



In Pursuit of Our Vision

Annual Report 2020



IN PURSUIT OF OUR VISION

A n n u a l R e p o r t 2 0 2 0



Airport & Aviation Services
(Sri Lanka) (Private) Limited

In pursuit of our Vision

Vision with action is a positive vibrant in any circumstances. The Airport and Aviation Services (Sri Lanka) (Private) Limited with the **vision** of being the “**friendliest aviation partner in global connectivity towards a sustainable economy**” is anchored enough to navigate the company towards its vision with whatever the challenges. Our agility and innovativeness help us to bounce back from any hardship.

The year 2020 was not rosy for the globe due to COVID-19 pandemic. The Aviation industry was a major industry affected due to the close down of boundaries for passenger transport. However, our agility and innovativeness brought success to us in minimizing the impact of COVID-19 highlighting the areas that we could develop in the journey towards our vision. We shifted our attention and time towards the cargo operation during the COVID-19 pandemic without compromising our journey. It made us realize that we can be the cargo hub in South Asian Region.

Now we are on the journey of being the friendliest aviation partner not only for passengers but also for goods bringing sustainability to the economy of Sri Lanka. Our journey will continue with more success towards our **vision** of being the “**friendliest aviation partner in global connectivity towards a sustainable economy**”.

VISION

“Friendliest aviation partner in global connectivity towards a sustainable economy.”

MISSION

“To provide competitive, safe aviation services and superlative guest experience with best practices and latest technology to ensure stakeholder satisfaction.”

VALUES

- **Go-Green** - Pursue knowledge and practices that can lead to more environmentally friendly and ecologically responsible decisions and lifestyles.
- **Innovativeness** - Looks for ways to improve effectiveness by implementing new ideas and more efficient approaches.
- **Friendliness** - Exceed expectations by going beyond the formal frameworks and ensure a world-class customer experience through our staff.
- **Team Spirit** - Believe in the strength of people and competencies coming together to achieve greatness.
- **Transparency** - Have a valid reason and therefore are explainable as our actions are supported by facts.
- **Openness** - Open for new possibilities, being able to listen to criticism with tolerance, curiosity, listening and communication.
- **Professionalism** - Achieve high standards consistently in the work we do and the way we behave.

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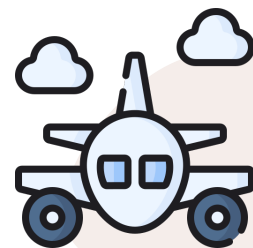
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Year at a Glance 2020

2,375,056



20,881



16,370

Overflying Movements

150,075 MT

Cargo Movements



LKR 7,788 MN

Turnover



4,098

Number of Employees



LKR 2,504 MN

Net Loss After Tax



507

Training - Employees



Financial Highlights

	FY 2020	FY 2019	FY 2020/2019	FY 2018	FY 2019/2018
	LKR Mn	LKR Mn	Change	LKR Mn	Change
Profit & Loss					
Turnover	7,788	25,693	-70%	28,739	-11%
Operating Expenses before Depreciation	9,562	10,649	-10%	9,539	12%
Earnings before Interest Tax Depreciation Amortization	(1,805)	15,012	-100%	19,168	-22%
Depreciation of Fixed Assets	2,837	2,841	0%	2,680	6%
Net Finance Cost / (Income)	(878)	(3,018)	-71%	6,063	-100%
Profit / (Loss) before Taxation	(3,733)	15,222	-100%	10,458	46%
Income Tax	(1,228)	4,226	-100%	5,145	-18%
Profit / (Loss) after Taxation	(2,504)	10,996	-100%	5,313	100%
Profit / (Loss) attributable to Equity Shareholders	(2,504)	10,996	-100%	5,313	100%
Cash Flows					
Dividends	-	500	-100%	300	67%
Cash and Cash Equivalents as at 31 December	826	2,480	-67%	8,167	100%
Total Capital Expenditure for the year	2,169	4,068	-47%	1,747	100%
Financial Position					
Shareholders Fund as at 31 December	36,983	39,231	-6%	28,479	38%
Total Carrying Amount of Non-Current Assets as at 31 December	55,571	55,300	-0.5%	52,515	5%
Total Current Assets as at 31 December	47,645	52,975	-10%	48,320	10%
Total Current Liabilities as at 31 December	6,202	7,323	-15%	13,834	-47%

Prior year figures have been re-arranged whenever necessary to conform to the current year's presentation.

-100% or +100% indicates the variances more than 100%.

All figures are subject to rounding differences.

Performance Highlights

		FY 2020	FY 2019	FY 2018	FY 2017	FY 2016
Operating Highlights						
International Flight Movements	Nos.	20,881	62,195	67,351	62,850	61,637
Passenger Movements*	Nos.	2,375,056	9,958,688	10,884,028	9,957,502	9,466,248
Cargo Movements**	M.T.	150,075	259,089	279,559	274,044	248,348
Overflying Movements	Nos.	16,370	45,674	43,804	39,413	35,118
Total no.of Employees as at 31 December	Nos.	4,098	4,182	3,836	3,908	3,810
Highlights in Ratios						
Return on Equity	%	(7)	28	19	37	42
Net Profit/(Loss) before Tax to Total Net Revenue	%	(48)	59	36	52	38
Net Profit/(Loss) before Tax to Shareholders Fund	%	(10)	39	37	47	42
Total Revenue to Total Assets	Times	0.08	0.24	0.29	0.24	0.26
Total Assets per Employee	LKR'000	25,187	25,891	26,286	22,267	18,661
Total Staff Cost per Employee - Per Annum	LKR'000	1,809	1,944	1,947	1,644	1,578
Total Cost per Flight Handled	LKR'000	727	235	318	202	216
Revenue per Passenger	LKR	3,279	2,580	2,640	2,085	1,936
Profit after Tax per Passenger	LKR	(1,054)	1,104	488	875	731
Aircraft Movement per Employee	Nos.	5	15	18	16	16
Passengers per Aircraft	Nos.	114	160	162	158	154
Passengers per Employee	Nos.	580	2,381	2,837	2,548	2,485
Gearing Ratio	%	19	13	20	35	48
Return on Total Assets	%	(2)	10	5	10	10
Profitability Ratio	%	(32)	43	18	42	38
Capital Productivity Index	Times	0.10	0.25	0.29	0.24	0.26
Earning Per Share	LKR	(12,522)	54,979	26,566	43,574	34,598
Current Ratio	Times	7.68	7.23	3.49	2.78	2.64
Total Income to Total Expenditure	Times	0.75	2.04	1.49	1.85	1.52

* Passenger movements include Arrival, Departure, Transfer and Transit excluding domestic passengers.

** Cargo movements include Export, Import and Transshipment excluding Domestic Cargo & Air mails.

BANDARANAIKE INTERNATIONAL AIRPORT

Our Historical Milestones

Airport & Aviation Services (Sri Lanka) (Private) Limited (AASL) incorporated in the year 1983 with the vision “To be the most Efficient and Friendliest Premier Aviation Hub in the Asian Region”. We have a history over 37 years as of now. Today we provide greater service to all our stakeholders all around the world.

Governor of Ceylon negotiates to extend the airmail service between the United Kingdom and India via Ceylon.

State Council of Ceylon makes a decision to construct an aerodrome at Ratmalana.

Aerodrome at Ratmalana was completed and Aero Club of Ceylon provides the public with flight opportunities.

First Air Navigation Regulations are published. The first three aircraft bearing the Ceylon registration mark are entered into the aircraft register.

The Ratmalana Airport (CIAR) was inaugurated on 28 of February. The Director of Public Works was appointed as the Director of Civil Aviation.

1932 1934 1936 1937 1938

1939 1942 1945 1946

An emergency landing was conducted in Puttalam.

With the outbreak of World War II, the Royal Air Force takes control of functions of the Ratmalana Airport.

The United Kingdom - Australia - 'LANCASTRAN' service commenced operations via Ceylon.

The Department of Civil Aviation was established under the Ministry of Transport. The Ratmalana aerodrome was taken over from the Royal Air Force for civil flying.

Air Ceylon - the National Carrier was set up under the Ministry of Communication and Works and inaugurates international flights from Colombo to Madras via Jaffna.

Sri Lanka was appointed as a member of the International Civil Aviation Organization (ICAO).

The Air Navigation Act No. 15 of 1950 was promulgated. An Academy to train pilots was established.

Air Ceylon entered into an agreement with KLM Royal Dutch Airlines.

International flight operations were shifted to Katunayake.

1947 1948 1950 1955 1959

1963 1967 1968 1979

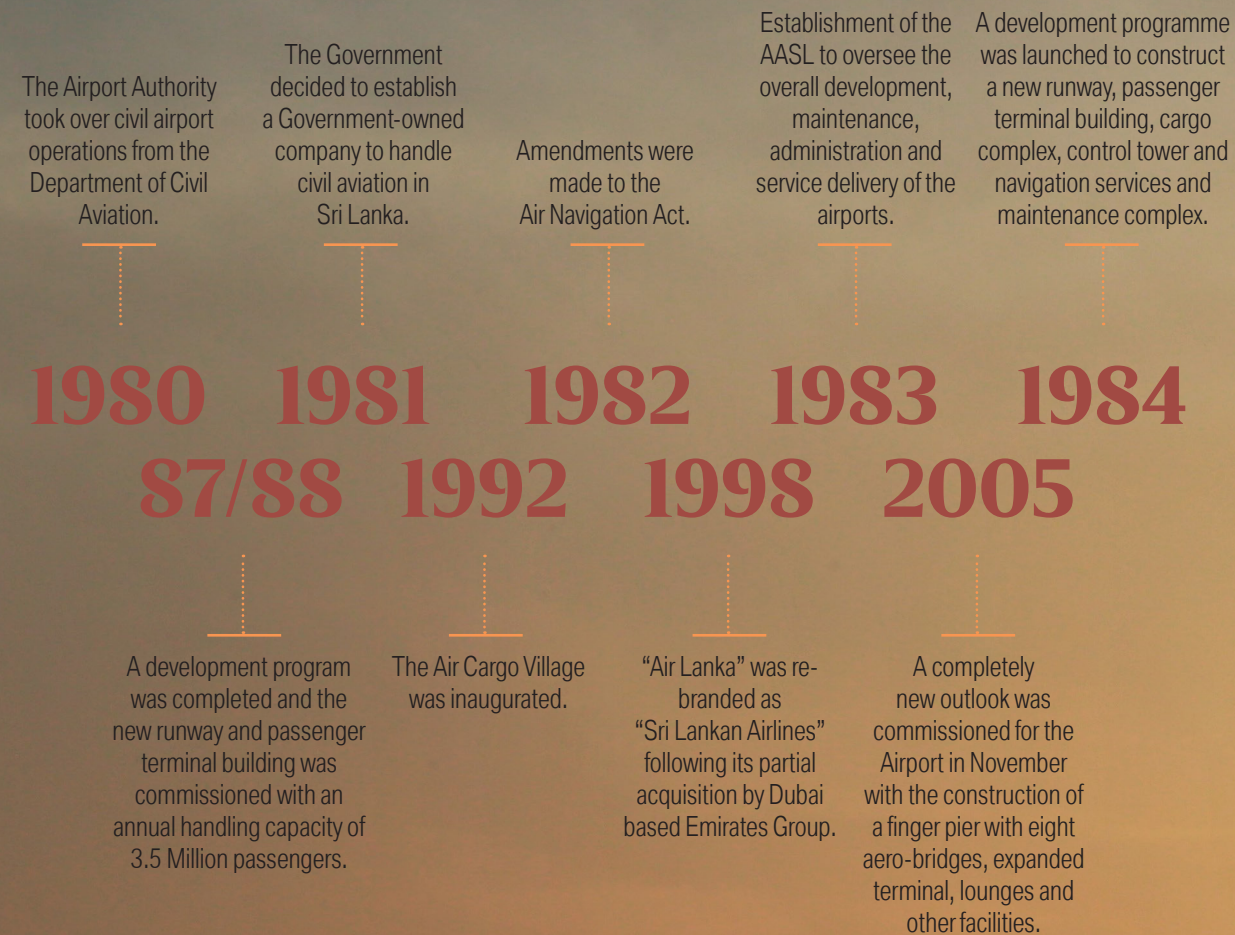
Development program of Katunayake Airport commenced. The RAF Runway was extended from 1,840 to 3,350 meters with assistance from the Government of Canada. Terminal Building was constructed to hold 150,000 passengers per year.

Inauguration of Bandaranaike International Airport (BIA), Katunayake.

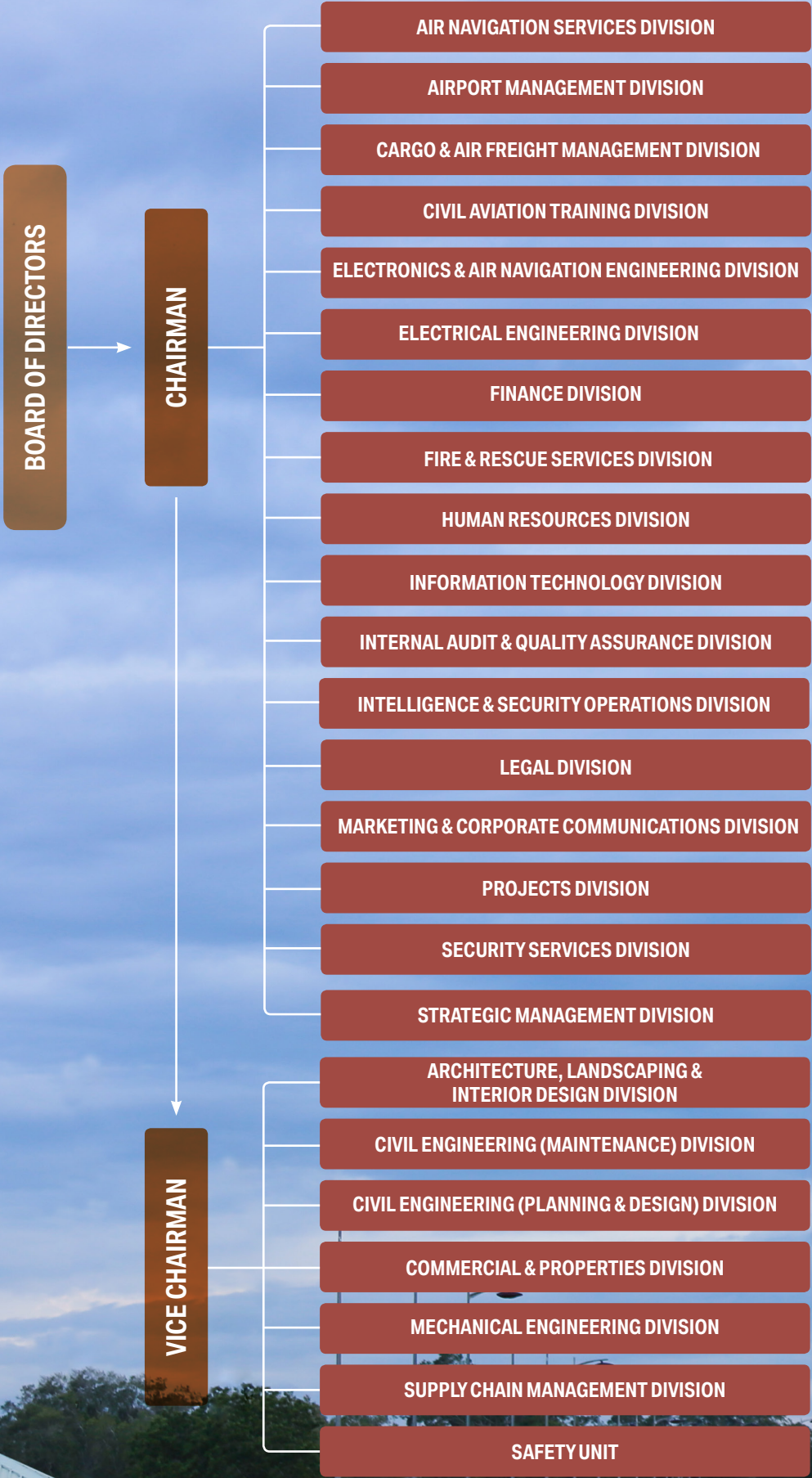
Construction of a larger terminal building, apron and taxiway takes place.

Inauguration of the National Carrier - Air Lanka. The Airports Authority Act of 1979 promulgated and the Airport Authority was established.





AIRPORT AND AVIATION SERVICES (SRI LANKA) (PRIVATE) LIMITED
ORGANIZATIONAL STRUCTURE



"Medical Services Unit" has been placed under the Airport Management Division.

Chairman's Message

Dear Stakeholders,

I am delighted to present the Annual Report for the year 2020 which was a year of mixed fortunes. We began the year with unprecedented challenges. However we performed our best to achieve all stakeholders' objectives.

Snapshot of the Year 2020

When the dawn of the new year was accompanied by a report from China that a cluster of cases of pneumonia has been detected in Wuhan, very few across the globe realized that the world was about to be hit with one of the worst pandemics in recent history. But the aviation industry experts knew that a great challenge was looming and braced the industry to bear the brunt of containing the human to human transmission of the COVID-19 virus. In Sri Lanka as the country went into isolation in March, we closed the arrival terminals of our international airports and domestic airports under AASL umbrella for several months and the vital sources of revenue along with them. Thus began an arduous year for the company.

The pandemic eased the burden on us of tackling the congestion in the passenger terminal as well as in the cargo terminal of our main airport - BIA. But it plunged us into a deep financial crisis, putting enormous pressure on us to fully concentrate on survival and recovery strategies instead of our usual growth strategies. Recovery demanded many changes in the business which ranges through pricing structures, agile working, innovative revenue models etc. The year ended with an unprecedented loss of LKR 2.5 Billion. We as an organization scaled up in the learning curve given the challenging business conditions and new demands on service delivery standards. It invigorated our mettle to navigate for better avenues and upswing stronger.



A Chapter Defined by Health

The year began with global travel restrictions, ban on airlines and pre and post travel health tests and also other precautions taken to combat the virus and continuation of the same dilemma is in progress. The procedures adopted in accepting the airlines into the country and approving the passengers to fly to/from the country was one of the focal points where the country's COVID-19 prevention Task Force kept the tab on. Consequently, the rules and procedures to be adopted by airlines and passengers got continually revised based on the risk level of the pandemic within the country and the countries covered by the network of airlines that fly into the country.

During the year under review, the industry was moving on with unreversed restrictions in cross-border travelling which went up to stipulating maximum passenger loads to be carried by airlines and new yardsticks of differentiating passengers on factors like vaccinated, non-vaccinated, last 14 days travel history etc. To build-up the confidence of travellers world-wide it was required that the health and safety mechanisms are in place at the airports. We adopted every measure in minimizing the virus transmission through the airports by adhering to ICAO's Civil Aviation Recovery Task-force's (CART) recovery guidelines in the passenger and cargo processing and applied for the Health accreditation carried out by Airport Council International (ACI) in the year 2020. As a result, the BIA was awarded with the accreditation status in January 2021 by becoming the one of the first 200 airports in the world who received the accreditation out of over 1,900 member airports of ACI.

Public Health Emergency plans which play an integral part of airport emergency plans were available at both international airports - BIA and MRIA to minimise the chances of deadly viruses crossing the borders and they were on continual craft starting from previous public health emergencies declared by WHO such as SARS, H1N1, MERS, EBOLA etc. The international airports in Sri Lanka were made full alert by activating all Public Health Emergency plans measures as early as January, 2020 with China's reportage in Wuhan. Airport emergency plans checked the readiness in responding to various emergency scenarios by our employees with inter-agency coordination and activating emergency medical plans enabling us in effectively handling the operations by responding to the risk brought up by the outbreak.

Re-vitalized Vision

During the year, the number of cross-stakeholder organizations who got involved in the passenger journey at the airport got expanded with new measures in medical tests being carried out at the airports while Sri Lanka Army got directly involved in passenger segregation to be done for quarantine requirements. All got partnered and mingled with re-defined and clearly demarcated new processes and Key Performance Indicators (KPIs) to ensure that the globe connects with Sri Lanka.

AASL undertook the pain of our tenants who got devastated through the gloomy retail climate by offering them concessions in both rental and concessions while the operating hours for retail shops were kept active on pre-determined limited hours to reduce their operating costs. The plans are underway to extend the concessionary period further in 2021 with volume-based adjustments.

The industry's as well as organizational recovery plans were formulated cohesively with the tourism as well as aviation cluster stakeholders and wetted through the health sector prior to its finalization. Under the Bio-Secure bubble mechanism that emerged due to the pandemic, the entire passenger journey mapping which starts and ends at the airport was under scrutiny from all viewpoints namely passenger comfort, security and safety, and efficiency.

The MRIA which is the second largest international airport in Sri Lanka was spiralling stronger amidst the pandemic scenario by catering to a considerable number of repatriate flights, Seafarers as well as flights arriving with humanitarian aids with an ambitious business plan in hand to be activated in due course with the tourism pilot project kicked off in December 2020 in MRIA under the Bio-Secure bubble. In fact, the seafarers segment has been ramped up at MRIA as the vessel owners chose MRIA as their preferred destination for sea crew transfers by making the airport an integral part of the maritime industry.

In this backdrop, we do consider the year 2020 as a year where our vision got re-vitalized in our mission-critical industry.

Fixing the Basics

The year challenged us to re-visit our business models in all aspects and fixing the basics. We prepared our annual business plans which stems from the Corporate Plans for the airports which will be active given the business context under the pandemic. Calls went out to every division to slash expenditure and make operations lean which were promptly met with favourable responses. We strengthened our decision-making model by introducing six more Board Sub-Committees into our Governance structure apart from the already existed Audit and Management Committee. The Corporate Governance Review as well as the statements issued by the Directors of the Sub-Committees in this report will provide a coverage on the mechanism as well as each committee's proceedings.

In spite of the personnel expenditure being the highest toll in our cost structure, we ensured that not a single employee lost their livelihood from AASL, in marked contrast to cost saving measures adopted in many other organizations. We went ahead on the belief that the internal customer should be satisfied prior to calling upon them to work under new norms in delivering service excellence.

We went ahead in continuing the airport charges waiver for MRIA, as a means of rendering our support for the airlines which are under

tremendous financial burden. AASL viewed this pricing strategy holistically from the country's point of view, recognizing that the direct and indirect economic benefits to the country outweighed the revenue forgone by AASL through this waiver.

We challenged ourselves on our sole dependency on air traffic statistics and the non-diversified revenue model and proceeded to identify alternate customers as well as niche business segments whom we can serve through non-traditional earning sources.

Futuristic Drive

The aviation industry remains promising in the long term as the needs and wants in cross-border flying are now suppressed through the present exceptional circumstances and hopeful that the present lull situation will be wiped off in the not-so-distant future with the universal attempt to open countries towards normalcy.

With this philosophy in mind, we went ahead in signing the contract agreement with Japan International Corporation Agency (JICA) in March 2020 for the second Passenger Terminal to expand the passenger handling capacity of our flagship airport – BIA by 9 Million. We carried on our other key capital projects which were in progress at the beginning of the year under review without any alteration. However, with an aim to reduce capital expenditure, all the capital projects were prioritized based on its state of progress and business criticality. Hence, 27% of the total capital expenditure was de-prioritized and kept on hold for re-activation at a latter stage based on the organization's liquidity position.

We also activated our airlines negotiations for MRIA with the view to harness its potential within an all comprehensive eco-system to improve the passenger and cargo volumes. The air traffic statistics got improved in the year under review despite the COVID-19 hit by winning the trust of the aviation fraternity due to the tangible improvements made in the infrastructure and service delivery. The CIAR also was focusing on connecting with certain South Asian international carriers as well as domestic carriers and the stakeholder discussions were carried out apart from strengthening the already established niche markets. The previous long-term plans drawn up for Jaffna International Airport and Batticaloa Domestic Airport were put on hold as a timely decision until the passenger influx bounces back.

Appreciation

We witnessed the courage of our nation and the organization in all aspects during the year under review. With aviation being a listed as an essential service in Sri Lanka, our employees served in the front-line as well as in various field work incurring a considerable health risk while the other employees ensured that the cross divisional linkage in the value chain remained intact. The Board of Directors wishes to pay our heartfelt gratitude to them.

Our stakeholders who were playing influential, interactive and igniting roles deserves the nation's salute for their brilliant

support. The Board of Directors who engaged with the right degree of involvement in all strategic and operational work round the clock was the driving force behind all what we materialized so far and to be. I also would like to pay the organization's gratitude towards them. A special word of gratitude goes out to all preceding Chairmen and the Boards of Directors and also the former employees of the company who gifted the organization with strong accumulated reserves which helped us in becoming a surviving entity without being a burden to the Government. The Cabinet Minister and the State Minister who are in charge of our organization blended with us in all relevant business and administrative decisions by actioning promptly and deserve our honour. His Excellency the President Gotabaya Rajapaksa by being in the helm of the decision-making process of the country always treated aviation industry as well as our organization as part of the economic growth engine and acted based on that premise. That dictated the best formula for aviation under the present circumstances and we are truly impressed with that leadership.

Maj Gen (Rtd) G A Chandrasiri RWP USP VSV ndc psc
Chairman

10 August 2021

Vice Chairman's Message

I take great pleasure in writing to you about how AASL performed during the year 2020.

Whilst our industry is being in the extremely challenging era in the business, it is a pleasure to reflect upon the performance of AASL, for the year of 2020. First and foremost, I must pay my gratitude to our partners of the industry, health and military professionals, our staff members, external customers and our colleagues who were with us during this difficult period by providing perfect and effective involvement to manage the “COVID-19 pandemic”. You are our assets and our courage.

Our Strength... Our Staff...

AASL has maintained excellent health and safety standards everywhere for the staff present and provided all support to the affected employees on the pandemic. Further, AASL made arrangements to vaccinate most of the airport employees in order to prevent the COVID-19.

Development Drive

Whilst all of our airports have shown the lower passenger, cargo and aircraft movements, we maintained and looked after our internal customers and its' our strength without any harm to provide the optimum level. The present downturn is unprecedented, but we are very much confident that when the disease subsides, air passenger demand will rebound. For this reason, we are maintaining our long-term development plans to meet future demands without delaying any single minute, while fulfilling all the safety, security, and service levels required by the industry and society.



Terminal 1 of BIA

Although the aviation industry, hampered with COVID-19, AASL has not distracted from our long-term vision to develop and manage our airport to utmost standards in the industry.

Back in 2020, AASL continued the airport developments program and made significant progress on all our projects. We have completed stage I of the development of airport Access Systems by improving the Minuwangoda Road to four lanes with modification of the Storm Water Drainage System and completed the Departure Public Concourse, which is an integrated commercial development and new iconic landmark for retail, dining, and entertainment facilities of the area over 20,000sqft., well connected to the passenger terminal of BIA. They have added a significant improvement to BIA.

Terminal 2 of BIA and Cargo Development

In this horizon, we are so proud to say that we have taken action to expedite the construction of 180,000 square meters, 9 Million annual passenger capacity ultra-modern passenger Terminal for our customers. Further, we have taken action to develop BIA to the major logistic and air cargo hub by adding an additional 150,000 MT per year capacity to the cargo handling area. On the cargo front, construction of this premium logistics centre scheduled to open in end 2023 will help BIA and its business partners to capture opportunities in the rapidly expanding cargo and logistic market.

Mattala Rajapaksa International Airport

Despite of the COVID-19 drawback, MRIA has made a remarkable growth in passenger and cargo handling. We have taken steps to develop MRIA a destination by exploring the potential of tourism and logistic. With the motivated employees, MRIA is improving to upward trends, hoping to establish an economic engine of aviation commerce.

As a member of the Management team of AASL, it is my privilege to inform that we have taken wider steps to improve facilities at CIAR, BTIA and also JIA. We have planned aerodrome development works, passenger terminal expansion works at Ratmalana and there will be an airport facility building to accommodate all the technical activities such as area control, handled by CIAR. These facilities will be available at the end of 2023.

AASL has come across with the most difficult years in its history. I would like to express my deep gratitude to the airport community and our business partners for their perseverance and support during this crisis. I would like to

thank all categories of staff for their commitment as well as all other stakeholders for their contribution.

I am also grateful to the Chairman and my colleague members of the Board of Directors for giving excellent leadership and direction during this difficult period and finally, I would like to express my sincere thanks to the Hon. Minister of Tourism and Hon. State Minister of Aviation and Export Zones Development for the guidance and support in implementing the Government Policy.

Rajeewasiri Sooriyaarachchi
Vice-Chairman

10 August 2021



Leadership Team

Front Row Seated – Left to Right

- 1 Deirdre A De Livera (Mrs) - Director
- 2 Maj Gen (Rtd) G A Chandrasiri RWP USP VSV ndc psc - Chairman
- 3 Rajeevasiri Sooriyaarachchi - Vice Chairman
- 4 V Lakmali Udugampola (Ms), AAL - Company Secretary

Back Row – Left to Right

- 5 A H Sunil Gunawardena - Observer from State Ministry of Aviation & Export Zones Development
- 6 R A Pradeep Wijerathnasekara - Director
- 7 Eng S M A Upul S Manchanayake - Director
- 8 Aruna S C Warushahennadige - Director
- 9 Shehan N Sumanasekara - Director
- 10 Chandika P Vitharena - Director
- 11 W M Gihan Rashantha - Director
- 12 D Alex P Weeratna PC - Director
- 13 G A A Priyantha - Director / Treasury Representative (Not in picture)



Directors Report on Affairs of the Company

We are pleased to present our report together with the Audited Financial Statements for the year ended 31 December 2020.

The details set out herein, provide the pertinent information required by the Companies Act No.7 of 2007 and are guided by best Accounting Practices. Through the concise presentation of this report, we have ensured the material disclosures are well addressed to the shareholders to have an appreciation of the state of the company's affairs and any changes during the accounting period.

IN PURSUIT OF OUR VISION

1. About the Company

AASL is a company fully owned by the Government of Sri Lanka, with statutory powers to manage and develop civil airports in Sri Lanka.

2. Principal Activities

The principal operational activities of AASL continued to accomplish its role as the sole statutory service provider of the following aeronautical services under the powers vested through Civil Aviation Act No. 14 of 2010, Gazette on 4 November, 2010:

- 2.1. The development, operation and maintenance of the BIA, MRIA, CIAR, BTIA and JIA.
- 2.2. The provision and maintenance of search, rescue and firefighting services and aviation security services at the above aerodromes.
- 2.3. The provision of air traffic services, aeronautical information services, aeronautical communication services and provision of aeronautical aids for communication, navigation, surveillance, ensuring the safety and security of all aircraft and passengers within the Colombo Flight Information Region (FIR).

3. Review of Operations

A review of financial and operational performance, during the year ended 31 December 2020 and future business development of the AASL is illustrated in the Chairman's Message (Page 20 to 23), Management Discussion and Analysis (Page 48 to 59) and the Financial Review (Page 60 to 65) of the Annual Report. These reports together with the Audited Financial Statements of the company reflect the respective state of affairs which form an integral part of the Annual Report of the Board of Directors.

Board of Directors continuously monitors operational performance by implementing key performance indicators with the view of achieving AASL vision of "Friendliest aviation partner in global connectivity towards a sustainable economy".

4. Financial Statements

The Financial Statements of the company, duly signed by two Directors on behalf of the Board are stated on pages 91 to 119.

5. Accounting Policies And Changes During The Year

The company prepared the Financial Statements in accordance with Sri Lanka Accounting Standards (SLFRSs/LKASs). The significant accounting policies adopted in the preparation of the Financial Statements of the company are given on pages 95 to 104. The Board of Directors wishes to confirm that there were no changes to the accounting policies adopted by the company.

6. Directors' Responsibility for Financial Statements

The Companies Act No. 7 of 2007 requires the Directors to prepare and present Financial Statements for each financial year to reflect a true and fair view of its state of affairs. The Directors are of the view that these Financial Statements appearing on pages 91 to 119 have been prepared in accordance with the requirements of the Sri Lanka Accounting Standards, Companies Act, Accounting and Auditing Standards Act No. 15 of 1995 and other financial reporting regulatory requirements.

7. Independent Auditors, Auditor's Report And Remuneration

As per 19th amendment enacted on 15 May 2015 to the article 154 of the Constitution, Auditor General is empowered to carry out audits of all Government enterprises registered under any written law and under the Companies Act No.7 of 2007. In compliance with this direction audit of AASL for the year 2020 was carried out by the Auditor General.

The Independent Auditors' Report on the financial statements of the company is given on pages 86 to 90 of this report. The audit fee for the year ended 31 December 2020 was LKR 1,793,000 (2019: LKR 966,740) and there were no other fees paid

to the auditors for audit related services and non-audit services. As far as the Directors are aware the auditors do not have any relationship other than that of an auditor with the company.

8. Internal Controls And Key Internal Control Processes

The Board of Directors of the company has taken reasonable steps to safeguard its assets to prevent and detect frauds and any other irregularities. For this purpose, the Directors have instituted effective and comprehensive systems of internal controls for identifying, recording, evaluating and managing the significant risks faced by the company throughout the year and it is being regularly reviewed by the Board of Directors.

This comprises of internal reviews, internal audit and the whole system of financial and other controls required to carry on the operations in an orderly manner, safeguard the assets, prevent and detect frauds and other irregularities and secure, as far as practicable, the accuracy and reliability of the records. The Audit and Management Committee (AUMC) regularly reviews internal control issues identified by the company's Internal Auditors, the Government Auditors and regulatory authorities. The Management evaluates the adequacy of the internal control system.

9. Income Statement And the Financial Position of the Company

9.1. Revenue

Revenue generated by the company for the year 2020 is LKR 7.8 Billion (2019: LKR 25.7 Billion) which is a downturn of 70% compared to the previous year. An analysis of company revenue based on business segments is disclosed in note 5 to the financial statements on page 104.

9.2. Operating Results

The company reported an operating loss amounting to LKR 4.6 Billion for the year ended 2020, which is a decrease of 138% compared to the previous year (2019: operating profit - LKR 12.2 Billion).

IN PURSUIT OF OUR VISION

The company has recorded a net loss of LKR 2.5 Billion during the year 2020 compared to the profit after tax of LKR 11 Billion in 2019 due to decrement of aircraft and passenger movements by 66% and 76% compared with the last year. This was attributed to the imposition of travel ban on international flight movements due to COVID-19 pandemic outbreak.

This resulted in the decrement of aircraft and passenger movements by 66% and 76% compared with the last year.

During the year under review, administration and establishment expenses have decreased by 8% whilst Finance income has decreased by 12% due to adverse fluctuations of interest rates and withdrawal of deposits.

Finance cost comprised of interest expenses on loans and Debentures and exchange gain / (loss) on loans and fixed deposit conversions. Despite of the decrement of loan interest by 3%, finance expenses have increased due to exchange loss on loan conversion experienced as a result of depreciation of LKR against USD and JPY.

Given below is a table of comparison of operating results across the two years:

Description	2020 (LKR Million)	2019 (LKR Million)
Operating (Loss) / Profit	(4,611)	12,204
Finance Income	3,665	4,165
Interest Expenses	(1,290)	(1,326)
Exchange (Loss) / Gain	(1,497)	180
(Loss) / Profit Before Tax	(3,733)	15,222
Income Tax Expenses	1,228	(4,226)
(Loss) / Profit After Tax	(2,504)	10,996

9.3. Reserves

The reserves of the company comprises of Share Capital, Other Reserves and Retained Earnings. This was decreased to LKR 37 Billion as of 31 December 2020 from LKR 39.2 Billion in 2019. The movement in reserves of the company is shown in the Statement of Changes in Equity on page 93.

9.4. Dividends

During the year under review company has not declared dividends.

9.5. Donation

During the year, LKR 410,290 was incurred by the company as Donations. (2019: LKR 84,200)

9.6. Capital Expenditure

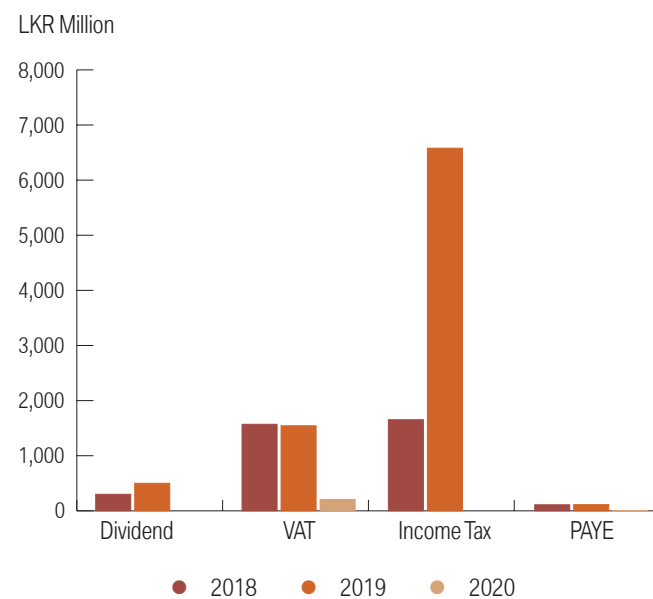
During the year under review, company has incurred LKR 2.2 Billion as capital expenditure compared to LKR 4.1 Billion in 2019. Investment on Property Plant and Equipment and Intangible assets are illustrated in note number 11 and 12 of Notes to the Financial Statements.

9.7. Contribution To Government

AASL continued to provide infrastructure and other necessary facilities required for other Government authorities such as Sri Lanka Air Force, Sri Lanka Customs, Sri Lankan Airlines, etc. for them to provide related service within the airport. These transactions and account balances are disclosed under Related Party transactions in note 32 of Notes to the Financial Statements on pages 118 and 119.

The contribution to the Government indirectly through the payment of taxes during the past 3 years are illustrated in below table and graph:

LKR Million				
Year	Dividend	VAT	Income Tax	PAYE
2018	300	1,570	1,653	110
2019	500	1,543	6,579	112
2020	-	207	1,618	7



9.8. Investments

Rupee value of Investment portfolio was decreased by LKR 1.6 Billion at the end of the year as presented in below table:

Description	As at 31.12.2020 (LKR Billion)	As at 31.12.2019 (LKR Billion)
Treasury Bills/Bonds	0.4	1.7
Short Term Bank Deposits	41.9	43.4
Long Term Bank Deposits	1.2	-
Investments in Debentures	5.6	5.6
	49.1	50.7

9.9. Stated Capital

The share capital of the company appeared in the Financial Statements comprised of ordinary shares of LKR 100/- each. The shareholding as at 31 December 2020 was as follows:

No of shares	Value (LKR)	Held by
200,000	20,000,000	Secretary to the Treasury
1	100	Secretary - Ministry of Tourism
1	100	Director General of Civil Aviation
200,002	20,000,200	

9.10. Events After Reporting Period

There have been no material events occurring after the reporting date that require adjustments to or disclosure in the Financial Statements as mentioned in note 33 to the Financial Statements on page 119.

9.11. Going Concern

With the outbreak of COVID-19 pandemic and the consequent business and movement restrictions, the company's operations were adversely affected from the mid-March 2020. The AASL adhered to all the health and safety guidelines stipulated by the Health Authorities in Sri Lanka. Based on the available information, the Management assessed the existing and anticipated post lockdown economic implications on AASL and the appropriateness of the use of the going concern basis.

Hence after making diligent inquiries, embracing the normal forecasting process and considering future prospects and risk potential, the Directors consider that AASL has adequate resources and committed borrowing facilities to continue in operational existence for the foreseeable future. Consequently, the Financial Statements have been prepared based on Going Concern basis.

9.12. Contingencies And Commitments

The details of contingent liabilities are disclosed in note 29 to the Financial Statements on page 117 and 118.

10. Information of the Board of Directors And Board Sub-Committees

10.1. Directorate

The appointment of the Chairman (Article 79) and Non-Executive Directors (Article 82) were in line with the Articles of Association of AASL. Chairman and Vice-Chairman held the Executive Director positions and all other Directors held the Non-Executive Director positions within the company.

10.2. Details of the Present Directors

Name	Position	Date of Appointment
Maj Gen (Rtd) G A Chandrasiri RWP USP VSV ndc psc	Chairman	12.12.2019
R Sooriyaarachchi	Vice Chairman	06.12.2019
A S C Warushahennadige	Director / Director Projects	12.12.2019
S N Sumanasekara	Director / Director Operations	12.12.2019
Eng S M A U S Manchanayake	Director	12.12.2019
C P Vitharena	Director	31.12.2019
D A De Livera	Director	31.12.2019
R A P Wijerathnasekara	Director	31.12.2019
W M Gihan Rashantha	Director	05.02.2021
G A A Priyantha	Director/ (Treasury Representative)	11.06.2021
D A P Weeratne PC	Director	02.03.2020
A H S Gunawardena	The Observer from State Ministry of Aviation & Export Zones Development	31.12.2019

10.3. Details of the Directors who Resigned During The Year 2020

Name	Position	Date of Appointment	Date of Resignation
PT Weerasinghe	Director	12.12.2019	10.09.2020
S D Karunaratne	Director	31.12.2019	25.02.2020

Apart from above Directors R M A Rathnayake (Director/ Treasury Representative) resigned on 27 April 2021.

10.4. Board Sub-Committees

The Board of Directors has appointed seven Sub-Committees, to assist the Board. The compositions of the above committees as at reporting date are as follows:

Sub Committee	Composition
Audit and Management Committee	G A A Priyantha - Chairman
	Eng S M A U S Manchanayake - Member
	D A P Weeratne PC - Member
	M K P Tennege - Convener
	S A D Dilrukshi - Observer - Superintendent of Government Audit
	V L Udugampala AAL - Secretary
HR & Remuneration Committee	R Sooriyaarachchi - Chairman
	A S C Warushahennadige - Member
	D A P Weeratna PC- Member
	A H S Gunawardena - Member
	M Ratnasinghe - Member
	K W Jayasekara - Member
Strategic Planning and Management Committee	W Hathurusinghe - Secretary
	Maj Gen (Rtd) G A Chandrasiri RWP USP VSP ndc psc - Chairman
	R Sooriyaarachchi - Member
	A S C Warushahennadige - Member
	S N Sumanasekara - Member
	Eng S M A U S Manchanayake - Member
	D A De Livera - Member
	K D Y Chandanie - Secretary

Risk Management Committee	D A De Livera - Chairperson
	Eng S M A U S Manchanayake - Member
	R A Pradeep Wijerathnasekara - Member
Digital, Infrastructure & IT Committee	K D Y Chandanie - Secretary
	Eng S M A U S Manchanayake - Chairman
	G A A Priyantha - Member
	A S C Warushahennadige - Member
	L Wijesiriwardane - Secretary
Revenue Generation Committee for All Airports	Maj Gen (Rtd) G A Chandrasiri RWP USP VSP ndc psc - Chairman
	R Sooriyaarachchi - Member
	A S C Warushahennadige - Member
	S N Sumanasekara - Member
	Eng S M A U S Manchanayake - Member
	C P Vitharena - Member
Financial Management Committee	D A De Livera - Member
	S S De Silva - Member
	D J U Purasinghe - Secretary
	Maj Gen (Rtd) G A Chandrasiri RWP USP VSP ndc psc - Chairman
	Eng S M A U S Manchanayake - Member
	D A De Livera - Member
	J A M D S S Abeywardena - Secretary

10.5. Disclosure of Directors Dealing in Shares or Debentures

Number of shares or debentures are held by any of the Directors.

10.6. Directors’ Interest in Contracts and Proposed Contracts

No Director was directly or indirectly interested in contracts or proposed contracts connected to the company’s business during the year under review.

10.7. Directors’ Remuneration and Other Benefits

The company has paid LKR 6.6 Million as Directors' emoluments for the year 2020 (2019 - LKR 11.8 Million).

There were two Executive Directors at the end of the year who were paid LKR 3.6 Million during the year as remuneration. This included all financial benefits namely Directors’ allowances, EPF, ETF, bonus, reimbursement of entertainment expenses, telephone and other allowances. Non-Executive Directors were paid an amount of LKR 3 Million during the year, being cost of travelling and Directors’ fees for attending Board meetings.

10.8. Restrictions on Loans to Directors

No Directors have obtained loans from the company during the financial year.

11. Corporate Governance

The Board of Directors are committed to maintaining an effective Corporate Governance Framework and implementing systems and structures required to ensure best practices in Corporate Governance and their effective implementation.

12. Statutory Payments

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the company, all contributions, levies and taxes payable on behalf of and in respect of the employees of the company and all other known statutory dues as were due and payable by the company at the reporting date have been paid or, where relevant provided for.

13. Annual General Meeting

The Annual General Meeting will be held at the Board Room of AASL, on 26 August 2021 at 3:00 p.m.

14. Acknowledgement

The Board of Directors takes pride in congratulating the Management team for completing another successful remarkable year of the company. It was a challenging year for the aviation sector

due to the imposition of travel restrictions as a result of COVID-19 global pandemic.

We place on record, our special gratitude to the Ministry of Tourism and other institutions those continued to assist the company in its endeavors being stakeholder and the regulator of the company.

Further, we would like to express our sincere appreciation and gratitude to all stakeholders involved and contributed towards the success of the company including our customers for the continuous trust placed on us. Last but not least, our gratitude goes to all AASL staff for their continued commitment, integrity, and hard work extended during this unprecedented challenging year.

By order of the Board

Maj Gen (Rtd) G A Chandrasiri RWP USP VSV ndc psc
Chairman

10 August 2021



Message from Director Operations

The battle with COVID-19 has only just begun with travel recovery highly dependent on how countries around the world manage border controls, the relaxation of air travel requirements and the development of viable medical treatments for the virus.

The vaccine and its results will decide the path for recovery in air travel largely. The future does appear daunting with the situation showing no signs of abatement. We are well prepared to face the challenges and navigate our airports through this tumultuous times.

Increasing demand for travel at Mattala Rajapaksa International Airport reflected in a steady growth in passenger traffic in the last quarter of financial year 2020. During this period, despite the pandemic, MRIA welcomed 4 new airlines (Ukraine International, Skyup Air, Scat Air & Air Astana) to add to the already regular Indigo Air and Maldives Air and added four new Eastern European routes for the winter season. This increase in passenger traffic translated to higher concessions at MRIA, resulting in small but encouraging growth as we steer MRIA towards a financially sustainable airport. We also rolled out various assistance schemes for partner airlines at MRIA such as, waivers and discounts on aero revenue. Furthermore, we installed the duty free at MRIA adding new revenue.

We have drawn and set up plans to establish a MRO facility, capturing the regional business in aviation. A cargo one stop shop has been planned and developed to be commissioned for the ease of the cargo goods facilitation at MRIA. This

assures our commitment and dedication towards creating a truly sustainable second international airport in Sri Lanka. Despite the headwinds MRIA is set to be an integral part of aviation in the Asian Region.

Operational Readiness and Safety

Following the completion of comprehensive audits, Airport Council International (ACI) awarded our Bandaranaike International Airport the Health Accreditation Certificate, which further shows our commitment towards safety and security for our employees and air passengers alike.

In our commitment to create a more inclusive airport, our Airport Management Team converted the processes within the terminal to suit the current pandemic where all health measures were adopted.

At the onset of COVID-19, our immediate priority was to safeguard airport workers and passengers. Precautionary measures such as temperature screening, enhanced cleaning and safe distancing were put in place, and we made it a point to go the extra mile to keep our airports cleaning standards high.

At the airfield, our Airport Operations Planning and Airside team was all-hands-on-deck to facilitate the parking of unused planes of home based Airlines.

Airport's concessionaires revenue is directly linked to passenger traffic, the drastic fall in passenger volume at the Bandaranaike International Airport due to COVID-19 has tremendously affected them and as a result our airports non-aero revenue experienced an unprecedented fall. To help them tide through this difficult period, various rental

assistance packages were provided for sustainability.

Even though passenger flights are now at the lowest levels in history, our airports continues to play a key role in the facilitation of cargo flights to enable global supply chain flow. We also continue to facilitate flights for returning overseas Sri Lankans.

As much as we serve our passengers, we are also committed to ensure the well-being of every airport worker. During the initial days of the crisis, when there was a supply crunch of items such as face masks and thermometers, AASL procured these as well as personal protective equipment (PPE) not just for our staff, but also those of our airport partners.

While these uncertain times have called for Airport and Aviation Services (Sri Lanka) (Private) Limited to explore new measures, what will stay the same is our pursuit of excellence, spirit of innovation, passion to serve passengers and care for people.

This has been and will continue to be the cornerstones supporting AASL's growth and development as we recover from the devastating impact of COVID-19.

The aviation industry remains promising in the long term as there is still a need and demand from people to fly again, both for leisure and business and rest assured our two main International Airports, Bandaranaike International Airport & Mattala Rajapaksa International Airport will be eagerly ready to welcome our air passengers for their intended air travel.

Shehan Sumanasekera

Director - Chief Operations - All Airports



Message from Director Projects

The identity of Airport and Aviation Services (Sri Lanka) (Private) Limited (AASL) has always been geared towards seeking future-focused developments.

With that in line, we are currently engaged in creating several key pieces of infrastructural developments that will change the way we experience aviation in Sri Lanka and I believe that is the way forward to creating curated experiences for anyone that enters Sri Lanka.

One of the major developments that will become the cornerstone of establishing a seamless and convenient travel experience in Sri Lanka with the eventual construction of Terminal 2 at the Bandaranaike International Airport, a uniquely envisioned infrastructural endeavour, that is devised to elevate the traveller journey to new-found heights. Despite the setbacks that the COVID-19 pandemic brought to the industry, the development is still roaring with life and is geared not just for the present climate but for future possibilities. We at AASL still believe and can opportunistically identify the prospects of aviation in the future and believe in how crucial it is for us to develop our facilities and overall travel experience.

The Terminal 2 project is currently undergoing its second phase of development and is separated formally into two components aptly titled Package A and Package B, where under Package A, a

multitude of passenger terminal buildings are being constructed and under Package B, we see the development of ergonomically designed remote apron and taxiways. The development of the Terminal 2 Project is commencing in tow of support from the Japan International Cooperation Agency (JICA), who will be the sole financial partner for this momentous project, as well as the reputed Taisei Corporation known for their efficient and systematic constructions, who will act as the primary contractor for the entirety of the project. The total investment of this epoch-making project is valued at an estimated total of USD 580 Million (LKR 116 Billion). It is also important to mention that the project will be carried out under the dutiful care and supervision of the Ministry of Tourism.

The worldwide impact is just a few thoughts away and with the correct utilization of technological advancements and the careful study of global trends, it would be remiss if we weren't as ecstatic as we are about this project. We are constantly involved in the research and implementation of aesthetic and ergonomic features that may herald our airports in a new limelight. Despite the challenges brought by the current situation, we are still optimistic about the future and the vast potential an avenue like this may hold.

I feel honoured to be placed in charge of unfolding such momentous developments and I am beyond excited to see what further

creative endeavours we can embark on to herald Sri Lanka at the vanguard of aviation globally.

Aruna Warushahennadige

Director-in-charge,
Aviation Projects - All Airports



Message from Director Risk Management

As the Chairperson of the Risk Management Committee and the first formally appointed Director to hold this position, I believe that the presence and implementation of robust risk management policies that cover any present and potential risks is an essential component for any organization to survive and protect their future.

In the recent past, we have become more confident in understanding potential threats and how to effectively mitigate risks. Furthermore, we have a strong corporate governance mechanism that specifically focuses on efficacious risk management strategies which enhances our capabilities even further, propelling us to reach our goals.

Despite the present circumstances, we have engaged in different substitutes to minimize and survive in the industry given the difficult pandemic situation. One of our primary concerns has been to safeguard our employees and the society at large from the risks that have arisen during the COVID-19 global pandemic. I am proud to say that the AASL staff have all worked together to overcome these risks and none of the country's airports were ever shut down during this period despite the imposed travel restrictions. We used agile working strategies to maintain the required work flows and ensure that all essential travel requirements were met along with the required cargo movements. An appointed sub-committee has been constantly looking into ways and means of upgrading

and enhancing work from home (WFH) facilities whilst enhancing remote locations operational procedures for seamless and efficient operations at all our airports by simplifying the present workflows in order to make it more appealing to meet the business requirements and manage the interim period until the Enterprise Resource Planning system's (ERP) go-live.

Maintaining staff motivation and keeping staff engrossed in this difficult time has been another challenge and we initiated a series of news bulletins to enlighten staff on present happenings while a quiz session was also rolled out titled "Brain Champs Quiz" to build staff commitment and competitiveness with better inter-department relations.

Another working committee was assigned with the task of conducting an in-depth transport analysis of AASL staff transport mechanisms to manage efficiency of the transport system to make it both cost effective and safe while taking into consideration MOH guidelines for quarantine and area wise travel restrictions that have and are being imposed from time to time.

The aviation industry as a whole has been affected from the adversities brought by the COVID-19 pandemic and we have painstakingly channelled our efforts to protect the health and wellbeing of the employees and stakeholders. We will

continue to build their trust towards this endeavour by considering the stakeholder's objectives at all times. In this endeavour we have initiated many information gathering platforms and dashboards to manage concessionaire operations and our valuable tenants. We also initiated a Point of Sales (PoS) system to better manage our non-aero revenue whilst improving the mechanisms for debt management.

We are confident that we are strong enough to face any uncertainties while mitigating the risks and engaging in new business opportunities. In view of this, the committee has actively engaged in many development activities during the year 2020 for the betterment of the overall operational flow and strengthen the Risk Management Framework of the organization. To actively manage and oversee protocol issuance and feedback, Risk Management Committee meetings have been held on a monthly basis which is supported by the appointment of committee members from each division to inculcate the right Risk Management culture at AASL.

The first official Risk Management diagnostic survey was carried out in May 2020 with the assistance of an independent, professional consultant to assess the risk awareness level of employees within the Risk Management framework and mechanisms that exist at AASL. The Risk Register at AASL was also further classified and updated to identify

any accountable personnel and entities, thereby mitigating the potential risks that may arise at varying intervals, more so given the current global situation.

We are happy to say that we initiated the development of a Board Management Software Solution that would improve the efficiency of Board Meetings conducted while maintaining support for an agile working process. Currently it is undergoing testing with the guidance and direction of the Board of Directors. The Risk Management Committee has also initiated post COVID-19 media campaigns which are set to enable speedy recovery of business operations. At the same time, we strengthened our in-house communication platforms to keep staff reminded of effective and essential safety requirements during this time.

In order to provide a greater service to our valuable stakeholders and travellers, we are tracking the complaints through an updated Complaint Management System (CMS). The existing CMS was modified with the support of our in-house IT division and is now under testing stage by the different user divisions. Additionally, this will allow the correct delivery and direction of complaints as well as act as a mediatory mechanism to provide appropriate feedback to the stakeholders. This will enable our valuable travellers to make real time complaints and/or provide feedback while allowing the Management to track how such complaints/feedback is processed and handled. We consider feedback from employees an essential component to identify the risks that we are facing from an internal perspective, which is vital to ensure the constant improvement of the organization. An internal communication barrier between teams was identified and addressed through cross-functional team communication, that involved an active conversation between teams addressing minute details which would thereby strengthen the teams communicational core.

Mitigating information technology related risks is a vital task of any organization, especially noting the scope of the aviation industry which needs to consider technology risks such as cyber security, loss of information and other pertinent risks associated with misuse of technology. Similarly, we consider climate change to be an important aspect and as such we formed a sub-committee to advice the core team on strengthening the Business Continuity Planning (BCP) and Disaster Recovery Planning (DRP) practises in situations which arise from climate change, weather patterns & natural disasters that affect all our aerodromes. Another major concern is the wildlife threat which is a constant source of concern and a working committee was appointed to provide the best solutions to minimize the risks faced at the aerodromes bearing in mind the wellbeing of the animal and birdlife.

As stated above, I am pleased to say that we have delivered many innovative solutions to AASL to enhance the success and ensure the overall performance of the company is maintained and further strengthened. The Risk Management framework is aimed at facing potential risks irrespective of it being operational, tactical or strategic by identifying, analysing and mitigating the risk factors. All efforts have been conceptualized and carried out in pursuit of our vision whilst fulfilling our stakeholders' objectives and I take this opportunity to thank my co-chairs and the very committed and dedicated team who has worked tirelessly to achieve the set goals.

I am delighted to present this message to the Annual Report for the year 2020. Furthermore, as an industry person who has worked for several international airlines and local companies, I wish to add that I am humbled to have been presented with this opportunity to serve and be a part of our nations aviation industry. I bring with me a level of enthusiasm to take AASL to a higher level by contributing to the best of

my abilities through the Risk Management Committee as I believe that efficacious risk management is an essential element of the organization as we strive towards achieving its vision.

Deirdre De Livera

Director & Chairperson of the Board Subcommittee for Risk Management

Report of the Audit and Management Committee (AUMC)

The primary role of the AUMC is to assist the Board of Directors (Board) in performing its oversight responsibilities. The AUMC is appointed by and responsible to the Board.

The Composition of the Audit and Management Committee (AUMC)

The members of the AUMC are appointed in accordance with the provisions prescribed in the Public Enterprise Circular (PED) No. 55. The Board appointed AUMC comprised of three (03) Independent Non-Executive Directors who conduct committee proceedings in accordance with the Committee's Terms of Reference (TOR) approved by the Board. The Committee's composition for the year ended 31 December 2020 was as follows:

Committee Member	Member since	Position
R M A Ratnayake – Treasury Representative	16.01.2020	Chairman
Eng S M A U S Manchanayake	12.12.2019	Member
D A P Weeratne PC	23.10.2020	Member
P T Weerasinghe	12.12.2019 & resigned on 10.09.2020	Member

Meetings

The AUMC met on four (04) occasions during the year 2020 despite the minimum requirement to hold at least two (02) meetings, by the Department of Management Audit due to COVID-19 pandemic situation prevailed in the country. The Attendance by the Committee members of AUMC is given below:

Name of the Director	Number of Committee meetings attended
R M A Ratnayake	04
Eng S M A U S Manchanayake	04
D A P Weeratne PC	03
P T Weerasinghe	01

The proceedings of the AUMC meetings were recorded with adequate details and reported regularly to the Board of Directors as required by the AUMC Charter approved by the Board.

Mandate and Role

The AUMC recognized the mandate provided by the Section 41 of National Audit

Act No. 19 of 2018 and the Circular PED 55 dated 14th December 2010 in discharging its responsibilities. The AUMC assisted the Board in fulfilling its general oversight of financial reporting, quality assurance, financial risk management, system of internal controls, internal and external audits.

Terms of Reference (TOR)

During the financial year, the Audit Committee Charter was approved by the Board. The Committee is governed by the specific Terms of Reference (TOR) which was prepared in terms of the Public Enterprise Circular No PED 55 and approved by the Board. The AUMC focuses on the following objectives in discharging its responsibilities as per TOR and the requirement of the Government.

1. Determine the scope and the responsibilities of the Internal Audit Division.
2. Review and approve the annual audit plan and the work programme. Annual audit plan to be prepared by the Internal Auditor in consultation with the Auditor General (External Auditor).
3. Review and evaluate the internal control systems for all the activities of the entity.
4. Liaise with External Auditors and follow up on Auditor General's Management Letter and the management's response to the same.
5. Review of preliminary internal financial statements including budget review reports.
6. Review of annual financial statements for compliance of accounting standards and financial reporting standards.

7. Interaction with the Internal Auditor and External Auditors.
8. Ensure that the senior management staff is familiar with the statutory and other rules and regulations and review their compliance of statutory and other rules and regulations.
9. Review internal auditors' report/ queries regularly and ensure prompt action taken by each head of the divisions on shortcomings pointed out.
10. Review external auditors' report/ queries and take corrective measures as may be required to avoid repetition.
11. Review the implementation of recommendations of the Committee on Public Enterprises (COPE) and Monitor actions/ ratifications on them from time to time.
12. Review the continuing impartiality of the Internal Auditors and their effectiveness.
13. Review the Internal/External Audit Reports, Management Letters and the recommendations of COPE and help the Board to take remedial actions.
14. Assist the Board to introduce and implement adequate internal control system.
15. Meet at least once in three months and report its recommendations to the Board of Directors soon thereafter, along with the minutes of the meeting to facilitate taking corrective measures.

ACTIVITIES IN 2020

Activities Relating to COVID-19 Outbreak

The global outbreak and spread of COVID-19 from March 2020 has caused disruptions to AASL operations and also widespread uncertainty not only in Sri Lanka but also among all countries around the world.

Under these circumstances, AUMC recommended to the Board to take immediate actions especially on the following areas:

- To explore the possibilities of identifying other possible sources of Revenue for the company.
- To apply stringent measures on expenses allowing only essential expenses, procurement to incur for the survival of the business.
- To review and closely monitor the expenditure programs with budget at regular intervals and to initiate necessary action suitably for the curtailment/postponement of those expenses which could be easily postponed and to meet the essential expenses.
- To make sure that substantially dwindling revenue is properly accounted and collected timely.

AUMC also initiated necessary steps during the period of COVID-19 to ensure further strengthening of Internal Controls over financial reporting process to ascertain whether provisions were accurately captured.

During the financial year, as per the guidance of the Committee, Management took corrective measures to rectify some of the long outstanding issues which had been considered by the External Auditor as main constraints/limitations for expressing an appropriate opinion on the conformity of the Financial Statements with the Sri Lanka Accounting Standards.

Financial Reporting

The Committee reviewed the effectiveness of the Financial Reporting System in place in order to ensure reliability of information provided to the stakeholders during the reporting period. The Committee assisted the Board of Directors to discharge their responsibility for the preparation of true and fair Financial Statements in accordance with the books of account and Sri Lanka Accounting Standards. The Committee reviewed the adequacy and effectiveness of the internal control system and procedures to provide reasonable assurance that all

transactions are accurately and completely recorded in the books of account. The Committee reviewed interim Financial Statements prepared on monthly basis together with supporting information that included significant assumptions and judgments made in the preparation and presentation of Financial Statements. Also, Committee reviewed draft Financial Statements prepared for the year ended 31 December 2020, Draft Budget prepared for the year 2021 and Corporate Plan for 2021-2023 before submitting them to the Board.

Having assessed the prevailing Internal Control systems and procedures, the Committee is of the view that adequate controls and procedures are in place to provide reasonable assurance that the financial position of the company is well monitored and accurately reported.

Internal Controls

The AUMC assessed the effectiveness of Internal Control over financial reporting for the year ended 31 December 2020. This process assessed the adequacy and effectiveness of the Internal Controls in order to mitigate various risks and to ensure compliance with laws and regulations. The AUMC ensures that appropriate action is taken by the Management on the recommendations of the Head of Internal Audit & Quality Assurance (IA&QA) to improve the effectiveness of the Internal Control systems of AASL. The basis of Internal Control framework enables the Board of Directors to pursue its functions and take necessary measures.

Internal Audit

The Internal Audit (IA) function is an independent and objective assurance function which supports AASL in improving its overall control framework. The IA function contributes to the maintenance of systematic and disciplined approach to evaluate and improve the design and effectiveness of AASL's Risk Management, Control and Governance processes.

The AUMC ensured that Internal Audit function is independent of the control of

those who are responsible for actually carrying out the financial and accounting operations of AASL, as well as those who engaged in the execution of schemes and projects or performance of works and services rendered by AASL in line with Good Corporate Governance practices and that it is performed with impartiality, proficiency and due professional care. The AUMC monitored and reviewed the scope, resources, extent and effectiveness of the activities of IA&QA Division.

The AUMC reviewed, assessed and approved the Annual Internal Audit Plan for the year 2021. The AUMC also reviewed and monitored management's responsiveness to the significant audit findings and recommendations of the Internal Audit.

External Audit

As per the Article 154 (1) of the Constitution (19th Amendment), the Auditor General has been empowered to carry out the external audit of AASL. Accordingly, the Auditor General acts as the External Auditor of the company for the year ended 31 December 2020. AUMC closely liaises with External Auditor who is responsible for expressing an opinion on the conformity of the financial statements with the Sri Lanka Accounting Standards.

The External Auditor as an independent observer was invited for all AUMC meetings, which enabled the Committee to bear their views and discuss their insights on regulatory and compliance requirements and control or procedural weaknesses if any.

Good Governance

The AUMC could contribute immensely to promote the Good Governance, proactive culture in AASL by educating the importance and necessity to follow the regulatory requirements such as PED circular etc.

Conclusion

In its exertion, the AUMC has sought to balance independent oversight of the AASL's businesses with the support and guidance to the Board of Directors to fulfill their obligations and responsibilities in relation to financial reporting processes, adequacy and effectiveness of internal control systems, external audit and AASL's process for monitoring compliance with laws and regulations. The Committee believes that there are many reasons for the AUMC to be confident that it has carried out its duties successfully and to a high standard during the year, thereby helping to enrich the value of the company.

Chairman – Audit and Management
Committee (AUMC)

10 August 2021



Senior Management Team



Seated - Left To Right

- 1 U S Jagoda- Head of Civil Engineering (Maintenance)
- 2 S P Palagama - Acting Head of Mechanical Engineering
- 3 M K P Tennage (Mrs) - Head of Internal Audit & Quality Assurance
- 4 K H C Kumarasinghe - Head of Intelligence & Security Operations
- 5 N C Abeywardena - Head of Air Navigation Services
- 6 U J Lokuarachchi - Head of Information Technology



Standing - Left To Right

- 7 S S De Silva- Head of Marketing & Corporate Communication
- 8 K D Y Chandanie (Mrs) - Head of Strategic Management
- 9 S D A S Nishantha - Company Medical Officer
- 10 S M D Wijesooriya - Head of Fire & Rescue Services
- 11 U M Weerawardena - Acting Head of Electrical Engineering
- 12 M C G Mahipala - Head of Human Resources (Not in picture)

Senior Management Team



Seated - Left To Right

- 1 A I B Karunaratne - Head of Projects
- 2 H A A K M Seneviratne - Head of Civil Aviation Training
- 3 M Ratnasinghe (Mrs) - Head of Legal
- 4 H S Hettiarachchi - Head of Airport Management
- 5 J M De Croos Rubin - Head of Architecture, Landscaping & Interior Design
- 6 D J U Purasinghe - Head of Commercial & Properties

Standing - Left To Right

- 7 J A M D S S Abeywardena - Acting Head of Finance
- 8 J K Rathninda - Head of Electronics & Air Navigation Engineering
- 9 H P L Sirimanne - Head of Supply Chain Management
- 10 R W L B Medawewa - Head Of Cargo And Air Freight Management
- 11 Maj Gen (Rtd) A P Pallawela - Strategic Security Adviser for all International Airports of AASL (Not in picture)

Management Discussion and Analysis

"IN PURSUIT OF OUR VISION" Materializing Triple Bottom Line

Seeing what is invisible to others through insight, hindsight and foresight

Global vs Sri Lankan Context

The outbreak of the COVID-19 disease has created greater challenges to the global economy. The change in the behaviour of passengers due to the COVID-19 pandemic, travel restrictions and the subsequent economic crisis have resulted in adverse reduction in demand for airline services and for airport operations. According to International Civil Aviation Organization (ICAO), the whole world has experienced a 60% reduction in global air passenger traffic in the year 2020. The number of passengers boarded by the global airline industry dropped to 1.8 Billion. As of 18 May 2020, most of the world destinations have imposed travel restrictions within their countries. Further about 85% destinations have completely or partially closed their borders for international tourism, while 11 destinations (5%) have suspended completely or partially for international flights. As per ICAO based on the data of World Travel and Tourism Council (WTTC) that there was a loss of 197 Million jobs in travel and tourism sector in the year 2020. International Air Transport Association (IATA) has measured a 65.9% decline of revenue passenger kilometres in 2020 compared to 2019.

In Sri Lankan context, unprecedented challenges derived from the COVID-19 pandemic severely affected to the whole country. Sri Lankan economy recorded a negative growth of around 3.6% in 2020 including all industries compared to 2.3% growth in 2019. In 2020 there was a

reduction of 76% of passenger movements in international airports in comparison to 2019 while there was a reduction of 64% in overflying movements.

Contribution of AASL as the Civil Airport Operator in Sri Lanka

Airport and Aviation Services (Sri Lanka) (Private) Limited (AASL) as the civil airport operator in the country, has been playing a vital role in facilitating airport operations while adhering to the guidelines of Sri Lankan Health Authorities. Accordingly, we have successfully continued all AASL's operational functions smoothly with due importance being given to social distancing and proper disinfection processes. Meantime AASL has been working hand in hand with all other key stakeholders to ensure the continuity of its business operations by offering multiple concessions during this difficult time.

Furthermore, AASL supported Sri Lankan economy by playing a key role in contributing the needs of the cargo industry, by handling 150,075MT of cargo through BIA and MRJA during the year 2020.

AASL teamed up together with airlines operating at both BIA and MRJA and worked throughout this global crisis to support our own under the instruction of the Government of Sri Lanka (GoSL) and Health Authorities. Accordingly, over 82,000 Sri Lankans stranded around the world have been brought back home.

Navigating through 2020 with equal concerns over Triple Bottom Line – 3 Ps (Profit, People and Planet)

Despite all the challenges created by the COVID-19 global pandemic, AASL is in pursuit of its vision while ensuring meeting sustainability aspirations across Profits, People and the Planet as depicted in Figure 01 underneath. Throughout the year 2020, AASL adopted five pillars to ensure that overall sustainability is maintained.

1. Capital and Commercial Project focus
2. Efficiency/ Productivity drive
3. Service Quality
4. Safety
5. Security

Sustainability Perspective based on Triple Bottom Line – 3 Ps

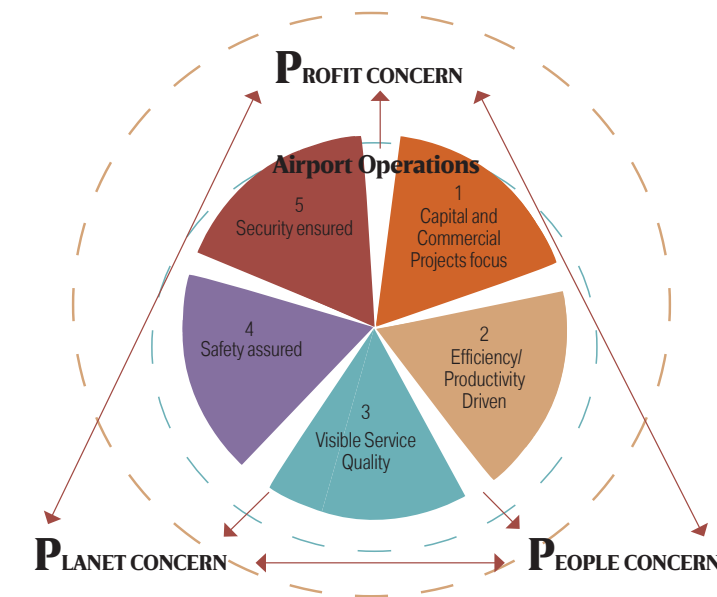


Figure 01: Organizational Perspective and Airport Operations

01. WINNING THE EPIDEMIC WITH BOOSTED COMMERCIAL AND CAPITAL PROJECTS

During the pandemic, the core business of almost all airports in the world got severely affected. Finding new short and medium-term solutions were key in pursuing the vision. The common and the most popular theme amidst the COVID-19 pandemic situation among many corporates are "just to survive" without initiating any innovations. Moving into the complete opposite direction, the AASL sphere headed into many new commercial ventures throughout the year 2020 with the vision of developing better atmosphere for passengers in post COVID-19 era. In addition, collaborative discussions were initiated to attract new airlines.

Revamping MRJA with a New Strategic Vision

MRJA has been identified for development under His Excellency, President Gotabaya Rajapaksa's vision: 'Vistas of Prosperity and Splendour' and under the Government's policy to develop international airports in Sri Lanka. MRJA has shown its development during a short period of time with many passenger movements. In 2020, MRJA handled 17,421 passenger movements and 349 Aircraft movements.

Remarkable Interest of Airline Representatives to MRJA

With the renewed aspirations for MRJA to 'Be an Exotic Tourism Based Destination', a delegation representing airlines had an official visit to MRJA on 3 June 2020. The main objective of this familiarization tour was to raise awareness of the airline operators on the strategic marketing opportunities at MRJA and to explore the possibilities of commencing new airline routes from MRJA to key Asian and European travel destinations. Under the development plan of the present Government, AASL took strategic steps to attract international airlines and re-commence international flight operations from MRJA offering attractive incentives to airlines. A special Cabinet Paper was submitted to grant concessions to scheduled international airlines on Landing and Parking Charges and waive off the Embarkation Levy from tourists. As a promotional incentive, a complete waive-off of the Embarkation Levy of USD 60 per person at MRJA was granted for two years and Landing and Parking Charges for scheduled international airlines were waived off for one year.

MRJA is Poised to Become a Hub for International Ship Crew Changes

Because of the strategic location, improved service levels of international airports, seaports and service providers, Sri Lanka is becoming a popular destination in



Visit of State Minister Hon D V Chanaka to MRJA

the international maritime and aviation industries. Another key factor behind this has been the developed road network connecting the airports and the seaports such as the Magampura Mahinda Rajapaksa International Seaport and the Galle Harbour. The fully-fledged Magampura seaport can serve ships sailing along the East-West shipping route six to ten nautical miles (19km) off the coast of the south of Hambantota by providing bunkering, ship repair, ship building and crew change facilities, etc.

Since the COVID-19 pandemic has been controlled within the country in the year 2020, Sri Lanka has been able to come to the aid of the international shipping community by being a safe location for facilitating the change of ship crew, which is critical for the safe operation of ships. Considering this opportunity, MRIA, the largest international airport serving Southeast Sri Lanka, is poised to become a hub for international ship crew changes.

Special Charter passenger flight, Boeing 767-300 ER, operated to MRIA from Amsterdam with the purpose of transferring 235 crew members to a cruise ship anchored at Galle Harbour in Southern Sri Lanka. Indigo Airlines operated 148 flights to MRIA in 2020 and these flights were mainly operated for repatriation missions and international ship crew changes. Air Asia Philippines (Z2) marked its first flight to Sri Lanka on a ship crew exchange mission to repatriate Filipino seafarers. This is also considered the first-ever charter flight launched by the Air Asia group to Sri Lanka in support of the repatriation efforts.

MRIA to Boost Cargo Exports

A delegation of cargo exporters, associations, and airline representatives arrived MRIA on 11 September 2020. The objective of this familiarization and awareness-building program was to explore the possibility of utilizing the strategic opportunities to boost cargo exports from Sri Lanka and to utilize the geo strategic positioning of MRIA as a transshipment hub in the region.

Major Development Projects of AASL

When the entire world is suffering from the COVID-19 pandemic, AASL has been anchored enough to overcome the challenges and strong enough to proceed with the plans and objectives to reach our vision of the “Friendliest aviation partner in global connectivity towards a sustainable economy”. Accordingly, even under these challenging circumstances, AASL carried out the long-term planned projects successfully.

New Extension to the Navigational Services Complex Building at BIA, Katunayake

AASL completed the New Extension to the Navigational Services Complex Building on 27 January 2020 with a total contract price of LKR 190 Million. The building comprising of three floors with a total floor area of 2,658m² to provide additional office space for the Air Navigation Services Division and Electronics and Air Navigation Engineering Division to enhance the service level of the AASL.

Refurbishment of the existing Asian Aviation Hangar at Colombo Airport, Ratmalana

AASL has completed the refurbishment of existing Asian Aviation Hangar at Colombo Airport, Ratmalana on 27 July 2020 with a total contract price of LKR 16 Million. The Project was done to fulfil the long outstanding need for refurbishment of the Hangar. The Project was to change the structure of the Hangar, modification of portal frame structure and wall cladding to facilitate aircraft maintenance at the Colombo Airport.

State of art infrastructure projects to achieve safe and reliable aerodrome and air space operation

AASL has initiated the number of projects to ensure air traffic safety, improve operational capacity and efficiency and to comply with ICAO recommendations & guidelines on communication, navigation, surveillance

and security screening aspects. Airports will be equipped with state-of-the-art system infrastructure via these system installation projects initiated as life cycle replacements as well as to comply with ICAO guidelines. AASL has progressed with below listed projects during the year 2020 despite the restriction applied due to the COVID-19 pandemic situation.

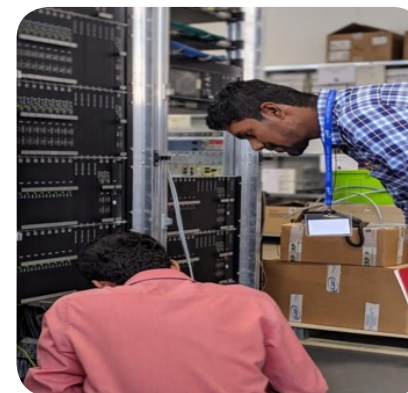
1. Supply, installation and commissioning of Air Traffic Management (ATM) System at BIA.
2. Supply installation and commissioning of Aeronautical Information Management System.
3. Upgrading Communication systems at BIA and CIAR.
4. Supply, installation and commissioning of Secondary Surveillance Radar at Pidurutalagala.
5. Supply, installation and commissioning of Automatic Weather Observation System (AWOS) and Airport Terminal Information System (ATIS) at BIA.
6. Establishment of Microwave Radio Link between BIA and Pidurutalagala (PID).
7. Voice Recorder System for CIAR.
8. Upgrading of Air Traffic Controller (ATC) displays of ATM at CIAR.
9. Capacity Upgrading of CIAR - PID Microwave Radio Link.
10. Supply, installation and commissioning of Baggage X-Ray Machines at BIA and JIA.
11. Supply, installation and commissioning of Explosive Detection System (EDS) for Cabin Baggage at BIA.

Replacement of Existing Communication Systems at CIAR and BIA

This was initiated to replace the existing legacy Voice Communication Switching Systems at CIAR and BIA with new equipment and latest technological advancements. ATC communicates with pilots via radio communications and with many ground staff categories via radio

and telephone communications. Voice Communication Switching Systems (VCSS) integrate all such complex Air/Ground communication sessions used by the ATC, into a small touch screen where Air Traffic Controller can dial or answer by just touching one simulated button. The new VCSS uses Voice over IP (VOIP) technology as the core method of handling voice sessions.

One of the advantages of using this new VOIP technology is the assurance of the integrity of complex voice networks which results from effective bandwidth utilization, high quality of service and fast fault recovery. Electronic and Air Navigation Engineering (E&ANE) Project Management Team has prepared the specifications as per the desired design and system architecture and a suitable competitive supplier has been selected after following the International Competitive Bidding process. Accordingly, AASL has signed the contract agreement with Special Impianti Telescriventi Telefonici Interni (SITTI) SpA, a telecommunications equipment supplier in Italy who is among the leading VCSS manufacturers in the world to supply, install and commission this new system. The project has already commenced, and several milestones have been successfully achieved under the purview of the Project Management Team of the E&ANE Division.



E&ANE technical team undergoing their hands-on practical training at the factory of SITTI, Italy

Annual Flight Inspection and Flight validation

Flight Inspection (FI) of radio & visual navigational aids such as Instrument Landing System (ILS), Doppler VHF Omnidirectional Range (DVOR), Precision Approach Path Indicator (PAPI) lights and Distance Measuring Equipment (DME) utilized by international airports and Flight Validation of procedures annually is a mandatory requirement as per Standards and Recommended Practices (SARPs) stipulated by the ICAO and regulations stipulated by CAASL.

However, it was initially identified that execution of such an operation for the year 2020 would be questionable due to regulatory constraints put in place against the COVID-19 pandemic. Further it was identified that conducting this activity subject to a quarantine of foreign crew is not desirable due to tight time-line and financial impact.

Considering all these facts and the importance of this operation, under the direct guidance of Maj Gen (Rtd) G A Chandrasiri RWP USP VSP ndc psc - Chairman of AASL, a special exemption for mandatory quarantine procedure was requested. After delivering an in-person explanation to the Chief Epidemiologist, a special exemption to mandatory quarantine procedure was granted by the Director General of Health Services subjected to strict adherence to a set of guidelines.

Under prevailed challenging conditions, the whole operation would not have been a success without the most thoughtful contributions and assistance from several organizations such as Sri Lanka Air Force, Ministry of Defence, Ministry of Health, Ministry of Foreign Affairs, National Operation Centre for Prevention of COVID-19, Civil Aviation Authority of Sri Lanka, SriLankan Airlines and Ceylon Petroleum Corporation.



E&ANE team attend at calibration with Radio Navigational Aids

Strengthening Baggage Screening Facilities at BIA

To cater to long-overdue requirement of strengthening baggage screening facilities at BIA, AASL has invested more than LKR 195 Million on X-ray screening machines and Explosive Trace Detector (ETD) while enhancing passenger convenience by increasing the baggage screening throughput and reducing passenger waiting time.

According to the CAASL, all these state of art systems are complying with European Civil Aviation Conference (ECAC) Department for Transport UK (DFT UK) and Transport Security Administration USA (TSA) and National Security standards. Two Advanced Cabin Baggage X-Ray (ACBX) Machines and four Cargo X-Ray machines and ten Explosive Trace Detectors (ETD) have been installed at BIA as a direct investment following International Competitive Bidding (ICB) process.

Installation of a In-house manufactured Status Monitoring Systems for High Frequency (HF) transmitting Station, Attidiya

Another AASL in-house production was successfully designed, fabricated and installed while saving a considerable amount of money to the company, by two young Air Traffic Safety Electronic Engineering Officers (ATSEEO).

High Frequency is the main communication mode to facilitate the operation of Aero Mobile Communication Centre to cover flight information region beyond and up to Flight Information Region (FIR) boundary to exchange information with aircraft. The HF transmitters are installed at this premises and with use of this system, temperature and humidity condition is continuously monitored and alarms if it exceeds the defined threshold.

Microwave communication equipment installed at HF Transmitting Station at Attidiya provides air navigation services at Colombo FIR and is the main backbone of the communication network maintained by AASL. The most essential voice and data information (such as RADAR, ADS-B, AMHS) which are vital for the operation of the Area Control centre at CIAR and Approach Control centre at BIA have exchanged via this link.

With the introduction of these two new systems, the Duty Officers are facilitated with remote monitoring facility and status alarms in the events of power failures, communication failures and high temperatures situations.

Ongoing projects of AASL

BIA Terminal 2 Project

Moving ahead with His Excellency the President, Gotabaya Rajapaksa's vision "Vistas of Prosperity and Splendour", AASL fully geared up to develop the international airports in Sri Lanka.

By identifying the long-term delays and prioritizing the implementation of the BIA Terminal 2 construction project the ground breaking ceremony of the new Terminal-2 of BIA was ceremonially launched by His Excellency Hon Mahinda Rajapaksa, the Prime Minister of the Democratic Socialist Republic of Sri Lanka, and His Excellency Akira Sugiyama, the Ambassador of Japan to Sri Lanka on 18 November 2020 with the participation of Hon Prasanna Ranatunga - Minister of Tourism, Hon DV Chanaka - State Minister of Aviation and Export Zones Development,

other Members of Parliament, Maj Gen (Rtd) G A Chandrasiri RWP USP VSP ndc psc - Chairman AASL, Rajeevasiri Sooriyaarachchi - Vice Chairman of AASL, Aruna Warushahennadige - Director AASL / Director in charge Projects, Board of Directors of AASL, Upul Dharmadasa - Chairman CAASL and other distinguished guests.

On completion, the new terminal will be able to handle 9 Million passengers per annum and it will increase the total passenger handling capacity at BIA up to 15 Million passengers per annum.

The Terminal 2 project will facilitate the Government's Vision of transforming Sri Lanka whilst new terminal construction will uplift the international standards of BIA as a world-class airport reflecting the unique and dynamic Sri Lankan culture.

The commencement of BIA Terminal 2 will be a giant step towards becoming an aviation hub in the region. The project consists of the construction of a new multi-level terminal building where arrivals and departures are segregated vertically. The BIA Terminal 2 will be constructed

under the concept of smart airports and the successful completion of this project will enable to create a pleasant travel experience for both local and international travellers. The added facilities such as multi-storied car park, new airport lounges, gate lounges, connected multi-mode transport services, etc. would create much more passenger convenience and experience. The total floor area in the new terminal will be 185,000m² and along with the terminal, the total floor area will be increased upto 275,000m². The passenger check-in counters will be increased upto 149 with the addition of 96 new counters. In addition to that, 32 new Departure Passport Control counters, 56 new Arrival Passport Counters, 16 contact gates, 10 bus gates, 6 new airline lounges, 7 new baggage claim carousel, 7 baggage make up carousels and 23 to 28 new aircraft parking bases will be added to the new terminal.

The project is scheduled to complete within three years. Japan Airport Consultants, Inc. and Nippon Koei Co., Limited (JAC/NK) are the consultants of the project and Japan International Cooperation Agency (JICA) is the funding partner. TAISEI Corporation, Japan is the Contractor for this project.



Official discussions on matters related to workforce mobilization plans

Existing Facilities & Proposed Facilities of the Project (BIADP PII S2)

Type	Existing Terminal (T1)	New Terminal (T2) (Package A & B)	Total (After Completion of BIADP PII S2)
Floor Area (m ²)	90,000 m ²	185,000 m ²	275,000 m ²
Check-in Counters	53 nos.	96 nos.	149 nos.
Departure Passport Control Counters	21 nos.	32 nos.	53 nos.
Air-side Security Control Positions	8 Positions at Pier No.1 2 Positions at Bus Gate	20 Positions at Pier No.2 and No.3	30 Positions
Contact Gates	8 nos.	16 nos.	24 nos.
Bus Gates	6 nos.	10 nos.	16 nos.
Airline Lounges	4 nos.	6 nos.	10 nos.
Arrival Passport Control Counters	27 nos.	56 nos.	83 nos.
Baggage Claim Carousels	6 nos.	7 nos.	13 nos.
Baggage Make-up Carousels	3 nos.	7 nos.	10 nos.
Aircraft parking bases	26 nos.	23 nos. – 28 nos.	49 nos. – 54 nos.

02. WINNING THE EPIDEMIC WITH EFFICIENCY/ PRODUCTIVITY ENHANCEMENT

In a crisis, managing an organization efficiently and achieving greater productivity are the key challenges. COVID-19 had an immediate, dramatic impact on all key performance indicators of the airport and the macro yield on the Sri Lankan aviation industry. Air travel declined sharply and the whole airport operations were severely challenged completely due to COVID-19 pandemic. Accordingly, the unexpected and dramatic effects of COVID-19 hit the normal operations of Sri Lanka's main international airports. The operations of BIA, MRIA and the other civil airports namely CIAR, JIA and BTIA got affected due to reduced flight movements caused by the suspension of air services by regulatory authorities in

Sri Lanka and around the world. However, the AASL as the civil airport operator in the country never shut down any of the main operations at our airports during this pandemic period.

Efficiency enhancement reflected through Financial and Operational performance amidst COVID-19 Pandemic

Despite the COVID-19 pandemic, BIA handled 2,375,056 passenger movements, 20,881 aircraft movements and by playing a key role in supporting the needs of the cargo industry, BIA handled 150,075 MT of cargo during 2020. Remarkably, even under COVID-19 pandemic affected scenario if BIA was taken in isolation it earned a profit as of 31 December 2020. This was a very impressive finding in terms of productivity enhancement.

Further, amidst these challenging conditions, AASL was able to revive MRIA, by handling 17,421 passenger movements, 349 aircraft movements, and 90 MT cargo during the year 2020. This was recognized by both local and international aviation communities. MRIA proved its strategic importance in a crisis by facilitating the Government's repatriation program to bring the loved one's back home.

Efficiency enhancement through Capital infusion and refurbishments

Despite the pandemic situation, there were many projects initiated out to enhance the efficiency of the resource utilization such as;

- Replacement of chillers, cooling tower, pumps, pump with ancillary items in the chiller plant room No. 2KK1 in Departure Terminal building, BIA

To increase the efficiency of the energy consumption of passenger facilitation through air conditioning at the BIA Passenger Terminal, inefficient 19-20 years old Chillers and ancillary items operating round the clock which have passed the point of economical usefulness were replaced and installed with new chillers. Hence the project was completed within the contractual period and the energy consumption was improved around 35% to 40% in the Terminal Building.



Installation of New Chillers

- Improve the air conditioning system of the Gate Lounge R6 & R7 at BIA
- Replacement of cooling coils of air handling units at Passenger Terminal Building (PTB) at BIA etc.

Efficiency improvement across deployment of Human and Other Resources

AASL implemented effective staff deployment mechanisms to achieve greater productivity during the year 2020 as mentioned below,

Calling of staff on rotation basis for work

With the outbreak of COVID-19 pandemic, a dramatic drop was observed in the overall operation of the airport. Therefore, considering limited operation and as a strategy for curbing spread of the COVID-19 virus in the Company, the employees were called for duties on a rotation basis.

Implementing Work from Home (WFH) Concept

WFH concept was also implemented for the staff that could carry out duties from home. This was the first time in the history of the AASL adopted such a strategy. It reduced the risk of spreading the virus and AASL was able to continue the operations without any hindrance.

Use of the latest Virtual Communication Platforms to conduct meetings such as Zoom, MS Teams

In addition, during this pandemic situation, AASL followed the ICAO-recommended practices while keeping the employee movements at an exceptionally low level for curbing of the virus to and from the company. The divisions had backup plans if employees of one shift were not able to report for work due to the pandemic.

By following all the above strategies, the company was able to minimize the operating inefficiencies across the organization.

03. WINNING THE EPIDEMIC WITH EXPANDED SERVICE QUALITY AMIDST CRISIS

BIA Staff Tirelessly fight against the COVID-19 Pandemic and Determined to Pursue Service Excellence

Ever since the COVID-19 pandemic, which originated in Wuhan - China, started to spread all over the world as a global epidemic, BIA was proactive and kept ready taking every possible precautionary measures. All these measures were implemented timely as per the vision of His Excellency the President Gotabaya Rajapaksa. Despite, all this time of risk and uncertainty, the AASL staff have been serving tirelessly in pursuit of our vision. With the COVID-19 virus spreading

worldwide threatening the lives of millions of people, the AASL as the civil aviation service provider in the country played a vital role by facilitating the health authorities and other agencies to implement the precautionary measures under the given guidelines by Sri Lanka Health Authorities.



Passenger Facilitation

The quarantine process of passengers arriving in the country began after identifying the global threat the virus posed. Accordingly, a group of Sri Lankan students who were stranded in Wuhan - China, airlifted consequently to MRIA, was the first group of passengers to be sent to the quarantine process. Initially, following the instructions of Sri Lanka Health Authorities, all International Airports in Sri Lanka were closed for inward international commercial passenger flights with effect from 19 March 2020. Because of COVID-19, new dimensions of service quality were added to airport operations. All repatriation flights were handled with utmost care and new procedures were adopted to handle

aircraft. All employees of AASL, from the minor labourer to the top executives who work round-the-clock even at the risk of their lives.

To enhance passenger convenience during these exercises, refreshments, telephone facilities, and sanitary facilities were provided. As the airport operator, AASL took the leadership to get the maximum commitment and sacrifice of the staff of AASL, SriLankan Airlines, Sri Lanka Air Force, Sri Lanka Army, Sri Lanka Police and other military forces in implementing this quarantine process. The front-line staff of AASL, considered their role as a national responsibility more than a mere job. Their contribution during the pandemic period was extremely significant.

The initial preparation for the prevention of the virus was conducted through awareness creation programs at the airports. Health guidelines were prepared and a special committee to spearhead the task was formed with the Senior Officers of the key stakeholders. Officers were assigned as divisional representatives to coordinate with the divisional employees regarding the health guidelines, to monitor the workplace with health and sanitation safeguards, identification of safety material requirements of the employees. All the precautionary measures such as social distancing, wearing face masks, placing hand sanitizers at workplace, etc. temperature screening of all staff, wearing Personal Protective Equipment (PPEs) and all other recommended practices were adopted. The company adopted policies to limit the employees' report to work and maximum precautionary measures were adopted to curtail the spread of the virus. Temporary isolation facilities were provided for those employees who have COVID-19 symptoms and have undergone PCR testing until results are received for the same. Transport facilities were provided to send those employees who have COVID-19 symptoms and who have undergone PCR testing until results are received for the same.

Expansion to Departure Public Concourse at BIA Katunayake

AASL has expanded the Departure Public Concourse at BIA to offer a scenic atmosphere and a more enjoyable time for the departing passengers with their loved ones before they board the flight. This expansion of the public concourse was completely funded by AASL at a cost of LKR 238 Million. This new construction has given ample space to the departure passengers and their visitors to wait until their departure while enjoying array of food. The project consisted of the construction of a new three-storied building expanding towards the garden area with all amenities and giving a garden view with outer glass panels around the Public Concourse.



Newly expanded Departure Public Concourse at BIA

Baggage Belt Extension Project

Fabrication, supply, installation & extension of exiting Arrival Baggage Claiming Carousel No.05 was commissioned at BIA. All designing, fabrication & installation were done by Sri Lankan Engineers and local parties.

Total contract sum of this project was LKR 44 Million and it was implemented to derive benefits such as 200%

capacity increased to handle large aircraft, guaranteed spares stock from manufacturers based in Sri Lanka and foreign currency savings.

04. WINNING EPIDEMIC WITH ENHANCED SAFETY AND HEALTH

Safety often builds confidence in passengers, hence front-line staff plays a vital role in intensification affairs among the company and the clientele to ensure safety aspects are met. This can be observed as one of the prime factors of service superiority towards winning passengers as well as new airlines.

BIA adopts Best Practices

The main international airports were kept ready to face the impending threat. Initially a series of "Big Cleaning Programs" were conducted as precautionary measures at the BIA to prevent the COVID-19 and continued right throughout. Comprehensive decontamination programs were repeatedly conducted at BIA by Sri Lanka Air Force together with the staff of AASL and other agencies to prevent the Coronavirus from spreading. Further, the frequencies in cleaning and disinfecting of high-contact areas were carried out. From hand sanitization to PCR testing, AASL took the initiative to create the best passenger experience during such a pandemic situation.

New PCR Testing Laboratory Established at BIA

In the view of diagnosing the COVID-19 affected passengers upon their arrival to Sri Lanka, AASL facilitated by constructing a PCR test laboratory at BIA. AASL has funded LKR16.5 Million for this PCR laboratory. It was able to conduct over 100,000 PCR tests within 6 months of establishment serving the passengers, staff of AASL, other stakeholders and more importantly the community around the airport.

Full-Scale Emergency Exercise at MRIA

A full-scale emergency exercise was conducted by the Airport Emergency Planning Committee on 10 March 2020 at MRIA.

The main objective of this whole exercise was to ensure the effectiveness and readiness of all external and internal agencies for an emergency of an international airport. According to the International Civil Aviation Organization (ICAO), the objective of aerodrome emergency planning is to minimize the effects of an emergency, particularly in respect of saving lives and maintaining aircraft operations.

In this exercise, all the agencies such as Sri Lankan Airlines, Sri Lanka Army, Sri Lanka Air Force, Sri Lanka Police, Officials of the DMC Hambantota, Department of Emigration and Immigration, Sri Lanka Customs, Ministry of Health and all other internal and external related agencies actively got involved to make it a success.

The importance of such a full-scale emergency exercise at MRIA was to ensure the operational readiness for an emergency at a time of getting ready for recommencing international commercial flights.

05. WINNING EPIDEMIC WITH ENHANCED SECURITY

An airport is a place where the first impression of security is created. When considering international passengers, airports make the last impression too just before departing. It is a centre that aviation services security staff cooperates with passengers to offer required facilities. Security servicing benchmarks are vital in-service delivery. Such benchmarks developed by IATA a few decades ago supported making vital aviation security decisions.

BIA Equipped with the State-of-the-Art Security Technologies and Measures

The Incident Command and Control Operations Centre, which is a vital nerve centre, at BIA were declared open on 30 November 2020. This centre was developed to elevate the BIA to higher international standards in compliance with international regulatory bodies such as the ICAO. The Incident Command and Control Centre will meet and manage security-related contingencies and emergencies such as attempted hijack, hijack, bomb threats, and sabotage, etc., effectively.

Further, parallel to the introduction of a new technology enhancement program, Explosive Trace Detection (ETD) technology was commissioned. ETDs are systems capable of uniquely detecting and identifying explosives.

Airport and Aviation Services Obtained the Certification as the Aviation Security Service Provider at Civil Airports in Sri Lanka

On successful completion of the certification process, conducted by the

CAASL, AASL received the Aviation Security Service Provider License, upon the satisfactory demonstration to the Director-General of Civil Aviation for the conformance to the applicable requirements, stipulated in terms of the provisions in the Civil Aviation Act. No. 14 of 2010.

In addition, contributing towards the COVID-19 prevention measures, thermometers were deployed at each entry gate and staff members were equipped with PP equipment. 30 Patrol Leaders and 03 security Marshals completed the ICAO Supervisor course. 08 Deputy Security Marshals completed Aviation Security (AVSEC) Manager Certification Programme. The security aspects of the organization were further strengthened by deploying 300 staff undergoing operator training of new X-ray systems, 225 staff undergoing operator training. The internal quality control inspections at BIA, CIAR, MRIA, JIA, and BTIA were carried out in 2020.

AASL invested in new security equipment such as 02 C1 Type X-ray equipment, 04 Dual-view X-ray equipment, and 10 ETD machines.



AASL Certified as Aviation Security Provider

NAVIGATING THROUGH 2020 USING TRIPLE BOTTOM LINE (3 PS)

Profits Concerns embedded in the Triple Bottom Line

The concept of Corporate Profitability has multiple facets. This includes cost-effectiveness, revenue growth, Return on Asset (ROA), Return on Investment (ROI), Return on Equity (ROE), Return on Sales (ROS), liquidity and many more. Performance is all about materializing Financial Key Performance Indicators (KPIs). The profit concerns are discussed in Financial Review.

People Concerns embedded in the Triple Bottom Line

People aspects deal with all about how a company admires human perspective with an emotional intelligent manner.

AASL continues to facilitate the repatriation mission of bringing Sri Lankans' home who were stranded overseas fulfilling its national obligation.

Ever since the repatriation flight operations began, BIA facilitated the arrival of Sri Lankans stranded in various countries due to prevailed travel restrictions imposed on account of the COVID-19 pandemic.

A special passenger arrival plan was implemented at the BIA in partnership with all stakeholders. Arrangements have been made to ensure that all precautionary measures are implemented under the guidance of the Sri Lanka Health Authorities.

AASL has worked tirelessly to enhance the service facilities of the airport during this crisis period despite all challenges. For example, the Public Concourse was expanded giving ample space to departure passengers with new seating arrangements which will offer passengers a pleasant travel experience when the airport is reopened

for regular travel. The staff of AASL together with other stakeholder staff work diligently to ensure that all recommended safety standards are met always ensuring passenger comfort. As the airport operator, AASL is always at the forefront in fulfilling its national obligation.

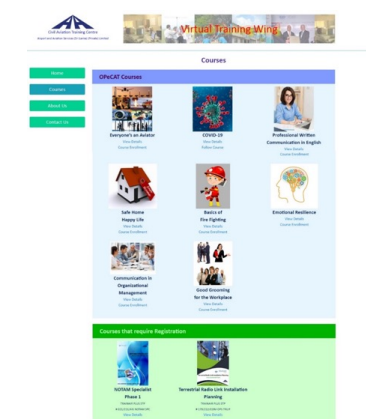
Civil Aviation Training Centre (CATC) continued its efforts to uplift the Human Capital

With the onset of the pandemic, the CATC too was initially plunged into non-operation but soon found alternative means to deliver its mission of being the dependable training institution of the company.

CATC set up its virtual classroom studio that enables a single resource person at a time to deliver all conventional classroom training virtually, including conventional visuals like whiteboard as well as computer-based audio-visuals. Except for the virtual meeting software, only existing resources were used. This enabled the CATC to continue whatever programs that were deliverable virtually.

CATC's Virtual Classroom Studio

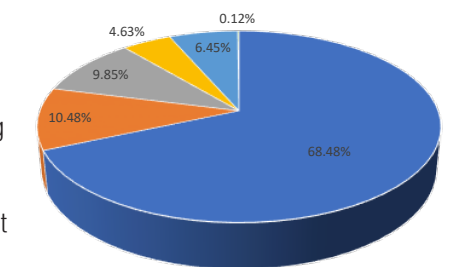
In addition, the CATC's eLearning portal was strengthened with nine new courses being added. All these courses are accessible to company employees to be followed at their own pace. They are also mobile-friendly and can be followed on a smart device on the go.



CATC's eLearning interface

By considering the all-inclusive cost of the cheapest alternatives, the total saving that resulted from training delivered to company employees during 2020 is estimated as LKR 378 Million while commercial training attracted a revenue of LKR 1.6 Million-plus USD 3,000.

Divisional share of the saving made through training by CATC



- Air Navigation Services
- Electronics & Air Navigation Engineering
- Fire & Rescue Services
- Airport Management
- Security Services
- All of the Divisions/Units

Training for Air Traffic Controllers

The Course Development Unit (CDU) with the subject matter contribution of the Electronics Engineering Training Wing successfully developed the Standardized Training Package (STP), "Terrestrial Radio Link Installation Planning" (TRLIP) (STP No. 179/212/COM OPS TRLIP) for the use of CNS Engineers under the supervision of an ICAO Validator.

This STP is fully E-learnable and is one of the few such STPs in the ICAO TRAINAIR PLUS course library. Along with this development, the Electronics Engineering training wing developed a complete management interface for eLearning. The eLearning portal is hosted by the IT Division. CATC Sri Lanka is a pioneer in eLearning within the Civil Aviation Training community.

The Air Traffic Services training wing conducted the Aerodrome Control Course – ICAO 052 for 24 newly recruited Air Traffic Controllers. These recruitments were made after a long delay and it was imperative that this batch, one of the largest ever recruited, was trained and deployed on 'on the job training' (OJT). The Air Traffic Services (ATS) training wing took up the challenge and was very innovative in accommodating the training amidst the constraints imposed by the pandemic and the large batch size. This was also the first Aerodrome Control Course conducted on the newly commissioned ADACEL 3D Tower simulator. The batch will be deployed on OJT in early 2021.



Donation to the Healthcare and Social Security Fund

Maintaining Environmental Concerns via Energy Reduction – BIA

The average monthly payment for electricity consumption at BIA is LKR 60 – 70 Million. In March 2020, the Government decided to suspend the commercial passenger flight operations to the country due to COVID-19, except repatriation and specially permitted flight operations, which drastically reduced the passenger volume as well as the income. The electricity cost holds 5% of total operational expenditure in the company, hence it brings the challenge of reducing the electricity cost. Though the number of passengers reduced, the electricity cost did not reduce parallel because the air-conditioning, the largest contributor to electricity consumption. Therefore, the reduction of electricity consumption was a great challenge.

In this process, we acted based on the below guidelines.

1. Reduction of energy waste
2. Passenger comfort
3. Effectiveness of the workforce

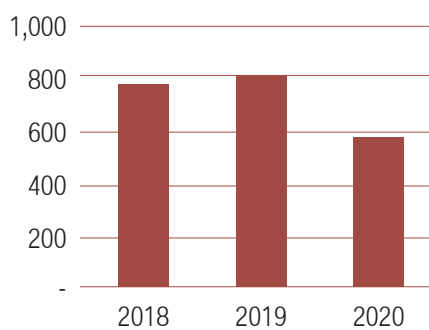
As per the Energy consumption data, 60%-70% of the share goes for the Air-Conditioning System of the whole airport. Therefore, the pathway to the energy reduction program was jointly executed by the Electrical Engineering Division and Mechanical Engineering Division. Some of the main steps followed during the program are given below:

- i. Analyse the energy data and identify the systems with high energy consumption.
- ii. Send the guidelines for the minimum temperature set point of 26°C for employees and advice to minimize the air-conditioner to minimize air circulation.
- iii. Study the passenger utilization pattern in the passenger terminal building and shut the condition air supply to the selected clusters.

In this process, AASL employees provided their support by understanding the timely necessity. This program saved more than LKR 200 Million for the year 2020 compared to the year 2019.

Year	Cost LKR Million	Energy GWh
2018	787	36.57
2019	797	37.16
2020	582	27.02

Electricity Cost – Main Supply BIA (LKR Million)



Practical training at the ATC Tower Simulator

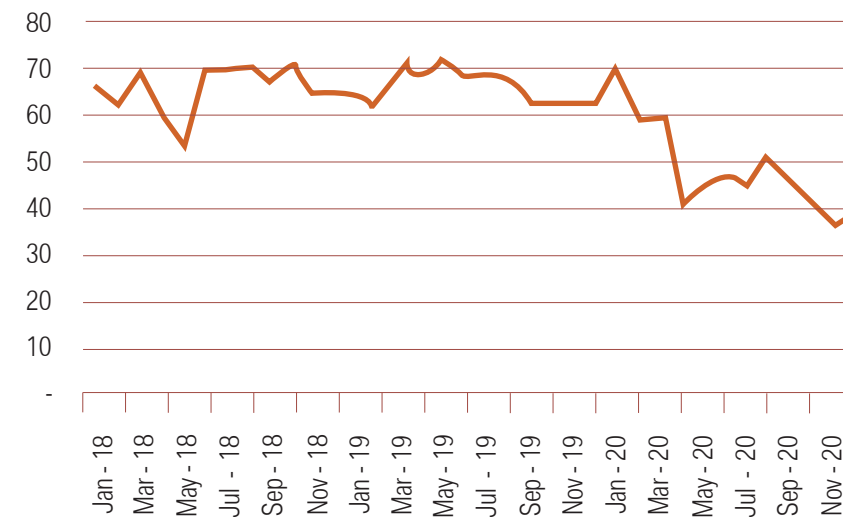
Planet Concerns embedded in the Triple Bottom Line

It is all about how a corporate deal with carbon footprint or the whole environment. In other means whether an organization safeguards the environment, or it destroys the planet.

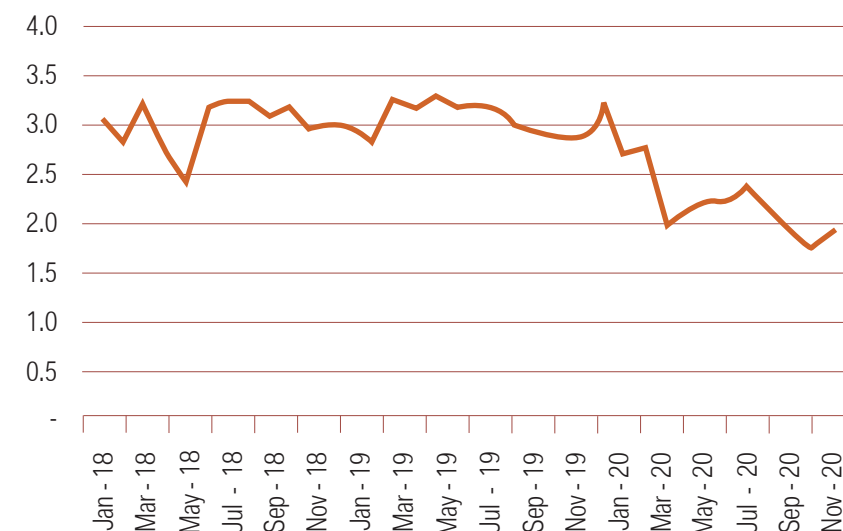
Donating to the COVID-19 Healthcare and Social Security Fund

Chairman, Board of Directors and the Employees of AASL donated their day's worth salary of LKR 10 Million to the 'COVID-19 Healthcare and Social Security Fund' in support of the mission of His Excellency the President Gotabaya Rajapaksa to fight against the COVID-19 pandemic. Maj Gen (Rtd) G A Chandrasiri RWP USP VSP ndc psc - Chairman AASL together with Rajeewasiri Sooriyaarachchi - Vice-Chairman handed over the cheque to His Excellency the President on the 9 April 2020.

Total Electricity Bill (LKR Million)



Energy Consumption (KWh Million)



CONCLUDING REMARKS

Although the 2020, was a challenging year we were "IN PURSUIT OF OUR VISION", materializing Triple Bottom Line. We are strong enough to direct AASL towards its vision in future.

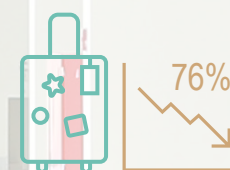
Financial Review

2020 was a challenging financial year for AASL. Financial performance of the company was heavily affected by the collapse in demand for air travel consequent to the COVID-19 outbreak, particularly from March 2020. During this period authorities were compelled to close airports for arrival operations time to time as a measure of preventing spread of COVID-19 in the country which hindered revenue generation from traditional sources. Consequently, AASL's total revenue for the year was limited to LKR 7.8 Billion, representing a 70% decline from the previous year.

On the other hand, there was no sizeable reduction in operational cost as they are not strongly correlated with operational volumes. Further, LKR continued to depreciate during the year 2020 given unhealthy macroeconomic environment and was reflected in company's financials by an exchange loss of LKR 1.5 Billion. As a result, AASL recorded LKR 2.5 Billion of net loss for the year 2020 for the first time in the recent history, indicating a 123% decline against the previous year. However, company's strong retained earnings accumulated over the years could withstand against these losses.

Behaviour of key revenue drivers during the year 2020

Passengers
2,375,056



Aircraft
20,881



Overflying
16,370



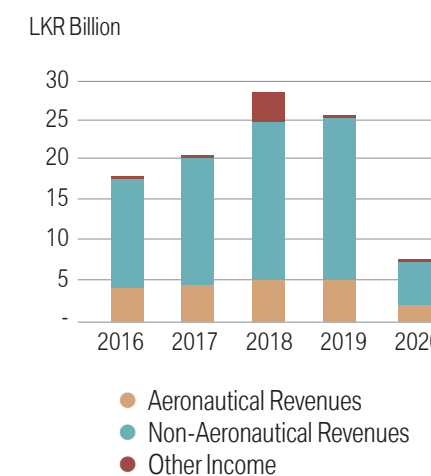
Cargo
150,075 MT



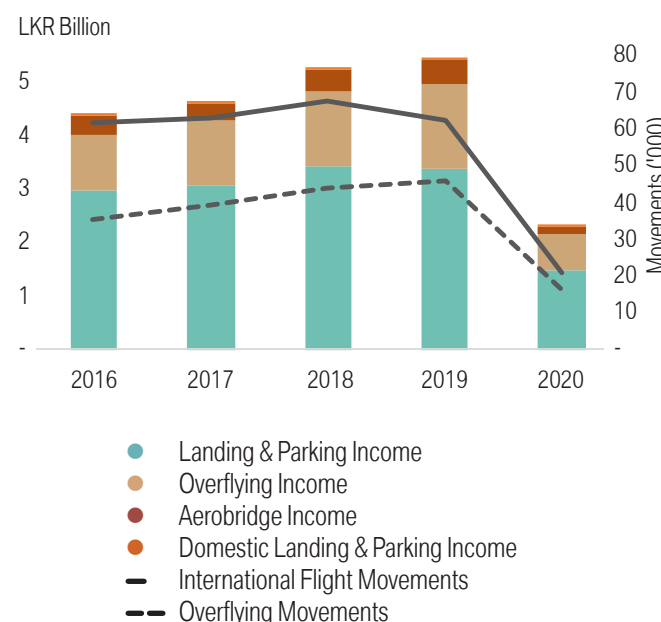
Financial Performance

Revenue

In 2020, revenue streams of AASL mainly comprises of revenue generated from aeronautical operations and non-aeronautical activities (commercial operations) were amounted to LKR 2.3 Billion and LKR 5.3 Billion respectively. Other Income that mainly consists of foreign exchange gain recorded as LKR 153 Million for the year under review.



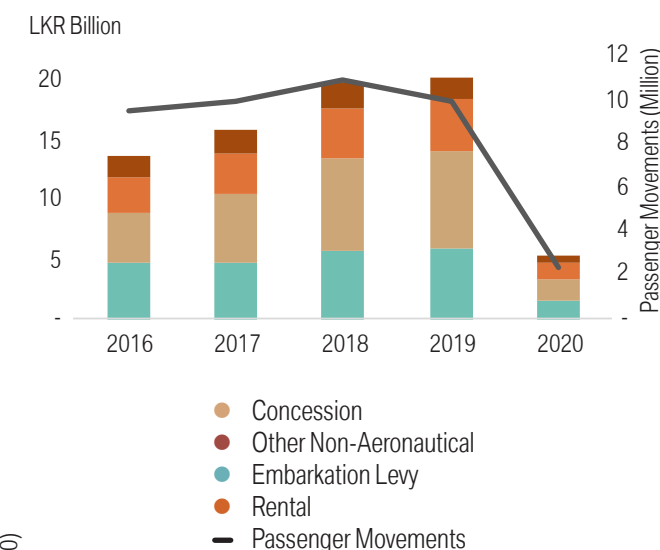
The company recorded Aeronautical Revenue of LKR 2.3 Billion during the year under review, representing 58% decrease against LKR 5.4 Billion in 2019. This is basically attributable to hardly hit demand for air travel, thus flight movements due to international travel ban imposed time to time by Sri Lanka as well as other countries since March 2020.



Non-Aeronautical Revenues were LKR 5.3 Billion for the year under review and witnessed a downturn of LKR 14.9 Billion, by 74% when compared to the previous year. This decline was reflected in all Non-Aeronautical Revenue categories (Concessions, Embarkation Levy, Rental from Tenants and other Non-Aeronautical Incomes). Reduction is primarily driven by reduced Concession Income from duty free tenants and aircraft fuel usage resulted by fewer passenger and aircraft movements.

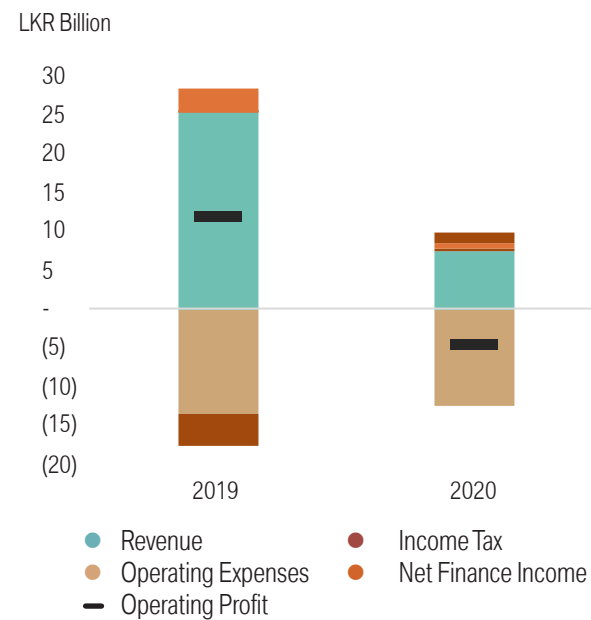
Being a responsible corporate citizen, AASL decided to waive-off rental fully and 50% from all retail tenants other than Communication Operators and Cargo Operators respectively from March to December 2020 to provide them some relief despite badly hit revenue streams of the company. Another 50% rental waive-off was offered to the Operators based in CIAR with effect from July 2020. This explains the reduction in Rental Revenue for the year.

Adverse impact on Other Non-Aeronautical Revenues were also attributable to low occupancy levels driven by fewer aircraft and passenger movements.



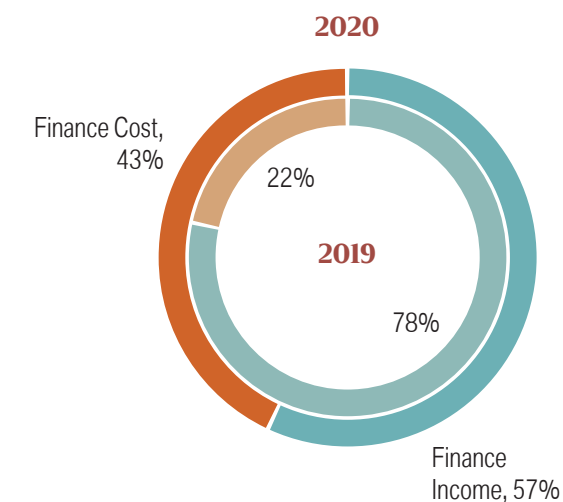
Profitability

For the financial year 2020, AASL recorded an Operating Loss amounting to LKR 4.6 Billion, 138% lower than the previous year recorded profit of LKR 12.2 Billion. Operating Loss for the year was partially set-off by Net Finance Income of LKR 878 Million which had a positive impact on Loss before Tax. As a result, the company recorded a Loss before Tax of LKR 3.7 Billion for the year 2020. Further, an accounting adjustment in relation to deferred tax (reversal) affected favourably on the bottom line. Accordingly, company's Loss after Tax for the year was LKR 2.5 Billion.



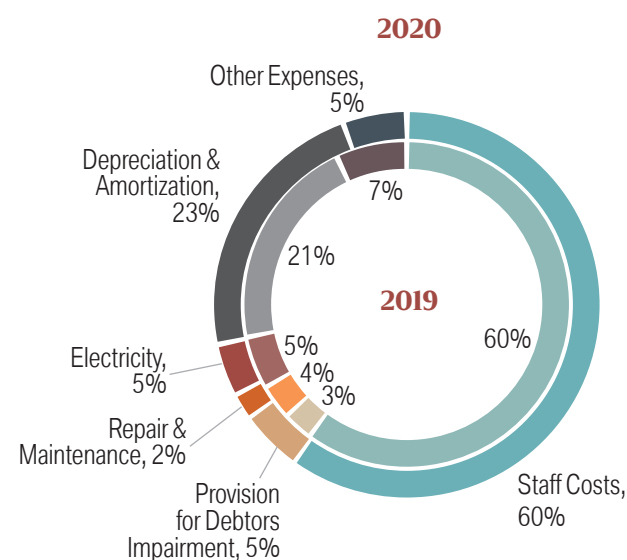
Net Finance (Cost) / Income

Net Finance (Cost) / Income is the net result of Interest Income, Interest Expenses and Exchange Gain / (Loss) on conversion of loans denominated in foreign currencies. Net Finance Income reported for the year was LKR 0.88 Billion as compared to the LKR 3.02 Billion in the previous year. The main reason for the shrunk net finance income being exchange loss on loan conversion of LKR 2.3 Billion as against the exchange gain of LKR 0.16 Billion last year. This is evident by the depreciation in LKR against all major foreign currencies. On the other hand, lowered interest rates affected negatively on interest income resulting in LKR 0.5 Billion drops in income with compared to the previous year. However, it would have been more if AASL did not control the adverse impact of reduced interest rates by increasing investments in USD Fixed Deposits from USD 179 Million to USD 193 Million.



Operating Expenses

AASL's Operating Expenses for the period shrank to LKR 12.4 Billion from LKR 13.5 Billion in 2019, by 8%. Mainly cost savings could be seen in relation to Staff Costs representing a 9% drop reflecting a favourable impact of Management's decision to fully cut down staff bonus, reduce leave encashment by 50% and strict control on overtime expenses for the year 2020. Further a reduction in Repair and Maintenance expenses by 43% due to limited operations, especially during the nine-month period from March to December 2020 also had a favourable impact on operating expenses.



Exchange Rates

The broader economic impact of the pandemic on developing countries such as Sri Lanka has been pronounced weak fiscal positions and reliance on tourism and remittances for foreign exchange generation. These conditions had a significant pressure on the LKR, which depreciated by 2.5% year on year and remained at LKR 184.12/USD (buying rate) at the end of the year 2020, with the restrictions made by the Government in the middle of the year 2020 on non-essential imports to the country in a bid to preserve foreign exchange reserves.

The selling rates of Sri Lanka Rupee against US Dollar, EURO and Japanese Yen continued to depreciate with a sharp depreciation in March 2020, driven by uncertainty caused by the COVID-19 pandemic. The resultant depreciation of the Sri Lanka Rupee at the end of the year 2020 was 3.2% against US Dollar, 12.9% against EURO and 8.5% against Japanese Yen.

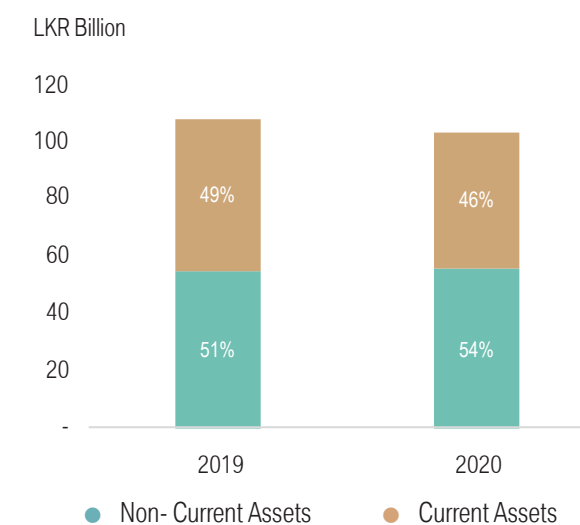
Financial Position

Assets

As of 31 December 2020, Financial Position of the company stood at LKR 103.2 Billion while the position at the beginning of the period being LKR 108.5 Billion. This depletion was mainly driven by decline in Trade Debtors and Investments in Financial Assets. During the year, the Company made a provision amounting to LKR 643.5 Million on account of bad debtors resulting in significant drop in Trade Debtors balance. On the other hand, the company withdrew its investments in Financial Assets worth of LKR 1.5 Billion to meet short-term liquidity requirements.

With a view to reducing the pressure on cash flows, AASL revisited its capital expenses and curtailed non-essential expenses while continuing to facilitate fund requirements of certain on-going projects such as Expansion of Departure Public Concourse at BIA, Relocation of Emigration Area and Refurbishment of Lounges which are critically important for passenger facilitation. This is reflected by LKR 1.9 Billion or 47% reduction in expenses on acquisition of Property, Plant & Equipment against the previous year and an increase of Capital Work in Progress by LKR 1.2 Billion or 16% with compared to 2019.

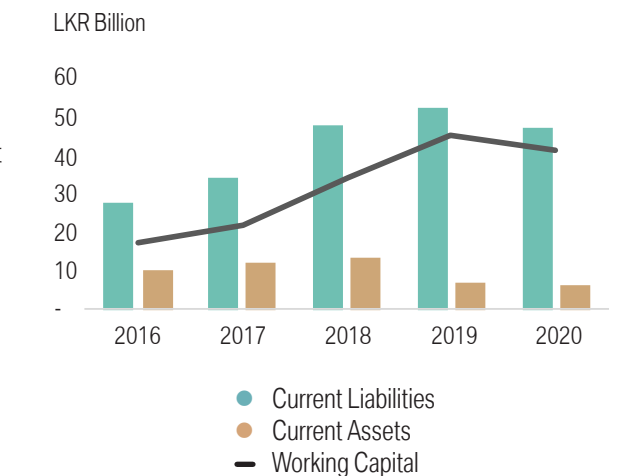
Total asset balance dropped by LKR 5.06 Billion during the year, which is equivalent to 4.7% when compared to the opening balance.



Working Capital

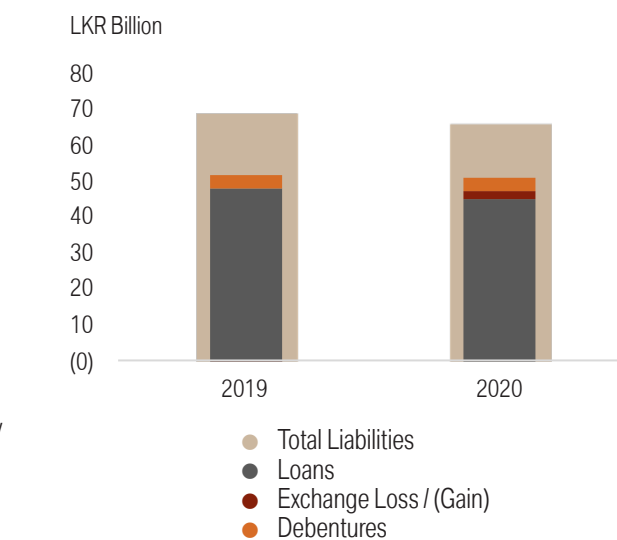
AASL's Current Assets and Current Liabilities at the end of the year under review were LKR 47.6 Billion and LKR 6.2 Billion respectively leaving a Net Working Capital Balance of LKR 41.4 Billion. In comparison to the previous year, this is a 10% reduction in Working Capital resulted by drop in Current Assets due to the reasons mentioned above under "Assets". Despite a marginal erosion in the

working capital during the year, the company has short term liquid assets equivalent to seven times of its Current Liabilities thus, could comfortably cover not only its short-term liabilities but also more than 90% its long-term debt obligations.

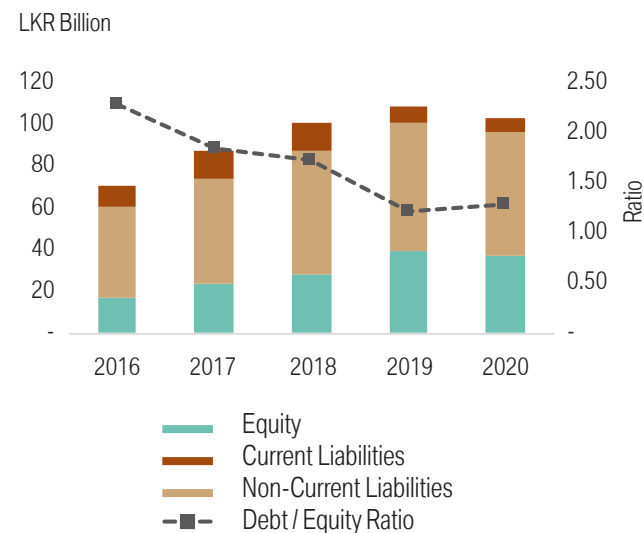


Debt and Capital Structure

Company's total borrowings as of 31 December 2020 stood at LKR 51.2 Billion and it showed a marginal drop of 1% against 2019. AASL has made capital repayments of foreign loans amounting to LKR 3.7 Billion while total loan receipts were only LKR 1.08 Billion which comprises of a foreign currency loan equivalent to LKR 683.8 Million received on account of Bandaranaike International Airport Development Project (BIADP) Phase II Stage 2 from Japan International Cooperation Agency (JICA) and, local short-term loan amounting to LKR 400 Million obtained from Bank of Ceylon during the year 2020. Conversion Loss of LKR 2.3 Billion on loans denominated in foreign currencies has inflated the balance narrowing the effect of loan repayments.



Company's total assets base of LKR 103.2 Billion as of 31 December 2020 was funded by Shareholder Funds and Equity 36%, Non-Current Liabilities 58% and Current Liabilities 6%. There was no material change in the Capital Structure of the company when compared to that of at the beginning of the year. Debt-to-Equity ratio was 1.38 at the end of the year under review representing only a slight increment in debts when compared to the value of 1.31 remained at the end of the previous year.



Cash Flow

Cash & Cash Equivalents of AASL as at 31 December 2020 amounted to LKR 826.2 Million. More than half of this amount is invested in short-term Government securities while balance being cash at bank and cash in hand. The company has also invested LKR 41.9 Billion in short-term bank deposits. Cash & Cash Equivalent balance indicated a sharp drop representing a 67% against the balance of LKR 2.5 Billion at the beginning of the period.

Operating Activities has led to a Net Cash Outflow of LKR 2.1 Billion during the year under review as against LKR 3.4 Billion of cash inflow from operations in 2019. This is explained by COVID-19 affected airport operations.

AASL's prudence investment strategy adopted during the year 2020 yielded positive results from its investing activities securing a cash inflow of LKR 3.1 Billion when compared to the cash out flow of LKR 7.1 Billion in the previous year. The Company also invested total of LKR 2.2 Billion in various development projects and productivity improvement related investments.

Cash inflows from Financing Activities slightly reduced as project progress slowed down due to the reason well known for everyone. However, the Company made all loan repayments as they fall due. Accordingly, Net Cash Outflow from Financing Activities amounted to LKR 2.7 Billion as against LKR 2 Billion Cash Outflow reported preceding year.

Capital Management

The prime objective of the company's capital management strategy is to maintain a strong capital base and healthy capital ratios to support its businesses and maximize its shareholder value. The company monitors capital utilization on the basis of its net debt to equity ratio. The net debt to equity ratio as of 31 December 2020 and 2019 are as follows:

	LKR	
As of 31 December	2020	2019
Borrowings	51,172,796,305	51,560,331,853
Less: Cash and Bank Balances	(42,758,863,147)	(45,864,301,175)
Net Borrowings	8,413,933,157	5,696,030,677
Total Equity attributable to Shareholders	36,982,901,557	39,230,657,250
Net Debt to Equity Ratio	19%	13%

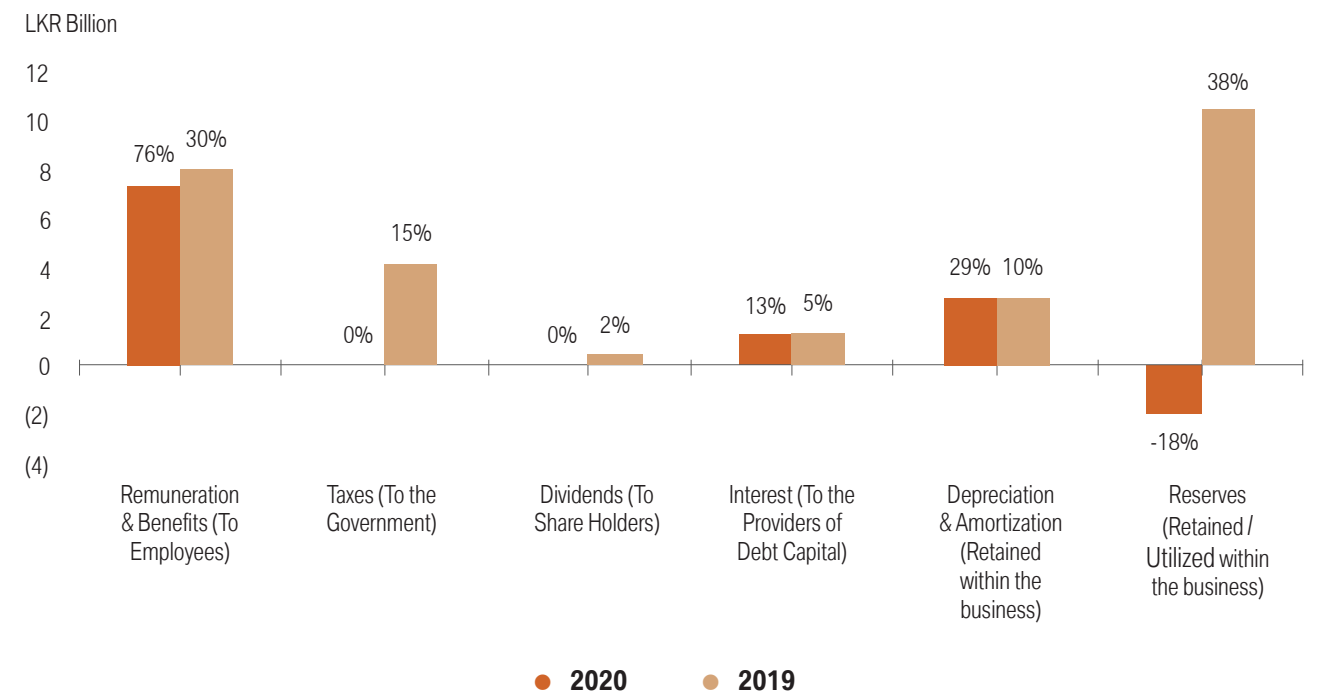
Total Equity attributable to shareholders dropped by LKR 2.2 Billion, primarily contributed by the loss made during the financial year 2020.

Statement of Value Addition

	LKR '000	
	2020	2019
Revenue	7,575,860	25,652,253
Other Income	212,551	40,989
Finance Income	3,665,085	4,164,672
Gain arising on changes in Actuarial assumption	377,899	81,435
	11,831,395	29,939,349
Administration & Establishment Expenses	(2,130,456)	(2,504,506)
Value Addition	9,700,939	27,434,843

Distribution of Value Added		%		%	
To Employees	Remuneration & Benefits	7,414,763	76	8,128,456	30
To the Government	Taxes	-	0	4,159,769	15
To Share Holders	Dividends	-	0	500,000	2
To the Providers of Debt Capital	Interest	1,289,674	13	1,325,978	5
Retained within the business	Depreciation & Amortization	2,853,960	29	2,856,562	10
Retained / (Utilized) within the business	Reserves	(1,857,458)	-18	10,464,078	38
		9,700,939	100	27,434,843	100

Disribution of Value Addition



Management of Human Capital

Human Resource Management is the strategic approach to the effective management of people in an organization which help to gain a competitive advantage. Effective Human Resource Management maximize the employee performance in service of an employer's strategic objectives. The fundamental objective of human resources is to ensure that the organization is able to achieve success through people.

Human Capital consists of the knowledge, skills and abilities of the people employed in an organization and it resembles a key

element of the market worth of a company. The human elements of the organization are those that are capable of learning, changing, innovating and providing the creative thrust which is properly motivated thus ensures the long-term existence of the organization.

AASL's human capital is the primary contributor to its earning potential, productivity and long-term sustainability and we have truly embraced this belief.

We consider Human Resources as the principal asset that facilitates the growth and wellbeing of the organization, as such AASL

Human Resources Strategy is designed and focused on providing competitive advantage by attracting, selecting, motivating, developing and retaining the best talent for the company.

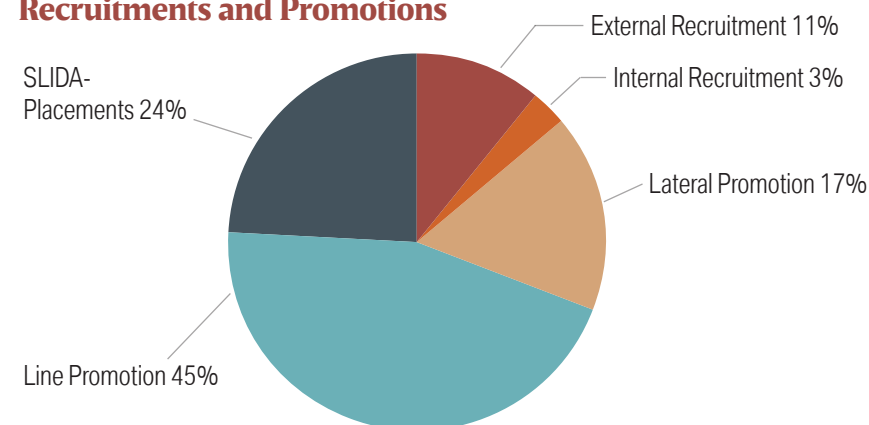
AASL being one of the preferred and reputed organizations in the public sector enables us to attract best talents in the market. We had a workforce of 4,098 in the year 2020. We manage the Human Resources in a productive and strategic way to drive the entire organization in pursuit of our vision.

OVERVIEW ABOUT OUR STAFF

Based on the Corporate Plan of the company, Human Resource Division forecast the staff requirement for the year with the recommendation of the other divisions. The selection is done by mapping the relevant qualifications, experience and skills for every post with the candidates so that the company could hire the most talented candidates.

Recruitment and promotions were considerably decreased in 2020 compared to other years due to COVID-19 pandemic. The below graph depicts the status of recruitments and promotions in the year 2020,

Recruitments and Promotions

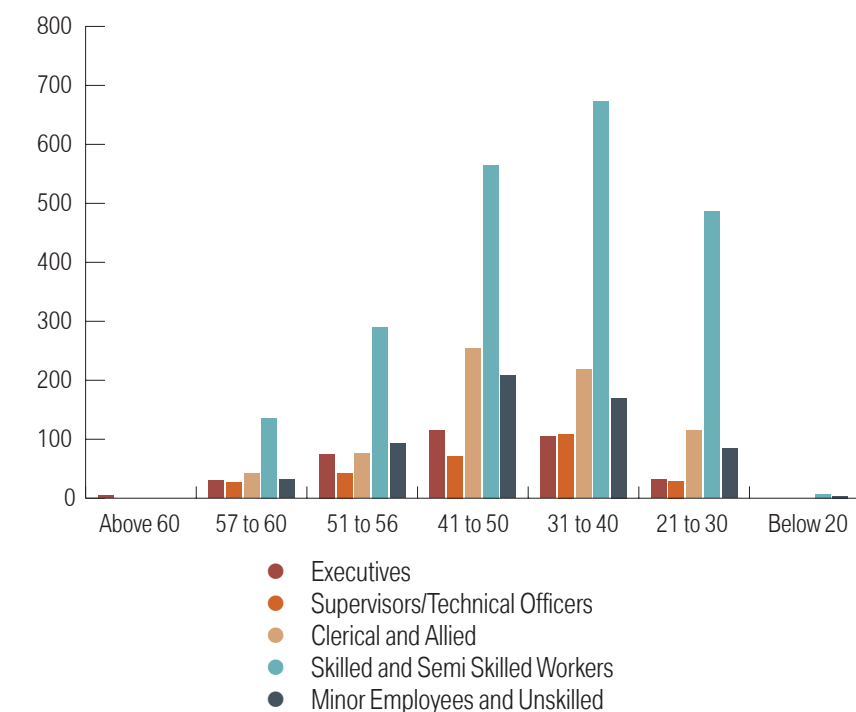


The Recruitments for the year 2020 are as follows:

Category	Recruitments in 2020		Total
	External	Internal	
Executives	26	15	41
Supervisors/Technical Officers	0	1	1
Clerical and Allied	4	0	4
Skilled and Semi-Skilled Workers	11	0	11
Minor Employees and Unskilled	8	0	8
Total	49	16	65

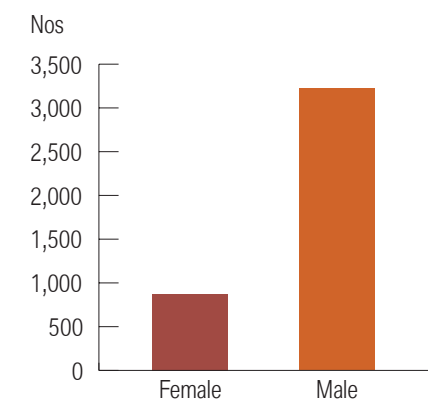
Age Analysis

The analysis of ages of the employees as of 31 December 2020 are as follows:



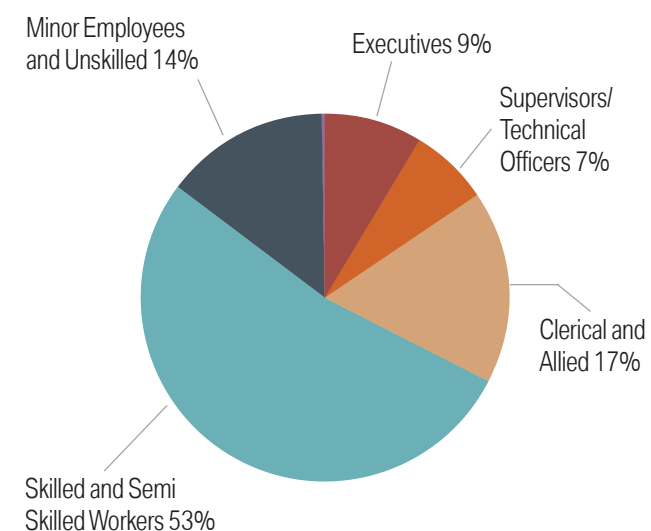
Gender Analysis

The gender analysis of the employees as of 31 December 2020 are as follows:



Employee Distribution

The Total employee distribution is depicted below.



OUR TRAINING AND DEVELOPMENT INITIATIVES TOWARDS EMPLOYEES

Year 2020 was considerably a challenging year in respect of Human Resources Development where we had to find out new ways of addressing Learning and Development requirement as opposed to conventional training methods.

Responding to new normal, Human Resources Division introduced an "Online-Learning Portal" which can be accessed through company corporate network.

All employees of AASL can simply log in to the online portal by using their EPF number. Learning Materials are available in various fields such as Management, Information Technology,

and Engineering etc. to enhance the required knowledge of the employees.

During the latter part of the year, we conducted few in house training programs under strict health guidelines. Despite the existence of a challenging environment, we managed to train 507 training heads which covered 4,631 training hours.

Further we were able to conduct special outward bound training program for SMART LEADER group.

OUR EMPLOYEES PERFORMANCE MANAGEMENT

The Performance Management System of AASL is aligned to the company's organizational goals and objectives. The aim of the AASL Performance Management System is to improve the performance of all AASL employees while achieving business goals of the organization. Performance results are linked with the provision of training and development opportunities, career development opportunities and succession planning where it is used in determining performance gaps, training needs, promotions and rewards.

AASL currently has two Performance Management Systems in practice to measure the performance of an employee.

1. The Performance Management and Development System (PMDS) – for employees bearing the Salary Scales from S-10 to S-14
2. 180° Appraisal System- for employees bearing the Salary Scales from S-1 to S-9

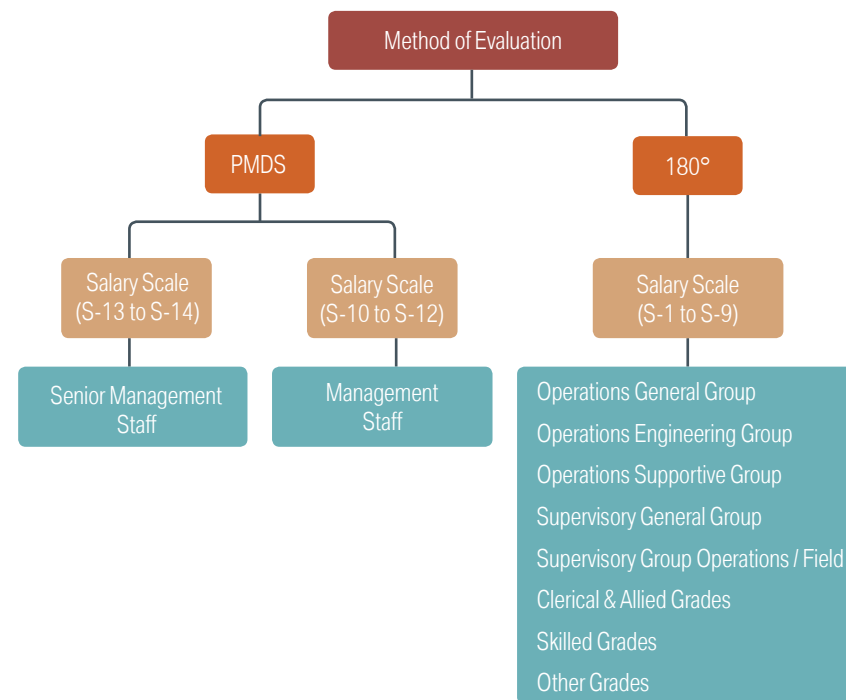
Under PMDS, officers categorized under Senior Managerial and Managerial level are appraised on meeting the objectives of the job and the benchmarks of behavioural competencies. Key steps of the PMDS are setting goals and performance standards (Individual's development goals)

- i. Mid-year reviews
- ii. Rating performance
- iii. Action based on the performance
- iv. Rewarding employees

All other staff bearing the Salary scales of S-1 to S-9 shall be appraised using the 180° Appraisal System. The employees' job knowledge, skills and attitudes will be assessed under this Performance Management System. Key steps of the 180° Appraisal System are:

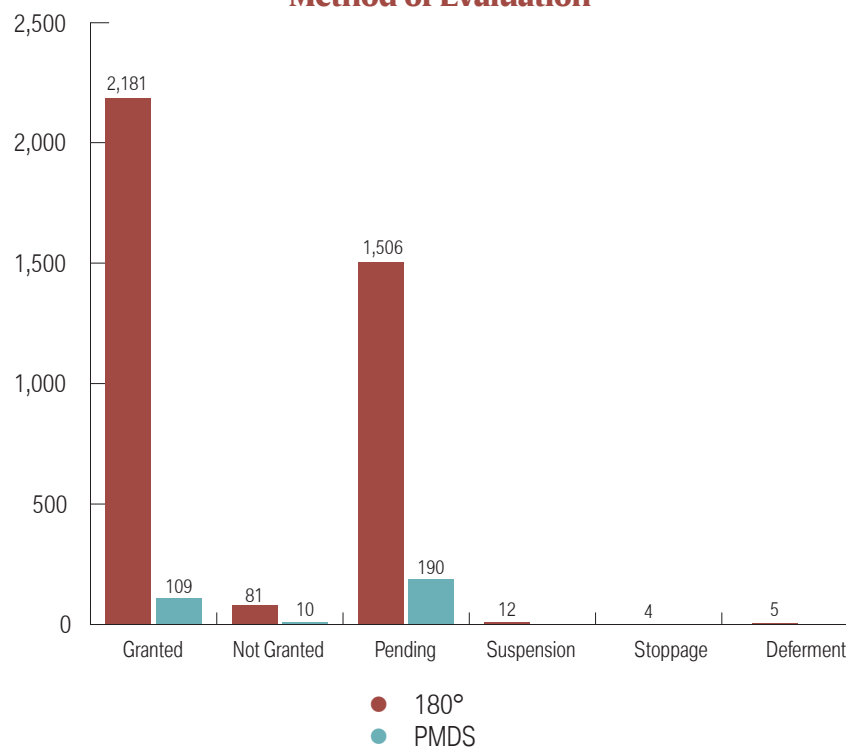
- i. Filling of self-appraisal
- ii. Appraisal interview
- iii. Filling of performance appraisal report by the immediate Supervisor
- iv. Filling of performance appraisal report by the HOD

AASL's Performance Management Systems



A total number of 2,290 employees were granted with their annual increments during the year 2020 after conducting the two Performance Management Systems as given above.

Method of Evaluation



OUR EMPLOYEES COMMITMENT TOWARDS AASL

As an administrator of airports, AASL should maintain the day-to-day activities even under the ceasing of operations in airports due to maintain the quality and beauty of the airports. Therefore, our employees have engaged to daily maintenance activities despite the COVID-19 pandemic. It prescribed the loyalty of our employees. AASL also could maintain the per-employee salary within the same level of the previous year. That is the honour of our Management towards employees' commitment even under the economic recession.

OUR WELFARE ACTIVITIES FOR EMPLOYEES

AASL provides welfare facilities to employees with the objective of motivating them through uplifting their standard of living and fostering maximum productivity. Hence prioritizing on providing ample welfare to employees might be a costly decision, but the long-term benefits are immense. It has allowed AASL to retain its good and skilled employees for long periods of time.

AASL fully understands the importance of the welfare of our people and offer wide range of facilities for its employees and these includes company Medical Scheme, Death Donation Scheme, Staff Loan, Staff Transport Service, Holiday Bungalow Facilities, Staff Quarters, 5% Interest Refund on Housing Loans and Financial Assistance for overseas pilgrimages. These welfare activities encourage and motivate employees leading to business growth and boosting AASL's competitiveness.

Employees Medical Scheme

AASL has a unique healthcare scheme where the employees can receive treatment in the facility in-house or from external healthcare service providers. This scheme is extended to the confirmed employees and their family units. The schemes available range from LKR 150,000 to LKR 350,000 and the employees are eligible to choose

that suits their needs. Further indoor service can be obtained on a credit basis from 47 registered hospitals scattered on the island.

Familiarization Visit Organized for the Children of AASL Employees to Colombo Port City

AASL organized a special field visit to CHEC Port City for the children of AASL staff on 18 September 2020. 200 school children from grades 7 to 13 were provided this rare opportunity to visit the Port City Project, the single largest foreign investment in Sri Lanka.

AASL organized this program to raise awareness of the students on South Asia's premier residential, retail and business destination, offering unmatched planned city living along warm waters of the Indian Ocean and its contribution to Sri Lanka's economy.

During the visit, the students got an opportunity to witness the process of spanning of 269 hectares reclaimed land from the sea. The Senior Officials from Port City Project explained the Master Plan for Port City and the 5 different precincts of the project including the financial district, central park living, island living, the marina & the international island.

AASL Badminton Tournament 2020

Under the guidance of the Chairman of AASL, Sports Welfare and Recreation Club (SWRC) organized an internal indoor Badminton Tournament. The tournament was held at the Security Division indoor Badminton Stadium on 17-18 September 2020 and this was the very first time such an indoor badminton tournament was organized by the company.

REWARDING AND RECOGNITION OF OUR PEOPLE

Employee Recognition Programme

The first ever Employee Recognition Programme of AASL was held on 17 September 2020 at the Auditorium of Civil Aviation Authority. This ceremony was graced with the presence of Hon Prasanna Ranatunga - Minister of Tourism, Maj Gen (Rtd) G A Chandrasiri RWP USP VSP ndc psc - Chairman AASL, Rajeevasiri Sooriyaarachchi - Vice Chairman AASL and Capt Themiya Abeywickrama - Director General of Civil Aviation, Directors and other officials of AASL.

Applications were called from employees for 2018 and 2019 under five main categories, a rigorous and transparent selection process was carried with the involvement of three committees representing Trade Unions, Divisional Representatives, Heads of Divisions, the members of the Director Board and Officials of the Ministry. The employees performed beyond their call-up duties were selected for the Final Round and were awarded 1st, 2nd, 3rd and merit

awards under five categories namely, Leadership, Teamwork, Creativity and Innovation, Customer Care and Open at the ceremony.



Employee Recognition award ceremony



Employee Recognition Program of AASL was held at the Auditorium of Civil Aviation Authority

OUR PEOPLE'S HEALTH AND SAFETY

Initiatives taken amidst COVID-19

Pandemic Outbreak

With the outbreak of COVID-19 within the country, many initiatives were taken for curbing the spread of COVID-19 within the company. A Steering Committee consisting main operational areas of the company were formed in taking necessary action regarding the safety of employees, identification of safety materials and developing preventive guidelines. Further, Divisional Coordinators were appointed for easy execution and monitoring of the safety measures.

All required safety materials were given to employees by the AASL as a preventive measure with a cost of approximately LKR 3.2 Million per month. Further, employees were educated on the safety measures and continuous monitoring system was carried out by the Committee for preventing the curbing of COVID-19 within the AASL. Work from Home (WFH) concept was introduced to the Company and new shift arrangements were also introduced for controlling the staff movements adhering to health guidelines.



Temperature monitoring at BIA

EMPLOYEE TRAINING AND DEVELOPMENT

DEVELOPMENT

AASL conducted several training and development programs for employees to improve their efficiency, effectiveness of working environment and with the objective of improving their mental and emotional balance. Following are some of training programs conducted by AASL.

The Trainair Plus Programme

The TRAINAIR PLUS program permits a member training centre to deliver courses developed by other members. CATC exploited this benefit and conducted two instances of the STP "Supervising Airport Teams to Deliver Great Customer Service" developed by Gulf Centre for Aviation Studies (GCAS) – Abu Dhabi, UAE, for 40 Supervisory Level Officers from Aviation Security and Airport Management.

Diploma in Aviation Studies" Programme

The 7th Batch of students who successfully completed the "Diploma in Aviation Studies" Programme were awarded their Diploma at a glittering ceremony held at the CATC Auditorium on 10 February 2020.

8 young aspiring aviators who enrolled as commercial trainees together with 10 employees of the company who followed the program externally were awarded the Diploma by Chairman AASL who was the Chief Guest at this occasion. This is the only diploma program in the field of aviation awarded by a state-owned institution that contributes to the ICAO Next Generation of Aviation Professionals (NGAP) initiative.



7th Batch of students who successfully completed 'Diploma in Aviation Studies Programme'.

Aviation Education Programmes

AASL successfully conducted an Aviation Education Programme for the students of International Airline and Aviation College (IAAC) on 26 August 2020. The objective of the programme was to raise awareness of the students who are following professional aviation courses on the present situation of the aviation industry, airport operations, cargo operations and career development in the aviation industry. The students got an opportunity to witness the latest development projects taking place at BIA and to study the airport operational environment during the COVID-19 global pandemic situation at BIA.

OUR INITIATIVES OF HUMAN RESOURCE MANAGEMENT SYSTEM

The milestones have been accomplished by the Human Resources Division in implementing Human Resources Management System (HRMS) under the company Enterprise Resources Planning (ERP) system implementation project. The steps of AS-IS, TO-BE, Functional Requirement Specifications (FRS) under the master ERP project have been successfully completed by the Human Resources Team in line with the achievement of the master project. This effort will contribute for a total digitalization of the Human Resources Systems and processes which will greatly contribute to manage the company Human Resources in strategically to achieve corporate objectives. Proposed HRMS will support to take over manual and paperwork of Human Resources and Administration functions and the staff will be able to concentrate significantly on people matters in a strategic orientation to improve the productivity of the Human Resources utilization which greatly contribute to achieve the vision and mission of AASL.

RISK MANAGEMENT



Effective Risk Management is a key success factor to explore the feasible strategic directives and development opportunities.

Risk Management at AASL is an integral part of our decision-making process and contributes towards our purpose to make Sri Lanka proud every day among worldwide passengers. It creates and protects value, improves performance and supports the achievement of our vision.

As the statutory service provider of the Government of Sri Lanka (GoSL), who manages and develops five international airports namely BIA, MRIA, JIA CIAR and

BTIA; AASL shoulders a multitude of risks that not only threatens the operational and financial performance of the organization, but also the image of the country at large.

With the above in mind, AASL's Risk Management process is developed to strengthen the achievability of Organization's Corporate Objectives. As this process proves its importance as one of the key elements in the Corporate Governance framework, the Board is responsible for the effectiveness of the AASL's Risk Management process. The Board supports a holistic approach in Risk Management and in continuous pursuit of checking the

effectiveness of the whole process to get prompt alerts to the Strategic, Tactical and Operational levels of Management to take remedial as well as proactive actions to minimize the impact of risks.

To support in this endeavour, the AASL Board formed an internal committee consisting of all functional representatives with a TOR consisting of a road map to ensure Risk Management is part and parcel of the Corporate Strategic Management Process. And the Board is provided with periodic and ad-hoc submissions from this formed Committee to manage the risks to optimize the business benefits.

The AASLs objectives of Risk Management are as follows,

- Improve the attainability of Strategic and Operational Objectives of AASL and the business/industry at large.
- Identify and evaluates various risks.
- Reduce and/or eliminate harmful threats while capitalizing on the opportunities that arisen in the business environment.
- Supports efficient use of resources within the company.
- Better communication of risk within AASL.
- Support the survival and long-term growth of the company thus, do the justice to the real owners of AASL, the public.

The Risk Management Framework of AASL

Going in line with the above objectives AASL's Risk Management framework is designed and which is presented here by way of a diagram.

1. Identify Risk Areas

Identifying risks aims at determining an organization's exposure to uncertainty. Risk identification requires a thorough knowledge of AASL's strategies and objectives, aviation products/services, markets and a continuous study on the impact of external factors, namely; Legal, Political, Economic, Social, Technological, and Environmental in which the company operates. Risk identification involves perceiving hazards, identifying failures and recognizing adverse consequences. It also involves capitalizing on positive deviations arisen due to changes in external environment, meaning recognizing opportunities in the external environment to converting them into increased revenue.

2. Assess Risks

Risk assessment intends to provide Management with a view of events that could impact the achievement of objectives. Our risk assessment process comprises

AASL Risk Management Cycle



risk evaluation through risk identification. AASL adapts two methods of approach for identifying risks – top down (Management knows well) and bottom up (Operatives know the best). AASL adopts Root Cause Analysis to investigate the cause of risks by working backwards and considering all possible cases.

3. Evaluating and Selecting Risk Responses

Based on risk identification and its impact on the business, AASL takes decisions as to whether each specific risk should be accepted or treated by comparing it with the risk profile of AASL. The selection treatments help to bring down the risks to a tolerable level.

4. Implementing Risk Management Techniques

- Risk Reporting: AASL's risk reporting addresses the control systems for risk management, processes used to identify and respond to risks, methods used to manage significant risks and monitoring and reviewing of systems.
- Risk Treatment: Risk response is the process of selecting and implementing measures to mitigate the risks while considering alternative courses of action. These actions include

avoidance, reduction, sharing, and acceptance of risks which depend on the risk appetite of AASL.

- Residual Reporting: Reporting risks that are left over after all other major risks are treated.
- Monitoring: Once the risk treatment is developed and implemented, the success of such implementation depends on monitoring by the Risk Management Team.

5. Re-evaluating the Risks

Once the risk has been mitigated to an acceptable severity level, the risk needs to be tracked to ensure the continued control of the risk. If at any time the risk seems to resurface, the Risk Management cycle should begin again, starting with the analysis phase. AASL's risk cycle is repeated as an ongoing process, with modifications effected whenever the need arises at each stage of risk management cycle. Any information gathered during the cycle process is used to refine the process.

Risk Management Framework in action

AASL maintain a risk register with the purpose of documentation of the above risk management processes.

Risk assessment has always been the most challenging part of the Risk Management process for aviation operations. AASL manages a wide range of risks which includes;

1. Strategic & operational risk
2. Risks associated with safety, security & health
3. Risk relating to human resources
4. Financial risk
5. Reputational and
6. Legal risk

Strategic and Operational Risk

AASL is always committed to working towards its vision and mission. Going in line with this, Corporate Plan is prepared for a three-year period annually on rolling basis specifying corporate objectives and action plans to achieve them. Accordingly, the risk of deviating from corporate objectives is mitigated through monitoring and evaluation of action plans while all operational divisions are bound to execute their action plans. Further AASL is constantly keeping an eye on developments in the aviation and tourism industries intending to mitigating risks arisen in the marketplace, be it negative or positive (opportunities).

AASL has been facing the challenge of facilitating increasing passenger demand for a few years (with an exception in 2020 due to the COVID-19 pandemic). This would affect the service quality at BIA thus, competitiveness as an airport operator. While airport infrastructure development is being done as per BIA development plans as a long-term risk mitigation measure, passenger complaints are tracked to identify issues associated with day-to-day operation of the airport so that they could be attended quickly assuring a better service for airport users.

Consequent to the COVID-19 outbreak, like any other airport operator AASL faced completely a different set of challenges

operationally and strategically. This required carefully planned and designed mitigation techniques. Airports being major gateways to the country, AASL immediately acted on the decisions taken by GoSL in closing down the airports for normal commercial operations, imposing travel bans for certain high-risk countries by adopting the required protocols in aviation. It includes and backed by a comprehensive set of precautionary measures to prevent spread of COVID-19 among passengers, all airport workers and the public while spending time on developing aviation and tourism revival strategy to withstand the adverse effect of the pandemic. This aimed short to long term revival of the aviation and tourism in Sri Lanka.

Risk associated with Safety, Security and Health

Safety and security of all airport users is a pre requisite to be a successful airport operator. AASL is keen on minimizing safety, security, and health related risks in all its airports. Airport service is a combined effort of various divisions of AASL itself and other agencies, especially the ground handler. Therefore, the risk is monitored at all levels of operation to mitigate the same.

On the other hand, regulatory requirements specified by local and international civil aviation authorities are strictly followed and adhered to minimize the safety and security related risks. This also helps minimize the related risks such as reputational risks, operational risks, and legal risks up to a greater extent. Further, the company has ensured certain health and safety related risks too as a risk transferring mechanism.

During the year under review, the above remained low in magnitude due to the low volume of operations resulted by the pandemic. However, adhering to COVID-19 health guidelines in the airport operations was of paramount and which was successfully implemented by AASL. Therefore, AASL confidently applied for ACI Airport Health Accreditation to further strengthen the mitigation of health risks.

Risk relating to Human Resources

Airports' operational expansions to cater to growing traffic and complex expectations of stakeholders triggered by technological, environmental and socio-economic developments in the modern world are considered when investing in training for the work force. Therefore, the risk of work force being obsolescence is minimized to be suited to the risk appetite of the company.

The risk of brain drain also pose a considerable threat to the company in terms of human resources. This is mitigated through a specially designed program to train future leaders of the AASL as such smooth transition of knowledge, duties & responsibilities is expected.

Financial Risks

AASL's business operations are inherited an array of financial risks such as, credit risks, foreign currency risks, interest rate risk, and liquidity risks. The company adopts appropriate mitigation techniques depending on the nature of the financial risks.

Reputational Risk

AASL is keen on learning how the society sees us as the airport operator in Sri Lanka. Therefore, a 360-degree Analysis is carried out to strike a balance in satisfaction of all partners in our value chain. All major social media platforms are closely monitored to build up effective communication with relevant parties to prevent possible reputational damages.

Legal Risk

Possible non-compliance with various regulatory requirements would result in legal action being taken against the company. Some of the legal risks are associated with other risks such as reputational risk, operational risk, and financial risk. Therefore, the AASL Risk Management system encourages the Management to comply with existing laws or the latest regulatory requirements. Legal Division of the company advices the top Management on non-routing compliances to better mitigate legal risk.

Corporate Governance

1. Overview

Over the past 37 years, AASL has committed to ensure a strong governance framework. It helps to maintain an effective management of the day-to-day business functions and the long-term survival. Corporate Governance is the system by which businesses are directed and controlled. Effective governance framework plays a vital role in helping Boards gain a better understanding of their oversight role. The framework should have attributes that contribute to effective governance and tools for addressing governance risk. A good corporate governance framework provides a more cogent construct for evaluating how Management's responsibilities fit with the Board's oversight responsibilities towards stakeholders.

Corporate governance framework fundamentally contributes to mitigate the Agency Problem arising from potential, diverse interests. In addition to that other key components of effective Board practices such as good governance and ethics, transparency, accountability is contained in Corporate Governance, all towards ensuring the long-term success and sustainability of the business entity. Overall, good corporate governance is a key factor in underpinning the integrity and efficiency of a company.

AASL committed to adopt and apply other effective governance systems and industry best practices that would protect and enhance shareholder value and sustainable growth. AASL recognizes that good Corporate Governance is a continuing exercise and reiterates its commitment to pursue the highest standards of Corporate Governance in the overall interest of all the stakeholders under the Corporate Governance Framework. The Corporate Governance Framework at AASL is built on the core principles of fairness, accountability, responsibility, participation and transparency which are essential for the creation, enhancement and maintenance of a sustainable business model.

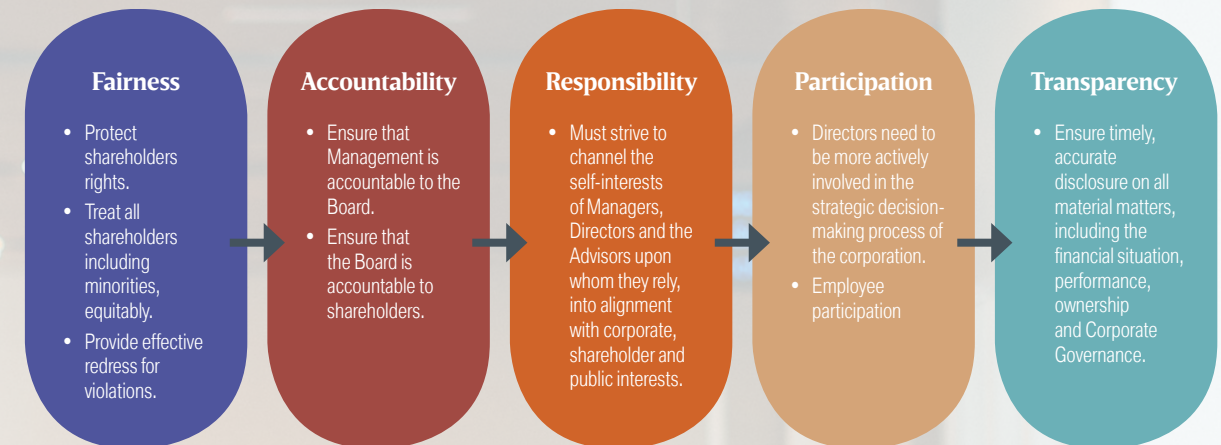
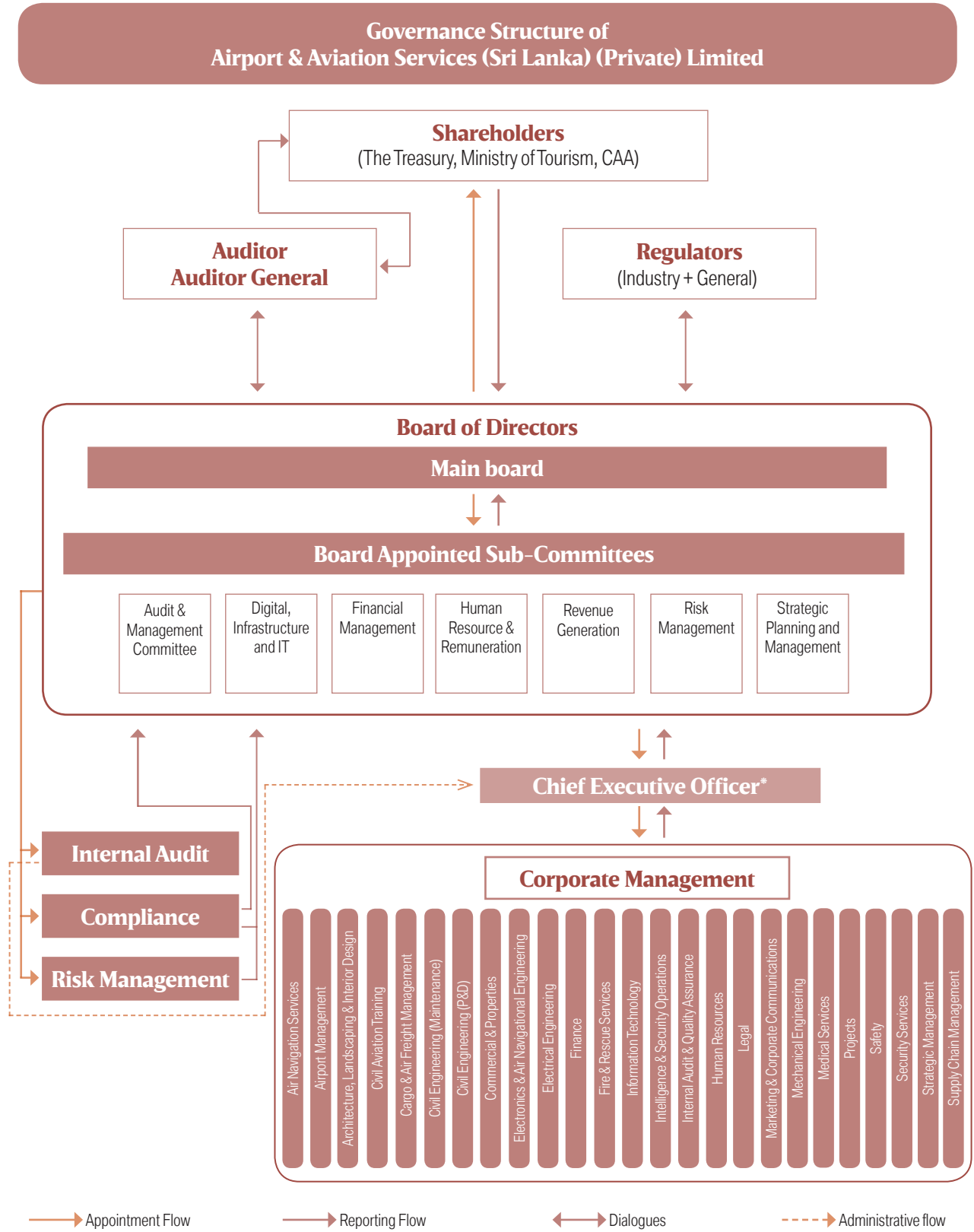


Figure 1: Corporate Governance Framework of AASL

The Board of Directors are responsible to the shareholders and other stakeholders for the sustainable delivery of the goals, operational performance and financial performance through the efficient use of resources and maintain ethical standards. This report demonstrates in detail, how AASL has embraced and complied with, all the mandatory provisions of the Companies Act No. 7 of 2007, Code of Best Practice on Corporate Governance 2017 of the Institute of Chartered Accountants of Sri Lanka and the Public Enterprises Guidelines for Good Governance issued by the Department of Public Enterprises, Ministry of Finance under the category "A" Commercial Public Enterprises.

1.1. The Governing Structure of AASL



*At AASL, the Chairman plays the dual roles as Chairman and CEO to go in line with the Good Governance guidelines issued by Department of Public Enterprises in 2003.

2. The Board

The Board's key responsibilities include:

- Providing direction and guidance to the company in the formulation of sustainable, high-level, medium, and long-term strategies which are aimed at promoting the long-term success of the company.
- Ensuring operations are carried within the scope of the Enterprise Risk Management Framework.
- Monitoring systems of governance and compliance.

In carrying out its responsibilities, the Board promotes a culture of openness, productive dialogue and constructive dissent, ensuring an environment which facilitates employee empowerment and engagement and creates value to all stakeholders. The Board encourages and sets the tone at the top by promoting professional standards and corporate values that cascade down to Senior Management and other employees of the company.

3. Board Meetings and Attendance

The Board meetings are scheduled by providing adequate notice to enable the Directors and Management to prepare all the key and strategic information required for deliberation in the meetings. The Directors are provided with the Agenda and Board papers at least seven days prior to each meeting giving them adequate time to study the contents.

A professional and methodical approach is practiced in conducting the meetings with pre-allocation of time for each agenda item to ensure all aspects are duly discussed and addressed to arrive at the appropriate decision. Heads of the Divisions attend the Board meetings by invitation as and when required to present additional information and provide further clarity to the Board.

Fourteen Board meetings were convened during the year and the attendance of the Board members are as follows:

Names of the Board Members	Position	Attendance
Maj Gen (Rtd) G A Chandrasiri RWP USP VSV ndc psc	Chairman	14/14
R Sooriyaarachchi	Vice Chairman	13/14
A S C Warushahennadige	Director	14/14
S N Sumanasekara	Director	14/14
Eng S M A U S Manchanayake	Director	14/14
D A De Livera	Director	14/14
C P Vitharena	Director	13/14
R A P Wijerathnasekara	Director	10/14
D A P Weeratna PC	Director	10/14
A H S Gunawardena	Observer from State Ministry of Aviation & Export Zones Development	12/14
Resigned		
P T Weerasinghe	Director	08/14
R M A Ratnayake	Director/Treasury Representative	12/14
S D Karunarathne	Director	02/14

4. Our Approach and Commitment

AASL is a fully Government owned company and its Board is responsible to the Government for the strategic guidance and oversight of the company through good governance.

The Board is responsible for taking appropriate business decisions within a framework of effective accountability and transparency in the process of meeting our core objective of maximizing value for our stakeholders.



Figure 2: Roles and Responsibilities of the Board

The Company is guided by the Corporate Governance Regulatory Framework recommended by the Department of Public Enterprises and the Ministry of Finance. This Governance Framework is underpinned by five core principles.

- a) Leadership and Direction
- b) Transparency and Integrity
- c) Accountability to the Government as its key shareholder
- d) Recognizing the legitimate interests of stakeholders
- e) Timely and balanced disclosure principle

5. Leadership and Direction

The company's business and operations are managed under the supervision of the Board, which consists of members with experience and knowledge in the areas of business management and finance governance appointed by the Minister of Tourism in line with reference to the Articles of Association. The Chairman, who leads

the Corporate Governance policies of the organization and is responsible for providing leadership to the Board, is appointed by the Minister, whilst inculcating good governance and ensuring effectiveness. The Chairman also ensures constructive working relations are maintained between the Executive and Non-Executive members of the Board. The Chairman with the assistance of the Board Secretary ensures that:

- a) Board procedures are followed
- b) Information is disseminated in a timely manner to the Board

The Board of Directors executes a statutory responsibility in the stewardship of the company on behalf of the Government and its stakeholders. Their principal functions are:

- a) To lead the company towards achieving its vision.
- b) To oversee the Management, operations and the performance of the company as a whole.

The Board comprises of 10 Directors, of which 08 are Non-Executive Directors and 02 are Executive Directors and majority of the Board comprises Non-Executive Directors of high repute as per requirements of the code. This Board composition reflects the independence of Management, in both fact and appearance. That is not only on Directors' individual relationships, personal, employment or business, but also on the Board's overall attitude towards Management. Providing objective independent judgment is at the core of the Board's oversight role.

All Directors have independent and joint access in respect of both internal and external information of the company. The Company Secretary ensures that Board procedures are followed and guidance on legal requirements are provided regarding Board proceedings.

In addition, the Secretary circulates the notices of Board Meetings, Minutes of meetings and Board papers together with other relevant documents with adequate information to enable the Board to make informed decisions. Follow-up on actions on Board decisions are also executed by the Secretary.

6. Matters Reserved for The Leadership of The Board

The Company has in place a well-structured Corporate Governance Framework which has been adopted across all business units and is integral in maintaining and enhancing sustainable shareholder value.

- a) Providing the vision and the direction for the company based on its specific mission built up within the scope of the provisions in Civil Aviation Act No 14 of 2010 and how best it could serve the interests of the Government and other stakeholders.
- b) Ensuring that legal requirements are fulfilled and the company operates in accordance with the provisions of the Companies Act No. 7 of 2007 and Articles of Association.

- c) Framing different types of policies including Risk Management in order to achieve optimum returns and benefits to the Government and other key stakeholders.
- d) Reviewing public policy objectives periodically and providing strategic direction to formulate long term goals and objectives for future growth.
- e) Guaranteeing adequate accountability by delegating responsibility.

7. Matters Reserved for The Board in This Capacity

The main purposes of the Board in brief are that directly comes under their purview are:

- a) Assess the overall direction and implement strategy of the business.
- b) Fiduciary duty towards protecting stakeholder interests.
- c) Monitor and evaluate the performance of the Senior Management by means of Management Information reports to ensure that the company is on track in its operations.
- d) Ensure effectiveness of governance practices.
- e) Implement a framework for risk assessment and management, including internal controls among others.
- f) Ensure that Board policies are executed in the same spirit as it was framed and in the best interests of the institution and the public at large.
- g) Take remedial action without delays to ensure that goals are met, if results are not in line with desired expectations.
- h) Appoint competent personnel as Managers and ensuring that there is adequate delegation of authority amongst the Senior Management.
- i) Attend Committee on Public Enterprises (COPE) meetings and Parliamentary Consultative Committee

(PCC) meetings or delegating the authority for the same towards Senior Management when and where necessary.

8. The Role of The Audit and Management Committee (AUMC) In Corporate Governance Aspects

8.1. Audit Management Committee

The AUMC was formed in terms of PED/12 Para 7:4:1 to assist the Governing Council in the supervision of the affairs of AASL and to ensure the integrity of the company financial statements and the procedures of the AASL.

The primary role of the AUMC is to assist the Board in performing its oversight responsibilities in relation to the integrity of the financial statements of the company, the internal control and risk management systems of the Company and its compliance with legal and regulatory requirements, the External Auditors' performance, qualifications and independence and the adequacy and performance of the Internal Audit function, undertaken by the company.

The scope of functions and responsibilities are adequately set out in the TOR of the committee which has been approved by the Board and is reviewed annually. The AUMC has reviewed the financial statements to ensure its conformity and compliance to the Government regulations covering accounting and financial activities, Administrative Regulations (AR), Financial Regulations (FR) and AASL regulations.

The external and internal audit functions play a vital role in contributing to the integrity of the audited financial information. Accordingly, it is important that they are overseen and evaluated effectively by the Audit Committee at least quarterly. The AASL's line Ministry, the Ministry of Tourism and the General Treasury need the assurance that the AASL's audit functions are effective and have been robustly evaluated. The scope of the evaluations

should encompass all relevant issues including:

- Quality of work undertaken during the evaluation period.
- Caliber and experience of audit personnel.
- The appropriateness of its reporting line in respect of Government and Internal Audit.

The Audit and Management Committee had regularly reviewed the existing systems and procedures and on observing any deviations had submitted suggestions to improve the existing systems to the Board of Directors for its approval from time to time. The Committee also had reviewed the queries raised by the Auditor General and Internal Auditors and the replies given by the relevant divisions to ensure corrective measures taken are adequate and effective to eliminate the associated risks.

8.2. Transparency and Integrity

Transparency, in a business or governance context, is honesty and openness. Transparency and accountability are generally considered the two main pillars of good corporate governance. Integrity is doing the right thing even when no one else is around. It is the ability to act with honesty and be consistent in whatever it is a person is doing based on the moral values.

The Audit and Management Committee has regularly monitored and reviewed the organizational culture and practices with a view to identify and safeguard the integrity of the company's financial reporting which demands enhanced governance, accountability and transparency. The entire procurement process is one of the important activities of the company based on the guidelines issued by the Department of Public Finance of the Treasury and provides a fully transparent procedures when acquiring goods and services.

8.3. Internal Audit

AUMC is assisted by the AASL Internal Audit and Quality Assurance (IA & QA) Division. The Head of IA & QA acts as a Convener to the AUMC and report to the Chairman. The main focus of the IA & QA Division is to conduct independent review on the overall prevailing system of internal control by evaluating the adequacy, integrity and effectiveness of internal controls, while ensuring that standards of quality for certain areas of the airport services are satisfactorily met and make appropriate recommendation to the Management in order to strengthen the internal controls. The Internal Audit regularly reported to the Chairman on the adequacy and effectiveness of internal controls and compliance with laws and regulations and established policies and procedures of the company. The Internal Audit includes:

- Review of prevailing system of internal controls.
- Ensure that major decisions undertaken by the Board of Directors are implemented effectively.
- Evaluating and making recommendations on risk assessment over Management decisions and activities under the purview of each division of the AASL, to the AUMC and to the Chairman of AASL.
- Making observations on risk assessment by External Auditors in respect of systems and controls.
- Ad hoc and periodic Financial Reviews with respect to Income and Expenditure and its recognition as well as reporting.
- Undertaking quality audits regarding selected airport facilities and airport services.
- Review of procurement procedures in compliance with the National Procurement Agency applicable procurement guidelines.

9. Accountability to The Government as The Key Shareholder of AASL

As a fully Government owned business undertaking, accountability to the Government is exercised through the line Ministry by AASL using the following mechanism:

9.1. Parliament

Annual Reports of the company should be tabled in Parliament within 150 days from the end of the financial year as per the Treasury Circular PE/PF 21 dated 24 May 2002 for review.

9.2. Committee on Public Enterprises (COPE)

The Parliamentary Committee on Public Enterprises (COPE) is empowered to review the performance of the company and to assess the extent to which the company achieves performance targets and fulfils social responsibilities. When summoned by the COPE, the Chairman, Directors and Senior Managers together with the Secretary to the Ministry of Tourism, the Chief Accounting Officer should be present at the reviews, to respond to any queries and matters of concern regarding the activities of the company.

9.3. Parliamentary Sectoral Oversight Committee

As per the resolution of Parliament adopted on 19 December 2015 AASL comes under the Sectoral Oversight Committee on Transport and Communication. The main purpose of the committee is to evaluate and monitor the overall project progress, performance and any other special matters. Sectoral Oversight Committee chaired by an opposition Member of Parliament in order to maintain the objectivity in the entire process.

9.4. Minister of Finance / General Treasury

The Minister of Finance or the General Treasury on his behalf is responsible for financial discipline in the public sector,

including public enterprises. A Treasury representative is appointed to the Board to monitor performance, ensure compliance with statutes, rules and regulations etc. and to report on any matters of concern to the Minister. R M A Ratnayake, the Treasury Representative, performed this function during the year under review.

The responsibility for monitoring the financial management and control of Public Enterprises lies in the hands of the Department of Public Enterprises (DPE), General Treasury.

9.5. Ministry of Tourism

The Secretary of the Ministry of Tourism and Aviation and the Chief Accounting Officer is accountable to the Government for the financial administration and management of the company and in this capacity regularly reviews the following matters with the Board during the year.

- Corporate Plan and Budgets
- Physical and Financial performance of the Capital Projects undertaken in the current year
- Audit Deliverables including Management Letter and Financial Performance of the year as a whole
- Matters arising from meetings of the COPE or any other Statutory/Regulatory institution

10. Recognize the Legitimate Interests of Stakeholders

Stakeholder value is enhanced when an entity treats the stakeholders well, meet the expectations in growth and has a reputation towards civic responsibility and legal compliance. Stakeholder value known as a management method that focuses on maximizing the interests of a company's stakeholders (including shareholders, clients, workers and the community) as its prime objective. The goal of this approach is to maximize the stakeholders' value by implementing policies, which enhance cost control while raising the quality of the organization's products, improve the skills

and morale of the company's employees and secure the advancement of the community from where the organization gathers resources and sustenance. In light of that, the company recognizes the legal and other obligations to all legitimate stakeholders including the Government and other affiliated constituencies who have an interest over AASL's affairs, employees, users of the airport (airlines, passengers and the business community who run their businesses inside the airport) suppliers and other service providers and the community as a whole. These obligations are best viewed as part of the paramount duty to optimize long term stakeholder value.

It demonstrates its commitment to appropriate corporate practices, which comprise of the following areas:

- Due diligence by the Board and Management to the regulatory framework.
- Fulfilling the responsibilities of the Government, acting as the statutory service provider of airport operations.
- Promptly meeting obligations to creditors and financial institutions.
- Consistently meeting obligations in relation to fair trading and ensuring a level playing field when dealing with suppliers and other service providers.
- Ensuring ethical business practices affecting the community.
- Carrying out all operations and activities as stipulated by law and following best practices as appropriate.
- Non-discriminatory treatment of all airport users.
- Treat employees fairly, respectfully and equitably.

11. Timely and Balanced Disclosures

Providing timely, accurate information with required coverage of depth and breath for prudent decision making is the crust of our information disclosures internally as well as externally. The company's established policies and procedures ensure compliance with the disclosure requirements of all laws and regulations, including the circulars stipulated in the Department of Public Enterprises of the General Treasury and Sri Lanka Financial Reporting Standards (SLFRSs/LKASs).

AASL maintains effective and candid communication with the stakeholders with the goal to help stockholders understand the business, risk profile, financial condition and operating performance and trends of the corporation. Many periodic and ad hoc reports and analyzed information are provided as a practice and on demand. The employees are updated with true position of corporate operations and financial performance. The company Intranet serves the purpose of information dissemination enhancement to employees. AASL contributes to public policy dialogue whenever there is a development, enactment and revision of the laws and regulations that impact our business and affect the community in which we operate.

12. The Company Secretary

The Company Secretary plays a vital role in ensuring that the Board procedures are followed and regularly reviewed. In addition to maintaining Board minutes and Board records, the Board Secretary provides support in ensuring that the Board receives timely and accurate information in addition to advice relating to corporate governance matters, Board procedures and applicable rules and regulations during the year. All concerns raised and wished to be recorded have been documented in sufficient detail by the Secretary.

The Company Secretary is primarily responsible to ensure compliance with applicable statutory, new regulations and is the interface between the Management and the regulatory authorities for governance matters.



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தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



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எனது இல.
My No.

AVA/A/AASL/01/20/17

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உமது இல.
Your No.

දිනය
திகதி
Date

31 May 2021

Chairman
Airport and Aviation Services (Sri Lanka) (Private) Limited

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Airport and Aviation Services (Sri Lanka) (Private) Limited for the year ended 31 December 2020 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statements

1.1. Qualified Opinion

The audit of the Financial Statements of the Airport and Aviation Services (Sri Lanka) (Private) Limited ("company") for the year ended 31 December 2020 comprising the Statement of Financial Position as at 31 December 2020 and the Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and Notes to the Financial Statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, except for the effect of the matter described in the basis for Qualified Opinion section of my report, the accompanying Financial Statements give a true and fair view of the Financial Position of the company as at 31 December 2020, and of its Financial Performance and its Cash Flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2. Basis for Qualified Opinion

I draw attention to Note 2.1.1 to the Financial Statements which explains the basis for amalgamating the Financial Statements of the company with the Government Grant for Capital Expenditure (Voted Fund) and the Retained Revenue Fund. Based on the Cabinet decision dated 17 August 2005, the Secretary to the Treasury has directed the Company to fulfil the following conditions by his letter No.PE/GOCO/1/1 dated 09 February 2006.

- Action being taken to value the land and building of airport presently owned by the Government and other movable and immovable assets held by the company
- Taking over the liabilities relating to Airport Development presently serviced by the Government of Sri Lanka, and
- Issuance of shares to the Government of Sri Lanka for the net assets thus transferred



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NATIONAL AUDIT OFFICE

However, the company had taken over only the liabilities neither valuing the land and buildings and other movable and immovable assets owned by the Government and brought to the accounts nor issuing shares to the Government of Sri Lanka for the net assets transferring.

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

1.3. Other information included in the Company's 2020 Annual Report

The other information comprises the information included in the company's 2020 Annual Report but does not include the Financial Statements and my auditor's report thereon, which I have obtained prior to the date of this auditor's report. Management is responsible for the other information.

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

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

If based on the work I have performed on the other information that I have obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

1.4. Responsibilities of Management and those Charged with Governance for the Financial Statements

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

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

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

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



1.5. Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor’s report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



2. Report on Other Legal and Regulatory Requirements

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

- 2.1.1. I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the company as per the requirement of section 163 (1) (d) of the Companies Act, No. 7 of 2007 and section 12 (a) of the National Audit Act, No. 19 of 2018.
- 2.1.2 The Financial Statements of the company comply with the requirement of section 151 of the Companies Act, No. 07 of 2007.
- 2.1.3 The Financial Statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- 2.1.4 The Financial Statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

2.2 Based on the procedures performed and evidence obtained were limited to matters that are material, nothing has come to my attention;

- 2.2.1 to state that any member of the governing body of the company has any direct or indirect interest in any contract entered into by the company which are out of the normal course of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018.
- 2.2.2 to state that the company has not complied with any applicable written law, general and special directions issued by the governing body of the company as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018 except for ;

Reference to law / direction	Description
(a) Section 14 of the Civil Aviation Act, No.14 of 2010	A Master Plan on establishment or expansion of aerodromes had not been prepared by the company even by 31 December 2020.
(b) Public Enterprises Circular No. PED/12 of 02 June 2003 on Public Enterprises Guidelines for Good Governance	
i) Paragraph 9.2 (d)	The organization chart and the approved cadre of the company had not been registered with the Department of Public Enterprises, General Treasury.



Reference to law/ direction	Description
ii) Paragraph 9.3.1 (i)	The Scheme of Recruitments and Promotions (SOR) of the company had not been approved by the Ministry concerned with the concurrence of the General Treasury.
iii) Paragraph 9.14	HRM Manual of Procedures had not approved by the Board with the concurrence of the General Treasury.

2.2.3 to state that the company has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018

2.2.4 to state that the resources of the company had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018

2.5 Other Matters

- (a) An ERP system compatible with current technology had not been introduced to the company even as at 31 May 2021.
- (b) Assets coding system and properly updated assets register had not been made available for audit.
- (c) The company had entered into two agreements with Japan International Cooperation Agency for funding of 74,397 Japanese Yen Million for Phase II Stage 02 of Bandaranaike International Airport Development Project on dates of 28 March 2012 and 24 March 2016. However, the contract value equivalent to the 82 percent of the funding value, had been awarded on 04 March 2020 with a huge delay. Further the company had paid a sum of LKR 328 Million to the Japan International Cooperation Agency from 20 April 2013 to 20 April 2021 as commitment fee due to under-utilization of funds. Changing the roof design of new terminal building had been caused for the delaying of the project.
- (d) Neither a feasibility study nor environment impact assessment had been conducted before commencement of Construction of Jaffna International Airport at a total cost of LKR 218 Million as the first phase during the year 2019. Further, Jaffna International Airport had been reported an operational loss amounting to LKR 46.5 Million and LKR 61.1 Million in the year 2019 and 2020 respectively.


W P C Wickramaratne
Auditor General

Statement of Comprehensive Income

(All amounts in Sri Lankan Rupees)

	Note	2020	2019
Year ended 31 December			
Revenue	5	7,575,860,368	25,652,253,207
Other Income	6	212,551,351	40,988,731
		7,788,411,718	25,693,241,938
Administration and Establishment Expenses	7	(12,399,179,310)	(13,489,524,663)
Operating (Loss)/Profit		(4,610,767,592)	12,203,717,275
Finance Income		3,665,084,724	4,164,672,412
Finance Cost		(2,787,071,806)	(1,146,396,268)
Net Finance (Cost) / Income	8	878,012,919	3,018,276,144
(Loss)/Profit Before Tax		(3,732,754,673)	15,221,993,419
Income Tax Expenses	9	1,228,325,046	(4,225,984,067)
(Loss)/Profit for the Year		(2,504,429,627)	10,996,009,352
Basic (Loss) / Earnings Per Share	10	(12,522)	54,979
Other Comprehensive Income			
Gain/(Loss) arising from changes in assumptions on computing Retirement Benefit Obligation	23	497,235,788	113,104,013
Deferred Tax on Actuarial Gain / (Loss)	13	(119,336,589)	(31,669,124)
Total Other Comprehensive Income		377,899,199	81,434,889
Total Comprehensive Income for the Year		(2,126,530,428)	11,077,444,241

The notes on pages 95 to 119 form an integral part of these Financial Statements.

Statement of Financial Position

(All amounts in Sri Lankan Rupees)

As at December 31	Note	2020	2019
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	11	37,892,565,842	39,871,567,518
Capital Work in Progress	11	8,781,032,278	7,538,459,297
Intangible Assets	12	40,239,429	29,997,570
Deferred Tax Assets	13	1,967,973,553	2,119,369,228
		48,681,811,103	49,559,393,613
Long Term Investments			
Investment in Debentures	14	5,638,300,000	5,638,300,000
Long Term Bank Deposits		1,169,874,563	-
Loans to Company Officers	16.1	81,019,448	102,102,012
Current Assets			
Inventories	15	837,088,722	961,025,239
Trade and Other Receivables	16	3,215,746,028	6,149,586,940
Income Tax Receivable	26	833,368,210	-
Short Term Bank Deposits		41,932,637,264	43,384,359,019
Cash and Cash Equivalents	17	826,225,883	2,479,942,157
		47,645,066,108	52,974,913,355
Total Assets		103,216,071,222	108,274,708,980
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital	18	20,000,200	20,000,200
Reserves	19	1,077,266,769	1,067,076,769
Retained Earnings	20	35,885,634,588	38,143,580,281
		36,982,901,557	39,230,657,250
Non-Current Liabilities			
Borrowings	21	43,433,321,775	43,812,598,207
Debentures	22	4,000,000,000	4,000,000,000
Retirement Benefit Obligation	23	5,482,533,223	5,484,473,009
Deferred Tax Liability	13	6,129,418,466	7,389,802,597
Deferred Government Grants	24	986,349,954	1,034,044,256
		60,031,623,418	61,720,918,069
Current Liabilities			
Trade and Other Payables	25	2,462,071,717	2,789,389,542
Borrowings	21	3,739,474,530	3,747,733,646
Income Tax Payable	26	-	786,010,474
		6,201,546,247	7,323,133,661
Total Liabilities		66,233,169,665	69,044,051,730
Total Equity and Liabilities		103,216,071,222	108,274,708,980

The Board of Directors are responsible for the preparation and presentation of these Financial Statements. These Financial Statements were authorised by the Board of Directors on 31 May 2021.


Chairman


Director

Signed on behalf of the Board on 31 May 2021

The notes on pages 95 to 119 form an integral part of these Financial Statements.

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


Officiating Head of Finance

Statement Of Changes In Equity

(All amounts in Sri Lankan Rupees)

	Note	Stated Capital	Other Reserves	Retained Earnings	Total
Balance as at 1 January 2019		20,000,200	1,048,226,769	27,410,951,697	28,479,178,666
Prior Year Adjustments		-	-	174,034,344	174,034,344
Profit for the Year		-	-	10,996,009,352	10,996,009,352
Other Comprehensive Income					
Actuarial Loss on Post Employment Benefit Obligations		-	-	113,104,013	113,104,013
Deferred Tax on Actuarial Loss		-	-	(31,669,124)	(31,669,124)
Other Comprehensive Income Net of Tax		-	-	81,434,889	81,434,889
Total Comprehensive Income		-	-	11,077,444,241	11,077,444,241
Prior Year Adjustments		-	-	-	-
Dividend Paid	28	-	-	(500,000,000)	(500,000,000)
Transfer to Reserve Account		-	18,850,000	(18,850,000)	-
Balance as at 31 December 2019		20,000,200	1,067,076,769	38,143,580,281	39,230,657,250
Balance as at 1 January 2020		20,000,200	1,067,076,769	38,143,580,281	39,230,657,252
Prior Year Adjustments		-	-	(121,225,264)	(121,225,264)
(Loss)/Profit for the Year		-	-	(2,504,429,627)	(2,504,429,627)
Other Comprehensive Income					
Actuarial Gain on Post Employment Benefit Obligations		-	-	497,235,788	497,235,788
Deferred Tax on Actuarial Gain		-	-	(119,336,589)	(119,336,589)
Other Comprehensive Income Net of Tax		-	-	377,899,199	377,899,199
Total Comprehensive Income		-	-	(2,126,530,428)	(2,126,530,428)
Dividend Paid	28	-	-	-	-
Transfer to Reserve Account		-	10,190,000	(10,190,000)	-
Balance as at 31 December 2020		20,000,200	1,077,266,769	35,885,634,588	36,982,901,557

The notes on pages 95 to 119 form an integral part of these Financial Statements.

Statement Of Cash Flows

(All amounts in Sri Lankan Rupees)

Year ended 31 December	Note	2020	2019
Cash Flows from Operating Activities			
(Loss) / Profit Before Income Tax Expenses		(3,732,754,673)	15,221,993,419
Adjustment for :			
Depreciation	11	2,820,686,229	2,833,801,655
Amortization of Intangible Assets	12	16,599,094	15,710,737
Prior Year Depreciation/Amortisation Adjustment	11	58,885,481	24,741,823
Exchange (Gain) / Loss on Loans Conversion	21	2,268,147,704	(156,729,149)
Exchange (Gain) / Loss on Fixed Deposits Conversion	21	(770,750,076)	(22,852,159)
Income from Investment	8	(3,681,564,853)	(4,170,366,019)
(Profit) / Loss on Sales of Property, Plant and Equipment		(39,386,993)	-
Prior Year Adjustments		(124,200,415)	4,954,135
Amortization of Deferred Government Grants	24	(47,694,302)	(47,991,874)
Finance Cost	8	1,289,674,178	1,325,977,575
Provision for Retirement Benefit Plan	23	912,386,047	902,827,685
Operating Profit Before Working Capital Changes		(1,029,972,579)	15,932,067,829
(Increase) / Decrease in Inventories		123,936,517	(106,297,621)
(Increase) / Decrease in Trade and Other Receivables		2,442,334,045	(95,363,794)
Increase / (Decrease) in Trade and Other Payables		(275,084,982)	(4,182,268,063)
Cash Generated From Operations		1,261,213,001	11,548,138,350
Defined Benefit Plan Costs Paid	23	(417,090,045)	(398,606,099)
Interest Paid		(1,341,907,020)	(1,208,745,458)
Income Tax Paid	26	(1,617,818,533)	(6,578,684,186)
Net Cash (Used in) / Generated from Operating Activities		(2,115,602,598)	3,362,102,607
Cash Flows From Investing Activities			
Acquisition of Property, Plant and Equipment	11	(2,140,848,433)	(4,062,917,255)
Acquisition of Intangible Assets	12	(27,720,585)	(4,894,820)
Investment in Debentures	14	-	(1,054,300,000)
Net (Investment) / Withdrawal in Bank Deposits		1,052,597,268	(9,234,374,009)
Proceeds From Sale of Property, Plant and Equipment		39,387,040	-
Interest Received		4,173,071,721	3,287,369,590
Receipt from Debenture Issue		-	4,000,000,000
Staff Loans Granted		(124,931,128)	(112,742,893)
Staff Loans Receipt		146,013,692	120,930,596
Receipt of Government Grants		-	3,289,973
Net Cash generated from Investing Activities		3,117,569,575	(7,057,638,817)
Cash Flows from Financing Activities			
Dividend Paid	28	-	(500,000,000)
Loan Receipt	21	1,083,791,280	2,150,087,177
Loan Repayment	21	(3,739,474,532)	(3,641,472,283)
Net Cash (Used in) / Generated from Financing Activities		(2,655,683,251)	(1,991,385,108)
Net (Decrease) / Increase in Cash and Cash Equivalents		(1,653,716,274)	(5,686,921,317)
Cash and Cash Equivalents at the Beginning of the Year	17	2,479,942,157	8,166,863,474
Cash and Cash Equivalents at the End of the Year	17	826,225,883	2,479,942,157

Notes to the Financial Statements

(In the notes all amounts are shown in Sri Lankan Rupees unless otherwise stated)

1. Corporate Information

1.1. General

Airport and Aviation Services (Sri Lanka) (Private) Limited (“company”) is a private limited company incorporated and domiciled in Sri Lanka. The registered office of the company is located at Bandaranaike International Airport, Katunayake.

1.2. Principal Activities and Nature of Operations

During the year, the principle activities of the company were management of airports at internationally accepted standards, provision of air navigational services for inbound aircraft and aircraft flying through the Sri Lanka Flight Information Region (FIR) and providing other necessary facilities to the users of the airports.

1.3. Date of Authorization for Issue

The Financial Statements of Airport and Aviation Services (Sri Lanka) (Private) Limited for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Board of Directors on 31 May 2021.

2. Summary of Significant Accounting Policies

The principle accounting policies adopted in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1. Basis of Preparation

The financial statements have been prepared in accordance with and comply with Sri Lanka Accounting Standards (SLFRSs / LKAS). The financial statements are prepared under the historical cost basis, as modified by fair valuation of certain

financial assets and liabilities and present value of defined benefit obligations.

The preparation of financial statements in conformity with SLFRSs requires the use of certain critical accounting estimates. It also requires Management to exercise their judgment in the process of applying the company's accounting policies. The areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 4.

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

2.1.1. Amalgamation

These Financial Statements present the amalgamated position of the company including:

- a) The Voted Fund representing the Government Grants for capital expenditure; and
- b) The Retained Revenue Fund,

which were prepared and presented separately up to the year 2011 pending an opinion from the Attorney General.

The Attorney General's opinion was sought by the Civil Aviation Authority based on a request made by the Company to the Ministry of Aviation to initiate action to commence the statutory amendments mentioned under paragraph 3.5 of the Cabinet Memorandum given in the Cabinet approval dated 17 August 2005 to amalgamate the assets and liabilities of the airport with those of the company along with the necessary legislative amendments.

The necessity for the above Cabinet approval was due to the ownership of only part of the assets held by the former Airport

Authority been transferred to the company in 1983 with the formation of the company and dissolution of the Airport Authority with the remaining assets and liabilities been held and accounted under the voted and the retained revenue funds.

The Board of Directors of the company on 28 June 2013 approved the amalgamation in order to comply with the Sri Lanka Accounting Standards (SLFRS / LKAS), on the basis that the company in engaging in its principle activities deriving economic benefits from the use of the assets recorded in the two funds and also accounting for obligations on debt servicing without recording the related liability, thus deviating from fundamental accounting concepts.

2.1.2. Statement of Compliance

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of the company as per the provisions of the Companies Act and the SLFRSs/LKAS.

The Statement of Financial Position, Statements of Comprehensive Income, Changes in Equity and Cash Flows, together with accounting policies and notes, (“Financial Statements”) of the company as at 31 December 2020 and for the year then ended together with the comparative information are comply with the Sri Lanka Accounting Standards (SLFRS / LKAS) laid down by The Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act.

These Standards are listed at www.casrilanka.com.

2.1.3. Comparative Information

The accounting policies have been consistently applied to all the years presented, unless otherwise stated.

2.1.4. Basis of Measurement

The Financial Statements of the company have been prepared on the historical cost basis except for the following material items in the Statement of Financial Position:

Investment Property - Fair Value

Short Term Investments classified as fair value through profit or loss - Fair Value

Net Defined Benefit Liability - Liability is recognised as the present value of the Defined Benefit Obligation plus unrecognized actuarial gains, less unrecognized past service cost and unrecognized actuarial losses

2.1.5. Functional and Presentation Currency

Items included in the Financial Statements of the company are measured using the currency of the primary economic environment in which the company operates (the Functional Currency). These Financial Statements are presented in Sri Lankan Rupees, the company's Functional and Presentation Currency. There was no change in the company's Presentation and Functional Currency during the year under review.

2.1.6. Presentation of Financial Statements

The assets and liabilities of the company presented in its Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the Financial Statements. Financial Assets and Financial Liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle permitted by an Accounting Standard or Interpretation, and as specifically disclosed in the Accounting Policies of the company.

2.1.7. Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard - LKAS 1 on 'Presentation of Financial Statements'.

2.1.8. Use of Judgments and Estimates

The preparation of the Financial Statements of the company require the conformity with SLFRSs and Management to make judgments, estimates and assumptions that affect the application of Accounting Policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively when necessary.

2.1.9. Going Concern

The Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, Management is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on a going concern basis.

2.1.10. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and financial liability or equity instrument of another entity.

2.1.11. Deferred Tax Assets

Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that future taxable profits will be available against which such tax losses can be utilised. Assumptions are made

to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies.

2.1.12. Changes in Accounting Policy and Disclosures

New and amended standards and interpretations

Several Amendments to accounting standards are effective for annual periods beginning after 1 January 2020. However these amendments have no significant impact over the Company's Financial Statements.

Amendments to reference to Conceptual Framework for Financial Reporting

CA Sri Lanka has issued a revised conceptual framework which will be used in standard setting decisions with immediate effect. Key changes include,

- Increasing the prominence of stewardship in the objective of financial reporting.
- Reinstating prudence as a component of neutrality.
- Defining a reporting entity, which may be a legal entity or a portion of an entity.
- Revising the definitions of an asset and a liability.
- Removing the profitability threshold for recognition and adding guidance on de recognition.
- Adding guidance on different measurement basis.
- Setting the profit or loss is the primary performance indicator in principle, income and expenses in other comprehensive income should be recycled where this enhance the relevance or faithful representation of the Financial Statements.

Amendments to LKAS 1 and LKAS 8

CA Sri Lanka issued amendments to LKAS 1 and LKAS 8 on 'Accounting policies, Changes in Accounting Estimates and Errors' to align the definition of 'Material' across the standards and to clarify certain aspects of the term 'definition'. The new definition states that 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose Financial Statements make on the basis of those Financial Statements, which provides financial information about a specific reporting entity.

Amendments to SLFRS 3

CA Sri Lanka issued amendments to the definition of a business in SLFRS 3 to help entities to determine whether an acquired set of activities and assets is a business or not. These amendments clarify the minimum requirement for a business, remove the assessment of whether market participants are capable of replacing any missing entities, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

2.1.13. Effect of COVID 19 on the Business and Operations

With ongoing COVID-19 pandemic situation and the consequent business and movement restrictions, the company's operations were adversely affected from the mid of the month March 2020. During this financial period total aircraft movements and passenger movements have been decreased by 66% and 76% compared with the financial year 2019. During this period company experienced significant exchange loss on translation of foreign currencies into local currency due to depreciation of LKR against major foreign currencies. However as at the audit report date most of the countries have lifted their lockdown periods.

The company adopted all the health and safety guidelines published by the Health Authorities in Sri Lanka. In determining the basis of preparing the Financial Statements for the year ended 31 December 2020, based on available information, the Management has assessed the existing and anticipated post lockdown economic implications on the Company and the appropriateness of the use of the going concern basis.

The Management is confident of increasing strong revenue sources and strict follow up actions on debtors to finance the adverse effect to the cash flow, ability to secure supplies, expected revenue streams, credit and collection management practices and ability to defer non-essential capital expenditure. With the relaxation of movement restrictions and gradual restoration of business activities, the company is expected to return to its normal level of activities by the end of the second quarter. After due consideration of risks and likelihood of outcomes, the Board of Directors is satisfied that the company has adequate liquidity and business plans to continue to operate the business and mitigate the risks connected to the lockdown for the next 12 months from the date of this report.

The impact and how Management is planning to mitigate risk on currency risk, credit risk and liquidity risk are disclosed as separate notes to the Financial Statements.

2.2. Foreign Currency Translation

(a) Functional and Presentation Currency

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The Financial Statements are presented in Sri Lankan Rupees, which is the company's functional and presentation currency.

(b) Transactions and Balances

Foreign currency transactions are translated into the functional currency

using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in comprehensive income. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or cost'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other (losses) / gains – net'.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through comprehensive income are recognised in comprehensive income as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

2.3. Current and Deferred Income Tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the Statement of Comprehensive Income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted as at the reporting date are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority.

2.4. Inventories

Inventories are stated at the lower of cost or net realizable value after making due allowances for obsolete and slow moving items.

Spare parts and consumables for fire equipment brought before 31 December 2003 are valued based on a valuation and thereafter on weighted average basis.

The cost incurred in bringing inventories to its present location and conditions are

accounted using the weighted average basis other than fuel which is valued at First-in, First-out (FIFO) basis.

Company has made allowances for all inventories which are non-moving for more than 10 years.

2.5. Trade and Other Receivables

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

Other receivables are recognized at cost less allowances for bad and doubtful receivables.

2.6. Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in hand, demand 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 in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

2.7. Property, Plant and Equipment

All property, plant and equipment is initially recorded at cost and stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items and also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognized. All repairs and maintenance costs are charged to Statement of Comprehensive Income during the financial period in which they are incurred.

Cost of long term capital projects are carried forward in capital projects work- in - progress until the projects are completed and the related assets are available for use.

Depreciation begins when an item of property, plant and equipment is available for use and will continue until it is de-recognized, even if during that period the item is idle. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their costs to their residual values over their estimated useful lives.

The useful lives of the assets are estimated as follows:

Buildings	Over 50 Years
Plant and Machinery	Between 04 to 20 Years
Motor Vehicles	Between 04 to 15 Years
Furniture, Fittings and Office Equipment	Over 08 Years
Communication and Navigation Equipment	Between 05 to 10 Years
Other Equipment	Over 08 Years
Airport Infrastructure	Between 08 to 50 Years

An asset's carrying amount is written down immediately to its recoverable amount if the asset carrying amount is greater than its estimated recoverable amount.

When each major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

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

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within other income / (losses) net, in the statement of comprehensive income.

Impairment of Property, Plant and Equipment

The carrying value of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount the assets are written down to their recoverable amount. Impairment losses are recognized in the Statement of Comprehensive Income unless it reverses a previous revaluation surplus for the same asset.

2.8. Stated Capital

Ordinary shares are classified as Equity.

2.9. Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired

in the ordinary course of business from suppliers.

Liabilities classified as trade and other payables in the Statement of Financial Position are those which fall due for payment on demand or within one year from the reporting date. Items classified as non-current liabilities are those which fall due for payment beyond a period of one year from the reporting date.

Trade payables are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method.

2.10. Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facilities will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facilities will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

2.11. Borrowing Costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying

assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.12. Provisions

Provisions are recognized when the company has a present legal or constructive obligation 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. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

2.13. Retirement Benefit Obligations

(a) Defined Benefit Plan

A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A Defined Benefit Plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the actuarial valuation. The present value of the

defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The company has obtained an independent actuary valuation services for the year for the computation of defined benefit obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

(b) Defined Contribution Plans

All employees of the company are members of the Employees' Provident Fund and Employees' Trust Fund, to which the company contributes 12% and 3% respectively, of such employees' basic or consolidated wage or salary.

2.14. Grants and Subsidies

The monetary grants related to assets are recognized as cost and deferred in the Statement of Financial Position and credited to the Statement of Comprehensive Income over the useful life of the asset.

2.15. Impairment of Non-Financial Assets

Assets that have an indefinite useful life - for example, goodwill or intangible assets not ready to use - are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and

value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.16. Financial Assets

2.16.1. Classification

The company classifies its financial assets in the following categories: Amortised cost, at fair value through profit or loss and fair value through other comprehensive income. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them.

(a) Amortised Cost

The asset is measured at the amount recognized at initial recognition minus principal repayments, plus or minus the cumulative amortization of any difference between that initial amount and the maturity amount and any loss allowance. Interest income is calculated using the effective interest method and is recognized in profit and loss. Changes in fair value are recognized in profit and loss when the asset is de-recognized or reclassified.

(b) Fair Value through Other Comprehensive Income

Loans and receivables - Interest revenue, impairment gains and losses, and a portion of foreign exchange gains and losses, are recognized in profit and loss on the same basis as for Amortized Cost assets. Changes in fair value are recognized initially in Other Comprehensive Income (OCI). When the asset is de-recognized or reclassified, changes in fair value previously recognized in OCI and accumulated in equity are reclassified to profit and loss on a basis that always results in an asset measured at Fair Value through Other Comprehensive Income (FVOCI) having the same effect on profit and loss as if it were measured at Amortized Cost.

Investments in equity instruments - Dividends are recognized when the entity's right to receive payment is established, it is probable the economic benefits will flow to the entity and the amount can be measured reliably. Dividends are recognized in profit and loss unless they clearly represent recovery of a part of the cost of the investment, in which case they are included in OCI. Changes in fair value are recognized in OCI and are never recycled to profit and loss, even if the asset is sold or impaired

(c) Fair Value through Profit or Loss

Assets that do not meet the criteria for amortised cost or Fair Value through Other Comprehensive Income (FVOCI) are measured at fair value through profit or loss (FVPL).

2.16.2. Recognition and Measurement

Regular purchases and sales of financial assets are recognized on the trade-date - the date on which the company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or losses are initially recognized at fair value, and transaction costs are expensed in the Statement of Comprehensive Income. Financial assets are de-recognized when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income within other gains/ (losses) - net, in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognized in the Statement of Comprehensive Income as part of other income when the company's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in other comprehensive income.

2.17. Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.18. Impairment of Financial Assets

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

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulties, default or delinquency in interest or principle payment, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that co-relate with defaults.

SLFRS 9 requires to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. Loss allowance for trade

receivables is always measured at an amount equal to lifetime Expected Credit Loss (ECL). When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information. The company assumes that the credit risk on a financial asset has increased significantly if it is more than 365 days past due.

2.19. Financial Liabilities

The company's financial liabilities include trade and other payables, bank loans and other borrowings and unfavourable currency forward contract. All other financial liabilities except for financial liabilities at fair value through profit or loss are recognized initially at their fair values and subsequently measured at amortized cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

2.20. Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. The following specific criteria are used for the purpose of recognition of revenue.

(a) Rendering of Services

Revenue from rendering of services is recognized in the accounting period in which the services are rendered or performed.

(b) Interest

Interest Income is recognized as the interest accrues unless collectability is in doubt.

(c) Rental Income

Rental income is recognised as specified in the rental agreements on an accrual basis.

(d) Franchise Fee and Concessions

Franchise fees and concessions are recognized on an accrual basis in accordance with the substance of the relevant agreement and recognised on an accrual basis.

(e) Landing & Parking Income International / Domestic

Landing and parking income is based on the maximum take off weight (MTOW), subject to a minimum charge and parking duration in the apron of the airport and recognised on an accrual basis.

(f) Overflying Income

Overflying income is calculated based on the MTOW of aircraft and recognised on an accrual basis.

(g) Aerobridge Charges

Aerobridge income is calculated based on usage time of aerobridge and type of aircraft. Income is recognised on an accrual basis.

(h) Embarkation Levy

Embarkation levy is collected by Civil Aviation Authority of Sri Lanka as per the Finance Act and USD 9.75 is remitted to AASL. Revenue is recognised on cash basis.

(i) Entry Permit Fees, Parking Fees (Vehicles), Paging Board

Revenue is collected and recognised on cash basis.

(j) Others

Lounge income is recognised on cash and accrual basis depending on the payment method.

Incinerator income is recognised on accrual basis.

Other income sources is recognized on cash and accrual basis depending on the payment method.

3. Financial Risk Management

3.1. Financial Risk Factors

The company's activities expose it to a variety of financial risk: market risk (including foreign currency risk, cash flow and fair value interest rate risk), credit risk and liquidity risk.

(a) Market Risk

(i) Foreign Exchange Risk

The company is sensitive to the fluctuations in exchange rates and is principally exposed to fluctuations in the value of the Sri Lankan Rupee (LKR) against the United States Dollar (USD), Euro and Japanese

Yen. The company's functional currency is LKR in which most of the transactions are denominated and most of other currencies are considered foreign currencies for loan repayment purposes. Certain trade and other receivables and trade and other payables are denominated in foreign currencies.

The company's financial statements which are presented in Sri Lankan Rupees, are affected by foreign exchange fluctuations through both translation risk and transaction risk. Changes in foreign currency exchange rates may affect the company's profits or losses. For example weakening of the Sri Lankan Rupee against the United States Dollar can have adverse effects on the

company's profitability through its impact on repayment of loans taken by foreign currencies through Department of Treasury.

The table below shows the company's sensitivity to reasonable possible change in exchange rate of LKR against USD, Euro and Japanese Yen assessed by the company, while all other variables are held constant. The USD and Japanese Yen are the major currencies in which company's financial instruments are denominated after the company's presentation and document currency - LKR. The impact of the movement in exchange rates of USD, Euro and Japanese Yen on profit are given in the table below:

Sensitivity of the Exchange Rate of USD against LKR

	2020 Increase/ (Decrease) in profit (LKR)	2019 Increase/ (Decrease) in profit (LKR)
10 % appreciation/ depreciation (2019 - 10%) of the USD	(90,301,302)	33,954,668
15 % appreciation/ depreciation (2019 - 15%) of the USD	(135,451,953)	50,932,002
20 % appreciation/ depreciation (2019 - 20%) of the USD	(180,602,604)	67,909,336

Sensitivity of the Exchange Rate of Euro against LKR

	2020 Increase/ (Decrease) in profit (LKR)	2019 Increase/ (Decrease) in profit (LKR)
10 % appreciation/ depreciation (2019 - 10%) of the Euro	(1,212,899)	384,807
15 % appreciation/ depreciation (2019 - 15%) of the Euro	(1,819,349)	577,211
20 % appreciation/ depreciation (2019 - 20%) of the Euro	(2,425,798)	769,614

Sensitivity of the Exchange Rate of Japanese Yen against LKR

	2020 Increase/(Decrease) in profit (LKR)	2019 Increase/ (Decrease) in profit (LKR)
10 % appreciation/ depreciation (2019 - 10%) of the Yen	(135,300,569)	(18,666,560)
15 % appreciation/ depreciation (2019 - 15%) of the Yen	(202,950,854)	(27,999,840)
20 % appreciation/ depreciation (2019 - 20%) of the Yen	(270,601,138)	(37,333,120)

(ii) Cash flow and fair value interest rate risk

The company's interest rate risk arises from long term borrowings denominated in USD, Euro, and Japanese Yen. These are issued at fixed rates and thus it mitigates the cash flow interest rate risks on borrowings. This will further mitigate by the cash held at variable rates. Borrowings issued at fixed rates expose the company to fair value interest rate risk.

The company has considered movements in these interest rates over the last years and has concluded that the movement in interest rates is not deemed to have a material effect on equity.

(b) Credit risk

The credit risk arises from trade and other receivables from outside parties.

(c) Liquidity risk

Cash flow forecasting is performed by the

Finance Division. The Finance Division monitors rolling forecasts of the company's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the company's debt financing plans, covenant compliance, compliance with internal Statement of Financial Position ratio targets and, if applicable external regulatory or legal requirements - for example, currency restrictions.

Surplus cash held by the company over and above balance required for working capital management are invested in short term government securities to mitigate the liquidity risk.

3.2. Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in

order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The company assesses solvency prior to declaration of dividend to maintain the dividend ratio. Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total capital. Debt is calculated as total borrowings including 'current and non-current borrowings' as shown in the Statement of Financial Position. Total capital is calculated as 'equity' as shown in the Statement of Financial Position.

The Gearing Ratio as at 31 December 2020 and 31 December 2019 were as follows:

	Company 2020	2019
Total Borrowings (Note 21 & Note 22)	51,172,796,305	51,560,331,853
Less: Cash and Cash Equivalents (Note 17)	(826,225,883)	(2,479,942,157)
Less: Short Term Bank Deposits	(41,932,637,264)	(43,384,359,019)
Net Debt	8,413,933,157	5,696,030,677
Total Equity	36,982,901,557	39,230,657,250
Total Capital	45,396,834,714	44,926,687,927
Gearing Ratio	19%	13%

The above loan wholly consists of loans obtained through General Treasury for the development of airports under sovereign guarantee, Debenture issued for the settlement of outstanding balance of contractor of Mattala Rajapakse International Airport and a loan obtained from Bank of Ceylon. The fair value of borrowings equals their carrying amount as the impact of discounting is not significant.

3.3. Fair Value Estimation

The company had no financial instruments measured at fair value.

4. Critical Accounting Estimates and Judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Accounting Estimates and Assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

(a) Defined Benefit Plan - Gratuity

The present value of the defined benefit plan depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for defined benefit plan include the discount rate. Any changes in these assumptions will impact the carrying amount of defined benefit plan. The company determines the appropriate discount rate at the end

of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit obligations. Other key assumptions for defined benefit plan are based in part on current market conditions. Additional information is disclosed in Note 23.

(b) Provisions

The company recognizes provisions when it has a present legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate

can be made. The recording of provisions requires the application of judgments about the ultimate resolution of these obligations. As a result, provisions are reviewed at each Statement of Financial Position date and adjusted to reflect the company's current best estimate.

5. Revenue

	2020	2019
Aeronautical	2,290,647,423	5,430,766,464
Non-Aeronautical	5,285,212,945	20,221,486,743
	7,575,860,368	25,652,253,207
Aeronautical Revenue		
Landing & Parking Income	1,500,221,037	3,394,542,470
Overflying Income	643,836,873	1,579,427,110
Aerobridge Income	135,934,318	441,741,757
Domestic Landing & Parking Income	10,655,196	15,055,127
	2,290,647,423	5,430,766,464
Non-Aeronautical Revenue		
Embarkation Levy	1,476,062,613	5,781,116,552
Concession	1,807,523,515	8,250,700,233
Rental	1,355,027,377	4,335,582,246
Entry Permits	55,100,696	288,685,695
Franchise Fee on Ground Handling - SLA	208,643,495	484,258,051
Franchise Fee - SLCS	93,794,022	339,749,215
Parking Fees - Vehicles	16,730,001	24,705,699
Domestic Ground Handling CIAR / BIA	10,910,788	4,563,240
Other Non-Aeronautical Income	192,382,854	686,945,510
Miscellaneous Revenue	66,766,999	21,784,068
Training Center Income	2,270,585	3,396,236
	5,285,212,945	20,221,486,743
Total Aeronautical and Non-Aeronautical Revenue	7,575,860,368	25,652,253,207

6. Other Income

	2020	2019
Amortization of Government Grant	47,694,299	47,991,874
Operating Profit from Fuel Filling Station (Note 6.1)	11,550,543	23,640,976
Net Foreign Exchange Gain/ (Loss) on transactions/ translations	153,306,510	(30,644,119)
	212,551,351	40,988,731

Other Income Comprises Exchange Gain/ Loss on Operating Activities and Miscellaneous Income.

6.1. Operating Profit from Fuel Filling Station

	2020	2019
Sales	1,112,421,737	1,603,949,189
Less: Cost of Sales	(1,079,022,997)	(1,555,116,447)
Gross Profit	33,398,740	48,832,742
Less : Personnel and Administration Expenses	(21,848,197)	(25,191,766)
Operating Profit	11,550,543	23,640,976

7. Administration and Establishment Expenses

	2020	2019
Directors' Emoluments	6,603,688	11,796,114
Staff Cost	5,770,201,664	6,513,810,228
Defined Contribution Plan Costs	725,571,906	700,022,134
Defined Benefit Plan Costs	912,386,047	902,827,685
Auditor's Remuneration	1,793,000	966,740
Depreciation (Note 11)	2,837,361,089	2,840,851,754
Amortization (Note 12)	16,599,094	15,710,737
Provision for Debtors Impairment	643,481,376	397,143,394
Repair and Maintenance	265,898,453	462,842,807
Electricity Expenses	553,165,983	702,120,898
Legal Fees	1,760,010	3,308,434
Donations	410,290	84,200
Other Expenses	663,946,710	938,039,540
	12,399,179,310	13,489,524,663

8. Net Finance (Cost) / Income

8.1. Finance Income

	2020	2019
Interest on Treasury Bills/Bonds under Repurchase Agreements	66,511,166	580,986,513
Interest on USD Fixed Deposits	2,040,821,780	1,469,323,022
Interest on Rupee Fixed Deposits	896,290,215	1,505,420,558
Interest on Debenture	677,941,692	614,635,926
Interest on Staff Loans	7,720,729	10,027,444
IFRS Interest on Staff Loan	(24,200,857)	(15,721,051)
	3,665,084,724	4,164,672,412

8.2. Finance Cost

	2020	2019
Loan Interest	(1,289,674,178)	(1,325,977,575)
Exchange Gain / (Loss) on Loans Conversion	(2,268,147,704)	156,729,149
Exchange Gain / (Loss) on Fixed Deposits Conversion	770,750,076	22,852,159
	(2,787,071,806)	(1,146,396,268)
Net Finance (Cost) / Income	878,012,919	3,018,276,144

9. Income Tax Expense

The major components of Income Tax Expense for the year ended 31 December 2020 are as follows :

	2020	2019
Current Income Tax		
Current Tax Charge	-	4,159,769,246
Income Tax	-	4,159,769,246
Deferred Income Tax		
Charge / (Reversal) in respect of Deferred Taxation (Note 13)	(1,228,325,046)	66,214,821
Total Tax Expense	(1,228,325,046)	4,225,984,067

The tax on the company's profit before tax differs from the theoretical amount that would arise using basic tax rate (28%) (For year 2019) applicable to profits of the company as follows :

	2020	2019
(Loss)/Profit Before Tax	(3,732,754,673)	15,221,993,419
Tax calculated at the effective tax rate of 24% (2019 - 28%)	-	4,262,158,157
Tax effect on Expenses not deductible for tax	-	1,535,317,068
Tax effect on Expenses/Income deductible for tax	-	(1,637,705,980)
Tax losses for which no Deferred Income Tax Asset was recognised	(1,228,325,046)	66,214,821
Total Tax Expense	(1,228,325,046)	4,225,984,067

10. Basic (Loss)/Earnings per Share

Basic (Loss)/Earnings per share is calculated by dividing the net (loss)/profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding, without a corresponding change in the resources such as a bonus issue.

The following reflects the income and share data used in the Basic Earnings per Share computation.

	2020	2019
Net (Loss)/Profit attributable to Shareholders - LKR	(2,504,429,627)	10,996,009,352
Weighted average number of Ordinary Shares in Issue	200,002	200,002
Basic (Loss)/Earning per Share - LKR	(12,522)	54,979

11. Property, Plant and Equipment

- (i)

Land and building includes land amounting to LKR 964,479,791 as at 31 December 2020 (2019 - LKR 940,412,498) which is located at Katunayake.
- (ii)

The construction of second International Airport at Mattala (MRIA) which commenced operations in March 2013 had been constructed on a land leased out by the Government of Sri Lanka on a 99 year lease period. The base payments on the lease fall due after a grace period of 50 years from 2011. A total asset value of LKR 20 Billion relating to MRIA is included in the amalgamated Property, Plant & Equipment as at 31.12.2020.
- (iii)

Part of the buildings of the Katunayake airport are constructed on Government land.
- (iv)

Property, plant and equipment includes fully depreciated assets amounting to LKR14,007,811,776/- (2019 -LKR 14,161,463,885/). Value of fully depreciated assets has been reduced during year 2020 due to written off some assets belonged to Voted funds.
- "As per the Extraordinary Gazette Notification bearing No.2050/38 dated 21.12.2017, the Minister In Charge of the subject of the Civil Aviation has made an order in transferring and vesting the Aerodromes and aeronautical facilities in the Civil Aviation Authority of Sri Lanka. (CAASL). When going through the

aforesaid sequence of events, it is presumed that from the inception, AASL has been in use and control of immovable properties vested in the Director General of CAASL (DGCAASL), holding immovable properties vested in the DGCAASL or withholding immovable properties with the permission of CAASL has never held title to such properties. Therefore, the above Gazette notification merely a demonstration of a mechanism of the ownership of immovable properties which are being used by AASL and which is a continuation of previous scenarios."

II. Property, Plant and Equipment (Contd.)

	Land & Bulidings	Plant and Machinery	Motor Vehicle	Furniture, Fittings & Office Equipment
As at 1 January 2019				
Cost	17,720,422,810	5,081,191,942	1,768,227,894	1,112,616,249
Accumulated Depreciation	(4,341,892,437)	(4,287,263,177)	(1,120,034,354)	(999,122,585)
Provision for Doubtful Projects				
Closing Net Book Amount	13,378,530,373	793,928,765	648,193,540	113,493,664
Year ended 31 December 2019				
Opening Net Book Amount	13,378,530,373	793,928,765	648,193,540	113,493,664
Additions	150,624,158	345,178,097	-	61,991,191
Adjustments - Cost				
- Accumulated Depreciation	(3,543,207)	(14,014,223)	-	-
Transfers - Cost	(281,315)	(1,700,000)	-	(6,182,636)
- Accumulated Depreciation	-	867,466	-	6,182,634
Depreciation Charge (Note 7)	(339,674,681)	(199,704,002)	(101,873,159)	(48,927,923)
Closing Net Book Amount	13,185,655,328	924,556,104	546,320,382	126,556,930
As at 31 December 2019				
Cost	17,870,765,653	5,424,670,039	1,768,227,894	1,168,424,803
Accumulated Depreciation	(4,685,110,325)	(4,500,113,936)	(1,221,907,512)	(1,041,867,873)
Provision for Doubtful Projects				
Closing Net Book Amount	13,185,655,328	924,556,104	546,320,382	126,556,930
Year ended 31 December 2020				
Opening Net Book Amount	13,185,655,328	924,556,104	546,320,382	126,556,930
Additions	191,093,993	184,057,206	140,909,286	47,392,399
Donation	-	-	1,415,000	-
Adjustments - Cost				
- Accumulated Depreciation	(1,023,285)	(1,259,246)	-	(398,025)
Disposals - Cost	-	-	(29,904,413)	-
- Accumulated Depreciation	-	-	29,904,366	-
Written off - Cost	-	-	-	-
- Accumulated Depreciation	-	-	-	-
Transfers - Cost	(46,166,384)	(146,768,417)	1,805,063	(5,401,913)
- Accumulated Depreciation	15,471,724	147,903,136	(1,805,063)	5,264,048
Depreciation Charge (Note 7)	(341,411,481)	(211,518,474)	(95,185,339)	(65,285,981)
Closing Net Book Amount	13,003,619,895	896,970,308	593,459,282	108,127,459
As at 31 December 2020				
Cost	18,015,693,263	5,461,958,829	1,882,452,830	1,210,415,290
Accumulated Depreciation	(5,012,073,368)	(4,564,988,521)	(1,288,993,549)	(1,102,287,831)
Provision for Doubtful Projects	-	-	-	-
Closing Net Book Amount	13,003,619,895	896,970,308	593,459,282	108,127,459

Communication & Navigation Equipment	Other Equipment	Airport Infrastrurcture	Capital Work In Progress	Total
8,281,291,634	1,125,614,273	36,333,153,637	4,734,717,485	76,157,235,925
(6,941,526,749)	(906,306,992)	(11,349,238,739)	-	(29,945,385,031)
			(6,197,854)	(6,197,854)
1,339,764,885	219,307,282	24,983,914,898	4,728,519,631	46,205,653,039
1,339,764,885	219,307,282	24,983,914,898	4,728,519,631	46,205,653,039
325,990,359	306,830,401	70,527,334	3,739,899,345	5,001,040,885
-	-	(7,184,393)	-	(24,741,823)
-	-	-	(929,959,679)	(938,123,629)
-	-	-	-	7,050,100
(346,569,754)	(158,932,240)	(1,645,169,999)	-	(2,840,851,756)
1,319,185,490	367,205,444	23,402,087,840	7,538,459,297	47,410,026,815
8,607,281,993	1,432,444,675	36,403,680,971	7,544,657,151	80,220,153,180
(7,288,096,502)	(1,065,239,231)	(13,001,593,131)	-	(32,803,928,511)
			(6,197,854)	(6,197,854)
1,319,185,490	367,205,444	23,402,087,840	7,538,459,297	47,410,026,815
1,319,185,490	367,205,444	23,402,087,840	7,538,459,297	47,410,026,815
187,660,164	142,202,251	21,635,049	1,636,235,869	2,551,186,218
-	-	-	-	1,415,000
(24,438,820)	(23,121,351)	(7,765,122)	-	(58,005,849)
-	-	-	-	(29,904,413)
-	-	-	-	29,904,366
-	-	(830,045,097)	-	(830,045,097)
-	-	830,045,094	-	830,045,094
19,291,081	(6,684,129)	167,249,801	(393,662,888)	(410,337,785)
1,575,970	6,732,931	(158,467,886)	-	16,674,860
(369,208,597)	(101,100,502)	(1,653,650,713)	-	(2,837,361,088)
1,134,065,288	385,234,643	21,771,088,967	8,781,032,278	46,673,598,120
8,794,942,157	1,567,962,796	35,762,520,725	8,787,230,132	81,483,176,021
(7,660,876,868)	(1,182,728,154)	(13,991,431,757)	-	(34,803,380,047)
-	-	-	(6,197,854)	(6,197,854)
1,134,065,288	385,234,643	21,771,088,967	8,781,032,278	46,673,598,120

12. Intangible Assets

	2020	2019
At the beginning of the Year		
Cost	107,408,968	102,514,148
Accumulated depreciation	(77,411,398)	(61,700,661)
	29,997,570	40,813,487
Movement during the year		
Opening Net Book Amount	29,997,570	40,813,487
Additions	27,720,585	4,894,820
Prior Year Amortisation Adjustment	(879,632)	-
Amortisation during the year	(16,599,094)	(15,710,737)
Closing Net Book Amount	40,239,429	29,997,570
At the end of the Year		
Cost	135,129,553	107,408,968
Accumulated Depreciation	(94,890,124)	(77,411,398)
Closing Net Book Amount	40,239,429	29,997,570

The useful lives of the software assets are estimated as 4 years

13. Deferred Income Tax

	Statement of Financial Position		Statement of Comprehensive Income	
	2020	2019	2020	2019
Deferred Tax Liability on :				
Accelerated Tax Depreciation	6,129,418,466	7,389,802,597	(1,260,384,131)	643,010,689
	6,129,418,466	7,389,802,597	(1,260,384,131)	643,010,689
Deferred Tax Assets on :				
Defined Benefit Plan	1,315,807,969	1,535,652,441	219,844,471	(109,512,920)
Provision for Inventory & Debtors	629,568,927	552,692,794	(76,876,133)	(486,779,637)
Deferred Government Grants	22,596,657	31,023,994	8,427,337	51,165,814
	1,967,973,553	2,119,369,228	151,395,675	(545,126,744)
Other Comprehensive Income				
Deferred Income Tax on Actuarial Gain/(Loss) on Defined Benefit Plan			(119,336,589)	(31,669,124)
Deferred Income Tax Charge/ (Credit) (Note 9)			(1,228,325,046)	66,214,821
Deferred Income Tax Assets and Liabilities are offset when there is a legally enforceable right to offset current tax against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The Net Deferred Tax amount is as follows:				
Deferred Tax Asset	1,967,973,553	2,119,369,228		
Deferred Tax Liability	(6,129,418,466)	(7,389,802,597)		
Deferred Tax Asset (Net)	(4,161,444,912)	(5,270,433,369)		

14. Investment in Debentures

Investment in Debentures wholly consists of investment in 5 - 8 year Redeemable Debentures of Bank of Ceylon, Sampath Bank, Rural Development Bank, Hatton National Bank & DFCC Bank. The carrying value of the investment, held to maturity equals the fair value.

	2020	2019
Debentures at weighted average rates of interest		
6 month TB Rate + 1.25%	800,000,000	800,000,000
Debentures at Fixed Rate (11.25% - 15.50%)	4,838,300,000	4,838,300,000
	5,638,300,000	5,638,300,000

Debenture date of issue and date of redemption are as follows ;

Date of Issue	Date of Redemption	Amount of Investment	
		2020	2019
08.10.2015	07.10.2023	800,000,000	800,000,000
25.10.2016	24.10.2021	750,000,000	750,000,000
25.10.2016	24.10.2023	50,000,000	50,000,000
16.03.2016	15.03.2021	300,000,000	300,000,000
10.06.2016	10.06.2021	500,000,000	500,000,000
31.03.2017	31.03.2022	800,000,000	800,000,000
03.04.2017	04.04.2022	150,000,000	150,000,000
27.12.2017	27.12.2022	340,000,000	340,000,000
15.03.2018	15.03.2023	449,000,000	449,000,000
29.03.2018	29.03.2025	445,000,000	445,000,000
10.09.2019	10.09.2024	800,000,000	800,000,000
23.09.2019	23.09.2026	254,300,000	254,300,000
		5,638,300,000	5,638,300,000

Company placed debentures amounting to LKR 5,638.3 Million as at 31 December 2020 for creating the dedicated fund to serve the Retirement Benefit Liabilities of the company.

15. Inventories

	2020	2019
General	64,370,571	54,344,123
Electronics	74,337,118	73,088,855
Engineering	227,880,046	230,202,465
Fuel	15,898,574	16,778,408
Fire Equipment Spare Parts	20,163,425	22,891,021
Goods in Transit	507,077,989	630,496,928
Stock - Lounge	280,185	322,974
	910,007,908	1,028,124,773
Less : Allowance for Slow Moving Inventory	(72,919,186)	(67,099,533)
	837,088,722	961,025,239

The General Inventory includes painting items, stationeries, staff uniform and other hardware items, etc..

16. Trade and Other Receivables

	2020	2019
Trade Debtors	4,222,977,895	5,996,619,230
Less: Impairment of Trade Receivables	(2,548,817,147)	(1,897,757,793)
	1,674,160,748	4,098,861,436
Other Receivables	1,330,069,002	1,822,176,173
Advances and Prepayments	133,837,406	136,907,808
Less: Impairment of Other Receivables	(1,467,530)	(9,045,507)
	1,462,438,878	1,950,038,474
Loans to Company Officers (Note 16.1)	79,146,402	100,687,030
	3,215,746,028	6,149,586,940

Loans to Company Officers are receivable from employees in equal monthly instalments over the loan period not exceeding 4 years. Interest is charged on employee loans at a rate of 4.2% per annum. As per accounting policy the employee loans are measured at amortized cost using the effective interest method of each reporting date. The effective interest on employee loans was 8.00% in 2020 (2019: 12.25 %)

16.1. Loans to Company Officers

	2020	2019
-Less than 1 year	79,146,402	100,687,030
-More than 1 year	81,019,448	102,102,012
	160,165,850	202,789,042

17. Cash and Cash Equivalents

	2020	2019
Treasury Bills/Bonds under Repurchase Agreements	420,106,413	1,652,191,167
Cash & Bank		
Cash at Bank	405,005,971	827,093,691
Cash in Hand	1,113,500	657,298
	406,119,471	827,750,989
Total Cash and Cash Equivalents for the purpose of Cash Flow Statement	826,225,883	2,479,942,157

18. Stated Capital

	Number of Shares	2020	2019
Stated Capital	200,002	20,000,200	20,000,200
		20,000,200	20,000,200

All issued shares are fully paid.

19. Reserves

	2020	2019
Net Assets taken over from Airports Authority	892,726,769	892,726,769
Reserve for Lightning Damages to Property, Plant and Equipment and Inventory	184,540,000	174,350,000
	1,077,266,769	1,067,076,769

The reserve consist of value of net assets transferred to the company from the Airports Authority which was dissolved upon the incorporation of the company. LKR 184.54 Million transferred from retained earnings (5% of annual asset additions of electronic, electrical, communication & other equipment) for fire damages to property plant and equipment due to lightning with effect from 2013.

20. Retained Earnings

	2020	2019
As at beginning of the year	38,143,580,282	27,410,951,697
Current year (Loss)/Profit	(2,504,429,627)	10,996,009,352
Prior Year Adjustments	(121,225,264)	174,034,344
Other Comprehensive Income / (Expenses)	377,899,199	81,434,889
Transfer to Reserve Account	(10,190,000)	(18,850,000)
Dividend paid during the year	-	(500,000,000)
As at end of the year	35,885,634,590	38,143,580,282

21. Borrowings

Borrowings represent both foreign loans and loans obtained from local commercial banks.

21.1. Foreign Loans

	2020	2019
Loans		
Balance at the beginning of the year	47,560,331,853	49,208,446,108
Loans obtained during the year	683,791,280	2,150,087,177
	48,244,123,133	51,358,533,285
Loans settled during the year	(3,739,474,532)	(3,641,472,283)
Exchange (gain) / loss on translation	2,268,147,704	(156,729,149)
Balance at the end of the year	46,772,796,305	47,560,331,853

21.2. Local Loans

	2020	2019
Loan - Bank of Ceylon	400,000,000	-
	400,000,000	-
Classification of Loans		
Current Portion of Borrowings	3,739,474,530	3,747,733,646
Non - Current Portion of Borrowings	43,433,321,775	43,812,598,207
	47,172,796,305	47,560,331,853
Maturity Analysis of the Borrowings		
	2020	2019
No later than 1 year	3,739,474,530	3,747,733,646
Later than 1 year and no later than 5 years	15,390,934,584	14,990,934,584
Later than 5 years	28,042,387,191	28,821,663,623
The fair values are based on cash flows discounted using rates based on each of the following loans:		
	2020	2019
	(%)	(%)
United States Dollar (USD)		
- Mattala Rajapakse International Airport	2.00	2.00
- Runway Overlay	LIBOR + 2	LIBOR + 2
Japanese Yen		
- BIA Development Project	1.80	1.80
- BIA Development Project - Phase II Stage 1	0.75	0.75
- BIA Development Project - Phase II Stage 2	0.20	0.20
Euro		
- Modern RMA Air Traffic Control System - Tranche - 2	4.90	4.90
- Modern RMA Air Traffic Control System - Tranche - 3	2.10	2.10
LKR		
- Bank Loan against Fixed Deposits	AER of FD + 0.5	-
United States Dollar (USD)	156,015,989	170,981,333
Japanese Yen	9,302,888,849	9,469,923,972
Euro	393,964	499,406
Sri Lankan Rupee (LKR)	400,000,000	-

22. Debentures

	2020	2019
Issued Debentures	4,000,000,000	4,000,000,000
	4,000,000,000	4,000,000,000

Company issued 40,000,000 guaranteed unlisted redeemable senior debentures at the rate of AWPLR+2.00% per annum payable semi-annually at par value of LKR100/- each with a maturity period of 15 years to National Savings Bank in May 2019 to raise LKR 4 Billion to settle outstanding payments to the China Harbour Engineering company, the contractor of Mattala Rajapaksa International Airport.

23. Retirement Benefit Obligation

Movement in the liability recognized in the Statement of Financial Position is as follows:

	2020	2019
As at beginning of the year	5,484,473,009	5,093,355,436
Current Service Cost	336,516,383	342,558,589
Interest Cost	575,869,664	560,269,096
Payments made during the year	(417,090,045)	(398,606,099)
(Gain)/Loss arising from changes in assumptions used	(497,235,788)	(113,104,013)
As at end of the year	5,482,533,223	5,484,473,009

The principle assumptions used in determining the cost of employee benefits using the projected unit credit method to calculate the liability for Defined Benefit Obligation at year end. were:

	2020	2019
Discount rate	8.00%	10.50%
Rate of future salary increases	1% - 11%	5% - 12%
Cost of Living Allowance increment rate	4.50%	4.00%
Rate of Staff Turnover	0.6%	1.5%
Retirement Age	60 years	60 years

The provision for Retirement Benefits Obligations for the year is based on the Actuarial Valuation carried out by professionally qualified actuaries M/S Actuarial & Management Consultants (Pvt) Ltd as at 31 December 2020.

The liability for Defined Benefit Obligations is not externally funded.

24. Deferred Government Grant

Treasury Grant	2020	2019
At the beginning of the year	1,034,044,256	1,247,826,367
Received during the year	-	3,289,973
Prior Year Adjustments	-	(169,080,210)
Reversal of over Amortization/(Amortization)	(47,694,302)	(47,991,874)
At the end of the year	986,349,954	1,034,044,256

The above Grants include:

- a) Company received a Grant of LKR 3,289,973 during the year 2019 in relation to radiation detection equipments from International Atomic Energy Agency (IAEA) This was recorded and amortized over the useful life of those assets.
- b) During the year 2018, company received LKR 137,542,609 worth assets under the Japan's non project grant aid for Economics and Social development programme. This amount was accounted during the period together with the refund made by Ministry of Transport and Civil Aviation in relation to the paid custom duty.
- c) An amount of LKR 8,479,962,767 received from the Department of Treasury, accounted as Treasury contributions in the Voted Fund in previous years prior to the amalgamation and now accounted as a Grant representing amounts received for BIA development projects since incorporation of the Company. On amalgamation the amounts received prior to 2001 utilized for assets purchased prior to that year had been adjusted to opening equity balance. The balance LKR 2,297,170,632 represents the grants received for assets acquired subsequent to 2001 and is being amortized over the useful life periods of those assets.

25. Trade and Other Payables

	2020	2019
Trade Payable	1,258,146,501	1,534,027,048
Refundable Deposits	332,295,958	346,826,255
Other Payables	871,629,258	908,536,238
	2,462,071,717	2,789,389,542

26. Income Tax (Receivable)/Payable

	2020	2019
Balance at the beginning of the year	786,010,474	3,204,925,413
Prior Year Adjustments	(1,560,151)	-
Provisions for the year	-	4,159,769,246
Payments during the year	(1,617,818,533)	(6,578,684,186)
Balance at the end of the year	(833,368,210)	786,010,474

27. Financial Instruments by Category

(a) Financial Instruments

	2020	2019
Financial Assets		
Amortized Cost		
Trade and other Receivables (Excluding prepayments, Advances) (Note 16)	3,002,762,220	5,911,992,103
Cash and Bank Balances (Note 17)	406,119,471	827,750,989
	3,408,881,691	6,739,743,092
Investment in Debentures (Note 14)	5,638,300,000	5,638,300,000
Long Term Bank Deposits	1,169,874,563	-
Investments in Treasury Bills/Bonds Repurchase (Note 17)	420,106,413	1,652,191,167
Short Term Bank Deposits	41,932,637,264	43,384,359,019
	49,160,918,239	50,674,850,186
Financial Liabilities		
Other Financial Liabilities		
Borrowings (Note 21)	47,172,796,305	47,560,331,853
Trade and Other Payables (excluding non financial liabilities) (Note 25)	2,462,071,717	2,789,389,542
	49,634,868,022	50,349,721,394

(b) Credit Quality by Class of Financial Assets

The credit quality of Financial Assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

31 December 2020	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
Trade Receivables (Note 16)	324,097,611	1,350,063,137	2,548,817,147	4,222,977,895
Loans to Company Officers (Note 16.1)	160,165,850	-	-	160,165,850
Total Financial Assets	484,263,461	1,350,063,137	2,548,817,147	4,383,143,746

31 December 2019	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
Trade Receivables (Note 16)	2,328,855,904	1,760,960,025	1,906,803,300	5,996,619,230
Loans to Company Officers (Note 16.1)	202,789,042	-	-	202,789,042
Total Financial Assets	2,531,644,946	1,760,960,025	1,906,803,300	6,199,408,272

Cash at Bank and Short-Term Bank Deposits

	2020	2019
AA+(Ika)	43,507,517,797	44,211,452,710
Total	43,507,517,797	44,211,452,710

28. Dividend

No dividends were declared for the year 2019 .

The dividends paid in 2019 amounting to LKR 500 Million as shown in the Statement of Changes in Equity, represents the final dividend paid in respect of the year ended 31 December 2018.

29. Contingencies

The company is the defendant in the following lawsuits filed against the company. In the Directors' opinion, after taking appropriate legal advice, the outcome of these legal action will not give rise to any significant loss.

- Members of two Taxi Associations have filed 134 cases against the company demanding approximately LKR 62 Million for breach of contract. As per the judgment of Civil High Court of Negombo (Case No -WP/H/CCA/NEG/31/2017 (F) and WP/H/CCA/NEG/35/2017 (F)) dated 14 May 2019 AASL was ordered to pay LKR 90,000/- as damage and legal interest to each taxi owner and obtained the approval of Board of Directors by Board paper No 105/2019 dated 26.08.2019 and its decision dated 30 August 2019.Further as there are 134 cases this amount was made applicable to all 134 plaintiffs and the approval of the Board of Directors was obtained for LKR 12,060,000/- to be paid as compensation. Accordingly, In 2019 a provision was made in the Financial Statements, in respect of this lawsuits.

However the plaintiffs had appealed the case by calculating the payable in a different manner amounting to a much higher quantum. The calculation of the plaintiffs is yet to be received by AASL. At the receipt of the calculation, company will support its possession in the court by way of a motion.

Other than the above, there were no material contingent liabilities outstanding at the reporting date.

30. Commitments

30.1 Capital Expenditure Commitments

	2020	2019
Contracted but not provided for	1,242,572,981	2,809,939,666
Authorized by the Board, but not contracted for	7,087,492,019	18,288,342,334
	8,330,065,000	21,098,282,000

30.2 Financial Commitments

There are no any other financial commitments other than those disclosed under Borrowings (Note 21 & 22).

31. Transactions with Key Management Personnel

	2020	2019
Emoluments and Fees	6,603,688	11,796,114
	6,603,688	11,796,114

The Board of Directors have been considered as Key Management Personnel of the company.

32. Related Party Transactions

AASL as a fully owned Government company , the following significant transactions have been carried out with entities controlled by the Government in the ordinary course of business.

Name of the Entity	Relationship	Nature of the Transaction	2020 LKR Million	2019 LKR Million
Civil Aviation Authority	Government Owned	Embarkation levy Income	1,476	5,781
SriLankan Airlines	- Do -	Franchise Fee Income	1,293	2,970
Ceylon Petroleum Corporation	- Do -	Fuel Purchases	1,141	1,556
General Treasury	- Do -	Loan Repayments	1,005	972
Department of Inland Revenue	- Do -	Taxes	214	5,626
Central Bank of Sri Lanka	- Do -	EPF	580	560
Ceylon Electricity Board	- Do -	Electricity Payments	553	702
General Treasury	- Do -	Interest Payments	173	184
Sri Lankan Catering Ltd	- Do -	Franchise Fee Income	163	414
Employees Trust Fund Board	- Do -	ETF	145	140
Sri Lankan Catering Ltd	- Do -	Catering Services	128	435
Ceylon Petroleum Corporation	- Do -	Franchise Fee Income	84	177
Urban Council	- Do -	Rates Payments	59	40
Sri Lanka Insurance Corporation Ltd	- Do -	Insurance payments	52	43
Bank of Ceylon	- Do -	Rental Income	33	128
Board of Investment	- Do -	Water Charges	31	47
Sri Lanka Telecom Plc	- Do -	Telephone Charges	28	37
People's Bank	- Do -	Rental Income	10	40

Name of the Entity	Relationship	Nature of the Transaction	2020 LKR Million	2019 LKR Million
Sri Lanka Bureau of Foreign Employment	- Do -	Rental Income	6	18
Department of Inland Revenue	- Do -	Rental Income	4	18
General Treasury	- Do -	Dividend Payments	-	500
Receivables				
Bank of Ceylon	Government Owned	Investments	43,403	37,762
Sri Lankan Airlines	- Do -	Franchise Fee Income	3,199	2,352
Rural Development Bank	- Do -	Investments-Long Term	950	950
People's Bank	- Do -	Investments	500	2,550
National Saving Bank	- Do -	Investments	419	3,723
Civil Aviation Authority	- Do -	Embarkation levy Income	131	974
Divisional Secretary Katana	- Do -	Deposit For Land Acquisition	13	39
Sri Lanka Air force	- Do -	Rental Income	10	9
Sri Lankan Catering Ltd	- Do -	Franchise Fee Income	8	103
Ceylon Petroleum Corporation	- Do -	Concession Income	8	22
Payables				
Central Bank of Sri Lanka	- Do -	EPF	90	86
Ceylon Petroleum Corporation	- Do -	Fuel Deposit	54	54
Ceylon Electricity Board	- Do -	Electricity Deposit	47	70
Employees Trust Fund Board	- Do -	ETF	12	12
Sri Lankan Catering Ltd	- Do -	Purchases	6	43
Board of Investment	- Do -	Water Charges	7	-
Sri Lanka Telecom Plc	- Do -	Telephone Charges	5	5
Department of Inland Revenue	- Do -	Taxes	1	786

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

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.

33. Events after the reporting period

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

Explanatory Notes to the Report
of the Auditor General

1. Financial Statements

1.2 Basis for Qualified
Opinion

Audit Observation

I draw attention to Note 2.1.1 to the Financial Statements which explains the basis for amalgamating the Financial Statements of the company with the Government Grant for Capital Expenditure (Voted Fund) and the Retained Revenue Fund. Based on the Cabinet decision dated 17 August 2005, the Secretary to the Treasury has directed the company to fulfil the following conditions by his letter No.PE/GOCO/1/1 dated 9 February 2006.

- i. Action being taken to value the land and building of airport presently owned by the Government and other movable and immovable assets held by the company
- ii. Taking over the liabilities relating to Airport Development presently serviced by the Government of Sri Lanka, and
- iii. Issuance of shares to the Government of Sri Lanka for the net assets thus transferred

However, the company had taken over only the liabilities neither valuing the Land and Buildings and other movable and immovable assets owned by the Government and brought to the accounts nor issuing shares to the Government of Sri Lanka for the net assets transferring.

Management Response

Amalgamated financial statements have been prepared based on “substance over form” accounting principle complying with Sri Lanka Accounting Standards (LKAS) & International Financial Reporting Standards (IFRS) due to the circumstances created by following emerged grounds with the approval of Board of Directors on the recommendation of External Auditors in 2013.

- Airport & Aviation Services (Sri Lanka) (Private) Limited was appointed as the Agent of the Government through the Air Navigation (Special Provisions) Act No. 2 of 1982. Accordingly, such Agent was provided with the use and control of immovable and movable property required for the discharge of its functions which were vested with the Director of Civil Aviation.
- As per the Air Navigation (Special Provisions) Act No. 55 of 1992 all movable and immovable property vested with the Director of Civil Aviation and made available to the Agent by the Minister was deemed to be property held by the Agent for and on behalf of the State.
- As per the Civil Aviation Act No. 14 of 2010 Airport & Aviation Services (Sri Lanka) (Private) Limited was appointed as the Statutory Service Provider and on the issuance of licenses to the Statutory Service Provider it is stated that the CAASL shall grant permission in writing to the statutory service provider to withhold immovable properties that were in its Possession, in its capacity as Agent.
- As per the advice of the Attorney General dated 7 November, 2012 it is stated that with the enactment of the Civil Aviation Act No. 14 of 2010 all lands held by the Director General of Civil Aviation were reverted to the Republic and the absolute ownership of such land remains with the Republic.
- As per the Extraordinary Gazette Notification bearing No.2050/38 dated 21 December, 2017 the Minister in charge of the subject of the Civil Aviation has made order in transferring and vesting the Aerodromes and Aeronautical facilities in the Civil Aviation Authority of Sri Lanka.
- When going through the aforesaid sequence of events, it is seen that

from the inception Airport & Aviation Services (Sri Lanka) (Private) Limited has been in use and control of immovable properties vested in the Director General of Civil Aviation, holding immovable property vested in the Director of Civil Aviation or withholding immovable properties with the permission of the Civil Aviation Authority of Sri Lanka and has never held title to the immovable properties. Therefore, the Gazette Notification issued on 21 December 2017 is merely a demonstration of a mechanism of the ownership of immovable properties which are being used by Airport & Aviation Services (Sri Lanka) (Private) Limited and which is a continuation of previous scenarios.

- AASL has already valued all BIA Buildings from the Department of Valuation. However, ownership of land used by AASL has not been transferred to the company. Upon obtaining the Board approval all revalued building figures will be taken in to accounts subject to clearance of legal ownership and explore the possibility of issuing shares to the Treasury on net assets as stated in the cabinet memorandum.

Further, action has already been taken to obtain the consent in writing from the Director General of Civil Aviation Authority for the use of all movable and immovable assets as the statutory service provider empowered by Aviation Act No 14 of 2010.

2. Audit Observation On Report On Other Legal and Regulatory Requirements

(a) Section 14 of the Civil Aviation Act, No.14 of 2010	Audit Observation A Master Plan on establishment or expansion of aerodromes had not been prepared by the Company even by 31 December 2020. Management Response 1. Master Plan of MRIA was prepared and approval was obtained from Civil Aviation Authority of Sri Lanka. 2. BIA has a Master Plan which was prepared in 1983 and to be updated. AASL has taken action to carryout Master Plan study for BIA and updated. Master plan will be available at the end of year 2022.
(b) Public Enterprises Circular No. PED/12 of 02 June 2003 on Public Enterprises Guidelines for Good Governance	
i) Paragraph 9.2 (d)	Audit Observation The Organization Chart and the approved cadre of the company had not been registered with the Department of Public Enterprises, General Treasury. Management Response Board has approved the cadre and AASL has sent the information to the Department of Management Services (MSD) to obtain the approval on 21 January 2021.
ii) Paragraph 9.3.1 (i)	Audit Observation The scheme of Recruitments and Promotions (SORP) of the Company had not been approved by the Ministry concerned with the concurrence of the General Treasury. Management Response SORP committee is appointed by the Company to review the SORPs in 11th June 2020. Committee has decided to review the grievances of the employees for SORPs. After reviewing the SORPs, committee will collude the process of converting the SORPs to the format of MSD.
iii) Paragraph 9.14	Audit Observation Human Resource Management (HRM) Manual of Procedures had not approved by the Board with the concurrence of the General Treasury. Management Response The final draft of the HRM Policy Manual document was submitted to AASL by the PWC consultant for further review and it is being reviewed with the respective HR Managers for any amendments to be done. However, due to the COVID-19 pandemic situation meetings with the consultant could not be held as per the planned schedule.

2.5. Other Matters

Audit Observation (a)

An ERP system compatible with current technology had not been introduced to the company even as at 31 May 2021.

Management Response

The project time lines were delayed due to many reasons. As per the current approval given by the Chairman on May 2021, the ERP system is scheduled to be taken live on 1 July 2021.

Audit Observation (b)

Assets coding system and properly updated assets register had not been made available for audit.

Management Response

- MRIA Fixed Asset register is updated with new 16-digit readable bar coding system for all movable assets and submitted to the Audit.
- BIA Fixed Asset register is currently being updated with new codes and verification details of 2020 in order to upload into the new ongoing ERP project.

Audit Observation (c)

The company had entered into two agreements with Japan International Cooperation Agency for funding of JPY 74,397 Million for Phase II Stage 02 of Bandaranaike International Airport Development Project on dates of 28 March 2012 and 24 March 2016. However, the contract value equivalent to the 82% of the funding value, had been awarded on 04 March 2020 with a huge delay. Further the company had paid a sum of LKR 328 Million to the Japan International Cooperation Agency from 20 April 2013 to

20 April 2021 as commitment fee due to under-utilization of funds. Changing the roof design of new terminal building had been caused for the delaying of the project.

Management Response

Contract awarded value of Package A- JPY 41,554 Million + LKR 35,136 Million = JPY 60,764 Million (Conversion Rate as at 12 February 2021 Buying Rate LKR 1.829=1 JPY)

The contract sum equivalent to 81.68% of the funding value, had been awarded on 4 March 2020.

However due to outbreak of COVID-19 pandemic, there was a delay in mobilizing of Contractor's foreign staff and finally, work commenced on 15 December 2020.

Further, progress of the project as at 14 February 2021 was 0.06% against the planned progress of 0.03%. Commitment charges disbursed as at 20 April 2021 was JPY 235 Million from the Loan No SLP- 104 which was signed on 28 March 2012.

Further, company had paid JPY 90.86 Million as Front-End fee for the loan No SLP-114 which was signed on 24 March 2016.

Audit Observation (d)

Neither a feasibility study nor environment impact assessment had been conducted before commencement of Construction of Jaffna International Airport at a total cost of LKR 218 Million as the first phase during the year 2019. Further, Jaffna International Airport had been reported an operational loss amounting to LKR 46.5 Million and LKR 61.1 Million in the year 2019 and 2020 respectively.

Management Response

Project was carried out as per the direction of the line Ministry and Civil Aviation Authority of Sri Lanka. The said requirement was raised by AASL. However, with the given short period it was not carried out.

CORPORATE INFORMATION

Company Registration Number	PV 7931
Date of Incorporation	23 February 1982
Date of Re-registration	07 October 2008
Legal Form	Private Limited Company
Key Shareholders	• Secretary to the Ministry of Treasury • Ministry of Tourism • Director General of Civil Aviation
Regulator	Civil Aviation Authority of Sri Lanka
Empowered by	• Civil Aviation Act No. 14 of 2010 (as amended) • Companies Act No. 07 of 2007 (as amended)
Registered Office	Bandaranaike International Airport, Katunayake
Other Airports	• Mattala Rajapaksa International Airport, Mattala • Colombo International Airport, Ratmalana • Batticaloa International Airport, Batticaloa • Jaffna International Airport, Jaffna
Auditors	Auditor General's Department
Company Secretary	V L Udugampola (Ms) AAL
Bankers	Bank of Ceylon



**Airport & Aviation Services
(Sri Lanka) (Private) Limited**

'Make Happy Journeys'

