

On the Ascent

Airport and Aviation Services (Sri Lanka) (Private) Limited
Annual Report 2022



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

On the Ascent

Exceeding expectations is a quality that we strive for here at Airport and Aviation Services. After all, the ability to serve and go beyond the diverse needs of our visitors is crucial in cementing our place in the aviation industry. From comfort to luxury, gastronomy to hospitality, our synchronised work flow is a seamless experience for the thousands that visit Sri Lanka, and also a testament to our resilience. Having displayed an inordinate level of commitment, even amidst some challenging years, our resolute nature has begun to reap the rewards, as we witness each day, the growth and productivity of our team, as we reach new heights, on the ascent towards our goals.

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Chairman's Message

As I consolidate my thoughts to write this review for the Annual Report 2022, I am glad to note that what everyone was optimistically looking forward to, has finally begun to dawn....

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Management Discussion and Analysis

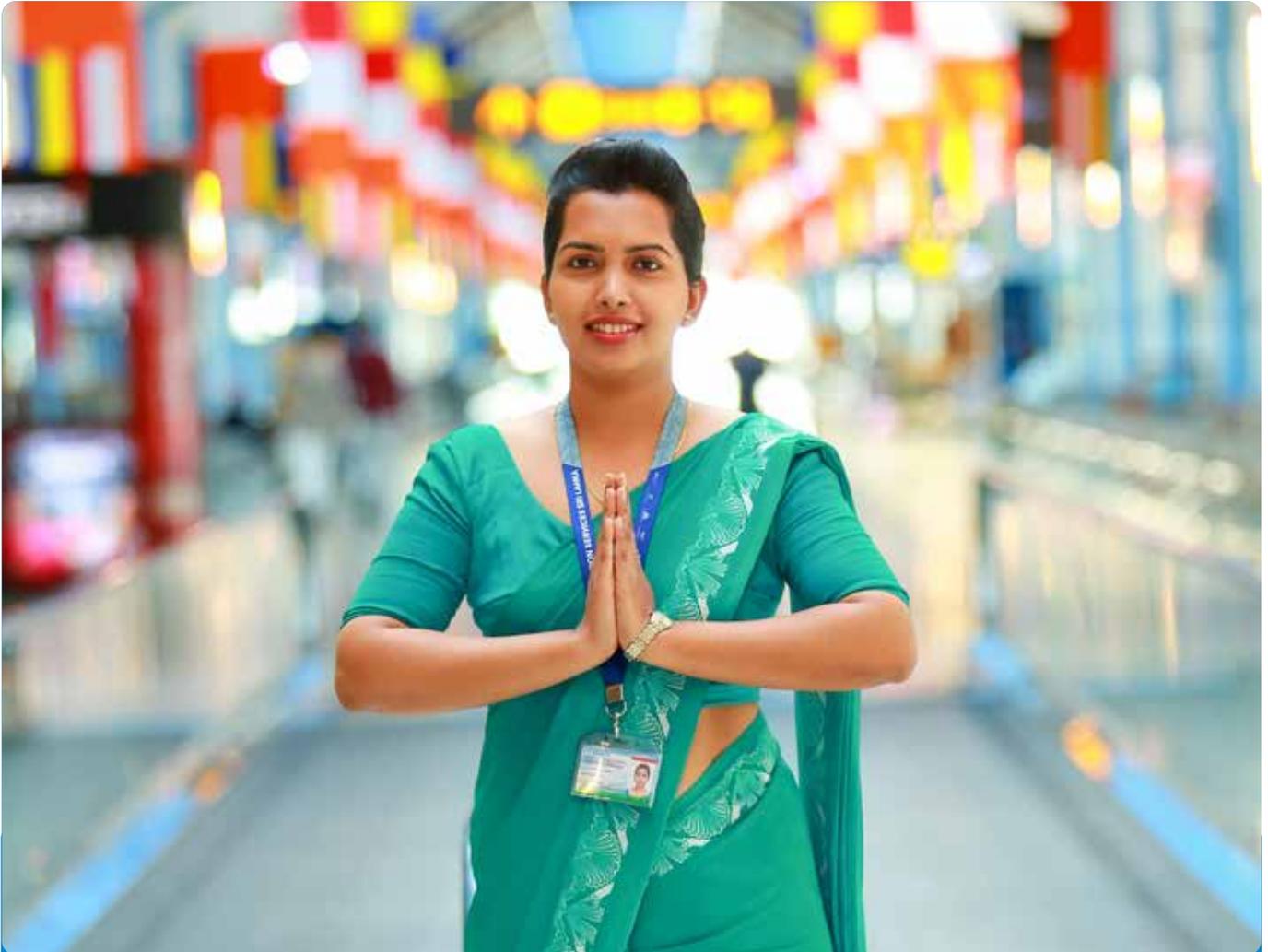
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Financial Review

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Human Resources Management

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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.”





HISTORICAL MILESTONES

Airport & Aviation (Sri Lanka) (Private) Limited (AASL) can trace its origins back to 1932, with the establishment of an airway service via then 'Ceylon'. In the 91 years that have passed since, the aviation hub has changed beyond all recognition. Each decade saw new developments and challenges, which shaped the path for the future. Initiated with the vision "Friendliest aviation partner in global connectivity towards a sustainable economy.", AASL has carved its niche in its pursuit to excellence. Today AASL provides a greater service to all its stakeholders around the globe.

AASL commenced its operations as the overall development, maintenance, administration and service delivery of all airports in Sri Lanka in 1983. With its incorporation, AASL was appointed as the agent of the Government to discharge duties as a member of International Civil Aviation Organization (ICAO).

1930

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

1934

- The State Council of Ceylon decides to construct an aerodrome at Ratmalana.

1936

- The Aerodrome at Ratmalana was completed.
- The Aero Club of Ceylon provides flight opportunities to the public.

1937

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

1938

- Inauguration of the Ratmalana Airport on 28 February.
- Director of Public Works was appointed as Director of Civil Aviation.

1939

- An emergency landing was conducted in Puttalam.

1942

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

1945

- The United Kingdom Australia- 'LANCASTRIAN' service commenced via Ceylon.

1946

- 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.

1947

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

1948

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

1950

- The Navigation Act No. 15 of 1950 was promulgated.
- A training academy for pilots was established.

1955

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

1959

- International flight operations were shifted to Katunayake.

1963

- 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.
- A Terminal Building to hold 150,000 passengers per year was constructed.

1967

- Inauguration of Bandaranaike International Airport, Katunayake. (BIA)

1968

- Construction of a larger Terminal Building, apron and taxiway.

1979

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

1980

- The Airport Authority took over civil operations from the Department of Civil Aviation.

1981

- The Government decided to establish a Government-owned company to handle civil aviation in Sri Lanka.

1982

- Amendments were made to the Air Navigation Act.

1983

- Establishment of the AASL to oversee the overall development, maintenance, administration and service delivery of the airports.

1984

- A development programme was launched to construct a new runway, passenger terminal building, cargo complex, control tower and navigation services and maintenance complex.

1987/88

- The new runway and passenger terminal building was commissioned with an annual handling capacity of 3.5 million passengers.

1992

- The Air Cargo Village was inaugurated.

1998

- Air Lanka was re-branded as “Sri Lankan Airlines” following its partial acquisition by Dubai based Emirates Group.

2005

- The Airport embraced a new outlook with the construction of a finger pier with eight aerobridges, expanded terminal, lounges and other facilities.

2008

- AASL celebrates its Silver Jubilee.

2010

- The Civil Aviation Act No.14 of 2010 was passed in Parliament.
- The Civil Aviation Authority of Sri Lanka issued the certificate and license to AASL to operate the Civil aerodromes in Sri Lanka as the statutory service provider.

2012

- The civil aviation sector completed 100 years of service beginning with the first plane performing its successful flight at the Racecourse Grounds in Colombo on 7 December 1912.

2013

- Sri Lanka’s second international airport Mattala Rajapaksa International Airport (MRIA) was declared open at Hambantota.

2015

- With a view to promoting MRIA, the Government declared a full “Open Skies Policy” at MRIA with all nine freedoms of air available to airlines.

2017

- The runway of BIA was extended from 60 meters to 75 meters and upgraded to “code F”, whilst enabling the accommodation of A380 aircrafts.

2018

- The Batticaloa Airport was declared reopened for civil operations.

2019

- Jaffna International Airport (JIA) was declared open.

2020

- Ground breaking ceremony of the BIA Terminal 2.

2021

- Newly refurbished ‘Araliya Lounge’ opened for Business class passengers.
- Google Indoor Maps was launched at BIA, creating history as the first indoor facility to enable this feature in Sri Lanka.

2022

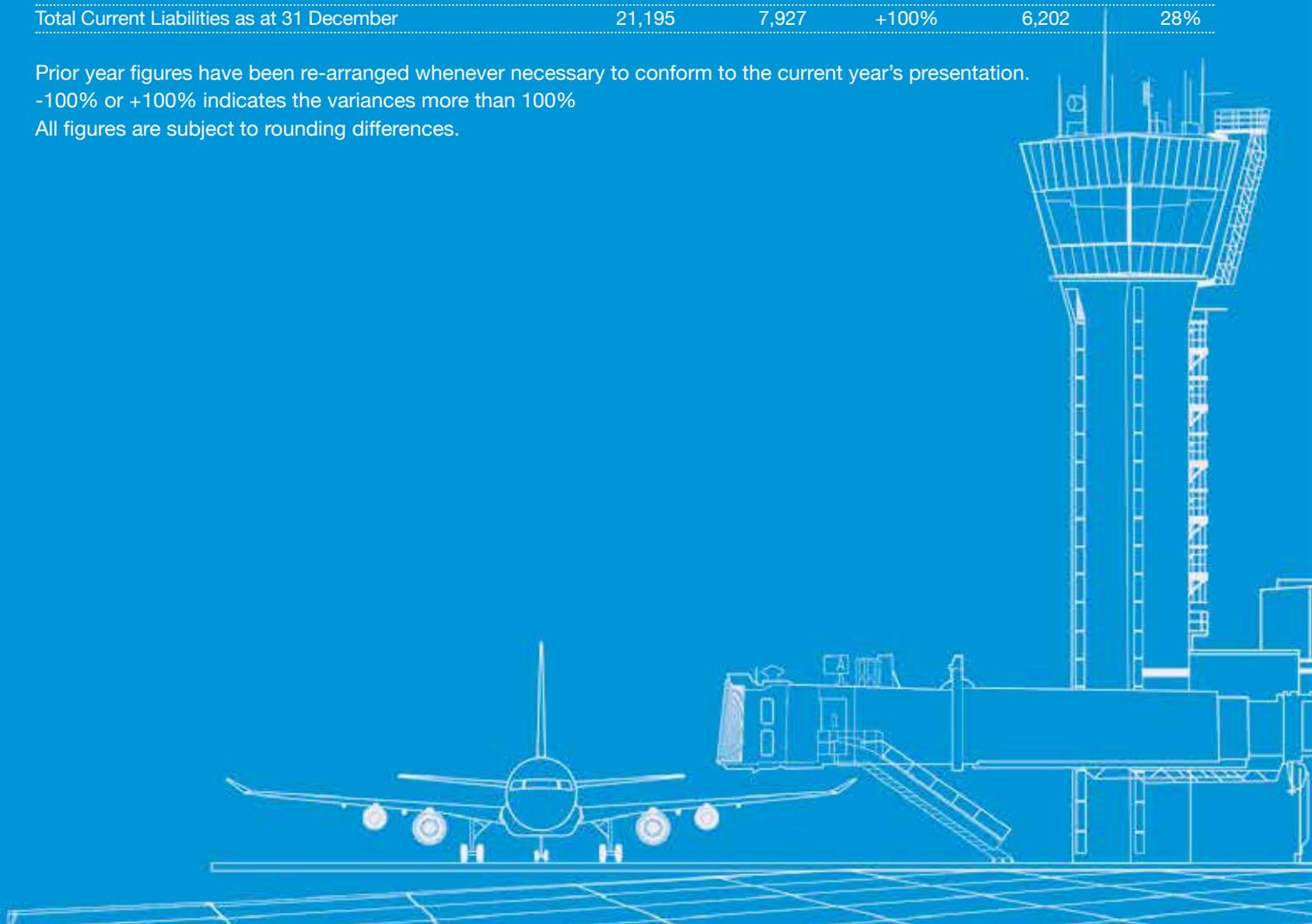
- The ‘**GOLD ROUTE**’ was launched, availing High End passengers to a ‘Premium Airport Experience’.

	2022 LKR Mn	2021 LKR Mn	2022/21 +/- %	2020 LKR Mn	2021/20 +/- %
Profit & Loss					
Turnover	27,647	7,879	+100%	8,011	-2%
Operating expenses before Depreciation	12,575	9,006	40%	9,768	-8%
EBITDA					
EBITDA	15,023	(1,176)	+100%	(1,805)	35%
Depreciation of Fixed Assets	2,367	2,648	-11%	2,854	-7%
Net Finance Costs / (Income)	6,272	(2,815)	-100%	(878)	+100%
Profit Before Taxation	6,433	(961)	+100%	(3,733)	74%
Income Tax	1,630	1,123	45%	(1,228)	-100%
Profit After Taxation					
Profit/(Loss) attributable to Equity Shareholders	4,803	(2,084)	+100%	(2,504)	17%
Cash Flows					
Dividends	500	-	+100%	-	-
Cash and Cash Equivalents as at 31 December	642	413	56%	826	-50%
Total Capital Expenditure for the year	7,016	22,960	-100%	2,169	+100%
Financial Position					
Shareholders Fund as at 31 December	45,257	41,314	10%	36,983	12%
Total Carrying Amount of Non-Current Assets as at December 31 st	89,790	79,414	13%	55,571	43%
Total Current Assets as at 31 December	89,740	47,430	89%	47,645	0%
Total Current Liabilities as at 31 December	21,195	7,927	+100%	6,202	28%

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.



	2022	2021	2020	2019	2018
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Operating Highlights

International Flight Movements	Nos.	37,641	21,204	20,881	62,195	67,351
Passenger Movements*	Nos.	5,503,198	1,505,479	2,375,056	9,958,688	10,884,028
Cargo Movements**	M.T.	173,597	200,179	150,075	259,089	279,559
Overflying Movements	Nos.	23,846	9,339	16,370	45,674	43,804
Total number of Employees						
as at 31 December	Nos.	3,854	3,985	4,098	4,182	3,836

Highlights in Ratios

Return on Equity	%	11	(5)	(7)	28	19
Profit Before Tax to Total Net Revenue	%	23	(12)	(47)	59	36
Profit Before Tax to Shareholders Fund	%	14	(2)	(10)	39	37
Total Revenue to Total Assets	Times	0.15	0.06	0.08	0.24	0.29
Total Assets per Employee	LKR'000	46,583	31,830	25,187	25,891	26,286
Total Staff Cost Per Employee - Per Annum	LKR'000	2,594	1,881	1,811	1,944	1,947
Total Cost per Flight Movement	LKR'000	727	574	738	235	318
Revenue per Passenger Movement	LKR	5,024	5,234	3,373	2,580	2,640
Profit after Tax per Passenger Movement	LKR	873	(1,384)	(1,054)	1,104	488
Aircraft Movements per Employee	Nos.	10	5	5	15	18
Passengers per Aircraft	Nos.	146	71	114	160	162
Passengers per Employee	Nos.	1,428	378	580	2,381	2,837
Gearing Ratio	%	41	39	19	13	20
Return on Total Assets	%	3	(2)	(2)	10	5
Net profit Ratio	%	17	(26)	(31)	43	18
Capital Productivity Index	Times	0.00	0.00	0.10	0.25	0.29
Earnings Per Share	LKR	24,013	(10,417)	(12,522)	54,979	26,566
Current Ratio	Times	4.23	5.98	7.68	7.23	3.49
Total Income to Total Expenditure	Times	1.24	0.92	0.76	2.04	1.49

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

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



Board of Directors



Chairman/CEO

Vice Chairman

- Mechanical Engineering Division
- Supply Chain Management Division
- Human Resources Division
- Civil Aviation Training Division
- Civil Engineering (Maintenance) Division
- Architecture, Landscaping & Interior Design Division
- Fire & Rescue Services Division
- Electrical Engineering Division
- Safety Unit

- Information Technology Division
- Finance Division
- Internal Audit & Quality Assurance Division
- Security Services Division
- Commercial & Properties Division
- Legal Division
- Airport Management Division
- Civil Engineering (Planning & Design) Division
- Electronics & Air Navigation Engineering Division
- Air Navigation Services Division
- Projects Division
- Strategic Management Division
- Marketing & Corporate Communications Division
- Cargo & Air Freight Management Division
- Intelligence & Security Operations Division
- Aeronautical Information Management Unit

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



5,503,198
International Passenger
Movements



37,641
International Aircraft
Movements



23,846
Overflying Movements



173,597 MT
Cargo Movements



LKR 27,647 Mn
Turnover



LKR 4,803 Mn
Net Profit after tax



LKR 179,530 Mn
Total Assets



3,854
No. of Employees



“Success is not final; failure is not fatal: it is the courage to continue that counts.” - Winston Churchill

As I consolidate my thoughts to write this review for the Annual Report 2022, I am glad to note that what everyone was optimistically looking forward to, has finally begun to dawn. The country is gradually recovering from the worst economic downturn in its history. Tourism in particular is gradually picking up, and that has important consequences for us.

As I look back at the year under review, I recall that it was a turbulent and challenging period. Turbulence is something the aviation industry is accustomed to and when encountered, what would see you through is stability and a proper sense of direction. I am happy to say that our company, starting from myself downwards, to the most junior employee have these virtues in abundance. We indeed came through and I take sincere pride in having provided leadership to that feat.

The freezing of the BIA Terminal II Project was a major setback which we faced during the year. During 2018 (just before the pandemic set in), we recorded the largest passenger movement figures in the history of BIA, making it evident that BIA needed urgent capacity expansions. The reduced passenger movements resulting from the pandemic gave us a breather to cope with this challenge although it dried up all our major revenue channels. Getting the Terminal II project back on track is essential and this remains one of our top priorities.

The shortage of fuel had a direct bearing on our operations, with logistics suffering all round. Transportation of minimal numbers of employees to run skeleton operations became a major challenge. Nevertheless, with swift decision making, coupled with foresight, we were able to establish dedicated supply chains with the Ceylon Petroleum Corporation to have a limited but continuous supply of fuel flowing into our Fuel Mart. This enabled us to obtain sufficient fuel for our operations, to provide a reasonable supply of fuel to ensure transport for our employees and even to other stakeholder agencies which paved the way for sustained operations at our airports. This in turn made us an integral part of the backbone for the country's economic recovery.

On top of these, we also experienced a gradual brain-drain where a considerable number of employees in professional categories chose to leave the country for greener pastures. Our services as well as development were greatly affected.

It is becoming a national problem with no short-term solutions, but we needed to face it at organizational level. We have taken action to obtain relaxations of the clamp on recruitment to State Organisations so that we could recruit replacements, train them, and retain them and thereby maintain our human capital.

Despite these challenges, we were able to implement several developments which would have important benefits both short and long term. We made major improvements to the infrastructure required for Duty Free Operations. We improved the facilitations for passengers, the most significant being the inauguration of the Gold Route Lounge. This has already become very popular and is poised to be a major attraction and a steady revenue source. We commissioned a state-of-the-art Security Coordinating Centre for cargo operations at BIA, and the construction of a new import Cargo Terminal is in the process. Together, these are poised to be tremendous assets for import / export activities complying to international standards of the freight and cargo industry. We also initiated action to increase the charges levied on overflying aircraft thus increasing the trickle of dollars from the sky. Further, new airlines commenced operating into Mattala Rajapaksa International Airport and Jaffna International Airport recommenced operations during the year. Meticulous planning, inspiring leadership, and proper sense of direction were the ingredients that made us realize the above developments amidst the challenges mentioned earlier.

As expected, these developments gave indications of gradual recovery. In 2019 we had recorded a revenue of LKR 26 billion which was a 11% drop from that of 2018. Then, as a direct consequence of the pandemic, our revenue figures slumped further by 70% in both 2020 and 2021 compared to that of 2019 with revenue having dwindled to a meager LKR 7.9 billion resulting in an operational loss. However, in the year under review we recorded a revenue of LKR 27.6 billion which is a 7.5% increase from that of 2019 and a staggering 251% increase from that of 2021. The net income from our business activities in 2022 was LKR 15 billion. This was undoubtedly a direct consequence of the gradual increase in tourist arrivals. I am happy to state that we were able to pay dividends of LKR 500 million to the state, which under the present circumstances would go a long way towards assisting the Government's efforts to address the economic hardships faced by the citizenry.

On our part we have taken all necessary steps to sustain and improve this growth. Despite the T2 Development Project coming to a standstill we made improvements to the infrastructures and facilities to cope with the growth of passenger figures. However, we bear in mind that recommencement of T2 Development is an absolute necessity without which we would not be able to facilitate passenger movements growing at the present rate.

Meanwhile, three new airlines commencing operations at MRIA signifies the attraction of passengers from the Central Asian region. With China gradually reopening its doors to tourism and Chinese tourists also undertaking more travel, we expect a significant growth in tourist movement figures in that segment. With the approval of the Government, we have initiated action to commence new ventures at MRIA which includes the Facilitation of Airline Parking, Cargo Transshipment, Aircraft Maintenance Repair & Overhaul (MRO), and Aircraft Disassembly and Recycling, all of which are promising revenue earners. Maldivian, the airline operated by Island Aviation recommenced operations to Colombo International Airport Ratmalana (CIAR).

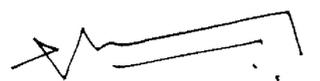
Looking beyond the company boundaries, being a State-owned enterprise, we were extremely mindful of our duty to extend our fullest support to the Government in its efforts to overcome the financial crisis. We actively supported the country's effort to recover from the economic downturn. We identified that under the present circumstances, catering to and supporting the growth of tourism is the most important contribution that we could make. We also identified that the tourists are the most lucrative passenger segment. The war in Ukraine has altered the tourist destination choices in the European Union while more and more tourists from the central Asian region are keen to come to Sri Lanka. Therefore, we intensified our efforts to liaise with the tourism sector and the hoteliers to exploit these opportunities.

By capitalizing on the rationale that the stakeholder value addition - the prime aim of the business - could be fulfilled effectively through partnering with the most essential business partners/stakeholders of the business, our core strategy for 2023 and for the next 3 years is embedded in the theme "Growth through partnering". This partnering need is multi-dimensional. Some partnering requirements are for collaborative efforts (e.g. the source markets are to be stimulated to improve the tourism influx into the country through collaboration with the tourism authorities) whereas some partnering requirements are for data-sharing requirements (e.g. the airport operator needs to tap the data

collected by airlines and airports on passenger preferences based on demographic factors). Those data are available with the industry bodies such as ACI and IATA and we plan to gain access to them. In addition, Service Level Agreements (SLA) are a key tool in delivering synergized services. Therefore, we have strategized to work with the ground handler, border agencies and Customs on mutually agreed KPIs.

Due to the very competitive business environment which has gained new dimensions in the aftermath of the pandemic, we duly concentrated on the expansion and promotion of our business. The 84th anniversary of the Colombo International Airport – Ratmalana (CIAR), Sri Lanka's first international airport, afforded a good opportunity for this. We held an event to celebrate the anniversary at Ratmalana. Religious observances of all religions were held. In recognition of the value it creates for the industry, a CSR program titled 'Aviation Education and Airport Familiarization', was organized to instill awareness among the future generation of aviators. Apart from this, every event we held to welcome new airlines or airlines resuming operations to our airports was turned into an opportunity to publicize our new ventures.

Looking back, the year under review was an year full of challenges as well as an year we re-established our stability and expanded our activity. We have once again become a dependable revenue earner for the State. I take this opportunity to express my sincere thanks to the Honorable Minister, the Honorable Deputy Minister, and the Secretary to the Ministry for the confidence placed in me and our Board of Directors. I also wish to thank the Department of Immigration and Emigration, Customs, Health Authorities, and other agencies in our service chain for always being together with us, working towards the common goal. I thank the Vice Chairman and the other members of the Board of Directors for the never-failing enthusiasm and optimism in leading our company on its mission. I also take this opportunity to thank all employees of our company from the Heads of Divisions and Units down to the employees serving at the front end round the clock for sticking with us during a most difficult period and for truly being a part of our recovery.



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

26 May 2023





1. Maj. Gen. (Rtd.) G A Chandrasiri RWP USP VSV ndc psc - Chairman
2. Dr. U A Mendis - Vice Chairman
3. W A A Wijayasuriya - Non-Executive Director
4. G A A Priyantha - Non-Executive Director/Treasury Representative
5. A H S Gunawardena - Non-Executive Director/Ministry Observer
6. W S D De Silva - Non-Executive Director



- 7. S N Sumanasekara- Non-Executive Director
- 8. Capt. Milinda Ratnayake- Non -Executive Director
- 9. A A Randeniya - Non-Executive Director
- 10. A S C Warushahennadige - Non-Executive Director
- 11. G U K Algewattage - Non-Executive Director
- 12. M M Renuka P Gunasekara (Ms) - Company Secretary

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

Chairman

Major General G A Chandrasiri was appointed as the Chairman of AASL in December 2019 and since then serves as the Chairman as well as the Chief Executive Officer at AASL. He chaired the Board Sub-Committees of Financial Management & Revenue Generation and All Airports way forward at AASL during 2022.

He also serves on the Board of Bank of Ceylon PLC as an independent Non-Executive Director. He holds an illustrious military career of 35 years, in a number of key command and staff positions in the Sri Lanka Army including Chief of staff of the Sri Lanka Army, Principal Staff Officer at the Joint Operations Command Headquarters and Regimental Commander of Sri Lanka Army Special Forces, Commander of the Security Forces Headquarters, Jaffna, Military Security Coordinator to His Excellency the President, and Competent Authority for the resettlement of internally displaced people in the Northern Province in the aftermath of war. He is the recipient of prestigious awards of recognition such as Rana Wickrama Padakkama (RWP), Vishishta Sewa Vibushanaya (VSV) and Uththama Sewa Padakkama (USP). He also served as the Governor of the Northern Province from 2009 to 2015.

He graduated from the National Defense College, India and Defense Services Command and Staff College, Bangladesh. He also served as a member of the National Task Force for prevention of COVID-19 outbreak as well as member of the post-COVID Tourism Revival Task Force during these times.

Dr. U A Mendis

Vice Chairman

Dr. Upul Ajith Mendis MBBS, DLM/ MCMA/FCMA was appointed as the Vice Chairman of AASL in June 2022 and also chaired the Board Sub-Committee of Human Resources & Remuneration.

Since his appointment to the present position, he has been playing a pivotal role in overseeing the administrative and operational functions of five international airports under AASL. In addition, he closely works with leaders of the industry, key stakeholders, media organizations and other internal organizations of the Company to develop the airport's public image.

Dr. Mendis has over 45 years of experience in the Health sector at the Senior Management level and has held top positions in reputed Government and private establishments. In his illustrious career in the health sector, he served as the Director General of Health Services for a period of 5 years from 2007 to 2012. Dr. Mendis was the Chairman of Neville Fernando Teaching Hospital and has served as a Board member of Sri Lanka Pharmaceutical Manufacturing Corporation. At present, he serves as a Board member of the Sri Lanka Ports Authority. Dr. Mendis contributed immensely to the community and had served as the Country Director of Population Services, U.K. based Non-Governmental Organization in Sri Lanka too.

Dr. Mendis brings a lot of expertise in diverse areas of the business to AASL and he is committed to the development of civil international airports and uplifting the aviation industry.

Capt. Milinda Ratnayake

Non-Executive Director

A veteran aviator, Capt. Milinda Ratnayake, clocking over 15,000 hours of flying passenger aircrafts, has witnessed the operations of Air Ceylon, Air Lanka and Sri Lankan Airlines for over 40 years. Besides his flying career, he also possesses a wealth of managerial experience overlooking Flight Operations and Service Delivery (managing security, cabin crew and ground handling). He held the position of Vice Chairman of AASL in 2018.

He is the only Sri Lankan to be a representative of the Flight Operations Group with IATA. An avid golfer,

Capt. Ratnayake looks forward to bringing positive changes and improvements to the aviation Industry. He has traveled exclusively in Australia, Far East, Europe and North & South America.

He is a member of the Board of AASL since June 2022 and also a member of the Audit and Management, and chaired the Risk Management Board Sub-committees.

Mr. A S C Warushahennadige

Non-Executive Director

Mr. Aruna Warushahennadige, is a member of the Board of AASL since December 2019 and also a member of Risk Management, All Airports way forward and Project Management Sub-Committees. He is an experienced Chairman /Executive Director with extensive experience in the capital markets industry, airport operations, international airline management, market planning, branding and aviation strategy development.

Mr. Warushahennadige holds a Master of Science (MSc) degree in International Marketing from London South Bank University.

Mr. S N Sumanasekara

Non-Executive Director

Mr. Shehan Sumanasekara, is a member of the Board of AASL since December 2019. Being a commercially rated pilot, he brings in a wealth of experience and technical knowledge required to identify opportunities and current demands in the aviation industry. His diversified experience covers industries such as aviation, oil and gas, shipping and logistics, coal, chemical and bituminous product manufacturing.

He is also the Managing Director/ CEO of Mclloyds Holdings and holds Directorships in three other diversified organizations. Mr. Sumanasekara holds a Master's Degree in Business Administration from the University of

Wales (UK) and has a commercial pilot license from Federal Aviation Authority (FAA) USA.

Further, he was appointed Chairman of Lanka Coal Company (Pvt) Ltd in 2022 which procures and powers the Lakvijaya coal plant which powers the national electricity grid up to 40% of electricity generation in the country.

Over the years, he has contributed to the group of companies which he manages and represents, with unprecedented growth in business and experience of service and supply chain management.

Mr. Sumanasekara also chairs the “Jana Sahana Padanama”, an NGO assisting communities to uplift quality of life, which seeks to transform the lives of many children in Sri Lanka by various initiatives to achieve equality in education.

He is also a member of the Financial Management and Revenue Generation Board Sub-Committee.

Mr. G A A Priyantha
Non-Executive Director / Treasury Representative

Mr. G A A Priyantha was appointed as a member of the Board of AASL since June 2021. He also serves as the Chairman of the Audit & Management Committee of the Company and Preparation of Procurement Manual for AASL. He has over 18 years of experience in the Ministry of Finance having served in many positions including Assistant Director of both the Department of Management Services and Department of Public Enterprises. Mr. Priyantha has also served as the Director of the Department of Public Finance and Department of Fiscal Policy. Currently he serves as Additional Director General (Acting) of the Ministry of Finance. He has also served as Board Director of many public enterprises and Government companies since 2005. Mr. Priyantha holds a Master’s Degree in Development Studies from the University of Colombo and a Bachelor of Science

(B.Sc.) Degree in Management from the University of Sri Jayewardenepura.

Mr. Amal A Randeniya LL.M (UK)
Non-Executive Director

Amal A Randeniya is a member of the Board of AASL since November 2022. He is an Attorney-at-Law specialized in the areas of Criminal and Customs law. He has been awarded a Master’s Degree in Law (LL.M) in International Business Law by the Staffordshire University, UK. He is presently a Commissioner of the Legal Aid Commission of Sri Lanka, an Arbitrator of Industrial Courts and as well as a Panel Member of Disciplinary Inquiries Against Lawyers at the Supreme Court of Sri Lanka. He is also a Council Member of the National Institute of Education at the Ministry of Education. He serves as a member in many committees at the Ministry of Justice including the committee to Demarcate Jurisdiction areas of the country, the Committee to Develop Special Law on Disposal of Property & Propose a new Production Disposal Mechanism, the Committee to Introduce House Arrest as an Alternative to Remand and the committee to revise Bills of Exchange Act. He served as the Secretary of the Bar Association of Sri Lanka during 2016 to 2018 and as the President of the Colombo Law Society in 2013/15.

Mr. W A A Wijayasuriya
Non-Executive Director

Mr. Amitha Wijayasuriya joined the then National Carrier, Air Lanka Ltd in 1981. During his tenure of 38 years, he has held several Senior Managerial positions at Sri Lankan Airlines, based in both Sri Lanka and overseas.

The key highlight of his operational scope was overlooking all VVIP travel of HE the President, Hon Prime Minister, all Cabinet Ministers and Hon. Members of Parliament. He was also In-Charge of all overseas travel of Ministry Secretaries, Heads of Armed Forces including the Inspector General of Police.

Mr. Wijayasuriya has a wealth of experience in the aviation sector, ranging from sales and marketing, public relations, promotions and Government and Public affairs. After his retirement, he was re-appointed as a Consultant on Public and Government Affairs at Sri Lankan Airlines.

He performed his duties as the Vice Chairman of the Board of Directors of the Civil Aviation Authority of Sri Lanka during the period from 31 December 2019 to 12 August 2022.

He was appointed as a member of the Board of AASL since September 2022 and chaired the Board Sub-Committee of Project Management at AASL during 2022.

Mr. W S D De Silva
Non-Executive Director

Mr. Sunil De Silva is a professional banker with over 41 years of experience in the areas of Corporate Banking, Retail Banking, Micro Finance, Credit Management and Recoveries. He commenced his banking career with Bank of Ceylon and had served BOC for 26 years including 3 years’ service at BOC London branch. He has also served as Senior Deputy General Manager at Seylan Bank PLC and Deputy General Manager of Pan Asia Bank PLC.

He is a Fellow of the Institute of Bankers of Sri Lanka and served as a visiting lecturer at the institute for over 2 decades. Mr. De Silva is the author of the first ever banking book in Sri Lanka on ‘Credit Management’ which is a recommended text book for IBSL banking exams. Mr De Silva is a life member of the Association of Professional Bankers of Sri Lanka (APB) and currently serves on the Advisory Committee and Fund Management Committee of the APB. He is also a life member of the Sri Lanka Trade Association.

Mr. De Silva holds a Bachelor of Arts degree from the University of Peradeniya and a Post Graduate Diploma in Business & Financial Administration from the Institute of Chartered Accountants of Sri Lanka.

He has served as a member of the Board of Directors of Mahaweli Authority of Sri Lanka during the period 2005-2010 and was an Independent Director of Sarvodaya Finance Plc during 2020-2022.

Mr. Sunil De Silva served as the High Commissioner of Sri Lanka to South Africa during the period 2015-2018 and the High Commissioner of Kenya during 2018-2019.

Mr. De Silva served as Sri Lanka's Permanent Representative to the United Nations Environment Programme (UNEP) and UN Human Settlement Programme (UN HABITAT) during 2018-2019.

He was appointed as a member of the Board of AASL since November 2022 and also a member of Board Sub-Committees of Audit Management and Financial Management & Revenue Generation.

Mr. G U K Algewattage Non-Executive Director

Mr. Gayan Udara Kaushalya Algewattage currently serves as the Vice Chairman of Sri Lanka Ports Authority as well as sits on the Boards of several publicly listed and private companies such as South Asia Gateway Terminals (Pvt.) Ltd (SAGT), Colombo International Container Terminals Ltd. (CICT), Colombo West International Terminal (Pvt) Ltd, Hambantota International Port Group Company Pvt. Ltd. (HIPG), Hambantota International Port Services Company (Pvt.) Ltd. (HIPS) and Ceylon Shipping Corporation Limited.

Mr. Algewattage holds a Master's Degree in Public Administration in Post Graduate Institute of Management from the University of Sri Jayawardenepura, LLB Degree at the Open University – Nawala and Biological Science Degree from the University of Colombo.

He is a versatile, committed, dedicated and an experienced Senior Administrative Officer with extraordinary leadership and vast Management expertise. He is a strong and a proven communicator, who uses initiative and time management extensively to interact with superiors and subordinates within the organization.

He had been serving as a Director of National Productivity Secretariat and also worked as an Alternative Director for Asian Productivity Organization where he was a Productivity Practitioner under the Ministry of Labour and Foreign Employment from Oct 2018 - June 2022. He has started his career in Sri Lanka Administrative Service in the year 2006 and currently holds Grade-1 position in Sri Lanka Administrative Services and has a distinguished career of over 16 years of service. The experience gained during this period in the field of administrative service as a Divisional Secretary was more than 10 years in various Divisional Secretariats.

He was appointed as a member of the Board of AASL since June 2022 and also a member of Human Resources & Remuneration Sub-Committee.

Mr. A H Sunil Gunawardena Non-Executive Director/Ministry Observer

Mr. A H S Gunawardena is a Director/Ministry Observer on the Board of AASL since December 2019 and a member of All Airports way forward Board Sub Committee Having started his career as an SLAS Officer, Mr. Gunawardena counts more than 25 years of experience in the public sector. He was first appointed as an Assistant Director (SLAS II/II) at the Ministry of Plan Implementation and Parliamentary Affairs in 1998 and progressed through holding senior positions at different Ministries and Government entities where he gained a vast array of experience. During his appointment as a Director (SLAS I) at the Department of National Budget, Ministry of Finance & Planning, he represented the Treasury on the Boards of state-owned enterprises such as State Pharmaceutical Manufacturing Corporation, National

Engineering Research & Development, Land Reclamations Commission, Botanical Garden Trust fund, Coconut Cultivation Board and State Engineering Corporation etc.

Presently he functions as Additional Secretary (Aviation) of the Ministry of Ports, Shipping and Aviation. During his career, he has been working as Deputy Director/Director Customs at Sri Lanka Customs for a period of three years and General Manager at National Lotteries Board for a period of two years and Additional Secretary (Admin & Development) at the Prime Minister's Office before he joined with the Ministry of Transport and Aviation in 2019.

Mr. Gunawardena also worked as Acting Chairman of AASL and CAASL for a short period during 2019 and 2020 respectively.

Mr. Gunawardena holds B.A in Economics and Post Graduate Diploma in Economic Development from the University of Colombo. He also completed his Masters of Arts in Economics and MBA from the same university. In his academics he has published two research articles in relation to his higher studies.

SENIOR MANAGEMENT TEAM



H S Hettiarachchi
Head of Airport Management



J A M D S S Abeywardena
Head of Finance



A I B Karunaratne
Head of Projects



M Ratnasinghe (Ms)
Head of Legal



H P L Sirimanne
Head of Supply Chain Management



K D Y Chandanie (Ms)
Head of Strategic Management



U M Weerawardena
Head of Electrical Engineering



J M De Croos Rubin
Head of Architecture, Landscaping & Interior Design



U J Lokuarachchi
Head of Information Technology

SENIOR MANAGEMENT TEAM



U S Jagoda
Head of Civil Engineering (Maintenance)



Wing Cdr. (Rtd.) S M D Wijesooriya
Head of Fire & Rescue Services



S S De Silva
Head of Marketing & Corporate Communication



M K P Tennage (Ms)
Head of Internal Audit & Quality Assurance



J K Rathninda
Head of Electronics & Air Navigation Engineering



N C Abeywardena
Head of Air Navigation Services



R W L B Medawewa
Head of Cargo & Air Freight Management



D J U Purasinghe
Head of Commercial & Properties



Maj.Gen. (Rtd) A P Pallawela RWP RSP
Head of Security Services



Lt. Col. (Rtd.) K H C Kumarasinghe
Head of Intelligence & Security Ops.–All Airports



S P Palagama
Head of Mechanical Engineering



S D A S Nishantha
Company Medical Officer



R Weerasri (Ms)
Acting Head of Civil Engineering (Planning & Design)



K A R Kodikara
Deputy Head of Human Resources

* Not in the Picture

H A A K M Seneviratne
Head of Civil Aviation Training

*Defying the
odds to soar
higher*



We are pleased to present our Report together with the audited financial statements for the year ended 31 December 2022. 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.

1. ABOUT THE COMPANY

Airport and Aviation Services (Sri Lanka) (Private) Limited (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 04 November 2010:

- 2.1 The development, operation and maintenance of the Bandaranaike International Airport (BIA), Mattala Rajapaksa International Airport (MRIA), Colombo International Airport Ratmalana (CIAR), Batticaloa International Airport (BTIA), and Jaffna International Airport (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 FIR.

3. REVIEW OF OPERATIONS

A review of financial and operational performance, during the year ended 31 December 2022 and future business development of the AASL is illustrated in the Chairman's Message (Page 12 to 14), Management Discussion and Analysis (Page 37 to 49), and the Financial Review (Page 51 to 56) 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.

The Board of Directors continuously monitors operational performance by implementing key performance indicators with the view of achieving the AASL's vision, "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 given on pages 86 to 117.

5. ACCOUNTING POLICIES AND CHANGES DURING THE YEAR

The company prepared the financial statements in compliance with Sri Lanka Accounting Standards (SLFRSs/LKASs). Significant accounting policies adopted in preparation of financial statements of the company are given on pages 90 to 99. The Board of Directors wishes to confirm that there were no changes to the accounting policies adopted by the company during the period under review.

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 true and fair view of its state of affairs. The Directors are of the view that these Financial Statements appearing on pages 86 to 117 have been prepared in compliance with the requirements of 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 the 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 the Companies Act No.7 of 2007. In compliance with this direction audit of AASL for the year 2022 was carried out by the Auditor General.

The Independent Auditors' Report on the financial statements of the company is given on pages 78 to 85 of this report. The audit fee for the year ended 31 December 2022 was LKR 1,096,500 (2021: LKR 1,200,000) 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 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 (AMC)

regularly review 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 2022 is LKR 27.6 billion (2021: LKR 7.9 billion) which is a significant increase equivalent to 251% when 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 100.

9.2 Operating Results

The Company reported an operating profit amounting to LKR 12.7 billion for the year ended 2022. This is 436% improvement when compared to the operating loss of LKR 3.8 billion recorded a year ago.

The company recorded a net profit of LKR 4.8 billion for the year 2022 compared to the net loss of LKR 2.1 billion in 2021.

9.3 Reserves

The reserves of the company which comprised of share capital, other reserves and retained earnings. Company's reserves reported an increment due to increase in profit during the year. Accordingly total reserves recorded being LKR 45.3 billion as of 31 December 2022 as against LKR 41.3 billion recorded a year ago. The movement in reserves of the company is shown in the Statement of Changes in Equity on page 88.

9.4 Dividends

During the year under review, Company has declared and paid dividend of LKR 500 million.

9.5 Donation

In the year 2022 the Company made donations worth of LKR 510,000 (2021: LKR 20,047,158).

9.6 Capital Expenditure

During the year under review, Company incurred LKR 7 billion as capital expenditure compared with LKR 23 billion in 2021. Investment on Property Plant and Equipment and Intangible assets are illustrated in notes number 11 and 12 of Notes to the Financial Statements.

9.7 Contribution To The 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 page 116.

The contribution to the Government indirectly through the payment of taxes during the past 3 years is illustrated in below table;

Year	LKR Million				
	Dividend	VAT	Income Tax	SSCL	PAYE
2020	-	207	-	-	7
2021	-	117	15	-	6
2022	500	1,281	117	70	15

9.8 Investments

Rupee value of investment portfolio increased by LKR 41.4 billion at the end of the year, of which details are tabulated below.

Investments	(LKR Million)	
	As at 31.12.2022	As at 31.12.2021
Treasury Bills/Bonds	22	20
Short term bank deposits	78,025	41,515
Investments in Debentures	3,298	4,088
Long-term bank deposits	6,963	1,267
Total	88,308	46,890

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 of 31 December 2022 was as follows:

Held by	No of Shares	Value (LKR)
Secretary to the Treasury	200,000	20,000,000
Secretary - Ministry of Ports, Shipping and Aviation	1	100
Director General of Civil Aviation	1	100
Total	200,002	20,000,200

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

9.10 Events After Reporting Period

There have been no material events occurring after the Statement of Financial Position date that requires adjustments to or disclosure in the financial statements as mentioned in note 33 to the financial statements on page 117.

9.11 Going Concern

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, all 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 114.

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) have been done as per the terms shown in above mentioned clauses of the Articles of Association of AASL.

10.2 Details of the Present Directors who Held Office at the End of the Financial Year 2022

Board of Directors	Position	Date of Appointment	Independent
Maj. Gen. (Rtd.) G A Chandrasiri RWP USP VSV ndc psc	Chairman	12.12.2019	No
Dr. U A Mendis	Vice Chairman	15.06.2022	No
A S C Warushahennadige	Non-Executive Director	12.12.2019	Yes
S N Sumanasekera	Non-Executive Director	12.12.2019	Yes
Capt. Milinda Ratnayake	Non-Executive Director	20.06.2022	Yes
G U K Algewattage	Non-Executive Director	15.06.2022	Yes
W A A Wijayasuriya	Non-Executive Director	13.09.2022	Yes
W S D De Silva	Non-Executive Director	30.11.2022	Yes
A A Randeniya LLM	Non-Executive Director	30.11.2022	Yes
G A A Priyantha	Non-Executive Director / Treasury Representative	11.06.2021	No
A H S Gunawardena	Non-Executive Director / The Observer from Ministry of Ports, Shipping and Aviation	31.12.2019	No

10.3 Details of the Directors who Resigned During the Year 2022

Board of Directors	Position	Date of Appointment	Date of Resignation
R Sooriyaarachchi	Vice-Chairman	06.12.2019	10.06.2022
U Manchanayake	Non-Executive Director	12.12.2019	12.08.2022
C Vitarana	Non-Executive Director	31.12.2019	31.05.2022
D A De Livera Ms	Non-Executive Director	31.12.2019	11.06.2022
R A P Wijerathnasekara	Non-Executive Director	31.12.2019	10.06.2022
D A P Weeratne PC	Non-Executive Director	02.03.2020	11.06.2022
W M Gihan Rashantha	Non-Executive Director	05.02.2021	10.06.2022
N M P P K K Nawaratne	Non-Executive Director	20.06.2022	29.11.2022

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
	Capt. Milinda Ratnayake-Member
	W S D De Silva-Member
	M K P Tennege Ms -Convener
	M M Renuka P Gunasekara (Ms)-Secretary
	K A A Kulathunga (Former S A D Dilrukshi -(Ms))-Observer-Superintendent of Government Audit
Human Resources and Remuneration Committee	Dr. U A Mendis-Chairman
	G U K Algewattage-Member
	K A R Kodikara-Convener and /or Secretary
Financial Management and Revenue Generation Committee	Maj. Gen. (Rtd.) G A Chandrasiri RWP USP VSV ndc psc-Chairman
	S N Sumanasekera-Member
	W S D De Silva-Member
	J A M D S S Abeywardena-Convener and /or Secretary
Risk Management Committee	Capt. Milinda Ratnayake-Chairman
	A S C Warushahennadige-Member
	K D Y Chandanie (Ms) -Convener and /or Secretary
All Airports way forward Committee	Maj. Gen. (Rtd.) G A Chandrasiri RWP USP VSV ndc psc-Chairman
	A S C Warushahennadige-Member
	A H S Gunawardena-Member
	H S Hettiarachchi-Convener and /or Secretary
Project Management Sub-Committee	W A A Wijayasuriya-Chairman
	A S C Warushahennadige-Member
	A I B Karunaratne-Convener and /or Secretary
Preparation of Procurement Manual for AASL	G A A Priyantha-Chairman
	H P L Sirimanne-Convener and /or Secretary

10.5 Disclosure of Directors Dealing in Shares or Debentures

No 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 8.4 million as Directors' emoluments for the year 2022. (2021 – LKR 11.3 million)
There were two Executive Directors at the end of the year who were paid LKR 2.6 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 5.8 million during the year, being the cost of traveling and Directors' fees for attending Board meetings.

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

11. CORPORATE GOVERNANCE

The Board of Directors is 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 Statement of Financial Position date have been paid or, where relevant provided for.

13. COMPLIANCE WITH LAWS AND REGULATIONS

To the best of knowledge and belief of the Board of Directors, the Company has not engaged in any activity, which contravenes laws and regulations of the country.

14. ANNUAL GENERAL MEETING

The Annual General Meeting will be held at the Board Room of AASL, on 30 May 2023 at 3:00 p.m.

15. ACKNOWLEDGEMENT

The Board of Directors takes pride in congratulating the Management team for completing another financial year of the company amidst challenges. It was a challenging year for the aviation sector due to subsequent waves of the Covid pandemic and resulting travel restrictions across the globe. We place on record, our special gratitude to the Ministry of Ports Shipping and Aviation and other institutions, those continued to assist the Company at this juncture 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 continued operations 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

26 May 2023

REPORT OF THE AUDIT AND MANAGEMENT COMMITTEE (AMC)

ROLE OF THE COMMITTEE

The Board appointed Audit and Management Committee is a formally constituted Sub-Committee of the Board of the Directors (Board). It reports to and is accountable to the Board.

The primary role of the AMC is to assist the Board in discharging its responsibilities and exercises oversight over financial reporting, internal controls and internal/ external audits.

COMPOSITION

The AMC comprises of three (03) Non-Executive Directors who conduct committee proceedings in accordance with the Committee's Terms of Reference (TOR) approved by the Board of Directors. The composition of the AMC during the year under review was as follows:

AMC Composition			
Name of the Director	Tenure From- To		Position
G A A Priyantha	29.06.2021	To date	Chairman
Capt. Milinda Ratnayake	20.06.2022	To date	Member
W S D De Silva	30.11.2022	To date	Member
S M A U S Manchanayake*	12.12.2019	12.08.2022	Member
D A P Weeratne PC**	23.10.2020	11.06.2022	Member
N M P P K K Nawarathne ***	20.06.2022	29.11.2022	Member

* With the resignation of Mr. S M A U S Manchanayake on 12 August 2022 Capt. Milinda Ratnayake was appointed to the AMC and Mr. S M A U S Manchanayake lastly attended the AMC held on 17 February 2022.

** With the resignation of Mr. D A P Weeratne PC on 11 June 2022 Mr. N M P P K K Nawarathne was appointed to the AMC.

*** With the resignation of Mr. N M P P K K Nawarathne on 29 November 2022, Mr. W S D De Silva was appointed to the AMC.

MEETINGS

The AMC had six (06) meetings during the year 2022. The meeting attendance of the members are set out in the table below.

Name of the Director	Number of Meetings scheduled to be attended	Attendance
G A A Priyantha	06	06
Capt. Milinda Ratnayake	05	05
N M P P K K Nawarathne	05	01
S M A U S Manchanayake	01	01
D A P Weeratne PC	01	01
W S D De Silva	-	-

The proceedings of the AMC meetings were recorded by the Company Secretary, functioning as the Secretary to the AMC and minutes of AMC meetings were circulated to the Board of Directors at the next most practicable meeting.

TERMS OF REFERENCE

The AMC conducts proceedings as per the Board approved Terms of Reference (TOR) and accordingly the Committee is empowered by the Board to;

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 (AG'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 Auditors 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.

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 accounts 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 2022 and Draft Budget prepared for the year 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 CONTROL

The AMC assessed the effectiveness of Internal Control over financial reporting for the year ended 31 December 2022. 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 AMC ensures that appropriate action is taken by the Management on the recommendations of the Head of Internal Audit and 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 AMC 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 are 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 AMC monitored and reviewed the scope, resources, extent and effectiveness of the activities of IA&QA Division.

The AMC reviewed, assessed and approved the Annual Internal Audit Plan for the year 2023. The AMC 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 of the Constitution, 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 2022. AMC 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 AMC 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 AMC 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 Government Circulars etc.

CONCLUSION

In its exertion, the Audit and Management Committee 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 Audit and Management Committee 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.



G A A Priyantha

Chairman – Audit and Management Committee (AMC)

26 May 2023

*Experiencing
the best of our
services*





LKR 13 Bn

Operational Profit with
436% Growth

5,503,198

Passengers with
266% Growth

23,846

Overflying Movements
with 155% Growth

37,641

Aircraft Movements
with 78% Growth



1) GLOBAL & LOCAL AVIATION INDUSTRY OVERVIEW & OUTLOOK

The global aviation industry witnessed a challenging year in 2022, resembling a chaotic situation in air travel and passenger movements. The imposition of travel bans, closure of international borders due to outbreak of COVID-19 and soaring jet fuel prices and airfares, had a negative impact on the aviation industry during the first six months of FY 2022. However, this decline was pushed up to an incline by the increased demand for air travel throughout the latter part of the year. Hence the global aviation industry had reached normalcy by the end of 2022. This momentous growth pushed up the FY 2023, which started off on a positive note and solid grounding. The uncertainty of the Russia-Ukraine war and China's restricted travel policies, were additional risks to the outlook.

Since global aviation has been at the forefront of innovation it has been chosen as the safest and most reliable mode of transportation as of today. Aviation fast tracks movements between different countries and cities and enhances efficiency in travel. Hence as a result globally 100,000 plus commercial aircrafts take flight per day, whilst 400 scheduled commercial aircraft takeoff per hour. Aviation has had a significant impact on the world's economy as it accounts for 4.2% of the world's gross domestic production (GDP) and generated 65 million jobs around the globe (Source: ICAO).

Sri Lanka proudly boasts of its positioning as a strategic location and being the prime gateway to South Asia. The year 2022 proved to be a very challenging and turbulent year. During the year 2022 Sri Lanka faced an unprecedented economic and social crisis; this consisted of power outages, fuel shortages and public unrest had a disastrous impact on the local economy and aviation sector. The GDP in Sri Lanka for the year 2022 declined by 9.2% and depicted a negative growth whilst inflation rate at end of December reported to be 59%.

Despite the downturns experienced in the economy international tourist arrivals surpassed 700,000 in the year under review due to the inclined performance in the 4th quarter.

1.1 COVID-19 Impact On the ICAO Long-Term Traffic Forecasts

The Secretariat Division of the International Civil Aviation Organization (ICAO) worked with the Multi-Disciplinary Working Group on Long-term Traffic Forecasts (MDWG-LTF) and developed a set of post-COVID-19 forecasts scenarios by route group from 2018 to 2050. The forecasts have been developed for passenger and freight traffic, and revolves around three scenarios: mid, high and low.

The objective of the post-COVID-19 forecasts was to update the passenger Long-Term Forecasts (LTF) to account for both the short-term impacts of the COVID-19 pandemic and eventual long term recovery requires a combination of updated macroeconomic data and recent estimates of the demand shock (measured in changes to Revenue Passenger-Kilometers (RPK)) to the aviation industry.

The freight LTF was re-estimated in a similar manner to the passenger forecasts by using the ICAO LTF models from the 2018 baseline with updated economic forecasts, the extent of the 2020 downturn and near-term recovery guided by input from the MDWG-LTF and information from the industry.

In these times of uncertainties, the post-COVID forecasts scenarios developed by the Secretariat and MDWG-LTF and duly approved by Aviation Data and Analysis Panel (ADAP) are expected to facilitate the planning needs of states, airlines, airports, Air Navigation Service Provider (ANSP) and other stakeholders.

1.1.1 Asia Pacific Airport Traffic Recovery Forecast For 2023

According to the Airports Council International (ACI), Asia Pacific airports

are expected to return to 2019 pre-COVID passenger volumes of around 3.4 billion a year by 2023. Over the next 20 years, said ACI in its World Air Traffic Forecasts, Asia Pacific and the Middle East will be the fastest growing of all global regions. Total passenger traffic is forecast to grow at a compound growth rate of +5.2% in the Middle East and +4.7% in Asia-Pacific to 2040. In 2020, with final figures to be confirmed, Asia Pacific airports are expected to be down by around -58%, with Middle East at -72%. Middle East recovery to pre-COVID levels is expected to be in 2024. ACI Asia-Pacific Director General Stefano Baronci said: "This forecast is based on the assumption that an effective vaccine is distributed in 2021, and broader population vaccination is largely accomplished by early 2022. Limited vaccine supply and slow distribution combined with a prolonged economic downturn risks postponing the recovery of the whole region to 2024." Among the top ten fastest-growing countries above 50 million passengers by compound growth rate from 2019 to 2040 will be Saudi Arabia, United Arab Emirates and Iran in the Middle East; and Indonesia, India, Vietnam, Philippines and China in Asia-Pacific. For the aviation industry to continue providing vital services and supporting the global vaccine distribution undertakings, ACI Asia-Pacific urges the inclusion of all aviation workers and airport staff as essential workers as part of the World Health Organization's Strategic Advisory Group of Experts on Immunization recommendations and national vaccination plans.

1.2 Global Air Passenger Numbers to Recover in 2024 and Beyond

The International Air Transport Association (IATA) expects overall traveler numbers to reach 4.0 billion in 2024 (counting multi-sector connecting trips as one passenger), exceeding pre-COVID-19 levels (103% of the 2019 total).

This is a slightly more optimistic near-term international recovery scenario compared to November 2021, based on the progressive relaxation or elimination of travel restrictions in many markets. In 2021, domestic traveler numbers were 61% of 2019 levels. This is expected to improve to 93% in 2022, 103% in 2023, 111% in 2024 and 118% in 2025.

As per the forecast done by IATA, by the end of year 2040, total global air passengers will be 8 billion as depicted in the Figure 01. As per IATA statistics, Asia Pacific region will be back to its' normal index (2019=100) by 2025 and will reach its highest numbers by year 2040 as depicted in the Figure 02.

Figure 01 - Global Air Passengers, Past and Forecast, Billions

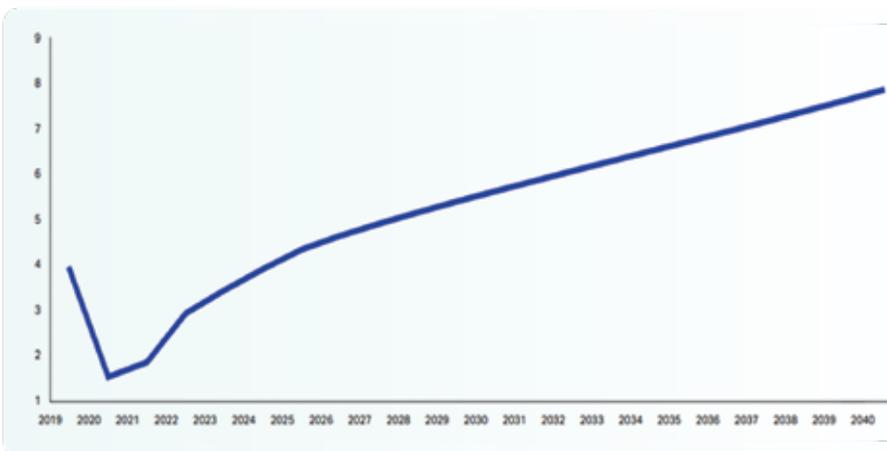
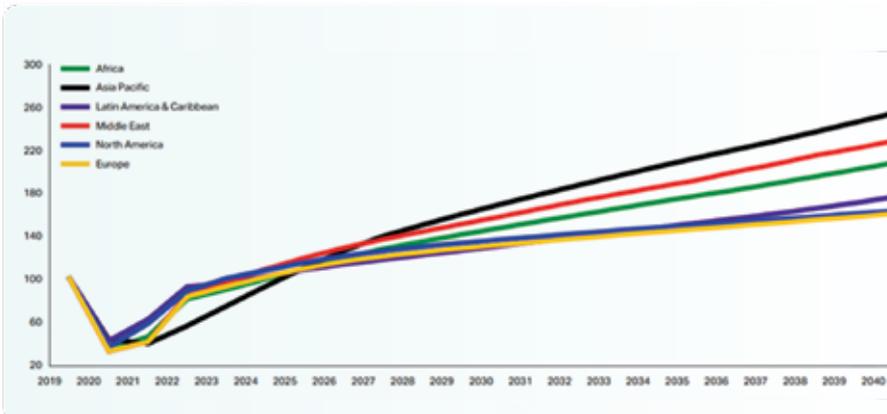


Figure 02 - Regional Passenger totals Index 2019=100



(Source : IATA / Tourism Economics Air Passenger Forecasts)

1.3 Mechanism Adopted by the Management in Handling Challenging Situations During the Year 2022

Year 2022 was a challenging year for AASL with no exception to the entire world due to the COVID-19 pandemic. The pandemic hit hard to the aviation industry around the world due to numerous reasons. Thousands of flights were cancelled due to lock down of territories making airports deserted. Only essential air travels were made by travelers around the world with loads of difficulties due to high risk of getting infected as well as extremely tight health regulations and added documentation. Not surprisingly, AASL had to face numerous challenges and adopt various mechanisms to handle them.

1.3.1 Providing facilities for PCR swab collection, health declaration process, arrange quarantine facilities, isolation and hospitalization of infected passengers etc.

AASL had to allocate space, staff and come up with various strategies as well as processes from time to time in order to facilitate such brand new requirements arisen because of ever changing health guidelines issued by the Ministry of Health. AASL had to make optimum use of available facilities to cater to such requirements without making any extra cost burden to the company and continuously make changes to the passenger flow and procedures with minimal impact to the passenger experience at BIA.

1.3.2 Safeguard the workforce from COVID-19

It was a great challenge to maintain the minimum workforce for day duty/ shift staff due to increasing cases of COVID-19 virus and to keep the reporting staff uncontaminated. Hence AASL invested enormous effort and various strategies to achieve it. The staff were categorized based on the shifts/rosters and place of residence as bio bubbles only through company transportation strictly adhering to health guidelines whilst separate task forces were manned on the essential work points to minimize exposure.

1.4 Terminal 2 - Challenging Way Forward

Package 'A'- Passenger Terminal Building & Associated Works

The Terminal 2 project at BIA is an impressive and innovative development that has been designed to elevate the airport's status as a modern transportation hub. With its modern design, advanced facilities and strategic location, the new terminal is poised to become a vital hub for travel and commerce in the region for years to come.

This state-of-the-art terminal is a testament to Sri Lanka's commitment to providing its citizens and visitors with world-class infrastructure and facilities. The terminal is equipped with the latest security and communication systems including advanced passenger screening equipment and high-speed Wi-Fi connectivity equipped with a range of amenities for travelers, including duty-free shopping, restaurants, lounges, and other services.

One of the most impressive aspects of the Terminal 2 project is its modern and sleek design. The terminal has been designed with a focus on efficiency, comfort, and aesthetics, and it boasts a range of features that make it stand out from rest of the airports in the region. The terminal's expensive glass walls provide a stunning view of the runway and the surrounding landscape, while its spacious and airy interior creates a sense of openness and tranquility.

Perhaps most importantly, the Terminal 2 project is an important step forward in Sri Lanka's efforts to boost its economy and tourism industry. The new terminal is expected to attract more international flights and visitors to the country, which will create new jobs, boost economic growth and increase Sri Lanka's visibility on the global stage. Overall, the Terminal 2 project at Bandaranaike International Airport is a positive development that will have far-reaching benefits for Sri Lanka and its people.

The Contract for Package 'A'- Passenger Terminal Building & associated works of BIADP Phase II Stage 2 was awarded to Taisei Corporation in March 2020 and construction work commenced in December 2020. Since the commencement of construction work, the sub structure work of main terminal building, Pier 2 and Pier 3 such as construction of piles, pile caps, ground beams and some parts of utility tunnels were continued in year 2022. In addition, super structure columns and some slabs were completed in the main terminal building during the year 2022. Further, overseas procurements such as generators, incinerator, roof steel structures, roofing materials, water proofing materials etc. including manufacturing of them were carried out in year 2022 amidst the volatile economic situation prevailed in the country including fuel shortages and AASL facilitated the contractor to obtain his fuel requirements.

However, due to the circular issued by the Treasury on 12 April 2022 on the interim policy regarding the servicing of Sri Lanka's External Public Debt and subsequent temporary suspension of the loan disbursements by JICA, the Package 'A' contractor suspended their work in July 2022 and Package 'A' contractor issued their Notice of Termination of the Package 'A' work on 25 July 2022.

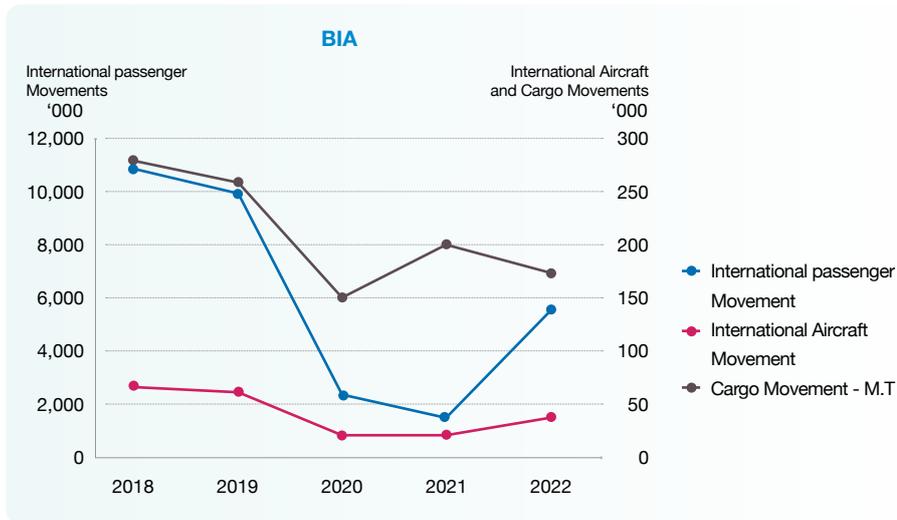
During the temporary suspension period, the contractor attended for the safety, security and environmental consideration of the project site and arrangements have been made to carry out an identified protective works in the main terminal building, Pier 2 and Pier 3 to prevent deterioration of steel reinforcements in halfway completed structures until the commencement of balance work once the loan disbursements are recommenced as expected preferably before the end of 2023.

2) AASL – ON THE ASCENT NURTURING KEY PERFORMANCE INDICATORS (KPIs) AND TRIPLE BOTTOM LINE (TBL)

2.1 Impact Created Over KPIs During 2022

Nurturing Key Performance Indicators (KPIs) at the Macro Level

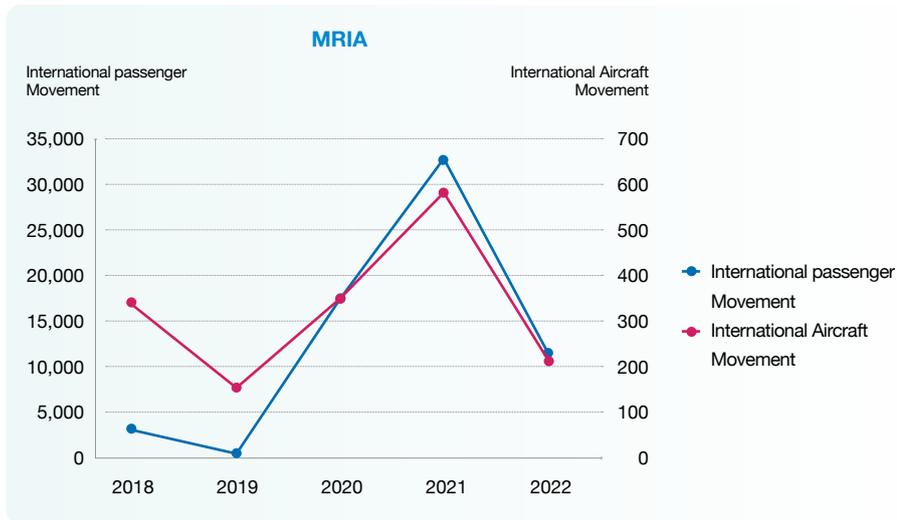
AASL is entrusted with the responsibility of providing airport services within the geographical extent of Sri Lanka and air navigation services within the Colombo Flight Information Region. Based on the mandate set out under Chapter 2, five airports are operational under AASL's purview for which AASL acts as the statutory service provider. The airports are Bandaranaike International Airport (BIA), Colombo International Airport Ratmalana (CIAR), Mattala Rajapaksa International Airport (MRIA), Batticaloa International Airport (BTIA) and Jaffna International Airport (JIA). Out of these 05 airports, the BIA and MRJA are declared as international airports by ICAO (fulfillment of the Annex -14 aerodrome requirements). The other 03 airports namely CIAR, BTIA and JIA were declared as international airports by Government of Sri Lanka (GoSL) in year 2019 by a gazette notification.



BIA

As we now gradually experience the growth of the travel and tourism in aviation industry; BIA was able to handle 5,490,973 number of international passenger movements, 37,363 number of international aircraft movements and 173,595 M.T. of cargo movements.

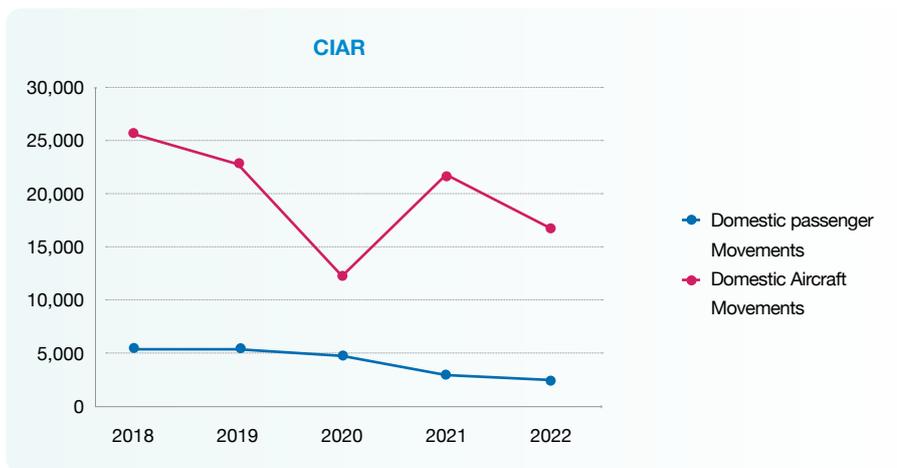
According to the statistics, international passenger movements and international aircraft movements have increased significantly by 273% and 81% respectively against prior year. However, Cargo movements portrayed a slight reduction of 13% against 2021.



MRIA

Mattala Rajapaksa International Airport (MRIA) celebrated its' 10th anniversary on 18 March 2023 is envisioned as the second international Airport of Sri Lanka and alternative aerodrome to Bandaranaike International Airport serving Southern and Eastern provinces of the island.

During the year MRJA was able to handle 11,577 number of international passenger movements, 216 number of international aircraft movements and 2 MT of cargo movements. However, when comparing with prior year international passenger movements, aircraft movements and cargo movements have dropped by 65%, 63% and 96% respectively against prior year.



CIAR

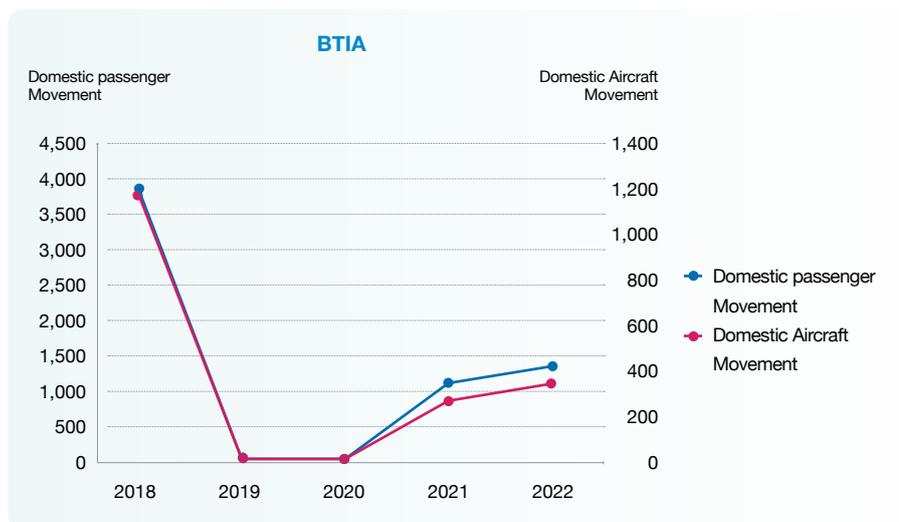
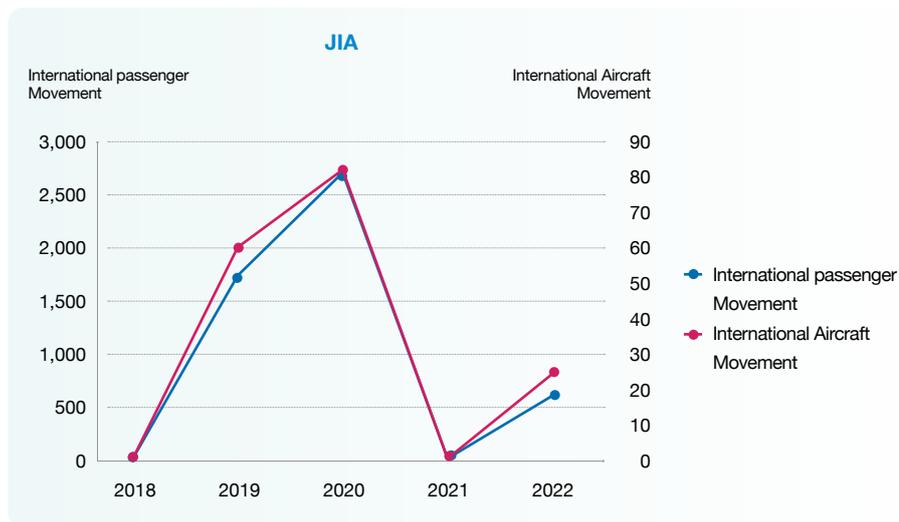
Colombo International Airport, Ratmalana (CIAR) is conveniently located since 1935 in the Colombo South. Hence all International and domestic passengers could experience the authentic hospitality rendered by this legendary airport, equipped with all modern facilities.

CIAR served as a preferred choice of the niche market-international Corporate Jets. While serving as the country's key domestic airport in promoting domestic aviation CIAR facilitated training flights of all types.

During the reporting year CIAR handled 2,482 domestic passenger movements and 16,883 domestic aircraft movements. CIAR & JIA aerodrome was certified as international aerodromes and obtained the aerodrome certification from CAASL during the year under review and a ground handling service unit was established under the purview of AASL. CAASL's certificate for ground handling at CIAR as well as for JIA in parallel trained 30 AASL staff by providing all recommended ground handling courses.

JIA

During the financial year 2022, JIA reported 594 international passenger movements and 24 international aircraft movements in comparison to zero international movements reported in financial year 2021. The aerodrome certification of JIA was renewed during the year under review.



BTIA

Batticaloa Airport is geo-strategically located 2.4km southeast to the city of Batticaloa awakening the eastern coast of Sri Lanka.

BTIA has recorded 1,321 number domestic passenger movements and 334 number of domestic aircraft movements in the financial year 2022. Accordingly, passenger movements and aircraft movements have increased by 22% and 29% respectively against prior year.

In order to ensure the AASL is moving on the ascent in its KPIs, in terms of aircraft movements, passenger movements and cargo movements across all aerodromes ensuring speedy recovery with emerging future positive expectations.

The operational KPIs ultimately strengthen the bottom line of AASL are

- a) Aircraft Movements
- b) Passenger Movements
- c) Cargo Movements

The series of significant events occurred throughout the year 2022 in order to ensure speedy recovery and consistent improvements in the above KPI's are summarized below.

a) Strengthening the Bottom line through aircraft movements

There are number of new airlines commenced operations to Sri Lanka and at the same time several airlines recommenced their flights owing to the positive atmosphere emerged about the country around the globe despite numerous undesirable consequences and poor economic backdrops within the nation.

Red Wings Airlines of one of the largest airline in Russia commenced scheduled charter flight operations to MRIA from Moscow, Russia with 398 Russian tourists to Sri Lanka during the year 2022. The airline operated two flights per week by Boeing 777-200 planes. This route development will boost the tourism industry in Sri Lanka,



Red Wings Airlines commenced scheduled flight operations to MRIA.



Alliance Air recommenced flight operations at JIA.



Edelweiss/Swiss International Airlines resumed direct flights to BIA.

especially in the post-pandemic period. Russia has been one of the most reliable and friendly destinations for Sri Lanka to attract tourists and for many decades Russian inbound tourism has been showing its great potential as an important source market for the development of the travel and tourism industry in Sri Lanka.

Alliance Air, a wholly owned subsidiary of Alliance Air AI Assets Holding Limited (AIAHL), recommenced commercial flight operations from Chennai International Airport to Jaffna International Airport in December 2022. Considering the growing demand for air travel from the northern part of the country, Alliance Air, with the support of the Government of India and Sri Lanka, has decided to operate direct flights four days a week with the vision of connecting to our neighboring countries and offering better connectivity to all in South India and the Northern part of Sri Lanka.

Edelweiss/Swiss International Airlines, a member of the Lufthansa Group, resumed direct nonstop flights from Switzerland to Sri Lanka from November 2022. The inaugural flight from Zurich to Colombo. The weekly service to Colombo every Thursday is operated by United Ventures Group, the General Sales Agent (GSA) for Lufthansa Group in Sri Lanka. With the commencement of Swiss International Airlines, it will help boost tourist arrivals to Sri Lanka and strengthen economic cooperation in the areas of trade, investment, finance, education, and culture between Switzerland and Sri Lanka.

Air France resumed operations between Colombo - Paris from November 2022, with three weekly flights. Air France operations on this route are seasonal. Customers from Colombo can further connect to the global network of Air France comprising over 170 destinations, via the convenient hub of Paris, Charles de Gaulle.

The Russia's largest charter airline, **Azur Air** has resumed flights to BIA in November 2022. However, Russia's flagship carrier Aeroflot resume flights between Moscow and Colombo after a lapse of 4 months in year 2022.

Aeroflot Airlines recommenced its flight operations to Colombo from Moscow with a flight frequency of 2 flights per week between Moscow and Colombo. From November 2022 to March 2023, the airline supposed to operate three flights per week. Recommencing the flight operations between Colombo and Moscow, Airbus 330-300 SU 288 flight with 252 tourists arrived at BIA on 10th October 2022. . The recommencement of Aeroflot airlines to Sri Lanka will immensely contribute to the booming aviation, travel, and tourism industry in Sri Lanka.

Thai Smile Airways, a subsidiary of Thai Airways launched direct flights between Colombo (BIA) to Suvarnabhumi Airport Bangkok commencing from May 2022 with a daily frequency to Colombo.

Qatar Airways marked a new milestone by reintroducing its fifth daily flight from Doha to Colombo, commenced from February 2022. With this frequency increase, Qatar Airways returned to its pre-pandemic operation level to Colombo, and the only airline to have continued uninterrupted services between Hamad International Airport (HIA) and BIA.

Uzbekistan Airways, the flagship carrier airline of Uzbekistan, commenced operations at MRIA from February 2022. The airline operates a weekly flight between Uzbekistan and MRIA on every Wednesday. With the operations of Uzbekistan Airways, more tourists are expected to arrive in Sri Lanka which will help to revive the tourism industry that was severely affected by the Coronavirus pandemic.



Air France resumed operations at BIA.



Azur Air resumed operations at BIA.



Qatar Airways increased flight frequencies at BIA.



Russian flagship carrier Aeroflot Airlines recommenced operations at BIA.



Uzbekistan Airways commenced flight operations at MRIA.



Thai Smile Airways launched direct flights to BIA.

b) Strengthening the Bottom line through passenger movements

Launch New Service Product

AASL launched its newly established service product under the brand name of 'GOLD ROUTE' in August 2022 to provide a 'Premium Airport Experience' for its valued passengers those who travel through BIA. The unique feature of this service is exclusively for high-end passenger to use an exclusive route to fast track the arrival and departure processes with a premium service experience. At the Gold Route Lounge, guests can experience a speedy check-in process including Customs, Immigration and Emigration, and all other formalities. The Gold Route service facility at BIA will be offered to passengers at USD 200 (per arrival or departure) and the reservations could be made via www.airport.lk.



Premium Airport experience at "Gold Route" Lounge.

Handling Complaints and passenger inquiries - Being a customer-oriented state entity, AASL relentlessly works 24/7 to provide optimum stakeholder satisfaction. Hence handling of passenger complaints and responding to inquiries on a timely manner is a top most priority. In line with that vision AASL has handled 835 passenger complaints in 2022 through our dedicated passenger complaints handling system. Meanwhile, a total of 3,702 passenger inquiries have been accepted and addressed on varied streams such as airport facilities, processes and procedures etc. The highest number of inquiries were on new travel requirements and restrictions on COVID-19 related matters on air travel.

Handling of VIPs - Convenience of each and every individual passenger using Sri Lanka airports and aerodromes is the topmost priority of AASL. However, it is the responsibility of the Company to handle very important passengers as perceived by the Ministry of Foreign Affairs and other authorized Government Authorities on various grounds. Altogether 4,368 VIPs have been facilitated through the VIP lounge at BIA during 2022 in 2,194 movements fulfilling national requirements.

Partnering with Indian Airport Service aggregator Company for the provision of Executive Lounge facilities

AASL signed agreements with Indian Airport Service aggregator Company, with effect from 6 March 2022 for the provision of Executive Lounge facilities for their passengers. This is a great achievement for BIA as this organization is a dominant player and India's largest airport service aggregator platform facilitating an enhanced airport experience to passengers leveraging a technology driven platform. They facilitate customer's access to services like Lounges, food & beverage, meet & assist, spa, airport transfer, transit hotels /nap room access, baggage transfer and other services.

c) Strengthening the Bottom line through Cargo movements

Cargo Village Entrance/ Exit Building at BIA, Katunayake

Scope of this project includes construction of two storied building (approximate area 575m²) with vehicle shed (approximate area 464m²) consists of civil works, structural steel work, metal work and counters, partitioning, cladding, electrical, mechanical, IT and other related services. The total contract value was LKR 149 million and the project was successfully completed on 15 September 2022.



Construction of Cargo Village Entrance/ Exit Building

Culture of Bottom-line optimization

In order to support the nation's effort in minimizing the adverse effects of the country's worst ever economic recession, AASL as a responsible Government entity took every effort in minimizing its cost burden by taking it as a duty for the nation. The divisions of AASL was geared to promote a thrift culture by identifying that each individual has a role to play. On top of that, AASL took serious measures to adhere to the Government's circular April 2022 issued in order to minimize the capital and recurrent expenditure. AASL's foreign training budget was slashed down drastically only to accommodate the regulatory and essential training requirements while the marketing and promotional expenses were also brought down to a minimal level. The latter measure allowed AASL to concentrate on viral marketing opportunities through service delivery enhancements at almost nil expenditure but with enhanced brand value creation.

2.2 AASL – On the Ascent nurturing Triple Bottom Line (TBL)

The triple bottom line is a business concept that posits firms should commit to measuring their social and environmental impact, means the positive impact an organization creates among **People** as well as on the **Planet** at the same time earning **Profits**, the well-known concept called **3Ps**. This phenomenon emphasizes just only focusing in to their financial performance or solely focusing on generating profit, or the standard "bottom line, is not adequate to measure overall performance of a commercial entity. During the year under review AASL on ascent of all three pillars emphasized under the TPL, Profits, People and Planet. Financial Performance of the company is largely analyzed under Financial Review while Part of its "People metaphor" is discussed in the Human Resources Management review and Planet factor is all about Sustainability.

2.2.1 Successful Capital Infusion and Software Investments Towards Further Strengthening The Earning Capacity and Resilience.

Rehabilitation of Apron and East Taxiway at Colombo International Airport, Ratmalana

The scope of this Project consist of construction of east taxiway (width - 25m and length - 400m approximately) and rehabilitation of existing apron (approximate area 4,200m²) including modification to existing drain system at Ratmalana Airport. The total contract value was LKR 231 million and the project was successfully completed on 26 March 2022.

Cargo Village Entrance/ Exit Building at BIA, Katunayake

Project scope defined under strengthening the bottom line through cargo movements.

Communications Systems Upgrade at BIA & RMA

VHF and Voice Communication Systems at BIA and Area Control Center at CIAR, have been fully upgraded and operationally used under trial basis. Stability of the new systems has been closely monitored during the extensive trials and systems have been successfully operated with the continued technical support. Safety of operations at Colombo Approach Control Center and Area Control Center has been assured through this project by replacing the previous obsolete systems, while introducing new VoIP based technology.

Aeronautical Information Management System

The system modules for the flight planning, NOTAM management, internet briefing, static aeronautical data management and electronic Aeronautical Information Publication (AIP) have been commissioned during year 2022 after extensive trial operations. This project has enabled AASL to provide aeronautical data in compliance with latest regulatory requirements of ICAO Asia Pacific region, assuring the safety and increasing the efficiency of aeronautical operations in keeping with international industry standards.

Air Traffic Management System at BIA

Installation of new Air Traffic Management system at Colombo Approach Control Center at BIA has been completed during 2022 and fully configured in compliance to many new technologies such as ADS-B (Automatic Dependent Surveillance Broadcast), Mode-S Radar, AMHS (ATS Message Handling System), etc. Extensive test (shadow) operations have been conducted to verify the system functionalities and the system is ready for live trial operations, with the continued support available from the system vendor and in-house Engineering team.

Strengthening Finance and Supply chain ERP Implementation

AASL Go-Lived with the IFS ERP implementation project from 1 July 2021. Since then, there were many obstacles that AASL had to overcome to bring the system in to a stable condition where it is at present. Once the system was somewhat stable, AASL took the initiative to integrate our in-house developed billing systems by the Information Technology division in to the ERP system. With this integrations, it is expected to achieve a status where end to end billing will be performed with minimal delays hence achieving a status where live information is available for the Senior Management team to make informative decisions. AASL followed a tedious quality assurance process at each system integration so as to ensure smooth operations. Hence currently AASL is equipped with systems which are currently integrated and which are in the pipeline to be integrated once quality assurance is completed.

2.2.2 Due consideration to the People Factor

Donation of an Automated External Defibrillator (AED) to BIA for enhancement of health facilities of the airport

The Managing Director of Hemas Surgicals and Diagnostics (Pvt) Ltd made the donation to Chairman of AASL on 19 December 2022. Further, a training on the usage of the AED and CPR will be provided for the AASL staff under the supervision of the College of Anesthetists and Intensivists of Sri Lanka (COAISL).



Donation of a AED by Hemas Surgicals and Diagnostics (Pvt) Ltd.

BIA Contingency Exercise – 2022

A coordinated anti-hijack mock exercise was conducted at BIA on 9 and 10 November 2022 with the objective of testing the efficacy of the contingency plan and procedures to deal with hijack threats by all airport stakeholders.

The exercise was conducted under a simulated mock situation and involved actions by various agencies, including the AASL, Security Forces, the Civil Aviation Authority of Sri Lanka, and other State Government Agencies. This exercise helps to enhance and strengthen coordination in handling the complexities of hijack situations among all agencies involved.



BIA Emergency Fire Exercise

BIA Received Explosive Trace Detectors from the Government of Australia.

The Government of Australia donated three “Explosive Trace Detectors” worth of LKR 18 million to AASL on 1 March 2022. The Explosive Trace Detectors were handed over by His Excellency David Holly, High Commissioner Australia, to Chairman of AASL at the presence of the Director General of Civil Aviation and Chief Executive Officer, Civil Aviation Authority of Sri Lanka (CAASL) and other distinguished officials from the Government of Australia to Sri Lanka.

The ETD units will strengthen Sri Lanka’s explosive trace detection capability at BIA. This equipment will be deployed to screen all direct flights to Australia and the United Kingdom, protecting the safety & security of passengers, crew, cargo and the integrity of the aircraft. In addition, this equipment will be deployed to screen all the other flights too. Australia will provide training to airport security screeners at BIA to ensure optimal use of the ETD units and to screen passengers and their baggage for explosives in accordance with international best practices and standards. The donation of the ETD units is timely as Sri Lanka has recently re-opened borders and resumed international flights.



BIA received a donation of ETD’s from Government of Australia

BIA achieves ACI Airport Health Accreditation for the 2nd consecutive year for 2022 – 2023

AASL has obtained the ACI Health Accreditation for the 2nd consecutive year for 2022 - 2023 for BIA. This is a further assurance of the health standards that we adopt at our airports prioritizing the safety of our passengers and the employees alike.

AASL will continue to maintain international safety standards during the pandemic making our airports a safe and secure entry/exit point for the travelers.



ACI Airport Health Certification 2022-2023

Diploma Awards at Sri Lanka Airport & Aviation Academy (SLAAA)

The 8th batch of students who successfully completed the Diploma in Aviation Studies conducted by the SLAAA were awarded their diplomas at a ceremony held at the Academy Auditorium at Ratmalana on 10 January 2022.

Delivering the ceremonial oration, Chairman of AASL spoke about the importance of investing in good training infrastructure and added that AASL has always made this investment because it realizes and values the importance of training.

SLAAA is the training arm of AASL and it is fully accredited by the ICAO. It is also recognized as a vocational training institution by the Tertiary and Vocational Education Commission of Sri Lanka.



Diploma awards at SLAAA

School Visits for next generation as a pillar of Corporate Social Responsibility

An array of projects were implemented by AASL as CSR initiative in line with the company's corporate CSR policy. Accordingly AASL has facilitated 113 school visits throughout the year aiming to make the future generation aware about ground handling, airport operations, and air navigation services and to witness prospective career opportunities opening up in the aviation industry. As a result, AASL expects to create interest about aviation related industries among younger generations to broaden employability of the next generations.



AASL facilitated school visits



Airport familiarisation visit organised by Sewa Vanitha Unit of AASL to commemorate Children's Day

Relocation of Childcare Centre

A brand-new childcare room was constructed and unveiled for operation from 23 April 2022 onwards. The previous childcare room was early constructed, and its condition was below average. Hence it had to be replaced with the construction of this appealing station.

Contribution to Notional Savings through Trainings.

During the year under review, the Civil Aviation Training Centre and the training arm of AASL which was rebranded as the "Sri Lanka Airport and Aviation Academy" (SLAAA) in 2021 contributed strengthening the bottom line of the company through notional savings through trainings provided in the disciplines of Air Navigation Services, Airport Management, Supply Chain Management, Human Resources, Civil Engineering (Maintenance), Security Services, Electronics & Air Navigation Engineering, Civil Aviation Training, Information Technology and Aeronautical Information Management for the development of human capital. The total estimated notional savings for the year was LKR 783 million.

2.2.3 Addressing the Planet Factor

AASL Sustainability policy

In the past few years the concept of corporate sustainability has evolved considerably to appear at the forefront of the modern corporate growth strategy giving more weightage to the environment factor. This momentum has resulted in the continues pursuit of better solutions that promote greater long term sustainability for employees and all stake holders ultimately translating to a healthier bottom line. The AASL sustainability dictum goes beyond a simple green policy. The environment itself is identified as a definitive stakeholder of the organization.

We believe that enduring value could only be created by embracing a broader corporative perspective. Our approach recognizes the importance of social and cultural elements that impact the organisation. Hence our plans and strategies capture the positivity of these elements and channel it towards creating lasting value for the organisation and all it's stakeholders.

Accordingly AASL concentrates on four areas namely emission control, minimizing the carbon footprint, supporting the regeneration of natural resources, and eliminating barriers that hinder human sustainability.

Emission Control

The Company continuously evaluates all substances discharged or released to the natural surroundings thereby minimizing emissions and controlling the greenhouse effect.

- Sewerage Treatment Plant – control the toxicity levels of effluents discharged to the environment.
- Incinerator and waste management – AASL's waste management facility is a state-of-the art solid waste disposal incinerator that was commissioned under the Environment Protection License (EPL) issued by the Central Environment Authority (CEA).

Minimizing the Carbon Footprint

- AASL's energy management practices were applied through a range of smart, sustainable solutions.
- Existing building were refitted with energy efficient lighting, lighting control and motor control systems (ex: T5 fluorescent fittings, C-Bus control system, drives for AHU',PAU's).
- Integration of the new chiller systems with the existing building management system for chillers.
- Use of ballasted and bulbs during remodeling projects.
- Upgrading building air-handling units with variable speed drives and soft start controls.
- Introduction of solar heaters for hot water systems.
- Optimizing the use of natural lighting with skylights and the dimming regulators.
- Usage of motion sensors, occupancy sensors in the passenger terminal building.
- Power factor corrections, key tag activated master switches at the transit hotel, change over from hot cupboards to microwave ovens for warming of food resulting in an energy saving.
- Use of pedestal fans after hours and during weekends in the office area without the use of air conditioners.
- 200 trees located in the airport premises with high environment value were root balled to replant at AASL's lagoon land and another 200 trees approximately have been earmarked to be preserved onset without cutting them down for construction purposes. Apart from this preservation plan, new tree plantation activates have been initiated by AASL together with BIA development projects.

Supporting the Regeneration of Natural Resources

AASL has accepted the challenge to ease the dependency on natural resources by seeking alternative resources to meet corporate needs thereby effectively supporting regeneration efforts.

Water conservation- Over 50%, approximately 1,200 m³ of the total 2,200 m³ of the daily drinking water requirement at the BIA is met by water from the bore wells drilled on the premises.

Stepping up to challenges

It is clear that we are ready for any challenges that lie ahead. Despite the challenging operating conditions, we have chosen to retain, reskill and redeploy our people. As a result, we are ready to scale up our operations immediately as our staff force has remained intact and with improved capabilities. Certainly, our people have stepped up to the plate. They were critical in executing and coordinating the many moving parts that needed to come together. Our values remain constant In a period of constant change, it is important that we hold fast to our values that underpin AASL. Giving back to the community around us is part of our DNA. In addition, recognising that our industry operates as an eco-system, we continued to provide support to airline partners and tenants to keep the eco-system intact and functioning. In tackling the challenges we have become an organisation that is lean, focused and resolute. Our people are resilient and ready to take on challenges. Against this backdrop that has spurred AASL to take bold action in 2022, we are pleased to present this Management Discussion and Analysis that provides stakeholders with a holistic explanation of the highlighted of the year, and our plans moving forward.

Eliminating barriers that hinder Human Sustainability

● Assistance in tertiary education in Sri Lanka
The company provides training to undergraduates of Sri Lanka Universities, diploma holders and industrial trainees in various disciplines including IT, Finance, Electronics, Mechanical Engineering, General Administration, Transport and Logistics Management and Automobile Engineering.

- Donation made to Maharagama Apeksha Hospital
Thanks to the millions of generous passengers who travelled through BIA, AASL was able to donate LKR 4,338,230 to the Maharagama Apeksha Hospital on 25 October 2022 as a Corporate Social Responsibility (CSR) initiative. The donation was collected from the charity collection boxes placed at the Transit area of BIA.

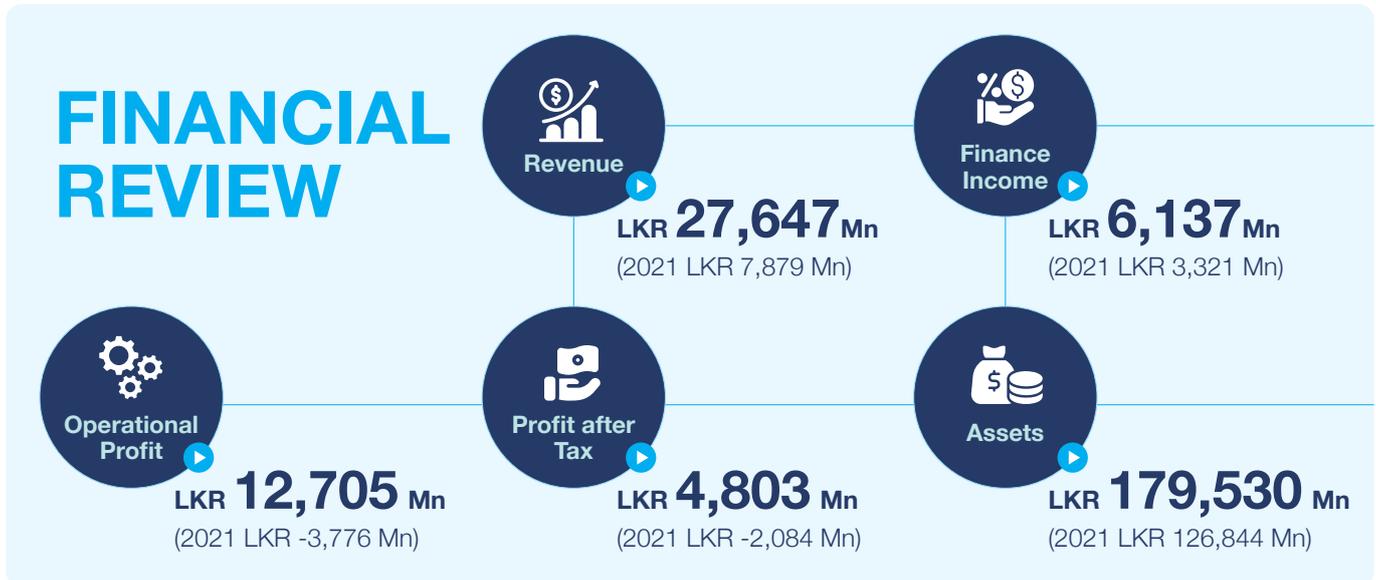
AASL has had this charity support program for over the years and the donations from BIA passengers have truly made a difference in the lives of Sri Lankans.



Donation made to Apeksha Hospital Maharagama

- Hosting World Children's Day 2022
AASL celebrated World Children's Day 2022 by hosting a special airport familiarization program for the school children in the vicinity of BIA. AASL has been an organization that always supports children by considering it as a top priority.



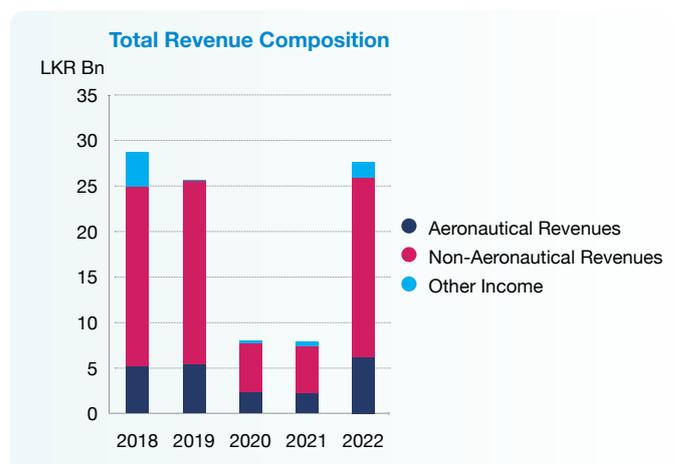


Overview

AASL continued to improve its position as Sri Lanka’s sole aviation services provider while delivering strong financial performances for the year 2022. The year was concluded with many challenges-stemming from multiple fronts. The global economy continued to encounter downside risks with inflationary pressures bringing high energy prices from impacts of geopolitical conflicts including the Russia/Ukraine war. Since the beginning of 2022 pressured relations between China and U.S. potentially caused economic recession in many countries. In addition, China’s Zero-COVID policy which extended the lock-down period instigated under-investment in the real estate sector resulted in an economic recession that finally resulted in a global trade slowdown. Domestic instabilities including the power, fuel, food and medicine crisis’s too took its toll on the economic environment and had a negative impact on the tourism industry. Despite these challenges AASL has been able to survive financially and had quite a good recovery in line with Sri Lanka’s tourism sector.

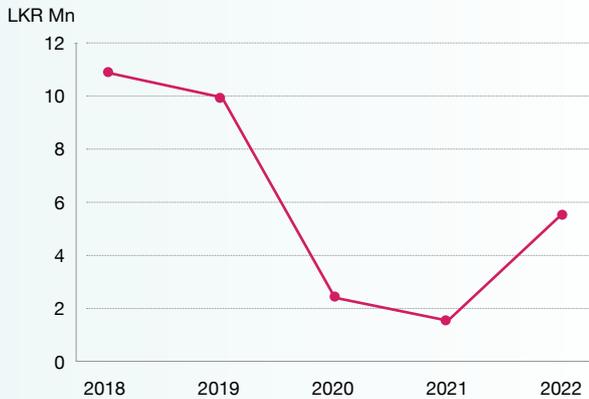
REVENUE

AASL continued to register stable growth in revenue by 251% during year 2022 to reach LKR 27,647 million. The underpinned key parameters which determined the revenue streams of AASL include aircraft movements and passenger movements. International passenger movements depicted an upward shift, rising by 266% in relation to preceding year; whilst international aircraft movement depicted a growth rate of 78%. In addition to this all USD revenue were converted in to LKR at a higher rate due to depreciation of LKR against USD. Therefore it positively affected for the growth of revenue by 251% and able to closing the year on positive and promising note.

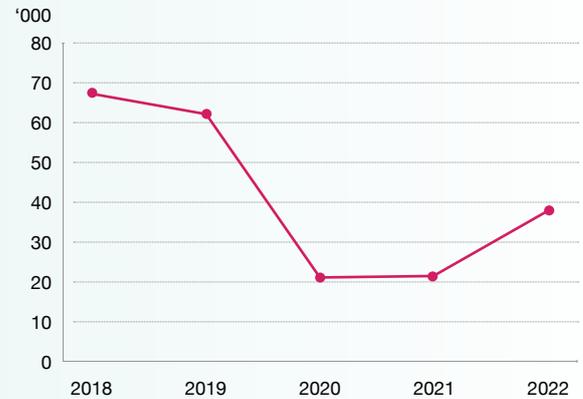


BEHAVIOR OF AIR TRAFFIC MOVEMENTS

International Passenger Movements



International Aircraft Movements



Revenue streams for AASL comprise mainly of revenue generated from aeronautical operation and non-aeronautical activities. Classifications of these two revenue sources are given below;



Major Aeronautical Revenue

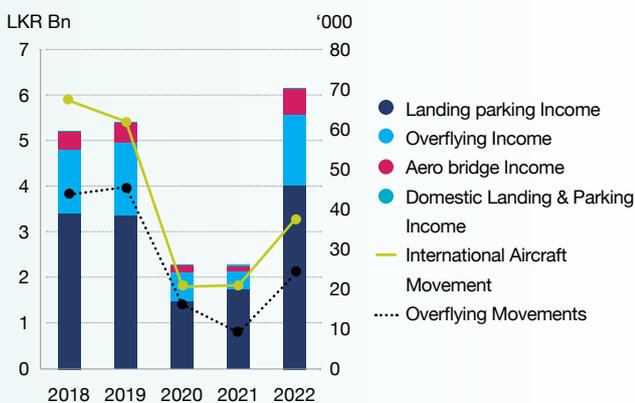
- Landing & Parking income
- Overflying income
- Aerobridge income
- Domestic Landing & Parking income



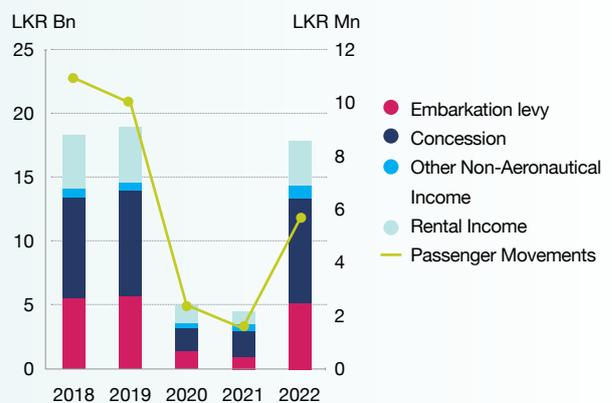
Major Non-Aeronautical Revenue

- Concession
- Embarkation Levy
- Rental
- Other Non-Aeronautical Income

Aeronautical Revenue



Non-Aeronautical Revenue



The Company recorded an aeronautical revenue of LKR 6,194 million during the year under review, representing a 169% growth against LKR 2,299 million in the year 2021. It is noteworthy to mention, during the period under review, the Sri Lankan Rupee depreciated by 83% against USD, which had a heavy impact on both the aeronautical and non-aeronautical revenue streams. Another notable contributor was the income generated from landing and parking, overflying income and aerobridge income. The relaxation of global travel ban restrictions positively contributed to increase this revenue stream.

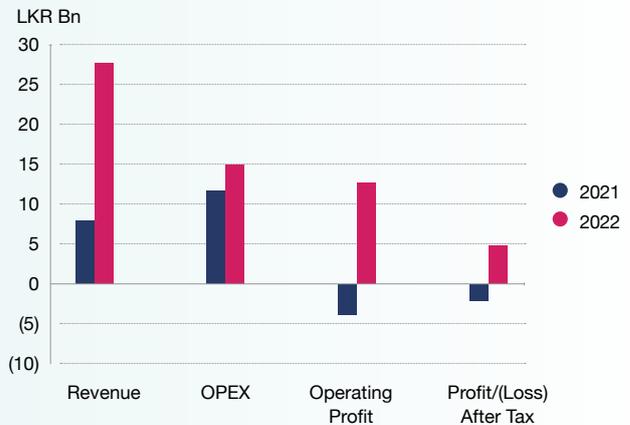
Non-aeronautical revenues were reported at LKR 19,812 million for the year, depicting an increase of 289% in comparison to LKR 5,087 million from the previous year. The lifting of air traffic bans and focused propaganda resulted in an increase in tourist arrivals. This was seen as a benefit for the entire tourism industry and generated positive ripples throughout the country. This in turn stemmed a steady flow of Embarkation Levy, Concession and Rental income compared to the preceding year.

PROFITABILITY

During the financial year 2022, AASL recorded an operating profit amounting to LKR 12,705 million which was a momentous increase of 436%, compared to the operating loss of LKR 3,776 million during the preceding year. This could be attributed mainly to revenue growth achieved during the year. The increment on deposit rates and investments of new deposits in the form of LKR and USD had a positive impact of the total finance income increasing it to LKR 6,137 million from LKR 3,321 million in 2021.

Finance Cost which consist of interest expenses on loans and debentures and exchange gain/losses on operating activities, loan conversion and deposit conversion was heavily impacted due to the volatilities in foreign exchange rate which was seen during the year. Finance cost of LKR 12,409 million was noted in 2022 compared with LKR 506 million recorded in 2021. The depreciation of the LKR against other currencies, brought about significant exchange losses. The year ended with a net finance cost of LKR 6,272 million in 2022 whereas a net finance income of LKR 2,815 million in 2021. This result was instrumental in the Company recording a profit before tax amounting to LKR 6,433 million which was a significant 769% incline, compared to loss before tax recorded in the preceding year of LKR 961 million. Accordingly, after making necessary provision for income tax the Company's profit after tax for 2022 stood at LKR 4,803 million, as opposed to the net loss of LKR 2,084 million recorded in 2021.

Profitability



OPERATING EXPENSES

AASL's operating expenses consists of the following components, namely Personnel Costs, Administration & Establishment, Repair & Maintenance expenses, and depreciation expenses.

During the year under review AASL's total operational costs grew to LKR 14,941 million, indicating an increment of 28% cost enhancement equated to the preceding year figure of LKR 11,655 million. Handling a people centric operational portfolio, this cost contributes to approximately 67% of the total operational expenditure. Hence this increase is mainly attributed to increases in staff cost which increased by 33% comparing to the previous year.

Operating Expenses



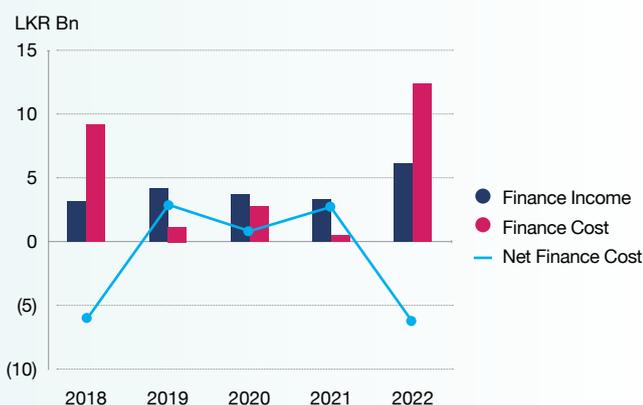
	2021	2022
Personal costs	64%	67%
Provision for Debtors Impairment	-5%	1%
Repair & Maintenance	3%	3%
Electricity	7%	6%
Depreciation & Amortization	23%	16%
Other Expenses	8%	7%

NET FINANCE (COST)/INCOME

Net finance (cost)/ income is the net result of interest income, interest expenses and exchange gain/ (loss) on operations, conversion of loans and fixed deposit and other conversion denominated in foreign currencies. As cited in the table below, the depreciation of the Sri Lankan Rupee against major currencies such as the US Dollar, Euro and Japanese Yen resulted in significant exchange losses, which impacted this cost component, closing the year at a recorded net finance cost of LKR 6,272 million. Net effect of losses incurred due to loan conversions and gain on USD fixed deposit conversions plummeted the years Net Finance income to LKR -6,272 million as compared to LKR 2,815 million in the previous year.

	LKR Mn	
	2022	2021
Finance Income	6,137	3,321
Loan Interest	(1,854)	(1,140)
Exchange Gain / (Loss) on Loan Conversion	(43,977)	(2,141)
Exchange Gain / (Loss) on Fixed Deposits Conversion	33,422	2,775
Net Finance (Cost)/Income	(6,272)	2,815

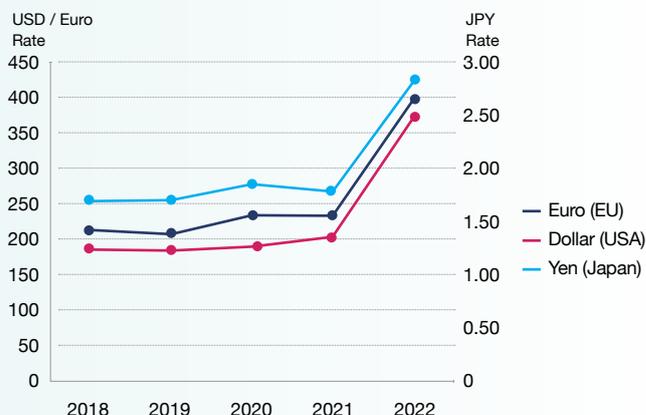
Net Finance Cost



EXCHANGE RATES

The Sri Lanka Rupee depreciated by 83% year-on-year and escalated to LKR 372/USD (selling rate) by the end of 2022. The selling rate of the Sri Lanka Rupee against the US Dollar continued to depreciate as export earnings and worker remittances coming into the country through commercial banks decreased after the Central Bank pinned the LKR against the USD to avoid further depreciation of the rupee. It was also noted that LKR had depreciated against the JPY and EUR by 58% and 71% respectively.

Exchange Rates

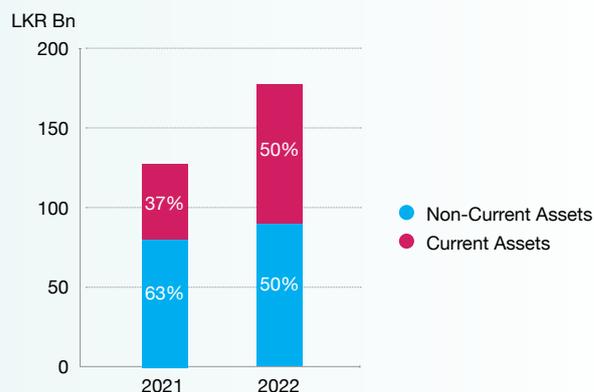


FINANCIAL POSITION

Assets

As at 31 December 2022, the financial position of the Company stood at LKR 179,530 million, this is considered a significant growth of 42%, against the start of the fiscal year figure of LKR 126,844 million. This upward trend was mainly driven by the enhancement of short-term fixed deposits in USD terms totaling LKR 75,143 million this year in comparison to LKR 39,544 million in the previous year. In addition, increased capital work-in-progress and long-term bank deposits amounting to LKR 36,698 million and LKR 6,963 million respectively contributed to enhance the total asset base of the Company.

Assets



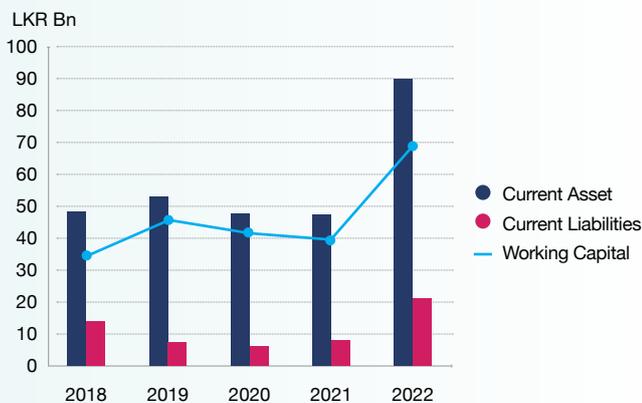
Liabilities

Total liability increased by LKR 48,743 million, which is purely due to increments in the closing loan balances in LKR term due to the significant depreciation of LKR against USD, JPY and Euro.

WORKING CAPITAL

At the closure of accounts for the financial year 2022, AASL's current assets and liabilities stood at LKR 89,740 million and LKR 21,194 million respectively, thus drawing up a net working capital balance of LKR 68,545 million. This positive increase of 74% from the previous year's balance clearly indicates the Company's ability to fund its current operations and ability to invest in future growth. This increase is mainly due to the net effect in short-term bank deposits by LKR 36,510 million and the short-term portion of foreign loans.

Working Capital



DEBT AND CAPITAL STRUCTURE

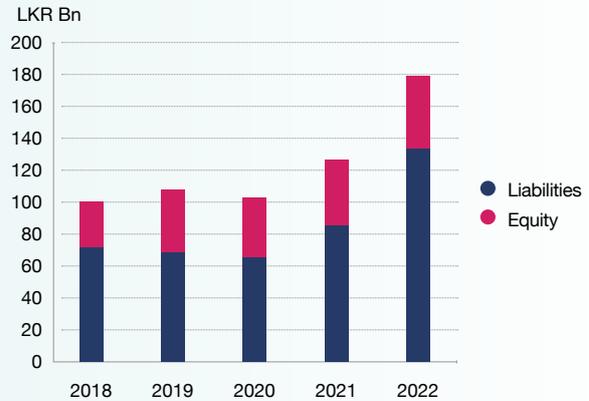
The overall borrowings of the company as of 31 December 2022 appreciated to LKR 110,273 million, indicating a 60% increase from the previous year.

The Company made capital repayments on foreign loans and local loans respectively totaling to LKR 4,706 million and LKR 267 million respectively. A foreign currency loan disbursement amounting to LKR 2,544 million was recorded. This was to facilitate "BIADP Phase II Stage 2 Project". We are pleased to report that no local loans were obtained during the year.

Shareholder funds and equity accounted to 25% of the company's total assets base of LKR 179,530 million as of 31 December 2022, while non-current liabilities accounted for 63% and current liabilities accounted for 12%.

When equated to the beginning of the financial year under review, it is noted the debt portion of the capital structure had a slight increase of 8%.

Debt and Capital Structure



CASH FLOW

During the year under review, operating activities resulted in a net cash inflow of LKR 14,577 million, against a cash outflow of LKR 715 million in the previous year. The main contributory factor to this positive shift is due to an increase in net profit during the year and the adjustment for net exchange loss on foreign loans and fixed deposits conversions.

The net cash flow used in investing activities decreased by 24%. This was mainly due to the decrease in acquisition of Property, Plant and Equipment. While net cash flow from financing activities indicated a decline of 119% compared to the previous year. This is attributed to the decrease in loan receipt comparing to the previous year. Due to the reasons mentioned above cash and cash equivalents at the end of the period stood at LKR 642 million depicting an increase of 56%.

CAPITAL MANAGEMENT

The primary objective of the management of the Company's capital structure is to maintain an efficient mix of debt and equity in order to achieve a low cost of capital, while taking into account the desirability of retaining financial flexibility to pursue business opportunities and adequate access to liquidity to mitigate the effect of unforeseen events, such as the COVID-19 pandemic on cash flows.

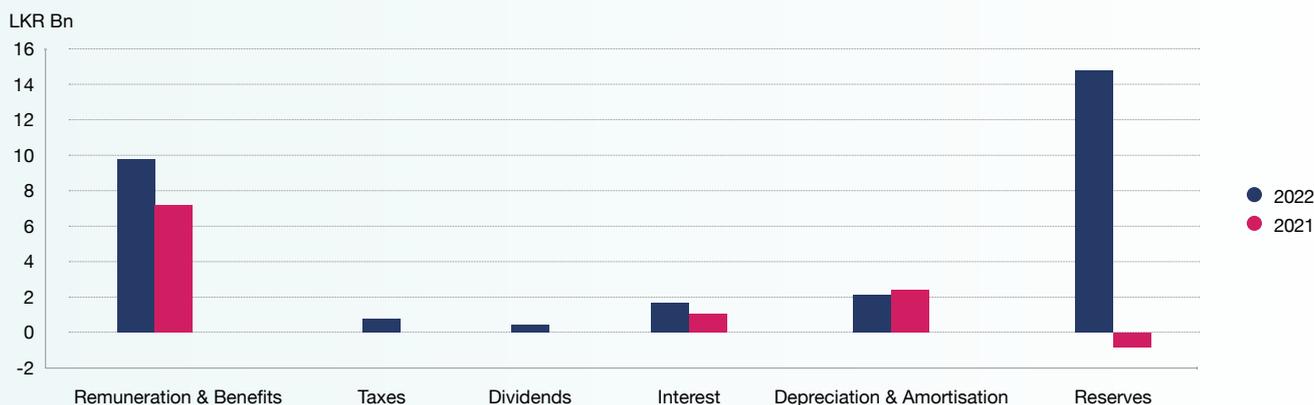
The Directors regularly review the Company's capital structure and make adjustments to reflect economic conditions, business strategies and future commitments.

The four main types of capital management include working capital, debt, equity, and trading capital. During the year under review the Company has managed all types of capital sources in a stringent manner. However, its' debt capital management was somewhat disturbed owing to the special letter issued by the Treasury in April 2022, under the heading "interim policy regarding the service of Sri Lanka's external public debt". Accordingly, it was advised not to settle foreign loans obtained by Government entities. Therefore, during the year under review company did not pay the loan installment as due.

STATEMENT OF VALUE ADDITION

	2022 LKR 000	%	2021 LKR 000	%	
Revenue	26,006,396		7,386,170		
Other Income	1,640,401		492,782		
Finance Income	6,136,674		3,321,110		
Gain/(Loss) arising on changes in Actuarial assumption	(278,211)		667,426		
	33,505,260		11,867,489		
Administration and Establishment Expenses	(2,579,345)		(1,509,513)		
Value Addition	30,925,915		10,357,976		
Distribution of Value Added					
To Employees	Remuneration & Benefits	9,995,360	32%	7,496,875	72%
To the Government	Taxes	877,224	3%	-	0%
To Shareholders	Dividends	500,000	2%	-	0%
To the Providers of Debt Capital	Interest	1,854,365	6%	1,140,366	11%
Retained within the business	Depreciation & Amortisation	2,366,794	8%	2,648,419	26%
Retained within the business	Reserves	15,332,172	49%	(927,685)	-9%
		30,925,915	100%	10,357,976	100%

Distribution of Value added





Human Capital is the primary contributor to the earning potential, productivity and long-term sustainability of a business organization. AASL continues to consider its human capital as an integral part of its business. As such, the Company considers the development of skills, competencies, talents and productivity of employees as a prerequisite to achieving success. The Company also gives significant importance in attracting fresh talent, retaining and motivating talent whilst fostering employee productivity and satisfaction, thereby creating value for both the employee and the Company.

AASL has a truly diverse team of 3,854 employees (as at 2022), who contribute to the sustainable growth of the Company through consistent delivery and ensuring creation of a shared value. A reputation of 40 years in all endeavours including the recognition as a 'Great Place to Work' enables AASL to attract and retain the best talents in the market.

HUMAN RESOURCE PLANNING & SOURCING

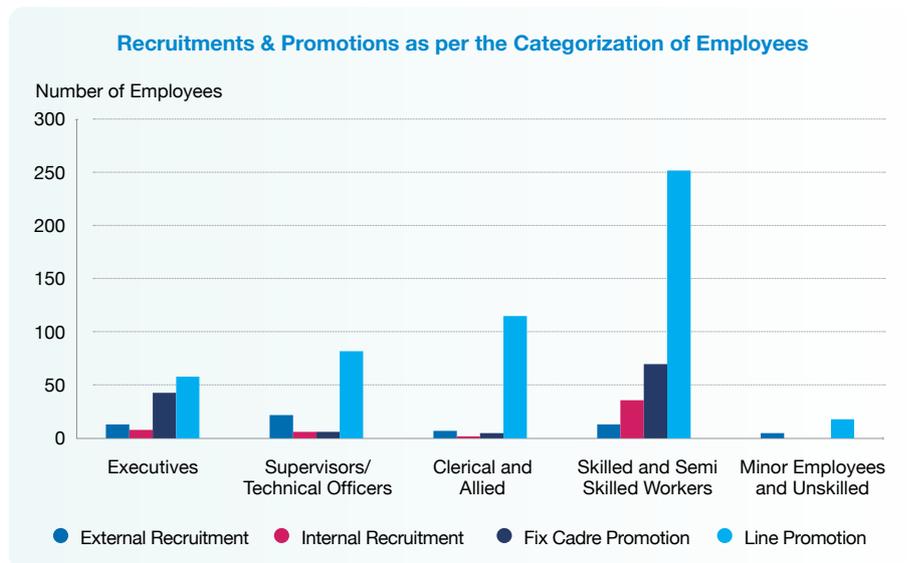
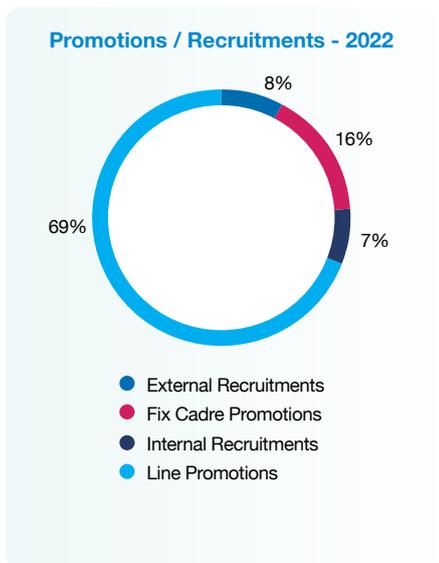
The challenges faced in 2022 includes the restrictions imposed by the Government on staff recruitment, employees' resignations, Government implementation of overseas employment facilitating programme and Government decisions to change the retirement age of employees. External recruitments were limited to only 61 new employees in operational critical positions against the total employee turnover of 188 during the year 2022.

It was also a challenge to activate the Human Resources elevation process due to the vacancies created in the higher positions, since it was a real challenge to manage the vacant positions due to promotions.

The Human Resources team pursued with diversified initiatives to manage with the available resources in order to ensure availability of essential workforce for smooth operation at all airports.

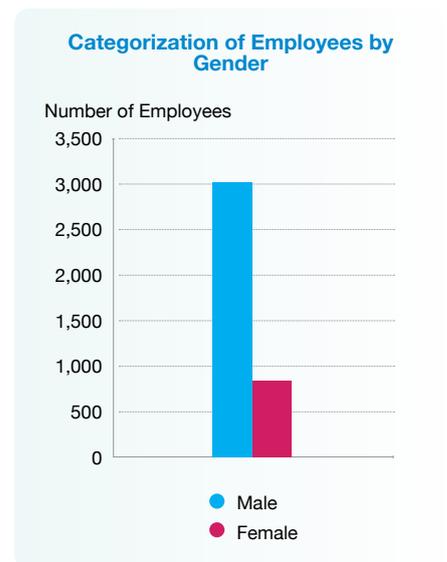
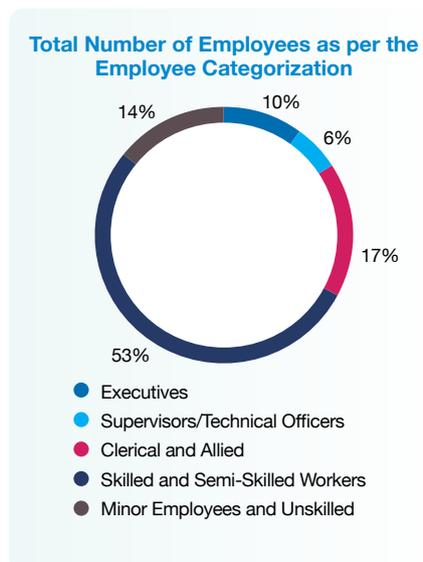
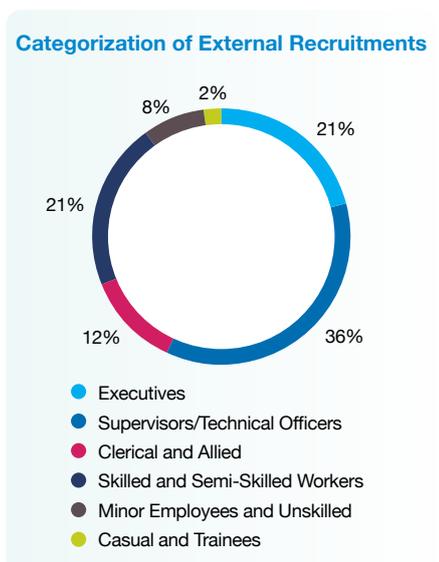
However, during the year under review the Human Resources division managed to absorb the following talent from the different sources as shown below;

The distribution of recruitments and promotions as per the categorization of employees is depicted below;

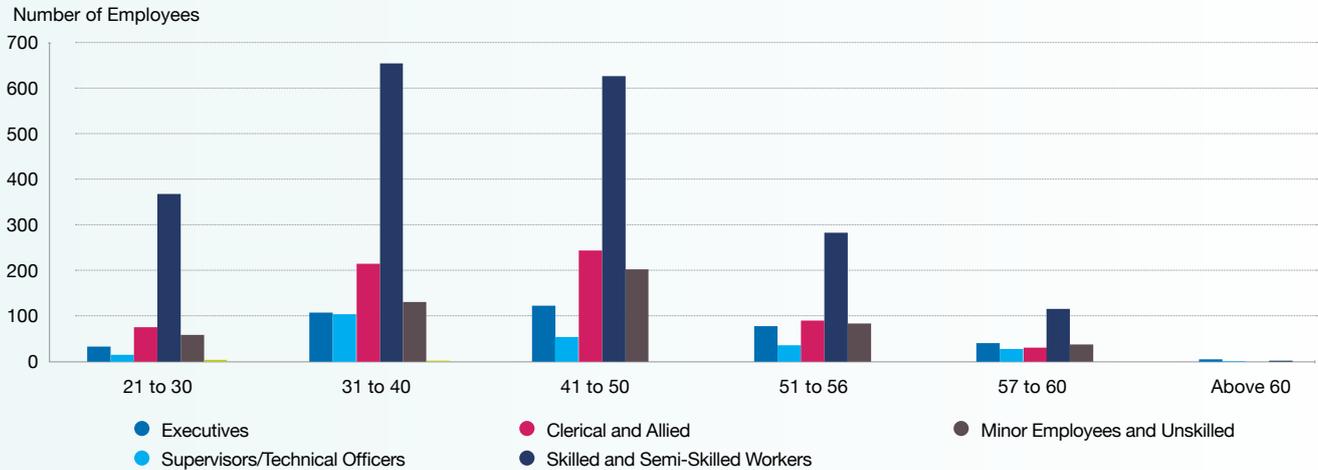


The distribution of the external recruitments into employee categories are shown below;

Total Manpower Strength as at 31 December 2022 is as follows:



Categorization of Employees by Age



HUMAN RESOURCES DEVELOPMENT

Human Resources development is an immensely important part of Human Resources Management.

AASL continued to invest in training and development despite the challenges faced through the pandemic, fuel and financial crisis, in order to ensure that employees gain the required knowledge and realize their potentials.

By paying attention to the challenges encountered in 2022, Human Resources development was able to exceed the allocated local training budget for the year 2022 by giving equal opportunities to employees' career advancement. Throughout the year 844 employees were trained locally, and 46 employees internationally.

Further, we were able to coordinate with SLAAA, Ratmalana to train 116 employees. As a part of Corporate Social Responsibility, 116 industrial training opportunities have been provided to students from various universities and training institutions.

As large training groups were not permitted, physical training was restricted during the first quarter of the year. In order to work around this issue virtual training opportunities were set up, which contributed value for advancing the professional development of AASL staff.

Completing 47,077 training hours at a cost of LKR 40,683,552 during the time frame, and adjusting to the new 'normal' situation was not a simple task. The completion of the craftsman level training requirement, which was important to develop the required NVQ Level certifications for professional progress was yet another important feat which took place during the year. Additionally, specific ground handling training programs were organized to support the operations of CIAR and JIA as well.

A special skill development programme has been initiated to recognize the various skills of the employees in addition to their current employment, and place them wherever appropriate in order to optimally and productively use the skills of the employees towards the company's success. This was also an alternative solution for provision of manpower, in order to address the manpower shortage due to the recruitment restrictions.

HUMAN RESOURCES INFORMATION & PERFORMANCE MANAGEMENT

The Performance Management System of AASL is aligned to the Company's business objectives. The aim of the AASL Performance Management System is to improve the performance of all AASL employees while achieving business objectives 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 employees.

The Performance Management and Development System (PMDS)

- 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.

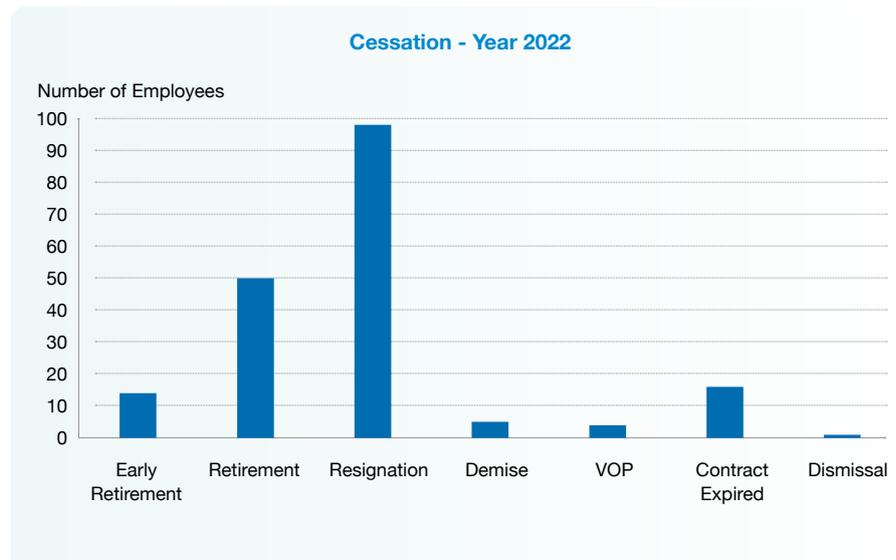
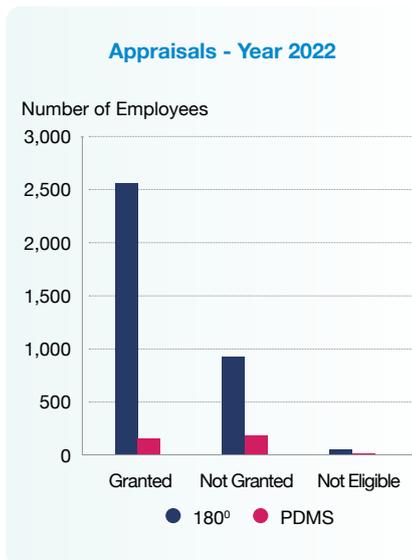
180° Appraisal System

- All other Staff categories are appraised using the 180° Appraisal System. The employees' job knowledge, skills and attitudes will be assessed under this Performance Management System.

A total of 3,889 employees were appraised through the Performance Management Systems and granted with their annual increments based on the performance during the year 2022.

Cessation of Employment

Cessation of employment of AASL has considerably increased during the year 2022 in comparison to the previous years. The Government Policy on the retirement age of the employees affected this figure, while challenges in the social and economic environment resulted in an increased number of resignations and early retirements.



Human Resources wellbeing through effective welfare activities

Uplifting and maintaining employees is an integral part of the Human Resources team, which drives the company towards its business objectives.

AASL assist the staff with attractive facilities with the objective of motivating them through uplifting their standard of living and fostering maximum productivity. Prioritizing the provision of good benefits and facilities to employees might be a costly decision, but the long-term benefits of these strategies are immense. It helps the company to retain its well performing and skilled employees for long periods of time.

AASL offers a wide range of facilities to its employees, and these includes a company medical scheme, death donation scheme, staff loan facilities, staff transport facilities, holiday bungalow facilities, staff quarters facilities, 5% interest refund on housing loans and financial assistance for overseas pilgrimages, sports and recreation facilities, annual get together and pilgrimages . These welfare activities encourage and motivate employees leading to business growth and boosting AASL's competitiveness.



Company Medical Scheme

AASL has a unique health care scheme where the employees can receive treatment in the facility in-house or from the external healthcare service providers. This scheme is extended to most of 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 credit basis from 48 registered hospitals scattered in the island.



Death Donation Scheme

This system has been in operation in AASL for over 15 years. All employees in the permanent cadre are qualified to get the membership of this scheme and can enrol their family members also to receive benefits of this scheme. AASL has settled LKR 15,425,000 for 297 members during the year 2022.



Staff Loan Scheme

Confirmed employees are eligible to obtain a loan for their financial requirements. The loan amount is LKR 200,000 of annual interest rate of 4.2% and repayable over a maximum period of four years. In the year 2022, employees benefited from the extension of this loan to a total amount of LKR 250 million.



Staff Transport Service

The Company is aware of the difficulties faced by the employees who travel from different locations. In order to address this difficulty, company has introduced staff transport facility for the employees to provide them the comfort of travel. Amidst fuel crisis 27 buses were deployed for the use of employees at BIA, CIAR, MRIA and also facilitating with transport between BIA and JIA / BTIA.



Staff Quarters

Limited numbers of staff quarters are available for the employees of the company at Katunayake, Attidiya, Batticaloa, Mattala and 09 rented houses for staff at JIA.



Holiday Bungalow Facilities

Holiday Bungalow facilities at Pidurutalagala and Pilgrims' Rest facilities at Kataragama are extended at concessionary rates. Both bungalows were refurbished recently to meet the expectations of employees. Further, for the convenience, a drivers' rest was added to the complex.



5% Interest refund on Housing Loan

This facility is available for employees who have completed five years' service in the company.



Financial Assistance for Overseas Pilgrims

All confirmed employees of the company who are members of Buddhist, Christian or Muslim Associations are eligible to receive this facility. An eligible applicant is entitled to receive a maximum of LKR 50,000 at an annual interest of 4.2% (recovered in 18 monthly instalments) to cover part of the cost of travelling abroad for pilgrimage irrespective the actual cost of travel.



Personal Accident Insurance Policy

Recognizing the value of employee's safety and health, company has introduced a Personal Accident Insurance Policy for all its employees which covers 24 hours. The compensation limits range from LKR 550,000 to LKR 2,200,000 based on the category of employees. This covers the natural deaths too.

Industrial Relations and Occupational Safety & Health

Keeping employees engaged and satisfied has been one of the top priorities of the HR Division, in the years since the pandemic began. This has become more challenging due to the looming recession during 2022. During an economic crisis, employees' performance levels and motivation can be varied due to the external pressure.

AASL too faced this challenge and looked for ways to overcome this situation.

AASL staff faced difficulties in attendance due to the imposed curfew, fuel shortages, and the lack of public transportation. In order to minimize the impact on the Company operation and the employees' engagement, proactive measures were taken by AASL, such as continuation of Work From Home (WFH) practice which began during Covid Pandemic and granting of special paid leave to the employees who had attendance difficulties arising out of scarcity of fuel, public transport and for the curfew imposed days. Further, amid such difficulties employee attendance was encouraged by granting special approvals for delays in reporting to duty due to transport difficulties.

Employee Health and Safety

Ensuring Occupational Health and Safety (OSH) of employees is another key area where HR has focused to streamline during the year. Initial steps were taken to revamp the OSH procedures and the implementation process will be continued in next year.

With the increasing complexed lifestyle, economic crisis, the need for counselling for employees has become more acute. Counselling service for the Company employees is being provided once a week. Employees can receive counselling through both physical sessions or over the phone.

Freedom of Association

We believe in freedom of association of employees and recognize their right to represent in a Trade Union/Association. AASL has 5 politically associated Trade Unions and 26 trade based Associations and we are maintaining a harmonious relationship with them through continuous conversations.



Overview

As for any other business organization, risk management is critical for AASL in defining its objectives for the future. We strongly believe that effective risk management is an essential component of decision-making process to assure superlative guest experience for our passengers on a daily basis.

Being the sole airport operator in Sri Lanka, we are operating in a highly dynamic industry with significant international exposure. As a result, we are exposed to a variety of risks that threaten not only the organization's operational and financial performance, but also the country's image.

AASL's Risk Management approach is meant to improve the organization's ability to achieve its corporate objectives. The Board is responsible for the success of AASL's Risk Management process as this procedure demonstrates its relevance as one of the major pillars of the corporate governance framework.

AASL aimed at achieving the following through its Risk Management:

- Recognize and assess a variety of risks.
- Minimize and/or wipe out dangerous threats while taking advantage of new opportunities in the corporate environment.
- Supports efficient utilization of Company's resources.
- Successfully manage the risk communication within the company.
- Do justice to the real owners of AASL, the general public by contributing to the country's economy, society at large and long-term growth.

MAIN CHALLENGES IN AVIATION OPERATIONS

We view the Risk Management process as the most structured way of combatting challenges faced by the business as a whole and harnessing the opportunities out of them. The following challenges exerted pressure on our Risk Matrix by making them vulnerable to external factors.

HIGH VULNERABILITY TO LOCAL ECONOMIC CONDITIONS

Most of the inputs for airport operations are sourced from the local economy. Therefore, any changes in the socio-economic environment happens locally directly affect airport operations as well as investments in airport infrastructure development projects.

We experienced this during the year 2022 due to the dollar crunch in the local economy, where most of economic variables became unfavorable for business operations. It negatively affected civil aviation operations due to aviation fuel shortage, high operational cost, frequent power cuts, aviation professionals leaving the country. Further, it brought major infrastructure development projects to halt.

● High Maintenance Cost

Having a large fixed cost in maintaining the airport infrastructure compared to low percentage of variable costs in the cost structure. This further worsens with high maintenance costs, LKR depreciation and import restrictions resulted from the economic crisis.

● Limited Business Diversification

The room for business diversification is quite low in aviation, compared to other industries as the core of physical and human resources are meant to be in the aviation. This puts enormous pressure on our top-line as well as the bottom-line, especially in a situation where the demand for air travel is threatened due to external vulnerabilities as explained above.

ENSURING UP-TO-DATE FACILITIES

Being a service driven industry, it is of utmost importance to assure a comfortable and superior guest experience for all airport users. Towards this, airport facilities and infrastructure are required to be maintained on par with that of other international airports in the region.

● Volatility of the Tourism Industry

Aviation is heavily dependent on global economic condition as well as on tourism which is a highly fragile industry as travel and tourism becomes one of the least priorities in restricted situations.

● Pressures on Cost competitiveness and Demand for air-travel

Inflationary pressures prevail in the local context leads to escalated prices in the in-bound logistics as well as in the contract prices of the capital projects contracted out. This adversely affects airport operations, as it threatens the competitiveness in terms of cost structures. On the other hand, airlines struggle due to increase in jet-fuel prices globally as well as domestically. It will result in ticket prices increase and lowering the demand for air-travel.

RAPIDLY CHANGING TECHNOLOGY

Changing technology demands that airport operators include smart features in airports. This intensifies the competition among airports requiring airport operators to invest more on new technology. Contactless airport operations with no/minimum human involvement have become a tough target to achieve.

● Environmental Impacts

Airport operations have a sizeable impact on the environment. While airlines are responsible for carbon emission of aircraft, airports also have a role to play in this regard. Airports should increasingly concentrate on optimizing the air route structure to assure least fuel consumption with minimum carbon footprint in mind.

Airports generate a considerable quantity of waste that needs to be disposed properly. Ensuring this is done in keeping with environment guidelines and best practices is of great value to AASL. We have received certifications from the Central Environment Authority and other regulatory institutions confirming our environmentally friendly waste management practices.

LONG-TERM CHALLENGES AND MITIGATION MEASURES

Adapting to evolving technology, ensuring sustainability, capacity management and attracting talented work force are challenges we foresee as to be reckoned in the long term.

Technological advancement is a continuous process that must keep up with evolving technology advancements. Use of contactless passenger processing by using bio-metric recognition systems, self-check-in and bag drops, self-boarding gates and mobile payments are expected to increase in future. Therefore, it is vital to make these facilities available at our airports too. These projects are to be implemented within the next five years despite many challenges in terms of poor economic conditions in the country. However, they do pose cyber-security risks that needs to be addressed.

The world is becoming more and more environmentally conscious. This demands airports to achieve carbon neutrality in future. Accordingly, we would be required to define carbon emission reduction targets for next few decades. It is identified as one of the Sustainable Development Goals (SDG) in AASL corporate targets. Strategies are developed to minimize carbon emission on ground activities as well as within the Colombo FIR through the air routes restructuring.

The Asian region accounts for one third of the world's passenger kilometers. This volume is expected to grow in the future. Being within the high-volume

region, Sri Lanka would also benefit from the increase in passenger traffic. The present temporary stoppage of the construction work of the second terminal which is expected to complete with process changes and technological advancements.

Superlative guest experience at our airports depends on how far we understand customer preferences based on their demographic factors which is dynamic thus, challenging. This is intended to be addressed by introducing continuous changes to our CRM (Customer Relationship Management) process.

In addition, during the development of AASL corporate plans, projects are prioritized taking into consideration the above challenges.

AASL RISK MANAGEMENT FRAMEWORK

Within our risk management framework, risk identification involves perceiving hazards, identifying failures and recognizing adverse consequences. It also involves capitalizing on positive deviations arisen due to changes in the external business environment, meaning recognizing opportunities for us to convert them into either revenue increases, cost reduction or both.

Through our risk assessment process, we intend to provide better insights into the events that could impact the achievement of objectives.

Based on risk identification and its impact on the business, we take decisions as to whether each specific risk should be accepted or treated by comparing it with AASL's risk profile.

Risk management techniques include risk reporting, risk treatment, residual reporting and monitoring.

Once the risk has been mitigated to an acceptable level, the risk needs to be tracked to ensure the continued control of the risk.

IMPLEMENTATION OF THE RISK MANAGEMENT FRAMEWORK

While risk management being everyone's business, the total process should be monitored centrally by coordinating with all areas of the business. For this purpose, at AASL, risk management responsibility is placed under strategic management division (SMD) and, SMD is responsible for taking steps to introduce and maintain suitable risk management mechanism within the company to ensure that no hindrance is met in achieving strategic objectives of the company. Scanning the internal and external environment for Strategic Planning process by using the tools such as SWOT, PESTEEL, Porter's 05 forces are used for the Risk identification purpose as well. This is conducted in consultation with all divisions, all levels by adopting both top-down and bottom-up approaches.

Further, Internal Audit & Quality Assurance (IA&QA) Division of the Company also plays a vital role in the risk management process within their scope of work. IA&QA Division performs a risk forecast when preparing their annual audit plans to identify vulnerable areas for them to perform audit on.

RISK MANAGEMENT COMMITTEE (RMC) AND OTHER FORMAL MECHANISMS TO DEAL WITH THE RISK MANAGEMENT

One of the Board Sub-Committees, Risk Management Committee (RMC) has been formed to oversee the risk management function. It mainly focuses on Business Risks, Organizational Risks and Functional Risks. The industry risks as well as strategic risks are also taken up appropriately and risk alerts and recommendations are discussed or suggested to discuss at the Board level, through the strategic planning process of AASL.

The Risk Register is used predominantly in identifying the probability and severity of the risks. It is updated by every division along with proposed mitigation techniques

and centrally monitored by the Strategic Management Division. Any untreated risk and associated issues are escalated to the RMC to make appropriate decision on them.

RMC meetings are held with representation from all divisions of AASL regularly on a monthly basis to discuss operational, tactical and strategic risks which are critical to the business and to find the best suited mitigation techniques. At these meetings, a few areas of risks are included in the agenda so that they could be discussed in detail and effectively. However, participants are always encouraged to discuss timely and crucial risks without being restricted to the agenda. Certain strategic risks, human resource management risks and technology related risks are evaluated through other Board Sub-Committees too. This helps to strengthen the mitigation technique by looking at the cause and the impact from every possible aspect.

Further, aerodrome safety matters are looked after by Safety Management Unit of the company. This is carried out in accordance with the guidelines (Annex 19) issued by International Civil Aviation Organization. The other mechanisms available are the Facilitation Committee Meetings which are held on a quarterly basis with the participation of all stakeholders housed at the airports. All stakeholders are given equal opportunity to prompt risks and issues and to discuss and fix them collectively. Airlines Operators Committee (AOC) discusses issues faced by airlines and passengers while Aviation Security Committee discusses security threats and potential risks faced by all airport assets. These mechanisms deal with operational risk aspects of the organization which are addressed through interaction with external stakeholders. The Audit and Management Committee deals with checks and balances related to financial risks.

RISK FORECASTING

Risk forecasting plays a significant role in identifying the potential risks. The time period of risk forecasting of the company depends on the time horizon of the corporate plan, which is presently prepared for a period of 3 years. During the last few years, AASL mostly relied on the forecasts / any other publications (i.e., region or country outlook for aviation sector) published by aviation professional bodies such as Airport Council International (ACI) and International Air Transport Association (IATA) in view of dealing with the uncertainties of demand in aviation and tourism.

Employee participation across all levels is obtained at this stage through bottom-up and top-down communication methods. Risk identification is regarded as routine in the strategic planning process and employee contribution is encouraged.

AASL identifies risks which includes the followings:

- Strategic and Operational risks
- Human Resource risks
- Safety, Security & Health risks
- Financial risks
- Reputation risks
- Legal risks

RISK ASSESSMENT

Risks are evaluated considering two factors;

- The possibility (or probability) of risks materializing
- Severity of the impact of those risks

Each of the above is assigned scores ranging from 1 to 5 where 1 indicates least possibility or severity as appropriate while 5 indicating the highest. Then, the score assigned for the possibility and the impact are multiplied by each other to obtain the product. These values range from 1 – 25 and they are placed in the right zones of the risk assessment matrix. The values towards 25 indicates crucial risks requiring urgent attention and more robust mechanism to mitigate them.

RISK ASSESSMENT MATRIX

The 186 Risk types which we have identified in our Risk Register are identified based on the 02 dimensions namely Probability and the Impact and the risk profile score has been computed for the year 2022. Accordingly, the number of risk types which are fallen into the each specific cage of the matrix show in the table below are shown in parenthesis.

Impact \ Probability	Probability				
	Rare	Unlikely	Possible	Likely	Almost Certain
Insignificant	1	2	3	4	5
Minor	2 (1)	4	6 (3)	8 (2)	10
Medium	3 (1)	6 (1)	9 (16)	12	15 (3)
High	4 (1)	8 (5)	12 (51)	16 (40)	20 (4)
Extreme	5	10 (8)	15 (17)	20 (19)	25 (14)

Assessing the probability and impact is mostly a qualitative judgment where the respective divisions with professional expertise is involved in. On the other hand, there are certain risks such as financial risks, of which probability and / or impact is/are assessed quantitatively considering past patterns of similar occurrences and computing the impact in monetary terms.

We have defined certain KPIs according to some risks identified and captured. In addition to measuring financial performance, we measure performance of the company in relation to customer satisfaction, employee satisfaction, aircraft related accidents and incidents. This helped us identify possible risks in these areas and analyze them for appropriate actions to overcome them.

The following table covers the main risks which resembled a major profiles change in the year under review compared to the last four years.

Nature of Risk	Impact on the business	Risk mitigation	Change in risk profile over the years				
			2022	2021	2020	2019	2018
Risk of disruption to business operations	With respect to uncertainty of aviation fuel supply, airlines would reluctant to fly in to the country. It badly affects our operations, thus revenue.	AASL started negotiations with relevant Government authorities to make sure continuous fuel supply. Worked closely with CAASL to issue relevant NOTAM timely as appropriate.	●	●	●	●	●
Risk of delay in infrastructure development projects	With GoSL declaring default on all foreign loans, the funding agency for Terminal 02 development project stopped loan disbursements putting the project on halt. This will hamper the opportunity to grab the post pandemic growth momentum.	The GoSLs efforts in successful negotiations with IMF for a bail out would assure release of funds from our funding agencies for recommencement of T2 project.	●	●	●	●	●
Safety and security risks	Passenger safety and security is key in airport operations. Therefore, these aspects are highly regulated by local and international regulations where any deviation would result in serious repercussions on the airport operations.	Fully complied with local and international (CAASL and ICAO) guidelines to mitigate risks in terms of safety and security.	●	●	●	●	●
Risk of retaining aviation professionals	Poor socio-economic conditions and resultant changes in taxes/ law encourage professionals to leave the country. As a result, company might lose well trained aviation professionals.	Sought approval from authorities to recruit and train sufficient number of qualified employees for respective areas.	●	●	●	●	●
LKR depreciation against major foreign currencies, particularly USD	AASL has a considerable amount of foreign currency denominated borrowings and they are prone to parity losses in case of LKR depreciation.	Maintaining foreign currency denominated earnings and investments help us mitigate translation and transaction risks at large.	●	●	●	●	●

Nature of Risk	Impact on the business	Risk mitigation	Change in risk profile over the years				
			2022	2021	2020	2019	2018
Interest rate risk	Change in interest rates in the local economy will assure higher interest income for the Company. It also increases interest expenses on debentures issued by the Company. However, interest expenses on loans are not affected as they are foreign borrowings.	The Company's investment portfolio comprises of investments in local and foreign financial instruments. As such, change in interest rates could be adopted to.	●	●	●	●	●
Commodity price risk	Price increases especially in spare parts, electricity and stationery etc., causes increase in our operational costs.	These are absorbed through cost controls and price revisions in non-core services.	●	●	●	●	●
Risk of Cyber-attacks	Possible cyber-attacks may jeopardize Air Traffic Safety Electronic Systems.	Advanced security (i.e., firewalls) to be introduced and keep them up-to-date.	●	●	●	●	●

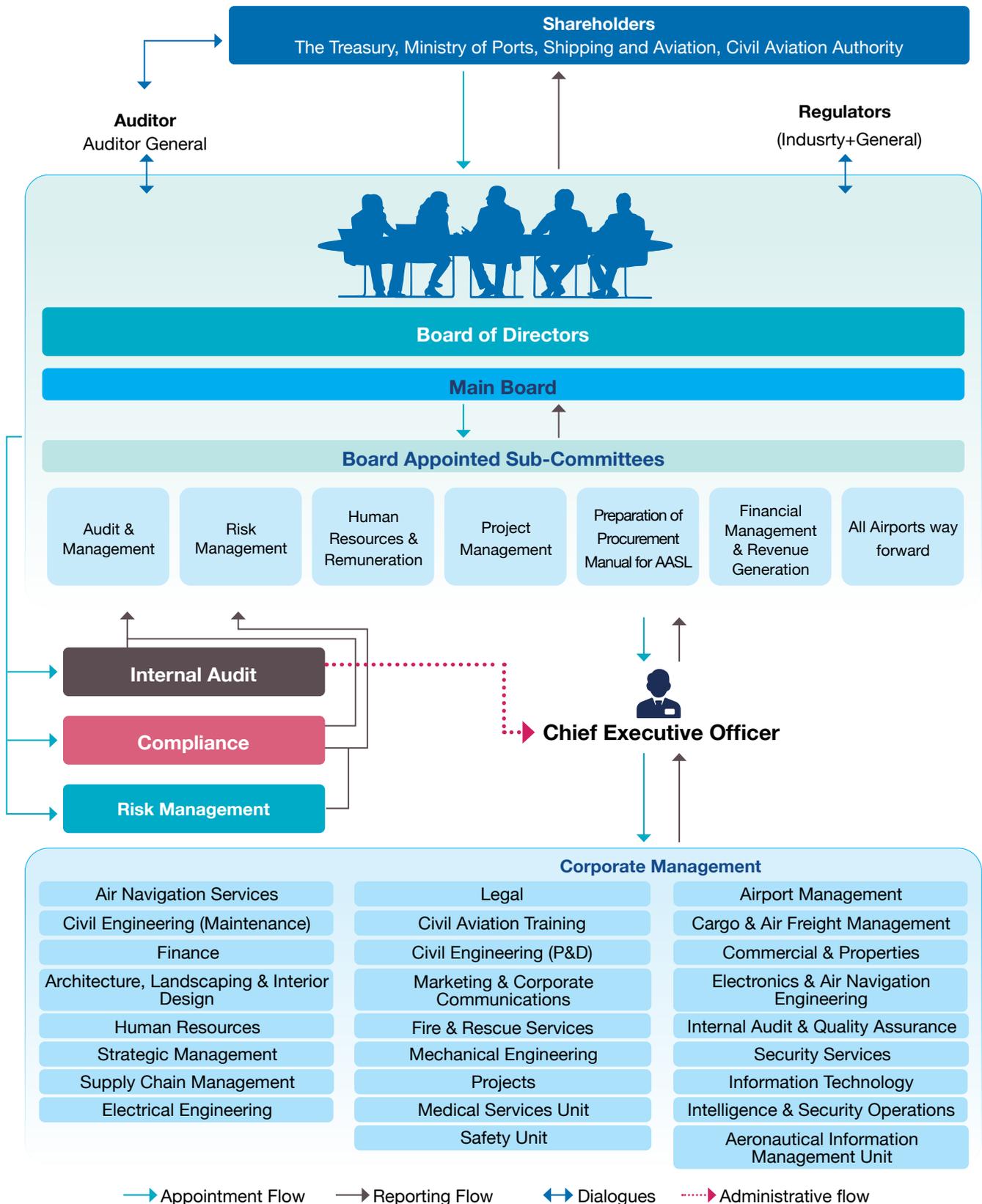
- Low
- Medium
- High

SUCCESS OF RISK MANAGEMENT PROCESS OF AASL

The adopted process in risk management explained above have provided the following benefits:

- Effective mitigation of risks as a result of having detailed evaluation of risks by looking at them in different angles.
- Defining strategies to capitalize on positive risks (business opportunities).
- All Divisions of AASL were engaged in risk identification and adopting mitigation steps.
- Company was aware of any untreated risks at any given time due to the Risk Register maintenance.

Governance Structure of AASL



* At AASL, the Chairman plays a dual role as Chairman and CEO.

THE COMPANY BELIEVES IN A DYNAMIC CORPORATE GOVERNANCE SYSTEM THAT CONTRIBUTES TOWARDS CORPORATE DISCIPLINE AND RESPONSIBLE BUSINESS CONDUCT. BY ESTABLISHING THE REQUIRED FRAMEWORK WITH PROCESSES AND PROCEDURES FOR THIS PURPOSE, AASL HAS ESTABLISHED A CLEAR AND SYSTEMATIC DECISION-MAKING PROCESS, PROVIDING CLARITY ABOUT RESPONSIBILITIES, AVOIDING CONFLICTS OF INTEREST AND ENSURING SATISFACTORY PROCESSES AND SYSTEMS OF INTERNAL CONTROLS, RISK MANAGEMENT, TRANSPARENCY AND OVERALL ACCOUNTABILITY.

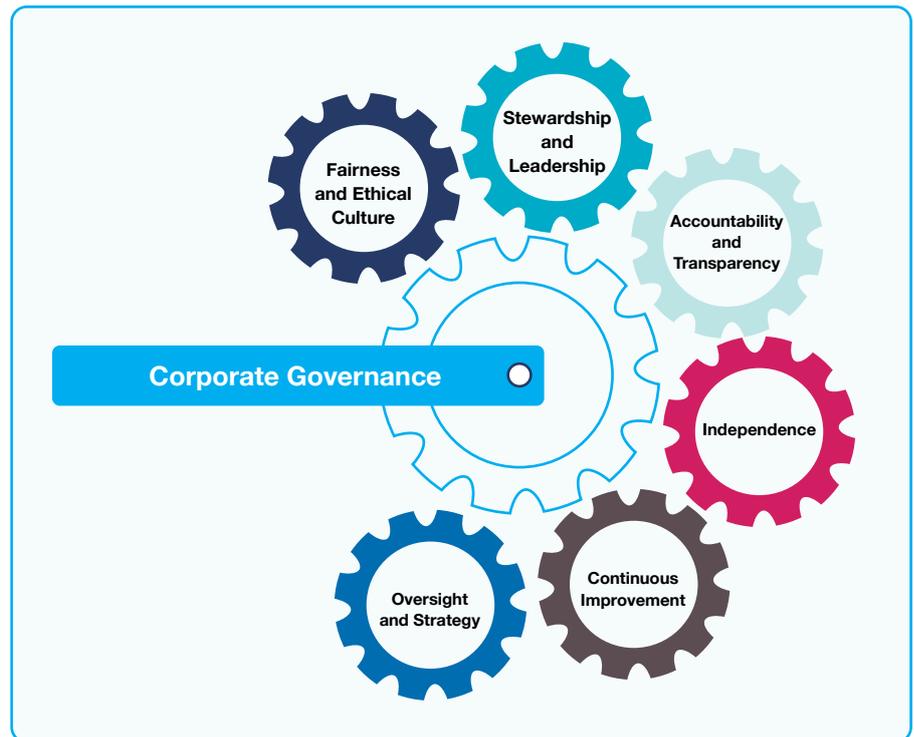
The company's present Board comprises the right composition of Board members owning required expertise, skills and experience together with its dynamic corporate management team, work towards achieving the goals of a robust governance system enabling the operations of AASL to cater to the expectations of all stakeholders with a sound understanding of the risks that the business is exposed to in changing and challenging macro-economic landscape.

This Corporate Governance Report details the status of compliance in relation to the directions of the Corporate Governance principles, 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.

The company's corporate strategy aligning with the company's vision and mission has ensured effective channels of engagement with its workforce, shareholders and stakeholders. Further, the Board continued to enhance, as

well as provide necessary challenges to the development and implementation of the strategies, by interacting with the Management, in particular through its subcommittee at its periodic meetings.

The AASL Corporate Governance Framework is based on the basic values of fairness, accountability, responsibility, participation, and transparency, all of which are vital for the development, enhancement, and maintenance of a sustainable business model.



FAIRNESS AND ETHICAL CULTURE

- Protect shareholders' rights.
- Treat all shareholders', employees, vendors and communities fairly and with equal consideration.
- Provide effective redress for violations.
- Ensure an inclusive work environment is nurtured at all times.

STEWARDSHIP AND LEADERSHIP

- The Board is responsible for the oversight of corporate matters and Management activities.
- The Board must be aware of and support the successful, ongoing performance of the company.
- The Board must act in the best interests of a company and its investors.

ACCOUNTABILITY AND TRANSPARENCY

- The Board must explain the purpose of company's activities and the results of its conduct.
- Ensure that the Board is accountable to the Government of Sri Lanka (GoSL).
- Ensure timely, accurate disclosure on all material matters, including the financial situation, performance, ownership, and Corporate Governance.
- The Board and the Management are accountable for the assessment of the company's capacity, potential, and performance.
- It's the Board's responsibility to communicate issues of importance to shareholders.

INDEPENDENCE

- The Board remains independent and all decisions made are done so with the best interest of the company in mind at all times.
- Ensure the composition of the Board is balanced.
- Assuring independence during the nominations to committees.
- Ensuring the decisions made and internal processes established are objective and not influenced.

CONTINUOUS IMPROVEMENT

- The Board and Management must determine risks of all kinds and how best to control them.
- They must act on those recommendations to manage them.
- They must inform all relevant parties about the existence and status of risks.

OVERSIGHT AND STRATEGY

- Establish a clear strategic vision.
- Directors need to be more actively involved in the strategic decision-making process of the organization.

The Board

The Board's key responsibilities include:

- Providing direction and guidance to the company in the formulation of the sustainable, high-level, medium, and long-term strategies which are aimed at promoting the long-term success of the company.
- Ensuring adequate delegation of authority to the Senior Management in making operational decisions and 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 that facilitates employee empowerment and engagement, as well as creating 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.

Board Meetings and Attendance

The Board meetings are scheduled at the beginning of the year. Adequate notice is provided to enable the Directors and Management to prepare key and strategic information required for deliberation in the meetings. The Board Pack, comprising of the agenda, board papers and relevant papers are circulated to the Directors 07 days prior to the Board Meeting. This enables them to familiarize themselves with the content to be discussed at the meeting.

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.

During the year under review, 16 Nos. of Board meetings were convened of which one meeting was a continuation of the previous adjourned meeting held as per the Article 55 of the Memorandum and Articles of Association of the Company. Out of total of 16 meetings convened, 05 meetings were held virtually amidst travel restrictions arisen due to fuel scarcity which prevailed in the country. The attendance of the Board members are as follows:

Name of the Board Member	Position	Attendance
Maj. Gen. (Rtd.) G A Chandrasiri RWP USP VSV ndc psc	Chairman	16/16
Dr. U A Mendis (Appointed w.e.f. 15th June 2022)	Vice Chairman	09/09
A S C Warushahennadige	Non-Executive Director	16/16
S N Sumanasekera	Non-Executive Director	15/16
Capt. Milinda Ratnayake (Appointed w.e.f. 20 June 2022)	Non-Executive Director	09/09
G U K Algewattage (Appointed w.e.f. 15 June 2022)	Non-Executive Director	08/09
W A A Wijayasuriya (Appointed w.e.f. 13 September 2022)	Non-Executive Director	06/06
W S D De Silva (Appointed w.e.f. 30 November 2022)	Non-Executive Director	02/02
A A Randeniya (Appointed w.e.f. 30 November 2022)	Non-Executive Director	01/02
G A A Priyantha	Non-Executive Director/Treasury Representative	16/16
A H S Gunawardena	Non-Executive Director/ The observer from the Ministry of Ports, Shipping & Aviation	16/16

Name of the Board Member	Position	Attendance
Resignations		
R Sooriyaarachchi (Resigned on 10 June 2022)	Vice Chairman	07/07
U Manchanayake (Resigned on 12 August 2022)	Non-Executive Director	07/07
C Vitharena (Resigned on 31 May 2022)	Non-Executive Director	01/06
D A De Livera Ms (Resigned on 11 June 2022)	Non-Executive Director	06/07
R A P Wijerathnasekara (Resigned on 10 June 2022)	Non-Executive Director	07/07
D A P Weeratne PC (Resigned on 11 June 2022)	Non-Executive Director	06/07
W M Gihan Rashantha (Resigned on 10 June 2022)	Non-Executive Director	07/07
N M P P K K Nawaratne (Resigned on 29 November 2022)	Non-Executive Director	04/07

- 4) Recognizing the legitimate interests of stakeholders
- 5) Timely and balanced disclosure principle

1. 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 are appointed by the Minister of Ports, Shipping and Aviation 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:

- Board procedures are followed.
- Information is disseminated promptly 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:

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

The Board comprises of 11 Directors, of which 09 are Non-Executive Directors and 02 are Executive Directors where the Chairman and Vice Chairman work in that capacity. The Chairman acts in the dual capacities of Chairman and CEO of AASL. The majority of the Board comprises Non-Executive Directors of high repute as per requirements of the Corporate Governance Guidelines. All Executive and Non-Executive Directors have a single voting right each at the board meetings.

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 Company is guided by the Corporate Governance Regulatory Framework recommended by the Department of Public Enterprises and the Ministry of Finance.

Apart from the above, mandatory requirements specified in the Company's Act No. 7 of 2007 and voluntary compliances specified in the Code of Best Practices on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka also form part of our governance framework.

At AASL, Board Sub-Committees constitute an important element of the governance process. Seven board sub-committees have been appointed with clearly defined terms of references. They are namely, Audit & Management Committee, Risk Management Committee, HR & Remuneration Committee, Finance & Revenue Generation Committee, All Airports way forward of Committee, Project Management Committee and Preparation of Procurement Manual for AASL Committee. Therefore, matters relating to each of these areas are thoroughly analyzed and make recommendations to the Board. This way, the Board has been able to utilize expertise knowledge of Board members appropriately while holding the collective responsibility of decision making.

Accordingly, the above Committees are functioning within the Company to further strengthen our Governance mechanism.

During the year under review AASL complied with all mandatory Corporate Governance requirements specified in the Company's Act and voluntary compliances as described in below sections.

This Governance Framework is underpinned by five core principles;

- 1) Leadership and Direction
- 2) Transparency and Integrity
- 3) Accountability to the Government as its key shareholder

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 the 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.

1.1 Matters Reserved for The Leadership of The Board Include:

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.
- b) 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.
- c) 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.
- d) Framing different types of policies including Risk Management in order to achieve optimum returns and benefits to the Government and other key stakeholders.

- e) Reviewing public policy objectives periodically and providing strategic direction to formulate long- term goals and objectives for future growth.
- f) Guaranteeing adequate accountability by delegating responsibility.

1.2 Matters Reserved for The Board in This Capacity Include:

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

- a) Assess the overall direction and implement the strategy of the business.
- b) Fiduciary duty towards protecting stakeholder interests.
- c) Monitor and evaluate the performance of the Senior Management through Management Information reports ensuring 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.

1.3 The Role of The Audit and Management Committee (AMC) in Corporate Governance aspects

Audit Management Committee

The Audit and Management Committee (AMC) 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 role of the Audit and Management Committee is to assist the Board in fulfilling 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 Audit and Management Committee has reviewed the financial statements to ensure their 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, they must be overseen and evaluated effectively by the Audit Committee at least quarterly. The AASL's line Ministry, the Ministry of Ports, Shipping & Aviation 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.

2. Transparency and Integrity

The Audit and Management Committee has regularly monitored and reviewed the organizational culture and practices 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 procedure when acquiring goods and services.

2.1 Internal Audit

AMC is assisted by the AASL Internal Audit and Quality Assurance (IA & QA) Division. The Head of IA & QA acts as a Convener to the AMC and report to the Chairman. The main focus of the IA & QA Division is to conduct an 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 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 the prevailing system of internal control.
- 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 AMC, and the Chairman of AASL.
- Making observations on risk assessment by External Auditors in respect of systems and controls.
- Ad-hoc and periodic Financial Reviews for Income and Expenditure and its recognition as well as reporting.
- Undertaking quality audits in selected areas of the business.
- Review of procurement procedures in compliance with the National Procurement Agency applicable procurement guidelines.

3. 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:

3.1 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.

3.2 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 Ports, Shipping & Aviation, 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. AASL was not summoned by COPE during the year under review.

3.3 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. Mr. G A Ajith Priyantha, 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.

3.4 Ministry of Ports, Shipping & Aviation

The Secretary of the Ministry of Ports, Shipping & 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 during the 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.

4. Recognize the Legitimate Interests of Stakeholders

Stakeholder value is enhanced when an entity treats the stakeholders well, meets the expectations in growth and has a reputation towards civic responsibility and legal compliance. Stakeholder value is 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:

- a) Due diligence by the Board and Management to the regulatory framework.
- b) Fulfilling the responsibilities of the Government, acting as the statutory service provider of airport operations.
- c) Promptly meeting obligations to creditors and financial institutions.
- d) Consistently meeting obligations in relation to fair trading and ensuring a level playing field when dealing with suppliers and other service providers.

- e) Ensuring ethical business practices affecting the community.
- f) Carrying out all operations and activities as stipulated by law and following best practices as appropriate.
- g) Non-discriminatory treatment of all airport users.
- h) Treat employees fairly, respectfully, and equitably.

5. Timely and Balanced Disclosures

Providing timely, accurate information with required coverage of depth and breadth 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 to help them understand the business, risk profile, financial condition, operating performance and trends of the organization. Many periodic and adhoc reports and analyzed information are provided as a practice and on demand. The employees are updated with the 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.

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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the best
experiences
with us.*





ජාතික විගණන කාර්යාලය தேசிய கணக்காய்வு அலுவலகம் NATIONAL AUDIT OFFICE



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எனது இல. }
My No. }

AAV/A/AASL/01/22/26

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Your No. }

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திகதி }
Date }

26 May 2023

The 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 2022 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 2022 comprising the statement of financial position as at 31 December 2022 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 effects of the matters 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 2022, 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

- As per the section 29 of the Sri Lanka Accounting Standards No. 01, each material item is required to be shown separately in the financial statements. However, a sum of Rs.536 million and Rs.358 million paid for the overtime and bonus respectively had not been shown separately.
- In terms of section 51 of the Sri Lanka Accounting Standard No 16, the residual value and the useful life of an asset shall be reviewed annually and, if expectations differ from previous estimates, the change shall be accounted for in accordance with Sri Lanka Accounting Standard No 8. However, the assets with carrying value of Rs.28,580 million relating to 7 categories as at 31 December 2022 had not been reviewed and accounted as required by the standards.
- Four (4) projects with aggregate value of Rs.5,011 million had been used for operating activities of the Company during the year under review. However, the cost of the projects had been shown as work- in- progress in the statement of financial position, instead of capitalized and depreciated as required by the paragraph 55 of Sri Lanka Accounting Standard No.16.
- In terms of section 14 of the Sri Lanka Financial Reporting Standard No. 07, the carrying amount of the financial assets pledged as collateral for the liabilities, should be disclosed in the financial statements. However, the fixed deposit amounting to Rs.400 million kept as a security for the letter of credit facility up to Rs.5,000 million had not been disclosed in the financial statements.
- According to the Note No.2.1.4 to the financial statements, Investment properties are valued at the fair value. However, it was observed that 299 locations situated within the operational building rented out by the company had not been identified as investment properties.





- (f) By virtue of the powers vested in the Minister under Section 9 of the Civil Aviation Authority of Sri Lanka Act No.34 of 2002, the Minister by the order published in the Gazette Extraordinary bearing No. 2050/38 dated 21st December 2017 transfer and vest in the Civil Aviation Authority of Sri Lanka aerodrome specified in the Second Schedule (Katunayake Airport and Rathmalana Airport) and the seven aeronautical facilities and the land appertaining thereto (The building and structures there on and land appertain thereto) specified in Third Schedule of the aforementioned Act. The Company had invested a sum of Rs.76,328 million (Carrying Value) from the date of Company formed in 1983 to as at 31st December 2022 for the development of the infrastructure of Air Ports as a statutory service provider without get transferring the ownership of the lands.
- (g) According to the Section 03 of the article I of the loan agreement of the package A - Passenger Terminal Building and Associated works, the borrower shall pay commitment charge to JICA in semi-annually at the rate of one tent percent (0.1%) per annum on the total unused balance of the amount. The commitment charges and project related expenses (Ex. Salary, Security Expenses, Janitorial services, etc.) incurred during the project suspended period was Rs.68,980,863. Although the commitment charges and project related expenses which are uneconomical should be charged to the statement of comprehensive income. However, it had been accounted as work in progress. As a result, retained earnings and work in progress as at the end of year under review had been overstated by similar amount.
- (h) According to the general condition 6.2 (b) and (c) of the consultancy services agreement, the payment for personnel shall be determined on the basis of time actually spent by such personnel in the performance of services and reimbursable expenses actually and reasonability incurred by the consultant in the performance of services should be made by the client to the consultant. However, Yen 120,891,450 in respect of foreign portion and Rs.147,259,653 in respect of local portion to be made to the consultant by the client had not been accounted. As a result, work in progress and contractor payable accounts had been understated by similar amounts.
- (i) As per the letter dated 12th April 2022 issued by the General Treasury, the Company ceased the repayment of three foreign loans obtained for Airport development projects amounting to Rs.4,278 million as at 31st December 2022. According to the loans agreements if the borrower fails to pay any amount payable on its due date, interest shall be accrued on the overdue amount from the due date up to the date of actual payment at a rate mentioned in the loan agreements. However, no provision had been made for the default interest of the above three loans or disclosed in the financial statements of the year under review.

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 Emphasis of Matters

- (a) 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 on 09 February 2006 by his letter No.PE/GOCO/1/1 to value the land and building of airport presently owned by the Government and other movable and immovable assets held by the Company and taking over the liabilities relating to Airport Development then serviced by the Government of Sri Lanka and issue of shares to the Government of Sri Lanka for the net assets value.

Further, on the request of the Company on the implementation of above cabinet decision, Attorney General had advised to take a fresh Cabinet approval by his letter dated 08 February 2010, as it involves inter alia, transfer of lands and buildings of the airport(s) and all other movable and immovable assets presently owned by the Civil Aviation Authority and the Government of Sri Lanka respectively. However, no action had been taken by the Company to obtain a fresh Cabinet decision up to date.

Moreover, by the gazette notification of Minister of Transport and Civil Aviation dated 21 December 2017 under the Civil Aviation Authority Act No.34 of 2002, the Minister have vested and transferred Katunayake Airport, Rathmalana Airport, Land, Buildings and structures of Civil Aviation Training Centre at Rathmalana, The Aeronautical Communication Transmission Station at Attidiya, Radio Navigational Aids at Gampaha and Pamunugama, Radar Station at Pidurutalagala, Holiday

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS



Bungalow at Nuwara Eliya and Anuradhapura Land of 0.125 hectares to Civil Aviation Authority of Sri Lanka. Therefore, the ownership of lands and buildings used by the Company was doubtful in audit. However, only buildings of the Bandaranaike International Airport had been re-valued during the year under review and no action had been taken to complete the valuation and issue shares to Government of Sri Lanka to date.

- (b) I draw attention Note No.29 which explains material contingencies as at end of the year under review with termination of construction of phase 2 project as per the special letter dated 12 April 2022 under the heading “Interim policy regarding the service of Sri Lanka external debt” issued by General Treasury.

Due to the non-submission of endorsement from Ministry of Finance regarding the capability of loan repayment as per the above decision, the constructor temporarily suspended the project. Therefore there will be severe financial impacts to the company, such as outstanding payments including delay charges to the constructor, cost of plant and material ordered with additional warehouse charges, cost for the care of works (safety, operational, environmental), cost for maintenance of incomplete work at the site, loss due to the deterioration of the material, cost of demobilization and fixed rentals of temporary works, constructors equipment, cost of repatriation of the contract staff and labour employed, any other contractors claims arising out of suspension and termination, possible litigation charges by the sub-contractors of TC which will be back charged by the main contractor, loss of income to the employer, loan utilization issue etc;

The total amount of contractor’s claims arising out of suspension have been submitted vide IPA 16-20 is converted to LKR 15,729,888,690 (JPY 6,352,071,405) which are under review by the consultant and yet to be certified due to termination in force with effect from 09 December 2022. However, the contractor is yet to submit termination claim (final claim) including the suspension claims.

My opinion is not modified in respect of these matters.

1.4 Other information included in the Company’s 2022 Annual Report.

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

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

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

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

1.5 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.



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

2.1.2 The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

2.1.3 The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

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

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS



2.2.1 To state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the normal cause of business as per the requirement of Section 12 (d) of the National Audit Act, No. 19 of 2018.

2.2.2 To state that the Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018 except for ;

Reference to Laws/ 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 and obtained the approval from Civil Aviation Authority of Sri Lanka up to 15 May 2023 by the Company.
(b) Public Enterprises Circular No. 01/2021 - Guideline on Corporate Governance (i) Section 2.2.2 (b)xii, and 4.3 (a), (b) (ii) Section 2.2.2(b) xiv, 2.3	It is required to ensure the proper functioning of Board Sub Committees and the role of Risk Committee to identify and evaluate the risk profile of the company and develop and implement a risk management framework and recommend strategies to mitigate the risk and control system including a risk rating mechanism. However, the information or evidences to assess the fulfilment of above requirement had not been forwarded for audit. In overseeing performance excellence it should be institutionalized a post review mechanism within the Company taking into account the achievement of objectives of the Company. Further, the Board of Directors should periodically evaluate and ensure the effectiveness of implementation of the strategic plan and should take corrective measures if required. However, progress of the action plan had not been forwarded to the Board of Directors with critical issues related to the major projects or contracts.
(c) Public Enterprises Circular No. 01/2021 - Operational Manual for state owned Enterprises (i) Section 1 (ii) Section 2.1	A Gap analysis should be carried out collaborating with other head of operations to analyse the gap between the existing structures and those recommended in operational manual for state owned enterprises and it must take action in consultation with the Boards to enhance their existing operational structures as appropriate to meet the requirements as noted in operational manual. The above requirement had not been fulfilled by the Company yet. The Company must ensure that sound systems and processes are in place that facilitates the Company to operationalize their objectives. These systems and processes must be periodically reviewed to ensure that they are capable of facilitating the Company to achieve its objectives. Further, the board must ensure that each officer is aware of their duties and responsibilities within the larger legal and regulatory framework applicable to the company. However, the duty list for each designations had not been defined. Further, procedure manuals have been prepared and approved in 2019 and certain manuals had not been updated/certain manuals had been updated without taking the approvals of the board.



Reference to Laws/ Direction	Description
(iii) Section 3.2 (i)	The Company must submit their requests pertaining to cadres including the cadre positions, Scheme of Recruitments (SOR), pay structure and allowances with a Board approval and recommendations of the Line Ministry, for the approval of the Director General, Department of Management Services (DGMS) with a copy to Director General of public Enterprise (DGPE) or Director General Department of National Budget (DGNB) as applicable. However, above requirements had not been fulfilled by the Company except taking the board approval for the Scheme of recruitments of the Company.
(iv) Section 3.4	The Company should ensure in formulating schemes for recruitments and promotions to incorporate the Job description, academic qualifications, experience, etc. However, Job description and mode of recruitment had not been included in scheme of recruitment of the Company is being used.
(v) Section 4.3 (i),(iii)	It is a requirement that the Company undertakes a proper mechanism to determine its need assessment and determination of a right quantity, quality and time for the required goods. Further, the Company must ensure that a formal inventory management system in place for the management of inputs. However, there were zero stock balances for 955 stock items as at 31st December 2022.
(vi) Section 6.6	Draft annual report and accounts should be handed over to the Auditor General within 60 days after the close of the financial year. However, the draft annual report of the Company had not been forwarded to the Auditor General.
(vii) Section 6.11	The company should have a clear communication policy with its stakeholders, both internal and external, that facilitate the company to make informed decisions while ensuring transparency and accountability and it is also mandatory that the company upload the procurement plan and the project execution plan on to the company website. However, the projects execution plan had not been uploaded to the company website yet.
(viii) Section 7.1 and 7.4	The performance evaluations are mandatory at all SOEs and it should be established simple and clear mechanisms that facilitate the establishment of performance evaluations linked to the achievement of the expected objectives and the compliance to the above requirement physical and financial progress of projects/contracts should be forwarded to examine at the monthly Board meetings. However, the progress report of action plan had not been forwarded to the monthly Board meetings.
(d) Section 9.3.1, 9.3.1 (i) and 9.7 of the Public Enterprises circular No PED/12 and 2nd June 2003	The Company must submit their requests pertaining to cadres including the cadre positions, Scheme of Recruitments (SOR) pay structure and allowances with a Board approval and recommendations of the Line Ministry, for the approval of the director General Department of Management Services. However, approval of Director General Department Management Services had not been obtained. Further, the company had paid different type of 16 allowances to staff aggregating to Rs.2,216 million for the year under review with only the board approval and no approval had been obtained from the Director General Department of Management Services.
(e) Section 2.3 and 3.1 of the Public Enterprise Circular No PED 01/2015 dated 25 may 2015 and circular No. 01/2015 (ii) dated 14 January 2022	115 liters is eligible for any other officers who hold a post approval equal or above HM 1-1 category of the Company. However, 130 liters for 128 officers of S ₁₀ salary scale and 200 liters for 209 officers of S ₁₁ (above salary scale had been given by the company) had been approved by the Company. as revealed in sample audit test 240,280 liters of fuel amounting to Rs.88.9 million had been given to 337 officers during the year under review as monthly fuel allowances in excess to the approved limits contrary to the circular provisions.
(f) The Board decision (No.BP-BM-03-27/04/2021) taken on 27th April 2021	Five (5) clusters had been appointed namely infrastructure cluster, financial strategy cluster, operations strategy cluster and marketing and Business development strategy cluster and HR strategy cluster to monitor performance of the divisions of the Company. However, those five clusters had not functioned their duties during the year under review.

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS



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) The movable assets amounting to Rs.3,783.8 million shown in the annual board of survey committee report in respect of 7,527 objects belongs to 23 divisions of the Company as at 31 December 2022, could not be physically verified due to inability of identifying physically. Therefore, the existence of those assets could not be ascertained during the audit.
- (b) A sum of Rs.193 million received from debtors as advances had been shown in the financial statements of the year under review, without refunding or off setting against respective debtors. Further, a separate age analysis of credit balances had not submitted for audit.
- (c) Although the supplier advances obtained by all the heads of divisions and sections should be settled before the end of the respective year. However, the advances aggregating to Rs.100 million obtained for purchasing of goods during year and preceding years by various division of the Company had not been settled.
- (d) According to the section 11 of Inland Revenue Act, No 24 of 2017, in calculating the income from business for the year of assessment, the expenses incurred during the year in production of income shall be deducted. No deduction shall be allowed under this section for an expenses of a capital nature. However, when calculating the assessable income from business, a sum of Rs.1,255 million paid to General Treasury by the Company for loan repayment during the year under review had been deducted without formal approval from the IRD and this adjustments has been practiced since year 2011. As a result, the income tax for the year of assessment 2021/22 had been understated by Rs.376.5 million.
- (e) A sum of Rs.848 million shown as income tax receivable in the assessment year 1999/2020 and 2013/2014, in respect of withholding taxes and Notional taxes in the statement of financial position of the Company as at 31 December 2022. Subsequently, the Department of Inland Revenue had confirmed that a sum of Rs.321 million may be returned subject to a detailed audit in its statement of January 2023 dated. Therefore, realization of the income tax receivable amounting to Rs.527 million, is uncertain.
- (f) According to the memorandum of understanding (MOU) signed between the Airport and Aviation Service (Sri Lanka) Limited (AASL) and the Sri Lankan Airlines Limited (SLAL) on 29 March 2011, the AASL will continue to provide space already allocated to Sri Lankan Airlines Limited and both parties should be entered into a lease agreement. However, without signed a lease agreement, 3 spaces had been leased to the SLAL since the year 2011. Another 7 activities and spaces of the AASL had been given to the SLAL on the awarding letters without signing the lease agreements.
- (g) The outstanding debtor balance of Sri Lankan Airlines in respect of default interest on Landing & Parking, and Aerobridge Charges and Rental & other charges as at the end of year under review was amounting to Rs.1,541.8 million. However, no action had been taken to recover the outstanding debtor remained over 365 days without being settled. Further, the debtor balance had not been confirmed by the Sri Lankan Airlines Limited up to the date of this report.
- (h) The operating cost of the Mattala Rajapaksha International Airport (MRIA) in the year under review had recorded Rs.2,033 million and it was 26 times over the operating Income. Net loss after tax for the year under review was Rs.22,214 million mainly due to effect of the foreign exchange loss and cumulative net losses after tax from year 2017 to 2022 was Rs.42,818 million. Although the expected annual passenger capacity of the Mattala Airport was around one million, the total number of passengers during the last six years was only 103,324 and total flight movements of last six years were 2,612. Hence, that a total sum of Rs.36,564 million equivalent to USD 247.7 million incurred for the construction of the airport had not effectively used. Further, a sum of Rs.1,842 million had been paid by AASL as the annual loan instalment for the debt of USD 190 million obtained for the above construction.



- (i) The cumulative loss of the Colombo International Airport, (CIAR) - Ratmalana from year 2017 to 2022 was Rs.2,827.9 million, its include the loss of the year under review amounting to Rs.1,154 million. As per the comment given by the Company, the operational model of CIAR is differ from other Airports in Sri Lanka, since it mainly operates training and domestic commercial operations whilst facilitating Sri Lanka Air Force operations. Further, overflying revenue is absorbed into AASL's corporate income. The financial losses of CIAR includes huge Area Control Centre - related cost but in a scenario associated overflying revenue is absorbed into AASL's corporate income right now. The AASL is in the process of rectifying the same looking in to the possibility of absorbing overflying revenue into CIAR under the instructions of the Board of Directors. Only 13 Aircraft movements in year 2020 and the flight movements during the year 2022 was 38 and the passenger movements during year 2020, 2021 and 2022 were 60, 28 and 54 respectively.
- (j) The Jaffna International Airport had inaugurated on 17 October 2019. From the inception of the Airport, only 166 aircrafts movements and 5,035 passenger movements had recorded and the recorded cumulative loss during last 04 years was Rs. 232.8 million. The revenue and the operating expenditure during the year under review, was Rs. 4.7 million and Rs.81.8 million respectively.
- (k) The Batticaloa International Airport had reopened to civilian operation on 25 March 2018 and no revenue had earned even as at the end of year under review, even though a sum of Rs.86.62 million had been incurred as expenditure during last five years
- (l) Even though Key Performance Indicators relating to the activities of each division of the company should be introduced and actual performance should be evaluated accordingly. However, the evaluation of KPI had not been carried out during the year under review.
- (m) The construction works of package "B" –Remote Apron and Taxiways was scheduled to commence on 25 April 2017 and to be completed by 24 October 2019. However, the construction works had been completed on 26th January 2021. Therefore, the expected outcome of the project could not be achieved in due time.
- (n) Package A - Construction of Passenger Terminal Building and Associated works.
The following deficiencies are made.
- (i) The above constructions works had been awarded to Contractor of Japan on 04th March 2020 and agreement signed on 12th of March 2020 and the performance security had been given on 25th March 2020. However, the contract work has been commenced on 15th December 2020 after signing the contract on 12th of March 2020 with 09 months delay. Further, according to the contractor's implementation plan, the contract progress as at 31st December 2022 should be 30 percent. However, the actual progress of the contract was only 5.38 percent.
- (ii) According to the condition 14.7(b) of contract, the employer shall pay to the contractor the amount certified in each interim payment certificate within 56 days after the engineer receives the statement and supporting documents. However, a sum of Yen 444,498,046 and LKR 1,486,804,716 of IPC No.5 and 6 received for the period February 2022 to June 2022 had not been paid to the Contractor even as at 28th February 2023.


W.P.C. Wickramaratne
Auditor General

STATEMENT OF COMPREHENSIVE INCOME

Airport and Aviation Services (Sri Lanka) (Private) Limited
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(All amounts in Sri Lankan Rupees)

	Note	Year ended 31 December	
		2022	2021
Revenue	5	26,006,395,611	7,386,170,394
Other Income	6	1,640,400,773	492,782,034
		27,646,796,384	7,878,952,428
Administration and Establishment Expenses	7	(14,941,498,625)	(11,654,806,923)
Operating Profit/(Loss)		12,705,297,759	(3,775,854,496)
Finance Income		6,136,674,362	3,321,110,256
Finance Cost		(12,408,946,131)	(506,142,527)
Net Finance (Cost) / Income	8	(6,272,271,769)	2,814,967,729
Profit/(Loss) Before Tax		6,433,025,990	(960,886,767)
Income Tax Expenses	9	(1,630,328,423)	(1,122,614,992)
Profit/(Loss) for the Year		4,802,697,567	(2,083,501,758)
Basic Earning/(Loss) Per Share	10	24,013	(10,417)
Other Comprehensive Income			
(Loss)/Gain Arising From Changes In Assumptions on Computing Retirement Benefit Obligations	23	(366,067,192)	878,191,927
Deferred Tax on Actuarial Gain / (loss)	13	87,856,126	(210,766,063)
Total Other Comprehensive Income		(278,211,066)	667,425,865
Total Comprehensive Income for the Year		4,524,486,501	(1,416,075,894)

The notes on pages 90 to 117 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

Airport and Aviation Services (Sri Lanka) (Private) Limited
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(All amounts in Sri Lankan Rupees)

	Note	As at 31 December	
		2022	2021
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	11	39,630,716,596	41,624,923,625
Capital Work in Progress	11	36,697,665,852	30,459,475,504
Intangible Assets	12	15,931,315	21,835,257
Deferred Tax Assets	13	3,104,834,912	1,878,384,291
		79,449,148,675	73,984,618,678
Long Term Investments			
Long Term Loans		11,588,500	12,788,500
Investment in Debentures	14.1	3,298,300,000	4,088,300,000
Long Term Bank Deposits	14.2	6,962,540,843	1,266,678,125
Loans to Company Officers	16.1	68,338,785	61,602,205
		10,340,768,128	5,429,368,830
Current Assets			
Inventories	15	2,246,363,918	808,185,284
Trade and Other Receivables	16	8,734,298,692	3,845,984,745
Income Tax Receivable	26	91,084,038	848,093,206
Short Term Bank Deposits	14.2	78,025,787,863	41,515,132,946
Cash and Cash Equivalents	17	642,335,995	413,045,010
		89,739,870,507	47,430,441,191
Total Assets		179,529,787,309	126,844,428,699
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital	18	20,000,200	20,000,200
Reserves	19	6,848,033,247	6,846,183,247
Retained Earnings	20	38,389,121,466	34,448,138,251
		45,257,154,912	41,314,321,698
Non-Current Liabilities			
Borrowings	21	93,028,636,038	60,435,353,759
Debentures	22	4,000,000,000	4,000,000,000
Retirement Benefit Obligation	23	5,877,345,342	4,837,739,167
Deferred Tax Liability	13	9,264,909,416	7,373,210,258
Deferred Government Grants	24	907,164,185	956,671,369
		113,078,054,981	77,602,974,554
Current Liabilities			
Trade and Other Payables	25	7,950,084,768	3,637,802,214
Borrowings	21	13,244,492,649	4,289,330,231
		21,194,577,417	7,927,132,445
Total Liabilities		134,272,632,397	85,530,106,999
Total Equity and Liabilities		179,529,787,309	126,844,428,699

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 21 February 2023.

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



Chairman



Director



Head of Finance

The notes on pages 90 to 117 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

(All amounts in Sri Lankan Rupees)

	Note	Stated Capital	Other Reserves	Retained Earnings	Total
Balance as at 1 January 2021		20,000,200	1,077,266,769	35,885,634,586	36,982,901,555
Prior Year Adjustments		-	-	(18,920,440)	(18,920,440)
(Loss)/Profit for the Year		-	-	(2,083,501,758)	(2,083,501,758)
Other Comprehensive Income					
Actuarial Gain on Post Employment Benefit Obligations		-	-	878,191,927	878,191,927
Deferred Tax on Actuarial Gain		-	-	(210,766,063)	(210,766,063)
Other Comprehensive Income		-	-	667,425,864	667,425,864
Total Comprehensive Income		-	-	(1,416,075,894)	(1,416,075,894)
Dividend Paid	28	-	-	-	-
FA Revaluation Reserve		-	5,766,416,478	-	5,766,416,478
Transfer to Reserve Account		-	2,500,000	(2,500,000)	-
Balance as at 31 December 2021		20,000,200	6,846,183,247	34,448,138,251	41,314,321,698
Balance at 1 January 2022		20,000,200	6,846,183,247	34,448,138,251	41,314,321,699
Prior Year Adjustments		-	-	(81,653,286)	(81,653,286)
Profit for the Year		-	-	4,802,697,567	4,802,697,567
Other Comprehensive Income					
Actuarial Loss on Post Employment Benefit Obligations		-	-	(366,067,192)	(366,067,192)
Deferred Tax on Actuarial Gain		-	-	87,856,126	87,856,126
Other Comprehensive Income		-	-	(278,211,066)	(278,211,066)
Total Comprehensive Income		-	-	4,524,486,500	4,524,486,500
Dividend Paid	28	-	-	(500,000,000)	(500,000,000)
Transfer to Reserve Account		-	1,850,000	(1,850,000)	-
Balance as at 31 December 2022		20,000,200	6,848,033,247	38,389,121,466	45,257,154,912

The notes on pages 90 to 117 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

Airport and Aviation Services (Sri Lanka) (Private) Limited
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(All amounts in Sri Lankan Rupees)

	Note	Year ended 31 December	
		2022	2021
Cash Flows from Operating Activities			
Profit/(Loss) Before Income Tax Expenses		6,433,025,990	(960,886,767)
Adjustment for :			
Depreciation	11	2,354,707,348	2,630,042,901
Amortization of Intangible Assets	12	12,086,369	18,376,125
Prior Year Depreciation/Amortization Adjustment	11-12	16,674,876	13,631,931
Adjustments for PPE Transfer/ Revaluation	11-12	410,106,958	512,203,484
Assets Written Off	11-12	516,596	167,229,652
Exchange (Gain) / Loss on Loans Conversion	8	43,977,059,211	2,141,205,420
Exchange (Gain) / Loss on Fixed Deposits Conversion	8	(33,422,478,229)	(2,775,429,116)
Income from Investment	8	(6,110,206,527)	(3,301,121,938)
(Profit)/Loss on Sales of Property, Plant and Equipment		(1,121,060)	9,754,246
Prior Year Adjustments	20	(81,653,286)	(18,920,458)
Amortization of Deferred Government Grants	24	(49,507,184)	(48,656,180)
Finance Cost	8	1,854,365,149	1,140,366,223
Provision for Retirement Benefit Plan	23	1,136,495,208	716,345,888
Operating Profit Before Working Capital Changes		16,530,071,419	244,141,411
(Increase)/ Decrease in Inventories		(1,438,178,634)	28,903,438
(Increase)/ Decrease in Trade and Other Receivables		(2,389,908,897)	(525,569,111)
Increase/ (Decrease) in Trade and Other Payables		3,461,203,011	1,204,329,621
Cash Generated From Operations		16,163,186,900	951,805,359
Defined Benefit Plan Costs Paid	23	(462,956,225)	(482,947,999)
Interest Paid		(1,003,285,606)	(1,168,965,347)
Income Tax Paid	26	(120,214,592)	(14,724,996)
Net Cash Generated/(Used in) from Operating Activities		14,576,730,475	(714,832,983)
Cash Flows From Investing Activities			
Acquisition of Property, Plant and Equipment	11	(7,015,703,468)	(22,960,368,432)
Net (Investments)/Withdrawals in Debentures	14	790,000,000	1,550,000,000
Net (Investments)/Withdrawals in Bank Deposits		(8,784,039,406)	3,096,129,871
Loan Recovered/ (Given) to Sport Club		1,200,000	(12,788,500)
Proceeds From Sale of Property, Plant and Equipment		1,327,879	2,127,330
Interest Received		3,611,801,476	3,196,452,332
Staff Loans Granted		(90,623,662)	(101,513,352)
Staff Loans Receipt		83,887,082	120,930,596
Net Cash generated from Investing Activities		(11,418,824,975)	(15,109,030,155)
Cash Flows from Financing Activities			
Dividend Paid	28	(500,000,000)	-
Loan Receipt	21	2,544,341,074	19,833,345,828
Loan Repayment (Local)	21	(266,666,666)	(133,333,334)
Loan Repayment (Foreign)	21	(4,706,288,922)	(4,289,330,231)
Net Cash (Used in)/Generated from Financing Activities		(2,928,614,514)	15,410,682,264
Net Increase/(Decrease) in Cash and Cash Equivalents		229,290,986	(413,180,873)
Cash and Cash Equivalents at the Beginning of the Year	17	413,045,010	826,225,883
Cash and Cash Equivalents at the End of the Year	17	642,335,995	413,045,010

The notes on pages 90 to 117 form an integral part of these 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 principal 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 2022 were authorised for issue in accordance with a resolution of the Board of Directors on 21st February 2023.

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 (SLFRS/LKASs). 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 2022 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 Obligations 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 1st January 2022. However these amendments have no significant impact over the Company's financial statements.

Amendments to SLFRS 3 Business Combinations : Updating a reference to Conceptual Framework

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to SLFRS 3 Business Combinations - Updating a Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the preparation and presentation of financial statements, issued in 1989 with a reference to the conceptual framework for financial reporting issued in March 2018 without significantly changing its requirements.

SLFRS 1 First-time Adoption of Sri Lanka Financial Reporting Standards Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to SLFRS standards process, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued an amendment to SLFRS 1 First-time Adoption of International Financial Reporting Standards (SLFRS 1). The amendment permits a subsidiary that elects to apply paragraph D16(a) of SLFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to SLFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of SLFRS 1.

NOTES TO THE FINANCIAL STATEMENTS

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

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 Statement of Financial Position 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 by the Statement of Financial Position date and 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 labor 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 derecognized. 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 derecognized, 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 derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition 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.

NOTES TO THE FINANCIAL STATEMENTS

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

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 Statement of Financial Position date. Items classified as non-current liabilities are those which fall due for payment beyond a period of one year from the Statement of Financial Position 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 planned 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 in Sri Lanka 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 derecognized 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 derecognized 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 derecognized 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.

NOTES TO THE FINANCIAL STATEMENTS

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

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 principal 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 unfavorable 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 recognized 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 accrual 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 are 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 Lanka 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 Lanka 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

	2022	2021
	Increase/ (Decrease) in profit (LKR)	Increase/ (Decrease) in profit (LKR)
10 % appreciation/ depreciation (2021 - 10%) of the USD	(2,295,761,101)	(212,157,236)
15 % appreciation/ depreciation (2021 - 15%) of the USD	(3,443,641,652)	(318,235,854)
20 % appreciation/ depreciation (2021 - 20%) of the USD	(4,591,522,203)	(424,314,471)

Sensitivity of the exchange rate of Euro against LKR

	2022	2021
	Increase/ (Decrease) in profit (LKR)	Increase/ (Decrease) in profit (LKR)
10 % appreciation/ depreciation (2021 - 10%) of the Euro	(4,578,571)	(34,882)
15 % appreciation/ depreciation (2021 - 15%) of the Euro	(6,867,856)	(52,323)
20 % appreciation/ depreciation (2021 - 20%) of the Euro	(9,157,142)	(69,764)

Sensitivity of the exchange rate of Japanese Yen against LKR

	2022	2021
	Increase/ (Decrease) in profit (LKR)	Increase/ (Decrease) in profit (LKR)
10 % appreciation/ depreciation (2021 - 10%) of the Yen	(2,097,366,253)	(1,928,424)
15 % appreciation/ depreciation (2021 - 15%) of the Yen	(3,146,049,379)	(2,892,637)
20 % appreciation/ depreciation (2021 - 20%) of the Yen	(4,194,732,505)	(3,856,849)

NOTES TO THE FINANCIAL STATEMENTS

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

(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 be mitigated 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 2022 and 31 December 2021 were as follows:

Company

	Company	
	2022	2021
Total Debt (Note 21 & Note 22)	110,273,128,687	68,724,683,990
Less: Cash and Cash Equivalents (Note 17)	(642,335,995)	(413,045,010)
Less: Short term Bank Deposits	(78,025,787,863)	(41,515,132,946)
Net Debt	31,605,004,828	26,796,506,034
Total Equity	45,257,154,914	41,314,321,699
Total Capital	76,862,159,742	68,110,827,733
Gearing Ratio	41%	39%

The above loan wholly consists of loans obtained through General Treasury for the development of Airports under sovereign guarantee. This constitutes Debenture issued for the settlement of outstanding balance of contractor of Mattala Rajapakse International Airport and a loan obtained from Bank of Ceylon (settled in year 2022). 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.

NOTES TO THE FINANCIAL STATEMENTS

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

5. REVENUE

	2022	2021
Aeronautical	6,194,101,107	2,299,185,952
Non-Aeronautical	19,812,294,504	5,086,984,442
	26,006,395,611	7,386,170,394
Aeronautical Revenue		
Landing & Parking Income	4,035,857,099	1,750,806,076
Overflying Income	1,570,091,574	408,101,087
Aerobridge Income	568,990,645	122,565,087
Domestic Landing & Parking Income	19,161,790	17,713,702
	6,194,101,107	2,299,185,952
Non-Aeronautical Revenue		
Embarkation Levy	5,195,720,093	967,956,431
Concession	8,244,584,960	2,066,932,441
Rental	3,457,123,573	936,033,523
Entry Permits	489,845,478	65,592,333
Fuel Throughput Charges	159,236,447	92,509,170
Franchise Fee on Ground Handling - SLA	503,441,315	230,334,668
Franchise Fee - SLCS	594,260,137	104,985,871
Parking Fees - Vehicles	145,240,324	75,998,637
Domestic Ground Handling CIAR / BIA	15,917,318	14,779,186
Other Non-Aeronautical Income	1,006,924,860	531,862,182
	19,812,294,504	5,086,984,442
Total Aeronautical and Non-Aeronautical Revenue	26,006,395,611	7,386,170,394

6. OTHER INCOME

	2022	2021
Amortization of Government Grant	49,507,184	48,656,180
Operating Profit from Fuel Filling Station (Note 6.1)	64,860,315	36,154,500
Net Foreign Exchange Gain/ (Loss) on Transactions/ Translations	1,526,033,274	407,971,354
	1,640,400,773	492,782,034

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

6.1 Operating Profit from Fuel Filling Station

	2022	2021
Sales	1,563,952,074	1,315,341,235
Less: Cost of Sales	(1,499,091,760)	(1,279,186,735)
Gross Profit	64,860,315	36,154,500

7. ADMINISTRATION AND ESTABLISHMENT EXPENSES

	2022	2021
Directors' Emoluments	8,402,305	11,307,484
Staff Cost	7,993,463,942	6,040,068,058
Defined Contribution Plan Costs	856,998,376	729,153,624
Defined Benefit Plan Costs	1,136,495,208	716,345,888
Auditor's Remuneration	1,096,500	1,200,000
Depreciation (Note 11)	2,354,707,348	2,630,042,901
Amortization (Note 12)	12,086,369	18,376,125
Provision for Debtors Impairment	144,808,120	(600,581,521)
Repair and Maintenance	475,950,365	354,388,479
Electricity Expenses	914,530,672	783,986,227
Legal Fees	1,092,640	1,238,213
Donations	510,000	20,047,158
Other Expenses	1,041,356,781	949,234,287
	14,941,498,625	11,654,806,923

8. NET FINANCE (COST) / INCOME

	2022	2021
8.1 Finance Income		
Interest on Treasury Bills/Bonds under Repurchase Agreements	74,126,627	11,753,814
Interest on USD Fixed Deposits	4,414,109,301	2,400,420,883
Interest on Rupee Fixed Deposits	1,168,117,693	295,772,911
Interest on Debenture	453,852,907	593,174,330
Interest on loan Sports Club	322,212	-
Interest on Staff Loans	10,080,507	10,497,967
IFRS Interest on Staff Loan	16,065,116	9,490,351
	6,136,674,362	3,321,110,256

8.2 Finance Cost

	2022	2021
Loan Interest	(1,854,365,149)	(1,140,366,223)
Exchange Gain / (Loss) on Loans Conversion	(43,977,059,211)	(2,141,205,420)
Exchange Gain / (Loss) on Fixed Deposits & Other Accounts Conversion	33,422,478,229	2,775,429,116
	(12,408,946,131)	(506,142,527)
Net Finance (Cost) / Income	(6,272,271,769)	2,814,967,729

NOTES TO THE FINANCIAL STATEMENTS

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

9. INCOME TAX EXPENSE

The major components of Income Tax Expense for the year ended 31 December 2022 are as follows :

	2022	2021
Current Income Tax		
Current Tax Charge	877,223,760	-
Income Tax	877,223,760	-
Deferred Income Tax		
Charge / (Reversal) in respect of Deferred Taxation (Note 13)	753,104,662	1,122,614,992
Total Tax Expense	1,630,328,423	1,122,614,992

Corporate Income Taxes have been computed in accordance with the amended Inland Revenue Act No. 45 of 2022. Tax rate of 24% was applied for the first six month of the year and 30% was applied for the second six month of the year as per the provision of new amendments.

	2022	2021
Profit/(Loss) Before Tax	6,433,025,990	(960,886,767)
Tax calculated at the effective tax rate of (24% - 30%)	1,736,917,017	-
Tax effect on Expenses not deductible for tax	3,834,860,767	-
Tax effect on Expenses/Income deductible for tax	(2,311,768,220)	-
Tax effect on business losses for prior years	(2,382,785,804)	-
Tax losses/(Gain) for which no Deferred Income Tax Asset was recognised	753,104,662	1,122,614,992
Total Tax Expense	1,630,328,423	1,122,614,992

10. BASIC EARNINGS /(LOSS) PER SHARE

Basic Earnings/(Loss) per share is calculated by dividing the Net Profit/(loss) 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.

	2022	2021
Net Profit/(Loss) attributable to Shareholders - LKR	4,802,697,567	(2,083,501,758)
Weighted average number of Ordinary Shares in Issue	200,002	200,002
Basic Earning/(Loss) per Share - LKR	24,013	(10,417)

11. PROPERTY, PLANT AND EQUIPMENT

- (i) Land and building includes land amounting to LKR.935,980,401 as at 31 December 2022 (2021 - LKR.935,934,901) 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 19 Billion relating to MRIA is included in the amalgamated Property, Plant & Equipment as at 31 December 2022.
- (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 LKR 19,691,847,762 (2021 -LKR 19,133,666,346).

NOTES TO THE FINANCIAL STATEMENTS

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

11. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

As at 1 January 2021	Land & Buildings	Plant and Machinery	Motor Vehicle	Furniture, Fittings & Office Equipment
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
Year ended 31 December 2021				
Opening Net Book Amount	13,003,619,895	896,970,308	593,459,282	108,127,459
Additions	2,117,085	505,783,322	59,603,281	77,483,139
Donation	-	-	18,977,595	-
Adjustments - Cost				
- Accumulated Depreciation	3,862,495	(32,254,460)	1,751,840	34,679
Disposals - Cost	(10,171,444)	-	(1,751,840)	(851,726)
- Accumulated Depreciation	41,729	-	-	851,705
Written off - Cost	(153,187,156)	(1,495,004)	(9,527,078)	(48,448,861)
- Accumulated Depreciation	151,346	1,427,698	9,527,078	48,402,794
Transfers - Cost	(3,743,893,089)	-	-	(2,617,304)
- Accumulated Depreciation	3,744,255,671	-	-	2,617,041
Revaluation -Cost	5,827,922,820	-	-	-
- Accumulated Depreciation				
Depreciation Charge (Note 7)	(472,681,611)	(258,231,419)	(101,819,918)	(45,467,214)
Closing Net Book Amount	18,202,037,741	1,112,200,446	570,220,240	140,131,711
As at 31 December 2021				
Cost	19,938,481,480	5,966,247,147	1,949,754,788	1,235,980,538
Accumulated Depreciation	(1,736,443,738)	(4,854,046,701)	(1,379,534,548)	(1,095,848,827)
Provision for Doubtful Projects	-	-	-	-
Closing Net Book Amount	18,202,037,741	1,112,200,446	570,220,240	140,131,711
Year ended 31 December 2022				
Opening Net Book Amount	18,202,037,741	1,112,200,446	570,220,240	140,131,711
Additions	18,498,780	94,455,604	1,735,000	112,000,951
Disposals - Cost	-	(1,988,451)	(237,500)	(10,897,222)
- Accumulated Depreciation	-	1,988,451	237,500	10,890,679
Written off - Cost	-	-	-	(588,139)
- Accumulated Depreciation	-	-	-	199,157
Transfers - Cost	-	-	-	1,765,429
- Accumulated Depreciation	-	-	-	-
Depreciation Charge (Note 7)	(472,152,563)	(235,366,548)	(77,596,784)	(53,451,033)
Closing Net Book Amount	17,748,383,958	971,289,501	494,358,456	200,051,534
As at 31 December 2022				
Cost	19,956,980,260	6,058,714,299	1,951,252,288	1,338,261,558
Accumulated Depreciation	(2,208,596,301)	(5,087,424,798)	(1,456,893,832)	(1,138,210,024)
Provision for Doubtful Projects	-	-	-	-
Closing Net Book Amount	17,748,383,958	971,289,501	494,358,456	200,051,534

Communication & Navigation Equipment	Other Equipment	Airport Infrastructure	Capital Work In Progress	Total
8,814,233,238	1,567,962,796	35,762,520,725	8,787,230,132	81,502,467,103
(7,680,167,950)	(1,182,728,154)	(13,991,431,757)	-	(34,822,671,129)
			(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
1,134,065,288	385,234,643	21,771,088,967	8,781,032,278	46,673,598,120
23,977,381	72,792,323	31,840,970	22,186,770,931	22,960,368,432
-	-	-	-	18,977,595
(79,066)	39,557	4,664,024	-	(21,980,931)
-	-	-	-	(12,775,010)
-	-	-	-	893,434
(4,213,419)	(34,493,071)	(5,652,388)	-	(257,016,977)
4,162,386	34,493,071	-	-	98,164,373
1,985,424	(62,505,579)	(577,193,950)	(508,327,704)	(4,892,552,201)
(4,447,089)	64,967,468	572,955,627	-	4,380,348,717
-	(1,525)	(61,504,816)	-	5,766,416,479
(308,801,571)	(156,315,763)	(1,286,725,405)	-	(2,630,042,901)
846,649,335	304,211,123	20,449,473,030	30,459,475,504	72,084,399,129
8,835,982,624	1,543,754,944	35,150,010,541	30,465,673,358	105,085,885,419
(7,989,333,289)	(1,239,543,821)	(14,700,537,511)	-	(32,995,288,437)
-	-	-	(6,197,854)	(6,197,854)
846,649,335	304,211,123	20,449,473,030	30,459,475,504	72,084,399,129
846,649,335	304,211,123	20,449,473,030	30,459,475,504	72,084,399,129
16,290,204	20,658,986	97,584,209	6,654,479,734	7,015,703,468
(4,593,636)	(7,853,459)	-	-	(25,570,268)
4,412,995	7,833,824	-	-	25,363,449
(234,639)	-	-	-	(822,778)
107,024	-	-	-	306,181
(1,765,428)	-	-	(416,289,386)	(416,289,385)
(2,545,529)	2,545,529	-	-	-
(273,209,186)	(110,324,901)	(1,132,606,333)	-	(2,354,707,348)
585,111,140	217,071,102	19,414,450,905	36,697,665,852	76,328,382,448
8,845,679,125	1,556,560,471	35,247,594,749	36,703,863,706	111,658,906,456
(8,260,567,986)	(1,339,489,369)	(15,833,143,844)	-	(35,324,326,155)
-	-	-	(6,197,854)	(6,197,854)
585,111,140	217,071,102	19,414,450,905	36,697,665,852	76,328,382,448

NOTES TO THE FINANCIAL STATEMENTS

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

12. INTANGIBLE ASSETS

	2022	2021
At the beginning of the Year		
Cost	120,906,971	135,129,553
Accumulated Depreciation	(99,071,714)	(94,890,124)
	21,835,257	40,239,429
Movement during the year		
Opening Net Book Amount	21,835,257	40,239,429
Transfers -Cost	16,674,876	-
Transfers -Depreciation	(16,674,876)	-
Prior Year Amortisation Adjustment	-	8,349,000
Written off/Transfer- Cost	6,182,427	(14,222,583)
Written off/Transfer- Depreciation	-	5,845,534
Amortisation during the year	(12,086,369)	(18,376,125)
Closing Net Book Amount	15,931,315	21,835,257
At the end of the Year		
Cost	143,764,274	120,906,971
Accumulated Depreciation	(127,832,959)	(99,071,714)
Closing Net Book Amount	15,931,315	21,835,257

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

13. DEFERRED INCOME TAX

	Statement of Financial Position		Statement of Comprehensive Income	
	2022	2021	2022	2021
Deferred Tax Liability on :				
Accelerated Tax Depreciation	9,264,909,416	7,373,210,258	1,891,699,158	1,243,791,792
	9,264,909,416	7,373,210,258	1,891,699,158	1,243,791,792
Deferred Tax Assets on :				
Defined Benefit Plan	1,763,203,602	1,161,057,403	(602,146,199)	154,750,566
Provision for Inventory & Debtors	1,069,482,055	487,725,759	(581,756,296)	141,843,168
Deferred Government Grants	272,149,256	229,601,129	(42,548,127)	(207,004,472)
	3,104,834,912	1,878,384,291	(1,226,450,622)	89,589,262
Other Comprehensive Income				
Deferred Income Tax on Actuarial Gain/(Loss) on Defined Benefit Plan			87,856,126	(210,766,063)
Deferred Income Tax Charge/ (Credit) (Note 9)			753,104,662	1,122,614,992

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;

	2022	2021
Deferred Tax Asset	3,104,834,912	1,878,384,291
Deferred Tax Liability	(9,264,909,416)	(7,373,210,258)
Deferred Tax Asset (Net)	(6,160,074,504)	(5,494,825,966)

14 INVESTMENTS

14.1 Investment in Debentures

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

	2022	2021
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% - 29.00%)	2,498,300,000	3,288,300,000
	3,298,300,000	4,088,300,000

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

Date of Issue	Date of Redemption	Amount of Investment	
		2022	2021
08.10.2015	07.10.2023	800,000,000	800,000,000
25.10.2016	24.10.2023	50,000,000	50,000,000
31.03.2017	31.03.2022	-	800,000,000
03.04.2017	04.04.2022	-	150,000,000
27.12.2017	27.12.2022	-	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
30.12.2022	30.12.2027	500,000,000	-
		3,298,300,000	4,088,300,000

14.2 Bank Deposits

	2022	2021
Long Term Bank Deposits	6,962,540,843	1,266,678,125
Short Term Bank Deposits	78,025,787,863	41,515,132,946
	84,988,328,706	42,781,811,071

Company placed Debentures amounting to LKR 3,298.3 million and long term bank deposits amount of LKR 6,962.5 million as at 31 December 2022 for creating the dedicated fund to serve the Retirement Benefit Liabilities of the company.

NOTES TO THE FINANCIAL STATEMENTS

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

15. INVENTORIES

	2022	2021
General	134,213,456	70,435,035
Electronics	126,239,449	89,702,907
Engineering	199,182,726	180,555,015
Fuel	17,989,659	25,354,064
Fire Equipment Spare Parts	42,230,563	17,547,678
Goods in Transit	1,765,674,340	516,323,637
Stocks -(Motor Spares)	54,943,012	38,990,070
Stock - Lounge	436,773	106,641
Inventory clearing Accounts	(12,058,551)	(48,342,255)
	2,328,851,426	890,672,792
Less : Allowance for Slow Moving Inventory	(82,487,508)	(82,487,508)
	2,246,363,918	808,185,284

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

16. TRADE AND OTHER RECEIVABLES

	2022	2021
Trade Debtors	7,775,846,267	4,080,253,763
Less: Impairment of Trade Receivables	(3,482,452,676)	(1,949,703,156)
	4,293,393,591	2,130,550,607
Other Receivables	3,932,741,806	1,433,445,923
Advances and Prepayments	436,053,081	215,828,600
	4,368,794,887	1,649,274,523
Loans to Company Officers (Note 16.1)	72,110,214	66,159,615
	72,110,214	66,159,615
	8,734,298,692	3,845,984,745

Loans to Company Officers are receivable from employees in equal monthly installments 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 18% in 2022 (2021: 11.5%)

16.1 Loans to Company Officers

	2022	2021
- Less than 1 year	72,110,214	66,159,615
- More than 1 year	68,338,785	61,602,205
	140,448,999	127,761,820

17. CASH AND CASH EQUIVALENTS

	2022	2021
Treasury Bills/Bonds under Repurchase Agreements	21,708,899	20,098,830
Cash & Bank		
Cash at Bank	618,933,596	391,598,780
Cash in Hand	1,693,500	1,347,400
	620,627,096	392,946,180
Total Cash and Cash Equivalents for the purpose of Cash Flow Statement	642,335,995	413,045,010

18. STATED CAPITAL

	Number of Shares	2022	2021
Stated Capital	200,002	20,000,200	20,000,200
		20,000,200	20,000,200

All issued shares are fully paid

19. RESERVES

	2022	2021
Net Assets taken over from Airports Authority	892,726,769	892,726,769
FA Revaluation Reserve	5,766,416,478	5,766,416,478
Reserve for Lightning Damages to Property, Plant and Equipment	188,890,000	187,040,000
	6,848,033,247	6,846,183,247

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 188.89 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

	2022	2021
As at beginning of the year	34,448,138,251	35,885,634,588
Current year Profit/(Loss)	4,802,697,567	(2,083,501,758)
Prior Year Adjustments	(81,653,286)	(18,920,440)
Other Comprehensive (Expenses)/ Income	(278,211,066)	667,425,865
Transfer to Reserve Account	(1,850,000)	(2,500,000)
Dividend paid during the year	(500,000,000)	-
As at end of the year	38,389,121,466	34,448,138,251

NOTES TO THE FINANCIAL STATEMENTS

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

21 BORROWINGS

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

21.1 Foreign Loans

	2022	2021
Loans		
Balance at the beginning of the year	64,458,017,324	46,772,796,305
Loans obtained during the year	2,544,341,074	19,833,345,830
	67,002,358,398	66,606,142,134
Loans settled during the year	(4,706,288,922)	(4,289,330,231)
Exchange (gain)/loss on translation	43,977,059,211	2,141,205,420
Balance at the end of the year	106,273,128,687	64,458,017,324

21.2 Local Loans

	2022	2021
Balance at the beginning of the year	266,666,666	400,000,000
Loans settled during the year	(266,666,666)	(133,333,334)
Balance at the end of the year	-	266,666,666
Classification of Loans		
Current Portion of Borrowings	13,244,492,649	4,289,330,231
Non - Current Portion of Borrowings	93,028,636,038	60,435,353,759
	106,273,128,687	64,724,683,990

Maturity Analysis of the Borrowings

	2022	2021
Less than one year	13,244,492,649	4,289,330,231
More than one year but less than five years	40,844,892,882	15,257,601,250
More than five years	52,183,743,155	45,177,752,509
As per the special letter dated 12 April 2022 issued by General Treasury, company ceased repayment of foreign loans obtained for below purposes and amounts appear as payables for the year 2022 are as follows,		
- Mattala Rajapaksa International Airport	2,390,906,808	
- Runway Overlay	548,056,169	
- Phase II Stage 2	1,339,500,000	

The fair values are based on cash flows discounted using rates based on each of the following loans :

	2022	2021
	%	%
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	AER of FD+0.5

	2022	2021
United States Dollar (USD)	131,924,919	140,097,017
Japanese Yen	20,275,052,250	20,197,240,766
Euro	183,080	288,522
Sri Lankan Rupee (LKR)	-	266,666,666

22 DEBENTURES

	2022	2021
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 LKR 100/- 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.

NOTES TO THE FINANCIAL STATEMENTS

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

23. RETIREMENT BENEFIT OBLIGATIONS

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

	2022	2021
As at beginning of the year	4,837,739,167	5,482,533,223
Prior year adjustments	-	(18)
Current Service Cost	580,155,204	277,743,232
Interest Cost	556,340,004	438,602,656
Payments made during the year	(462,956,225)	(482,947,999)
(Gain)/Loss arising from changes in assumptions used	366,067,192	(878,191,927)
As at end of the year	5,877,345,342	4,837,739,167

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

	2022	2021
Discount rate	18.00%	11.50%
Rate of future salary increases	1% - 15%	1% - 11%
Cost of Living Allowance increment rate	10.00%	9.00%
Rate of Staff Turnover	1.3%	0.6%
Retirement Age	60 years	62 years

The provision for Retirement Benefit 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 31st December 2022.

The liability for Defined Benefit Obligations is not externally funded.

24. DEFERRED GOVERNMENT GRANT

	2022	2021
Treasury Grant and Foreign Grant		
At the beginning of the year	956,671,369	986,349,954
Received during the year	-	18,977,595
Reversal of over Amortization/(Amortization)	(49,507,184)	(48,656,180)
At the end of the year	907,164,185	956,671,369

25. TRADE AND OTHER PAYABLES

	2022	2021
Trade Payable	589,466,720	298,780,902
Refundable Deposits	406,434,211	343,873,540
Other Payables	6,954,183,837	2,995,147,771
	7,950,084,768	3,637,802,214

26. INCOME TAX (RECEIVABLE)/PAYABLE

	2022	2021
Balance at the beginning of the year	(848,093,206)	(833,368,210)
Provisions for the year	877,223,760	-
Payments during the year	(120,214,592)	(14,724,996)
Balance at the end of the year	(91,084,038)	(848,093,206)

27. FINANCIAL INSTRUMENTS BY CATEGORY

(a) Financial Instruments

	2022	2021
Financial Assets		
Amortised Cost		
Trade and other Receivables (Excluding prepayments, Advances) (Note 16)	8,226,135,398	3,563,996,530
Cash and Bank Balances (Note 17)	620,627,096	392,946,180
	8,846,762,494	3,956,942,710
Investment in Debentures (Note 14)	3,298,300,000	4,088,300,000
Long term Bank Deposits	6,962,540,843	1,266,678,125
Investments in Treasury Bills/Bonds Repurchase (Note 17)	21,708,899	20,098,830
Short Term Bank Deposits	78,025,787,863	41,515,132,946
	88,308,337,605	46,890,209,901
Financial Liabilities		
Other Financial Liabilities		
Borrowings (Note 21)	106,273,128,687	64,724,683,990
Debentures (Note 22)	4,000,000,000	4,000,000,000
Trade and Other Payables (excluding Non Financial Liabilities) (Note 25)	7,950,084,768	3,637,802,213
	118,223,213,454	72,362,486,203

NOTES TO THE FINANCIAL STATEMENTS

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

(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 2022

	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
Trade receivables (Note 16)	3,553,326,150	740,067,441	3,482,452,676	7,775,846,267
Loans to Company officers	140,448,999	-	-	140,448,999
Total financial assets	3,693,775,149	740,067,441	3,482,452,676	7,916,295,266

31 December 2021

	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
Trade Receivables (Note 16)	1,818,889,266	311,661,341	1,949,703,156	4,080,253,763
Loans to Company Officers	127,761,820	-	-	127,761,820
Total Financial Assets	1,946,651,086	311,661,341	1,949,703,156	4,208,015,583

Cash at Bank and Short-Term Bank Deposits

	2022	2021
AA+(Ika)	85,607,262,302	43,173,409,851
Total	85,607,262,302	43,173,409,851

28. DIVIDEND

Company has declared LKR 500 million as interim dividend for 2022. No Dividends were declared for the year 2021

29. CONTINGENCIES

It was noted below mentioned incident are appearing as material contingencies as at end of year

- As per the special letter dated 12 April 2022 under the heading "Interim policy regarding the service of Sri Lanka's external public debt" issued by General Treasury, it was advised not to settle foreign loans obtained by Government entities. This was directly adversely affected to the ongoing constructions of Phase II stage 2 project as contractor refused to continue the project in a scenario JICA is not going to make further loan disbursements due to non payment of loan installments by Sri Lankan Government.

Despite the circular issued by General Treasury, Company in writing communicated to JICA as well as to General Treasury that we are expecting to make loan repayments and continue the project as company has enough funds. However at that time JICA requested an endorsement from Ministry of Finance regarding the capability of loan repayments. Since that endorsement was not available due to IMF restructuring programme, constructor temporally suspended the project.

Due to suspension and termination, there will be severe financial impacts to AASL, such as outstanding payments including delay charges to the Contractor, cost of plant and materials ordered with additional warehouse charges, cost for the care of works (safety, operational, environmental), costs for maintenance of incomplete works at the site, loss due to deterioration of the material, cost of demobilization and fixed rentals of temporary Works, contractor's equipment, cost of repatriation of the contracts staff and labor employed, any other contractor's claims arising out of suspension and termination, possible litigation charges by the subcontractors of TC which will be back charged by the main contractor, loss of income to the employer, loan utilization issues etc.

However, the final amounts of the above will be known only after the Contractor submits his claims to the Engineer (Consultant) and the assessment of those claims by the Engineer.

The total amount of Contractor's Claims arising out of Suspension have been submitted vide IPA 16 – 20 is converted to LKR 15,729,888,690 (JPY 6,352,071,405) which are under review by the Consultant and yet to be certified due to termination in force with effective from 9th December 2022. However, the Contractor is yet to submit termination claim (Final claim) including the suspension claims. Summary of IPCs are as follows.

IPA No.	Claimed Up to	Date of Total Submission	Bill Amount converted to LKR	Total Bill Amount converted to JPY
16	22-Jul	08.08.2022	2,702,311,305	1,251,012,131
17	22-Aug	08.09.2022	2,122,751,696	858,822,550
18	22-Sep	07.10.2022	2,098,579,951	852,838,603
19	22-Oct	08.11.2022	909,788,018	372,604,340
20	22-Nov	08.12.2022	7,896,457,720	3,016,793,780
Total			15,729,888,690	6,352,071,405

- 2 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 the Civil Appeal High Court of Negombo (Case Nos -WP/H/CCA/NEG/31/2017 (F) and WP/H/CCA/NEG/35/2017 (F)) the registrar has made a determination on two court cases one from each Taxi Association for the compensation payable as LKR 200,405/= x 80 and 200,197.29 x 54. The total payable shall be LKR 26,843,053.66. AASL pay each taxi case its due compensation as and when noticed by court. Upto date compensation have been paid in 30 cases.

30. COMMITMENTS

30.1 Capital Expenditure Commitments

	2022	2021
Contracted but not provided for	6,238,190,348	21,678,443,226
Authorized by the Board, but not contracted for	11,964,675,703	304,926,793
	18,202,866,051	21,983,370,019

30.2 Financial Commitments

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

31. TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

	2022	2021
Emoluments and Fees	8,402,305	11,307,484
	8,402,305	11,307,484

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

NOTES TO THE FINANCIAL STATEMENTS

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

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.

During the year, below transactions were noted as over LKR 50 million transactions with related parties.

Name of the Entity	Relationship	Nature of the Transaction	2022	2021
			LKR Million	LKR Million
Civil Aviation Authority	Government Owned	Embarkation levy Income	5,196	968
Ceylon Petroleum Corporation	- Do -	Fuel Purchases	1,526	1,291
General Treasury	- Do -	Loan Repayments	1,255	1,092
Department of Inland Revenue	- Do -	Taxes	1,482	117
Ceylon Electricity Board	- Do -	Electricity Payments	915	785
Central Bank of Sri Lanka	- Do -	EPF	686	583
Sri Lankan Catering Ltd	- Do -	Franchise Fee Income	594	80
Sri Lankan Airlines	- Do -	Franchise Fee Income	503	230
General Treasury	- Do -	Dividend Payments	500	-
Sri Lankan Catering Ltd	- Do -	Catering Services	399	24
Employees Trust Fund Board	- Do -	ETF	171	146
General Treasury	- Do -	Interest Payments	170	168
Ceylon Petroleum Corporation	- Do -	Franchise Fee Income	159	92
Sri Lanka Insurance Corporation Ltd	- Do -	Insurance payments	61	38
Urban Council	- Do -	Rates Payments	59	59

At the end of the year, below balances were noted as receivable balances over LKR10 million from related parties.

Receivables	Relationship	Nature of the Transaction	2022	2021
			LKR Million	LKR Million
Bank of Ceylon	Government Owned	Investments	83,888	42,317
Sri Lankan Airlines	- Do -	Franchise Fee Income	97	31
National Saving Bank	- Do -	Investments	3,200	465
Civil Aviation Authority	- Do -	Embarkation levy Income	788	417
Divisional Secretary Katana	- Do -	Deposit For Land Acquisition	13	13
Sri Lankan Catering Ltd	- Do -	Franchise Fee Income	125	51
Ceylon Petroleum Corporation	- Do -	Concession income	47	16

At the end of the year, below balances were noted as payable balances over Rs.10Million to related parties.

			2022	2021
			LKR Million	LKR Million
Payables				
Central Bank of Sri Lanka	Government Owned	EPF	111	92
Department of Inland Revenue	- Do -	Taxes	165	1
Ceylon Petroleum Corporation	- Do -	Fuel Deposit	57	54
Ceylon Electricity Board	- Do -	Electricity Deposit	47	47
Employees Trust Fund Board	- Do -	ETF	15	13
Sri Lankan Catering Ltd	- Do -	Purchases	49	58

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 Statement of Financial Position date that require adjustments to or disclosure in the Financial Statements.

Airlines Operated to BIA in 2022

	IATA Code	Airline
1	G9	Air Arabia
2	SU	Aeroflot Russian Airlines
3	AF	Air France
4	AI	Air India
5	UL	SriLankan Airlines
6	ZF	Azur Air
7	MU	China Eastern Airlines
8	CX	Cathay Pacific
9	WK	Edelweiss Air
10	EY	Etihad Airways
11	FZ	Fly Dubai
12	GF	Gulf Air
13	6E	IndiGo Airlines
14	J9	Jazeera Airways
15	KC	Air Astana
16	LO	LOT Polish Airlines
17	MH	Malaysia Airlines
18	WY	Oman Air
19	QR	Qatar Airways
20	SG	SpiceJet
21	SQ	Singapore Airlines
22	TK	Turkish Airlines

	IATA Code	Airline
23	EK	Emirates
24	UK	Vistara
25	8D	FitsAir
26	CZ	China Southern Airlines
27	ID	Batik Air
28	TG	Thai Airways
29	UL	SriLankan Airlines

Airlines Operated to MRIA in 2022

	IATA Code	Airline
1	UL	SriLankan Airlines
2	PQ	skyup airlines
3	G2	GullivAir
4	HY	Uzbekistan airways
5	GA	Garuda Indonesia
6	WZ	Red Wings Airlines

Airlines Operated to CIAR in 2022

	IATA Code	Airline
1	Q2	Maldivian

Airlines Operated to JIA in 2022

	IATA Code	Airline
2	9I	Alliance air

International Airports

	Airport name	ICAO	IATA	General area served	Province	Runway length
1	Bandaranaike International Airport	VCBI	CMB	Colombo	Western	3,350 m (10,990 ft)
2	Jaffna International Airport	VCCJ	JAF	Jaffna	Northern	1,400 m (4,593 ft)
3	Mattala Rajapaksa International Airport	VCRI	HRI	Hambantota	Southern	3,500 m (11,500 ft)
4	Colombo International Airport, Ratmalana	VCCC	RML	Colombo	Western	1,773 m (5,816 ft)
5	Batticaloa International Airport	VCCB	BTC	Batticaloa	Eastern	1,400 m (4,593 ft)

Source: Aeronautical Information Publication (AIP)

Domestic Airports

	Airport name	ICAO	IATA	General area served	Province	Runway length
1	Ampara Airport	VCCG	ADP	Ampara	Eastern	1,097 m (3,599 ft)
2	Anuradhapura Airport	VCCA	ACJ	Anuradhapura	North Central	1,630 m (5,347 ft)

	Airport name	ICAO	IATA	General area served	Province	Runway length
3	China Bay Airport	VCCT	TRR	Trincomalee	Eastern	2,168 m (7,864 ft)
4	Hingurakgoda Airport	VCCH	HIM	Minneriya	North Central	2,287 m (7,503 ft)
5	Katukurunda Airport	VCCN	KTY	Kalutara	Western	1,006 m (3,199 ft)
6	Koggala Airport	VCKK	KCT	Galle	Southern	1,033 m (3,143 ft)
7	Sigiriya Airport	VCCS	GIU	Dambulla	Central	1,789 m (5,801 ft)
8	Vavuniya Airport	VCCV		Vavuniya	Nothern	1,526 m (5,000 ft)
9	Weerawila Airport	VCCW	WRZ	Hambantota	Southern	1,225 m (4,019 ft)

Source: Aeronautical Information Publication (AIP)

Waterdromes

	Waterdrome name	IATA	General area served	Province
1	Arugam Bay Lagoon Waterdrome	AYY	Arugam Bay	Eastern
2	Batticaloa Lagoon Waterdrome	BTC	Batticaloa	Eastern
3	Bentota River Airport	BJT	Bentota	Southern
4	Castlereigh Reservoir Waterdrome	NUF	Castlereigh	Central
5	Diyawanna oya Waterdrome	DWO	Sri Jayawardhanapura	Western
6	Dandugama Water Aerodrome	DGM	Colombo - Dandugama	Western
7	Kalpitiya Waterdrome	DBK	Kalpitiya	North Western
8	Kelani River-Peliyagoda Waterdrome	KEZ	Colombo - Peliyagoda	Western
9	Koggala Lagoon Waterdrome	KCT	Koggala	Southern
10	Lake Gregory Waterdrome	NUA	Nuwara Eliya	Central
11	Mawella Lagoon Airport	DIW	Dikwella	Southern
12	Polgolla Reservoir Waterdrome	KDZ	Kandy-Polgolla	Central
13	Tissa Tank Waterdrome	TTW	Tissamaharama	Southern
14	Victoria Dam Waterdrome	KDW	Kandy-Victoria	Central

Source: Civil Aviation Authority

Helicopter Landing Sites

	Heliport name	AHLS Reference
Kandy		
1	Asgiriya Police Ground -Kandy	AHLS NR12
2	Bogambara Ground- Kandy	AHLS NR13
Colombo		
1	Kirulapana Grounds, Colombo 5.	AHLS No 01
2	“Janadhipathi Balika Vidyalaya Grounds, Nawala East”	AHLS No 02
3	Cyril Mathive Ground, Kelaniya	AHLS No 03
4	University Grounds, Kelaniya	AHLS No 04

	Heliport name	AHLS Reference
5	Shalika Grounds, Narahenpita	AHLS No 05
6	Open University Grounds, Nawala	AHLS No 06
7	“Devi Balika Vidyalaya Grounds, Colombo 8”	AHLS No 07
8	Cooray Park Grounds, Wellawatta	AHLS No 08
9	Golf Club, Colombo 8	AHLS No 09
10	Campbell Park Grounds, Colombo 8	AHLS No 10
11	Waters’ Edge, Battaramulla	AHLS No 11
12	MOD Helipad	AHLS NR 14

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 Ports, Shipping and Aviation
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 LOCATIONS OF OPERATIONS

Mattala Rajapaksa International Airport, Mattala
Colombo International Airport, Ratmalana
Jaffna International Airport, Jaffna
Batticaloa International Airport, Batticaloa
Sri Lanka Airport & Aviation Academy (SLAAA), Ratmalana
HF Transmitting Station, Attidiya Road, Ratmalana
Radar & Communication Centre, Pidurutalagala Peak, Nuwara- Eliya
HF Receiving Station, Kandapola
ADS-B Receiving Station, Kilinochchi
ADS-B Receiving Station, Sooriyakanda
Microwave Repeaters Station, Nayabedda

AUDITORS

National Audit Office of Sri Lanka

COMPANY SECRETARY

M M Renuka P Gunasekara (Ms)

BANKERS

Bank of Ceylon



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