroeconomic as well as a microeconomic level. As a key enabler of the global economy, the industry is delivering a solid operational and improving financial performance, increasing employment levels, investing in better products and services, and providing passengers with greater value. Whilst connecting more people and businesses than ever before, the industry is also improving its environmental performance and contributing to a sustainable future.

CHALLENGING LOCAL OUTLOOK

Ensuring that SriLankan achieves the status of a standalone business entity that contributes to the economy of Sri Lanka in a profitable manner, is one of the Government's main objectives.

Against this backdrop, a review of some of the salient factors that influenced the local operating environment follows.

Sri Lanka's GDP grew by 4.8% in 2015, marginally lower than 2014 (4.9%). It is expected to grow at a rate of 5.3% in 2016.

While tourist arrivals to Sri Lanka grew by 18% year-on-year in 2015, the capacity added to the market by some of the other airlines operating to the country far exceeded this demand growth. Capacity growth by Middle Eastern carriers amounted to 55% over the past two years (2013/14 vs. 2014/15) compared to a local demand growth of 17% for the same period. This resulted in an intensely competitive situation which led to the dramatic decline of fares to some regions, as airlines scrambled to secure market share. This scenario particularly exacerbated an issue SriLankan has been experiencing for some time now vis-a-vis the viability of some of its long haul routes to Europe.

As a result, the Airline's route network was re-analysed and optimised to best position it to achieve sustainable viability as a business entity and to take it along a strategic path towards clearer skies.

The Airline also takes care to ensure that it continues to make best use of Sri Lanka's strong geographical positioning as a hub in the region and that inbound tourism flows to the country remain uncompromised at all times.

FINANCIAL REVIEW

The Group recorded a loss of LKR 12,083.62 Mn. (2015 – LKR 16,329.90 Mn.) despite an overall cost reduction during the year, achieved mainly due to a steep decrease in fuel prices. However, part of this benefit was eroded by the decline in air transportation revenue by 3.8% year-on-year. An increase in capacity to the Colombo market by other airlines, accompanied by a significant drop in airfares in certain markets, largely contributed to this decline in revenues. Moreover, the performance was further impacted by foreign exchange losses due to the depreciation of the Sri Lanka Rupee, compared to the previous year and one-off cost associated with the cancellation of an aircraft lease agreement for one A350-900 aircraft.

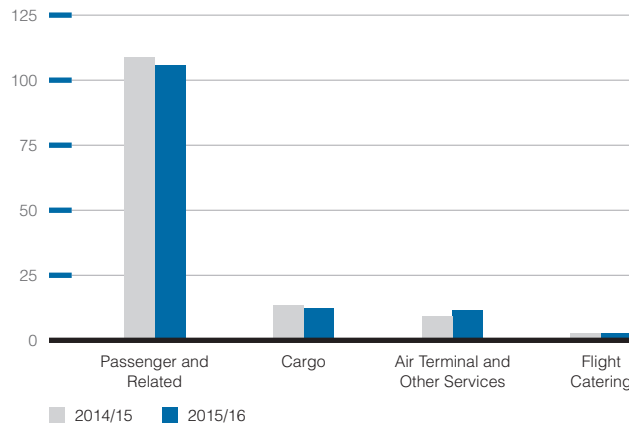
REVENUE

	2015/16	2014/15	Change
	LKR Mn.	LKR Mn.	%
Passenger	104,925.82	108,319.52	-3.1
Cargo	12,458.48	13,766.15	-9.5
Air Terminal and Other services	11,481.75	9,296.66	23.5
Duty Free	572.61	508.88	12.5
Catering	2,759.65	2,425.01	13.8
	132,198.31	134,316.22	-1.6

Group revenue reached LKR 132,198.31 Mn. in 2016, which was a decrease by 1.6%, compared with the previous year. The decrease is attributable to lower market yields and other factors.

Composition of Group Revenue

LKR Bn.

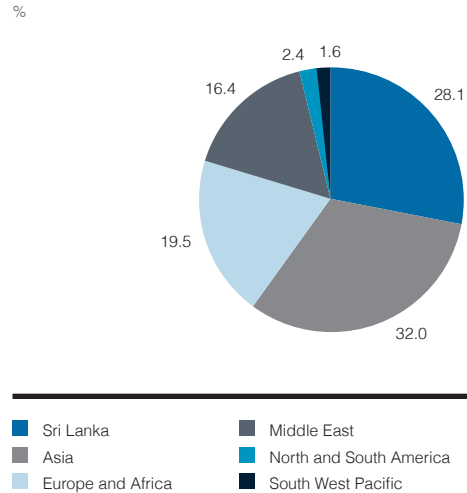


The Airline operations comprising Passenger and Cargo contributed LKR 117,384.3 Mn. constituting 88.8% of Group Revenue, despite recording a 3.8% reduction compared to the previous year.

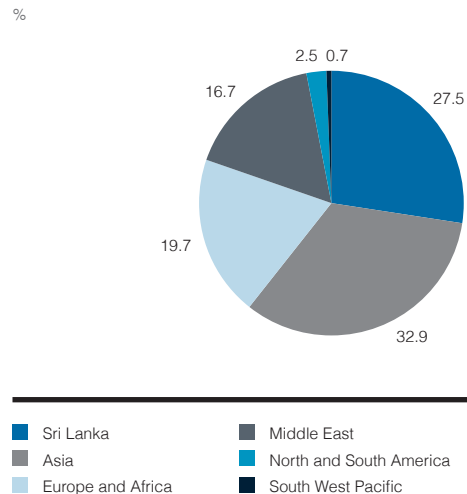
A significant year over year revenue growth. was recorded from Air Terminal & Other Services, with LKR 2,185.09 Mn. in additional revenue – representing a 23.5% increase.

Strategic Business Units comprising of SriLankan Airport and Ground Services, SriLankan Engineering, and the Aviation College contributed significantly to the Group's revenue with improved performance. SriLankan Catering Limited had its best year ever with increased revenues and profitability.

Revenue by Geographical Segment – 2015/16



Revenue by Geographical Segment – 2014/15



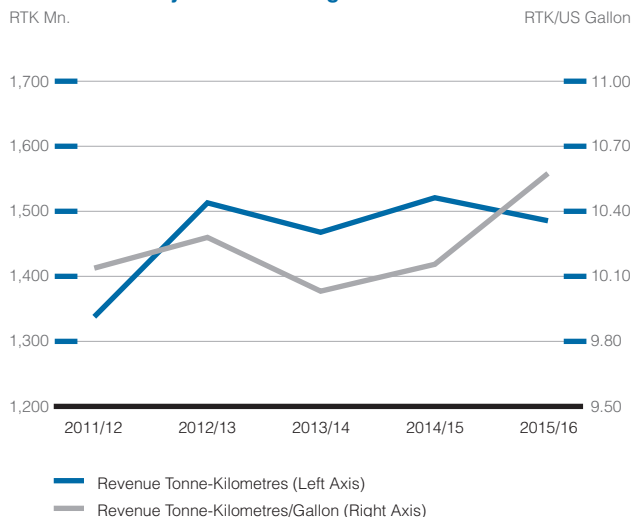
The highest contribution to total Group revenue in 2016 in terms of geographical segments was from Asia and Sri Lanka accounting for 32% and 28.1% respectively.

EXPENDITURE

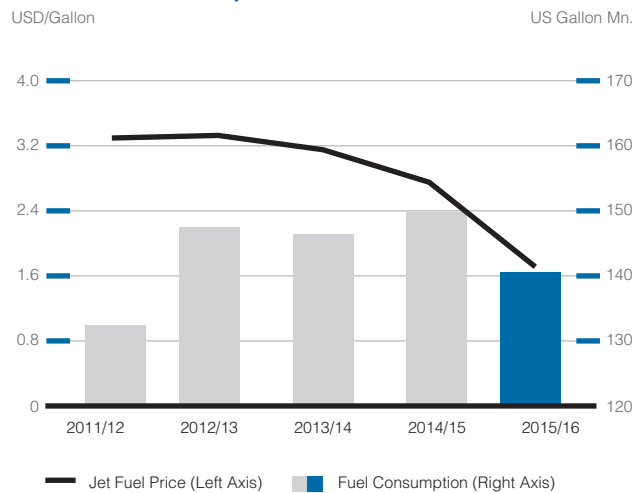
	2015/16		2014/15	
	LKR Mn.	%	LKR Mn.	%
Aircraft Fuel Cost	33,198.90	23.0	53,451.02	35.4
Employee Cost	11,790.83	8.1	10,186.63	6.8
Airport, Enroute and Passenger Expenses	20,170.97	13.9	20,296.55	13.4
Rentals on Leased Aircraft	20,129.91	13.9	16,315.67	10.8
Aircraft Maintenance and Overhaul Costs	14,515.22	10.0	11,932.41	7.9
Depreciation/Amortisation	2,989.44	2.1	2,555.60	1.7
Selling, Marketing and Advertising Expenses	11,314.97	7.8	11,828.85	7.8
Crew Expenses	11,538.80	8.0	10,643.54	7.0
Exchange Loss	2,325.68	1.6	409.98	0.3
Other Expenses	8,137.28	5.6	8,273.24	5.5
Finance Charges	6,051.93	4.2	5,094.68	3.4
Compensation for Cancellation of Aircraft Lease Agreement	2,561.55	1.8	-	0.0
Total Group Expenses	144,725.48	100.0	150,988.17	100.0

Total expenses excluding finance charges decreased by 6.7%, amounting to LKR 9,781 Mn. due to the decrease in aircraft fuel cost by LKR 20,252 Mn., a 37.9% decrease compared to 2015. The aircraft fuel cost decreased due to the reduction in world fuel prices from 275.05 US Cents/US Gallon in 2015 to 171.95 US Cents/US Gallon in 2016 and enhanced fuel efficiencies brought in through the newer fleet of A330-300 aircraft. This resulted in an improved ratio of aircraft fuel cost to revenue, from 50.1% in 2014/15 to 31.9% in 2015/16.

Fuel Productivity of the Passenger Fleet



Fuel Price vs Consumption



Aircraft Lease cost (entire fleet is on Operating Lease) increased by 23.4% to LKR 20,129.91 Mn. in 2015/16 with the induction of the new fleet of A330-300 aircraft as replacement for the aging fleet of A340-300 aircraft.

The Aircraft Maintenance and Overhaul Cost shows an increase of LKR 2,582.81 Mn. in 2015/16 compared to 2014/15. This was due to the write-back of a provision following renegotiation of return conditions for three A340-300 aircraft in 2014/15 and an increase in aircraft return cost on A340-300 aircraft during 2015/16.

The Exchange Loss in 2015/16 amounted to LKR 2,325.68 Mn. due to the depreciation of the Rupee against the US Dollar (exchange loss in 2014/15 - LKR 409.98 Mn.).

Accordingly, the Group Operating Loss decreased by LKR 7,663.58 Mn. to LKR 3,913.69 Mn. in 2015/16, a 66% reduction compared to the previous year (LKR 11,577.27 Mn. in 2014/15).

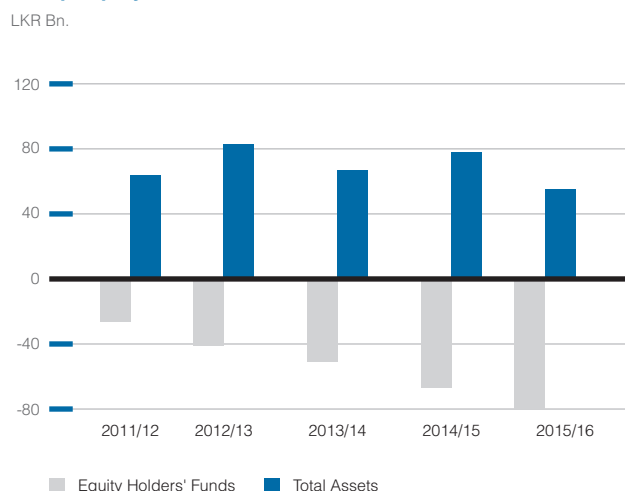
Finance expenses increased by 18.8% to LKR 6,051.93 Mn., mainly due to new loan facilities being obtained for working capital.

The loss before tax reduced by 25.6% to LKR 12,086.55 Mn. in 2015/16 compared to LKR 16,254.53 Mn. in 2014/15. The Group could have seen a 55.7% reduction in Loss before tax if not for the one-off item of LKR 2,561.55 Mn. incurred as compensation for the cancellation of one A350-900 aircraft and the high exchange loss of LKR 2,325.68 Mn.

FINANCIAL POSITION

The Group's total assets stood at LKR 54,078.99 Mn. as at 31st March 2016, a decrease of 29% compared to the previous year, mainly due to the receipt of the Predelivery payments on the induction of the A330-300 aircraft. Further, Shareholders' Fund have reduced by 19.5%, to negative LKR 80,447.11 Mn. due to the current year loss.

Group Equity Holders' Funds and Total Assets



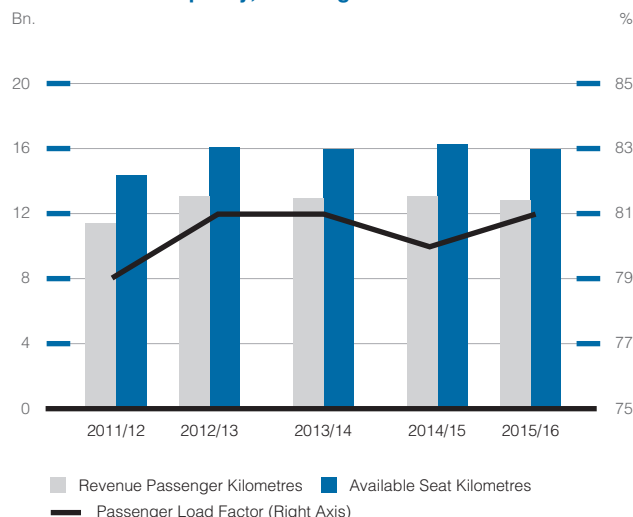
OPERATIONAL PERFORMANCE

A review of Company's operating performance by route/region.

	Passenger No.			RPK		
	2015/16 '000	2014/15 '000	Change %	2015/16 Mn.	2014/15 Mn.	Change %
Regional	1,857	1,821	2.6	1,578	1,572	0.5
Middle East	939	994	-5.6	3,602	3,783	-4.8
South East Asia And Far East	1,065	1,024	4.0	3,633	3,435	5.8
European	467	508	-8.0	3,914	4,174	-6.2
Total	4,328	4,348	-0.4	12,728	12,964	-1.8

Traffic, in terms of capacity and passengers carried, marginally decreased in the year 2016, whilst the passenger load factor recorded a marginal increase.

Available Seat Capacity, Passenger Traffic and Load Factor



REVIEW OF OPERATIONS

Within this sections we present an overview of performance across key business areas of the airline.

THE 'SRILANKAN' BRAND

SriLankan continued to invest in its customer experience and further elevated an already strong global brand, during the year under review. SriLankan's brand positioning is based on its commitment to deliver a best in class product and service to its customers across all touch-points of their journeys.

During the year under review, the Airline completed the induction of its fleet of brand new Airbus A330-300 aircraft, significantly enhancing its on board product.

Strategic investments were made on sponsoring events and causes that provide greater brand exposure.

The Airline also continued to build its brand presence on social media channels and has a highly active and engaged community of followers.

The culmination of these efforts has seen the Airline's brand value reaching further heights, becoming one of the top 10 brands in Sri Lanka and the leading Airline brand in the country by a wide margin.

PERFORMANCE AND CONTRIBUTION

This segment of our report presents a departmental overview of key aspects of performance and contribution to the airline's progress.

COMMERCIAL

ROUTE NETWORK AND FLEET PLANS

SriLankan currently flies to 30 destinations in 17 countries, serving key capital cities in Europe, the Middle East, the Far East and the Indian sub-continent.

Through codeshare operations, the Airline offers passengers access to 71 additional destinations in 31 countries across North America, Europe, Central Asia, Africa, Canada and Australia.

The Airline further expanded its network during the year by establishing codeshare partnerships with American Airlines, Air Berlin, NIKI (Austria) and Qatar Airways.

The new codeshares provide passengers traveling on SriLankan with the opportunity of flexible and convenient onward connections together with superior service to a number of destinations in the US, Europe, Middle East and Africa. These codeshares build on and strengthen the existing cooperation SriLankan Airlines has with **oneworld** member airlines.

As a member of the **oneworld** alliance, SriLankan offers passengers the opportunity to fly to over 1,800 **oneworld** destinations worldwide, on a single ticket. SriLankan Airlines was the first airline from the Indian Subcontinent to gain entry to this prestigious global airline alliance on 1st May 2014 and now shares membership and flies alongside some of the largest, most premium brands in the airline business such as – Air Berlin, American Airlines, British Airways, Cathay Pacific, Finnair, Iberia, Japan Airlines, LATAM, Malaysia Airlines, Qantas, Royal Jordanian and S7 other airlines.

As at 31st March 2016, SriLankan was operating a total of over 250 scheduled flights each week across 29 routes. Of this number, 09 were operated on South East Asian routes, 09 were operated on regional routes, 07 on Middle Eastern routes, and 04 were on European routes.

SriLankan Airlines has enhanced the reach of passengers worldwide with the launch of the new mobile friendly SriLankan Airlines Website with multilingual capabilities encompassing 08 languages to date. This was extensively facilitated by the airline's IT Department.

NETWORK OPTIMISATION

As mentioned when the local environment was discussed, SriLankan had to re-analyse and rationalise its route network, particularly in the context of returning the airline to sustainable viability in the shortest possible time frame.

Within this process, SriLankan had to take some radical decisions concerning certain European routes, whose profitability has been a matter of concern for the airline for quite a period of time. The viability of such operations was further adversely impacted by unbridled capacity injection far above demand, by other airlines of the region.

SriLankan, accordingly discontinued its services to Rome from 30th April 2016 and plans to terminate services to Paris and Frankfurt from the coming winter schedule, 2016.

Where the Airline's European route network is concerned, it is revealing to note that they continue to account for nearly 40% of the negative route contribution, even after when taking into account reduced fuel prices.

In order to ensure maximum revenue retention to continental Europe (after the planned suspensions), a number of additional codeshare partnerships have been established in addition to existing partnerships.

Significantly heightened competitor activity has exerted pressure and posed a challenge to SriLankan's dominant market positioning in the Far Eastern and Indian regions.

After a detailed assessment of market conditions and the competitive environment in its core markets, SriLankan opted to consolidate its network in markets which are performing strongly such as the Middle East, China and India, whilst expanding into new and high potential niche markets where it can build a dominant market position.

Despite all the areas of challenge, it is pertinent to note that for the year in review, SriLankan Airlines has been able to surpass the revenues of the previous financial year (2014/15), after effecting adjustments for capacity and exchange impact due to the depreciation of major currencies in SriLankan's key markets against the US Dollar.

All network optimisation initiatives are taken in support of the airline's business strategy, which is ultimately designed to take it towards clearer skies.

The Airline's focus on the high volume Asian market also helps to strengthen Colombo as our main hub.

Reducing network overlap between SriLankan and Mihin Lanka is another area of focus.

The Airline's current fleet comprises of 08 A320 family aircraft, 07 A330-300s and 06 A330-200s. Over the coming years, the Airline expects to further upgrade this fleet with newer generation aircraft. The new additions are a strategic fit with the Airline's business plan and offer significant advantages in terms of operating economies and cabin product.

ON TIME PERFORMANCE

During the period under review, the Airline maintained an average on time performance (OTP) rate of 80%. This result was achieved whilst flying 4.3 Mn. customers across a total of 26,754 sectors.

Maintaining an optimum on time record involves the coming together of a variety of disciplines, processes and parameters and is therefore a significantly collaborative effort across several key departments of the Airline.

FLYSMILES

FlySmiLes, the Airline's customer loyalty Programme now counts over 400,000 members worldwide. The programme has been growing year-on-year showing a 16% member growth from financial year 2014/15 to 2015/16.

The Airline's total accumulated miles liability stands at 2.5 Bn. miles with an approximate value of USD 20 Mn.

The programme has been maintaining a healthy earn and burn rate of 60%, an acceptable figure by industry norms.

For the financial year 2015/16, miles expiry stood at 309 Mn., at an estimated value of USD 2.4 Mn. differed revenue towards company revenue.

FlySmiLes members also enjoy, earn and burn facilities with all **oneworld** member airlines and with our 26 non-air partners, in dining, leisure, lifestyle, financial and telecommunication.

As a member carrier of the **oneworld** Alliance, FlySmiLes has aligned its top-tier membership levels of Platinum, Gold and Classic with the Alliance's Emerald, Sapphire and Ruby tiers, which are collectively recognised by all member airlines of the Alliance, allowing seamless travel and privileges for the Airline's members, globally.

The Airline's Gold and Platinum members accordingly enjoy lounge facilities at 600 locations worldwide.

During the year FlySmiLes services were integrated to the new SriLankan Airlines mobile application which facilitates access to all of its member services from any where with a single touch. Using this app, all FlySmiLes members can now check their miles balance, receive notifications on the Airline's current member promotions, manage their accounts and update their profiles as well as redeem vouchers for FlySmiLes partner products and services.

The application will soon enable FlySmiLes members to redeem miles on board for duty free purchases - another value addition to SriLankan Airlines loyalty programme.

SRILANKAN HOLIDAYS

SriLankan Holidays (SLH), the leisure arm of the Airline promotes travel to and from Sri Lanka, and also within all points throughout the Airline's network. SriLankan Holidays partners with many leading hotels, tour operators, and other tourism related organisations to give travelers a wide selection of holiday opportunities.

SriLankan Holidays Inbound operates with over 25 SriLankan Holidays Franchise Operators, operating from all online points. Four new Franchise Operators were introduced in the Financial year 2015/16.

Further, in the same year, SriLankan Holidays consolidated the Indian market with an allotment based scheme to make the booking process more efficient - a good start to the long term plan to establish a position of dominance in the Indian market. This resulted in a 13% increase in profits against Financial year 2014/15.

SriLankan Holidays Outbound serves passengers channelled through travel agents, as well as Corporates and direct passengers.

During the previous financial year, SriLankan Holidays consolidated operations into outlying markets in Sri Lanka with the aim of establishing the SLH brand in all parts of the island. With this and other initiatives, the Outbound department grew its business by 14.2% against the previous year.

Overall SriLankan Holidays had a very positive financial year, with both Inbound and Outbound businesses showing growth leading to a cumulative growth of 13.4% in terms of profitability when compared with the previous financial year.

INDUSTRY AFFAIRS

During the year in review, the global footprint of the airline covered 66 Countries, where General Sales Agents have been appointed to represent the Airline.

This is in addition to SriLankan Airline's own offices in China, France, Germany and the United Kingdom.

A total of 96 General Sales Agency Agreements were operational with 56 being Passenger General Sales Agency Agreements and 40 being Cargo General Sales Agency Agreements.

INFLIGHT

From the passenger's perspective, it's really all about the journey. Accordingly, the 'on board' experience is crucial to the 'passenger satisfaction mix'.

IN THE CABIN

The SriLankan Airlines cabin is on equal footing with some of the best in the business. Flat bed seating is standard in Business Class on its wide body A330 fleet. The ambience in Business Class of A330-300 aircraft is further enhanced with the stunning skyscape effect – Moodlighting – simulating the Sri Lankan sunrise, sunset and night sky, which helps put 'time of day/night' in perspective.

With a 32" seat pitch and the latest contoured seats, passengers in the Economy Cabin are assured of an enhanced living space on board.

All passengers have in seat access to power outlets and USB charging facilities for their mobile devices.

In addition, the Airline's new A330-300 aircraft have strategically located "meda power outlets" in the cabin, to handle stretched passengers travelling overseas to seek medical care. These facilities are complemented by the availability of Automated External Defibrillators (AED) installed on all aircraft.

As a highly individual touch, the Airline is proud to introduce the beauty and uniqueness of Sri Lanka's very own Sinharaja rainforest through one of a kind cabin décor featuring the flora and fauna of this UNESCO heritage site.

OUR SERVICE

Significant changes were made to the Airline's inflight menus to incorporate an ever increasing degree of variety to the Airline's on board fare. Business Class passengers have the opportunity of pre-ordering their choice of meal on the web through 'skycuisine', which lets them choose from a selection of 26 mouth-watering menus. Creating 'a home away from home' experience for passengers of varying nationalities is what the Airline aims for, with offers such as Bento boxes with Asahi or kirin beer, a choice selection of Chinese cuisine as well as Sri Lanka's very own Kiri Bath.

AS YOU FLY

On board, the Airline's audio/ video library of entertainment contains over 1,500 hours of content – ranging from live news screening to video and audio selections that run the gamut of taste, broadcasting in 15 languages.

Video content is displayed over large screen systems in both Business and Economy classes.

In enhancing the on board entertainment experience further, this year, the Airline introduced earbud headsets that will provide passengers with a 'gate to gate' entertainment experience, whilst being ergonomically superior to the former headband headsets.

Also, in line with planet friendly conservation of resources, the Airline's Economy cabin passengers can now access menus on their individual screens, helping to discontinue the printed menu.

Connectivity via mobile phone and WiFi facilities is provided on board.

'Serendib Treasures the Airline's Duty Free service, continues to evolve, currently accepting a basket of 19 currencies and providing a real time credit card validation service that transforms the 'on board shopping experience'. The latter feature was specially tailored by the airline's Information Technology division.

At the end of the day however, all that matters is how well the Airline has been able to serve passengers and how satisfied they have felt, flying SriLankan. In this respect, the capture of customer feedback is a vital aspect of the Airline's operations.

Passenger feedback is obtained through 07 channels covering every customer touch point electronically as well as in paper format. The Airline has even incentivised this operation with a free ticket draw every month.

This feedback, particularly in areas of shortfall, is circulated electronically across the Company to aid in service recovery.

RECOGNITION

SriLankan Airlines was the proud winner of the APEX Award – 'Superior Achievement for Passenger Experience in Asia & Australasia' as well as the Future Travel Experience (FTE) Award for 'Best Full Service Airline in Central & South Asia'.

Skytrax upgraded its rating of SriLankan's service from 3 stars to 4 this year!

SRILANKAN CARGO

Despite a difficult year across regions, due to severe market conditions that saw only a slight improvement towards the end of the year, SriLankan Cargo operations achieved its highest tonnage handled to date of 212,000 metric tonnes, maintaining a 99.95% handling reliability throughout the financial year.

By the end of the financial year in review, cargo operations had successfully implemented and met its initial target of ensuring that 75% of all consignments out of Colombo utilised e-Air Waybill processing. This transformation will play a vital role in further enhancing efficiency levels of the operation.

SriLankan Cargo was able to mitigate capacity constraints as well as expand services through the addition of wet leased freighter operations. The freighter operations mainly supported the carriage of cargo to points in India such as Bangalore and Mumbai, thereby offsetting capacity constraints on these sectors. The expanded freighter network included a new route connecting Lahore and Dhaka, providing incremental revenue during the financial year.

SriLankan Cargo is currently working towards further expanding the freighter network to China by including a second freighter operation.

SPAs (Special Prorated Agreements) with other carriers also played a key role in facilitating cargo movements during the year, expanding the reach of the network as well as enhancing the available capacity. SPAs were negotiated on the high demand sectors out of China and Hong Kong in order to provide additional capacity into network points through Malé, which was a key revenue initiative taken during the year.

SriLankan Cargo also aggressively focused on capturing e-commerce movements from China, contributing to a total Post Office Mail revenue of USD 2.8 Mn, a 115% increase compared to the previous year.

From the perspective of infrastructure enhancement, the Airline was aided by its IT division in the development and commissioning of an automated information transfer facility for the Cargo Handling Process by integrating a Weighbridge solution with the Airline's cargo reservation and handling system.

While the upcoming financial year is expected to present even greater challenges, the Airline is confident that it has the necessary strategy and initiatives in place to meet such challenges successfully.

OUR KEY OPERATIONAL SUPPORT UNITS

AIRLINE OPERATIONS CONTROL CENTRE (AOCC)

SriLankan's AOCC is a 24/7 unit mandated to take a holistic view of all operational parameters and to have in place the personnel and resources to implement fast and collaborative decision-making to face any exigency whilst ensuring maximum efficiency and optimal outcome whilst minimising disruption cost.

Thus, the AOCC is the single nerve centre that manages and monitors daily operations in liaison with all relevant stakeholders.

EMERGENCY RESPONSE AND BUSINESS CONTINUITY

The Airline's corporate emergency response plan was further strengthened by means of additional planning, training and infrastructure development, all geared to enhance SriLankan's state of readiness to respond to any 'out of the ordinary' eventuality. In the coming year, SriLankan will amalgamate its ERP and BCP activities under a single, overarching banner of Business Resilience.

COST OPTIMISATION INITIATIVES

The Company wide re-structuring programme implemented in June 2016 resulted in several cost saving and optimisation initiatives being implemented.

AVIATION FUEL TANKERING

The implementation of a fuel tankering system has helped the airline enjoy a considerable cost saving on fuel. Uplifting fuel (tankering) from destinations on the Airline's route network that offer such cost efficiencies is now a daily monitored function.

AVIATION FUEL MONITORING

SriLankan also recorded a significant improvement in fuel efficiency compared to the previous year. Globally we are ranked 14th for fuel efficiency by IATA among airlines with a similar business model.

SRILANKAN CATERING

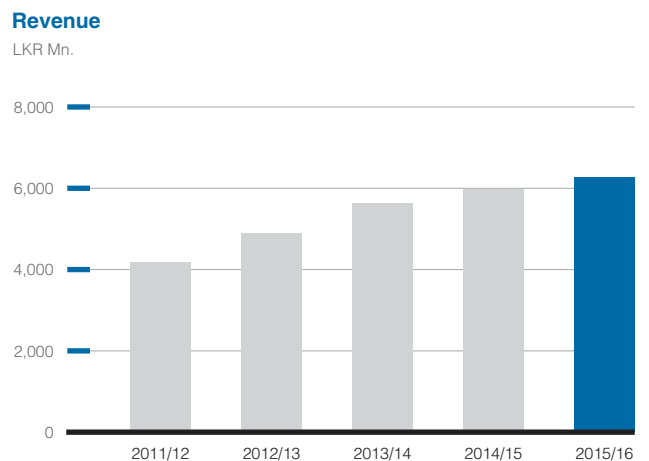
SriLankan Catering Limited, a fully-owned subsidiary of the airline, saw considerable growth in performance during the year under review. The main reason for the Company's revenue growth was the increase in the number of meals served in 'in-flight catering'. In total, in-flight catering provided 5.89 Mn. meals for the year.

The Company also manages and operates airport restaurants and lounges for transit passengers at the Bandaranaike International Airport (BIA) and Mattala Rajapaksa International Airport (MRIA). SriLankan Catering commenced its operations at Mattala Rajapaksa International Airport in 2013.

As part of its ancillary business activities the Company manages and operates the Serenediva Transit Hotel, an industrial laundry, the Vanilla Pod food outlet and the Semondu Restaurant at Dutch Hospital, Fort.

REVENUE

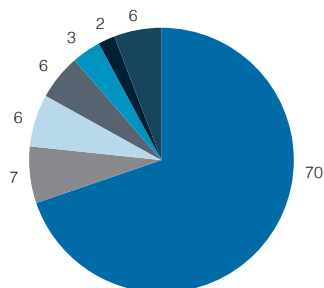
During the year under review, the Company's revenue increased by 5.4% to LKR 6.28 Bn. (2014/15 – LKR 5.96 Bn.) with contribution coming primarily from in-flight catering.



The total contribution from in-flight catering amounted to 79% of the Company's turnover. The main contributor was SriLankan Airlines, which bought nearly 70% of the total meal production for the year. The total contribution from SriLankan Airlines was 56% of total revenue earned during the year.

Meals Composition – 2015/16

%



Revenue generated from restaurants and lounges at the Bandaranaike International Airport (BIA) increased by 12% to LKR 983 Mn. (2014/15 – LKR 882 Mn.).

OPERATIONAL EXPENSES

The total operational cost for the year 2015/16 was LKR 2.41 Bn. This is an increase of nearly 4% when compared to the previous year.

FINANCE INCOME

During the period under review, the finance income of the Company increased by 353% to LKR 1.40 Bn. (2014/15 – LKR 309.8 Mn.), of which the main contribution was the exchange gain of LKR 1.39 Bn. that arose as a result of the Rupee depreciating to LKR 144.69 as at 31st March 2016 against the US Dollar compared to LKR 133.32 the previous year.

FINANCE EXPENSE

The finance expense of the Company decreased to LKR 189 Mn. compared to the LKR 309 Mn. recorded in the previous year mainly due to the redemption of SriLankan Airline's Preference Shares.

TAXATION

The Company enjoys a tax holiday up to 30th May 2021 in terms of an agreement which was entered into with the Board of Investment of Sri Lanka. The Company has been exempted from all taxes on the importation of goods for the purpose of providing international transportation with effect from the 1st January 2012.

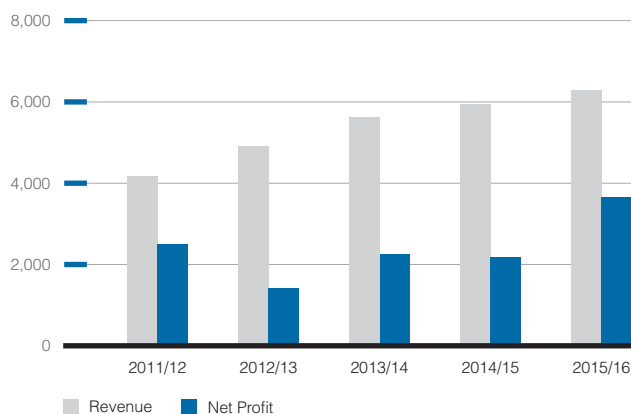
At present, income derived from the Flight Kitchen, Transit Restaurant and Transit Hotel is exempted from tax.

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

PROFITABILITY

Revenue vs Net Profit

LKR Mn.



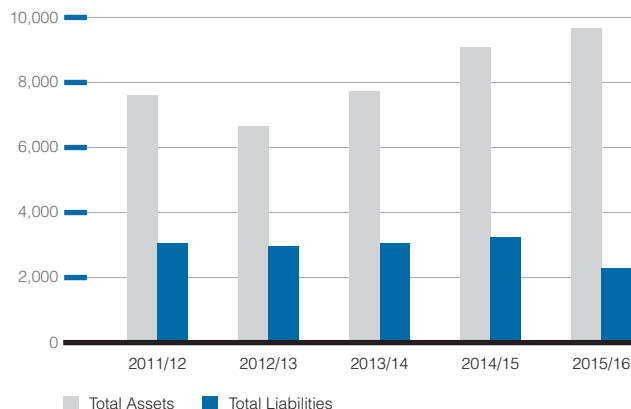
The Company's net profit after taxation (PAT) was LKR 3.64 Bn. (2014/15 – LKR 2.19 Bn.). The exchange gain reported for the year was LKR 1.39 Bn. (2014/15 – LKR 297 Mn.). Accordingly, the net profit (excluding the exchange gain) earned for the year was LKR 2.24 Bn. (2014/15 – LKR 1.9 Bn.) which is an increase of nearly 18% compared to the previous year.

FINANCIAL POSITION STRUCTURE

For the period under review, the Company's total assets increased by LKR 613 Mn. to LKR 9.7 Bn. (2014/15 – LKR 9.09 Bn.) mainly on account of an increase of 13% in Related Party Receivables.

Total Assets vs Total Liabilities

LKR Mn.



The net working capital of the Company had increased to LKR 6.7 Bn. as at 31st March 2016 (2014/15 – LKR 5.86 Bn.).

Financial Position – SriLankan Catering

	2015/16	2014/15
Current Assets (LKR '000)	7,489,352	6,549,537
Current Liabilities (LKR '000)	768,683	689,771
Working Capital (LKR '000)	6,720,669	5,859,766
Current Ratio	9.74	9.50
Quick Ratio	9.43	9.03
Inventory Turnover Ratio	6.17	4.51
Creditors Days	38.51	35.46

Considering its strong financial position, the Company is confident of its ability to comfortably meet its short and medium term liabilities and to meet other obligations.

LEVERAGE AND CAPITAL STRUCTURE

A higher proportion of the Company's total assets of LKR 9.7 Bn. was funded by shareholders' fund (76%) while the remainder was funded by a combination of non-current liabilities (16%) and trade and other creditors (8%).

RETURN TO SHAREHOLDERS

Return on Equity (ROE) for the Company increased to 49% (37% in 2014/15). Earnings per share increased by 66% to LKR 3.87 mainly due to exchange gain recorded during the period. Further, the Company proposed a first and final ordinary dividend of LKR 3.29 per share to the ordinary shareholders of the Company out of the profits earned in 2015/16, (2014/15 – first and final ordinary dividend of LKR 2.23 per share).

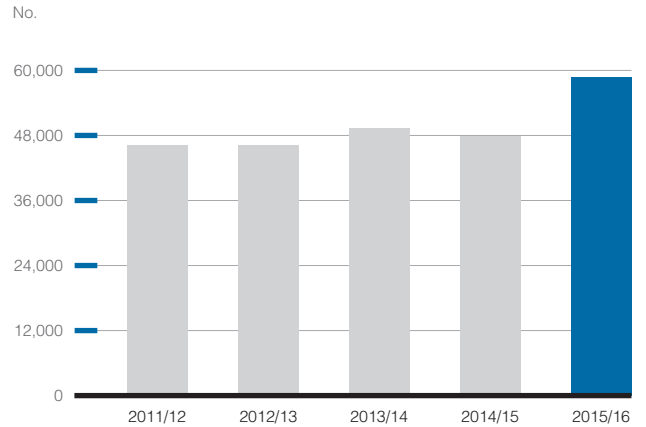
SRILANKAN AIRPORT AND GROUND SERVICES

The Airport and Ground Services (A & GS) is one of the key Strategic Business Units of the Airline and is the sole provider of airport and ground services for SriLankan as well as all carriers operating to Bandaranaike International Airport (BIA).

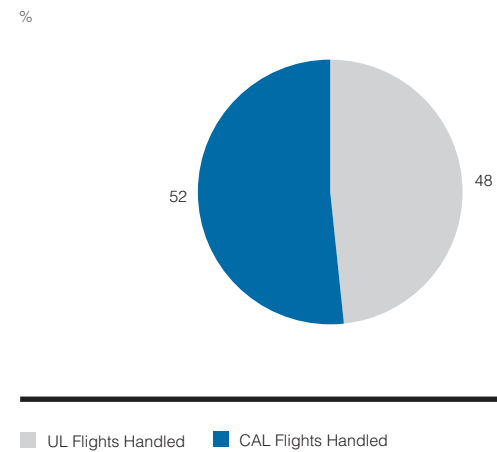
During the year under review, SriLankan's A & GS handled 26,650 SriLankan and 28,460 customer airline flight frequencies, cumulatively serving 8.5 Mn. passengers.

The unit is geared to handle the forecasted 4% increase in aircraft movement in the coming year.

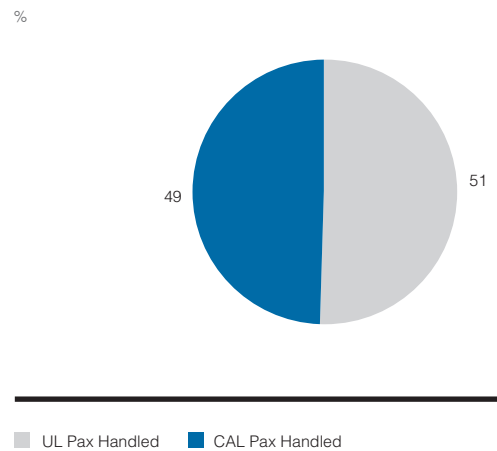
Flights Handled at BIA



Flights Handled



Passengers Handled



Our efforts to make the 'airport experience' as passenger friendly as possible continue unabated. Self-Check-In at BIA is a breeze as passengers are now able to print their own baggage tag through the multi-lingual SriLankan Airlines Check-In KIOSKS. Similarly, we continue to deploy hand held check in processes via smart tabs.

The Airline has invested in new Ground Support Equipment (GSE) as well as other motorised and non-motorised equipment to significantly upgrade the quality of service we can provide not only to SriLankan but to all customer airlines we serve. We are in a position to maintain all this equipment in-house up to base overhaul stage. In this respect, our Plant and Equipment Division now drives a benchmark of 98.5% serviceability of all operation critical equipment.

That 'edge' to delivering the best in terms of customer service lies in the quality and professionalism of people – our people. SriLankan continues to invest in staff development through progressive and service oriented training and assessment at all levels. This is a stringent and ongoing exercise. Improving staff performance in terms of efficiency and courtesy remain prime areas of focus for the financial year 2016/17.

The Airline takes pride in winning plaudits for service excellence during the stringent audit process of IATA's Safety Audit for Ground Operations (ISAGO) re-certification.

SRILANKAN ENGINEERING

A key business unit of the Airline, SriLankan Engineering is approved by the CAASL and also holds EASA 145 Certification from the European Aviation Safety Agency and several other National Aviation Authorities (NAAs). It performs comprehensive airframe maintenance activities for the SriLankan fleet as well as for many external international customers.

The unit achieved many key milestones during the year under review while adhering to the stringent safety and quality standards imposed by all regulatory authorities and maintaining its overall technical dispatch reliability at 99.19% during the year.

During the year under review, the unit successfully completed the induction process for five Airbus A330-300 aircraft for SriLankan.

Internal maintenance activities during the year also included the lease return activities for six Airbus A340 aircraft and one A330-200 aircraft with full return checks completed in-house. Cabin modification and reconfiguration activities were accomplished on four of SriLankan's Aircraft and four more aircraft of Mihin Lanka for whom SriLankan is the sole maintenance provider. During the first two quarters of the year under review, a cabin upgrade programme was completed for the Business Class section of four narrow body A320-200 aircraft.

Successfully achieving its growth targets, during the year under review the unit completed 47 C Checks on aircraft of India's largest LCC IndiGo, in addition to performing other maintenance work for external customers including Maldivian and Turkish Airlines.

During the year under review, SriLankan Engineering initiated the process of obtaining approval for the technical handling of Boeing 737 New Generation (NG) aircraft. Once approval has

been received the unit will be able to expand external customer revenues at Colombo and Malé airports.

SriLankan Engineering has launched a programme to obtain European Aviation Safety Agency's Part 20 design approval. With this, the unit will be able to generate revenue by performing internationally recognised aviation engineering tasks.

Looking to the future, a key objective for the unit will be to expand services as a premier MRO in the region providing a comprehensive portfolio of competitive and tailor-made service offerings.

SRILANKAN AVIATION COLLEGE

The Sri Lankan Aviation College (SLAC) is one of the few aviation training institutes in the world that is accredited by the International Air Transport Association (IATA), European Aviation Safety Agency (EASA) and the TRAINAIR PLUS programme of the International Civil Aviation Organisation (ICAO). SLAC is also approved by the Civil Aviation Authorities of Sri Lanka, Nepal, Pakistan and the Maldives Islands.

The SLAC consolidates the training operations of the International Aviation College (IAA) and SriLankan Technical Training (STT). Empowered by exemplary aviation training experiences, SLAC has achieved great success in a short span of time since its inception in December 2014.

While SLAC's main training facility is located at Katunayake, the College also facilitates training in Galle (Southern Province) and at its overseas branch in the Maldivian capital of Malé through its franchise operations.

By the second quarter of 2017, the College plans to expand its branch network to the Southern, Northern, Eastern and Central provinces of Sri Lanka, reaching more ambitious young people who dream of becoming aviation professionals.

SLAC's training portfolio consists of programmes in many different specialised fields in the air transport industry. These fields are categorised under the College's seven faculties:

- Travel and Tourism
- Airport Services
- Cargo and Dangerous Goods Regulations
- Cabin Crew and Image Consultancy
- Basic Aircraft Maintenance Avionics
- Basic Aircraft Maintenance Mechanical
- Aircraft Maintenance Type Training

SLAC also provides training solutions to corporate clients and initiatives are taken to provide proficiency in language and communication through its new Faculty of Languages. These training programmes offer students the opportunity to study in a learner-friendly industry-based environment, using a combination

of classroom training and industry on-the-job training in relevant areas. It also offers a mobile-learning platform for distance learners. SLAC has assisted many corporate customers to fulfil their training requirements, working closely with them while building a strong corporate client base that ranges from overseas airlines, other stakeholders in the overseas airline industry, local aviation stakeholders and other industries.

SriLankan Aviation College also contributes significantly to a vibrant social and environmental order. The College organises and sponsors events, career guidance sessions, and workshops related to aviation education in Sri Lankan schools and universities across the country, opening the eyes of youngsters to the wonders of aviation and the rewarding opportunities afforded by a career in the global aviation and hospitality industries.

The College guided hundreds of schools throughout the country in launching their own aviation clubs – gathering young aviation enthusiasts together and creating a better understanding of the industry among school children.

Around 400 students, both local and international, have graduated from the College since its inception in 2014.

The prowess and capabilities of the College were highlighted during the year under review. The collage was invited to showcase their success stories through presentations such as 'Encouraging the Next Generation in Aviation' at global events which included:

- Asia Pacific Airline Training Symposium in Bangkok (APATS)
- European Air Safety Agency Annual Conference in Luxembourg (EASA)
- International Air Transport Association Global Training Partner Congress in Hamburg (IATA)
- TRAINAIR PLUS Symposium in New Delhi (ICAO)

The College has earned a reputation as a pioneer in aviation training, transforming aspiring young individuals into aviation professionals while being a key contributor to the development of the Travel and Tourism industry throughout the Asia-Pacific region.

FLIGHT SIMULATOR TRAINING FACILITY (SIM CENTRE)

SriLankan's state-of-the-art Flight Simulator Training Facility which is primarily geared to provide flight crew training on the Airbus A320 and A330 aircraft for our crew has been extended to third party customers, earning valuable income for the Airline.

OUR PEOPLE

Nothing will work without people. The Airline's HR Division is responsible for harnessing this invaluable resource, embellishing it, motivating it, enhancing it, adding to it and strategically channelling it in the most mutually productive and fulfilling manner possible. At the same time, it is responsible for the stewardship of the Airline's stance and enterprise towards planet and society.

During the year under review, several noteworthy achievements were recorded.

The HR Division launched a number of key projects with the objective of aligning employees towards achieving the Airline's objectives.

SriLankan was recognised regionally and internationally through industry awards for SriLankan's learning and development programmes and business partnering.

In the area of human resources, the focus was on right talent resourcing, facilitating productivity, developing performance driven compensation and rewards schemes and increasing the capabilities of employees. A cadre reduction process was initiated identifying redundant positions, and encouraging job redesign and process improvement to the line divisions to complement the management's mission of transforming the organisation into a leaner and more efficient entity.

Strengthening the bond between employees and management, the HR Division ventured to launch the 'We Listen' campaign which sought to enhance industrial peace and harmony. The initiative created an interactive forum between HR, line management and the employee unions.

The 'Red to Black Campaign' sought to awaken the creative minds of SriLankan employees. The initiative harnessed many innovative and original ideas on initiatives which contributed to a reduction of losses and the optimisation of cost.

The comprehensive multi-stage recruitment process of Management Trainees was another key milestone. The process provided the Company with a pool of talented young people to be trained and groomed through comprehensive management succession programmes. The rigorous recruitment process focused on selecting exceptional individuals who demonstrated the skills, potential and talents needed to take on the mantle of leadership in the future.

Facilitating work processes across the organisation has received a huge boost with the assistance of our Information Technology Department. SriLankan introduced a real-time staff collaboration through multiple channels using new technology innovations such as a new corporate internet 'yoULink' and a corporate social network 'Yammer' which have influenced high staff engagement and collaboration throughout the organisation sans hierarchical boundary.

More mobile friendly Apps are being introduced to increase efficacy of internal processes and decision-making. 'FliSTA' is an example of a handy travelling Mobile APP for all SriLankan staff, enabling them to view Flight Status real time with their priority status for their flights.

Enhanced Cloud Computing with the adoption of lading technologies to use cloud based messaging and computing to facilitates office work, system access from anywhere at any time.

Automated overtime calculation with the time and attendance system has improved productivity and efficiency for essential administrative purposes.

Employee development is a key component of the HR agenda. With the objective of enhancing employee capabilities, the HR Division introduced the Continuous Professional Development (CPD) programme where employees were provided with financial assistance to pursue their higher education. The HR Division also took the initiative to create an online knowledge repository and knowledge management system branded 'yoULink.' This online platform creates a forum through which employees are able to share their knowledge and ideas towards operational excellence.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

From a macro perspective, the subject of social and environmental protection is never far from the heart of the Airline. From the continuing induction of new aircraft renowned for their economy of operation (from their low fuel consumption, low emission rating and low noise generation), through the activities of our Training College that opens up new vistas for aspiring Sri Lankans, then as an employment generator and provider of a gateway to and from Sri Lanka. SriLankan puts this aspect firmly at the centre of its enterprise.

The Airline's Corporate Social Responsibility Trust, SriLankan Cares, is our direct channel for social and environmental activity and spearheads initiatives that work meaningfully towards uplifting the lives of people in need in Sri Lanka.

During the year under review, several projects were enacted.

Child Welfare is a vital component of the Airline's mission. SriLankan Cares partnered with Gymnasium Iserhagen, a school in Germany, to donate a Reverse Osmosis Water Filtration Unit to a rural community in the North Central Province.

With the objective of moulding young minds to be aware of issues that threaten bio-diversity and the welfare of the environment, SriLankan Cares partnered with the SriLankan Environment Unit to introduce the School Green Club Concept at Andiambalama Maha Vidyalaya.

The 'Disability is Possibility' charity programme is one which seeks to ensure the welfare and well-being of the differently-abled children of Sri Lanka. In partnership with our station in Rome, SriLankan Cares donated footwear to 133 differently-abled children at Prithipura Children's Home in Mawanella. SriLankan Airlines sponsored a troupe of dancers consisting of seven children with special needs to travel to New Delhi to participate in an annual dance competition.

Marking another landmark charity initiative, SriLankan Cares donated funds collected from VERSO 2015 – Staff Talent Show, to children at Prithipura Children's Home, Mawanella. SriLankan Cares also facilitated the obtaining of medical assistance for 22 low-income families. The Airline provided free air travel for members of these families who urgently needed to travel overseas for surgical procedures that were unavailable in Sri Lanka.

SriLankan also assisted families who fell victim to the floods in May 2016. SriLankan Cares acted swiftly to collect donations from employees and reached out to assist affected families in reclaiming normalcy.

SriLankan's Environment Policy aims to integrate the entire workforce towards creating a planet-friendly Airline. SriLankan inked its green mission in the Airline's first ever Green Roadmap titled 'Greener Sustainability.' The 2015/16 period was significant as the Airline's efforts to preserve the earth's atmosphere were recognised at various international industry fora. The Airline's voluntary carbon offset programme for passengers – 'fly green, save our planet' – was recognised as a key Aviation Climate Solution by the Air Transport Action Group at the Global Sustainable Summit held in Geneva.

Excellent efforts by the Airline's Flight Operations Department toward carbon emission control resulted in SriLankan being placed second in the Asia Pacific region amongst a host of other airlines and seventeenth in the world for emission control.

FUTURE OUTLOOK

The coming year promises to be another challenging one. As mentioned in the Review of Operations, SriLankan's focus will be to strengthen its regional position and concentrate on the Company's bottom line. To this end, expect to see a number of destinations closer to the Airline's home base of Colombo added to the network. Narrow body regional aircraft such as the Airbus A320 will be the backbone of the Airline's fleet.

As part of the regional focus, SriLankan expects to enter into a number of agreements with neighboring airlines. The close cooperation with Pakistan International Airlines (PIA) will continue to grow with SriLankan hoping to serve a number of cities in that country, allowing code-share operations on its expanding network.

The Airline's principal shareholder, the Government of Sri Lanka, has requested for Expressions of Interest from parties who wish to enter into a Public-Private Partnership (PPP) to further develop the Airline. While the management is not directly involved in this process, it is our understanding that by the close of this financial year the PPP procedure will have been completed. This would signal the beginning of yet another 'era' for the airline, one which will have as its overriding objective, true sustainable viability for SriLankan.

Financial Reports

Annual Report of the Board of Directors	33
Board Audit Committee Report	37
Statement of Directors' Responsibilities	38
Independent Auditors' Report of the Auditor General	39
Statement of Financial Position	40
Statement of Profit or Loss	41
Statement of Comprehensive Income	42
Statement of Changes in Equity	43
Statement of Cash Flows	44
Notes to the Financial Statements	45

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of SriLankan Airlines Limited, take pleasure in presenting the Annual Report for the year ended 31st March 2016.

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 Group Chief Finance and Administrative Officer and two Directors and the Independent Auditors' Report of the Auditor General thereon for the year ended 31st March 2016 are attached to this Report.

ACCOUNTING POLICIES

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 45 to 53.

GROUP TURNOVER

The turnover of the Group amounted to LKR 132,198 Mn. (2014/15 – LKR 134,316 Mn.). A detailed analysis of Group Turnover is given in Note 19 to the Financial Statements.

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

RESULTS

Group deficit before compensation for cancellation of aircraft lease agreement was LKR 9,525 Mn. and after adjusting LKR 2,562 Mn. for compensation for cancellation of aircraft lease agreement and before taxation, amounted to a deficit of LKR 12,087 Mn. (2014/15 – Group deficit LKR 16,255 Mn.). After adjusting LKR 3 Mn. (2014/15 – LKR 75 Mn.) for taxation, the Group result for the year was a deficit of LKR 12,084 Mn. (2014/15 – Group deficit of LKR 16,330 Mn.).

The Statement of Profit or Loss for the year is given on page 41.

GROUP INVESTMENT

Group capital expenditure during the year on property, plant and equipment amounted to LKR 1,040 Mn. (2014/15 – LKR 2,897 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 10,753 Mn. (2014/15 – LKR 12,336 Mn.). Details of property, plant and equipment and their movements are given in Note 3 to the Financial Statements.

STATED CAPITAL

The Stated Capital of the Company amounts to LKR 51,617 Mn. (2014/15 – LKR 51,617 Mn.).

RESERVES

Total Group Reserves as at 31st March 2016 amounted to a negative LKR 132,065 Mn. (2014/15 – negative LKR 118,910 Mn.). This consists of accumulated losses of LKR 135,585 Mn. (2014/15 – LKR 123,266 Mn.), Other Reserves of LKR 3,521 Mn. (2014/15 – LKR 4,355 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 1.38 Mn. during the year (2014/15 – LKR 3.65 Mn.).

TAXATION

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

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

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

SHARE INFORMATION

Share information as at 31st March 2016 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 LAWS AND REGULATIONS

The Company has at all times ensured that it complies 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/respective Boards.

RELATED PARTY TRANSACTIONS

Related party transactions are disclosed in Note 27 to the Financial Statements.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent Liabilities as at 31st March 2016 and commitments made on Capital Expenditure as at that date are given in Note 24 to the Financial Statements.

EVENTS OCCURRING AFTER THE REPORTING DATE

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

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 6,959 (2014/15 – 6,987) and by the subsidiary was 902 (2014/15 – 886).

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, all the Directors were appointed by the Government of Sri Lanka and held office as at the Reporting date. Brief profiles are given on pages 9 and 10 of the Annual Report. Directors, all are Non-Executive Directors.

Mr. Ajith N. Dias/Chairman

Mr. J. M. S. Brito

Mr. R. Chanaka D. De Silva

Mr. Mahinda P. Haradasa

Mr. Rakhita S. Jayawardena

Lt. Col. Sunil D. Peiris

Mr. Harendra K. Balapatabendi

Mr. N. De Silva Deva Aditya

In terms of Article 86 of the Articles of Association of the Company, Mr. Rakhita S. Jayawardena was the pro-tem Chief Executive Officer for the period 10th March 2015 to 14th October 2015.

Lt. Col. Sunil D. Peiris was appointed Executive Director HR for the period 1st May 2015 to 31st October 2015.

APPOINTMENT OF DIRECTORS WHO ARE OVER 70 YEARS OF AGE

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

It is also recommended that Mr. J. M. S. Brito who is over 70 years of age be reappointed as a Director of the Company for a further period of one year from the conclusion of the Annual General Meeting and that the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not be applicable.

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 Remuneration Committee meets every quarter.

The Human Resources and Remuneration Committee of the Company comprises the following members:

Lt. Col. Sunil D. Peiris/Chairman

Mr. J. M. S. Brito

Mr. R. Chanaka D. De Silva

Mr. Mahinda P. Haradasa

Mr. Rakhita S. Jayawardena

MEMBERS OF THE AUDIT COMMITTEE

The Audit Committee of the Company comprises the following members:

Mr. J. M. S. Brito/Chairman

Mr. R. Chanaka D. De Silva

Mr. Mahinda P. Haradasa

Mr. Rakhita S. Jayawardena

Lt. Col. Sunil D. Peiris

The Audit Committee Report is given on page 37 of this Annual Report. The Audit Committee meets every quarter.

DIRECTORS' MEETING ATTENDANCE

Eleven Board meetings were convened during the financial year and the attendance of the Directors were as follows:

Director	Meetings Attend (Out of 11)
Mr. Ajith N. Dias	11
Mr. J. M. S. Brito	09
Mr. R. Chanaka D. De Silva	10
Mr. Mahinda P. Haradasa	08
Mr. Rakhita S. Jayawardena	11
Lt. Col. Sunil D. Peiris	09
Mr. Harendra K. Balapatabendi	09
Mr. N. De Silva Deva Aditya	06

DIRECTORATE – SRILANKAN CATERING

The Directorate of SriLankan Catering Limited are as follows:

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

DIRECTORS' REMUNERATION

Aggregated remuneration paid to the Non-Executive Directors of the Company is disclosed under Note 27.1.1 on page 76 of this Report according to the requirements of Section 168 (1) (f) of the Companies Act No. 07 of 2007.

DIRECTORS' SHAREHOLDINGS

By virtue of office two of the Government of Sri Lanka (GOSL) Nominee Directors including Chairman and Mr. J. M. S. Brito are holders of three ordinary shares of the Company.

INTERESTS REGISTER

The Company maintains the Interests Register conforming to the provisions of the Companies Act No. 07 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. 07 of 2007.

The Interests Register is available for inspection as required under the Companies Act No. 07 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 38th Annual General Meeting of the Company will be held on Thursday, 09th February 2017 at 10.00 a.m. at 'Mihilaka Medura' of Bandaranaike International Conference Hall, Bauddhaloka Mawatha, Colombo 07, Sri Lanka.

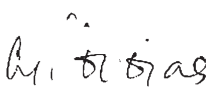
The Notice of the Annual General Meeting is on page 86 of the Annual Report.

AUDITORS

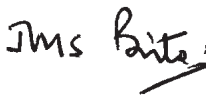
In accordance with Article 36 of the Nineteenth Amendment to the Constitution, the Auditor General is appointed Auditors of the Company.

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

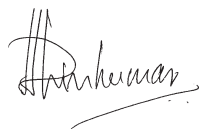
Signed on behalf of the Board,



Ajith N. Dias
Chairman



J. M. S. Brito
Director



Dalrene Thirukumar
Company Secretary/Head of Corporate Secretarial Services

22nd December 2016
Colombo

THE ROLE AND RESPONSIBILITIES

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

COMPOSITION AND MEETINGS

The Board Audit Committee comprises five (5) members. The members of the BAC as at 31st March 2016 were Mr. J. M. S. Brito (Chairman), Mr. R. Chanaka D. De Silva (Member), Mr. Mahinda P. Haradasa (Member), Lt. Col. Sunil D. Peiris (Member) and Mr. Rakhita S. Jayawardena (Member).

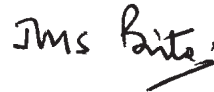
During the financial year ended 31st March 2016, the Board Audit Committee held three (3) meetings. The members of the management attended the meetings upon invitation to brief the Board Audit Committee on specific issues. In addition, Board Audit Committee had meetings with Messrs Ernst and Young to ascertain the nature, scope and approach of the external audit and to review the Financial Statements and the management reports.

GROUP ASSURANCE AND ADVISORY SERVICES

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

KEY ACTIVITIES OF THE BAC DURING THE FINANCIAL YEAR

- Reviewed the implementation of annual audit plan and the audit findings on system of internal controls including IS/IT controls and the status of audit recommendations.
- Reviewed the key corporate level risks and procedures adopted by management to mitigate the effects of business risks.
- Reviewed the Company's compliance dashboards on a quarterly basis to determine that all relevant laws and regulations are complied with.
- Reviewed and recommended to the Board for approval the GSA Administration Manual, International Relations Manual, Interline Manual, Commercial Promotions Manual and Financial Accounting Manual for the purpose of better system of control at Industry Affairs Department and Finance Division.
- Reviewed the status of the Business Continuity Plan and ensured a structured framework is established at SriLankan Airlines in line with ISO 22301 to minimise the effects of risks from business interruptions/disasters.
- Reviewed the Internal Audit Function, including the independence and authority of its reporting obligations and the internal audit plan.
- Discussed the management letter findings and the management responses with Messrs Ernst and Young.



J. M. S. BRITO
Chairman – Board Audit Committee

22nd December 2016
Colombo

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 39.

The Companies Act No. 07 of 2007 requires the Directors to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company and the Group as at end of the financial year and of the profit or loss of the Company and the Group for the financial year. In preparing the Financial Statements, appropriate accounting policies have been selected and applied consistently, reasonable and prudent judgments and estimates have been made and applicable accounting standards have been followed.

The Directors are responsible for ensuring that the Company and its subsidiary keep sufficient accounting records to disclose with reasonable accuracy the financial position of the Company and the Group for ensuring that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards and provide the information required by the Companies Act No. 07 of 2007. They are also responsible for taking reasonable measures to safeguard the assets of the Group and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to the prevention and detection of fraud and other irregularities.

The Directors continue to adopt the going concern basis in preparing the Financial Statements. The Directors consider that the Group has adequate resources to continue in operation, after considering the GOSL initiated process of deploying RFP to attract an investor/joint partner for the Company in the form of a Public Private Partnership (PPP) and the GOSL by way of Cabinet approval dated 20th December 2016 has confirmed that the GOSL will extend the required financial support to the Company to continue its operations as a 'Going Concern' until the proposed restructuring process is completed as described under Note 2.1.2 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/Head of Corporate Secretarial Services

22nd December 2016
Colombo

INDEPENDENT AUDITORS' REPORT OF THE AUDITOR GENERAL



විගණකාධිපති දෙපාර්තමේන්තුව கணக்காய்வாளர் தலைமை அறிப்பித் திணைக்களம் AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல. }
My No. }

AVA/C/SLAL/06/16/27

ඔබේ අංකය
உமது இல. }
Your No. }

දිනය
திகதி } 28 December 2016
Date }

To the Shareholders of Sri Lankan Airlines Limited

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE SRI LANKAN AIRLINES LIMITED FOR THE YEAR ENDED 31ST MARCH 2016.

The audit of the accompanying Financial Statements of the Sri Lankan Airlines Limited and the consolidated Financial Statements of Company and subsidiaries for the year ended 31st March 2016, comprising the statement of financial position as at 31st March 2016 and the statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154 (l) of the Constitution of the Democratic Socialist Republic of Sri Lanka. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

In my opinion, the Consolidated Financial Statements give a true and fair view of the financial position of the Group as at 31st March 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

EMPHASIS OF MATTER

During the current year, the Company recorded a loss, of LKR 12,622 Mn. with an accumulated loss of LKR 141,080 Mn. Further, the Company's current liabilities exceeded its current assets by LKR 73,433 Mn. and the total equity of the Company as at Reporting date had declined to a negative LKR 87,781 Mn., which describes the existence of the unfavourable financial position. The management assessment of these conditions and the mitigating factors are explained in Note 2.1.2 to the Financial Statements. My opinion is not qualified in respect of this matter.

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:

- The basis of opinion and scope and limitations of the audit are as stated above.
- 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 gives a true and fair view of the financial position of the Company as at 31st March 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, and
 - the Financial Statements of the Company and the Group, comply with the requirements of Sections 151 and 153 of the Companies Act 07 of 2007.

EMPHASIS OF MATTER – COMPANY

During the current year, the Company recorded a loss of LKR 12,622 Mn. with an accumulated loss of LKR 141,080 Mn. Further, the Company's current liabilities exceeded its current assets by LKR 73,433 Mn. and the total equity of the Company as at Reporting date had declined to a negative LKR 87,781 Mn., which describes the existence of the unfavourable financial position. The management assessment of these conditions and the mitigating factors are explained in Note 2.1.2 to the Financial Statements. My opinion is not qualified in respect of this matter.

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

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව, . - இல. 306/72, பொல்தூவ வீதி, பத்தரமுல்லை, இலங்கை. - No. 306/72, Polduwa Road, Battaramulla, Sri Lanka

+94-11-2887028-34

+94-11-2887223

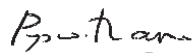
oaggov@sltnet.lk

www.auditorgeneral.gov.lk

STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	Group		Company	
		2016	2015	2016	2015
		LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
Assets					
Non-Current Assets					
Property, Plant and Equipment	3	10,753.23	12,336.15	8,546.30	9,809.97
Aircraft Predelivery Payments	4	2,420.08	2,267.93	2,420.08	2,267.93
Aircraft Maintenance Reserve	5	6,585.21	6,069.40	6,585.21	6,069.40
Aircraft and Spare Engine Deposits		4,973.99	3,366.81	4,973.99	3,366.81
Intangible Asset	6	984.59	1,285.07	979.99	1,280.23
Investments	7	0.40	0.40	42.44	42.44
		25,717.50	25,325.76	23,548.01	22,836.78
Current Assets					
Inventories	8	4,940.29	5,397.87	4,703.11	5,078.20
Trade and Other Receivables	9	14,292.69	32,818.75	13,221.65	32,114.66
Aircraft Maintenance Reserve	5	3,612.16	6,209.96	3,612.16	6,209.96
Aircraft and Spare Engine Deposits		1,245.76	1,559.26	1,245.76	1,559.26
Cash and Bank Balances	10	4,270.59	4,846.70	4,045.61	4,759.41
		28,361.49	50,832.54	26,828.29	49,721.49
Total Assets		54,078.99	76,158.30	50,376.30	72,558.27
Equity and Liabilities					
Capital and Reserves					
Stated Capital	11	51,617.44	51,617.44	51,617.44	51,617.44
Reserves	12	3,520.86	4,355.27	1,680.97	2,514.89
Accumulated Loss		(135,585.41)	(123,265.57)	(141,079.67)	(128,238.23)
Total Equity		(80,447.11)	(67,292.86)	(87,781.26)	(74,105.90)
Non-Current Liabilities					
Preference Shares	13	1,000.00	1,000.00	-	-
Interest-Bearing Liabilities	14	27,904.67	35,707.81	27,904.67	35,692.91
Other Long-Term Liabilities	15	10,546.95	8,084.01	9,991.18	7,556.95
		39,451.62	44,791.82	37,895.85	43,249.86
Current Liabilities					
Sales in Advance of Carriage	16	17,533.47	18,166.28	17,533.47	18,166.28
Trade and Other Payables	17	37,659.40	39,922.28	42,859.15	44,699.86
Income Tax Payable		186.02	189.13	175.45	175.45
Interest-Bearing Liabilities	14	39,695.59	40,381.65	39,693.64	40,372.72
		95,074.48	98,659.34	100,261.71	103,414.31
Total Equity and Liabilities		54,078.99	76,158.30	50,376.30	72,558.27

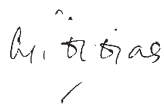
These Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.



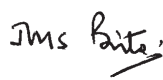
Lalith Withana
Group Chief Finance and Administrative Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Signed for and on behalf of the Board by:



Ajith N. Dias
Chairman



J. M. S. Brito
Director

The Accounting Policies and Notes on pages 45 through 80 form an integral part of these Financial Statements.

22nd December 2016
Colombo

STATEMENT OF PROFIT OR LOSS

Year ended 31st March	Note	Group		Company	
		2016	2015	2016	2015
		LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
Revenue	19	132,198.31	134,316.22	129,480.41	131,922.13
Expenditure					
Aircraft Fuel Cost		(33,198.90)	(53,451.02)	(33,198.90)	(53,451.02)
Employee Cost		(11,790.83)	(10,186.63)	(10,693.32)	(9,213.90)
Airport, Enroute and Passenger Expenses		(20,170.97)	(20,296.55)	(22,271.90)	(22,419.15)
Rentals on Leased Aircraft		(20,129.91)	(16,315.67)	(20,129.91)	(16,315.67)
Aircraft Maintenance and Overhaul Costs		(14,515.22)	(11,932.41)	(14,515.22)	(11,987.94)
Depreciation/Amortisation		(2,989.44)	(2,555.60)	(2,683.91)	(2,275.98)
Selling, Marketing and Advertising Expenses		(11,314.97)	(11,828.85)	(11,314.97)	(11,773.32)
Crew Expenses		(11,538.80)	(10,643.54)	(11,538.80)	(10,643.54)
Other Operating Expenses		(10,462.96)	(8,683.22)	(10,848.25)	(7,902.84)
Operating Loss	21	(3,913.69)	(11,577.27)	(7,714.77)	(14,061.22)
Other Income and Gains	20	364.86	292.47	3,505.98	2,525.59
Finance Income	22.1	75.76	124.95	65.90	112.06
Finance Cost	22.2	(6,051.93)	(5,094.68)	(5,917.25)	(5,009.46)
Compensation for Cancellation of Aircraft Lease Agreement	17.1	(2,561.55)	-	(2,561.55)	-
Loss Before Taxation		(12,086.55)	(16,254.53)	(12,621.69)	(16,433.03)
Income Tax Expense	23	2.93	(75.37)	-	(61.63)
Loss for the Year		(12,083.62)	(16,329.90)	(12,621.69)	(16,494.66)

The Accounting Policies and Notes on pages 45 through 80 form an integral part of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31st March	Note	Group		Company	
		2016	2015	2016	2015
		LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
Loss for the Year		(12,083.62)	(16,329.90)	(12,621.69)	(16,494.66)
Other Comprehensive Income/(Loss)					
Other Comprehensive Income/(Loss) not to be Reclassified to Profit or Loss in Subsequent Periods (Net of Tax):					
Actuarial Gain/(Loss) on Retirement Benefit Obligation	15.2	(243.16)	(1,116.89)	(235.63)	(1,054.24)
Revaluation of Property, Plant and Equipment		–	1,906.85	–	663.95
Differed Tax Liability on Revalued Assets		–	(74.23)	–	–
		(243.16)	715.73	(235.63)	(390.29)
Other Comprehensive Income/(Loss) will be Reclassified to Profit or Loss in Subsequent Periods (Net of Tax):					
Net Movement on Cash Flow Hedge		(818.04)	–	(818.04)	–
		(818.04)	–	(818.04)	–
Total Other Comprehensive Income/(Loss) for the Year, Net of Tax		(1,061.20)	715.73	(1,053.67)	(390.29)
Total Comprehensive Income/(Loss) for the Year, Net of Tax		(13,144.82)	(15,614.17)	(13,675.36)	(16,884.95)

The Accounting Policies and Notes on pages 45 through 80 form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

	Group						
	Stated Capital	Revaluation Reserve	Revenue Reserve	General Reserve	Exchange Revaluation Reserve	Accumulated Loss	Total
	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
Balance as at 1st April 2014	51,617.44	2,522.65	0.63	53.44	-	(105,872.85)	(51,678.69)
Reserves Transferred	-	-	(0.63)	(53.44)	-	54.07	-
Loss for the year	-	-	-	-	-	(16,329.90)	(16,329.90)
Other Comprehensive Income/(Loss)	-	1,832.62	-	-	-	(1,116.89)	715.73
Total Comprehensive Income/(Loss)	-	1,832.62	-	-	-	(17,446.79)	(15,614.17)
Balance as at 31st March 2015	51,617.44	4,355.27	-	-	-	(123,265.57)	(67,292.86)
Adjustment on Super Gain Tax (Note 23.3)	-	-	-	-	-	(9.43)	(9.43)
Loss for the Year	-	-	-	-	-	(12,083.62)	(12,083.62)
Other Comprehensive Income/(Loss)	-	-	-	-	(818.04)	(243.16)	(1,061.20)
Total Comprehensive Income/(Loss)	-	-	-	-	(818.04)	(12,326.78)	(13,144.82)
Reversal of Surplus on Revaluation due to Disposal During the Year	-	(16.37)	-	-	-	16.37	-
Balance as at 31st March 2016	51,617.44	4,338.90	-	-	(818.04)	(135,585.41)	(80,447.11)

	Company						
	Stated Capital	Revaluation Reserve	Revenue Reserve	General Reserve	Exchange Revaluation Reserve	Accumulated Loss	Total
	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
Balance as at 1st April 2014	51,617.44	1,850.94	0.63	53.44	-	(110,743.40)	(57,220.95)
Reserves Transferred	-	-	(0.63)	(53.44)	-	54.07	-
Loss for the Year	-	-	-	-	-	(16,494.66)	(16,494.66)
Other Comprehensive Income/(Loss)	-	663.95	-	-	-	(1,054.24)	(390.29)
Total Comprehensive Income/(Loss)	-	663.95	-	-	-	(17,548.90)	(16,884.95)
Balance as at 31st March 2015	51,617.44	2,514.89	-	-	-	(128,238.23)	(74,105.90)
Loss for the Year	-	-	-	-	-	(12,621.69)	(12,621.69)
Other Comprehensive Income/(Loss)	-	-	-	-	(818.04)	(235.63)	(1,053.67)
Total Comprehensive Income/(Loss)	-	-	-	-	(818.04)	(12,857.32)	(13,675.36)
Reversal of Surplus on Revaluation due to Disposal During the Year	-	(15.88)	-	-	-	15.88	-
Balance as at 31st March 2016	51,617.44	2,499.01	-	-	(818.04)	(141,079.67)	(87,781.26)

The Accounting Policies and Notes on pages 45 through 80 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

Year ended 31st March	Note	Group		Company	
		2016	2015	2016	2015
		LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
Cash Flows from/(Used in) Operating Activities					
Loss before Income Tax Expense		(12,086.55)	(16,254.53)	(12,621.69)	(16,433.03)
Adjustments for –					
Depreciation/Amortisation/Impairment		3,011.94	2,521.76	2,683.91	2,238.82
Finance Cost	22.2	6,051.93	5,094.68	5,917.25	5,009.46
Loss on Disposal of Property, Plant and Equipment and Intangible Assets		(6.71)	(5.08)	(7.04)	(2.47)
Gain from Redemption of Preference Shares	20	–	–	(1,000.00)	–
Finance Income	22.1	(75.76)	(124.95)	(65.90)	(112.06)
Provision for Impairment of Receivables		12.80	230.32	11.81	225.55
Provision for Slow Moving Inventory	8.1	549.42	279.85	544.73	264.83
Provision for Impairment of Maintenance Reserve	5.2	3,631.23	4,024.42	3,631.23	4,024.42
Effect on Unrealised Exchange Loss		1,385.35	503.24	2,666.83	753.48
Write Back of Sales in Advance		(2,379.83)	(2,755.58)	(2,379.83)	(2,755.58)
Provision for Gratuity	15.2	792.49	591.36	718.69	528.54
Operating Loss before Working Capital Changes		886.31	(5,894.51)	99.99	(6,258.05)
(Decrease)/Increase in Inventories		(91.85)	(637.50)	(169.64)	(593.29)
Increase in Sales in Advance of Carriage		1,747.02	3,884.36	1,747.02	3,884.36
(Increase)/Decrease in Trade and Other Receivables		2,965.38	(3,390.28)	3,326.03	(3,813.59)
Increase/(Decrease) in Trade and Other Payables		(3,188.00)	(1,461.62)	(4,049.95)	43.91
(Increase)/Decrease in Maintenance Reserves		2,062.01	(4,498.15)	2,062.01	(4,498.15)
Increase in Aircraft Security Deposits		(1,259.02)	(1,155.50)	(1,259.02)	(1,155.50)
Cash Generated from/(Used in) Operations		3,121.85	(13,153.20)	1,756.44	(12,390.31)
Finance Cost Paid		(6,293.48)	(4,512.68)	(6,148.88)	(4,427.45)
Gratuity Paid	15.2	(291.64)	(231.50)	(239.02)	(201.69)
Income Tax Paid		(9.62)	(18.09)	–	–
Net Cash Flows Used in Operating Activities		(3,472.89)	(17,915.47)	(4,631.46)	(17,019.45)
Cash Flows from/(Used in) Investing Activities					
Interest Received		75.76	124.95	65.90	112.06
Acquisition of Property, Plant and Equipment		(1,129.04)	(1,977.32)	(1,102.69)	(1,893.30)
Net Receipts from Aircraft Redelivery Payments		17,172.94	2,035.12	17,172.94	2,035.12
Acquisition of Intangible Assets		(48.59)	(273.68)	(47.12)	(273.26)
Proceeds from Disposal of Property, Plant and Equipment and Intangible Assets		38.83	13.44	19.87	7.12
Proceed from Redemption of Preference Shares		–	–	1,000.00	–
Net Cash Used in Investing Activities		16,109.90	(77.49)	17,108.90	(12.26)
Cash Flows from Used in Financing Activities					
Repayment of Interest-Bearing Liabilities		(32,560.79)	(24,032.91)	(32,538.91)	(24,983.43)
Proceeds from Interest-Bearing Loans and Borrowings		23,058.30	40,926.58	23,058.30	40,977.85
Net Cash from Financing Activities		(9,502.49)	16,893.65	(9,480.61)	15,994.42
Net Increase/(Decrease) in Cash and Cash Equivalents		3,134.52	(1,099.31)	2,996.83	(1,037.29)
Cash and Cash Equivalents at the Beginning of the Year	10	(3,518.42)	(2,419.11)	(3,605.71)	(2,568.42)
Cash and Cash Equivalents at the End of the Year	10	(383.90)	(3,518.42)	(608.88)	(3,605.71)

The Accounting Policies and Notes on pages 45 through 80 form an integral part of these Financial Statements.

1. CORPORATE INFORMATION

1.1 GENERAL

COMPANY

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

1.2 PRINCIPAL ACTIVITIES AND NATURE OF OPERATIONS

COMPANY

The principal activities of the Company consist of operating international scheduled and 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 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.

1.3 DATE OF AUTHORISATION FOR ISSUE

The Financial Statements for the year ended 31st March 2016 were authorised for issue by the Board of Directors on 22nd December 2016.

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/LKAS) as issued by The Institute of Chartered

Accountants of Sri Lanka. The preparation and presentation of these Financial Statements is in compliance with the Companies Act No. 07 of 2007.

2.1.2 GOING CONCERN

During the current year, the Company recorded a loss of LKR 12,621.69 Mn. (2015 – LKR 16,494.66 Mn.) with an accumulated loss of LKR 141,079.67 Mn. (2015 - LKR 128,238.23 Mn.). Further, the Company's current liabilities exceeded its current assets by LKR 73,433.42 Mn. (2015 – LKR 53,692.82 Mn.) and the total equity of the Company as at Reporting date has declined to a negative LKR 87,781.26 Mn. (2015 - negative LKR 74,105.90 Mn.).

The performance of the Company has improved significantly over the past two years with the net loss decreasing by 23% in 2016 and 49% in 2015, compared to the previous year. During the year under review, the decline in global fuel prices contributed significantly to this improved performance. The strategic initiatives taken by the Management together with continuing low fuel prices, are expected to further improve the performance of the Company. However, due to continuing loss-making position and funds required for debt service, the Company, during the year, continued to rely on the backing of the major shareholder, the Government of Sri Lanka (GOSL) for financial support through provision of Letters of Comfort in order to secure bank debt.

In order to continue and strengthen the operations of the Company, the GOSL has initiated a process of deploying RFP to attract an investor/ joint partner for the Company and is offering an equity stake and management control of the Company in the form of Public Private Partnership (PPP). It is expected that the significant value attached to the Company's strong and well recognised brand and its ability to utilise existing bilateral air services agreements as the designated national carrier of Sri Lanka, together with its landing rights at overseas airports, creates significant value to a strategic investor. The GOSL by way of Cabinet approval dated 20th December 2016 has confirmed that the GOSL will extend the required financial support to the Company to continue its operations as a 'Going Concern' until the proposed restructuring process is completed.

Further, the internal measure initiated during the previous financial year is being implemented at present. Route rationalisation which includes exiting from loss-making long-haul routes that require wide-body aircraft and concentrating on more medium to short haul routes using narrow body aircraft is being implemented. Along with this, the fleet is being restructured to suit the new route structure which includes leasing out excess wide-body aircraft to other airlines. The cost reduction programme initiated last year is also being implemented as planned and the positive financial impact of such measures are being realised at present.

The Board of Directors, having considered the above restructuring initiatives and the GOSL confirmation on continued financial support to continue its operations, are confident that the Company would improve its financial position and continue to operate as a going concern.

2.1.3 COMPARATIVE INFORMATION

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

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

2.2 BASIS OF CONSOLIDATION

The Consolidated Financial Statements comprise the Financial Statements of the Company and its Subsidiary as at 31st March 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Group has:

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

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

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

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

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

2.3 SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

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

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

(a) JUDGMENTS

(i) Going Concern

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

(ii) Contingent Liabilities – Litigations

As disclosed in Note 24.3 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 the Group. In determining the appropriate classification, the substance of the transaction rather than the form is considered. Factors considered include but not are limited to the following: whether the lease transfers ownership of the asset to the lessee by the end of the lease term; the lessee has the option to purchase the asset at the price that is expected to be sufficiently lower than the fair value on exercise date; the lease term is for the major part of economic life of the asset even 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 judgment is exercised by management due to the diversity of inputs that go into determining the fair value of miles.

(iii) Maintenance Reserve

The Company makes monthly payments to lessors on account of several aircraft and engines which are under operating leases based on agreed terms towards maintenance. These monthly payments are based on the number of hours or cycles flown 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 5)

(iv) Provision for Aircraft Maintenance and Overhaul Costs

The Company is obligated to carry out heavy maintenance checks on the airframe, engines and landing gears, which are under operating leases based on agreed terms towards maintenance. Provision for heavy maintenance cost is made progressively in the Financial Statements based on 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 its judgment in estimating such impairment considering the duration of the outstanding period and any other factors management is aware of that indicates uncertainty in recoverability.

(c) ASSUMPTIONS

(i) Defined Benefit Plan

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

(ii) Revaluation of Property, Plant and Equipment

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.4.1 FOREIGN CURRENCY TRANSLATION

The Financial Statements are presented in Sri Lankan Rupees, which is the Group's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies

are retranslated at the functional currency rate of exchange ruling at the Reporting date. The resultant foreign exchange gains and losses are recognised in the Statement of Profit or Loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

2.4.2 TAXATION

(i) Current Income Tax

Company

(a) Local Taxation

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

(b) Overseas Taxation

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

Subsidiary – SriLankan Catering Limited

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

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

The Income from Flight Kitchen and Transit Restaurant is exempted from income tax up to 31st May 2021 as per the agreement with Board of Investment (BOI). The income from other sources are liable at the normal rate.

(ii) Deferred Income Tax

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

2.4.3 PROPERTY, PLANT AND EQUIPMENT

(a) Cost and Valuation

All items of property, plant and equipment are initially recorded at cost. Cost includes expenditure that is directly attributable to the acquisition or construction. Where items of property, plant and equipment are subsequently revalued, such revalued property, plant and equipment are carried at revalued amounts after deducting any subsequent depreciation thereon and

impairment. All other property, plant and equipment are stated at historical cost after deducting depreciation and/or accumulated impairment losses, if any.

Land and buildings and Flight Kitchen equipment are 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 and Equipment	– over periods ranging from 3 to 10 years based on the type of equipment
Buildings	– over the expected useful life ranging from 15 to 50 years

Improvements on Aircraft on operating leases – over shorter of 10 years or lease period

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

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

(c) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognising of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit or Loss in the Reporting period the asset is derecognised.

2.4.4 INTANGIBLE ASSETS

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

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

2.4.5 LEASES

(a) Operating Leases

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

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

(b) Finance Leases

Leases that transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are

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

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

(c) Sale and Leaseback

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

2.4.7 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

2.4.8 FAIR VALUE MEASUREMENT

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

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

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

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

The fair value of such assets is measured using the assumptions that market participants would use when pricing the asset or

liability, assuming that market participants act in their economic best interest.

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

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

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

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

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

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

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

2.4.9 FINANCIAL INSTRUMENTS – INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

2.4.9.1 Financial Assets

Financial assets are recognised on the Statement of Financial Position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are classified as Fair Value through Profit or Loss (FVTPL), loans and receivables, held-to-maturity investments or Available-for-Sale (AFS) as appropriate. Management determines the

classification of its financial assets at initial recognition and the classification depends on the nature of the asset and the purpose for which the assets were acquired.

All financial assets are recognised initially at fair value.

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

(a) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate ('EIR'), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR method. The amortisation is included in finance income in the Statement of Profit or Loss.

(b) 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.

Financial Assets Carried at Amortised Cost

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of

estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

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

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited in the Statement of Profit 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 EIR method. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The amortisation is included in finance costs in the Statement of Profit or Loss.

(b) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit or Loss.

(c) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if –

- There is a currently enforceable legal right to offset the recognised amounts; and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4.10 AIRCRAFT MAINTENANCE RESERVE

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

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

2.4.11 TRADE AND OTHER RECEIVABLES

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

2.4.12 INVESTMENTS

Investment in Subsidiary

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

2.4.13 CASH AND CASH EQUIVALENTS

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

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

2.4.14 PROVISIONS

(i) General

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

(ii) Aircraft Maintenance and Overhaul Costs

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

2.4.15 RETIREMENT BENEFIT OBLIGATION

(a) Defined Benefit Plan – Gratuity

Gratuity is a defined benefit plan, the Company and its subsidiary are liable to pay in terms of the relevant 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.

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

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

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

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

2.4.16 FREQUENT FLYER PROGRAMME

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

2.4.17 REVENUE RECOGNITION

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

(a) Airline Revenue

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

- (i) Passenger and cargo sales are recognised as operating revenue when the transportation is provided.
- (ii) The value of unused tickets and airway bills is included in current liabilities as sales in advance of carriage. The value of unused tickets and airway bills are recognised as revenue if remains unutilised and expired after one year.
- (iii) Revenue from the provision of airport terminal services is recognised upon rendering of services.
- (iv) Revenue from provision of third party maintenance services is recognised upon completion of such event.
- (v) Revenue from the provision of flight operation services is recognised upon rendering of services.

(b) Revenue from Airline Catering Services

Sale of Goods

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

(c) Dividend Income

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

(d) Rental Income

Rental income is recognised on an accrual basis.

(e) Interest Income

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

(f) Other Income

Other income is recognised on an accrual basis.

2.4.18 EXPENDITURE RECOGNITION

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

2.4.19 BORROWING COSTS

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

2.4.20 SEGMENT REPORTING

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

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

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

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

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Certain new accounting standards and amendments/improvements to existing standards have been published, that are not mandatory for 31st March 2016 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 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39. SLFRS 9 is effective for annual Reporting periods beginning on or after 1st 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 1st January 2018, with early adoption permitted.

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

The following amendments and improvements are not expected to have a significant impact on the Company's/Group's Consolidated Financial Statements.

- Accounting for Acquisitions of Interests in Joint Operations (Amendments to SLFRS 11).
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to LKAS 16 and LKAS 38).
- Equity Method in Separate Financial Statements (Amendments to LKAS 27).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to SLFRS 10 and LKAS 28).
- Annual Improvements to SLFRSs 2012-2014 Cycle – Various Standards.
- Investment Entities: Applying the Consolidation Exception (Amendments to SLFRS 10, SLFRS 12 and LKAS 28).
- Disclosure Initiative (Amendments to LKAS 1).

3. PROPERTY, PLANT AND EQUIPMENT

3.1 GROUP

	Land and Buildings	Plant and Equipment	Improvements to Aircraft on Operating Leases	Aircraft-Related Equipment	Leasehold Plant and Equipment	Advances/Capital Work in Progress	Total
	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
Cost/Revaluation							
Balance as at 1st April 2015	4,656.62	6,339.63	2,579.17	7,858.62	3,065.39	431.66	24,931.09
Acquisitions/Modifications	49.72	261.21	633.80	449.05	53.08	69.42	1,516.28
Transfers/Adjustments	3.31	4.54	4.49	–	–	(415.48)	(403.14)
Disposals/Retirements	(19.36)	(51.42)	–	(35.90)	–	–	(106.68)
Balance as at 31st March 2016	4,690.29	6,553.96	3,217.46	8,271.77	3,118.47	85.60	25,937.55
Accumulated Depreciation							
Balance as at 1st April 2015	540.63	4,216.83	1,433.20	5,637.67	763.28	3.33	12,594.94
Charge for the Year	189.19	689.62	832.50	631.03	295.65	–	2,637.99
Transfers/Adjustments/Impairment	0.57	1.44	0.37	–	–	22.49	24.87
Disposals/Retirements	(7.93)	(30.34)	–	(35.21)	–	–	(73.48)
Balance as at 31st March 2016	722.46	4,877.55	2,266.07	6,233.49	1,058.93	25.82	15,184.32
Net Book Value as at 31st March 2016	3,967.83	1,676.41	951.39	2,038.28	2,059.54	59.78	10,753.23
Net Book Value as at 31st March 2015	4,115.99	2,122.80	1,145.97	2,220.95	2,302.11	428.33	12,336.15

- 3.2 a. The fair value of the land and buildings of the Group and the flight kitchen equipment of the Subsidiary were determined by means of a revaluation carried out respectively by Ranjan J. Samarakone (A.I.V. Sri Lanka – Corporate Valuer) and Mr. P. B. Kalugalgedara (Chartered Valuation Surveyor), independent valuers during the last financial year.

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

Asset	Method of Valuation	Effective Date of Valuation	Significant Unobservable Inputs	Sensitivity of Fair Value to Unobservable Inputs	Level of Fair Value Hierarchy
Land – Colombo	Open Market	31st March 15	Estimated price per perch LKR 12 Mn.	Positively Correlated Sensitivity	Level 3
Buildings – Colombo/Katunayake	Depreciated Replacement Cost	31st March 15	Estimated price per square foot LKR 475/- – LKR 9,000/-		
Flight Kitchen Equipment included under Plant and Equipment – Katunayake	Open Market Value Method	31st March 15	Estimated value LKR 793.54 Mn.		

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

Class of Asset	Cost	Cumulative Depreciation if Assets were Carried at Cost	Net Carrying Amount	
			2016	2015
	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
Land and Buildings	3,088.59	992.91	2,095.68	2,222.54
Plant and Equipment	1,893.94	1,841.27	52.67	101.93

c. During the year, the Group acquired property, plant and equipment to the aggregate value of LKR 1,039.56 Mn. (2015 – LKR 2,896.64 Mn). Cash payments amounting to LKR 1,129.04 Mn. (2015 – LKR 1,977.32 Mn.) were made during the year to acquire property, plant and equipment.

d. Group property, plant and equipment includes fully-depreciated assets having a gross carrying amount of LKR 9,471.19 Mn. (2015 – LKR 9,265.08 Mn.).

3.3 COMPANY

	Land and Buildings	Plant and Equipment	Improvements to Aircraft on Operating Leases	Aircraft Related Equipment	Leasehold Plant and Equipment	Advances/ Capital Work in Progress	Total
	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
Cost/Revaluation							
Balance as at 1st April 2015	3,133.32	5,379.74	2,579.17	7,858.62	3,065.39	383.36	22,399.60
Acquisitions/Modifications	45.06	249.69	633.80	449.05	53.08	58.18	1,488.86
Transfers/Adjustments	3.31	4.54	4.49	–	–	(415.48)	(403.14)
Disposals/Retirements	(19.36)	(28.73)	–	(35.90)	–	–	(83.99)
Balance as at 31st March 2016	3,162.33	5,605.24	3,217.46	8,271.77	3,118.47	26.06	23,401.33
Accumulated Depreciation							
Balance as at 1st April 2015	540.63	4,214.85	1,433.20	5,637.67	763.28	–	12,589.63
Charge for the Year	149.94	425.06	832.50	631.03	295.65	–	2,334.18
Transfers/Adjustments	0.57	1.44	0.37	–	–	–	2.38
Disposals/Retirements	(7.93)	(28.02)	–	(35.21)	–	–	(71.16)
Balance as at 31st March 2016	683.21	4,613.33	2,266.07	6,233.49	1,058.93	–	14,855.03
Net Book Value as at 31st March 2016	2,479.12	991.91	951.39	2,038.28	2,059.54	26.06	8,546.30
Net Book Value as at 31st March 2015	2,592.69	1,164.89	1,145.97	2,220.95	2,302.11	383.36	9,809.97

3.4 a. The fair value of the Company's Land and Buildings was determined by means of a revaluation by Mr. Ranjan J. Samarakone (A.I.V. Sri Lanka – Corporate Valuer) an independent valuer during the last financial year. The results of such revaluations were incorporated in the Financial Statements effective from 31st March 2015.

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

Asset	Method of Valuation	Effective Date of Valuation	Significant Unobservable Inputs	Sensitivity of Fair Value to Unobservable Inputs	Level of Fair Value Hierarchy
Land – Colombo	Open Market	31st March 2015	Estimated price per perch LKR 12 Mn.	Positively correlated sensitivity	Level 3
Buildings – Colombo/ Katunayake	Depreciated Replacement Cost	31st March 2015	Estimated price per square foot LKR 475/- – LKR 9,000/-		

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

Class of Asset	Cost LKR Mn.	Cumulative Depreciation if Assets were Carried at Cost LKR Mn.	Net Carrying Amount	
			2016 LKR Mn.	2015 LKR Mn.
Land and Buildings	1,463.41	512.78	950.63	1,002.78

c. During the year, the Company acquired property, plant and equipment to the aggregate value of LKR 1,012.14 Mn. (2015 – LKR 2,810.85 Mn.). Cash payments amounting to LKR 1,102.69 Mn. (2015 – LKR 1,893.30 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 9,451.08 Mn. (2015 – LKR 9,150.64 Mn.).

4. AIRCRAFT PREDELIVERY PAYMENTS

The predelivery payments consist of payments made by the Company based on the purchase agreement with Airbus for the purchase of six A330-300 and four A350-900 aircraft for delivery between 2014 to 2021. Predelivery payments as at the Reporting date consists of predelivery payments made on four A350-900 aircraft to be delivered in 2020 and 2021. Predelivery payments in respect of A330-300 aircraft amounting to LKR 16,639.67 Mn. which was included under trade and other receivables in last financial year was recovered during the year.

5. AIRCRAFT MAINTENANCE RESERVE

	Note	Group/Company	
		2016 LKR Mn.	2015 LKR Mn.
Balance as at 1st April		22,048.82	26,261.65
Payments		7,201.23	8,471.22
Adjustments*		(7,156.59)	(9,255.77)
Recoveries		(2,106.65)	(3,973.06)
Exchange Gain		1,866.76	544.78
		21,853.57	22,048.82
		(11,656.20)	(9,769.46)
Net Recoverable Balance as at 31st March	5.1	10,197.37	12,279.36

5.1 CURRENT/NON-CURRENT CLASSIFICATION

	Gross LKR Mn.	Provision for Impairment LKR Mn.	Net LKR Mn.	Amount Recoverable Within One Year LKR Mn.	Amount Recoverable After One Year LKR Mn.
Balance as at 31st March 2016	21,853.57	(11,656.20)	10,197.37	3,612.16	6,585.21
Balance as at 31st March 2015	22,048.82	(9,769.46)	12,279.36	6,209.96	6,069.40

5.2 MOVEMENT OF PROVISION FOR IMPAIRMENT

	2016 LKR Mn.	2015 LKR Mn.
Balance as at 1st April	9,769.46	9,526.93
Charged during the Year	3,631.23	4,024.42
Adjustments*	(2,784.65)	(4,011.22)
Exchange Loss	1,040.16	229.33
Balance as at 31st March	11,656.20	9,769.46

*Impact on Statement of Profit or Loss represents the net impact of write-back of Provision for Aircraft Maintenance and Overhaul Cost (Note 15) and the set off of net Aircraft Maintenance Reserve amounts (Note 5).

6. INTANGIBLE ASSET

Computer Software	Group			Company		
	Software LKR Mn.	Capital Work in Progress LKR Mn.	Total LKR Mn.	Software LKR Mn.	Capital Work in Progress LKR Mn.	Total LKR Mn.
Cost						
Balance as at 1st April 2015	2,154.39	4.18	2,158.57	2,119.32	4.18	2,123.50
Acquisitions/Modifications	9.97	43.88	53.85	8.49	43.88	52.37
Transfers/Adjustments	12.34	(17.60)	(5.26)	12.34	(17.60)	(5.26)
Balance as at 31st March 2016	2,176.70	30.46	2,207.16	2,140.15	30.46	2,170.61
Accumulated Amortisation						
Balance as at 1st April 2015	873.50	–	873.50	843.27	–	843.27
Charge for the Year	348.92	–	348.92	347.20	–	347.20
Transfers/Adjustments	0.15	–	0.15	0.15	–	0.15
Balance as at 31st March 2016	1,222.57	–	1,222.57	1,190.62	–	1,190.62
Net Book Value as at 31st March 2016	954.13	30.46	984.59	949.53	30.46	979.99
Net Book Value as at 31st March 2015	1,280.89	4.18	1,285.07	1,276.05	4.18	1,280.23

As at the Reporting date Intangible Assets of the Group and the Company include fully-amortised assets having a gross carrying amount of LKR 444.85 Mn. and LKR 417.30 Mn. respectively.

7. INVESTMENTS

	Group		Company	
	2016	2015	2016	2015
	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
Non-Current Investments				
Investments in Subsidiary in Sri Lanka				
– SriLankan Catering Limited 100% Holding (Directors' Valuation based on Net Asset Value LKR 7.38 Bn. (2015 – LKR 5.86 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.

8. INVENTORIES

	Note	Group		Company	
		2016	2015	2016	2015
		LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
Engineering-Related Stock		5,125.62	4,984.88	5,125.62	4,984.88
Ground Service-Related Stock		516.45	418.44	516.45	509.13
Raw Materials and Consumables		838.00	994.51	575.58	563.60
		6,480.07	6,397.83	6,217.65	6,057.61
Less: Provision for Slow Moving Stock	8.1	(1,539.78)	(999.96)	(1,514.54)	(979.41)
		4,940.29	5,397.87	4,703.11	5,078.20

8.1 PROVISION FOR SLOW MOVING STOCK

	Group		Company	
	2016	2015	2016	2015
	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
Balance as at 1st April	(999.96)	(732.06)	(979.41)	(726.53)
Provision made during the Year	(549.42)	(279.85)	(544.73)	(264.83)
Written Off during the Year	9.60	11.95	9.60	11.95
Balance as at 31st March	(1,539.78)	(999.96)	(1,514.54)	(979.41)

9. TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2016	2015	2016	2015
		LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
Trade Receivables		11,238.69	10,165.86	10,405.75	9,673.74
Less: Provision for Impairment of Receivables	9.2	(210.21)	(201.65)	(205.26)	(193.45)
		11,028.48	9,964.21	10,200.49	9,480.29
Other Debtors		128.61	1,274.39	128.61	1,274.40
Aircraft Predelivery Payments	4	–	16,639.67	–	16,639.67
Deposits, Advances and Prepayments		3,059.87	3,178.95	2,834.84	2,976.30
From Aircraft Induction Activities		–	1,701.19	–	1,701.19
		14,216.96	32,758.41	13,163.94	32,071.85
Loans and Advances to Company Officers	9.3	75.73	60.34	57.71	42.81
		14,292.69	32,818.75	13,221.65	32,114.66

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

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

As at 31st March 2016, Trade receivables amounting to LKR 210.21 Mn. related to Group and LKR 205.26 Mn. related to Company were impaired and fully provided for. See below Note 9.2 for the movement in provision for impairment of trade receivables.

	Total	Neither Past Due Nor Impaired	Past Due Not Impaired			
			30-60	61-90	91-180	>180
	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
Balances as at 31st March 2016						
Company	10,200.49	8,706.95	720.33	333.51	421.30	18.40
Group	11,028.48	8,963.77	932.70	468.59	555.36	108.06

9.2 MOVEMENT FOR PROVISION FOR IMPAIRMENT OF RECEIVABLES

	Group	Company
	2016	
	LKR Mn.	LKR Mn.
Balance as at 1st April	201.65	193.45
Provision for the Year	12.80	11.81
Written Off during the Year	(4.24)	–
Balance as at 31st March	210.21	205.26

9.3 LOANS TO COMPANY OFFICERS

Given below are particulars of loans granted to Company officers in excess of LKR 20,000/- only:

	Group		Company	
	2016	2015	2016	2015
	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
Balance as at 1st April	1.06	1.52	0.05	0.74
Loans Granted during the Year	2.75	2.75	–	–
Repayments	(2.53)	(3.21)	(0.01)	(0.69)
Balance as at 31st March	1.28	1.06	0.04	0.05

10. CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT

Components of Cash and Cash Equivalents

	Note	Group		Company	
		2016	2015	2016	2015
		LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
10.1 FAVOURABLE CASH AND CASH EQUIVALENT BALANCES					
Cash and Bank Balances		3,655.31	3,749.18	3,436.61	3,669.09
Short-Term Deposits		615.28	1,097.52	609.00	1,090.32
		4,270.59	4,846.70	4,045.61	4,759.41
10.2 UNFAVOURABLE CASH AND CASH EQUIVALENT BALANCES					
Bank Overdrafts	14	(2,141.92)	(5,533.26)	(2,141.92)	(5,533.26)
		2,128.67	(686.56)	1,903.69	(773.85)
10.3 RESTRICTED CASH					
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	14.2 (a)	(2,512.57)	(2,831.86)	(2,512.57)	(2,831.86)
		(383.90)	(3,518.42)	(608.88)	(3,605.71)

11. STATED CAPITAL**11.1 ISSUED CAPITAL**

	Group		Company	
	2016	2015	2016	2015
	Number of Ordinary Shares Issued and Fully Paid (Mn.)			
As at 1st April	516.17	320.32	516.17	320.32
Issued and Fully Paid during the Year	–	195.85	–	195.85
As at 31st March	516.17	516.17	516.17	516.17

11.2 MOVEMENT IN STATED CAPITAL

	Note	Group		Company	
		2016	2015	2016	2015
		LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
As at 31st March					
Ordinary Shares Issued and Fully Paid	11.3	51,617.44	51,617.44	51,617.44	51,617.44
Preference Shares		1,000.00	1,000.00	–	–
		52,617.44	52,617.44	51,617.44	51,617.44
Less: Preference Shares Reclassified	13	(1,000.00)	(1,000.00)	–	–
		51,617.44	51,617.44	51,617.44	51,617.44

11.3 ORDINARY SHARES ISSUED AND FULLY PAID

	Note	Group		Company	
		2016	2015	2016	2015
		LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
As at 1st April		51,617.44	32,032.75	51,617.44	32,032.75
Ordinary Shares Issued during the Year		–	19,584.69	–	19,584.69
As at 31st March		51,617.44	51,617.44	51,617.44	51,617.44

12. RESERVES

	Note	Group		Company	
		2016	2015	2016	2015
		LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
Revaluation Reserve		4,338.90	4,355.27	2,499.01	2,514.89
Exchange Revaluation Reserve	12.1	(818.04)	–	(818.04)	–
		3,520.86	4,355.27	1,680.97	2,514.89

12.1 EXCHANGE REVALUATION 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 the 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 according to the hedge agreement.

12.2 MOVEMENT IN EXCHANGE REVALUATION RESERVE

	2016	
	Group	Company
	LKR Mn.	LKR Mn.
Balance as at 1st April	-	-
Net Movement in Exchange Revaluation Reserve	(818.04)	(818.04)
Balance as at 31st March	(818.04)	(818.04)

13. PREFERENCE SHARES**PREFERENCE SHARES – EMPLOYEES’ PROVIDENT FUND**

Non-voting redeemable cumulative preference shares are mandatorily redeemable on the date of maturity (16th May 2020). The holder is entitled to a fixed preference dividend of 13.01% (2015 – 15%) per annum.

14. INTEREST-BEARING LIABILITIES

	Note	Group		Company	
		2016	2015	2016	2015
		LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
Current Liabilities					
Long-Term Loans	14.1	10,431.60	11,750.63	10,431.60	11,750.63
Finance Leases	14.3	798.03	610.42	796.08	601.49
Short-Term Loan		26,324.04	22,487.34	26,324.04	22,487.34
Bank Overdraft		2,141.92	5,533.26	2,141.92	5,533.26
		39,695.59	40,381.65	39,693.64	40,372.72
Non-Current Liabilities					
Long-Term Loans	14.1	26,121.82	33,590.45	26,121.82	33,590.45
Finance Leases	14.3	1,782.85	2,117.36	1,782.85	2,102.46
		27,904.67	35,707.81	27,904.67	35,692.91

14.1 LONG-TERM LOANS

	Group		Company	
	2016	2015	2016	2015
	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
(a) Current/Non-Current Classification				
Payable within One Year included under Current Liabilities	10,431.60	11,750.63	10,431.60	11,750.63
After One Year but not more than Five Years	26,121.82	33,590.45	26,121.82	33,590.45
	36,553.42	45,341.08	36,553.42	45,341.08

	Group		Company	
	2016	2015	2016	2015
	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
(b) Long-Term Loans Denominated in Foreign Currencies				
Long-Term Loans – USD Denominated	238.18	312.42	238.18	312.42
Long-Term Loans – AED Denominated	61.22	122.43	61.22	122.43
(c) Movement in Long-Term Loans				
Balance as at 1st April	45,341.08	32,276.80	45,341.08	33,162.70
Additions during the Year	288.89	23,989.48	288.89	24,061.74
Payments during the Year	(12,593.60)	(11,792.14)	(12,593.60)	(12,746.63)
Unrealised Exchange Loss	3,517.05	866.94	3,517.05	863.27
Balance as at 31st March	36,553.42	45,341.08	36,553.42	45,341.08

14.2 COMPANY

Lender	Balance as at 31st March 2016 LKR Mn.	Balance as at 31st March 2015 LKR Mn.	Repayment Term	Security
(a) Bank Loans				
Interest Linked to LIBOR				
Syndicated Loan through Standard Chartered Bank	7,254.70	13,191.89	Monthly instalments ending March 2017.	Ticket Sales collected by IATA from Kuwait, Bahrain, UAE, Saudi Arabia, Oman, UK, China, France, India and a Government Guarantee for USD 50 Mn. and 3 Loan Instalments being maintained as security.
Standard Chartered Bank	–	3,077.62	Monthly instalments ending September 2015.	Ticket Sales collected by IATA from Thailand, Germany and Sri Lanka.
Bank of Ceylon	43.35	518.70	Monthly instalments ending April 2016.	Mortgage over Ordinary Shares of SriLankan Catering Limited.
Commercial Bank of Ceylon PLC	659.34	923.35	Monthly instalments ending February 2018.	USD 750,000 Fixed Deposit.
Commercial Bank of Ceylon PLC	277.97	402.21	Monthly instalments ending March 2019.	USD 350,000 Fixed Deposit and Mortgage over ground handling equipment imported under the facility.
Commercial Bank of Ceylon PLC	675.69	842.34	Monthly instalments ending July 2018.	USD 800,000 Fixed Deposit.
Amāna Bank Limited	260.10	292.16	Monthly instalments ending December 2020.	Restriction on SLA to sell, lease, alienate or mortgage A320 hanger and simulator building excluding land.
Interest Linked to AWPLR				
Bank of Ceylon	12,900.00	5,000.00	Payment on maturity March 2017.	Letter of Comfort from Ministry of Finance
People's Bank	13,350.00	–	Payment on maturity March 2017.	Letter of Comfort from Ministry of Finance
Fixed Interest Rate				
CITI Bank	74.05	266.00	90 days rolling facility.	None

Lender	Balance as at 31st March 2016 LKR Mn.	Balance as at 31st March 2015 LKR Mn.	Repayment Term	Security
(b) International Bond				
Fixed Interest Rate				
International Bond	25,287.50	23,275.00	Payment on maturity in June 2019.	Government Guarantee for USD 175 Mn.
(c) Loans from Other Institutions				
Interest Linked to LIBOR				
PDP Loan Facility	–	14,143.72	Upon the delivery of each aircraft.	Secured on the aircraft to be delivered.
Deferred Payment arrangement from a Supplier	2,355.27	6,367.37	Quarterly instalments ending July 2016.	None
Fixed Interest Rate				
Aircraft Lessor	41.62	67.03	Monthly instalments ending July 2017.	None

* Interest-bearing liabilities denominated in USD and AED were converted to Sri Lankan Rupees at the exchange rates of LKR 144.50 (2015 – LKR 133.00) and LKR 39.83 (2015 – LKR 35.33) respectively as at 31st March 2016.

14.3 FINANCE LEASE LIABILITY

	Group		Company	
	2016 LKR Mn.	2015 LKR Mn.	2016 LKR Mn.	2015 LKR Mn.
(a) Current /Non-Current Classification				
Payable within One Year included under Current Liabilities	798.03	610.42	796.08	601.49
After One Year but not more than Five Years included under Non-Current Liabilities	1,391.20	1,665.41	1,391.20	1,650.51
More than Five Years included under Non-Current Liabilities	391.65	451.95	391.65	451.95
After One Year included under Non-Current Liabilities	1,782.85	2,117.36	1,782.85	2,102.46

	Group/Company	
	2016 Mn.	2015 Mn.
(b) Finance Leases Denominated in Foreign Currencies		
Finance Leases – EUR denominated	8.93	10.10
Finance Leases – GBP denominated	0.05	0.08
Finance Leases – USD denominated	7.03	8.62

	Gross Payable LKR Mn.	Finance Charges for Future Periods LKR Mn.	Net Payable 2016 LKR Mn.	Net Payable 2015 LKR Mn.
(c) Movement in Finance Lease Liabilities				
Group				
Balance as at 1st April	3,419.55	(691.77)	2,727.78	2,413.76
Additions during the Year	47.52	(8.45)	39.07	1,157.30
Payments during the Year	(659.40)	208.31	(451.09)	(447.66)
Exchange (Gain)/Loss	335.26	(70.14)	265.12	(395.62)
Balance as at 31st March	3,142.93	(562.05)	2,580.88	2,727.78
Company				
Balance as at 1st April	3,387.62	(683.67)	2,703.95	2,406.96
Additions during the Year	47.52	(8.45)	39.07	1,136.31
Payments during the Year	(629.50)	200.29	(429.21)	(443.69)
Exchange (Gain)/Loss	335.26	(70.14)	265.12	(395.63)
Balance as at 31st March	3,140.90	(561.97)	2,578.93	2,703.95

15. OTHER LONG-TERM LIABILITIES

	Note	Group		Company	
		2016 LKR Mn.	2015 LKR Mn.	2016 LKR Mn.	2015 LKR Mn.
Provision for Aircraft Maintenance and Overhaul Cost	15.1 (b)	5,146.81	3,427.88	5,146.81	3,427.88
Retirement Benefit Obligation	15.2	5,323.00	4,578.99	4,844.37	4,129.07
Deferred Tax Liability		77.14	77.14	–	–
		10,546.95	8,084.01	9,991.18	7,556.95

15.1 PROVISION FOR FUTURE AIRCRAFT MAINTENANCE AND OVERHAUL COST

	Note	Group		Company	
		2016 LKR Mn.	2015 LKR Mn.	2016 LKR Mn.	2015 LKR Mn.
(a) Movement					
As at 1st April		13,479.50	22,308.57	13,479.50	22,308.57
Provisions during the Year		5,406.38	3,524.27	5,406.38	3,524.27
Adjustments*	5.2	(4,260.65)	(5,939.27)	(4,260.65)	(5,939.27)
Utilisation		(2,371.99)	(6,414.07)	(2,371.99)	(6,414.07)
As at 31st March		(12,253.24)	13,479.50	(12,253.24)	13,479.50

	Note	Group		Company	
		2016	2015	2016	2015
		LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
(b) Current/Non-Current Classification					
Payable within One Year included under Trade Payables	17	7,106.43	10,051.62	7,106.43	10,051.62
After One Year included under Long-Term Liabilities		5,146.81	3,427.88	5,146.81	3,427.88
		12,253.24	13,479.50	12,253.24	13,479.50

15.2 RETIREMENT BENEFIT OBLIGATION – GRATUITY

	Group		Company	
	2016	2015	2016	2015
	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
Balance as at 1st April	4,578.99	3,102.24	4,129.07	2,747.98
Current Year Service Cost and Interest Cost	792.49	591.36	718.69	528.54
Actuarial Loss	243.16	1,116.89	235.63	1,054.24
Payments during the Year	(291.64)	(231.50)	(239.02)	(201.69)
Balance as at 31st March	5,323.00	4,578.99	4,844.37	4,129.07

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

	Company		Subsidiary	
	2016	2015	2016	2015
i. Rate of Interest				
– LKR	13%	10%	10%	10%
– USD	7%	10%		
ii. Rate of Salary Increase				
– LKR				
– Senior Staff	3%	10%		
– Non-Senior Staff	13%	10%		
– USD				
– Executives			12%	12%
– Non-Executive			12%	12%
iii. Retirement Age – Years	60	60	55	55
iv. The Entity will Continue as a Going Concern				
v. Expected Remaining Service Life – Years	13.26	11.81	9.16	9.03

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			
		2016		2015	
		Company	Subsidiary	Company	Subsidiary
		LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
1%	-	(335.57)	(29.27)	(277.05)	(27.89)
-1%	-	382.69	32.77	314.70	31.28
-	1%	384.52	34.09	312.77	32.51
-	-1%	(341.95)	(31.01)	(279.30)	(29.52)

16. SALES IN ADVANCE OF CARRIAGE

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

17. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2016	2015	2016	2015
		LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
Trade and Other Payables		28,063.50	29,870.66	33,263.25	34,648.24
Provision for Future Aircraft Maintenance and Overhaul Cost	15.1 (b)	7,106.43	10,051.62	7,106.43	10,051.62
Compensation for Cancellation of Lease Agreements	17.1	2,489.47	-	2,489.47	-
		37,659.40	39,922.28	42,859.15	44,699.86

17.1 During the year 2016, Company cancelled a lease agreement to obtain one A350-900 Aircraft which was scheduled to be delivered on November 2017. As per the terms of the cancellation agreement the Company was required to pay a total lease cancellation charge amounting to USD 17.77 Mn.

18. FINANCIAL INSTRUMENTS

18.1 CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

	Group			
	2016		2015	
	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	12,065.83	–	10,636.52	–
Aircraft Predelivery Payments	–	–	16,639.67	–
Aircraft Maintenance Reserve	10,197.36	–	12,279.36	–
Aircraft Spare Engine Deposits	6,219.75	–	4,926.07	–
Cash and Bank Balances	4,270.59	–	4,846.70	–
	32,753.53	–	49,328.32	–

Financial Liabilities

Interest-Bearing Loans and Borrowings	–	67,600.26	–	76,089.46
Provision for Aircraft Maintenance and Overhaul Cost	–	12,253.24	–	13,479.50
Trade and Other Payables	–	27,198.50	–	24,010.77
Total	–	107,052.00	–	113,579.73

	Company			
	2016		2015	
	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	11,113.80	–	10,136.84	–
Aircraft Predelivery Payments	–	–	16,639.67	–
Aircraft Maintenance Reserve	10,197.36	–	12,279.36	–
Aircraft Spare Engine Deposits	6,219.75	–	4,926.07	–
Cash and Bank Balances	4,045.61	–	4,759.41	–
	31,576.52	–	48,741.35	–

Financial Liabilities

Interest-Bearing Loans and Borrowings	–	67,598.32	–	76,065.63
Provision for Aircraft Maintenance and Overhaul Cost	–	12,253.24	–	13,479.50
Trade and Other Payables	–	32,554.88	–	28,912.26
Total	–	112,406.44	–	118,457.39

The Following Methods and Assumptions were used to Estimate the Fair Values:

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

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

19. REVENUE AND SEGMENT INFORMATION**19.1 REVENUE**

	Group		Company	
	2016	2015	2016	2015
	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
Scheduled Services - Passenger	103,944.55	106,601.38	103,944.55	106,601.38
- Cargo	12,074.39	13,595.28	12,074.39	13,595.28
- Excess Baggage	841.96	958.47	841.96	958.47
- Mail	384.09	170.87	384.09	170.87
	117,244.99	121,326.00	117,244.99	121,326.00
Air Terminal and Other Services	11,481.75	9,296.66	11,523.50	9,327.58
Duty Free	572.61	508.88	572.61	508.88
Non-Scheduled Services	139.31	759.67	139.31	759.67
Flight Catering	2,759.65	2,425.01	-	-
Total	132,198.31	134,316.22	129,480.41	131,922.13

19.2 SEGMENT INFORMATION**(a) PRIMARY REPORTING BY GEOGRAPHICAL SEGMENT – REVENUE BY ORIGIN OF SALE**

	Sri Lanka	Asia (Excluding Sri Lanka)	Europe and Africa	Middle East	North and South America	South West Pacific	Total 2016
	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
Revenue 2016							
Scheduled Services – Passenger	17,670.57	36,380.59	23,907.25	20,788.91	3,118.34	2,078.89	103,944.55
- Cargo	4,918.65	5,242.20	1,534.13	369.33	10.08	-	12,074.39
- Excess Baggage	93.92	249.77	34.09	460.72	2.54	0.92	841.96
- Mail	93.32	51.16	228.11	0.01	-	11.49	384.09
	22,776.46	41,923.72	25,703.58	21,618.97	3,130.96	2,091.30	117,244.99
Air Terminal and Other Services	11,481.75	-	-	-	-	-	11,481.75
Duty Free	-	317.31	141.69	113.61	-	-	572.61
Non-Scheduled Services	139.31	-	-	-	-	-	139.31
Flight Catering	2,759.65	-	-	-	-	-	2,759.65
Segment Revenue	37,157.17	42,241.03	25,845.27	21,732.58	3,130.96	2,091.30	132,198.31

	Sri Lanka	Asia (Excluding Sri Lanka)	Europe and Africa	Middle East	North and South America	South West Pacific	Total 2015
	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
Revenue 2015							
Scheduled Services – Passenger	18,452.83	37,810.98	24,734.25	21,354.09	3,355.02	894.21	106,601.38
– Cargo	5,937.35	5,765.16	1,481.30	393.34	5.81	12.32	13,595.28
– Excess Baggage	88.14	302.02	44.98	517.53	5.00	0.80	958.47
– Mail	46.82	29.01	90.38	–	–	4.66	170.87
	24,525.14	43,907.17	26,350.91	22,264.96	3,365.83	911.99	121,326.00
Air Terminal and Other Services	9,296.66	–	–	–	–	–	9,296.66
Duty Free	–	269.71	137.40	101.77	–	–	508.88
Non-Scheduled Services	759.67	–	–	–	–	–	759.67
Flight Catering	2,425.01	–	–	–	–	–	2,425.01
Segment Revenue	37,006.48	44,176.88	26,488.31	22,366.73	3,365.83	911.99	134,316.22

(b) SECONDARY REPORTING BY BUSINESS SEGMENT

	Group							
	Business Segment			2016	Business Segment			2015
	Airline	Flight Catering	Inter- Segment Eliminations		Airline	Flight Catering	Inter- Segment Eliminations	
LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	
Revenue								
Sales to External Customers	129,480.41	6,283.18	(3,565.28)	132,198.31	131,922.13	5,958.95	(3,564.86)	134,316.22
Results								
Profit/(Loss) After Tax	(12,621.69)	3,637.86	(3,099.78)	(12,083.62)	(16,494.66)	2,192.12	(2,027.36)	(16,329.90)
Other Segment Information								
Assets	50,376.30	9,700.82	(5,998.13)	54,078.99	72,558.27	9,087.01	(5,486.98)	76,158.30
Liabilities	138,157.56	2,324.45	(5,955.91)	134,526.10	146,664.17	3,231.73	(6,444.74)	143,451.16
Acquisition of Property, Plant and Equipment	1,073.38	27.42	–	1,100.80	2,810.85	85.79	–	2,896.64
Acquisition of Intangible Assets	47.11	1.48	–	48.59	153.37	0.41	–	153.78
Depreciation and Amortisation	2,683.91	305.53	–	2,989.44	2,275.98	279.62	–	2,555.60
Finance Cost	5,917.25	188.93	(54.25)	6,051.93	5,009.46	308.54	(223.32)	5,094.68
Finance Income	65.90	1,403.67	(1,393.81)	75.76	112.06	13.21	(0.32)	124.95
Tax	–	2.93	–	2.93	61.63	13.74	–	75.37
Operating Expenses	137,195.18	3,876.45	(4,959.63)	136,112.00	145,983.35	3,474.63	(3,564.49)	145,893.49
Trade Debtor Written Off	–	4.24	–	4.24	412.71	–	–	412.71
Inventory Written Off	9.60	–	–	9.60	11.95	–	–	11.95

20. OTHER INCOME AND GAINS

	Group		Company	
	2016	2015	2016	2015
	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
Profit on Disposal of Property, Plant and Equipment	–	5.08	–	2.47
Miscellaneous	364.86	287.39	351.73	273.12
Dividends from SriLankan Catering Limited	–	–	2,154.25	2,250.00
Gain from Redemption of Preference Shares	–	–	1,000.00	–
	364.86	292.47	3,505.98	2,525.59

21. OPERATING LOSS

Stated After Charging/(Crediting):	Group		Company	
	2016	2015	2016	2015
	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
Aircraft Insurance	471.74	481.45	471.74	481.45
Franchise Fees	318.48	252.57	318.48	252.57
Provision for Slow Moving Inventory	549.42	279.85	544.73	264.83
Auditors' Remuneration – Audit	8.92	8.03	6.40	6.30
– Other Services	4.24	1.15	4.03	0.45
Provision for Impairment of Receivables	12.80	230.32	11.81	225.55
Provision for Impairment of Property, Plant and Equipment	11.24	167.98	–	164.65
Exchange Loss	2,325.68	409.98	3,719.49	706.63

22. FINANCE INCOME AND COST

	Group		Company	
	2016	2015	2016	2015
	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
22.1 FINANCE INCOME				
Interest Income	75.76	124.95	65.90	112.06
22.2 FINANCE COST				
Interest Cost on Borrowings, Bank Overdrafts and Overdue Supplier Balances	5,717.60	4,683.57	5,715.53	4,748.35
Finance Charges on Lease Liabilities	201.72	261.11	201.72	261.11
Preference Share Dividend	132.61	150.00	–	–
	6,051.93	5,094.68	5,917.25	5,009.46

23. TAXATION

	Note	Group		Company	
		2016	2015	2016	2015
		LKR Mn.	LKR Mn.	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	23.1	5.92	13.50	-	-
Economic Service Charge Written Off		-	61.63	-	61.63
Under/(Over) Provision of Current Taxes in Respect of Prior Years		(8.85)	0.24	-	-
		(2.93)	75.37	-	61.63

23.1 Reconciliation Between Current Tax Expense and the Product of Accounting Loss:

	Group	
	2016	2015
	LKR Mn.	LKR Mn.
Accounting Loss before Tax	(12,086.55)	(16,254.53)
Income not Subject to Tax	12,093.35	16,279.75
Statutory Income Applicable Under Tax Rate of 28%	6.80	25.22
Taxable Profit	6.80	25.22
Statutory Tax Charge at Tax Rate 28%	1.90	7.06
Tax Effect of Net Non-Deductible Expenses	(0.55)	(0.73)
Tax on Other Income	5.40	7.17
	6.75	13.50
Less: Tax Effect of Losses Set Off	(0.83)	-
Current Income Tax Expense	5.92	13.50

23.2 UNRECOGNISED DEFERRED TAX (ASSETS)

SUBSIDIARY

Deferred tax assets attributable to the following items of the subsidiary has not been recognised:

	Assets		Liability		Net	
	2016	2015	2016	2015	2016	2015
	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
Property, Plant and Equipment	4.06	4.05	-	-	(4.06)	(4.05)
Employee Benefits	71.80	67.49	-	-	(71.80)	(67.49)
	75.86	71.54	-	-	(75.86)	(71.54)

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

Movement in Temporary Differences During the Year

	Balance as at 31st March 2014 LKR Mn.	Additions during the Year LKR Mn.	Balance as at 31st March 2015 LKR Mn.	Additions during the Year LKR Mn.	Balance as at 31st March 2016 LKR Mn.
Property, Plant and Equipment	27.00	0.01	27.01	0.08	27.09
Employee Benefits	354.26	95.66	449.92	28.71	478.63
	381.26	95.67	476.93	28.79	505.72

23.3 SUPER GAIN TAX

As per the provisions of Part III of the Finance Act No. 10 of 2015, the Subsidiary was liable for Super Gain Tax of LKR 9.43 Mn. According to the Act, the Super Gain Tax shall be deemed to be an expenditure in the Financial Statements relating to the year of assessment which commenced on 1st April 2013. The Act supersedes the requirements of the Sri Lanka Accounting Standards and hence the expense of Super Gain Tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax issued by The Institute of Chartered Accountants of Sri Lanka, dated 24th November 2015.

24. COMMITMENTS AND CONTINGENCIES

24.1 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:

	2016 LKR Mn.	2015 LKR Mn.
Contracted but not provided for		
Tangible*	155,545.79	143,434.38
Intangible	15.93	3.12
Cabin Retrofit	–	295.08
	155,561.72	143,732.58
Authorised by the Board, but not contracted for		
Tangible	278.83	327.48
Intangible	20.31	164.12
	299.14	491.60
	155,860.86	144,224.18

*As of 31st March 2016, an amount of LKR – 155,520 Mn. (USD 1,076 Mn.) (2015 – LKR 143,143 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 Aircrafts have been considered under capital commitment.

24.2 FINANCIAL COMMITMENTS

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

	Group/Company	
	2016	2015
	LKR Mn.	LKR Mn.
Within One Year	24,869.68	19,449.10
After One Year but not more than Five Years	108,656.13	101,185.34
Later than Five Years	163,750.81	178,448.06
	297,276.62	299,082.50

(i) Lease commitments as at 31st March 2016 includes lease commitments on the following aircraft expected to be delivered between the years 2016 to 2018.

Three A350-900, Four A321 NEO and Two A320 NEO aircraft amounting to LKR 75,845.16 Mn., LKR 34,589.55 Mn. and LKR 15,606 Mn. respectively. The above lease commitment has been 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 31st March 2016 including above adjustments at delivery in respect of Three A350-900, Four A321 NEO and Two A320 NEO aircraft will amount to LKR 89,266.32 Mn., LKR 38,689.29 Mn. and LKR 17,002.19 Mn. respectively.

(ii) Lease commitments as at 31 March 2015 includes lease commitments on the following aircraft expected to be delivered between the years 2015 to 2018.

Four A330-300, Four A350-900, and Four 321 NEO Aircraft amounting to LKR 75,554.13 Mn., LKR 92,109.15 Mn., LKR 31,836.75 Mn. respectively. The lease commitment has been determined based on the base rental for other than one A330-300 aircraft received in August 2015.

(b) As at 31st March 2016, the Company has issued Letters of Credit with the value of LKR 1,145.18 Mn. (USD 7.93 Mn.) (2015 – LKR 2,118.04 Mn. (USD 15.92 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	
	2016	2015	2016	2015
	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
Instalment Payable:				
Within one Year	740.40	443.45	666.25	390.42
After One Year but not more than Five Years	1,799.64	1,778.14	1,519.45	1,650.20
Later than Five Years	2,560.40	3,514.76	2,286.88	3,195.66

(d) Subsequent to the Reporting date, the Group entered into a termination and amendment agreement with one of its aircraft lessors. As a result certain operating lease commitments mentioned above has changed. (Refer Note 26 for more details)

24.3 CONTINGENCIES

COMPANY

The Management estimates contingent liabilities based on claims made of LKR 125.85 Mn. as at 31st March 2016 (2015 – LKR 65.40 Mn.). No provision has been made in these Financial Statements as the Directors do not anticipate any significant liability in respect of any contingent liabilities arising in the course of business of the Company in respect of legal actions, other claims and potential claims being made against the Company by customers, suppliers and employees. The Company has no legal actions other than from its customers, suppliers and employees.

SUBSIDIARY

In the opinion of the Company's lawyers, there are no pending significant litigations against the Company as at the Reporting date (2015 - No significant pending litigations).

25. ASSETS PLEDGED**COMPANY/GROUP**

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

26. EVENTS OCCURRING AFTER THE REPORTING DATE**COMPANY**

Company re-delivered to lessors one A340-300 aircraft and one A330-200 aircraft upon the expiry of the respective lease contracts.

The Cabinet approved the issue of GOSL Treasury 'Letters of Comfort' for SriLankan Airlines to obtain short term facilities from state banks amounting to USD 65 Mn. in May 2016 and USD 85 Mn. in October 2016 to meet the immediate funding requirements of the Company subsequent to the Reporting date. Of these facilities USD 140 Mn. has been drawn down to date.

On 4th October 2016, the Company has entered into a Termination and Amendment Agreement (Agreement) with a lessor to cancel three A350-900 aircraft which were scheduled to be delivered during the third quarter of 2016/17. The Company has to meet the following conditions as per the agreement:

- (a) Make a payment of USD 90.5 Mn. in instalments between October 2016 to June 2017.
- (b) Forgo the Security Deposit already paid for the aircraft amounting to USD 7.5 Mn.
- (c) Undertake to lease one A330-200 aircraft in 2017 (Lease term 10 years).
- (d) Extend the existing lease for A330- 200 MSN 627 due to expire in 2018 for a further period not exceeding 10 years.
- (e) Take on the lease one A320 and one A321 aircraft currently leased to Mihin Lanka by the same lessor from end November 2016 for a period of 25 and 22 months respectively.

If the Company fails to satisfy the conditions (a) to (e) above in full by the respective dates set out in the agreement, the Company has agreed to pay USD 56 Mn. in addition to the termination fee of USD 90.5 Mn.

The financial commitments as at 31st March 2016 for LKR. 297,276.62 Mn. (Note 24.2) includes LKR. 75,845.16 Mn. in relation to the above three A350-900 aircraft which has now been cancelled.

The additional lease commitments resulted from the above agreement mentioned in c, d, e above will amount to LKR. 16,516.12 Mn. (USD 112.24 Mn.). The lease commitments in relation to the new and amended lease agreements are to be reassessed for classification from the effective date of such agreement.

SriLankan Airlines commenced operations effective 30th October 2016 to nine new destinations which were operated by Mihin Lanka, consequent to a decision made by Mihin Lanka to terminate service to these destinations.

Sri Lankan Airlines Limited received a dividend of Rs. 3,094.76 Mn in September 2016 from its fully-owned-Subsidiary, SriLankan Catering Limited. (Declared out of their profits for 2015/16.)

SUBSIDIARY

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

27 RELATED PARTY DISCLOSURES

27.1 GROUP AND COMPANY

27.1.1 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL (KMP)

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

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

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

	2016	2015
	LKR Mn.	LKR Mn.
Short-Term Benefits	196.40	208.28
Post-Employment Benefits	21.67	36.28

The above includes Directors' remuneration paid during the year amounting to LKR 9.11 Mn. (2015 – LKR 14.40 Mn.). In addition to the above benefits disclosed, the KMPs, their spouses and dependent children are entitled to Free of Charge Business Class travel on SriLankan Airlines online services during their term of office.

27.2 GROUP

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

Significant transactions including the following have been carried out with entities controlled by the GOSL in the ordinary course of business:

Name of the Company	Relationship	Nature of Transactions	Transaction Amount		Receivable/ (Payable) Balance	Receivable/ (Payable) Balance
			2016	2015	2016	2015
			LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
Ceylon Petroleum Corporation	Government Owned	Fuel	(18,765.08)	(29,992.65)	(9,328.16)	(14,255.93)
		Deferred Supplier Payments	(4,349.77)	(3,951.24)	(2,355.27)	(6,367.37)
		Finance Cost on Overdue Payments	(759.23)	(786.83)	(417.79)	(229.34)
Airport and Aviation Services Limited	Government Owned	Landing, Parking, Aero Bridge, Lounge, Rent, Franchise Fees, Garbage Incineration Charges and Surcharges	(3,932.84)	(3,185.43)	(3,386.74)	(1,808.86)
Civil Aviation Authority	Government Owned	Licenses, Permits and Levies	(4,692.43)	(4,009.41)	(1.10)	(0.20)
Mihin Lanka Limited	Government Owned	Sales	7,238.89	6,428.13	839.70	867.55
		Purchases	(7,137.61)	(5,684.39)	–	–
Sri Lanka Insurance Corporation	Government Owned	Insurance Services	(524.69)	(515.28)	–	–

Name of the Company	Relationship	Nature of Transactions	Transaction Amount		Receivable/ (Payable) Balance	Receivable/ (Payable) Balance
			2016	2015	2016	2015
			LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
Bank of Ceylon	Government Owned	Loan Repayments	(497.31)	(3,076.93)	(12,943.35)	(5,518.70)
		Loan Received	7,900.00	5,000.00	–	–
		Short-Term Deposits	–	–	183.75	741.96
		Bank Overdraft	–	–	(1,767.39)	(5,097.59)
People's Bank	Government Owned	Loan Received	13,350.00	–	(13,350.00)	–
Employees' Provident Fund	Shareholder of the Subsidiary	Preference Share Dividend	(132.61)	(150.00)	(64.87)	(74.79)
		13.01% Non-Voting Redeemable Cumulative (five years) Preference Shares	–	–	(1,000.00)	(1,000.00)

Balances from/to entities controlled by the GOSL are included under Trade and Other Receivables/Payables and Interest-Bearing Liabilities in the Statement of Financial Position.

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

COMPANY

Transactions with the related party took place at commercial terms.

SUBSIDIARY

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

27.3 COMPANY

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

Name of the Company	Relationship	Nature of Transactions	Transaction Amount		Receivable/ (Payable) Balance	Receivable/ (Payable) Balance
			2016	2015	2016	2015
			LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
SriLankan Catering Limited	Subsidiary	Freight Services	14.45	9.67	–	–
		Flight Catering and Other Services	(3,550.84)	(3,533.95)	(5,955.87)	(5,444.73)
		Dividend	2,100.00	2,100.00	–	–
		Settlement of Long-Term Loan	–	(988.51)	–	–
		15% Non-Voting Redeemable Cumulative (five years) Preference Shares	54.25	150.00	–	1,000.00
		Redemption of Preference Shares	1,000.00	–	–	–

Name of the Company	Relationship	Nature of Transactions	Transaction Amount		Receivable/ (Payable) Balance	Receivable/ (Payable) Balance
			2016	2015	2016	2015
			LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
Ceylon Petroleum Corporation	Government Owned	Fuel	(18,673.29)	(29,881.70)	(9,328.16)	(14,255.93)
		Deferred Supplier Payments	(4,349.77)	(3,951.24)	(2,355.27)	(6,367.37)
		Finance Cost on Overdue Payments	(759.23)	(786.83)	(417.79)	(229.34)
Airport and Aviation Services Limited	Government Owned	Landing, Parking, Aero Bridge, Surcharges, Lounge, Rent, Franchise Fees and Garbage Incineration Charges	(3,537.51)	(2,867.24)	(3,462.53)	(1,767.49)
Civil Aviation Authority	Government Owned	Licenses, Permits and Levies	(4,692.43)	(4,009.41)	(1.10)	(0.20)
Mihin Lanka Limited	Government Owned	Sales	6,901.97	6,186.14	540.81	760.72
		Purchases	(7,137.61)	(5,684.39)	-	-
Sri Lanka Insurance Corporation	Government Owned	Insurance Services	(524.69)	(515.28)	-	-
Bank of Ceylon	Government Owned Shareholder	Loan Repayments	(497.31)	(3,076.93)	(12,943.35)	(5,518.70)
		Loan Received	7,900.00	5,000.00	-	-
		Short-Term Deposits	-	-	183.75	741.96
		Bank Overdraft	-	-	(1,767.39)	(5,097.59)
People's Bank	Government Owned	Loan Received	13,350.00	-	(13,350.00)	-

Balances from/to entities controlled by the GOSL are included under Trade and Other Receivables/Payables and Interest-Bearing Liabilities in the Statement of Financial Position.

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

Transactions with the related party took place at commercial terms.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise loans and borrowings, trade and other payables and other financial liabilities. The main purpose of these financial liabilities is to finance the Group's operations. The Group's financial assets comprise 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 is affected through the impact on floating rate borrowings outstanding as of the Reporting date as follows:

	Effect on Loss before Tax			
	2016		2015	
	Group	Company	Group	Company
	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
Increase/(Decrease) in Interest Rate				
+1%	359.45	359.45	527.91	527.91
-1%	(359.45)	(359.45)	(527.91)	(527.91)

Increase in interest rates results in increased losses.

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates. The Group is exposed to the effect of foreign exchange rate fluctuations because of its foreign currency denominated revenue, expenses, borrowings and other financial instruments.

The Group manages its foreign exchange exposure by a policy of matching as far as possible, receipts and payments in each individually significant currency 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 the Statement of Financial Position as of the Reporting date). The Group's exposure to foreign currency changes for all other currencies is not material.

	Effect on OCI		Effect on Loss before Tax		Effect on OCI		Effect on Loss before Tax	
	2016		2015		2016		2015	
	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%	345.97	345.97	409.85	924.68	-	-	816.00	1,299.56
-3%	(345.97)	(345.97)	(409.85)	(924.68)	-	-	(816.00)	(1,299.56)

Appreciation of USD results in increased losses.

(II) LIQUIDITY RISK

The liquidity risk is the risk that the Group may not be able to meet its present and future cash obligations when they fall due. The Group monitors its risk of shortage of funds using a daily/weekly/monthly and annual cash management and budgeting process. The 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:

	2016					
	On Demand	Less Than 3 Months	3 to 12 Months	1 to 5 Years	More Than 5 Years	Total
	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
Group						
Interest-Bearing Liabilities	2,141.92	3,662.01	37,182.34	30,336.70	418.24	73,741.21
Aircraft Maintenance and Overhaul Cost	1,092.88	1,672.12	3,926.94	4,753.80	807.50	12,253.24
Trade and Other Payables	–	27,321.94	–	–	–	27,321.94
Preference Shares	–	65.05	65.05	1,406.56	–	1,536.66
	3,234.80	32,721.11	41,174.33	36,497.06	1,225.74	114,853.04
Company						
Interest-Bearing Liabilities	2,141.92	3,661.51	37,180.82	30,336.70	418.24	73,739.19
Aircraft Maintenance and Overhaul Cost	1,092.88	1,672.12	3,926.94	4,753.80	807.50	12,253.24
Trade and Other Payables	–	32,554.88	–	–	–	32,554.88
	3,234.80	37,888.50	41,107.76	35,090.50	1,225.74	118,547.31
	2015					
	On Demand	Less Than 3 Months	3 to 12 Months	1 to 5 Years	More Than 5 Years	Total
	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.	LKR Mn.
Group						
Interest-Bearing Liabilities	5,533.26	3,453.27	33,016.72	40,968.53	514.59	83,486.37
Aircraft Maintenance and Overhaul Cost	24.87	–	10,026.75	3,157.46	270.42	13,479.50
Trade and Other Payables	11,286.80	16,151.85	–	–	–	37,438.65
Preference Shares	–	37.50	112.50	600.00	1,150.00	1,900.00
	16,844.93	19,642.62	43,155.97	44,725.99	1,935.01	126,304.52
Company						
Interest-Bearing Liabilities	5,533.26	3,451.04	33,010.03	40,954.53	514.59	83,463.45
Aircraft Maintenance and Overhaul Cost	24.87	–	10,026.75	3,157.46	270.42	13,479.50
Trade and Other Payables	11,286.80	21,053.34	–	–	–	32,340.14
	16,844.93	24,504.38	43,036.78	44,111.99	785.01	129,283.09

(III) CREDIT RISK

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

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

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

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

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

CAPITAL MANAGEMENT

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

The Group's 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.

Company		2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statement of Profit or Loss											
Revenue	LKR Mn.	129,480.41	131,922.13	121,585.83	119,570.90	92,867.93	77,125.45	62,363.58	73,307.77	79,128.56	67,963.76
Operating Expenditure	LKR Mn.	137,195.18	145,983.35	150,389.46	146,700.24	111,775.88	81,334.34	69,026.74	84,794.86	82,154.01	69,406.68
Net Profit/(Loss)	LKR Mn.	(12,621.69)	(16,494.66)	(32,408.34)	(26,088.57)	(19,778.03)	(381.61)	(2,698.20)	(9,305.94)	4,428.23	568.04
Statement of Financial Position											
Share Capital/Stated Capital	LKR Mn.	51,617.44	51,617.44	51,617.44	32,032.75	19,432.67	5,146.35	5,146.35	5,146.35	5,146.35	5,146.35
Non-Current Assets	LKR Mn.	23,548.01	22,836.78	25,212.47	23,338.28	37,591.58	19,862.87	28,531.75	19,333.18	15,730.43	16,568.73
Current Assets	LKR Mn.	26,828.29	49,721.49	37,154.23	54,905.22	22,072.71	18,276.59	15,910.82	15,008.38	32,209.67	21,347.46
Total Assets	LKR Mn.	50,376.30	72,558.27	62,366.70	78,243.50	59,664.29	38,139.46	44,442.57	34,341.56	47,940.10	37,916.19
Current Liabilities	LKR Mn.	100,261.71	103,414.31	88,609.07	71,346.64	64,235.43	28,017.97	28,399.92	25,012.31	29,134.89	25,006.65
Yield/Unit Cost											
Overall Yield	LKR tkm	79.06	80.32	77.26	74.31	64.47	60.27	54.94	64.85	61.01	55.71
Unit Cost	LKR tkm	59.72	61.88	64.96	64.68	57.28	45.92	43.37	50.71	46.48	40.30
Breakeven Load Factor	%	75.54	77.03	84.07	87.03	88.84	76.19	78.94	78.19	76.18	72.34
Revenue per RPK	LKR/RPK	8.2	8.2	7.8	7.6	6.6	6.3	5.8	6.8	6.5	5.6
Production											
Passenger Capacity	ASK Mn.	15,790.28	16,180.27	15,780.54	15,944.31	14,248.94	12,481.41	10,724.83	11,731.56	12,599.58	12,375.62
Overall Capacity	ATK Mn.	2,165.21	2,224.87	2,187.18	2,186.96	1,978.33	1,755.23	1,541.03	1,635.62	1,741.10	1,695.91
Traffic											
Passengers Carried	No. '000	4,328	4,348	4,175	4,255	3,459	2,867	2,558	2,735	3,196	3,176
Passengers Carried	RPK Mn.	12,727.66	12,963.71	12,810.95	12,968.74	11,270.23	9,584.02	8,357.89	8,546.44	9,793.05	9,535.79
Passenger Load Factor	%	80.60	80.12	81.18	81.34	79.10	76.79	77.93	72.85	77.73	77.05
Cargo Carried	Tonnes	102,082	101,878	94,410	101,100	87,750	86,053	72,058	73,106	93,161	88,833
Cargo Load Carried	RTK Mn.	356.76	373.32	355.59	377.75	345.67	332.98	283.83	302.36	350.35	325.97
Overall Load Carried	RTK Mn.	1,484.77	1,519.93	1,466.74	1,513.70	1,338.30	1,184.13	1,028.11	1,065.15	1,232.62	1,150.84
Overall Load Factor	%	68.57	68.32	67.06	69.22	67.65	67.46	66.72	65.12	70.80	67.86
Staff											
Average Strength	Nos.	6,959	6,987	6,578	6,359	5,594	4,998	4,614	4,837	5,113	5,272
Revenue per Employee	LKR	18,606,181	18,881,084	18,483,708	18,803,412	16,601,346	15,431,263	13,516,164	15,155,627	15,475,955	12,891,457
Capacity per Employee	Tonne-km	311,139	318,430	332,499	343,916	353,652	351,186	333,991	338,148	340,523	321,683
Load Carried per Employee	Tonne-km	213,359	217,537	222,976	238,041	239,238	236,922	222,825	220,210	241,077	218,293
Fleet											
A320-200	Nos.	6	6	8	8	7	4	3	3	5	5
A321-200	Nos.	2	2	-	-	-	-	-	-	-	-
A330-200	Nos.	6	7	7	7	7	5	4	4	4	4
A330-300	Nos.	7	2	-	-	-	-	-	-	-	-
A340-300	Nos.	-	4	6	6	6	5	5	5	5	5
Turbo Otter	Nos.	-	-	-	1	2	2	-	-	-	2
Aircraft in Service at Year End	Nos.	21	21	21	22	22	16	12	12	14	16
Aircraft Utilisation											
A320-200	Blk. Hrs. per day	12.42	12.86	12.11	11.79	11.21	11.77	11.23	10.76	11.27	9.53
A321-200	Blk. Hrs. per day	12.51	13.10	9.54	-	-	-	-	-	-	-
A330-200	Blk. Hrs. per day	12.61	14.11	14.68	13.82	14.30	14.56	12.86	13.45	14.92	14.80
A330-300	Blk. Hrs. per day	14.31	13.43	-	-	-	-	-	-	-	-
A340-300	Blk. Hrs. per day	10.01	11.42	11.44	13.10	15.22	15.16	14.31	15.04	15.85	16.18
Fleet	Blk. Hrs. per day	12.76	12.90	12.76	12.82	13.48	14.05	13.05	13.15	13.96	13.44

ROUTE MAP



SriLankan Airlines now serves 100 destinations in 48 countries in Europe, the Middle East, South Asia, Southeast Asia, the Far East and North America

Time Zones

All times in GMT, where Colombo is at 1130

2200

Los Angeles
San Francisco
Vancouver

2300

Calgary
Edmonton

2400

Chicago
Dallas

0100

Montreal
Miami
New York
Ottawa
Toronto
Washington

0200

Halifax

0230

St. John's

0600

Dublin
Edinburgh
London
Manchester

0700

Amsterdam
Belgrade
Berlin
Brussels
Frankfurt
Geneva
Madrid
Milan
Munich
Paris
Rome
Turin
Vienna
Zurich

0800

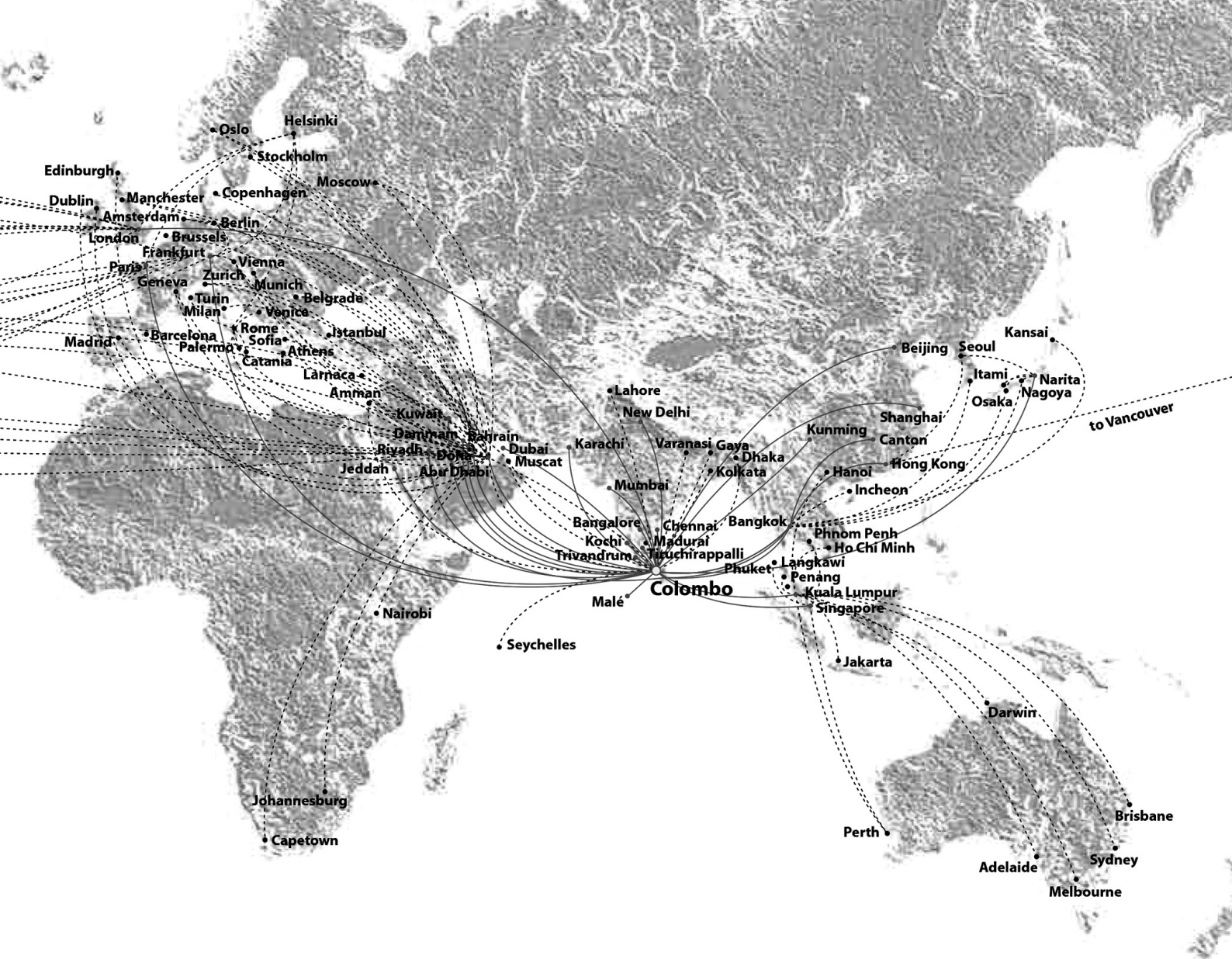
Amman
Athens
Helsinki
Istanbul
Johannesburg
Larnaca

0900

Bahrain
Dammam
Doha
Jeddah
Kuwait
Riyadh
Nairobi

1000

Abu Dhabi
Dubai
Moscow
Muscat
Seychelles



 SriLankan Airlines



1100	1130	1130	1200	1300	1400	1500	1530	1600
Karachi	India, incl	Colombo	Dhaka	Bangkok	Beijing	Itami	Adelaide	Brisbane
Lahore	Bangalore			Darwin	Canton	Incheon		Melbourne
Malé	Chennai			Hanoi	Hong Kong	Kansai		Sydney
	Gaya			Ho Chi Minh	Kuala Lumpur	Seoul		
	Kochi			Jakarta	Kunming	Nagoya		
	Kolkata			Phuket	Langkawi	Narita		
	Madurai			Phnom Penh	Perth	Osaka		
	Mumbai				Shanghai			
	New Delhi				Singapore			
	Tiruchirappalli							
	Trivandrum							
	Varanasi							

- SriLankan Airlines Direct Flights
- - - - Code share route with Malaysia Airlines
- - - - Code share route with Etihad Airways
- - - - Code share route with Mihin Lanka
- - - - Code share route with Air Canada
- - - - Code share route with Alitalia
- - - - Code share route with Oman Air
- - - - Code share route with Finnair
- - - - Code share route with Asiana Airlines
- - - - Code share route with Jetstar Asia
- - - - Code share route with Japan Airlines
- - - - Code share route with NIKI
- - - - Code share route with Air Berlin
- - - - Code share route with Qantas
- - - - Code share route with American Airlines

MILESTONES

2004/05

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

2006/07

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

2007/08

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

2008/09

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

2009/10

- The Company took delivery of two airbus A320 Aircraft under an operating lease agreement.

2010/11

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

2011/12

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

2012/13

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

2013/14

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

2014/15

- The Company entered into **oneworld** alliance 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, December 2014 and March 2015 respectively as part of wide-body aircraft reflecting programme.

2015/16

- In February 2016, the Airline announced that in order to increase capacity on more commercially viable routes, SriLankan will discontinue operations to Rome from 1st May 2016.
- The Airline was shortlisted for four prestigious titles: 'Best in 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 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 refueling programme.

AVAILABLE SEAT KILOMETRES (ASK)

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

AVAILABLE TONNE KILOMETRES (ATK)

This is the measure of transport production.

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

REVENUE PASSENGER KILOMETRES (RPK)

The product of passengers carried and the distance over which they are carried.

REVENUE TONNE KILOMETRES (RTK)

The product of passenger and cargo carried in tonnes and the distance over which they are carried.

LOAD FACTOR

The percentage relationship of revenue load to capacity provided.

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

REVENUE PER RPK

The revenue per RPK relates the passenger revenue to RPK.

UNIT COST

The unit cost relates the total operating cost to ATK.

OVERALL YIELD

Overall yield relates the net traffic revenue to RTK.

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

BREAK EVEN LOAD FACTOR

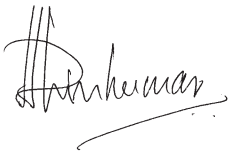
The load factor required to equate revenue from scheduled airline operations with operating costs.

NOTICE OF MEETING

NOTICE is hereby given that the Thirty Eighth Annual General Meeting of the shareholders of SriLankan Airlines Limited will be held on Thursday, the 09th day of February 2017 at 10.00 a.m. at the 'Mihilaka Medura', Bandaranaike Memorial International Conference Hall (BMICH), Baudhdhaloka 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 2016 together with the Report of the Auditors thereon.
2. To reappoint Mr. R. Chanaka D. De Silva, who is over seventy years of age as a Director of the Company and to consider and if deemed fit, to pass the following Resolution:
"IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007, shall not be applicable to Mr. R. Chanaka D. De Silva, who is 74 years of age and that he be reappointed as a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year."
3. To reappoint Mr. J. M. S. Brito, who is over 70 years of age as a Director of the Company and to consider and if deemed fit to pass the following Resolution:
"IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not be applicable to Mr. J. M. S. Brito, who is 70 years of age and that he be reappointed as a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year."
4. The auditor General to appoint the Company's auditors and to determine their remuneration according to the 19th amendment to the Constitution of the Democratic Socialist Republic of Sri Lanka.

By Order of the Board,



Dalrene Thirukumar
Company Secretary/Head of Corporate Secretarial Services

22nd December 2016

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 07th February 2017, 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.

SriLankan Airlines Limited

*I/We, of

 being a member/s of SriLankan Airlines Limited, hereby appoint: of
 or failing *him/her,

one of the following Directors:

- Mr. Ajith N. Dias
- Mr. J. M. S. Brito
- Mr. R. Chanaka D. De Silva
- Mr. Mahinda P. Haradasa
- Mr. Rakhita S. Jayawardena
- Lt. Col. Sunil D. Peiris
- Mr. Harendra K. Balapatabendi
- Mr. Niranjan De Silva Deva Aditya

as *my/our proxy to represent *me/us and vote for *my/our behalf at the Thirty-Eighth Annual General Meeting of the shareholders of SriLankan Airlines Limited to be held on Thursday, 09th February 2017 at 10.00 a.m. at 'Mihilaka Medura', Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 7, and at any adjournment thereof.

	For	Against
1. To receive and consider the Annual Report of the Board of Directors and the Financial Statements for the year ended 31st March 2016, together with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To reappoint Mr. R. Chanaka D. De Silva who is over 70 years of age as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3. To reappoint Mr. J. M. S. Brito who is over 70 years of age as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4. The auditor General to appoint the Company's auditors and to determine their remuneration according to the 19th amendment to the Constitution of the Democratic Socialist Republic of Sri Lanka.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of Two Thousand and Seventeen.

.....
 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.

FORM OF PROXY

INSTRUCTIONS AS TO COMPLETION:

1. Perfect the Form of Proxy after filling in legibly your full name and address, by signing in the space provided and filling in the date of signature.
2. In the case of Resident/Non-Resident shareholders, the stamping will be attended to on return of the completed Form of Proxy to the Company.

NAME OF THE COMPANY

SriLankan Airlines Limited

COMPANY REGISTRATION NUMBER

PB 67

LEGAL FORM

Public Limited Liability Company

BOARD OF DIRECTORS

Mr. A. N. Dias (Chairman)
Mr. J. M. S. Brito
Mr. R. Chanaka D. De Silva
Mr. Mahinda P. Haradasa
Mr. Rakhita S. Jayawardena
Lt. Col. Sunil D. Peiris
Mr. Harendra K. Balapatabendi
Mr. N. De Silva Deva Aditya

AUDIT COMMITTEE

Mr. J. M. S. Brito (Chairman)
Mr. R. Chanaka D. De Silva
Mr. Mahinda P. Haradasa
Lt. Col. Sunil D. Peiris
Mr. Rakhita S. Jayawardena

HUMAN RESOURCES AND REMUNERATION COMMITTEE

Lt. Col. Sunil D. Peiris (Chairman)
Mr. J. M. S. Brito
Mr. R. Chanaka D. De Silva
Mr. Mahinda P. Haradasa
Mr. Rakhita S. Jayawardena

COMPANY SECRETARY/HEAD OF CORPORATE SECRETARIAL SERVICES

Mrs. Dalrene Thirukumar

BANKERS

Bank of Ceylon
People's Bank
National Development Bank PLC
Standard Chartered Bank
The Hongkong and Shanghai Banking Corporation Limited
Citibank NA
Sampath Bank PLC
Nations Trust Bank PLC
Deutsche Bank AG
Hatton National Bank PLC
Commercial Bank of Ceylon PLC
Amāna Bank PLC

AUDITORS

Auditor General
Auditor General's Department
306/72,
Polduwa Road,
Baththaramulla.

REGISTERED OFFICE

Airline Centre
Bandaranaike International Airport
Katunayake,
Sri Lanka.

CORPORATE WEBSITE

www.srilankan.com



This Annual Report is Carbon Neutral

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



www.smart.lk



www.carbonfund.org



Airline Centre
Bandaranaike International Airport
Katunayake
Sri Lanka