



Resurgence



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

Airport & Aviation Services (Sri Lanka) (Private) Limited
Annual Report 2023



Resurgence

Following the ascent that we highlighted in the previous report, the year under review we have seen a significant increase in demand for our brand of hospitality

With an uptick in arrivals from all over the world, it has been a testament to the loyalty and trust of our returning visitors, for which we are immensely grateful. We have also been able to attract new demographics, who have been impressed by our dedication to providing an amazing experience through exceptional customer service.

This resurgence would not have been possible without the support of our dedicated employees who have worked tirelessly in maintaining international standards across the diverse airports around the island.

Moreover, our business has also been able to adapt and pivot to meet the changing needs of our customers as we constantly look at new ways to cater to the evolving demands of the market. While we move forward, we are excited about the future, remaining committed to continuously improving and expanding our offerings to meet global needs with local ingenuity.

Through resurgence, we will emerge stronger and more resilient than ever before.

Contents

8	Financial Highlights
9	Performance Highlights
10	Organizational Structure
11	Year at a Glance
12	Chairman's Message
16	Leadership Team
22	Senior Management Team
25	Report of the Board of Directors on the Affairs of the Company
32	Report of the Audit and Management Committee (AMC)
35	Management Discussion and Analysis
52	Financial Review
57	Human Resource Management
63	Risk Management
68	Corporate Governance
75	Report of the Auditor General on the Financial Statements
88	Statement of Comprehensive Income
89	Statement of Financial Position
90	Statement of Changes In Equity
91	Statement of Cash Flows
92	Notes to the Financial Statements
121	Ten Year Summary
122	Connectivity and Dimensions
124	Corporate Information



VISION

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

MISSION

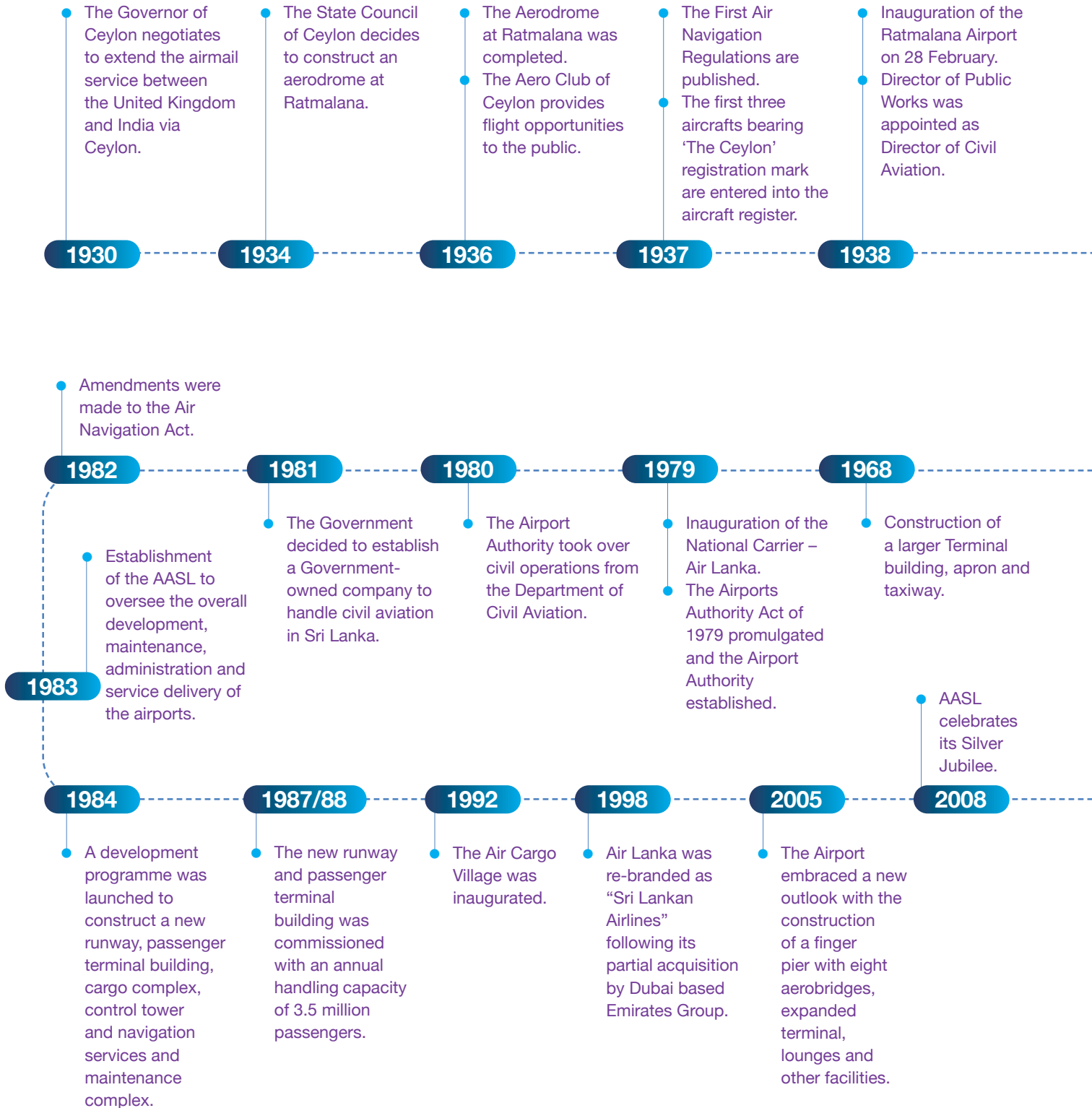
“To provide competitive, safe aviation services and superlative guest experience with best practices and latest technology to ensure stakeholder satisfaction.”







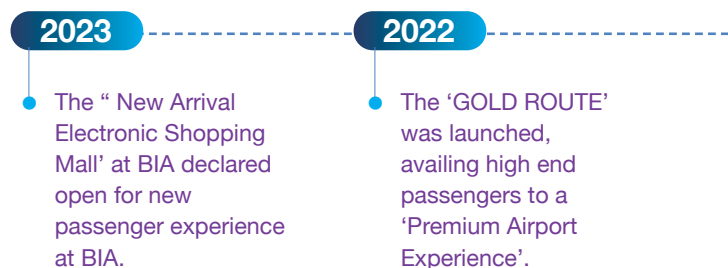
A *Resurgence*
in expansion and growth

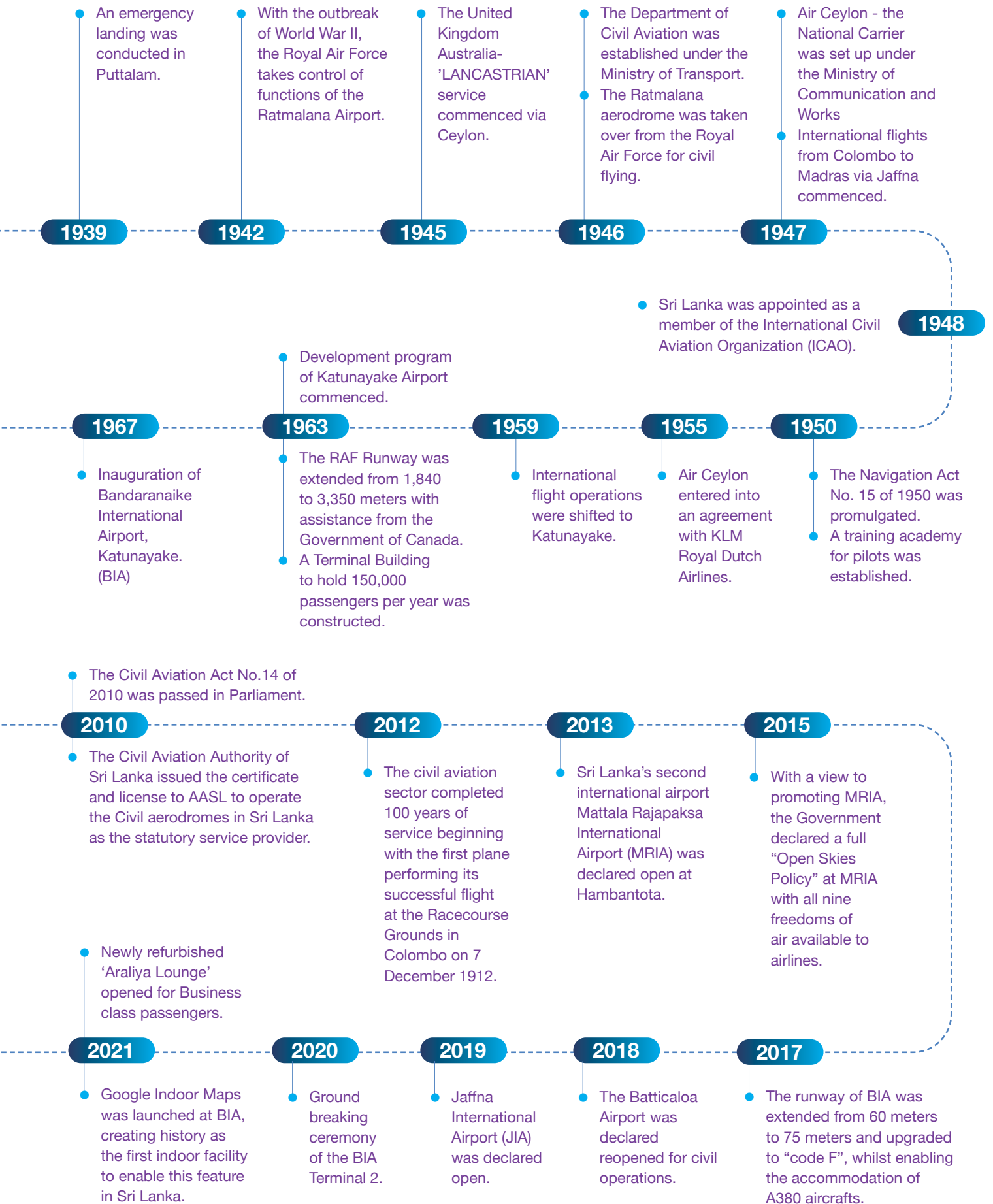


Historical Milestones

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 92 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).





Financial Highlights

	2023 LKR Mn	2022 LKR Mn	2023/2022 +/- %	2021 LKR Mn	2022/2021 +/- %
Profit & Loss					
Turnover	38,376	27,577	39%	7,879	+100%
Operating expenses before Depreciation	16,940	12,575	35%	9,006	40%
EBITDA					
Depreciation of Fixed Assets	2,121	2,367	-10%	2,648	-11%
Net Finance Costs / (Income)	(14,324)	6,202	+100%	(2,815)	-100%
Profit Before Taxation	33,639	6,433	+100%	(961)	+100%
Income Tax	5,517	1,630	+100%	1,123	45%
Profit After Taxation	28,122	4,803	+100%	(2,084)	+100%
Profit/(Loss) attributable to Equity Shareholders	28,122	4,803	+100%	(2,084)	+100%
Cash Flows					
Dividends	5,500	500	+100%	-	+100%
Cash and Cash Equivalents as at December 31st	3,171	642	+100%	413	56%
Total Capital Expenditure for the year	5,032	7,032	-28%	22,960	-100%
Financial Position					
Shareholders Fund as at December 31st	67,611	45,257	49%	41,314	10%
Total Carrying Amount of Non-Current Assets as at December 31 st	84,533	88,491	-4%	79,414	11%
Total Current Asset as at December 31 st	107,010	91,039	18%	47,430	92%
Total Current Liabilities as at December 31st	32,348	21,195	53%	7,927	+100%

Prior year figures have been rearranged whenever necessary to confirm to the current years presentation.

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

All figures are subject to rounding differences.



Performance Highlights

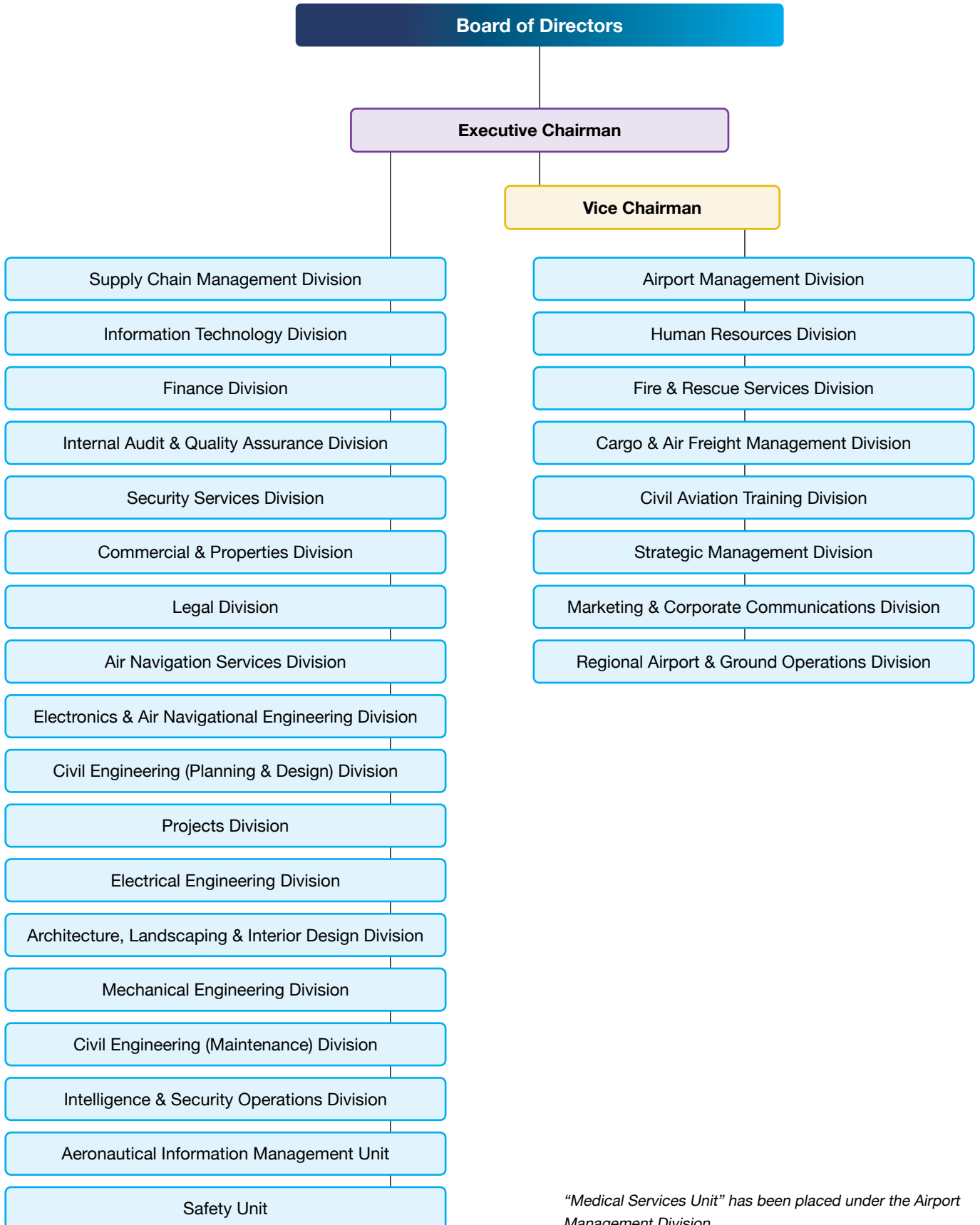


		2023	2022	2021	2020	2019
Operating Highlights						
International Flight Movements	Nos.	46,639	37,641	21,204	20,881	62,195
Passenger Movements*	Nos.	7,548,646	5,503,198	1,505,479	2,375,056	9,958,688
Cargo Movements**	M.T.	158,911	173,597	200,179	150,075	259,089
Overflying Movements	Nos.	35,506	23,846	9,339	16,370	45,674
Total number of Employees as at December 31st	Nos.	3,940	3,854	3,985	4,098	4,182
Highlights in Ratios						
Return on Equity	%	42	11	(5)	(7)	28
Profit before Tax to Total Net Revenue	%	88	23	(12)	(47)	59
Profit before Tax to Shareholders Fund	%	50	14	(2)	(10)	39
Total Revenue to Total Assets	Times	0.20	0.15	0.06	0.08	0.24
Total Assets per Employee	LKR'000	48,615	46,583	31,830	25,187	25,891
Total Staff Cost per Employee - Per Annum	LKR'000	2,789	2,594	1,881	1,811	1,944
Total Cost per Flight Movement	LKR'000	325	727	574	738	235
Revenue per Passenger Movement	LKR	5,084	5,011	5,234	3,373	2,580
Profit after tax per Passenger Movement	LKR	3,725	873	(1,384)	(1,054)	1,104
Aircraft Movements per Employee	Nos.	12	10	5	5	15
Passengers per Aircraft	Nos.	162	146	71	114	160
Passengers per Employee	Nos.	1,916	1,428	378	580	2,381
Gearing Ratio	%	3	40	39	19	13
Return on Total Assets	%	15	3	(2)	(2)	10
Net Profit Ratio	%	73	17	(26)	(31)	43
Capital Productivity Index	Times	0.22	0.17	0.08	0.10	0.25
Earning Per Share	LKR	140,607	24,013	(10,417)	(12,522)	54,979
Current Ratio	Times	3.31	4.30	5.98	7.68	7.23
Total Income to Total Expenditure	Times	3.22	1.24	0.92	0.76	2.04

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

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

Organizational Structure



Year at a Glance

International Aircraft
Movements



46,639

International Passenger
Movements



7,548,646

Cargo
Movements



158,911 MT

Overflying
Movements



35,506

Turnover



LKR 38,376 Mn

Net Profit after Tax



LKR 28,122 Mn

Total Assets



LKR 191,542 Mn

No of Employees



3,940

Chairman's Message



“We are pleased to announce a commendable operational profit of LKR 19 billion for the year, a testament to the diligent efforts and strategic decisions made by our team. In essence the positive impact of the appreciation of the Dollar on our profits, which has further strengthened our financial performance.”

As I reflect on drafting this review for the Annual Report 2023, I'm pleased to observe the gradual emergence of what many had eagerly anticipated: the beginning of an economic upturn. After weathering the most severe economic downturn in our nation's history, we are now witnessing signs of recovery. Notably, the tourism sector is showing promising signs of revival, a development of significant consequence for our operations.

Looking back at the year in review, it's evident that it was a period marked by turbulence and formidable challenges. Turmoil is a familiar companion to the aviation industry, and in such times, stability and clear direction are paramount. I'm proud to affirm that our company, from top Management to our newest recruits, possesses these qualities in abundance. We navigated through the challenges with resilience and I take genuine pride in having provided leadership during this endeavour.

It is paramount to emphasize our unwavering commitment to prioritizing the comfort and satisfaction of our passengers above all else. As an organization, we are steadfastly focused on enhancing the overall travel experience, ensuring that every journey with us is characterized by utmost comfort, convenience and safety. It is our constant endeavour to go above and beyond to meet and exceed the expectations of our valued passengers, providing them with seamless and enjoyable travel experiences.

The substantial growth trajectory observed in passenger numbers from 2022 to 2023 is indeed noteworthy. In 2022, our services catered to fewer than 6 million passengers. However, the subsequent year witnessed a remarkable surge, with the number escalating to 7.5 million passengers for all

airports. This surge not only denotes a significant increase in demand for air travel but also serves as a testament to the resilience of our operations. The surge in passenger numbers has had a profound impact, not only on our company's revenue but also on the overall revenue of the tourism industry. This surge has contributed substantially to the economic vitality of the sector, underscoring its pivotal role in driving growth and prosperity.

Furthermore, our ability to effectively accommodate this surge underscores the robustness of our operations. Despite the challenges posed by the rapid increase in passenger traffic, we have demonstrated agility and adaptability, ensuring seamless service delivery and maintaining high standards of customer satisfaction. As the sole service provider in the aviation industry, our role extends beyond mere airport operations. We serve as facilitators of economic activity, connecting people and places and contributing to the overall development of the tourism sector. Our commitment to excellence and our ability to meet the evolving needs of travelers have positioned us as a driving force behind the growth and success of the tourism industry.

In addition to this remarkable increase in passenger numbers, it's important to highlight the strain it placed on our infrastructure. Terminal 1, with a capacity of 6 million passengers, faced an unprecedented challenge as it accommodated the surge of 7.4 million travellers at BIA. To ensure that every passenger enjoyed a comfortable experience, our dedicated staff worked tirelessly around the clock. Their commitment and dedication were instrumental in managing the increased volume while upholding our standards of service excellence. This extraordinary effort exemplifies our unwavering commitment to customer satisfaction and highlights the resilience of our team in overcoming operational challenges.

We are pleased to announce a commendable operational profit of LKR 19 billion for the year, a testament to the diligent efforts and strategic decisions made by our team. In essence the positive impact of the appreciation of the Dollar on our profits, which has further strengthened our financial performance. Additionally, we are encouraged by the low number of incidents reported throughout the year, which speaks to the effectiveness of our safety protocols and the unwavering dedication of our staff.

This favorable combination of financial success and operational reliability underscores our commitment to excellence in all facets of our operations. It positions us well for continued growth and success in the future, reaffirming our standing as the sole leader in the industry. We remain steadfast in our pursuit of excellence and are confident in our ability to meet the challenges and opportunities that lie ahead. It's imperative to address the challenges faced throughout the year, particularly regarding staffing

Chairman's Message

shortages attributed largely to the phenomenon of 'brain drain' within the country. The exodus of skilled professionals posed significant hurdles, particularly in meeting the stringent regulations set by the International Civil Aviation Organization (ICAO) and Civil Aviation Authority of Sri Lanka (CAASL) to perform airport operations. This shortfall in qualified personnel undoubtedly strained our operations. However, I am pleased to announce that despite these obstacles, the recruitment process has now commenced. This proactive move signifies our commitment to addressing staffing concerns and ensuring that we maintain the highest standards of safety and efficiency in our operations.

Apparently it is crucial to address the recent development regarding Terminal 2 which was unfortunately withdrawn its support by the sponsor, Japan International Cooperation Agency (JICA), has withdrawn its support, creating a significant setback. Until debt restructuring negotiations are finalized, JICA has expressed reluctance to resume work on the project. Additionally, to proceed, we must fulfill our obligations regarding gap financing owed to JICA. This situation underscores the importance of swiftly resolving financial matters to ensure the timely completion of Terminal 2 and underscores our commitment to fulfilling our obligations to our partners. In addition to the recent developments concerning Terminal 2, it's critical to address another significant challenge. The foundation of Terminal 2 has been identified as unstable and requires reconstruction by AASL. This task must be completed before the construction work on the project resumes. Despite the additional workload and complexities involved, ensuring the structural integrity of Terminal 2 is paramount. We are fully committed to undertaking this necessary reconstruction to guarantee the safety and longevity of the Terminal. This underscores our dedication to delivering a high-quality infrastructure project while reaffirming our commitment to our partners and stakeholders.

Highlighting the projected expansion of our infrastructure facilities is essential. We anticipate a notable increase in our infrastructure capacity, accommodating an additional 9 million passengers or more in the near future. This expansion underscores our commitment to meeting the evolving demands of air travel and elevating the overall travel experience for passengers. It also reflects our proactive stance in adapting to industry trends and solidifying our position as the sole leader in aviation services. We are unwavering in our commitment to investing in our infrastructure to ensure the delivery of world-class facilities and services to our passengers and stakeholders.

Moreover, it's imperative to underscore the significant progress made in our Terminal development plans. Diligent efforts have been made to enhance the specifications of the new Terminal, aligning it with the latest industry standards and passenger expectations. With these enhancements

finalized, we are optimistic about the scheduled commencement of construction in November 2024, a pivotal milestone in our infrastructure development journey. The targeted completion date for this ambitious project is 2026, reaffirming our dedication to delivering cutting-edge facilities in a timely manner.

In the interim period leading up to the completion of the new Terminal, we recognize the importance of providing seamless services to our passengers. To this end, plans are underway to contract an extended building to expand the checking area of the existing Terminal with 30 departure counters, equipped with inline baggage handling facilities. Additionally, we are upgrading the existing 60 counters to incorporate these modern amenities. This strategic initiative aims to enhance the overall experience for departing passengers, ensuring efficiency, convenience and comfort throughout their journey. By investing in these interim solutions, we demonstrate our dedication to maintaining high standards of service excellence and meeting the evolving needs of our valued passengers.

Another significant development on our agenda is the construction of a new Import Cargo building, estimated at LKR 4.6 billion. This facility will serve as a crucial addition to our infrastructure, catering specifically to the needs of import cargo operations. Once completed, it will be rented to Sri Lankan Airlines, further strengthening our partnership with the national carrier. This strategic initiative not only enhances our cargo handling capabilities but also contributes to the overall efficiency and competitiveness of our operations. We are committed to delivering this project with excellence, ensuring that it meets the highest standards of functionality and reliability.

Reducing passenger intimidation is a top priority for us, and we are implementing new methods in our day-to-day operations to address this issue effectively. Our commitment to passenger comfort and safety extends beyond providing excellent service; it also involves creating a supportive and respectful environment for all travelers. We are introducing comprehensive training programs for our staff to enhance their awareness of passenger rights and appropriate behavior. Additionally, we are implementing advanced technology solutions, such as improved surveillance systems and anonymous reporting channels, to promptly identify and address any instances of intimidation. By proactively addressing this issue and fostering a culture of mutual respect and dignity, we aim to ensure that every passenger feels safe and valued throughout their journey with us. We have ambitious plans to enhance the accessibility and efficiency of road connectivity to the airport by expanding the existing two-lane road to four lanes. This infrastructure improvement project, which will be funded by AASL, aims to alleviate traffic congestion and streamline access to the airport for passengers, visitors and employees alike.

By doubling the road capacity, we anticipate significant improvements in traffic flow, reduced travel times and enhanced safety for all road users. This initiative underscores our commitment to enhancing the overall travel experience and ensuring seamless connectivity to and from the airport. We are dedicated to realizing this project efficiently and effectively to benefit the entire airport community.

Reflecting on the year 2023, it was a period characterized by numerous challenges, yet it also marked a significant turning point where we reaffirmed our stability and expanded our operations. We have once again solidified our position as a reliable revenue contributor for the state. I extend my heartfelt gratitude to the Honorable Minister, Deputy Minister, and the Secretary to the Ministry for their unwavering support and confidence in our leadership and the Board of Directors. Additionally, I express appreciation to the Department of Immigration and Emigration, Department of Customs Sri Lanka, Health Authorities and other integral agencies in our service chain for their collaborative efforts towards our shared objectives.

I am grateful to the Vice Chairman and the dedicated members of the Board for their consistent enthusiasm and optimism in accomplishing our company's mission. Furthermore, I extend my sincere appreciation to all our employees, from Division Heads to frontline staff, for their steadfast commitment extended during challenging times and for their invaluable contribution to our recovery journey. Together, we have weathered adversity and emerged stronger, united in our pursuit of excellence.



Eng. A Galketiya
Chairman

16 May 2024

Leadership Team

**From Left to Right:**

1. G A A Priyantha - Non-Executive Director/Treasury Representative
2. S N Sumanasekara - Non-Executive Director
3. Eng. A Galketiya - Chairman
4. M S A Senarathne (Ms) – Vice Chairperson
5. A S C Warushahennadige - Non-Executive Director
6. W A A Wijayasuriya - Non-Executive Director



From Left to Right:

- 7. Nandana Somathilake - Non-Executive Director/Ministry Observer
- 8. W S D De Silva - Non-Executive Director
- 9. A A Randeniya - Non-Executive Director
- 10. G U K Algewattage - Non-Executive Director
- 11. Capt. Milinda Ratnayake- Non -Executive Director
- 12. M M Renuka P Gunasekara (Ms) - Company Secretary

Leadership Team

Eng. Athula Galketiya Chairman

Eng. Athula Galketiya was appointed as the Chairman of the Board of Directors of Airport & Aviation Services (Sri Lanka (Private) Ltd. in December 2023, bringing with him a wealth of expertise and a distinguished career in the field of engineering and management.

As a seasoned engineering professional, he graduated from the University of Peradeniya with a Bachelor of Science Degree in Engineering in 1987. Eng. Galketiya is a Corporate Member of the Institution of Engineers Sri Lanka and has held the prestigious title of Chartered Engineer since 1991.

With an illustrious career spanning over 34 years, Eng. Galketiya has made significant contributions to the engineering and construction sectors both within Sri Lanka and on the international stage. His journey commenced at the Central Engineering Consultancy Bureau in 1987, where he started as a Trainee Engineer and steadily climbed the ranks, holding various key positions such as Shift Engineer, Site Engineer, Resident Engineer, Chief Resident Engineer, Project Manager, Deputy General Manager and Additional General Manager. His remarkable tenure culminated in the position of Corporate Additional General Manager, which he held until his retirement in 2021.

Eng. Galketiya's influence extended across all three divisions of Central Engineering Consultancy Bureau (CECB) – Consultancy Division Engineer, Procure Construction Division and International Division. In 2011, he assumed the role of the inaugural CEO of Central Engineering Services (Pvt) Ltd., the construction arm of CECB, showcasing his leadership capabilities.

Notably, Eng. Galketiya served as the Team Leader of the Jointly Appointed Employers Quality Representative (JAEQR) for the project infrastructure and landscaping development of Colombo Port City from October 2021 to August 2022, showcasing his commitment to excellence in project management.

His remarkable journey continued as he was appointed as the 10th Chairman of the CECB and Central Engineering Services (Pvt) Ltd. in August 2022, a testament to his leadership skills and strategic vision.

In August 2023, Eng. Athula Galketiya transitioned to his role as the Vice Chairman of AASL, marking a new chapter in his distinguished career. Now, as the Chairman of the organization, he brings a unique blend of experience, leadership, and engineering acumen to steer the company towards new heights of success in the dynamic aviation industry.

He chaired the Board sub committees of Financial Management and Revenue Generation and All Airports way forward and also a member of Project Management sub committee of AASL during the year 2023.

Ms. Awanthi Senarathne Vice Chairperson

Ms. Awanthi Senarathne currently serves as the Vice Chairperson of AASL.

With over 26 years of experience, she is proficient in aviation, public administration, and international business administration. Ms. Awanthi is a well-known administrative figure in Sri Lanka, having worked extensively at grassroots, departmental and ministerial levels within state-owned businesses, semi-government organizations and international bodies. She is a dynamic, proactive, customer-

focused Senior Member of the Sri Lanka Administrative Service (SLAS), recognized for her adherence to ethical standards.

Appointed to her current position in January 2024 and also a member of Financial Management & Revenue Generation Board Sub Committee. Ms. Awanthi plays a pivotal role in overseeing administrative and operational functions across all five international airports under AASL. Her strategic focus is on the long-term vision for the aviation industry in Sri Lanka. Additionally, she collaborates closely with key industry stakeholders and internal company departments to cultivate a customer-centric culture aimed at enhancing airport service excellence.

Before her role at AASL, Ms. Awanthi served as the Director (Aviation) at the Ministry of Ports, Shipping, and Aviation in Colombo, Sri Lanka, from 2018 to 2022. During this tenure, she served as a Board Member of the CAASL and was involved in most of the critical policy decisions related to legal SARPS. Moreover, she engaged in managing bilateral and multilateral relations with member states of the International Civil Aviation Organization (ICAO) on behalf of the Government of Sri Lanka (GOSL). Furthermore, she executed civil aviation regulatory tasks in coordination with the CAASL, liaising at ministerial levels with AASL and Sri Lankan Airlines Limited. In 2022, she also served as the National Coordinator and Deputy Secretary-General for UNESCO in Sri Lanka.

Ms. Awanthi holds a Master of Public Administration Degree from the University of Sains/Science, Penang, Malaysia, two Post Graduate Diplomas in Economic Development from the University of Colombo, Sri Lanka, and another Post Graduate Diploma in Education. Her extensive strategic relationships with ministries, Government departments, and major players in the aviation sector have

been instrumental in fostering close cooperation and collaboration between AASL and relevant stakeholders, propelling the aviation industry in Sri Lanka to new heights.

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, All Airports way Forward Board sub-committees 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 Board 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 McIlloyds 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. 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 and also a member of All Airports way Forward Board sub committee. 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,

Leadership Team

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 CAASL 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 and also member of Human Resources and Remuneration Board sub-committee at AASL.

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 IBBSL 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 October 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. Nandana Somathilaka
Non-Executive Director/Ministry
Observer

Mr. Nandana Somathilaka serves as the Senior Assistant Secretary within the Ministry of Ports, Shipping & Aviation, fulfilling the role of Director. With a wealth of experience in senior administrative positions, Mr. Nandana brings a deep understanding of divisional administration and local governance to his current role. Prior to his current position, he dedicated over a decade to serving as a Divisional Secretary across various Divisional Secretariats in the Puttalam District. Over the course of his 15-year career, Mr. Nandana has honed his skills as an Assistant Commissioner of Local Government and Secretary of the Puttalam Urban Council, focusing on enhancing both his administrative acumen and his capacity for development-oriented initiatives. Holding a degree in Economics from the University of Kelaniya, Mr. Nandana brings a strong academic foundation to his work. Within the Ministry of Ports, Shipping and Aviation, Mr. Nandana's responsibilities as Senior Assistant Secretary encompass the oversight of the Division of Aviation, which includes the CAASL, AASL, and SriLankan Airlines Limited. Additionally, he is tasked with duties related to SriLankan Catering, further demonstrating his comprehensive grasp of the aviation sector. He was appointed as a member of the Board of AASL since January 2024.

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



U S Jagoda
Head of Civil Engineering (Maintenance)



Wing Cdr. (Rtd.) S M D Wijesooriya
Head of Intelligence & Security Ops-All Airports



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



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 Fire & Rescue Services

Senior Management Team



S P Palagama
Head of Mechanical Engineering



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



K A R Kodikara
Head of Human Resources



A Rajapaksha
Head of Regional Airports and Ground Operations



G A K Nimalaratne
Head of Civil Aviation Training



S D A S Nishantha
Company Medical Officer



S Disapathige
Oversee Head of Air Navigation Services

Report of the Board of Directors on the Affairs of the Company

We are pleased to present our report together with the audited financial statements for the year ended 31 December 2023. 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 2023 and future business development of the AASL is illustrated in the Chairman's Message (Page 12 to 15), Management Discussion and Analysis (Page 35 to 49), and the Financial Review (Page 52 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 88 to 120.

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 92 to 101. 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 88 to 120 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 2023 was carried out by the Auditor General.

The Independent Auditors' Report on the financial statements of the company is given on pages 75 to 87 of this report. The audit fee for the year ended 31 December 2023 was LKR 1,254,000 (2022: LKR 1,096,500) 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

Report of the Board of Directors on the Affairs of the Company

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 2023 is LKR 38.4 billion (2022: LKR 27.6 billion) which is a significant increase equivalent to 39% 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 102.

9.2 Operating Results

The Company reported an operating profit amounting to LKR 19.3 billion for the year ended 2023. This is 53% improvement when compared to the operating profit of LKR 12.6 billion recorded a year ago.

The company recorded a net profit of LKR 28.1 billion for the year 2023 compared to the net profit of LKR 4.8 billion in 2022.

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 67.6 billion as of 31 December 2023 as against LKR 45.3 billion recorded a year ago. The movement in reserves of the company is shown in the Statement of Changes in Equity on page 90.

9.4 Dividends

During the year under review, Company has declared and paid dividend of LKR 5 Billion. A dividend of LKR 1 billion was declared for the year 2022 and LKR 500 million out of declared amount was paid in the year 2023.

9.5 Donation

In the year 2023 the Company made donations worth of LKR 228,000 (2022: LKR 510,000).

9.6 Capital Expenditure

During the year under review, Company incurred LKR 5 billion as capital expenditure compared with LKR 7 billion in 2022. 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 119.

The contribution to the Government indirectly through the payment of taxes during the past 4 years is illustrated in below table;

Year	LKR Million				
	Dividend	VAT	Income Tax	SSCL	PAYE
2020	-	207	-	-	7
2021	-	117	15	-	6
2022	1,000	1,281	117	70	15
2023	5,000	2,216	3,772	800	430

9.8 Investments

Rupee value of investment portfolio increased by LKR 2.4 billion at the end of the year, of which details are tabulated below.

Investments	(LKR Million)	
	As at 31.12.2023	As at 31.12.2022
Treasury Bills/Bonds	24	22
Short term Bank Deposits	87,717	78,025
Investments in Debentures	2,999	3,298
Long-term bank deposits	-	6,963
Total	90,740	88,308

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 2023 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

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 120.

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 116.

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 as at 31 December 2023

Board of Directors	Position	Date of Appointment	Independent
Eng. A Galketiya	Chairman	11.12.2023	No
G U K Algewattage	Acting Vice Chairman	11.12.2023	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
A A Randeniya	Non-Executive Director	30.11.2022	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 H S Gunawardena	Non-Executive Director/ The Observer from Ministry of Ports, Shipping and Aviation	31.12.2019	No
G A A Priyantha	Non-Executive Director / Treasury Representative	11.06.2021	No

Eng. A Galketiya assumed duties as Vice Chairman of AASL on 18 August 2023.

M S A Senarathne (Ms) was appointed as Vice Chairperson of AASL on 10 January 2024.

10.3 Details of the Directors who resigned During the Year 2023

Board of Directors	Position	Date of Appointment	Date of Resignation
Maj. Gen. (Rtd.) G A Chandrasiri RWP USP VSV ndc psc	Chairman	12.12.2019	10.12.2023
Dr. U A Mendis	Vice Chairman	15.06.2022	16.08.2023

Report of the Board of Directors on the Affairs of the Company

10.4 Board Sub-Committees

The Board of Directors has appointed six sub-committees, to assist the Board. The compositions of the above committees as at 31 December 2023 are as follows:

Sub Committee	Composition as at 31 December 2023
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	G U K Algewattage - Chairman
	W A A Wijayasuriya - Member
	K A R Kodikara - Convener and /or Secretary
Financial Management and Revenue Generation Committee	Eng. A Galketiya - Chairman
	M S A Senarathne (Ms) - Member
	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	Eng. A Galketiya - Chairman
	Capt. Milinda Ratnayake - Member
	A S C Warushahennadige - Member
	A A Randeniya - Member
	H S Hettiarachchi - Convener and /or Secretary
Project Management Sub-Committee	W A A Wijayasuriya - Chairman
	A S C Warushahennadige - Member
	Eng. A Galketiya - Member
	A I B Karunaratne - 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 12.4 million as Directors' emoluments for the year 2023. (2022 – LKR 8.4 million) There were two Executive Directors at the end of the year who were paid LKR 2.1 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 10.3 million during the year, being the cost of traveling and Directors' fees for attending Board meetings.

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 31 May 2024 at 9:30 a.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-19 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



Eng. A Galketiya
Chairman

16 May 2024





A *Resurgence*
in new markets

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 Audit, External Audit and Compliance with Laws and Regulations.

COMPOSITION

The AMC comprises of three (03) Non-Executive Directors, who conduct committee proceedings in accordance with the Audit Committee Charter, which clearly defines the Terms of Reference (TOR) of the committee. The composition of the AMC for 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

K A A Kulathunga, Superintendent of Audit from the National Audit Office and Chief Internal Auditor of the Ministry attended AMC meetings as independent Observer.

MEETINGS

The AMC had ten meetings during the year 2023. The attendance of the members to the meetings is set out in the table below:

Name of the Director	Number of Meetings scheduled to be attended	Attendance
G A A Priyantha	10	10
Capt. Milinda Ratnayake	10	09
W S D De Silva	10	10

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.

CHARTER OF THE COMMITTEE

The Board approved AMC Charter clearly defines Terms of Reference (TOR) of the committee and regulates the purpose, composition, scope, duties and responsibilities of the AMC.

KEY RESPONSIBILITIES OF THE COMMITTEE

The key responsibilities include;

- To review significant accounting and reporting issues, including complex or unusual transactions, highly judgmental areas and recent professional and regulatory pronouncements and understand their impact on the financial statements.
- To examine the outcomes of the audit in collaboration with Management and External Auditors, addressing any encountered challenges.
- To review the annual financial statements, and consider whether they are complete and consistent with information known to committee members and ensure that the information is presented in accordance with the appropriate accounting standards and policies.
- To review other sections of the annual report and related regulatory filings before the release and consider the accuracy and completeness of the information.
- To ensure that all pertinent matters needing communication with the Audit Committee have been effectively conveyed to both Management and External Auditors.
- To review interim financial statements with Management and if required with the Superintendent of Audit representing Auditor General and consider whether they are complete and consistent with the information known to committee members.

- To review reports prepared by Management and/or the Independent Auditor setting forth significant financial reporting issues, judgments made and key audit matters in connection with the preparation of the financial statements.
- To approve the annual audit plan and any significant modifications to it and assess the performance of the internal audit activity in comparison to its plan.
- To coordinate with external auditors and monitor the response to the Auditor General's (AG's) Management Letter, along with Management's corresponding actions.
- To interact with the internal auditors and Superintendent of Audit representing Auditor General.
- To assess the efficiency of the system in monitoring compliance with laws, regulations and directives and to review the outcomes of Management's investigations and subsequent actions (including disciplinary measures) regarding any instances of non-compliance.

ACTIVITIES IN 2023

Throughout the year, the AMC diligently carried out its responsibilities beyond routine activities. It extensively reviewed the mechanism adopted to regular monitoring of operational procedures across all divisions and their associated controls. Furthermore, the committee conducted a thorough examination of the organization's financial procedures, aligning them with the Enterprise Resource Planning (ERP) system.

Additionally, AMC critically reviewed the useful life of the assets and also duly addressed the concerns related to the Fixed Assets Master Records (FAMR). This comprehensive review led to the formulation of effective Assets Management System and aimed at overcoming FAMR related challenges ensuring operational efficiency.

The following include other key routine activities carried out by the AMC during 2023.

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 aided the Board of Directors in fulfilling their responsibility for the preparation of true and fair financial statements in accordance with the Sri Lanka Accounting Standards and the company's books of account. It assessed the adequacy and effectiveness of the internal control system and procedures to ensure that all transactions are accurately and completely recorded in the books of account. Additionally, the Committee reviewed monthly interim financial statements along with pertinent supporting information, including significant assumptions and judgments applied in the preparation and presentation of financial statements. Furthermore, it reviewed draft financial statements for the year ended 31 December 2023, and the Draft Budget for the year 2024 before presenting them to the Board for approval.

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

INTERNAL CONTROLS

The AMC assessed the effectiveness of internal controls over financial reporting for the year ended 31 December 2023. 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

Report of the Audit and Management Committee (AMC)

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 2024. 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 of the country, the Auditor General (AG) has been empowered to carry out the external audit of AASL. Accordingly, the AG acts as the External Auditor of the Company for the year ended 31 December 2023. 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 has the potential to significantly enhance Good Governance and foster a proactive culture within AASL by emphasizing the importance and necessity of adhering to regulatory requirements, including Government Circulars.

CONCLUSION

In its efforts, the AMC has aimed to strike a balance between providing independent oversight of AASL's operations while offering support and guidance to the Board of Directors in fulfilling their obligations concerning financial reporting processes, internal control systems' adequacy and effectiveness, External Audit, and AASL's compliance monitoring processes. The Committee is confident that it has fulfilled its duties effectively and to a high standard throughout the year, thereby enhancing the value of the Company.



G A A Priyantha

Chairman – Audit and Management Committee (AMC)

16 May 2024

Management Discussion and Analysis

Global & Local Aviation Industry Overview & Outlook.

As the COVID-19 pandemic receded, global air travel swiftly resumed its momentum. Throughout 2022, regions gradually eased or lifted travel restrictions, with China being the last major market to do so. The eagerness of passengers to resume travel was palpable, with traveler numbers steadily recovering with each new relaxation of barriers. While worldwide passenger demand is not expected to fully return to pre-pandemic levels until 2024, significant progress was evident by the close of 2023.

On the other hand, air cargo took a different trajectory. Serving as a lifeline during the COVID-19 crisis, the sector experienced peak performance in 2021, with volumes and profits surpassing pre-pandemic levels. However, fiscal uncertainties and Government interventions to mitigate price hikes took their toll. With international trade declining, air cargo volumes dipped below 2019 levels, although profits remained robust. In 2022, air cargo contributed 17% to airline revenues, a significant increase from the 12% seen in 2019. This positive trend continued into 2023, with expectations for 2024 being even higher and more optimistic.

After enduring cumulative losses exceeding as US \$180 billion throughout the 2020-2022 period, the airline industry is poised to turn a collective profit in 2023. Significant strides were made in addressing key challenges during 2022, particularly in the realm of sustainability. The adoption of the Long-Term Aspirational Goal at the 41st Assembly of the International Civil Aviation Organization (ICAO) aligned Governmental bodies with the industry's commitment to achieving net zero carbon emissions by 2050. Additionally, the ICAO Assembly revised the baseline for the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) to 85% of 2019 emissions, positioning it as the primary

financial mechanism to address emissions from global operations. The industry now looks to Governments to enact policies that facilitate aviation's transition to cleaner energy sources while ensuring the integrity of CORSIA.

In the aftermath of Russia's incursion into Ukraine in February 2022, the price of crude oil surged beyond a US \$120 per barrel, marking a decade-high record. Concurrently, air travel demand continued its upward trajectory, driving increased reliance on jet fuel. However, limited refinery capacity exacerbated the situation, leading to unprecedented differentials between crude oil and jet fuel prices, peaking at over US \$60 per barrel during the summer of 2023 as depicts in Figure 01 underneath. . Although there has been a slight moderation in oil prices since their peak, they remain stubbornly high. In response, airlines are actively recalibrating their operational approaches and making substantial investments in newer, more fuel-efficient aircraft to manage costs and minimize environmental impact. Despite these efforts, the industry faces formidable challenges, including escalating labour and input expenses, compounded by elevated interest rates. While the global economy's resilience may alleviate some pressure on oil demand, the aviation sector remains delicately poised amidst a complex web of risks and uncertainties.

Figure 01: Industry cost pressures remain high



Source : IATA (2024)

While international passenger traffic encountered setbacks in early 2022 due to ongoing travel restrictions, the global eagerness to travel became apparent through the rapid surge in international revenue passenger kilometers (RPKs) whenever and wherever restrictions were lifted. As 2023 unfolded, international traffic began to close the gap with domestic traffic, rising from an average of 24.6% of pre-pandemic levels in 2021 to 62.1% in 2022, surpassing that figure in 2023.

The upward trajectory of international traffic recovery persisted in the first quarter of 2023, with March 2023 witnessing a remarkable milestone as international traffic reached 81.6% of March 2019 levels.

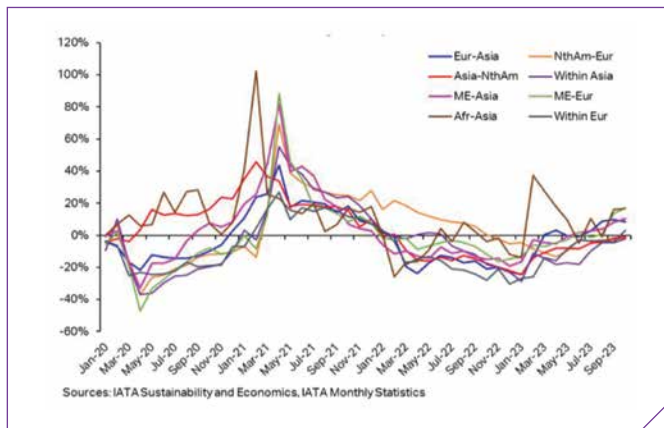
AIR CARGO MARKETS

Compared to the pre-pandemic period, industry cargo tonne kilometers (CTKs) in 2023 tracked close to their pre pandemic levels as shown in the Figure 02 below. Airlines in Latin America recovered following the lengthy restructuring processes in 2021 and their cargo traffic is close to pre-pandemic levels. Worldwide trade growth outperformed air cargo demand Global goods trade continued to rise

Management Discussion and Analysis

from January to October 2022, albeit at a slower pace than in 2021. In contrast, air cargo CTKs experienced twelve consecutive months of contractions beginning in March 2022, suggesting that the growth of global trade benefitted maritime transportation more than air transportation. As the demand for goods softened compared with the previous year, businesses experienced less inventory pressure to fulfill orders, reducing their need to use air transportation to replenish stocks quickly. Diminishing cargo load factors put downward pressure on cargo yields due to increased capacity and lower demand, cargo load factors dropped back to their pre-COVID range. The rise in air cargo capacity has largely been driven by the restoration of belly capacity from passenger aircraft since May 2021, while the capacity of dedicated freighters has been declining since December 2021. Although air cargo yields reached an all-time high in December 2021, they started to fall for most of 2022. Yields are still higher than their pre-COVID levels. But given that load factors are back to their normal range, the downward trend in yields may continue well into 2023.

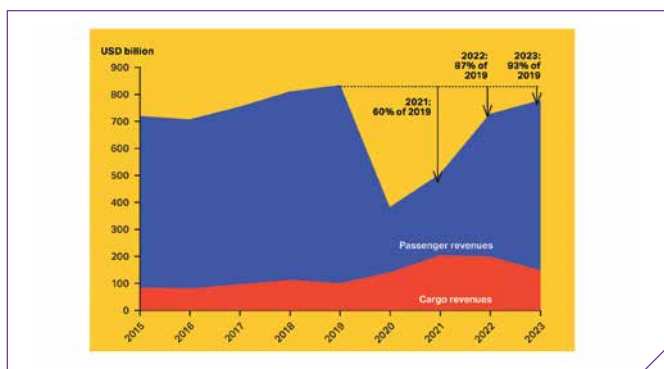
Figure 02: International CTK growth (YoY) by route area



Source : IATA (2023)

At the same time when analyze global airlines revenue in terms of two main categories, passenger vs cargo, during the year 2023, almost recorded US \$ 580 billion and US \$ 120 billion respectively as shown below in the Figure 03.

Figure 03: Global Airline Revenue, by type



Source : IATA (2023)

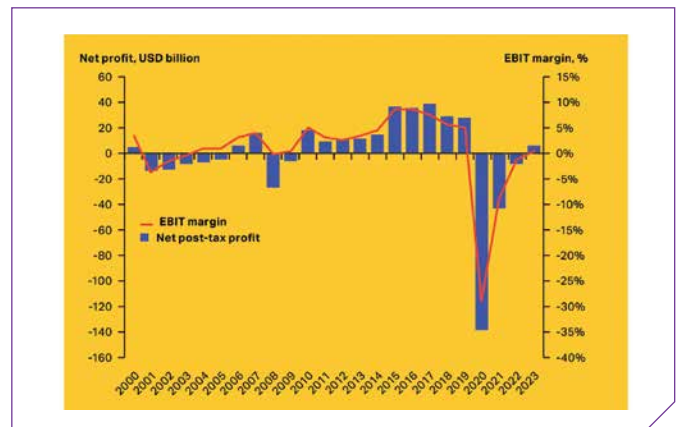
AIRLINE FINANCIAL PERFORMANCE (2000 – 2023)

Mixed performance for passenger and cargo in 2022/2023

The financial health of airlines is swiftly rebounding from the substantial setbacks witnessed in 2020, although the performance of passenger and cargo markets exhibited a mixed trend in 2023. Passenger revenue surged by an estimated 80%, fueled by higher yields and the resurgence of international passenger volumes. In contrast, cargo revenue is anticipated to have declined, attributed to a reduction in cargo volumes despite an uptick in cargo yields.

Across both passenger and air cargo services, the gap between the achieved load factor and the required load factor for breaking even has been narrowing, signaling a path towards profitability.

Figure 04: Climaxes of industry revenue and costs



In 2022, airlines encountered a significant escalation in their expenses, largely influenced by the conflict in Ukraine, which precipitated a sharp increase in global commodity prices. Additionally, the appreciation of the US Dollar and higher interest rates further compounded the rise in airline costs. Moreover, escalating labor and other input expenses in certain markets added additional hurdles to the industry's profitability.

Although there is an expectation for oil prices and the crack spread to ease from their 2022 levels, they remained elevated in 2023. Consequently, maintaining a vigilant approach to costs, including strategies aimed at continually enhancing fuel efficiency, will be imperative for the industry.

By the conclusion of 2021, total revenue for both passenger and cargo carriers had reached 60% of pre-pandemic levels, a figure that climbed to 87% by the end of 2022, a trend that persisted into 2023. With total revenue hovering around US \$ 780 billion, this indicates a slender margin of 0.6%, equivalent to just one Dollar per passenger.

AVIATION INDUSTRY OUTLOOK 2023 - 2024

In 2023, the aviation industry experienced a significant resurgence in aerial operations, characterized by a notable increase in flight volume compared to previous years. This resurgence was driven by the relaxation of travel restrictions and a surge in passenger demand for travel, prompting airlines to swiftly expand their offerings to meet this upsurge. Delving into essential metrics reveals that the heart of air travel lies within the intricate network of connections between neighboring regions.

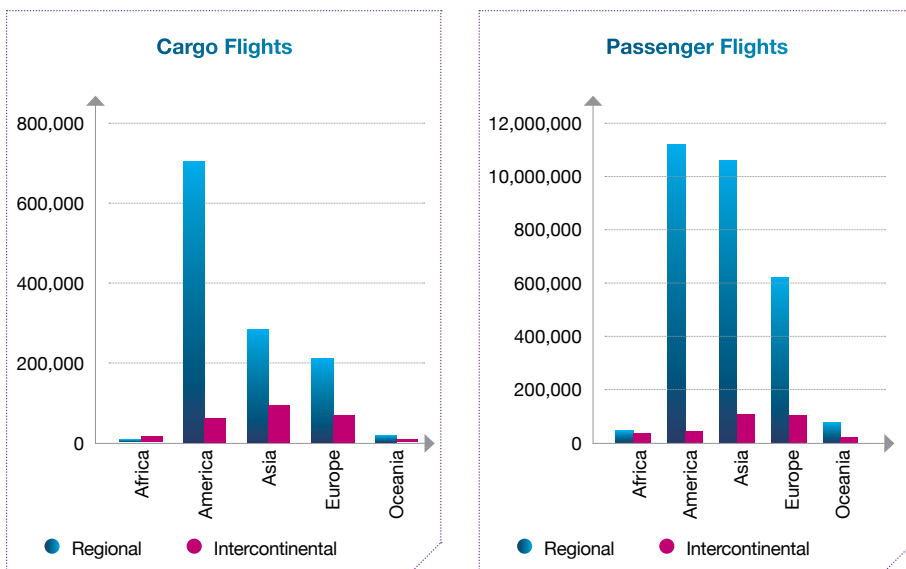
By conducting a thorough analysis of passenger and cargo flight data, route preferences, and aircraft utilization, this review not only provides insights into the past but also serves as a strategic roadmap for the industry’s future. It equips stakeholders with the tools to navigate uncertainties, address emerging challenges, and foster sustainable growth in the ever-evolving aviation landscape.

DISENTANGLEMENT AIRCRAFT SOLIDITY AND TACTICAL ROUTES IN 2023

An analysis of flight density reveals a stark contrast between passenger and cargo flights, with passenger flights significantly surpassing cargo flights, nearly doubling their presence. Within regional operations, North America led in cargo flights with 704,000 flights, followed by Asia with 282,000 flights, and Europe with 210,000 flights. Meanwhile, Asia claimed the top spot for intercontinental air cargo with 98,000 flights.

In terms of passenger travel, North America emerged as the busiest region with 11.3 million flights, closely followed by Asia with 10.5 million flights, while Europe secured the third position with half as many flights. Regarding intercontinental travel, Asia and Europe emerged as among the most popular destinations.

Figure 05: Unravelling flight density and strategic routes in 2023



Source: IATA (2023)

TOP 5 AIRCRAFT DOMINATING CARGO AND PASSENGER TRAVEL IN 2023

In the realm of aircraft exploration, Boeing emerged as the frontrunner in cargo transport, while Airbus took center stage in the domain of passenger travel. The Boeing 767-300F led the pack with 315,000 cargo flights, followed closely by the Boeing 777-200F with 179,000 cargo flights. While Airbus dominates the Top 5, the top spot based on the number of operated flights goes to the Boeing 737-800,

with over 6.4 million flights. Following closely behind is the leading Airbus aircraft, the A320-200, with half the flights at 3.7 million. This division of supremacy underscores the industry’s response to the dual demands of efficiently transporting goods and providing comfortable, fuel-efficient options for an ever-growing number of passengers.

Figure 06: Top 5 aircraft types by the number of flights they operated



Management Discussion and Analysis

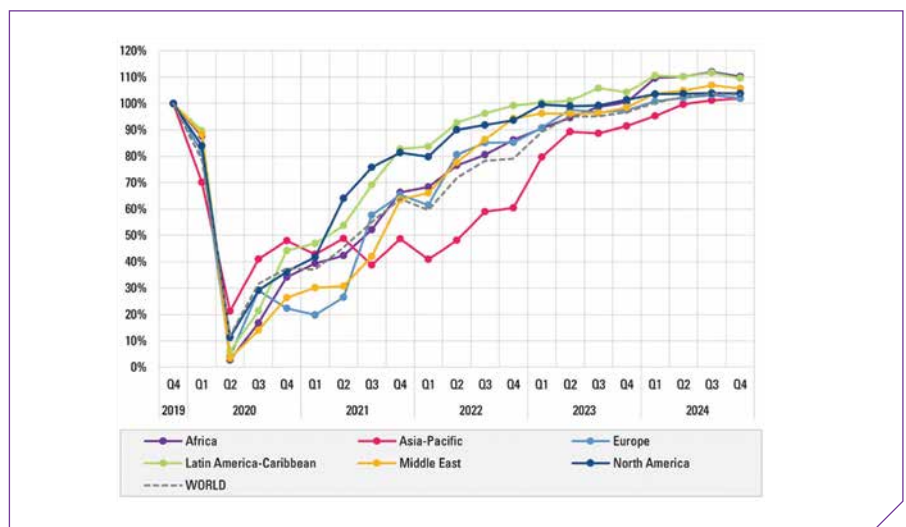
PASSENGER TRAFFIC FORECAST 2023–2024: STRATEGIC TAKEAWAYS

- Prior to the COVID-19 pandemic, the global passenger volume was estimated to reach 10.5 billion passengers in 2023. However, the current projection of global passenger volume in 2023 is approximately 8.6 billion passengers, which is 94.2% of the 2019 level.
- Looking ahead, 2024 is anticipated to mark a significant milestone in global passenger traffic recovery as it reaches 9.4 billion passengers, surpassing the year 2019 that welcomed 9.2 billion passengers (102.5% of the 2019 level). Compared to the pre-COVID forecast that predicted 10.9 billion passengers in 2024, the effects of the pandemic represent a potential loss of 13.9%.
- The Africa region is expected to have a steadily increasing pattern for the upcoming years, reaching 221 million passengers, or 96.3% of the 2019 level, in the year 2023. The region is forecasted to reach 253 million passengers, or 110.6% of the 2019 level, by the end of 2024. This steady growth is expected to be driven by emerging markets, such as Egypt, Morocco, and Tunisia.
- While the Asia-Pacific region is expected to have a substantial jump in passenger traffic in the first half of 2023 along with the ongoing opening of the Chinese market, its recovery is predicted to slow down significantly in the second half of the year due to challenges in overseas tourism and looming economic concerns. By the end of the year, the region is expected to reach 2.9

billion passengers, or 87.3% of the 2019 level. With the uncertainty from both upside and downside factors, the region is expected to reach approximately 3.4 billion passengers, or 99.5% of the 2019 level, in 2024.

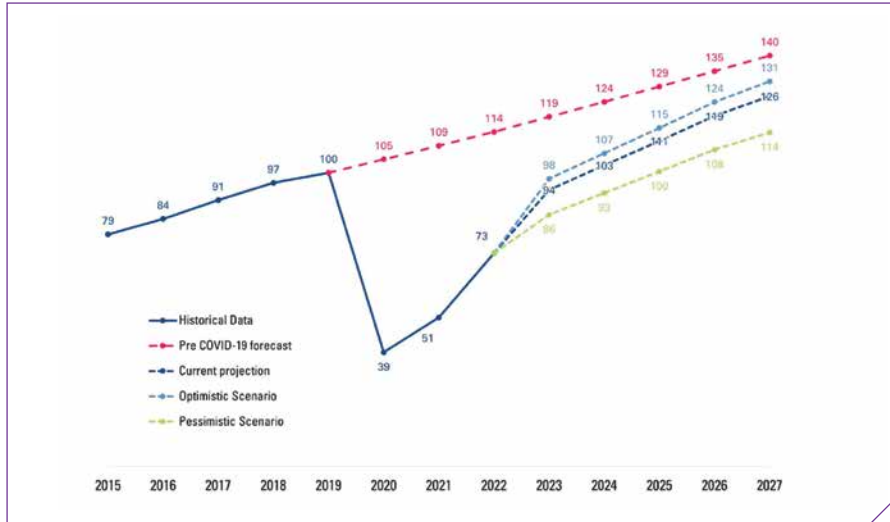
- In Europe, the pace of passenger traffic recovery is predicted to decelerate in 2023 and 2024 compared to the sharp rise seen during the 2022 summer season. By the close of 2023, the region is estimated to host around 2.3 billion passengers, representing 95.5% of the 2019 level. This growth is expected to continue, albeit at a slower rate, with approximately 2.5 billion passengers by 2024, reaching 101.4% of the 2019 level.
- The Latin America-Caribbean region is forecasted to be the first region to surpass its 2019 level. In 2023, the region is estimated to reach 707 million passengers, or 102.9% of the 2019 level. In 2024, the region is expected to welcome 759 million passengers, or 110.5% of the 2019 level. Like the Africa region, emerging markets such as Colombia and Mexico are predicted to drive the region beyond the 2019 level.
- The Middle East region was the fastest-recovering market in the year 2022. In the year 2023, the region is predicted to continue its recovery and reach 394 million passengers, or 96.8% of the 2019 level. In 2024, the passenger number is projected to be 429 million, or 105.4% of the 2019 level. This forecast may be impacted by the economic circumstances of neighboring markets.
- By the end of 2023, the North America region is estimated to reach near the 2019 level with 2.0 billion passengers, or 99.8% of the 2019 level. While the region showed a strong recovery during 2021 and 2022, driven by domestic travel, its growth for the next couple of years is expected to continue at a slower pace. In the year 2024, passenger traffic in the region is forecasted to reach 2.1 billion passengers, or 103.7% of the 2019 level.

Figure 07: Projected global quarterly passenger traffic compared to the 2019 level (2020–2024, quarterly indexed, 2019 level = 100%)



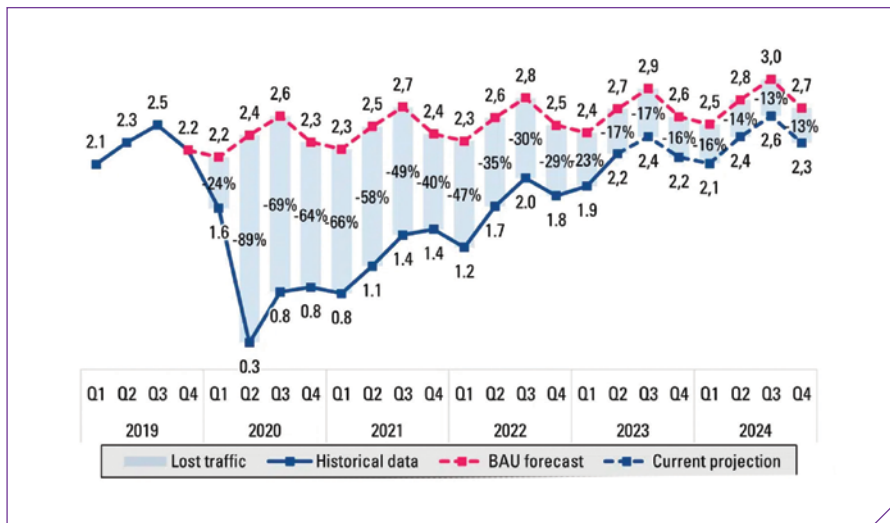
Source: ACI World 2024

Figure 08: Medium-term global passenger traffic projection (indexed, 2019 = 100)



Source: ACI World 2024

Figure 09: Global passenger traffic – estimated losses and recovery (in billion passengers)



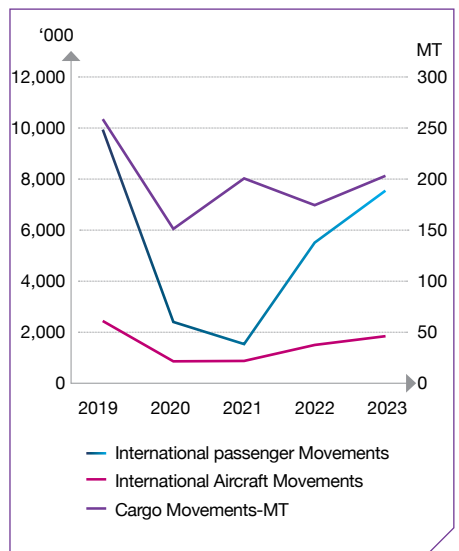
Source: ACI World 2024

2023 Resurgence backed by 10 Rs

1) RENAISSANCE OF AIRPORT OPERATIONS

In response to the challenges posed by the COVID-19 pandemic, airports worldwide are undergoing a transformative phase characterized by innovation, adaptability, and resilience. As the aviation industry rebounds, airports are implementing new strategies, technologies, and operational approaches to enhance safety, efficiency, and passenger experience. This curated list highlights key initiatives, developments, and milestones driving the renaissance of airport operations, emphasizing the industry’s commitment to shaping a brighter future for air travel.

Figure 10: International movements - All Airports



Management Discussion and Analysis

Smartwings Launches Operations to Sri Lanka

Smartwings Hungary launched charter flights from Budapest, Hungary to BIA. In December, the inaugural Smartwings charter flight arrived at BIA with 183 passengers on board. Upon arrival, the flight received a celebratory water cannon salute, and passengers were greeted with a traditional Kandyan dance performance, extending a warm welcome to their destination.



Smartwings commenced operations at BIA

Air Seychelles Launches Operations to Sri Lanka

Air Seychelles, the national airline of the Republic of Seychelles launches a new service from its home base to Colombo, Sri Lanka with twice weekly flights.

The inaugural flight landed in Colombo in June after a short four hour trip linking the two islands. The flights served by the airline’s Airbus A320 Neo aircraft with 12 business class and 156 economy class configuration.

The Colombo service will also offer over 20+ connections through an interline partnership with Sri Lankan Airlines. This will allow for a convenient one-stop connection to numerous destinations in India, Bangladesh and top tourist spots such as Bangkok, Kuala Lumpur and Singapore.



Launching of Air Seychelles Operations

Alliance Air completes its 100th Flight to JIA

Since its resumption of international scheduled flight operations between Jaffna and Chennai after the global pandemic, Alliance Air completed its 100th flight to JIA in June 2023.

Alliance Air, a wholly owned subsidiary of AIAHL, recommenced commercial flight operations from Chennai International Airport to JIA in December 2022. At present, the airline operates four scheduled international flights a week, and it is planning to increase its frequency to daily operations between Jaffna and Chennai. Up to date in 2023 the airline has handled approximately 12,000 passengers through the Northern Gateway. Our AASL ground handling team has provided all ground handling services for these flights, ensuring a smooth and efficient experience for all passengers.

Considering the growing demand for air travel from the Northern part of the country, Alliance Air tapped that potential together with the support of Governments of India and Sri Lanka. This direct flight operation between Jaffna and Chennai will enormously boost the tourism industry of Sri Lanka, especially in the Northern Province, offering better connectivity to all South Indian destinations.



Alliance Air completes its 100th flight at JIA

Singapore Airlines launches B787-10 Aircraft between Colombo and Singapore

Singapore Airlines, SQ 468/469, inaugural flight B787-10 to Sri Lanka from Singapore Airlines arrived at BIA in March 2023.

The new Flight has improved passenger capacity to and from Sri Lanka with enhanced ambiance and improved inflight experience with 36 business class and 301 economy class seats.

Singapore Airlines B787-10 will provide a seamless travel experience with sustainable fuel efficiency to offer sustainable travel a possibility.



Arrival of Singapore Airlines inaugural flight B787-10

AASL Strategy to Increase Air Cargo Handling Capacities at BIA

AASL takes the pleasure of leading the forefront in facilitating increased capacity of air cargo operations at BIA. Realizing this vision, construction of a three-storied reinforced concrete building with mezzanine floor (approximate area: 18,715 m²), construction of a structural steel prefabricated building (approximate area: 1,567 m²), road widening (approximate area: 555 m²), and construction of a parking area (approximate area: 1,620 m²) with mechanical, electrical, and IT works are underway at present. This will be the 6th Air Cargo Terminal added to BIA as a new Import Air Cargo Building, which will provide an overall capacity enhancement of up to 400,000 MT from 250,000 MT for users by strategically converting the current import terminal facility to export operations.

In today's business environment, it has become a national requirement to facilitate finding new markets for domestic production and promote our exports in the international market to earn back foreign revenue for the country. On its part as the airport operator and aviation service provider, AASL's strategy is to facilitate said national need with much-needed capacity for the future growth of industrial, general, and perishable exports originating from all corners of Sri Lanka, for faster air freighting. As part of the overall strategy, the new entrance building that was opened to the public in January 2023, offering an improved one-stop facility for all users of BIA Air Cargo premises, including the added efficiencies of an in-house developed automated vehicle management system.

With the current development plans underway, the proposed New Air Cargo Terminal will undoubtedly play a key role in supporting the future requirements and demands of the industry.

2) REVIVIFICATION OF INTEREST INCOME

AASL embarked on a strategic initiative aimed at revivifying its interest income. Through proactive financial management and innovative investment strategies, AASL sought to breathe new life into its interest earnings, thereby maximizing revenue streams and ensuring sustainable financial growth. By leveraging its assets and optimizing cash flow, AASL aimed to enhance its financial stability and reinforce its position as a leading player in the aviation industry. Through this revitalization effort, AASL aimed to capitalize on opportunities for increased profitability and long-term financial resilience.

Net interest income surged to LKR 14 billion, marking a significant turnaround of LKR 21 billion from the net finance charges reported in the previous year. This increase was primarily driven by higher interest income resulting from the rollover of existing LKR and USD fixed deposits at elevated interest rates. Additionally, increased investments were made possible by the cessation of repayment of foreign

loans obtained for the construction of MR1A, BIADP P11 S2 - First Loan and Runway overlay, as stipulated in the special letter dated 12 April 2022 issued by the General Treasury. This strategic financial maneuvering underscores the prudent management of resources by AASL, ensuring optimal utilization of funds for key infrastructure projects and operational enhancements. By capitalizing on higher interest rates and judiciously reallocating resources, AASL has not only bolstered its interest income but also strengthened its financial position. This newfound financial stability positions AASL to pursue future growth opportunities with confidence, reinforcing its commitment to excellence in aviation infrastructure and service delivery. As AASL continues on its path of financial revitalization, it remains poised to navigate the dynamic landscape of the aviation industry with resilience and foresight.

3) RESTORATION

AASL remains steadfast in its commitment to restoration and revitalization, undertaking numerous projects aimed at enhancing the country's aviation infrastructure. Through strategic planning and diligent execution, AASL has embarked on a multifaceted approach to restore and modernize key airports across Sri Lanka. From upgrading terminal facilities and runway enhancements to implementing advanced safety measures and technology-driven solutions, AASL is dedicated to ensuring that airports meet international standards and cater to the evolving needs of passengers and stakeholders. Moreover, AASL's restoration efforts extend beyond physical infrastructure, encompassing initiatives to promote environmental sustainability and community engagement. By prioritizing restoration and improvement across various projects, AASL demonstrates its unwavering commitment to enhancing Sri Lanka's aviation landscape for the benefit of all stakeholders.

Restoration efforts carried out by AASL during the year under review are set out below:

Commissioning of New Air Traffic Management System for BIA Operations

The Air Traffic Management system (ATM) of BIA has been replaced with modern technological features with the objective of developing infrastructural facilities and was declared open in November 2023.

BIA handles thousands of aircraft, serving as the main gateway for tourists and the citizens of the country. All these aircraft are controlled by the Air Traffic Controllers to guide them safely and efficiently within BIA airspace, using the support of a central system known as the Air Traffic Management System.

This central system integrates all the air surveillance data such as the data from radar systems and air traffic services messages communicated with other international and domestic airports. After processing all this data, the system

Management Discussion and Analysis

presents the controllers with a complete Air Situation Picture with all necessary automated alerts, warnings and a large number of dedicated system tools used for Air Traffic Management. The new Air Traffic Management system has been implemented at BIA, to ensure uninterrupted, safe, and efficient management of Air Traffic within BIA airspace.

This new ATM system introduced many major technological changes. For example, the Paper Based Flight Progress Data strips are completely replaced with Electronic Flight Strips which are fully synchronized among all Controller Working Positions. Hence, manual time-consuming processes such as billing functions have been fully automated, allowing controllers to dedicate their focus to a safer Air Traffic Control process.

Similarly, the new system integrates, processes, and interactively presents the Air Traffic Controllers with a large amount of flight data which were not available in the previous system. The new system has been designed to serve at least 10 years and possibly beyond that depending on the regulatory developments.



Commissioning of New ATM System

Inauguration of dedicated access road to the Passenger Terminal of BIA

AASL road expansion project was aimed to develop internal and external road accessing BIA with the objective of developing infrastructural was successfully completed and declared open in November 2023.

BIA has been experiencing heavy vehicle traffic during the peak hours causing many difficulties due to a lack of developed external and internal road network system. Accordingly, BIA explored the possibilities of having dedicated access to an airport with the neighboring landowner Board of Investment (BOI) and Road Development Authority (RDA).

In this context, with the approval of the AASL Board of Directors and Cabinet of Ministers, the project commenced with AASL funds of over LKR 600 million and planned to complete 1.71 km of road length in 3 stages as outlined below:

- **Stage I** - Construction of 660m length, 04 lane dual road from Awariwatta Junction to BOI entrance including junction improvements and installation of traffic signal light system.
- **Stage II** - Construction of required Drainage Development Canal works to reclaim the land for the construction of the road.
- **Stage III** - Construction of 1,050m length, 04 lane dual road from BOI entrance towards Minuwangoda including junction improvements, culverts, and installation of traffic signal light system.

Simultaneously, AASL has developed an internal road network in order to segregate departing and arriving passengers and has added more car parking facilities enhancing the convenience of the passengers and the visitors.



Inauguration of dedicated access road to BIA

SriLankan Airlines Expands Self Check-in and Self-Bag-Drop Services at BIA

SriLankan Airlines advances their passenger services at BIA with the introduction of self-service check-in and self-bag-drop services. This initiative is set to redefine the travel experience, placing convenience and efficiency at the forefront.

The new self-service kiosks aim to minimize waiting times during peak periods, allowing passengers to seamlessly navigate through the check-in process and swiftly proceed to emigration. Frequent travelers, in particular, will appreciate the streamlined check-in procedure facilitated by the user-friendly self-service kiosks with self-bag drop located in the Departure Terminal of BIA.

Passengers can now independently complete the entire check-in process, including flight check-in, seat selection, and printing of boarding passes and bag tags. Following this, they can effortlessly drop off their luggage at the self-bag-drop facility and proceed directly to the boarding gates after emigration clearance.

This venture is in alignment with SriLankan Airlines' broader digitalization strategy, supporting the IATA Fast Travel

initiative to enhance the overall travel experience. With this implementation, SriLankan Airlines proudly assumes the position of a regional pioneer in adopting self-service technologies for international travel.

SriLankan Airlines is committed to providing a seamless and technologically advanced travel experience for their passengers, including implementation of a Smart Channel featuring digital enhancements including not limited to biometric facial recognition, e-boarding gates, virtual and augmented reality, etc.

The “New Arrival Electronic Shopping Mall” at BIA was declared open for New Passenger Experience

With the objective of enhancing the passenger experience at the Arrival Duty-Free area at BIA, all duty-free electronic shops were relocated to the second floor of the Arrival Terminal building in January 2023.

The scope of work consisted of the construction of a new electronic mall on the second floor of the passenger terminal building, the shifting of 31 arrival duty-free shops from the first floor to the second floor, the installation of two escalators and two glass elevators, the construction of a structural steel staircase, the extension of three existing elevators and the construction of four washroom blocks, etc. This expansion of passenger facilitation and the shifting of the duty-free shops from the first floor to the second floor resulted in improving the image of the airport and Sri Lanka in every aspect. AASL spent approximately LKR 225 million on the relocation, which added a total floor area of 1,900m². This relocation is expected to facilitate the passengers’ use of their duty-free allowance for consumer electronics.

The overall expectation from the AASL by establishing the “BIA New Arrival Electronic Mall” is to enhance the arrival duty-free shopping experience of passengers and enhance the service quality of the airport and has been a dire need for BIA to make such a difference in the arrival duty-free goods and provide an enhanced customer experience.



New Arrival Electronic Shopping Mall at BIA

4) RECAPTURE

AASL has embarked on a series of strategic projects aimed at recapturing market share and solidifying its position as the key player in the aviation industry. Recognizing the evolving needs of passengers and the competitive landscape of the market, AASL has initiated a comprehensive approach to enhance its infrastructure, services, and operational efficiency. Through investments in modernizing airport facilities, improving customer experience and implementing innovative solutions, AASL is proactively addressing market demands and positioning itself for sustainable growth. By focusing on initiatives that align with market trends and customer preferences, AASL is committed to regaining and expanding its market share, ensuring its relevance and competitiveness in the dynamic aviation sector.

Given below is a list of initiatives carried out:

Warm welcome of the first group of tourists from Shanghai on China Eastern Airlines after the relaxation of outbound travel

The first group of Chinese from Shanghai, consisting 180 passengers, arrived at BIA in March 2023.

China Eastern Airlines commenced its operations as an offline carrier since 2004 and appointed Dart Aviation as their GSA for both passenger & cargo while operating six weekly flights from China.

China Eastern Airlines operated scheduled flights without any interruption between the two countries, and the only Chinese carrier operated to/from Sri Lanka during the most challenging times in the country and the airline industry between 2019 – 2023 during global pandemic.

China Eastern Airlines will have each three flights from Kunming and Shanghai to attract more tourists to this country.



Warm welcome of first group of tourists from Shanghai on China Eastern Airlines

Management Discussion and Analysis

AASL Signs Agreement to Establish Jet Fuel Supply and Storage Facility at the Premises of BIA

AASL and Cannel (Private) Limited entered into a long-term lease agreement to establish a Jet Fuel supply and storage facility at the BIA for purpose of importing, storing, distributing, transporting, selling and supplying Jet Fuel to service providers and aircrafts.

This was a significant achievement of AASL as the statutory service provider to grant the opportunity to Cannel (Private) Limited to establish another Jet fuel storage facility, which will result in expanding the market in order to supply Jet A-1 fuel without any shortage in future.

Earlier, the Cabinet Ministers granted approval to expand the market opportunities for the supply of Jet A-1 fuel to airlines. Accordingly, the Ministry of Ports, Shipping and Aviation has sought approval from the Cabinet Ministers for AASL to enter into an agreement.

Azur Air Resumes Operations to Sri Lanka

Azur Air resumed direct charter flights to Sri Lanka and the first flight arrived at BIA in November with 332 passengers. The flight was welcomed by a celebratory water cannon salute upon arrival at BIA.

Azur Air is scheduled to operate four flights per week from Venukov, Tolmochev, Kranoyarsk & St Petersburg of Russia.



Resumption of Azur Air operations

Turkish Airlines Commenced Direct Flights to Sri Lanka

After 10 years of operations in Sri Lanka, with a leg stopping over in Male, the airline commenced direct flights from Istanbul, Turkey, to Colombo, in October 2023 with four weekly flights.

The commencement of direct flights will enable Sri Lanka to connect with Europe and the Americas with shorter flight times, as well as shorter connection times in monumental Istanbul Airport.

The inaugural direct flight TK 730 landed at BIA, with 261 passengers.



Turkish Airlines launched direct flight from Istanbul

Thai AirAsia Resumes Operations to Sri Lanka

Thai AirAsia is back in action at BIA with four weekly flights between Bangkok and Colombo Resuming its operations, the first flight arrived at BIA in July 2023 with 137 passengers.



Thai Air Asia resumption of operations

Air China Resumes Operations to Sri Lanka

Air China reinstated services between BIA and Chengdu Tianfu International Airport from July 2023 with three flights a week and inaugural flight arrived with 142 passengers.



Air China resumed flight operations

5) REGENERATION

AASL has embarked on a series of strategies aimed at regeneration, with the goal of revitalizing its infrastructure, services, and operational efficiency. These regeneration strategies encompass various initiatives, including modernization projects, customer service enhancements, and sustainability efforts. By investing in the renovation

and expansion of airport facilities, AASL aims to create a more modern and passenger-friendly environment that meets the evolving needs of travelers. Additionally, by implementing innovative technologies and processes, AASL seeks to streamline operations and improve overall efficiency. Furthermore, AASL is committed to sustainability and environmental stewardship, integrating green practices and initiatives into its regeneration efforts. Through these comprehensive strategies, AASL aims to rejuvenate its airports, enhance the passenger experience, and ensure long-term viability and growth in the aviation sector.

Given below are the two key projects which AASL embarked upon during the year under review.

AASL Launched Solar Power Generation Project at BIA

AASL has taken steps to enhance the renewable energy share to meet the growing challenges for the power and energy sector, going ahead with the sustainable development goals. In November 2023, AASL commissioned its next solar photovoltaic project of a 100kWp plant on the rooftop of the passenger terminal building at BIA by investing LKR 19 million. It is estimated the daily power generation of 600 kWh energy units or 18,000 kWh energy units per month and the generated energy would be sufficient to power 200 ordinary houses in Sri Lanka.

AASL Launches Ground Handling Service Training Wing at MRIA for International Flight Operations

In May 2023, AASL marked another historical milestone by launching its own Ground Handling Services Training Wing at MRIA with the aim of providing ground handling services for international flight operations.

Ground handling is a critical activity at an airport and acts as an interface between the airport and the airlines. Ground handling plays an important role which manages the efficiency and ease of flow at the airport. AASL ground handling service at MRIA was launched by providing its ground handling services to domestic airlines with incoming passengers. The ground handling staff successfully handled the ground operations according to international standards meeting all regulatory requirements and provided all the services as required. This new ground handling team comprises employees who have relevant ground handling experience and the team has been given the necessary skill training and other mandatory training to achieve the highest level of performance while handling aircraft on the ground. AASL has taken initiatives to recruit the relevant human capital requirements and further training for the dedicated ground handling team commenced at Mattala with the long term objective of establishing fully fledged ground handling services wing at AASL. By launching this, AASL will be able to contribute to increase the aeronautical revenue component of AASL and this is a timely move in this challenging and dynamic business environment.

Currently, AASL provides ground handling services at CIAR and JIA for the domestic and international airlines. With this move, AASL will be able to provide ground handling services at Mattala in the future and the service will be extended to BIA for international operations too.

6) REINFORCEMENT

AASL has initiated a series of reinforcement projects aimed at enhancing the resilience and reliability of its airport infrastructure. These projects involve strengthening critical components of airport facilities, such as runways, taxiways, terminals, and air traffic management systems, to ensure they can withstand the demands of modern aviation operations. Additionally, AASL is implementing measures to enhance safety and security standards, including the installation of advanced surveillance and monitoring systems. By investing in these reinforcement projects, AASL aims to fortify its airports against potential risks and challenges, while also improving operational efficiency and the overall passenger experience. Through strategic planning and execution, AASL is committed to maintaining its position as the leading organization in aviation infrastructure and services.

Given below are some of the initiatives embarked upon in this area:

Magzter Transforms BIA and JIA into South Asia's first Smart Reading Airport

In an exciting development, Magzter, the World's largest digital newsstand (www.magzter.com), is set to revolutionize the airport passenger experience in Sri Lanka. BIA and JIA have joined hands with Magzter to become the first Smart Reading Airports in South Asia, offering passengers a cutting-edge, fully contactless and paperless digital reading experience of their favourite magazines and newspapers while they are at the airport.

Magzter's partnership with the AASL enables passengers to access a diverse collection of over 8,000 leading magazines, newspapers, journals and comics for free while they are in the airport. Passengers can download the Magzter app from the Apple Store or Google Play to get free unlimited reading access within these geo-fenced zones, eliminating the need for a subscription. When they are at the airport, they can open the Magzter app, go to "SRZ" tab, grant location permission for the app and get free unlimited reading access.

Since air passengers usually wait for a considerable amount of time at the gate before boarding their flights, they are always on the lookout for interesting ways to spend their wait time productively. This innovative initiative is sure to enhance the passenger experience by providing access to thousands of popular magazines and newspapers spanning over 40 categories, including automotive, business, comics, entertainment, fashion, health, lifestyle, news, politics, science, sports, technology and travel. Passengers can also

Management Discussion and Analysis

download their favourite titles while at the airport and access them offline during the flight.

While Magzter's extensive catalogue features several regional Sri Lankan favourites like Business Today, Lanka Woman, Explore Sri Lanka, Sirikatha, Lankadeepa, Divaina, Daily Mirror and The Island, it also provides an exciting array of content for travellers from key tourist-inflow countries to Sri Lanka, including India, UK, USA, Singapore, Malaysia and Thailand. Some of the best-selling global titles available on Magzter include Time magazine, Newsweek, Car & Driver, India Today, Filmfare, Business Standard, Hello!, T3, The Guardian, Cosmopolitan, Elle, Vogue, GQ, Her World, Forbes and Bangkok Post among 1,000s of others.

By encouraging millions of people to read digitally across the globe, Magzter has so far saved tens of thousands of trees and other natural resources, thereby playing an active role in fostering the "Go Green" initiative. This partnership marks a significant step forward in the digital reading revolution, aligning with Magzter's commitment to providing a touch-free and eco-friendly reading experience. As Magzter continues to expand its global footprint, the Smart Reading Airport concept is set to redefine the travel experience for millions of passengers around the world.

The upgraded 'Aeronautical Information Management System' (AIMS) at BIA Declared Open

Consequent to fulfilling the mandatory ICAO requirement of quality assurance, the AIM Unit of AASL successfully managed to obtain ISO 9001:2018 QMS Certification.

This project marks a significant milestone in AASL efforts to enhance aviation information management and promote safer, resilient, and efficient air travel within the State, and it allows pilots, airline operators, air traffic controllers, and other interested parties to access the latest flight information, and aeronautical maps and charts, submit e-flight plans, as well as to share NOTAMs.

In an increasingly data-reliant automated environment, the smooth and timely flow of accurate, high-quality digital information between aviation actors is of critical importance. Flight plans, NOTAMs and the latest flight information need to be shared among all airspace users. High-quality aeronautical data is the very first and crucial requirement to ensure safe air navigation. This can be achieved through a single point of true aeronautical database, delivering fully auditable data while preserving the authenticity and integrity of data. Duplicated data are removed, and the risk of data entry errors is clearly minimized.

To cater to this requirement, AASL purchased the Thales Top-Sky AIM System in 2018. The acquisition incurred Euro 3.3 million plus LKR 74 million (equivalent to LKR 1.2 billion at present value). Thales Top-Sky AIM System is one of the

most complete, reliable, and globally trusted AIM suites, accessible to all, answering the latest standards and reducing the need for human intervention. It includes a modular set of interoperable components covering the full range of AIM functions.

This endeavour will align the state with ICAO requirements and industry standards, bringing AASL on par with neighboring states in the Asia Pacific Region.

While the role of aeronautical information, maps, and charts are the foundation building blocks for the successful transition to a global air navigation system, the core of these building blocks lies in the Quality Management System, which will ensure timely provision of quality aeronautical information to the aviation community.

Consequent to fulfilling the mandatory ICAO requirement of quality assurance, AASL successfully managed to obtain ISO 9001:2018 QMS Certification within a very stipulated timeframe.



Upgrade of AIMS at BIA

The New "Digital Voice Communication Switching System" (DVCS System) at BIA Declared Open

The new DVCS System at BIA was declared open in August 2023.

This project has been entirely funded by AASL at a cost of LKR 670 million and this new DVCS system manages all the technical overhead by automatically relaying the Air Traffic Controllers' communication through these air ground stations towards aircraft. It plays a vital role as it gives access to all the communications through a single touch display in front of Air Traffic Controllers.

Alliance Air Increases its Frequency of Daily Flights between Jaffna and Chennai

India's regional carrier Alliance Air has announced the increase of its direct flights between the South Indian city of Chennai and Jaffna in north Sri Lanka. From July onwards Alliance Air will operate daily direct flights to Jaffna from Chennai.

Jaffna to Chennai Alliance Air direct flight operation was started in 2019 but had to be suspended due to the onset of the COVID pandemic and resumed in December 2022.

Before the service, Sri Lankans in the Northern region had to travel to Katunayake by train or a nearly eight-hour-road trip to take a flight out of the country.

The increase in Chennai-Jaffna flight operations is excellent news for the people living in the Northern Province. The daily direct flights between Jaffna and Chennai will be a piece of excellent news to the industry community residing in the Northern region since this will give more connectivity with India for trade and business interests, tourism, and personal visiting.

Qatar Airways Introduces its 5th Daily Frequency to/from Colombo

Qatar Airways introduces its fifth daily frequency to/from Colombo, effective from June 2023. The additional frequency will offer connectivity to over 160 destinations worldwide. At present, Qatar Airways handles approximately 21,000 passengers per week at BIA. AASL is happy to facilitate the increase in frequencies of Qatar Airways, which contributes to the development of the country.

Online Filling of the Arrival Cards (for Foreigners) and Departure Cards (for Sri Lankans)

With effect from January 2023, facilities have been provided to complete the arrival cards (for foreigners coming to Sri Lanka) and the departure cards (for Sri Lankans leaving the country) online.

Accordingly, air passengers have been facilitated to fill out these cards online three days prior to their travel by visiting the official website, www.immigration.gov.lk of the Department of Immigration and Emigration or through the <https://eservices.immigration.gov.lk> web page. Thereby, it enables the passengers to complete the immigration and emigration formalities without any inconvenience.

7) REWARDS

AASL is dedicated to pursuing excellence and achieving awards in various aspects of airport management and operations. Through continuous improvement initiatives and strategic planning, AASL aims to meet and exceed international standards for airport services, safety, and efficiency. By actively participating in industry awards and recognition programs, AASL seeks to showcase its achievements and innovations, while also benchmarking its performance against global best practices. Additionally, the pursuit of awards serves as a motivation for AASL staff to strive for excellence in their respective roles, fostering a culture of continuous improvement and excellence throughout the organization. Ultimately, AASL's focus on

achieving awards underscores its commitment to providing world-class airport services and contributing to the overall development of Sri Lanka's aviation sector.

Given below are the accolades achieved by AASL

AASL Won the Runner-up Award for the “Best Managed Project” at the National Project Management Excellence Awards 2023

We are honoured and proud to announce that the project carried out by AASL to refurbish the Araliya Lounge at BIA has won the runner-up award for the “Best Managed Project” under the category of Transport and Logistic sector at the National Project Management Excellence Awards 2023 conducted by the Project Management Institute, Sri Lanka recently.



AASL won Runner-up Award for Best Managed Project

8) RESEARCH

AASL has initiated research endeavors to deepen its insights into various facets of airport management and operations. These strategic research initiatives encompass a broad spectrum of topics, ranging from passenger behavior and safety protocols to environmental sustainability and operational efficiency. By delving into these areas, AASL aims to enhance its decision-making processes, refine service delivery, and optimize resource allocation. Moreover, research serves as a catalyst for innovation within AASL, driving continuous improvement and bolstering the organization's competitiveness in the global aviation arena.

Given below is the project which was carried out during the year:

Transforming Aviation for a Sustainable & Digitalized World: 1st International Conference on Aviation Research (ICAR) 2023

In a resounding affirmation of its commitment to advancement and innovation, AASL hosted the inaugural event of 1st ICAR 2023 at BIA in August, 2023, drawing experts, and professionals from the aviation community, marking a transformative moment for the aviation industry.

Management Discussion and Analysis

Under the resounding theme, **‘Transforming Aviation for a Sustainable and Digitalized World,’** the conference on Aviation Research served as a global platform for aviation industry practitioners, academia, researchers and students to converge and share their intellectual contributions, addressing the most pressing contemporary aviation challenges. AASL organized this event with the primary objective of fostering collaboration, knowledge exchange, and innovation to shape the future of aviation.

The proposed conference is expected to cover the research areas such as Airport Operations and Management, Airline Management and Economics, Air Traffic Management and Control, Aviation Safety and Security, Sustainable Aviation and Environmental Impact, Emerging Technologies in Aviation, Aviation Education and Training, Aviation Economics and Policy, Tourism and Hospitality, and Aviation Human Factors and Ergonomics.

With the 1st ICAR 2023, AASL has successfully pioneered a platform that bridges the gap between academia, industry, and research, forging a path toward a sustainable and digitally enhanced aviation landscape.

In a world where the aviation industry is undergoing transformative changes, the 1st ICAR 2023 stands as a beacon of enlightenment and innovation, heralding a new dawn for aviation.

9) RELIANCE

AASL adheres to reliance standards, ensuring robust compliance with established guidelines and regulations.

The following is one of the milestones which was achieved during the year.

AASL has fulfilled the requirements of the aviation security systems at Sri Lanka Airports to meet the standards of the Universal Security Audit Programme-Continuous Monitoring Approach (USAP - CMA).

AASL, as the civil airport operator and the aviation services provider, has been able to meet the ICAO requirements for the aviation security systems at BIA and other airports, reassuring that Sri Lanka’s airports and skies are safe.

During the month of May 2023, a special expert team comprising the international audit team of ICAO conducted the audit on Sri Lanka’s aviation security systems under the Universal Security Audit Programme Continuous Monitoring Approach (USAP-CMA). Under the audit, eight critical areas, such as the regulatory framework of the national aviation security system, training of aviation security personnel, quality control functions, airport operations, passenger and baggage security, etc., and several others, were audited impartially by a four-member expert audit team. During the audit process carried out at BIA over a period of 11 days, scrutiny of the aviation security systems revealed that Sri Lanka is flying high in its performance.

It is important to highlight that at the concluding event, the post-audit debriefing by the ICAO audit team leader – Mr. Aurelien Lavayssiere, presented the interim report and declared that Sri Lanka has achieved 92% of the score. In the previous audit carried out in 2012, the score achieved was 85.6%. Therefore, as the operator of civil airports in Sri Lanka, AASL recognizes this as a great achievement to score 92% this time because of the hard work and commitment of aviation security, airport management, other related institutions and all other agencies.

10) REACH

AASL is steadfast in its commitment to reaching significant milestones, striving for excellence in every aspect of its operations. With a clear focus on innovation, efficiency and service quality, AASL continuously endeavours to achieve new heights in airport management and aviation services. Through strategic planning, rigorous implementation and a dedicated workforce, AASL is poised to realize its vision and contribute to the advancement of Sri Lanka’s aviation sector. By setting ambitious goals and pursuing them with determination, AASL aims to make a lasting impact and establish itself as a leader in the global aviation industry.

Celebrating the 40th Anniversary of AASL

AASL celebrated its 40th anniversary by organizing an all-night pirth chanting ceremony at the BIA in March 2023 and morning alms giving was held for 14 Buddhist Priests on the following day.



Pirith Ceremony to commemorate 40th Anniversary of AASL

MRIA celebrates its 10th Anniversary

Amid challenges, hope emerges MRJA, the second international airport in Sri Lanka, which was inaugurated on 18th March 2013, celebrates its 10th anniversary on 18th March 2023. The airport has passed a decade of many challenges, and currently, it is emerging with aspirations to expand Sri Lanka's aviation industry.

The airport continued operations from its inception until 2015. However, during the period of 2015 to 2020, the scheduled international airline operations were discontinued. In the year 2020, AASL launched its strategies to revive international airport operations.

Apparently, the airport had to face unexpected challenges due to the global pandemic situation. The airport was able to serve the repatriation flight operations during the global pandemic and facilitated 17,421 passengers in 2020 and 32,945 passengers in 2021. However, the political and economic crisis that prevailed in the country during the year 2022 affected the continuation of its charter flight operations that the airport was facilitating to new tourist destinations such as Kazakhstan, Russia, Ukraine, Uzbekistan, etc. The airlines and the tourists arriving from destinations such as Ukraine and Russia were affected by the war situation too.

In the year 2023, with the gradual recovery of the economic situation of the country, there will be satisfactory growth in the number of international tourists arriving through the exotic gateway. For example, MRJA facilitated 125,623 international passengers in year 2023, representing a growth more than 100% compared to year 2022. Further, during the year, MRJA facilitated 548 international aircraft movements.

MRJA has been able to attract more Russian tourists to the country through the charter flight operations of Red Wings Airlines of Russia, which operates four flights a week. Further, resuming charter operations, MRJA was able to facilitate the first charter flight of SCAT Airlines of Kazakhstan in March 2023. During the past few months, unveiling its untapped

potential, MRJA has been able to attract international tourists to the most famous destinations surrounded by well-known tourist attractions, such as wildlife, beaches, and cultural and religious places contributing to the socio-economic development in the region. In addition, MRJA has been a key strategic airport for technical stops for several international airlines, and it's noteworthy to highlight that MRJA has been a preferred choice for those international airlines for technical stops during the past few years.

While it is attempting to make use of the resources at MRJA and enhance the connectivity by attracting airlines and facilitating the travel and tourism industry to do more flight operations from and to MRJA, AASL is taking every step possible to increase the socio-economic contribution of the airport to the country. As a result of that, with the approval of the Cabinet Ministers, the Ministry of Ports, Shipping and Aviation, AASL is in the process of calling proposals for investments in the establishment of MRO facilities, Aerospace Engineering and Manufacturing, Fixed Based Operations (FBO), air-sea cargo processing, aircraft disassembly and recycling, hospitality, tourism, recreation & leisure, adventure, freight forwarding, courier services, resort hotels and villas, branded shopping outlets, industrial parks (manufacturing, packaging, warehousing) and the renewable energy industry, etc.

AASL has recognized the strategic importance of MRJA and expects to continue its efforts to increase the contribution of the airport to the socio-economic development of the country.



Passenger increase at MRJA





A *Resurgence*
innovation and upgrades

FINANCIAL REVIEW

In this financial review, we delve into the fiscal performance of the Airport and Aviation Services (Sri Lanka) Limited (AASL) for the period under consideration. AASL, as a pivotal entity in the aviation sector, plays a crucial role in facilitating air travel and supporting airport operations within Sri Lanka. This analysis will provide insights into the key financial metrics, operational highlights and strategic initiatives undertaken by AASL during the review period, offering stakeholders a comprehensive understanding of the organization's financial health and performance.



LKR **38,376** Mn
(2022 LKR 27,577 Mn)

Revenue



LKR **14,324** Mn
(2022 LKR -6,202 Mn)

Net Finance Income



LKR **19,315** Mn
(2022 LKR 12,635 Mn)

Operational Profit



LKR **28,122** Mn
(2022 LKR 4,803 Mn)

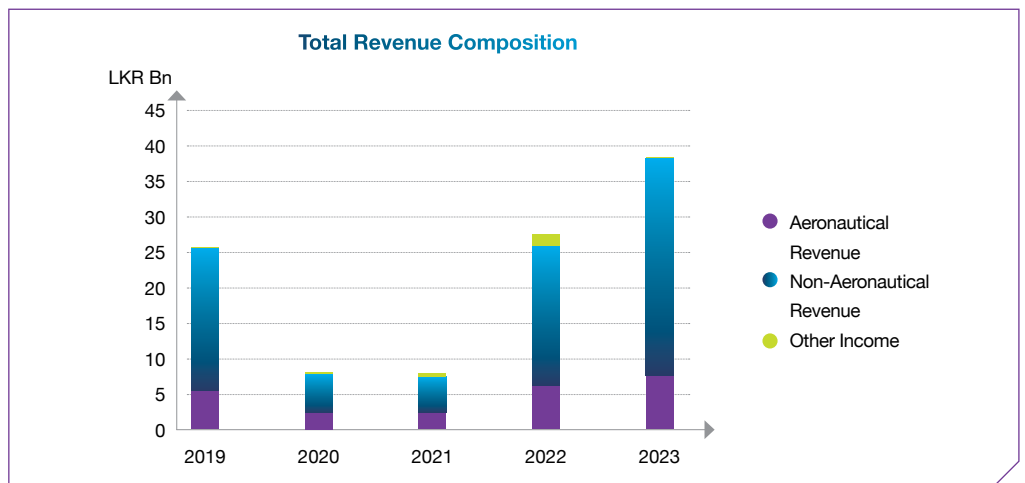
Profit After Tax



LKR **191,542** Mn
(2022 LKR 179,530 Mn)

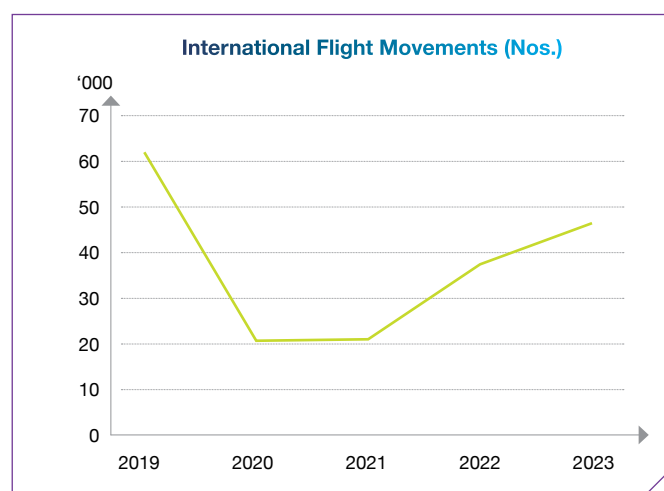
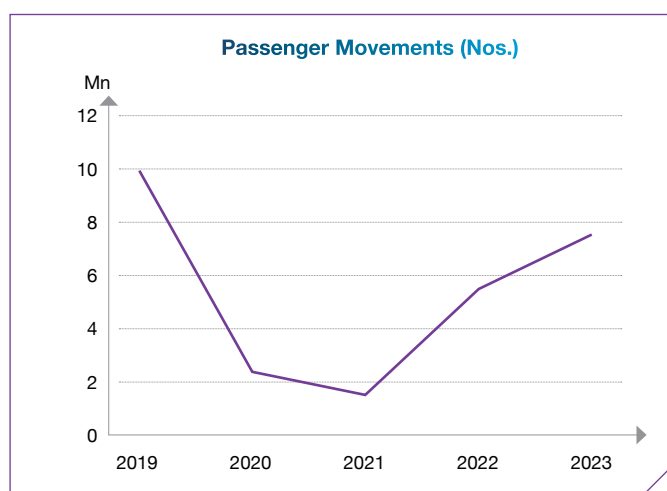
Assets

REVENUE



BEHAVIOUR OF AIR TRAFFIC MOVEMENTS

Description	2019	2020	2021	2022	2023
International passenger Movements	9,958,688	2,375,056	1,505,479	5,503,198	7,548,646
International Aircraft Movements	62,195	20,881	21,204	37,641	46,639
Overflying Movements	45,674	16,370	9,339	23,846	35,506
Cargo Movements	259,089MT	150,075MT	200,179 MT	173,597 MT	158,911 MT



The primary factors influencing the revenue streams of AASL are aircraft movements and passenger movements. Notably, international passenger movements showed a significant increase of 37% compared to the previous year, while international aircraft movements experienced a growth of 24%.

Consequently, in the current fiscal year, AASL achieved a total revenue of LKR 38,376 million, marking a substantial 39% increase over the previous year.

AASL's revenue streams primarily consist of income generated from aeronautical operations and non-aeronautical activities. The major revenue sources within these activities are further categorized as follows:

Major Aeronautical Revenue

▶ Landing & Parking income

▶ Overflying income

▶ Aerobridge income

▶ Domestic Landing & Parking income

Major Non-Aeronautical Revenue

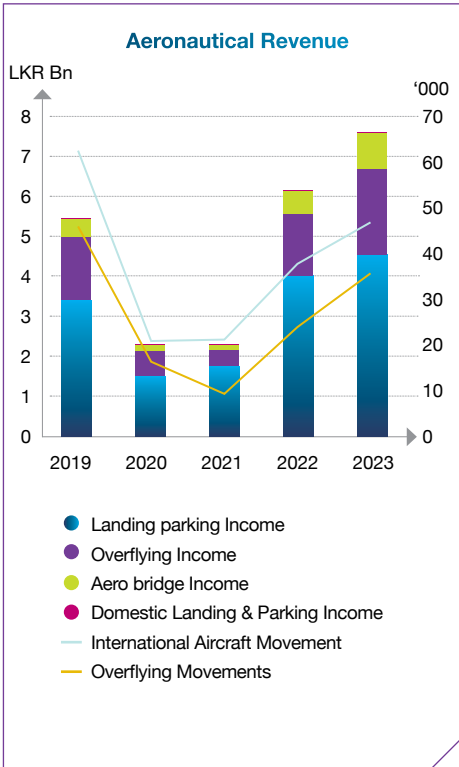
▶ Concession

▶ Embarkation Levy

▶ Rental

▶ Other Non-Aeronautical Income

Financial Review

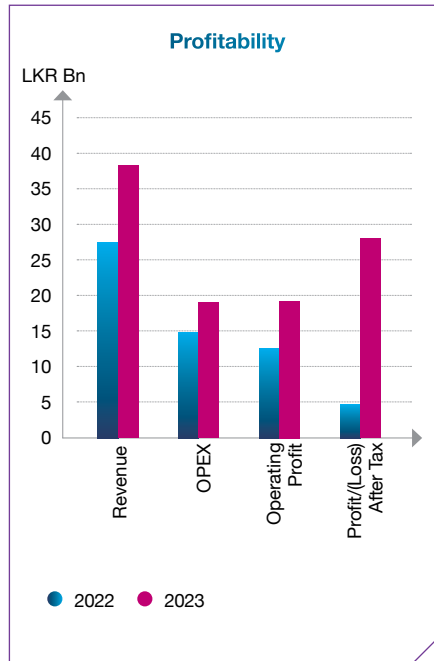
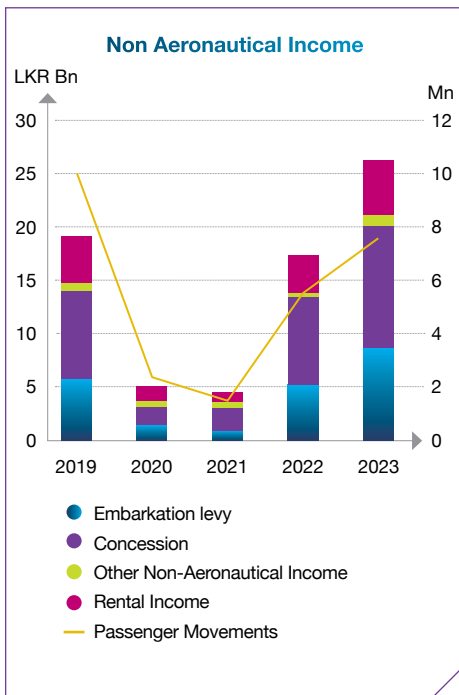


PROFITABILITY

In the financial year 2023, AASL demonstrated robust profitability, with an operating profit totaling LKR 19,315 million. This figure represents a remarkable 53% increase compared to the preceding year, underscoring the company’s effective management of operational costs and revenue optimization strategies. Such substantial growth in operating profit reflects AASL’s resilience and adaptability in navigating the challenges of the aviation industry while capitalizing on opportunities for sustainable growth. This achievement underscores the company’s commitment to delivering value to its stakeholders and reinforces its position as a leading player in the aviation sector within Sri Lanka and beyond.

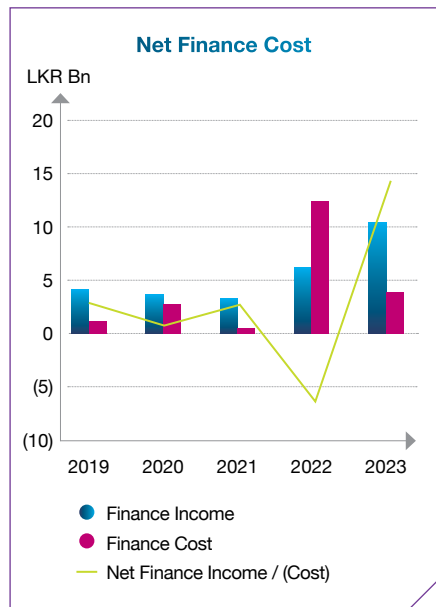
OPERATING EXPENSES

Operating expenses are a critical component of any organization’s financial performance, encompassing various categories such as personnel costs, administration and establishment, repair and maintenance expenses and depreciation expenses. In the case of AASL for the financial year under review, these operational costs amounted to LKR 19,061 million. This figure represents a notable 28% increase compared to the preceding year, signifying the company’s efforts to sustain and enhance its operational infrastructure and services. While the rise in operational costs presents a challenge, it also reflects investments made in key areas to support the company’s growth objectives and maintain service excellence. Managing these expenses efficiently is crucial for AASL to ensure sustainable profitability and long-term success in the dynamic aviation industry landscape.



NET FINANCE COST/INCOME

Net finance cost/income is a significant aspect of a company’s financial performance, reflecting the impact of interest expenses and income on its bottom line. For the financial year under review, AASL’s net finance cost/income played a pivotal role in shaping its overall financial picture. This metric encompasses various financial activities such as interest expenses on loans, interest income from investments, and other financial transactions. AASL’s net finance cost/income for the period in question has contributed to its overall profitability and financial stability. Understanding and effectively managing this aspect of the company’s finances is crucial for optimizing its capital structure and ensuring sustainable growth in the long run. Through prudent financial management and strategic decision-making, AASL aims to leverage its net finance cost/income to support its operational objectives and enhance shareholder value.

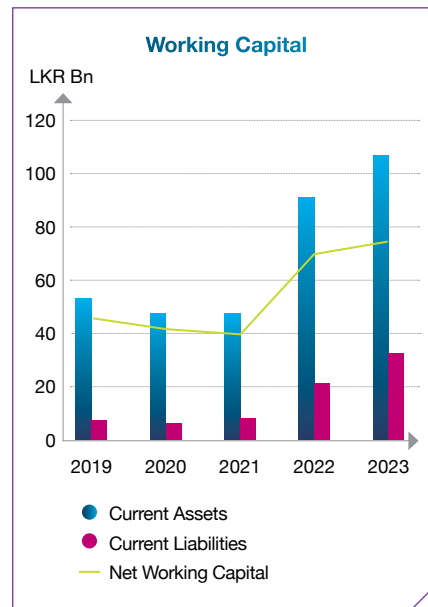


To address the fluctuating exchange rates and capitalize on favorable interest rates, AASL increased its investments in US Dollar Fixed Deposits by 28%, reaching US\$ 267 million from US\$ 208 million. This strategic move aimed to take advantage of higher interest rates offered on USD deposits compared to LKR Fixed Deposits and to mitigate potential exchange rate risks.

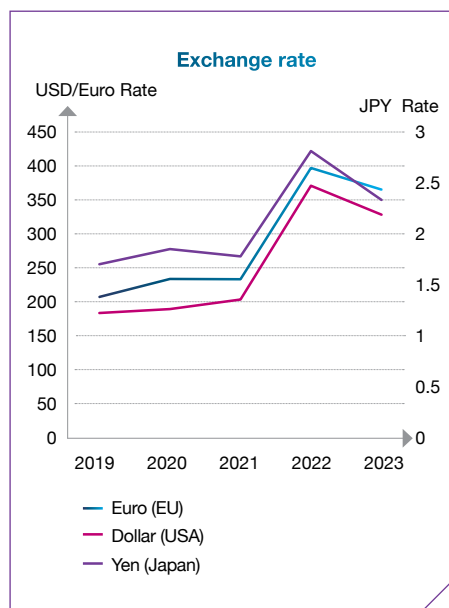
FINANCIAL POSITION

Assets

By the end of 31 December 2023, the financial standing of the company reached LKR 191,542 million, marking a notable increase from the starting position of LKR 179,530 million at the beginning of the period. This upward trajectory in the company’s financial position reflects its resilience and strategic financial management amidst evolving market conditions. The growth in financial position signifies the company’s ability to effectively manage its resources, navigate challenges, and capitalize on opportunities for sustainable growth. As the company continues to strengthen its foothold in the industry, this enhanced financial standing provides a solid foundation for future endeavours and reinforces its commitment to delivering value to stakeholders.



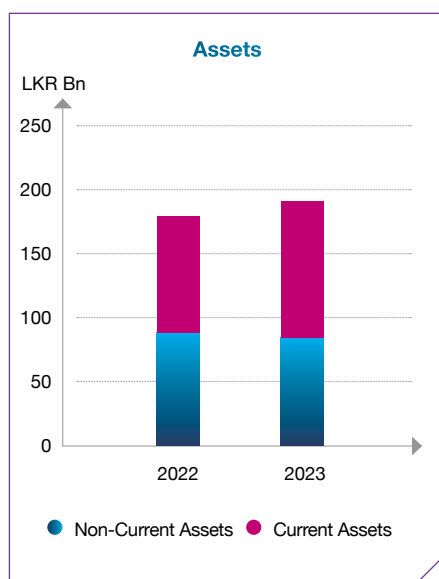
EXCHANGE RATE GAINS



During the initial half of the year, the Sri Lankan Rupee (LKR) experienced depreciation against major currencies including the US Dollar, Japanese Yen, and Euro. However, following the receipt of IMF loan, the LKR gradually appreciated. The annual average exchange rate of the LKR against the Japanese Yen saw an appreciation of 17%, against the US Dollar by 12% and against the Euro by 8% comparatively to the year 2022.

Working Capital

At the conclusion of the year 2023, the Company’s net working capital amounted to LKR 74,662 million, reflecting a 6% increase compared to the previous year. This growth underscores the Company’s strengthened liquidity position and its ability to effectively manage its current assets and liabilities. With a current ratio of 3.31, the Company demonstrates ample availability of current assets to meet its current liabilities, highlighting its financial stability. Similarly, the quick ratio of 3.20 indicates the Company’s ability to cover its current liabilities without relying on inventory, further bolstering its liquidity position. Moreover, the working capital against the total asset ratio stood at 39% in 2023, showcasing the Company’s prudent management of its working capital in relation to its overall asset base.



Debts

AASL’s debts comprises both short term and long term proportions of foreign loans and the debenture loan obtained from a local commercial bank. Total debts as at balance sheet date was LKR 93,914 million which was a drop of 15% compared to the previous year. This includes long term loans of LKR 73,992 million and short term loans

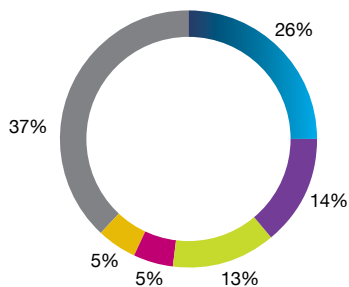
Financial Review

of LKR 19,922 million. Short term loan comprises the portion of loan payable within one-year period of time related to long term loans. There was a 87% decrease of loan obtained as well as the loan repayment by 69% during the year 2023. Company ceased repayment of foreign loans obtained for purposes of construction of MRIA, Runway Overlay and development of BIA Phase II Stage 2 projects as per the special letter dated 12 April 2022 issued by General Treasury and amounts appear as payables as at 31 December 2023. AASL's gearing level dropped to 3% from 40% with increased short term bank deposits and favorable exchange difference against foreign loan payables.

STATEMENT OF VALUE ADDITION

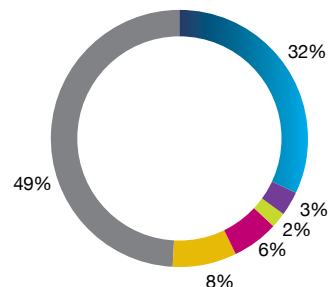
	2023 LKR '000		2022 LKR '000		
Revenue	38,245,784		25,936,399		
Other Income	130,045		1,640,401		
Finance Income	10,428,196		6,206,671		
Gain/(Loss) arising on changes in Actuarial assumption	(207,575)		(278,211)		
	48,596,450		33,505,260		
Administration Establishment Expenses	(5,949,949)		(2,579,345)		
Value Addition	42,646,501		30,925,915		
Distribution of Value Added					
To Employees	Remuneration & Benefits	10,989,966	26%	9,995,360	32%
To the Government	Taxes	5,886,761	14%	877,224	3%
To Share Holders	Dividends	5,500,000	13%	500,000	2%
To the Providers of Debt Capital	Interest	2,225,201	5%	1,854,365	6%
Retained within the business	Depreciation & Amortisation	2,121,243	5%	2,366,794	8%
Retained within the business	Reserves	15,923,329	37%	15,332,172	49%
		42,646,501	100%	30,925,915	100%

Distribution of Value Added 2023



- To Employees - Remuneration & Benefits
- To the Government - Taxes
- To Share Holders - Dividends
- To the Providers of Debt Capital - Interest
- Retained within the business - Depreciation & Amortisation
- Retained within the business - Reserves

Distribution of Value Added 2022



- To Employees - Remuneration & Benefits
- To the Government - Taxes
- To Share Holders - Dividends
- To the Providers of Debt Capital - Interest
- Retained within the business - Depreciation & Amortisation
- Retained within the business - Reserves

Human Resource Management



HUMAN RESOURCE DEVELOPMENT

Human Resources Development plays a pivotal role in fostering a learning culture within an organization and its performance as the dual functionality of an investment arm, it develops employees who become an investment to the business and thus creating a stronger and more effective workforce. Despite the many economical barriers which dotted the landscape, we at AASL continued to invest in training and development to meet the growing demand of upskilling our workforce and getting them future ready. Our learning strategy is based on 70:20:10 principle and is used as the foundation for developing learning interventions to reach full potential. During the year 2023, the company invested LKR 36 million for learning sphere, with the objective of continuously developing the knowledge, skills and abilities (KSA) of our employees; apparently 1,856 employees were trained locally and 132 internationally. This was an impressive achievement

as we were able to train 127.45% more employees in comparison to 2022 (2022: 874 Nos.). Further, we were able to coordinate with Sri Lanka Airport & Aviation Academy (SLAAA)-Ratmalana to train 256 employees. As a part of the company's corporate social responsibility, 139 industrial training opportunities were provided to students from various universities and training institutions. This initiative laid the ground work in developing long lasting relationships with key state and private universities in the country.

Understanding the timely importance of addressing the elevated stress levels experienced by many employees amidst the economic and financial crisis affecting the nation, AASL took proactive measures to support its workforce. We initiated counseling programs in collaboration with company employee counselors and industry experts to equip a select group of staff members as 'Active

Listeners'. Their role involves identifying colleagues in need of assistance and guiding them towards personalized counseling sessions. Additionally, we allocated additional resources to enhance the customer service skills of our frontline staff. This investment is crucial for elevating and maintaining service levels, as our business sustainability is intrinsically tied to customer satisfaction.

We've assumed the responsibility of reimbursing single professional subscription relevant to the field of work for our professionally qualified staff. We firmly believe in supporting employees to maintain their professional memberships, which not only adds value to their work and knowledge but also assists them in fulfilling their assigned duties effectively. Additionally, we've initiated sponsorship programs to enable our employees to attend National Conferences pertinent to their professions or fields of work.

Human Resource Management

This initiative aims to enhance their knowledge base and provide insights into the latest developments in their respective fields.

HUMAN RESOURCE INFORMATION & PERFORMANCE MANAGEMENT

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

AASL currently has two performance management systems in practice to measure the performance of the employee.

- The Performance Management and Development System (PMDS) - Executive cadre
- 180° Appraisal System - Non-Executive cadre.

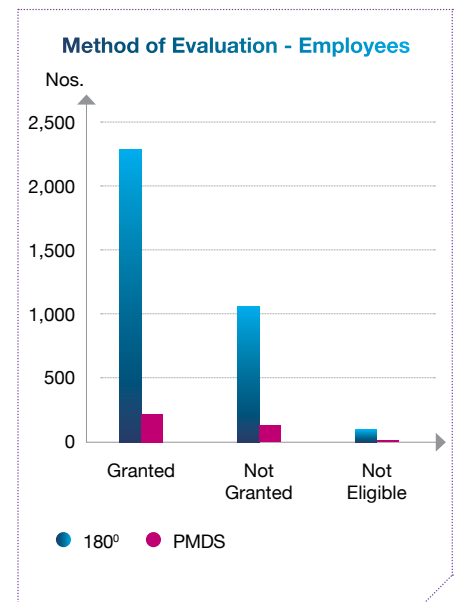
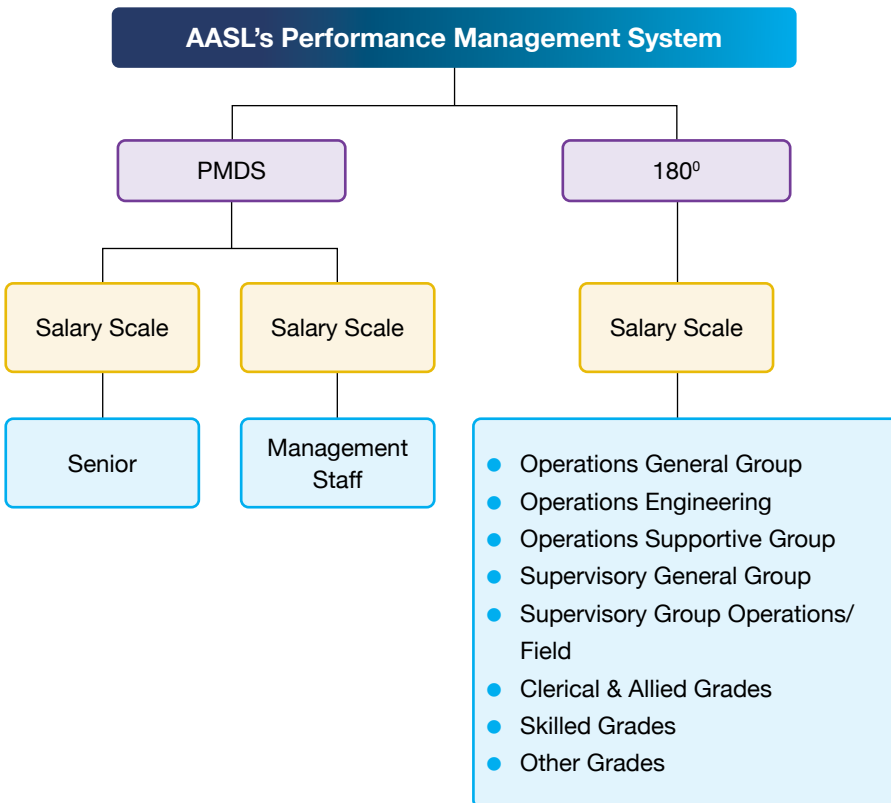
Under PMDS, officers categorized under Senior Managerial and Managerial level are appraised on achieving the objectives of the job and the benchmarks of behavioral competencies. This entails setting goals and performance standards (individual development goals), carrying out mid-year reviews, performance ratings, performance oriented action & rewarding staff.

All other Non-Executive staff are appraised using the 180° appraisal system. The employees’ job knowledge, skills and attitudes will be assessed under this Performance Management System. Accordingly, self-appraisals are being filled and appraisal interviews are conducted with performance appraisal report granted by the immediate supervisor and report and final review by Head of Division.

GRANTING OF ANNUAL INCREMENTS

The groups of employees discharged their duties satisfactorily and earned annual increments based on their overall performance.

The method of evaluation falls under the following two categories:



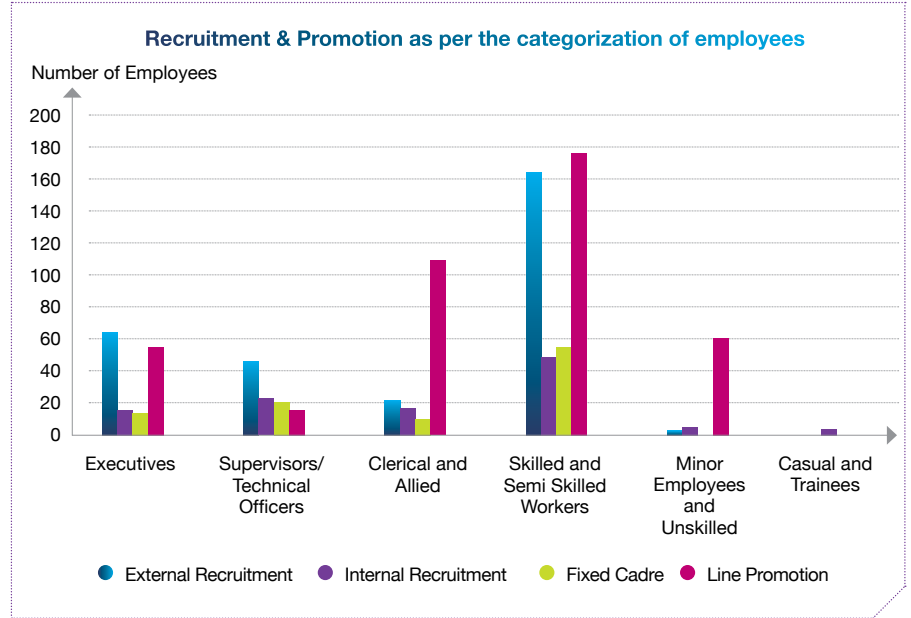
The employees discharged their duties satisfactorily earned annual increments based on their overall performance. A total of 3,801 employees received their annual increments in 2023 following the implementation of the two performance management systems mentioned earlier.

HUMAN RESOURCES PLANNING AND STAFFING

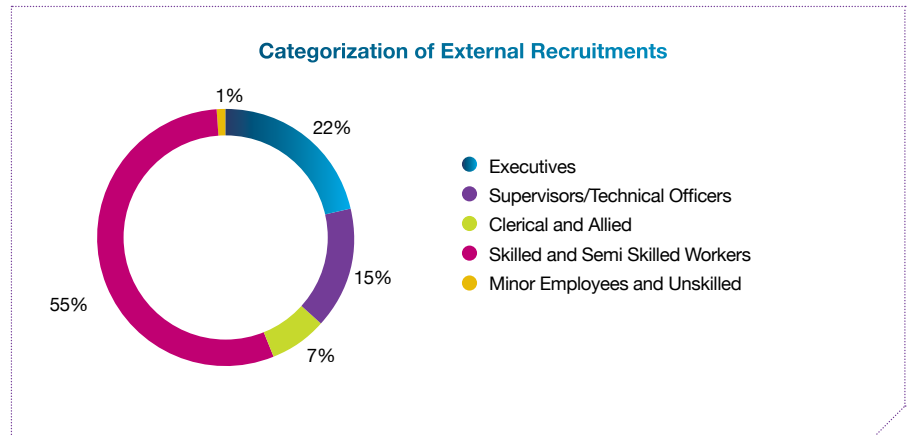
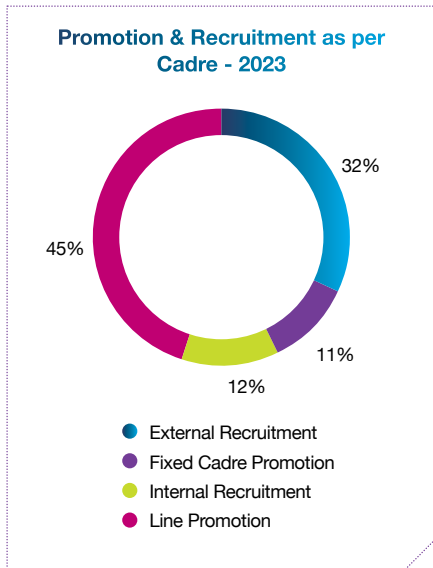
The Human Resources Division remains steadfast in its commitment to cater the manpower needs of each and every division and facilitating staff promotions to maintain a steady workforce for the efficient functioning of all airports. Throughout 2023 the Division encountered various challenges, including Government-imposed restrictions on staff recruitment, employee resignations, and changes in the retirement age mandated by Government decisions. Consequently, external recruitment efforts were constrained, resulting in the hiring of only 299 new employees out of the total employee turnover during the year 2023.

Nevertheless, despite these challenges, the HR Division successfully assimilated talent from diverse sources during the review period, as outlined below:

The distribution of all recruitments and promotions as per the categorization of employees are depicted below:



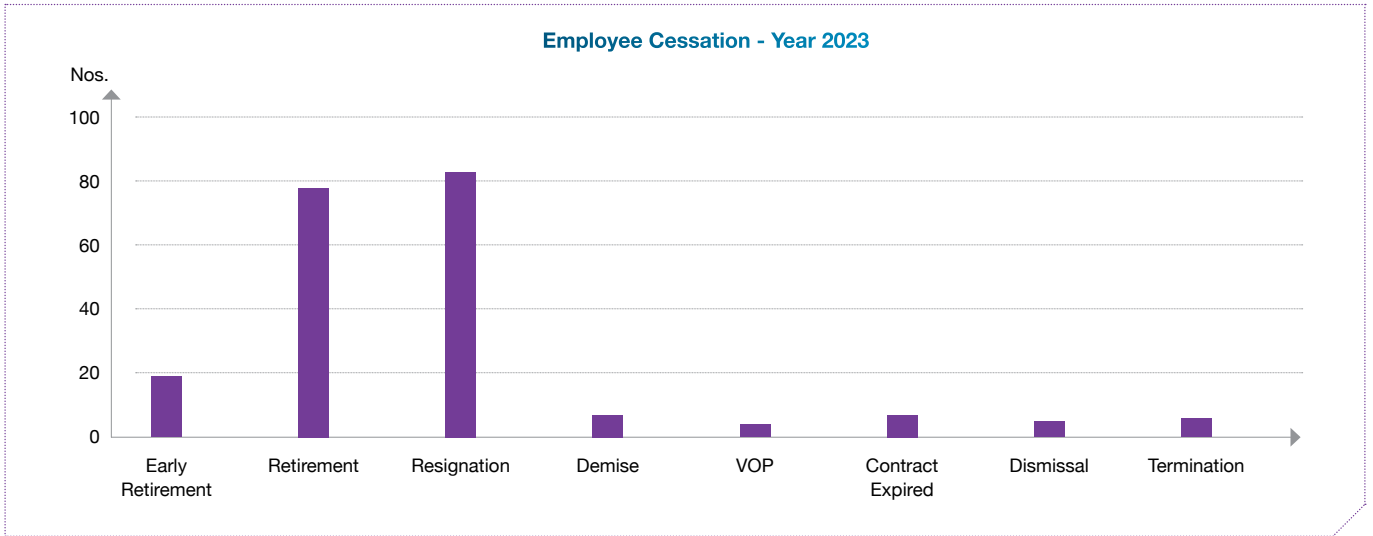
Below are the distributions of external recruitments across employee categories:



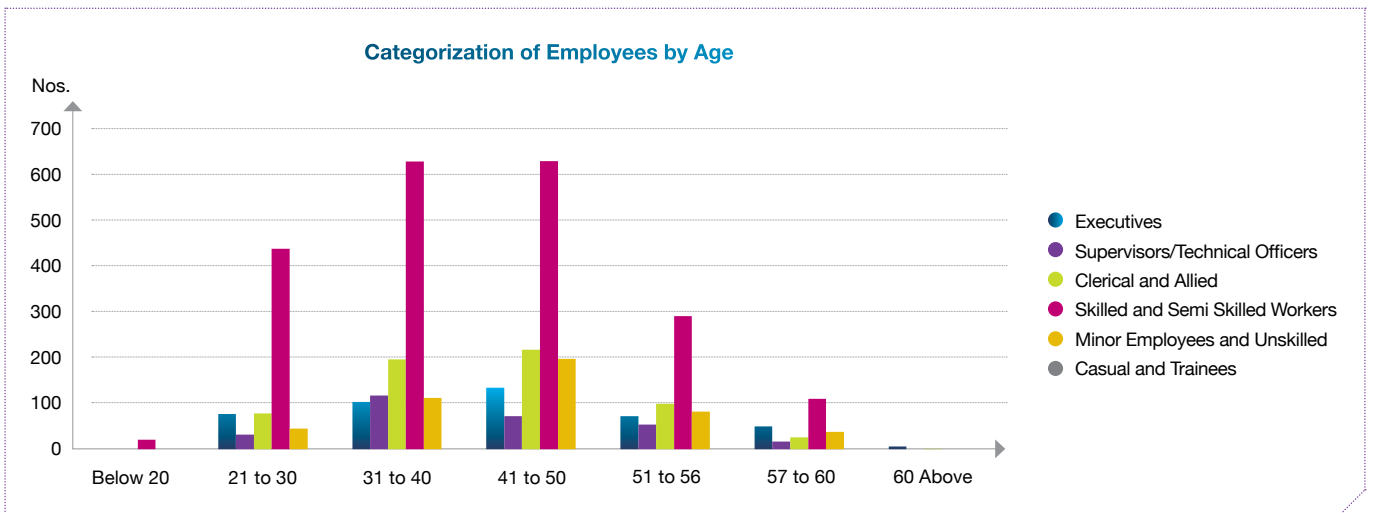
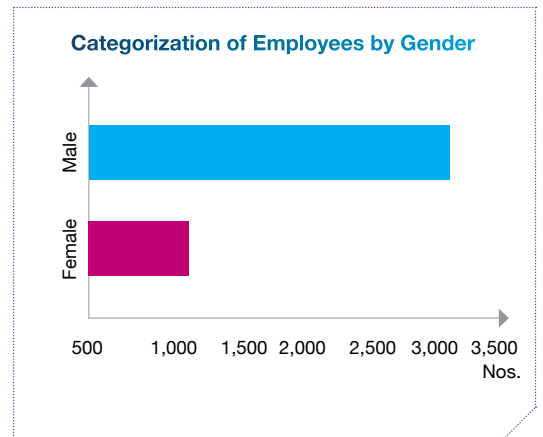
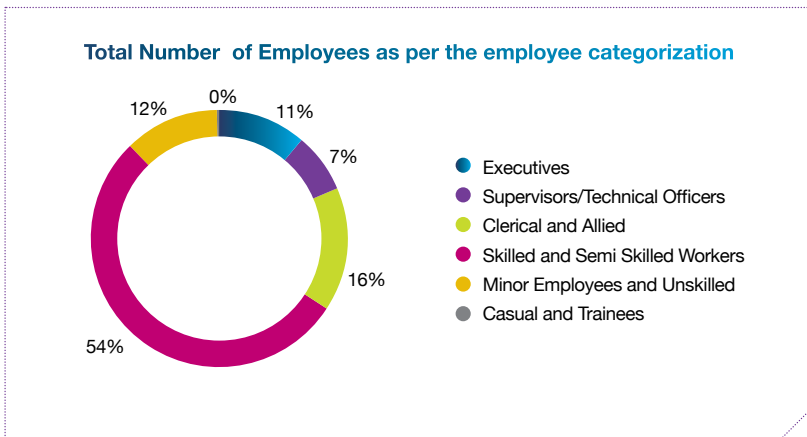
Human Resource Management

CESSATION OF EMPLOYMENT

The cessation of employment at AASL notably increased during the year 2023 in relation to 2022. Furthermore, adverse social and economic conditions prevailed in the country led to an increase in resignations and early retirements compared to previous years.



Total Manpower Strength as at 31 December 2023 is as follows:



SKILL DEVELOPMENT PROGRAMME

As described above, year 2023 was an utmost challengeable year for recruitment and hiring functions of AASL due to the Government policy for restricting new appointments. AASL had to discover new strategies to fill the critical vacancies arisen in the company as a result of increased retirements and resignations of the employees during the year. In order to face that challenge the Human Resources Division introduced a new tool of "Skills Development Programme".

By this programme the company identified employees who are possessing potential qualifications and skills for higher positions but serving to the company in different positions because of lack of experience. We were able to recruit them for vacant positions and allow them for "On the Job Trainings" for certain period of time in order to acquire the required experience. During the year 2023 the company provided this opportunity for 37 employees to develop their skills as Trainee Management Assistants, Trainee Bird/Animal Hazard Control Officers and Drivers.

STAFF WELFARE AGENDA

AASL is committed to enhancing the well-being of its employees by providing welfare facilities aimed at uplifting their standard of living and fostering maximum productivity. While prioritizing such welfare measures may entail certain costs, the long-term benefits are significant. They enable the company to retain talented and skilled employees over extended periods.

Recognizing the importance of employee welfare, AASL offers a comprehensive array of facilities, including a company medical scheme, death donation scheme, staff loan program, staff transport service, holiday bungalow facilities, 5% interest refund on housing loans and financial assistance for overseas pilgrimages. These initiatives serve to encourage and motivate employees, thereby driving business growth and enhancing AASL's competitiveness.

Company Medical Scheme - AASL offers a distinctive healthcare scheme that provides employees with the flexibility to receive treatment either within the facility or from external healthcare service providers. In order to provide employees with the comprehensive Health Insurance scheme, AASL incurred LKR 247 million for year under review. This scheme is exclusively available for confirmed employees and their families and it allows employees to choose the optimum scheme that best suits their needs. Additionally, indoor treatment can be availed on a credit basis from 48 registered hospitals located across the island. In line with the goal of fostering a healthy workforce, the company organized a two-day medical camp on November 28th and 29th, 2023, in collaboration with five leading private hospitals. During this camp, employees had the opportunity to participate in awareness programs covering various health-related topics. Furthermore, employees were provided with the convenience of undergoing medical checkup packages at the office premises, allowing them to save time and prioritize their own health.

Death Donation Scheme - The membership system has been operational at AASL for more than 15 years. All permanent cadre employees are eligible for membership in this scheme and can enroll their family members to avail its benefits. AASL has disbursed LKR 15 million to cover the expenses of 297 members.

Staff Loan Scheme - Confirmed employees of AASL have the opportunity to secure a loan to meet their financial needs at subsidized annual interest rate and repayable over a maximum period of four years. During the year 2023, a total of 725 staff loans were granted to employees. Since its inception, the company has disbursed a total of LKR 285 million for staff loans.

Staff Transport Service - Recognizing the challenges faced by employees commuting from various locations, the Company has implemented a staff transport service to alleviate their travel concerns. Despite the considerable transport expenditure involved, the Company has deployed twenty seven buses covering widespread route network to facilitate employee transportation at Bandaranaike International Airport - Katunayake, Colombo International Airport-Ratmalana, Mattala Rajapaksa International Airport and Jaffna International Airport.

Holiday Bungalow Facilities -

Holiday bungalow accommodations at Pidurutalagala - Nuwara Eliya and Pilgrims' Rest facilities - Kataragama are available at discounted rates. Pidurutalagala offers five bungalows, while Kataragama provides two apartments for accommodation and those are utilized fully by our employees.

5% Interest Refund on Housing

Loan - This facility could be availed by employees who have completed five years of service within the company.

EMPLOYEE APPRECIATION PROGRAMS

AASL consistently recognizes the invaluable contributions of its employees to the company's success. Apparently to honor their dedication, two ceremonies were organized: AASL Sewa Abhimana and Chairman's Merit Awards.

Sewa Abhimana

The AASL Sewa Abhimana sphere headed by HR Division was held in grand style on 15 June 2023, at the Auditorium of Civil Aviation Authority. The ceremony was graced by the presence of Honorable Cabinet Minister Nimal Siripala De Silva and other esteemed guests. Over 100 employees were honored during this ceremony. The employees were recognized under the categories of Team work, Creativity & Innovation, Leadership, Customer care and Open.

Human Resource Management

Brain Champs Awards

The awards give-away session of the “AASL Brain Champs Quiz” was held for the second consecutive year at the Arrival Silk Route Lounge, BIA & 36 winners were carried away with their winner’s titles and highest achievers’ titles at this awards give away session.

Chairman’s Merit Awards

The Chairman’s Merit Awards ceremony was held on 8 December, 2023, at Arrival Silk Route, with the participation of esteemed guests. Fifty-one employees who demonstrated exceptional performance in contributing to the company’s success were recognized at this event.

Home Gardening Competition

In adherence to Management directives and in alignment with the national initiative on food security, the Human Resources Division launched a “Home Gardening Competition” for all employees across various locations, in collaboration with the Department of Agriculture. This competition was held from 2 September, 2022, to 24 February, 2023. A total of 181 participants from 13 districts took part in the competition, culminating in an awards ceremony held on 24 February, 2023. This project served to reinforce one of the company’s core values, “Go Green,” while also fostering greater organizational engagement.

Employee Health and Safety

Human Resources Division is dedicated to optimizing operations, with a significant focus on Occupational Health and Safety (OSH) for employees. The restructuring of OSH processes has commenced, with the appointment of a committee tasked with implementing OSH procedures within the company. Quarterly inspections were conducted with the participation of the Factory Inspector from the Department of Labour, continue to identify necessary safety measures for employees.

Employee Relations

Fostering employee satisfaction is a primary objective of the HR Division, which consistently introduces new policies and relaxation strategies to support staff. The introduction of a ‘Workplace Harassment Policy’ aims to maintain a harassment-free work environment and prevent situations that compromise employee dignity. Additionally, the grievance handling policy has been revised to enhance user-friendliness and thereby allowing employees to voice their complaints in a constructive manner. Further to strengthen employee relations, a team has been trained in counseling to identify and assist employees in need of support within their divisions.

As an employee oriented organization AASL had to face many challenges and economic upheavals in its journey to resurgence and therefore it pushed AASL to tight deadlines but we as a leading business organization was able to face challenges in a strong and confident manner. We at AASL strongly emphasis creating and maintaining a nurturing environment for employees to grow professionally whilst ensuring a safe and healthy working environment. Hence we are dedicated to continuously develop a positive working environment in all our airports. Therefore, AASL was able secure its position as the most sought after employer and indicated a landmark business performance by effectively and efficiently achieving goals and objectives.

Risk Management



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 the decision-making process to assure superlative guest experience for our passengers on a daily basis.

Being the sole airport operator in Sri Lanka, we operate 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:

- Recognizing and assessing a variety of risks.
- Minimizing and/or to wipe out dangerous threats while taking advantage of new opportunities in the corporate environment.
- Supporting efficient utilization of the Company's resources.
- Successfully managing the risk communication within the company.
- 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.

Risk Management

- **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 which happens locally directly affect airport operations as well as investments in airport infrastructure development projects.

- Following a significant economic downturn, Sri Lanka is currently in the midst of its recovery phase. Despite this progress, major infrastructure improvement projects that were previously halted remain inactive, prompting management to seek alternative strategies to capitalize on the increasing demand post-pandemic. Sri Lanka, renowned as an appealing tourist destination, presents significant opportunities for growth in the aftermath of the crisis.

- **High Maintenance Cost**

With a substantial fixed cost burden associated with airport infrastructure maintenance, compounded by a minimal proportion of variable costs within the expense framework, the situation exacerbates due to elevated maintenance expenses, depreciation of the LKR, and import constraints stemming from the economic downturn.

- **Ensuring Up-to-date Facilities**

As a service-oriented sector, prioritizing a comfortable and exceptional guest experience for all airport users is paramount. To achieve this goal, it is imperative to uphold airport facilities and infrastructure at standards equivalent to those of other international airports in the region.

- **Volatility of the Tourism Industry**

The aviation sector in Sri Lanka relies heavily on the global economic climate and tourism, which is inherently vulnerable due to its dependence on travel. In restricted situations, travel and tourism often become lower

priorities, further highlighting the fragility of the industry.

- **Pressures on Cost-competitiveness and Demand for air-travel**

Elevated energy costs within the local context result in heightened expenses for terminal operations, airfield maintenance, and navigational aids. Additionally, these costs contribute to higher prices in inbound logistics and contracted capital projects, thereby adversely impacting airport operations and compromising competitiveness in terms of cost structures.

- **Rapidly Changing Technology**

The evolution of technology necessitates airport operators to continually update equipment to adhere to regulatory standards. Specifically, air navigational systems and security scanning machines must meet certain local (CAASL) and international (ICAO) requirements to ensure the safety and security of air travel. Furthermore, the constant advancement of technology adds pressure on airport operators to incorporate smart features into airports, intensifying competition and prompting increased investment in new technology. Achieving contactless airport operations with minimal human involvement has become a challenging objective in this context.

- **Environmental Impacts**

Airport operations significantly affect the environment, with both airlines and airports sharing responsibility for carbon emissions. In this context, airports should prioritize optimizing air route structures to minimize fuel consumption and reduce carbon footprints. Additionally, airports produce substantial amounts of waste, emphasizing the importance of proper disposal in accordance with environmental guidelines and best practices. AASL places great value on maintaining environmentally friendly

waste management practices, as evidenced by certifications from the Central Environment Authority and other regulatory institutions.

Long-term Challenges and Mitigation Measures

Anticipating long-term challenges, we acknowledge the need to adapt to evolving technology, ensure sustainability, manage capacity effectively, and attract a talented workforce.

The continuous evolution of technology demands keeping pace with advancements to remain relevant. Anticipating an increased adoption of contactless passenger processing, including biometric recognition systems, self-check-in, baggage drops, self-boarding gates, and mobile payments, we aim to implement these features at our airports within the next five years. However, the implementation of such projects presents cybersecurity risks that must be addressed.

With a growing global emphasis on environmental consciousness, achieving carbon neutrality is imperative for airports in the future. As part of our corporate targets, we are committed to defining carbon emission reduction targets for the coming decades. Strategies are being developed to minimize carbon emissions from ground activities and within the Colombo FIR through restructuring air routes.

Given that the Asian region accounts for a significant portion of global passenger kilometers, the expected growth in passenger traffic presents opportunities for Sri Lanka. AASL is enhancing terminal and other facilities to meet the rising demand, as evidenced by the robust recovery rates observed in 2023.

Delivering exceptional guest experiences at our airports relies on understanding dynamic customer preferences, particularly across demographic factors. To address this, continuous improvements are

being made to our CRM (Customer Relationship Management) process.

Furthermore, in the development of AASL corporate plans, projects are prioritized with consideration given to the aforementioned challenges.

AASL RISK MANAGEMENT FRAMEWORK

Within our risk management framework, risk identification encompasses perceiving hazards, identifying failures, and recognizing adverse consequences. Additionally, it involves seizing opportunities stemming from changes in the external business environment, enabling us to convert them into revenue increases, cost reductions, or both.

Through our risk assessment process, we aim to gain better insights into events that could impact the achievement of objectives. Based on risk identification and its impact on the business, we make decisions regarding whether each specific risk should be accepted or treated, 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, it must be tracked to ensure continued control.

IMPLEMENTATION OF THE RISK MANAGEMENT FRAMEWORK

While risk management is considered everyone's responsibility, the overall process should be centrally monitored by coordinating with all areas of the business. At AASL, the responsibility for risk management is assigned to the Strategic Management Division (SMD). SMD is tasked with introducing and maintaining a suitable risk management mechanism within the company to ensure that strategic objectives are achieved without hindrance.

To identify risks, the company employs various tools such as SWOT analysis, PESTEEL analysis, and Porter's Five Forces during the Strategic Planning process. This process involves

consultation with all divisions and levels of the organization, utilizing both top-down and bottom-up approaches.

Additionally, the Internal Audit & Quality Assurance (IA&QA) Division plays a crucial role in the risk management process within its scope of work. The IA&QA division conducts risk forecasting when preparing annual audit plans to identify vulnerable areas for audit purposes.

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

A sub-committee of the Board, known as the Risk Management Committee (RMC), has been established to oversee the risk management function. Its primary focus areas include Business Risks, Organizational Risks, and Functional Risks, with due consideration given to Industry Risks and Strategic Risks. Risk alerts and recommendations are discussed or proposed for discussion at the Board level through AASL's Strategic planning process.

The Risk Register serves as a key tool for identifying the probability and severity of risks. It is regularly updated by each division, along with proposed mitigation techniques, and centrally monitored by the Strategic Management Division. Any untreated risks and associated issues are escalated to the RMC for appropriate decision-making.

RMC meetings, attended by representatives from all divisions of AASL, are held on a monthly basis to discuss operational, tactical, and strategic risks critical to the business. While specific risk areas are included in the agenda for detailed discussion, participants are encouraged to raise timely and crucial risks, even if they are not listed. Additionally, certain strategic risks, human resource management risks, and technology-related risks are evaluated by other Board sub-committees, enriching the mitigation

techniques by considering various perspectives.

Furthermore, aerodrome safety matters are overseen by the Safety Management Unit, in accordance with guidelines outlined in Annex 19 by the International Civil Aviation Organization (ICAO). Facilitation Committee Meetings, conducted quarterly with the participation of all stakeholders, provide a platform for prompt identification and collective resolution of risks and issues. The Airlines Operators Committee (AOC) and Aviation Security Committee address issues faced by airlines, passengers, and airport assets, respectively, through interaction with external stakeholders. The Audit and Management Committee ensures checks and balances related to financial risks.

RISK FORECASTING

Risk forecasting plays a vital role in proactively identifying potential risks. The timeframe for risk forecasting at the company aligns with the time horizon of the corporate plan, currently set for a period of 3 years. In recent years, AASL has predominantly relied on forecasts and publications from aviation professional bodies such as the Airport Council International (ACI) and the International Air Transport Association (IATA) to address uncertainties in aviation and tourism demand.

During this phase, employee participation across all levels is facilitated through both bottom-up and top-down communication methods. Risk identification is integrated into the routine strategic planning process, with active encouragement of employee contributions.

AASL identifies risks across various categories, including:

- Strategic and Operational risks
- Human Resource & Organizational risks
- Safety, Security & Health risks
- Financial & Supply Chain Management risks
- Reputation & Brand risks
- Legal & Regulatory Compliance risks

Risk Management

RISK ASSESSMENT

Risks are assessed based on two key factors:

- The likelihood (or probability) of risks materializing
- The consequences (or impact) of those risks

Each factor is rated on a scale of 1 to 5, with 1 indicating the lowest likelihood or severity, and 5 indicating the highest. The likelihood and impact scores are then multiplied together to calculate a product, ranging from 1 to 25. These values are plotted on the risk assessment matrix, with scores towards 25 signifying critical risks requiring immediate attention and stronger mitigation measures.

RISK ASSESSMENT MATRIX

The 190 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 2023. Accordingly, the number of risk types which are fallen into each specific cage of the matrix given 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 (4)	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 likelihood and / or consequence is/are assessed quantitatively considering past patterns of similar occurrences and computing the consequence 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 helps us identify possible risks in these areas and analyze them for appropriate actions to overcome them.

REPORT ON THE AFFAIRS OF RISK MANAGEMENT COMMITTEE DURING THE YEAR 2023

Role of the Committee

The Board appointed Risk Management Committee is formally constituted Sub-committee of the Board of Directors. It reports to and is accountable to the Board.

The primary role of the Committee is to identify and assess the risks that could have an impact on the business operations of the entity, quantify the impact of such risks both financial and non-financial.

Composition as at 31 December 2023

Name of the Director	Position
Capt. Milinda Ratnayake	Chairman
A S C Warushahennadige	Member
K D Y Chandanie (Ms)	Convener and/ or Secretary

Meetings

10 Nos. of RMC meetings were held during the year 2023. The meeting attendance of the members are set out in the below table.

Name of the Director	Attendance
Capt. Milinda Ratnayake	09 / 10
A S C Warushahennadige	10 / 10
K D Y Chandanie (Ms)	10 / 10

The proceedings of the RMC meetings were recorded by the Head of Strategic Management, functioning as the Secretary to the RMC. Minutes of the meeting were circulated among the RMC members within five working days from the meeting date under normal circumstances.

TERMS OF REFERENCE (TOR)

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

1. To assist the Board in fulfilling its responsibilities relating to Risk Management and establishing an effective Risk Management Framework. (This covers the overall risk appetite of the Enterprise, tolerance and strategy, taking in to account of the current and prospective macroeconomic and financial environment.)
2. Overseeing and advising the Board on the current risk exposures of the Enterprise and future risk strategy.
3. Accurate and timely monitoring of large exposures and certain risk types of critical importance.
4. Reviewing reports on any material breaches of risk limits and the adequacy of proposed action.
5. Reviewing the effectiveness of the internal financial controls of the Enterprise, internal controls and risk management systems and reviewing and approving Board reports concerning internal controls and risk management.
6. Reviewing the procedures of the Enterprise for detecting fraud
7. Reviewing and monitoring the responsiveness of the Management to the findings and the recommendations of the risk team.
8. To implement the integrated Risk Management Policy and other Risk related policies approved by AASL and periodic updating of the Organization-wide risk management framework.
9. Ensure that all Strategic, Operational, Market, Financial Risks are identified, Measured Monitored and managed adequately.
10. To work with key management personnel very closely on all critical risk areas and make suitable recommendation to the Board within the framework of the authority and responsibility assigned to the Committee.

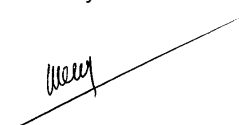
RMC BUSINESS OF THE YEAR

In 2023, RMC discussed matters that could have an impact on daily airport operations, passenger facilitation and long-term sustainability of the business. RMC invites representatives of relevant divisions to take part in RMC meetings as appropriate so that the RMC can get better insight into the risk/s in question. Accordingly, during the year under review RMC conducted its meetings giving special emphasis on areas such as risk of reputational damages due to passenger complaints, risk of deviating from company objectives set out in the Corporate Plan, and risk of delay in achieving business goals due to certain resource limitations etc.

RMC submitted its recommendations on the risks discussed to subsequent Board meetings for necessary actions.

It is worth mentioning that during 2023, RMC was able to recommence the process of implementation of ISO 31000: Risk Management Standard, which was put on hold due to unavoidable circumstances. ISO 31000 would help standardize AASL's overall risk management process. While the full process being a long journey, AASL took first few steps to initiate the process. Accordingly, directors and divisional representatives had a few rounds of discussions / meetings with the volunteer consultant to understand the gaps in the existing process and make necessary improvements the process.

In summary, AASL's risk management process described throughout the above Risk Management Review section is instrumental in overall decision-making process, good governance and long-term business stability.

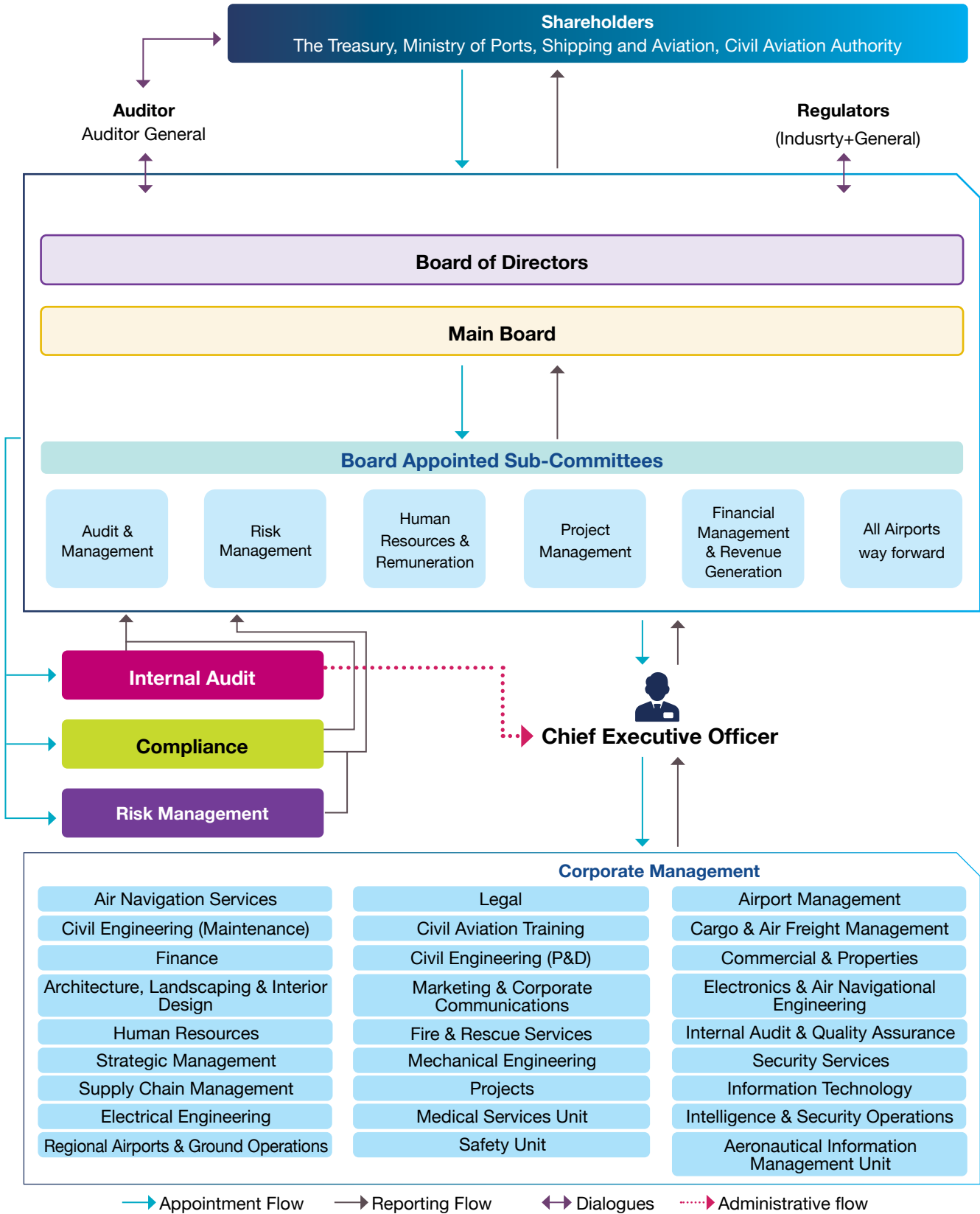


Capt. Milinda Ratnayake
Chairman – Risk Management
Committee

16 May 2024

Corporate Governance

GOVERNANCE STRUCTURE OF AASL



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

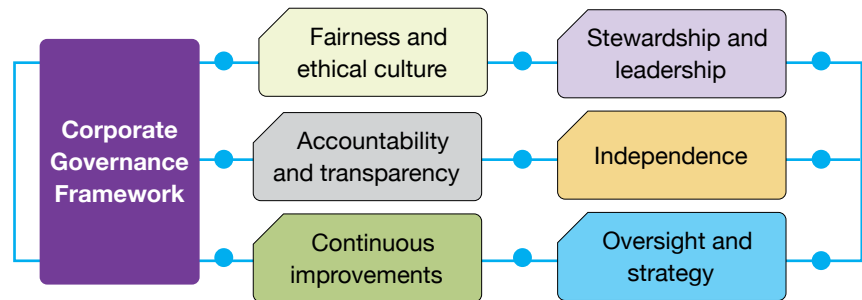
The company upholds a dynamic corporate governance system that fosters corporate discipline and responsible business conduct. Through the establishment of necessary frameworks, processes and procedures, AASL has implemented a clear and systematic decision-making process. This ensures clarity regarding responsibilities, mitigates conflicts of interest and maintains satisfactory processes and systems for internal controls, risk management, transparency and overall accountability.

The current Board of the company consists of a well-balanced composition of members possessing the necessary expertise, skills and experience. Together with the dynamic corporate management team, they strive to achieve the objectives of a strong governance system. This ensures that AASL's operations meet the expectations of all stakeholders while maintaining a thorough understanding of the risks posed by the evolving and challenging macro-economic environment.

This Corporate Governance Report provides an overview of compliance with corporate governance principles outlined in the Companies Act No. 7 of 2007, the Code of Best Practice on Corporate Governance 2017 by 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. These guidelines categorize AASL under "A" Commercial Public Enterprises.

The company's corporate strategy, which aligns with its vision and mission, has established effective channels of engagement with its workforce, shareholders and stakeholders. Moreover, the Board has persistently improved and posed necessary challenges to the development and implementation of strategies by actively engaging with Management, particularly through its subcommittee during periodic meetings.

The AASL's 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 shareholder, 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 a 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 a company's capacity, potential and performance.
- It's the Board's responsibility to communicate issues of importance to shareholders.
- The Board needs to execute collective responsibility with all connected stakeholders, yet with defined responsibilities for each.

INDEPENDENCE

- The Board remains independent and all decisions made are done so with the best interest of the company in mind at all times.
- Ensuring 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.

Corporate Governance

- The Board must assess the actual performance against the plans as well as against best practices and competitor moves and fill up the gap towards continuous improvement

OVERSIGHT AND STRATEGY

- Establish a clear strategic vision.
- Directors need to be more actively involved in the strategic decision-making process of the organisation.
- The Board is to filter the strategic decisions from the operational decisions and concentrate on strategic decisions through the Board sittings.

1. 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.

2. 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 seven 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, 15 nos. of Board meetings were convened of which one (01) 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. The positions of the Board members were stated in the below table as at 31 December 2023. The attendance of the Board members are as follows:

Name of the Board Member	Position	Attendance
Eng A Galketiya *	Chairman*	08/15
G U K Algewattage**	Acting Vice Chairman	12/15
A S C Warushahennadige	Non-Executive Director	14/15
S N Sumanasekera	Non-Executive Director	13/15
Capt Milinda Ratnayake	Non-Executive Director	15/15
W A A Wijayasuriya	Non-Executive Director	15/15
W S D De Silva	Non-Executive Director	13/15
A A Randeniya	Non-Executive Director	13/15
G A A Priyantha	Non-Executive Director / Treasury Representative	14/15
A H S Gunawardena	Non-Executive Director/The Observer from the Ministry of Ports, Shipping & Aviation	13/15
Resignations		
Maj. Gen. (Rtd.) G A Chandrasiri RWP USP VSV ndc psc (Resigned w.e.f. 10 December 2023)	Chairman	14/15
Dr. U A Mendis (Resigned w.e.f. 16th Aug 2023)	Vice Chairman	07/15

Note:

* Eng A Galketiya assumed duties as Vice Chairman of AASL on 18 August 2023 and was appointed as a Chairman of AASL on 11 December 2023.

** G U K Algewattage was appointed as Acting Vice Chairman on 11 December 2023.

3. 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. This Governance Framework is underpinned by five core principles;

- Leadership and Direction
- Transparency and Integrity
- Accountability to the Government as its key shareholder
- Recognizing the legitimate interests of stakeholders
- Timely and balanced disclosure principle

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. Six 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 Committee and Project Management 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, Audit & Management Committee, Risk Management Committee, HR & Remuneration Committee, Finance & Revenue

Generation Committee, All Airports Way Forward Committee and Project Management Committee 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.

4. 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 eleven Directors, of which nine are Non-Executive Directors and two 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. This Board composition reflects the independence of Management, in both fact and appearance. That is not only on Directors' individual relationships, personal, employment or business but also on the Board's overall attitude towards Management. Providing objective independent judgment is at the core of the Board's oversight role.

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

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

5. 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.

- Providing the vision and the direction for the company
- Based on its specific mission built up within the scope of the provisions in Civil Aviation Act No 14 of 2010 and how best it could serve the interests of the Government and other stakeholders.
- Ensuring that legal requirements are

Corporate Governance

- 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.

6. MATTERS RESERVED FOR THE BOARD IN THIS CAPACITY INCLUDE:

The main purposes of the Board, in brief, are that 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.

7. THE ROLE OF THE AUDIT AND MANAGEMENT COMMITTEE (AMC) IN CORPORATE GOVERNANCE ASPECTS

7.1 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 AMC 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 AMC 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 and 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 AMC 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.

7.2 Transparency and Integrity

The AMC 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.

7.3 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:

- a) Review of the prevailing system of internal control.
- b) Ensure that major decisions undertaken by the Board of Directors are implemented effectively.
- c) 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.
- d) Making observations on risk assessment by External Auditors in respect of systems and controls.
- e) Ad-hoc and periodic Financial Reviews for Income and Expenditure and its recognition as well as reporting.
- f) Undertaking quality audits in selected areas of the business
- g) Review of procurement procedures in compliance with the National Procurement Agency applicable procurement guidelines.

8. 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:

8.1 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.

8.2 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.

8.3 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. 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.

8.4 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.

- a) Corporate Plan and Budgets
- b) Physical and Financial performance of the Capital
- c) Projects undertaken in the current year
- d) Audit deliverables including Management Letter
- e) Financial Performance of the year as a whole

- f) Matters arising from meetings of the COPE or any other Statutory/Regulatory institution

9. 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

Corporate Governance

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.

10. 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 stockholders understand the business, risk profile, financial condition, operating performance and trends of the corporation. Many periodic and ad hoc reports and analyzed information are provided as a practice and on demand. The employees are updated with 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.

11. 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.

Report of the Auditor General on the Financial Statements



ජාතික විගණන කාර්යාලය

தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல. }
My No. }

AACV/A/AASL/01/23/50

ඔබේ අංකය
உமது இல. }
Your No. }

දිනය
திகதி }
Date }

27 May 2024

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 2023 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 (AASL) for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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 material accounting policy information 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 2023, 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 Opinion

1.2.1 Deviating from application of relevant Accounting Standards

The value of the project and the aggregate value of three Procurements used for the operating activities of the Company during the period 2022 to 2023 were Rs 4,761 million and Rs.1,544 million respectively. However, the cost of the project and procurements had been shown as work- in- progress (WIP) and goods in transit account in the statement of financial position, instead of capitalizing and depreciating as required by the paragraph 7 and 55 of Sri Lanka Accounting Standard No.16.

1.2.2 Material Accounting Deficiencies

The following observations are made.

- (a) 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 21 December 2017 transfer and vest in the Civil Aviation Authority of Sri Lanka (CAASL) aerodromes specified in the Second Schedule (Katunayaka 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. However, The Company had invested a sum of Rs.60,141 million (Carrying Value of the Property, Plant and Equipment & Work in Progress) from the date of Company formed in 1983 to as at 31 December 2023 for the development of the infrastructure of Air Ports as a statutory service provider without getting the concurrence from the CAASL. Therefore, the ownership of the buildings shown in the financial statements of the company is not cleared.



Report of the Auditor General on the Financial Statements



- (b) According to the Cabinet decision No. 23/0154/604/014 dated 07 February 2023, AASL required to sign a MoU with Government of Sri Lanka (GOSL) and adjust the books of accounts pertaining to the foreign loan amounting to Rs.33,676 million equivalent to US\$ 102.4 million shown in the financial statements. And it is also required to remit debt servicing instalments amount equal to the Rs.2,946 million to the General Treasury. However, the company had failed to sign the MOU and adjust the books of accounts and remit loan instalments to the General Treasury.
- (c) The Project Management Unit had handed-over 19 vehicles to the company by their letter No. PMU/BIADP/07(PK/b)/04845/22 dated 28 February 2022. Accordingly, the cost of the above vehicles should be valued and included in the financial statement of the Company for the year under review. However, no action had been taken to account them in the financial statements.
- (d) The assets belonging to business lounge at MRIA amounting to Rs.25, 683,713 had been shown as WIP from the inception of the airport, without been capitalized.

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 had 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.

- (b) I draw attention to Note No.29 which explains material contingencies as at end of the year. As per the circular dated 12 April 2022 on “Interim policy regarding the service of Sri Lanka’s external public debt” issued by the Ministry of Finance, direction was given not to settle foreign loans obtained by the Government entities. This adversely affected the ongoing constructions of BIA Development Phase II Stage 2 Project (Package A – Construction of Passenger Terminal Building & Associated works) as the contractor refused to continue the project since JICA stopped the loan disbursements with the issuance of the circular.

JICA has also requested an endorsement from Ministry of Finance regarding the continuation of loan repayments. Since that endorsement was not given by the Ministry of Finance due to IMF restructuring programme, the Contractor Taisei Corporation terminated the contract with AASL, with effect from 09 December 2022.

As part of the way forward, Action plan of the project, with the approval of the Cabinet of Ministers, AASL initiated action to carry out an identified scope of work of the above project to address the issue of deterioration of steel reinforcements in halfway completed structures of the above project utilizing funds from AASL with an approximate cost estimate of Rs.800 million.

In addition, the Consultant for the project is in the process of evaluating the statement of payment on Termination as submitted by the Contractor, on 29 May 2023 amounting to JPY 13,608,871,178 and Rs.10,045,759,810. This amount is after deducting all previously paid IPCs and advance payment but including the unpaid IPC 5 and IPC 6 (amount to JPY 444,498,046 and LKR 1,486,804,716).



In addition to the above-claimed sum, the Contractor's monthly running cost up to finalization of the claim and financing charges for the delayed payments will be accrued to the final claim.

As per the ongoing evaluation of the above claim that is being carried out by the Consultant, it is expected that the final evaluated amount of the claim may reach around USD 55 million.

Further, there are many materials and equipment valued at Rs. 1,660 million in overseas locations and most of them are at the partially completed stage. With the recommendation of the Committees appointed by the Chairman of AASL and also with the recommendation of the Consultant, the decision on whether to bring them to Sri Lanka or dispose at overseas locations are being finalized.

It is anticipated that with the settlement of due payments to the terminated Contractor, the balance available amount of the JICA loan will not be sufficient to complete the total remaining scope of Package 'A' works. Accordingly, it is necessary to obtain additional funding to carry out the remaining scope of the balance work of this project.

Further, with the termination of the Project, the services of the Consultant, had to be retained for the conclusion of the termination process including the evaluation of the claim, preparation of re-bidding documents, supervision of identified scope of works etc. as additional services which have been claimed by the Consultant, under the proposed Amendment No. 3 to the Contract for Design and Post Design Consultancy services. As these claims are not finalized, management is in the view of not making a provision at the moment.

My opinion is not modified in respect of these matters.

1.4 Other information included in the Company's 2023 Annual Report.

The other information comprises the information included in the Company's 2023 Annual Report but does not include the financial statements and my auditor's report thereon which I have obtained prior to the date of this auditor's report. Management is responsible for the other information.

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

In connection with my audit of the financial statements, my responsibility is to read the other information identified above 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.

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

1.5 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.

Report of the Auditor General on the Financial Statements



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;

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 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	Contrary to the circular provisions, the board of directors of the company had approved fuel allowances for 355 officers exceeding their entitle limits and the overpayment amount is Rs.87.6 million.
(b) Paragraph 2.6 (Use of e-GP Portal for "Shopping" Procedure) of circular PFD Circular No. 08/2019 and dated 17 December 2019 issued by the Ministry of Finance, Economy and Policy Development	All the procurement planned to be processed by PEs under the Shopping procedure should be processed through the e-GP system gradually by PEs beginning 01 January 2020. However, e-GP Portal for shopping procedure was not followed by the company yet.
(c) Public Enterprises Circular No. 01/2021 and dated 16th November 2021– Guideline on Corporate Governance for State Owned Enterprises Section 2.2.2 (b) V	The Board of Directors (BOD) ensure that appointments of CEO and as per the section 2.1, wherever the roles of Chairman and Chief Executive Officer (CEO) are combined through the relevant statute or the AOA, the relevant BOD must initiate action to split the two roles through an amendment to the statute or the AOA, Based on this background, higher salary scale (S-14) of the pay structure should be allocated for CEO. However, higher salary scale (S-14) was allocated for Head of Division. Further, CEO had not been appointed yet.
(d) Public Enterprises Circular No. 01/2021 - and dated 16th November 2021–Operational Manual for state owned Enterprises	

Report of the Auditor General on the Financial Statements



Reference to Laws/ Direction	Description
(i) 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. Subsequently, pay structure and allowances had been approved by the Ministry of Finance, Economic, Stabilization and National Policies by letter No. PED\SAASL\1\06(i) and dated 01 January 2024 with effect from 01 January 2024 without approving the full SOR.
(ii) 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. However, according to the comment given by the auditee above requirements has been fulfilled in the newly drafted SOR.
(iii) Section 5.3	At least thirty (30) percent of the profit after tax should be distributed to the consolidated fund/shareholders, baring satisfied the solvency test as stipulated in the company Act, No.07 of 2007. The company had recorded Rs 28,121 million profit after tax for the year ended 2023 and accordingly, a sum of Rs 8,436 million should be distributed to the consolidated fund. However, the company had distributed only Rs. 5,000 million and no provision had been made for the payable amounting to Rs 3,436 million and distributed. Further, the company had recorded Rs. 4,802 million profit after tax for the year ended 31 December 2022 and accordingly, a sum of Rs.1,440 million should be distributed. However, the company had distributed only Rs.1,000 million to the consolidated fund.
(iv) 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, other than forwarded to the quarterly meetings held.

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 except for ;

- (a) 173 Nos. of project at estimated cost of aggregating Rs. 29,593 million were planned to implement during the year under review. It consists 97 Nos. continuing projects, 32 Nos. new projects and 44 Nos. completed projects. The physical progress of the average cumulative target for all projects was 67 percent and target financial progress was 67 percent, However, actual was 28 percent and 16 Percent respectively. Further, 18 Nos. of project at estimated cost of aggregating Rs.1,842 million were postponed.



(b) In the sample test carried out for the above projects/procurements, the following deficiencies were observed.

- I. The approval was granted to award the Supply Installation and Commissioning of an Aeronautical Information Management System by the Decision of Cabinet of Ministers No. අමප/18/0035/709/002රිඳිඅප් dated 31st January 2018. The contract was signed on 23rd March 2018 at a cost of 3,367,114 Euro and LKR. 74,771,034. According to the contract condition No.10, the completion period should be 12 months from the date of establishment of Letter of Credit to the date of issuance of Provisional Acceptance Certificate, the Letter of Credit was opened on 25th July 2018. Accordingly, although the provisional acceptance certificate had to be issued on 24 July 2019, it had been issued only on 23 June 2023. Therefore, the Project had been completed with a delay of more than 3 years and 10 months. In addition, the Company had not taken actions to claim for delays as per the section 11.03 of the contract agreement. According to the comments given by the management, the reason for the delay mainly was due to Easter Sunday attack and Covid pandemic situation etc. and imposing liquidated damages would be very unethical and unreasonable.
- II. Dedicated Access Road to Passenger Terminal at BIA
The approval was granted by the Cabinet decision No.අමප/20/0184/231/005 and dated 13 February 2020 for authorizing to obtain estimate for road development work from Road Development Authority (RDA) and award the above Contract to RDA. Accordingly, contract was signed between AASL and RDA on 10 February 2020 at a cost of Rs.185,819,135 (with VAT). According to the contract condition No.01, the contract period is six months from 13 December 2019. Although, the contract was completed, the final bill of the contract was not finalized and the performance certificate had not been issued yet.
- III. Temporary Terminal Building
Cabinet paper No.19/1008/105/009 – I, and dated 18 march 2019 on “Development of the Palaly Airport for operation of the regional commercial flights” was considered along with the observations of the Minister of Finance and granted the approvals to the proposals included in the memorandum. In the observations of the Minister of Finance, it was mentioned to invite for bids under National Competitive Bidding (NCB) process for Temporary Terminal Building at a cost of Rs. 52,524,271, However, it had been followed Limited National Competitive Bidding (LNB) to select the contractor in contrary to the cabinet decision.
- IV. Supply Installation and Commissioning of X- RAY baggage Screening Machines
According to the supplement 35 to the procurement manual issued on 25 march 2022, authority limits of Department procurement committee (DPC) is up to Rs.200 million for projects operated under GOSL funds.. However, when supplying, installation and commissioning X- RAY baggage Screening Machines, it was planned to procure 12 machines at an estimated cost of Rs.240 million and that amount was allocated in the budget of 2021. Accordingly, above procurement should be authorized by the Ministry Procurement Committee (MPC). Finally, Security Services division decided to procure 10 machines at an estimated cost of Rs.200 million as the approval limit of the DPC is Rs.200 million without referring to MPC at the beginning of the procurement process. Therefore, it was observed that authority limits had been violated by the procuring entity. According to the comment given by the management it was mentioned that, this procurement has been finally referred to Ministry level to obtain approval.
- V. Design Fabrication, Supply, Installation and Commissioning of new Carrousel and Transfer Conveyor System
As per the initial Procurement Time Schedule of above procurement, it was planned to complete the procurement on 16 February 2018. However, the final acceptance certificate had been issued on 25 September 2023. It was observed that time taken for this procurement was more than five years. Due to this delay, initial cost of the project of Rs. 70 million had increased up to Rs.81 million when it is completed.

Report of the Auditor General on the Financial Statements



VI. Supply Installation and Commissioning of an Air Traffic Management System at BIA

The approval was granted to award the above project by the Decision of Cabinet of Ministers No.අමප/18/0782/709/027ටීබීආප් dated 16 May 2018. The initial contract was signed on 14 August 2018 at a cost of 3,068,000 Euro and LKR. 127,294,260. According to the contract condition No.10, although the completion period should be 12 months from the date of establishment of Letter of Credit to the date of issuance of Provisional Acceptance Certificate, the Letter of Credit was opened on 09 October 2018. Accordingly, although the provisional acceptance certificate had to be issued on 08 October 2019, it had not been issued yet. Therefore, the completion of the project was delayed for more than 4 years. Further, the company had not taken actions to claim for delay as per the Section 11.03 of the contract agreement. According to the comments given by the management, the reason for the delay was due to Easter Sunday attack and Covid pandemic situation, etc.

VII. Supply, Installation, Testing & commissioning of Network Based Public Address System at BIA

As per the initial Procurement Time Schedule of above project, it was planned to award the procurement on 30 November 2018. However, the contract was not yet awarded up to the date of this report. It was observed that time taken for this contract was more than 05 years. Due to this delay initial estimated value of the procurement of Rs.55 million had increased up to Rs.271 million. According to the comments given by the management, previous procurement process was delay due to various reasons and Current procurement process was started in September 2023 and the final recommendations (selecting a successful bidder) of the TEC was submitted to MPC on March 2024.

VIII. Responsibility of Procurement Committees

According to the para No.4.2.3 stage 2 (c) of procurement Guidelines 2006 Goods and work, once the PTS is agreed upon, the PC and TEC shall monitor the progress in Consultation with PE. Where a major delay occurs, it is the responsibility of the PC to explain the cause/s for the delay effect remedial measures. However, it was observed that there were major delays in activities of the above procurements. But, the procurement committee had not taken proper actions to minimize the unnecessary time delays.

IX. Site Clearance of MRIA

According to the section 11.11 (clearance of site) of the contract document of volume II of contract, signed between AASL and China Harbor Engineering Company Limited, "Upon receiving the Performance Certificate, the Contactor shall remove any remaining Contractor's Equipment, surplus material, wreckage, rubbish and Temporary Works from the Site. However, above requirement had not been fulfilled yet. Further, actions to charge rental fee on premises used by the contractor had not been taken by the company.

X. Construction of the Import Cargo Terminal Building" at the BIA

As per the decision of the Cabinet on 05 October 2020, the contract for the above project was awarded to on 28 October 2020 at a total cost of Rs.2,367,421,227 + VAT, the construction period is 730 days and works commenced on 25th January 2021. Further, this project is identified as one of the Priority Projects to cater to the growth of cargo handling at BIA. However, Due to the Covid 19 pandemic and other related issues, the project cost is significantly increased and project cannot be completed within the initial contract price + 10% contingencies allocated for the project. Therefore, with this trend in the increase of prices of materials, it is forecasted that at the completion of the project, the project cost would reach Rs. 4,600 million approximately and it was approved by the Cabinet decision No. අමප/23/1084/628/050/ටීබීආප් & dated 05 July 2023. However, according to the initial agreement, project should be completed on 24 January 2023. Subsequently, two time extensions was given to complete on or before 29 August 2023. However, the physical progress as at 31 December 2023 was 88 percent and contract was not completed even as at 30 April 2024.



2.5 Other Matters

- (a) The committees on board of survey had been appointed to carry out physical verification of PPE amounting to Rs.40,104.8 million (carrying value) as at 31 December 2023, which consist movable assets of Rs. 3,210.4 million and Rs. 36,894.4 million of non-movable assets. However, the committees had been physically verified only movable assets amounting to Rs. 38.8 million as at 06 May 2024.
- (b) The supplier advances obtained by all the heads of divisions and sections, should be settled before the end of the respective year. However, supplier advances obtained during year and preceding years amounting to Rs.37.1 million had remained as at 30 April 2024 without been settled.
- (c) According to the section 11 of the Inland Revenue Act, No 24 of 2017, in calculating the income from business for the year of assessment, no deduction shall be allowed for an expenses of a capital nature. However, when calculating the assessable income from business, a sum of Rs.1,475 million paid to General Treasury by the Company for loan repayment during the year under review had been deducted without obtaining 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 2022/23 had been understated by Rs.442.5 million.
- (d) A sum of Rs.823.2 million shown as income tax receivable from the assessment year 2013/2014 to 2021/2022, in respect of withholding taxes, income tax paid and notional taxes in the statement of financial position of the Company as at 31 December 2023. However, as per the interim audit report of Department of Inland Revenue had confirmed that a sum of Rs.321.4 million out of 571.6 million may be returned subject to a detailed audit in its statement dated 09 January 2023. Therefore, realization of the income tax receivable amounting to Rs.250 million is uncertain.
- (e) A sum of Rs.14.8 million shown in the bank reconciliation statement as unrealized deposit represents the financial fraud committed by Management Assistant of airport management division from cash collected by issuing entry passes. However, this amount is not yet settled as at 31 December 2023. According to the management comment, the case is still under investigation and court case is processing on the fraud.
- (f) The commitment chargers and project related expenses amounting to Rs.184 million incurred for the Construction of Passenger Terminal Building-II & Associated works during the project suspended period was uneconomical.
- (g) Four locations with the square feet 3293 of Mattala Rajapaksa International Airport (MRIA) had not been used to generate income for the company by renting out since inception of MRJA.
- (h) The landing and parking trade debtors (International), amounting to Rs. 2,077,949,728 had remained outstanding for over 1 to over 5 years without been recovered. According to the management comments, Minister of Port, Shipping and Aviation had given the approval to waive off interest charges on Landing and Parking only from Sri Lankan airlines.
- (i) The landing and parking trade debtors (Domestic), amounting to Rs. 60,317,615 had remained outstanding for over 1 to 5 years without been recovered. According to the management comments, Minister of Port, Shipping and Aviation had given the approval to waive off interest charges on Landing and Parking only from Sri Lankan airlines.
- (j) The rental debtors amounting to Rs. 322,831,492 had remained outstanding for over 1 to 5 years without been recovered. According to the management comments, Minister of Port, Shipping and Aviation had given the approval to waive off interest charges on rental debtors only from Sri Lankan airlines.
- (k) Aerobridge debtors amounting to Rs. 375,633,848 had remained outstanding for over 1 to 5 years without been recovered. According to the management comments, Minister of Port, Shipping and Aviation had given the approval to waive off interest charges on aerobridge debtors only from Sri Lankan airlines.

Report of the Auditor General on the Financial Statements



- (l) All-inclusive maximum bonus payment of Rs.125,000 per employees for the year 2023 was granted by the Cabinet of Ministers on 11 December 2023 and according to the section 2.1 of the circular No. PED 04/2023 and dated 11 December 2023, When a mid-term allowances which can be considered as a bonus has been paid by any institution to its employees, it should be considered as an advance of the annual bonus paid at the end of the year unless the cabinet of ministers has granted a special approval to consider such payment as an additional bonus. Further, as per the section 4 of the internal memo issued by the company, it was decided to deduct the interim advance of Rs.50,000 paid per employee in April 2023(aggregating bonus of Rs.177,843,750 for 3,569 employees) from the salary as an instalments of Rs.5,000. However, above interim allowances had not been deducted from annual bonus or salary by the company yet.
- (m) Performance of Mattala Rajapaksha International Airport (MRIA)
The operating cost of the MRJA in the year under review had recorded Rs.2,412.9 million and it was 08 times over the operating Income of Rs. 288 million and operating loss of the airport was Rs. 2,124.1 million and net profit after tax for the year under review was Rs.926.6 million mainly due to effect of the foreign exchange gain. The cumulative net losses after tax from year 2018 to 2023 was Rs.38,489 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 190,750 and total flight movements of last six years were 2,182. Hence, that a sum of Rs.36,564 million equivalent to USD 247.7 million incurred for the construction of the airport including price escalation and variations had not effectively used. Further, a sum of Rs.1,590 million had been paid by AASL as the annual loan interest for the foreign debt of USD 190 million initially obtained for the above construction.
- (n) Performance of Colombo International Airport, (CIAR) – Ratmalana
The cumulative loss of the CIAR - Ratmalana from year 2018 to 2023 was Rs.2,608 million including the loss of the year under review amounting to Rs.38.7 million. The aircraft movements during the period 2020 to 2023 were 13, 13, 38 and 86 nos respectively and the passenger movements during year 2020 to 2023 were 60, 28, 54 and 12 Nos. respectively.
- (o) Performance of Jaffna International Airport (JIA)
- (i) The JIA had inaugurated on 17 October 2019. However, from the inception of the Airport, only 702 aircrafts movements with 33,431 Nos. of passenger movements had taken place. The recorded cumulative loss during last past 05 years was Rs. 217.4 million including the net profit of Rs.15.4 million of year 2023. The revenue and the operating expenditure during the year under review were Rs.152.4 million and Rs.137.6 million respectively.
- (ii) The AASL had been instructed by the Director General of the Civil Aviation Authority, by his letter No. AE/1/3/(CA/19/162) and dated 13 June 2019 regarding the development and improvement of the Jaffna Airport as a regional international airport with the approval of the Cabinet of Ministers,. According to the letter, as per the recommendations of the working committee appointed by the Secretary of the Line Ministry, it was decided to develop the Jaffna Airport in 03 phases with immediate effect. Accordingly, the development of phase-II should be started immediately and ended on 01 December 2019. However, the development work had not been started yet.
- (iii) According to the strategic action plan of the company prepared for the period 2020-2024 by the marketing and communication division, it was planned to attract new airlines and to increase the frequencies of existing airlines to JIA. However, only one airline is operating in JIA. Further, when analysing the daily passenger's arrival and departure information of JIA, it was observed that necessity of developing a detailed marketing plan to increase a frequency of existing airline or to attract new airline for the purpose of increasing the income of JIA.



- (p) Performance of Batticaloa International Airport (BTIA)
The Batticaloa International Airport had reopened to civilians for operation on 25 March 2018 and a sum of Rs.86.6 million had been incurred as operating expenditure during last five years without generating income. Revenue earned during the year under review was Rs. 585,600 and operating expenditure incurred was Rs.18,997,068.
- (q) Maintenance, Repair and Overhauling (MRO) at Mattala
As per the Cabinet Paper No,CP/13/1254/545/011-I and dated 28th August 2013 and the cabinet decision dated 05th September 2013, approval has been granted to enter into a supplementary agreement to execute additional for the above project at a total cost of US\$ 122,030,389. Accordingly, AASL has entered into a supplementary agreement to principal agreements (Contract of Hambantota International Development Project Signed on 27th November 2009) signed for MRIA, on 06 September 2013 with China Harbor Engineering Company Limited (CHEC). The following observations are made in this regards.
- (i) According to the section No.01 of the supplementary agreement, the agreement will come into effect only upon a date to be notified by the Employer to the Contractor subsequent to the Government of People's Republic of China Providing credit funding acceptable to the GOSL for the said works. However, AASL had not been obtained the above facility. Therefore the agreement was not binding on the parties, because the concession loan with EXIM Bank of China as a condition precedent for effecting the commercial contract for the above project had not been taken by the company. Subsequently, a commencement order had been issued by the Chairman of the Company on 03 October 2013 to CHEC and accordingly, CHEC had commenced construction of new gate lounge at Passenger Terminal Building (PTB) without validating the agreement.
- (ii) CHEC had submitted the interim payment application No.01 on 04th September 2016 for US\$ 4,499,635. However, the committee appointed in this regard had noted that there was a discrepancy in the claim submitted by CHEC. Further, CHEC had claimed a sum of US\$ 4,936,069 as delayed interest. As per the decision given by the committee appointed by the secretary of State Ministry of Tourism by Letter No. MMEZD/AV/04/AASL-MRIADDEV and supplementary report of revaluation after discussion with secretary to the Ministry of Ports, Shipping and Aviation, bill value of USS 1,650,378 equivalent to Rs.565,491,077 was recommended by the committee. Finally, CHEC and AASL had agreed to pay the above amount by three instalments and paid on the basis of "Quantum of Merit" without certified by the engineer and not to pay the delayed interest. However, it was observed that out of above, a sum of Rs. 187,603,537. (US\$ 547,524) was uneconomical. Because, most of the design would not be appropriated for today's context and construction of building was not yet started.
- (iii) As per the cabinet decision No.CMN/13/1254/545/011-1 and dated 28th August 2013, approval of the cabinet was granted to initiate necessary actions to list this additional work contract to approve as strategic development project under the Board of Investments (BOI) and to authorize the secretary to the Ministry of Finance and Planning to exempt the nominated contractor from paying taxes. Further it was also suggested the same by the Minister of Finance and Planning under his observation. Nevertheless, necessary actions had not been taken in term of section 3 (4) of the Strategic Development Project Act No.14 of 2008 to exempt the tax. Therefore, a sum of Rs.79,386,492 equivalent to US\$ 247,556 had been paid to contractor on 28 July 2023 even though there was a possibility to exempt from the tax.
- (iv) The Chairman of the company had informed to the Secretary of Ministry of Ports, Shipping and Aviation by his letter dated 18 July 2023 about the following recommendations made by Mechanical Engineering in this regard.
- Payments of VAT can be recommended if CHEC rectified all leakages of fire network and operate with minimum acceptable leakages for one year period.
 - If above requirement cannot be done, entire fire network will have to be replaced by CHEC, Which would cost around Rs. 800 million.

However, Company had released the VAT Payment of Rs 79,386,492 on 28 July 2023 without considering the above recommendations.

Report of the Auditor General on the Financial Statements



- (v) Although the requisition of the bill was forwarded in 2016 for above payment, payment of bills was processed in 2022 and 2023. Due to delay in taking the decision to pay bills, exchange rate of LKR 146.03 per 1 US\$ as at 31 December 2016 had increased up to LKR 360 per 1 US\$ when it was settled. Therefore, the company had to incur the loss of Rs.324.5 million.
- (r) **Package A - Construction of Passenger Terminal Building and Associated works.**
The above constructions works had been awarded to Contractor of Japan on 04 March 2020 and agreement was signed on 12 March 2020 and the performance security had been given on 25 March 2020. However, the contract work has been commenced on 15th December 2020 with 09 months delay due to covid 19 pandemic stated by management. Further, according to the contractor's implementation plan, the contract progress as at 31 December 2022 should be 30 percent. However, the actual progress of the contract was only 5.38 percent. Due to the policy decision taken by the Ministry of Finance regarding the servicing of external debts on 12 April 2022, the donor suspended all disbursements under the loan. As part of the way forward action plan of the project, with the approval of the Cabinet of Ministers, it had been initiated the action to carrying out an identified scope of work with an approximate cost estimate of Rs 800 million.
- At the examination of the procurement activities of Carrying out an Identified Scope of work of the project, the following observations are made.
- (i) Initially, it was planned to call bids through National Competitive Bidding Procedure by packaging the above contract as per the information included in the file. However the company had called limited bids from two bidders by referring the decision taken by CANC for the above procurement at its meeting held 03rd February 2023. The estimated cost of above works is Rs.275million including 10% contingencies.
- (ii) The head of projects by his letter No.BIADP/P1152/4307/01 (PK.A) – 1052 and dated 01 March 2023, has informed to the engineers representative of consultant that the offer received from only one offer at Rs. 640,276,768 and this price was exceeded the engineer estimate by Rs.365,276,768. Further, it also highlighted by the engineers representative of consultant in his letter No. IAS-NK/PMU/Pk. A/23/1557 dated 07 March 2023 that the bid prices are 100 percent higher than the engineer's estimate. However, after negotiations, the letter of acceptance was issued on 31 May 2023 at a total cost of Rs 475,125,137 including 2.5 percent discount, 4.7 percent contingencies and VAT. It was observed that the variation of the contract price is higher than by 73 percent when compared with the engineer's estimate. Subsequently, as per the Cabinet paper No.23/1969/628/096 and dated 11 October 2023, an approval was given to carry out priority works of the project in small scale utilizing own funds by the Cabinet paper No. 23/0191/628/013 dated 8 March 2023. In addition, as per the way forward action plan of the project, company initiated the remaining scope of work of the project. The engineer estimate of the above work and priority work was Rs.3,300 million + VAT.
- (s) **World Ranking of Airports**
According to the information released about the world's airports by Airport Council International (ACI) World in 2018, out of 2583 airports in the world, Sri Lanka was in the 370th place in terms of total movement, the 205th place in terms of total passenger, and the 89th place in total cargo transportation. However, as per the ACI report of year 2022, out of 2677 airports, Sri Lanka was in the 548th place in terms of total movement, the 292th place in terms of total passenger, and the 116th place in total cargo transportation. It was observed that the world ranking is dropping when compared with 2018 figures. According to the comments given by the management, the reason for the dropping mainly was due to Easter Sunday attack and Covid pandemic situation etc.



(t) Asia Pacific Ranking of Airports

According to the information released about the world's airports by Airport Council International (ACI) in 2018, out of 852 Airports in the Asia Pacific, Sri Lanka was in the 104th place in terms of total movement, the 78th place in terms of total passenger, and the 34th place in total cargo transportation. However, as per the ACI report of year 2022, out of 2483 airports, Sri Lanka was in the 109th place in terms of total Movement, the 76th place in terms of total passenger, and the 30th place in total cargo transportation and audit observed that the world ranking is dropping when compared with 2018 figures. According to the comments given by the management, the reason for the dropping mainly was due to Easter Sunday attack and Covid pandemic situation etc.

W.P.C. Wickramaratne
Auditor General.

Statement of Comprehensive Income

(All amounts in Sri Lankan Rupees)

	Note	Year ended 31 December	
		2023	2022
Revenue	5	38,245,784,487	25,936,398,684
Other Income	6	130,045,148	1,640,400,773
		38,375,829,636	27,576,799,457
Administration and Establishment Expenses	7	(19,061,158,765)	(14,941,498,625)
Operating Profit		19,314,670,871	12,635,300,832
Finance Income		10,428,195,594	6,206,671,289
Finance Cost		3,896,212,133	(12,408,946,131)
Net Finance Income / (Cost)	8	14,324,407,728	(6,202,274,842)
Profit Before Tax		33,639,078,598	6,433,025,990
Income Tax Expenses	9	(5,517,423,668)	(1,630,328,423)
Profit for the Year		28,121,654,931	4,802,697,567
Basic Earning Per Share	10	140,607	24,013
Other Comprehensive Income			
(Loss)/Gain Arising From Changes In Assumptions on Computing Retirement Benefit Obligations	23	(296,536,179)	(366,067,192)
Deferred Tax on Actuarial Gain / (loss)	13	88,960,854	87,856,126
Total Other Comprehensive Income		(207,575,325)	(278,211,066)
Total Comprehensive Income for the Year		27,914,079,606	4,524,486,501

The notes on pages 92 to 120 form an integral part of these financial statements.

Statement of Financial Position

(All amounts in Sri Lankan Rupees)

	Note	As at December 31	
		2023	2022
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	11	36,177,294,374	39,630,716,596
Investment Properties	11	3,927,460,603	-
Capital Work in Progress	11	38,443,670,909	36,697,665,852
Intangible Assets	12	162,669,883	15,931,315
Deferred Tax Assets	13	3,509,712,949	3,104,834,912
		82,220,808,717	79,449,148,675
Long Term Investments			
Long Term loans		10,388,500	11,588,500
Long Term Debenture Investments	14.1	2,199,300,000	1,999,300,000
Long Term Bank Deposits	14.2	-	6,962,540,843
Loans to Company Officers	16.1	102,362,282	68,338,785
		2,312,050,782	9,041,768,128
Current Assets			
Inventories	15	3,509,400,475	2,246,363,918
Trade and Other Receivables	16	11,811,961,572	8,734,298,691
Income Tax Receivable	26	-	91,084,038
Short Term Debenture Investments	14.1	800,000,000	1,299,000,000
Short Term Bank Deposits	14.2	87,716,805,396	78,025,787,863
Cash and Cash Equivalents	17	3,171,397,540	642,335,995
		107,009,564,983	91,038,870,506
Total Assets		191,542,424,482	179,529,787,310
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital	18	20,000,200	20,000,200
Reserves	19	6,846,530,966	6,848,033,247
Retained Earnings	20	60,744,660,339	38,389,121,467
		67,611,191,506	45,257,154,913
Non-Current Liabilities			
Borrowings	21	69,992,369,357	93,028,636,038
Debentures	22	4,000,000,000	4,000,000,000
Retirement Benefit Obligation	23	6,993,907,655	5,877,345,342
Deferred Tax Liability	13	9,211,489,732	9,264,909,416
Deferred Government Grants	24	1,385,811,815	907,164,185
		91,583,578,558	113,078,054,980
Current Liabilities			
Trade and Other Payables	25	10,401,426,966	7,950,084,768
Borrowings	21	19,922,064,751	13,244,492,649
Income Tax Payable	26	2,024,162,700	-
		32,347,654,417	21,194,577,417
Total Liabilities		123,931,232,975	134,272,632,397
Total Equity and Liabilities		191,542,424,482	179,529,787,310

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 16 May 2024.



Chairman



Director



Head of Finance

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

The notes on pages 92 to 120 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 2022		20,000,200	6,846,183,247	34,448,138,251	41,314,321,698
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		-	-	4,524,486,501	4,524,486,501
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	45,257,154,914
Balance as at 1 January 2023		20,000,200	6,848,033,247	38,389,121,466	45,257,154,914
Prior Year Adjustments		-	-	(60,043,013)	(60,043,013)
Profit for the Year		-	-	28,121,654,931	28,121,654,931
Other Comprehensive Income					
Actuarial Loss on Post Employment Benefit Obligations		-	-	(296,536,179)	(296,536,179)
Deferred Tax on Actuarial Gain		-	-	88,960,854	88,960,854
Other Comprehensive Income		-	-	(207,575,325)	(207,575,325)
Total Comprehensive Income		-	-	27,914,079,606	27,914,079,606
Dividend Paid	28	-	-	(5,500,000,000)	(5,500,000,000)
FA Revaluation Reserve		-	(5,612,281)	5,612,281	-
Transfer to Reserve Account		-	4,110,000	(4,110,000)	-
Balance as at 31 December 2023		20,000,200	6,846,530,966	60,744,660,339	67,611,191,508

The notes on pages 92 to 120 form an integral part of these financial statements.

Statement of Cash Flows

(All amounts in Sri Lankan Rupees)

	Note	Year ended 31 December	
		2023	2022
Cash Flows from Operating Activities			
Profit Before Income Tax Expenses		33,639,078,598	6,433,025,990
Adjustment for :			
Depreciation	11	2,112,941,365	2,354,707,348
Amortization of Intangible Assets	12	8,301,847	12,086,369
Prior Year Depreciation/Amortization Adjustment	11-12	-	16,674,876
Adjustments for PPE Transfers	11-12	1,065,965,556	410,106,958
Demolization of Assets		6,610,000	-
Assets Written Off / Disposals /Donations	11-12	(528,765,646)	516,596
Exchange (Gain) / Loss on Loans Conversion	8	(15,204,613,135)	43,977,059,211
Exchange (Gain) / Loss on Fixed Deposits Conversion	8	8,467,336,122	(32,015,382,717)
Income from Investment	8	(10,366,420,837)	(6,110,206,527)
Loss/(Profit) on Sales of Property, Plant and Equipment		-	(1,121,060)
Prior Year Adjustments	20	(60,043,013)	(81,653,286)
Amortization/Receipt of Deferred Government Grants	24	478,647,630	(49,507,184)
Finance Cost	8	2,225,201,499	1,854,365,149
Provision for Retirement Benefit Plan	23	1,395,653,571	1,136,495,208
Operating Profit Before Working Capital Changes		23,239,893,558	17,937,166,931
(Increase)/ Decrease in Inventories		(1,263,036,556)	(1,438,178,634)
(Increase)/ Decrease in Trade and Other Receivables		(1,182,133,721)	(2,389,908,897)
Increase/ (Decrease) in Trade and Other Payables		1,729,356,384	3,461,203,011
Cash Generated From Operations		22,524,079,664	17,570,282,412
Defined Benefit Plan Costs Paid	23	(575,627,437)	(462,956,225)
Interest Paid		(1,503,215,684)	(1,003,285,606)
Income Tax Paid	26	(3,771,513,797)	(120,214,592)
Net Cash Generated from Operating Activities		16,673,722,746	15,983,825,986
Cash Flows From Investing Activities			
Acquisition of Property, Plant and Equipment	11	(4,876,794,714)	(7,015,703,468)
Acquisition of Intangible Assets	12	(155,040,414)	(16,674,876)
Net Withdrawals in Debentures	14	299,000,000	790,000,000
Net (Investments) in Bank Deposits		(11,195,812,812)	(10,191,134,919)
Loan Recovered from Sport Club		1,200,000	1,200,000
Proceeds From Sale of Property, Plant and Equipment		-	1,327,879
Interest Received		8,470,891,677	3,611,801,476
Staff Loans Granted		(126,536,520)	(90,623,661)
Staff Loans Receipt		92,513,023	83,887,082
Net Cash Generated from Investing Activities		(7,490,579,760)	(12,825,920,487)
Cash Flows from Financing Activities			
Dividend Paid	28	(5,500,000,000)	(500,000,000)
Loan Receipt	21	321,109,644	2,544,341,074
Loan Repayment (Local)	21	-	(266,666,666)
Loan Repayment (Foreign)	21	(1,475,191,088)	(4,706,288,922)
Net Cash (Used in)/Generated from Financing Activities		(6,654,081,444)	(2,928,614,514)
Net Increase/(Decrease) in Cash and Cash Equivalents		2,529,061,545	229,290,986
Cash and Cash Equivalents at the Beginning of the Year	17	642,335,995	413,045,010
Cash and Cash Equivalents at the End of the Year	17	3,171,397,540	642,335,995

The notes on pages 92 to 120 form an integral part of these financial statements.

Notes to the Financial Statements

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

1 CORPORATE INFORMATION

1.1 General

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

1.2 Principal Activities and Nature of Operations

During the year, the 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 2023 were authorised for issue in accordance with a resolution of the Board of Directors on 16 May 2024.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal 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/LKAS). The financial statements are prepared under the historical cost basis, as modified by fair valuation of certain financial assets and liabilities and present value of defined benefit obligations.

The preparation of financial statements in conformity with SLFRSs requires the use of certain critical accounting estimates. It also requires management

to exercise their judgment in the process of applying the Company's accounting policies. The areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

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

2.1.1 Amalgamation

These financial statements present the amalgamated position of the Company including:

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

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

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

The necessity for the above Cabinet approval was due to the ownership of only part of the assets held by the former Airport Authority been transferred to the Company in 1983 with the formation of the Company and dissolution of the Airport Authority with the remaining assets and liabilities been held and accounted under the voted and the retained revenue funds.

The Board of Directors of the Company on 28 June 2013 approved the amalgamation in order to comply with the Sri Lanka Accounting Standards

(SLFRS/LKAS), on the basis that the Company in engaging in its principal 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/LKASs.

The Statement of Financial Position, Statement of Comprehensive Income, Changes in Equity and Cash Flows, together with accounting policies and notes, ("Financial Statements") of the Company as at 31 December 2023 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:

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 Fair Value Measurement

A fair value measurement assumes that the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions.

A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either,

- (a) in the principal market for the asset or liability; or

- (b) in the absence of a principal market, in the most advantageous market for the asset or liability

2.1.13 Changes in Accounting Policy and Disclosures

New and amended standards and interpretations

No significant impact resulted on the financial statements of the Company due to changes in Accounting Standards and disclosures during the year.

The new and amended standards and interpretations up to the date of issuance of the Company's financial statements are disclosed below.

Amendments to LKAS 8 – Definition of Accounting Estimates

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

Amendments to LKAS 12 -Deferred Tax related to Assets/Liabilities arising from a Single Transaction

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgment (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgment is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Notes to the Financial Statements

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023

Amendments to LKAS 1 - Classification of Liabilities as Current or Non Current

Amendments to LKAS 1 Presentation of financial statements specify the requirements for classifying liabilities as current or non-current. The amendments clarify –

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification
- Disclosures

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

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

A foreign currency transaction shall be recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of each reporting period

- Foreign currency monetary items shall be translated using the closing rate

- Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction
- Non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was determined

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements shall be recognised in profit or loss in the period in which they arise.

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.

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 de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Comprehensive Income in the year the asset is de-recognized.

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

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

Any revaluation surplus is recorded in Other Comprehensive Income and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in the Statement of Profit or Loss, the increase is recognised in the Statement of Profit or Loss. A revaluation deficit is recognised in the Statement of Profit or Loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings."

Notes to the Financial Statements

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

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 Intangible Assets

An Intangible asset is recognised if it is probable that future economic benefits associated with the assets will flow to the company and cost of the asset can be reliably measured.

Intangible assets acquired separately are measured on initial recognition at cost.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

2.9 Stated Capital

Ordinary shares are classified as equity.

2.10 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.

2.11 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.

2.12 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.

2.13 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.

2.14 Retirement Benefit Obligations (a) Defined Benefit Plan

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

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

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the actuarial valuation. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms

of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on Government bonds are used.

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

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

(b) Defined Contribution Plans

All employees of the company 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.

2.15 Grants and Subsidies

Government grants shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

A Government grant may take the form of a transfer of a non-monetary asset, such as land or other resources, for the use of the entity. In these circumstances it is usual to assess the fair value of the non-monetary asset and to account for both grant and asset at that fair value.

2.16 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.

2.17 Financial Assets

2.17.1 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)

2.17.2 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

Notes to the Financial Statements

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

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.

2.18 Offsetting Financial Instruments

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

2.19 Impairment of Financial Assets

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

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulties, default or delinquency in interest or principle payment, the probability that they will enter bankruptcy or other financial reorganization, and where observable

data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that co-relate with defaults.

SLFRS 9 requires to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. Loss allowance for trade receivables is always measured at an amount equal to lifetime Expected Credit Loss (ECL). When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information. The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 365 days past due.

2.20 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.

2.21 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. The

following specific criteria are used for the purpose of recognition of revenue.

(a) Rendering of Services

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

(b) Interest

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

(c) Rental Income

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

(d) Franchise Fee and Concessions

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

(e) Landing & Parking Income International / Domestic

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

(f) Overflying Income

Overflying income is calculated based on the MTOW of aircraft and the distance flown recognised on an accrual basis. Company is liable to pay 40% of collection on overflying Income to General Treasury with effect from 16 March 2023.

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial Risk Factors

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

(a) Market Risk

(i) Foreign Exchange Risk

The company is sensitive to the fluctuations in exchange rates and is principally exposed to fluctuations in the value of the Sri 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

	2023	2022
	Increase/ (Decrease) in profit (LKR)	Increase/ (Decrease) in profit (LKR)
10 % appreciation/ depreciation (2022 - 10%) of the USD	565,034,429	(2,295,761,101)
15 % appreciation/ depreciation (2022 - 15%) of the USD	847,551,643	(3,443,641,652)
20 % appreciation/ depreciation (2022 - 20%) of the USD	1,130,068,857	(4,591,522,203)

Sensitivity of the Exchange Rate of Euro against LKR

	2023	2022
	Increase/ (Decrease) in profit (LKR)	Increase/ (Decrease) in profit (LKR)
10 % appreciation/ depreciation (2022 - 10%) of the Euro	696,484	(4,578,571)
15 % appreciation/ depreciation (2022 - 15%) of the Euro	1,044,726	(6,867,856)
20 % appreciation/ depreciation (2022 - 20%) of the Euro	1,392,968	(9,157,142)

Notes to the Financial Statements

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

Sensitivity of the exchange rate of Japanese Yen against LKR

	2023	2022
	Increase/ (Decrease) in profit (LKR)	Increase/ (Decrease) in profit (LKR)
10 % appreciation/ depreciation (2022 - 10%) of the Yen	954,730,401	(2,097,366,253)
15 % appreciation/ depreciation (2022 - 15%) of the Yen	1,432,095,602	(3,146,049,379)
20 % appreciation/ depreciation (2022 - 20%) of the Yen	1,909,460,803	(4,194,732,505)

(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 be further 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 2023 and 31 December 2022 were as follows:

	Company	
	2023	2022
Total Debt (Note 21 & Note 22)	93,914,434,108	110,273,128,687
Less: Cash and Cash Equivalents (Note 17)	(3,171,397,540)	(642,335,995)
Less: Short Term Debenture Investments	(800,000,000)	(1,299,000,000)
Less: Short Term Bank Deposits	(87,716,805,396)	(78,025,787,863)
Net Debt	2,226,231,172	30,306,004,828
Total Equity	67,611,191,508	45,257,154,914
Total Capital	69,837,422,679	75,563,159,743
Gearing Ratio	3%	40%

The above loan wholly consists of loans obtained through General Treasury for the development of airports under sovereign guarantee, Debenture issued for the settlement of outstanding balance of contractor of Mattala Rajapakse International Airport. 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

	2023	2022
Aeronautical	7,575,143,036	6,135,995,731
Non-Aeronautical	30,670,641,452	19,800,402,953
	38,245,784,488	25,936,398,684
Aeronautical Revenue		
Landing & Parking Income	4,543,507,581	4,006,214,542
Overflying Income	2,114,565,361	1,547,067,263
Aerobridge Income	895,530,276	567,327,572
Domestic Landing & Parking Income	21,539,818	15,386,355
	7,575,143,036	6,135,995,731
Non-Aeronautical Revenue		
Embarkation Levy	8,648,651,187	5,195,720,093
Concession	11,489,266,114	8,244,584,960
Rental	5,168,896,420	3,452,134,576
Entry Permits	812,886,979	489,845,478
Fuel Throughput Charges	256,201,035	159,236,447
Franchise Fee on Ground Handling - SLA	1,420,987,416	503,441,315
Franchise Fee - SLCS	786,139,193	594,260,137
Parking Fees - Vehicles	210,648,560	145,240,324
Domestic Ground Handling CIAR / BIA	9,305,834	15,917,318
Other Non-Aeronautical Income	991,037,548	442,841,502
Gross Profit from Lounges	876,621,167	557,180,804
	30,670,641,452	19,800,402,953
Total Aeronautical and Non-Aeronautical Revenue	38,245,784,487	25,936,398,684

6. OTHER INCOME

	2023	2022
Amortization of Government Grant	53,963,608	49,507,184
Operating Profit from Fuel Filling Station (Note 6.1)	76,081,540	64,860,315
Net Foreign Exchange Gain on Transactions	-	1,526,033,274
	130,045,148	1,640,400,773

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

6.1 Operating Profit from Fuel Filling Station

	2023	2022
Sales	2,833,249,661	1,563,952,074
Less: Cost of Sales	(2,757,168,121)	(1,499,091,760)
Gross Profit	76,081,540	64,860,315

7. ADMINISTRATION AND ESTABLISHMENT EXPENSES

	2023	2022
Directors' Emoluments	12,434,946	8,402,305
Staff Cost	7,467,364,871	7,424,239,181
Defined Contribution Plan Costs	898,677,674	856,998,376
Defined Benefit Plan Costs	1,395,653,571	1,136,495,208
Bonus	383,461,779	-
Overtime	832,373,375	569,224,762
Auditor's Remuneration	1,254,000	1,096,500
Depreciation (Note 11)	2,112,941,365	2,354,707,348
Amortization (Note 12)	8,301,847	12,086,369
Provision for Debtors Impairment	111,730,643	144,808,120
Repair and Maintenance	1,880,496,451	475,950,365
Electricity Expenses	1,967,195,344	914,530,672
Legal Fees	2,512,620	1,092,640
Donations	228,000	510,000
Other Expenses	1,986,532,279	1,041,356,781
	19,061,158,765	14,941,498,625

8. NET FINANCE (COST) / INCOME

	2023	2022
8.1 Finance Income		
Interest on Treasury Bills/Bonds under Repurchase Agreements	131,812,265	74,126,627
Interest on USD Bank Account	2,650,951	4,451,204
Interest on USD Fixed Deposits	7,824,771,732	4,409,658,097
Interest on Rupee Fixed Deposits	1,888,563,833	1,168,117,693
Interest on Debenture Investments	518,622,056	453,852,907
Interest on Loan Sports Club	322,212	322,212
Interest on Staff Loans	7,860,783	10,080,507
Interest on Security Deposits	1,872,563	-
Default Interest Income	68,336,471	69,996,927
IFRS Interest on Staff Loans	(16,617,272)	16,065,116
	10,428,195,594	6,206,671,289
8.2 Finance Cost		
Loan Interest	(2,225,201,499)	(1,854,365,149)
Net Foreign Exchange (Loss) on Transactions	(161,712,314)	-
Exchange Gain / (Loss) on Loans Conversion	15,204,613,135	(43,977,059,211)
Exchange (Loss) / Gain on Fixed Deposits Conversion	(8,467,336,122)	32,015,382,717
Exchange (Loss) / Gain on Other Accounts Conversion	(454,151,067)	1,407,095,512
	3,896,212,133	(12,408,946,131)
Net Finance Income/(Cost)	14,324,407,728	(6,202,274,842)

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 2023 are as follows :

	2023	2022
Current Income Tax		
Current Tax Charge	5,886,760,534	877,223,760
Income Tax	5,886,760,534	877,223,760
Deferred Income Tax		
Charge / (Reversal) in respect of Deferred Taxation (Note 13)	(369,336,867)	753,104,662
Total Tax Expense	5,517,423,668	1,630,328,423

Corporate Income Tax has 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 2022 and 30% was applied for the second six month of the same year and also for the year of 2023 as per the provision of new amendments.

	2023	2022
Profit Before Tax	33,639,078,598	6,433,025,990
Tax calculated at the effective tax rate of (30%-24%)	10,091,723,580	1,736,917,017
Tax effect on Expenses not deductible for tax	3,765,481,113	3,834,860,767
Tax effect on Expenses/Income deductible for tax	(7,970,444,159)	(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	(369,336,867)	753,104,662
Total Tax Expense	5,517,423,668	1,630,328,423

10. BASIC EARNINGS PER SHARE

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

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

	2023	2022
Net Profit attributable to Shareholders - LKR	28,121,654,931	4,802,697,567
Weighted average number of Ordinary Shares issued	200,002	200,002
Basic Earning per Share - LKR	140,607	24,013

11. PROPERTY, PLANT AND EQUIPMENT

- (i) Land and building includes land amounting to LKR.935,980,401 as at 31 December 2023 (2022 - LKR.935,980,401) 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. There are two lease agreements and after the end of 50 years grace period Company is liable to pay annual lease rental of Rs.2,141,922 & Rs.3,792,711 for initial 5 years and after that Company will be liable to pay lease rentals in each year which will be decided at the time of payment. In addition to that Company is liable to pay a lease term payment of Rs.6,425,766 & Rs.11,378,133 at the initial year after the grace period (2061).

According to the SLFRS 16, in relation to the long term lease lands, at inception of a contract, the Company assesses whether a contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the company uses the definition of a lease in SLFRS 16, then, the Company recognizes a right-of-use asset and a lease liability at the lease commencement date.

As per the section 5 of SLFRS 16, lease liability recognition exemption is granted for lessee for leases on which the underlining asset is of low value. Also section 06 explains if a lessee elects not to apply the recognition requirements, the lessor shall recognize the lease payments as an expenses. AASL has applied the same procedure as annual lease payment after the year 2061 is only LKR 5.9 million and one time payment for the year 2061 is LKR 17.8 million. Once discount this annual rental payment at the rate of 10%, the present value of lease payment will be only LKR 50,554 & LKR 151,663.

A total asset value of LKR 18 Billion relating to MRIA is included in the amalgamated Property, Plant & Equipment as at 31 December 2023.

As per the Cabinet Decision No.24/0882/628/028-1 dated 13 May 2024 approval has been granted to transfer of the Management of Mattala Airport to M/s Shaurya Aeronautics (Pvt) Ltd of India and Airports of Regions Management Company of Russia.

- (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 21,934,000,440 (2022 -LKR 19,691,847,762).
- (v) Package B of BIADP Phase II Stage 2 project commenced on 25 April 2017 and the work including construction of Apron and Taxiways were completed on 26 January 2022. Final bill to the Contractor is expected to be finalised and settled in 2024, upon which the Package B will be capitalised. Estimated total construction cost is Rs.6,458,931,932 and in addition total value of package B will include consultant's cost.

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.)

	Land & Buildings	Plant and Machinery	Motor Vehicle	Furniture, Fittings & Office Equipment
As at 1 January 2022				
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	971,289,499	494,358,456	200,051,533
As at 31 December 2022				
Cost	19,956,980,260	6,058,714,297	1,951,252,288	1,338,261,557
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	971,289,499	494,358,456	200,051,533
Year ended 31 December 2023				
Opening Net Book Amount	17,748,383,958	971,289,499	494,358,456	200,051,533
Additions	895,453,514	635,395,044	45,491,612	42,248,373
Donation			556,248,192	
Demolization of Assets	(6,610,000)			
- Accumulated Depreciation				
Disposals - Cost		(21,902,394)	(46,742)	(65,741,099)
- Accumulated Depreciation	901,927	19,719,924	46,742	64,700,717
Written off - Cost			(24,238,870)	
- Accumulated Depreciation				
Transfers - Cost	(4,540,449,191)			127,600
- Accumulated Depreciation	612,988,588			
Depreciation Charge (Note 7)	(473,604,061)	(197,702,980)	(94,510,631)	(54,264,090)
Closing Net Book Amount	14,237,064,736	1,406,799,093	977,348,757	187,123,030
As at 31 December 2023				
Cost	16,305,374,583	6,672,206,947	2,528,706,478	1,314,896,427
Accumulated Depreciation	(2,068,309,847)	(5,265,407,854)	(1,551,357,721)	(1,127,773,397)
Provision for Doubtful Projects	-	-	-	-
Closing Net Book Amount	14,237,064,736	1,406,799,093	977,348,757	187,123,030

Communication & Navigation Equipment	Other Equipment	Airport Infrastructure	Investment Properties	Capital Work In Progress	Total
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)
585,111,139	217,071,102	19,414,450,904		36,697,665,852	76,328,382,443
8,845,679,124	1,556,560,471	35,247,594,748		36,703,863,706	111,658,906,451
(8,260,567,986)	(1,339,489,369)	(15,833,143,844)		-	(35,324,326,155)
-	-	-		(6,197,854)	(6,197,854)
585,111,139	217,071,102	19,414,450,904		36,697,665,852	76,328,382,443
585,111,139	217,071,102	19,414,450,904		36,697,665,852	76,328,382,443
56,429,533	26,400,496	363,242,232		2,812,133,910	4,876,794,714
					556,248,192
					(6,610,000)
					-
(641,610,375)	(16,687,835)				(745,988,445)
641,338,501	16,036,958				742,744,769
					(24,238,870)
					-
	35,700		4,540,449,191	(1,066,128,856)	(1,065,965,556)
			(612,988,588)		-
(172,634,239)	(72,235,840)	(1,047,989,524)			(2,112,941,365)
468,634,560	170,620,585	18,729,703,614	3,927,460,603	38,443,670,909	78,548,425,886
8,260,498,284	1,566,308,835	35,610,836,982	4,540,449,191	38,449,868,763	115,249,146,490
(7,791,863,724)	(1,395,688,251)	(16,881,133,368)	(612,988,588)	-	(36,694,522,751)
-	-	-		(6,197,854)	(6,197,854)
468,634,560	170,620,585	18,729,703,614	3,927,460,603	38,443,670,909	78,548,425,886

Notes to the Financial Statements

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

12. INTANGIBLE ASSETS

	2023	2022
At the beginning of the Year		
Cost	143,764,274	120,906,971
Accumulated Depreciation	(127,832,959)	(99,071,714)
	15,931,315	21,835,257
Movement during the year		
Opening Net Book Amount	15,931,315	21,835,257
Additions	155,040,414	16,674,876
Transfers -Depreciation	-	(16,674,876)
Written off/Transfer- Cost	-	6,182,427
Amortisation during the year	(8,301,847)	(12,086,369)
Closing Net Book Amount	162,669,883	15,931,315
At the end of the Year		
Cost	298,804,688	143,764,274
Accumulated Depreciation	(136,134,806)	(127,832,959)
Closing Net Book Amount	162,669,883	15,931,315

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

13. DEFERRED INCOME TAX

	Statement of Financial Position		Statement of Comprehensive Income	
	2023	2022	2023	2022
Deferred Tax Liability on :				
Accelerated Tax Depreciation	9,211,489,732	9,264,909,416	(53,419,684)	1,891,699,158
	9,211,489,732	9,264,909,416	(53,419,684)	1,891,699,158
Deferred Tax Assets on :				
Defined Benefit Plan	2,098,172,295	1,763,203,602	(334,968,693)	(602,146,199)
Provisions for Inventory & Debtors	995,797,110	1,069,482,055	73,684,945	(581,756,296)
Deferred Government Grants	415,743,545	272,149,256	(143,594,289)	(42,548,127)
	3,509,712,949	3,104,834,912	(404,878,036)	(1,226,450,622)
Other Comprehensive Income				
Deferred Income Tax on Actuarial Gain/(Loss) on Defined Benefit Plan			88,960,854	87,856,126
Deferred Income Tax Charge/ (Credit) (Note 9)			(369,336,867)	753,104,662

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;

	2023	2022
Deferred Tax Asset	3,509,712,949	3,104,834,912
Deferred Tax Liability	(9,211,489,732)	(9,264,909,416)
Deferred Tax Asset (Net)	(5,701,776,782)	(6,160,074,504)

14. INVESTMENTS

14.1 Investments in Debentures

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

	2023	2022
Debentures at weighted average rates of interest 6 month TB Rate + 1.25%	-	800,000,000
Debentures at Fixed Rate (11.25% - 29.00%)	2,999,300,000	2,498,300,000
	2,999,300,000	3,298,300,000

Date of Issue	Date of Redemption	Amount of Investment	
		2023	2022
08.10.2015	07.10.2023	-	800,000,000
25.10.2016	24.10.2023	-	50,000,000
15.03.2018	15.03.2023	-	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	500,000,000
21.12.2023	21.12.2028	1,000,000,000	-
		2,999,300,000	3,298,300,000

Classification of debenture investments based on maturity date is as follows,

	2023	2022
Long Term Debenture Investments	2,199,300,000	1,999,300,000
Short Term Debenture Investments	800,000,000	1,299,000,000
	2,999,300,000	3,298,300,000

14.2 Bank Deposits

	2023	2022
Long Term Bank Deposits	-	6,962,540,843
Short Term Bank Deposits	87,716,805,396	78,025,787,863
	87,716,805,396	84,988,328,706

Bank of Ceylon has granted Rs.5 billion worth of credit facilities to AASL for Letter of Credit. LKR Fixed deposit ref: 89151481 opened on 24 June 2022 amounting to Rs. 530,199,157.62 is held as a security against this credit facility.

Notes to the Financial Statements

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

15. INVENTORIES

	2023	2022
General	180,588,756	134,213,456
Electronics	114,672,576	126,239,449
Engineering	198,751,981	199,182,726
Fuel	80,741,252	42,230,563
Fire Equipment Spare Parts	21,836,211	17,989,659
Goods in Transit	3,093,308,530	1,765,674,340
Stocks -(Motor Spares)	62,497,223	54,943,012
Stock - Lounge	537,851	436,773
Inventory Clearing Accounts	(161,046,396)	(12,058,551)
	3,591,887,983	2,328,851,426
Less : Allowance for Slow Moving Inventory	(82,487,508)	(82,487,508)
	3,509,400,475	2,246,363,918

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

16. TRADE AND OTHER RECEIVABLES

	2023	2022
Trade Debtors	8,778,951,490	7,775,846,267
Less: Impairment of Trade Receivables	(3,236,836,192)	(3,482,452,676)
	5,542,115,298	4,293,393,591
Interest & Other Receivables	5,828,352,877	3,932,741,806
Advances and Prepayments	352,500,668	436,053,081
	6,180,853,546	4,368,794,886
Loans to Company Officers (Note 16.1)	88,992,728	72,110,214
	88,992,728	72,110,214
	11,811,961,572	8,734,298,691

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 13% in 2023 (2022: 18%)

16.1 Loans to Company Officers

	2023	2022
- Less than 1 year	88,992,728	72,110,214
- More than 1 year	102,362,282	68,338,785
	191,355,010	140,448,999

17. CASH AND CASH EQUIVALENTS

	2023	2022
Short Term Bank Deposits	2,173,454,795	-
Treasury Bills/Bonds under Repurchase Agreements	23,999,823	21,708,899
Cash & Bank		
Cash at Bank	971,107,422	618,933,596
Cash in Hand	2,835,500	1,693,500
	973,942,922	620,627,096
Total Cash and Cash Equivalents for the purpose of Cash Flow Statement	3,171,397,540	642,335,995

18. STATED CAPITAL

	Number of Shares	2023	2022
Stated Capital	200,002	20,000,200	20,000,200
		20,000,200	20,000,200

All issued shares are fully paid

19. RESERVES

	2023	2022
Net Assets taken over from Airports Authority	892,726,769	892,726,769
FA Revaluation Reserve	5,760,804,197	5,766,416,478
Reserve for Lightning Damages to Property, Plant and Equipment	193,000,000	188,890,000
	6,846,530,966	6,848,033,247

The Reserves consist of net assets transferred to the Company from the Airports Authority which was dissolved upon the incorporation of the Company, Revaluation reserve of assets and the reserve created from retained earnings amount of LKR 193 Million (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

	2023	2022
As at beginning of the year	38,389,121,466	34,448,138,251
Current year Profit	28,121,654,931	4,802,697,567
Prior Year Adjustments	(60,043,013)	(81,653,286)
Other Comprehensive (Expenses)/ Income	(207,575,325)	(278,211,066)
Transfer from Reserve Account	5,612,281	-
Transfer to Reserve Account	(4,110,000)	(1,850,000)
Dividend paid during the year	(5,500,000,000)	(500,000,000)
As at end of the year	60,744,660,339	38,389,121,467

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

	2023	2022
Loans		
Balance at the beginning of the year	106,273,128,687	64,458,017,324
Loans obtained during the year	321,109,644	2,544,341,074
	106,594,238,331	67,002,358,398
Loans settled during the year	(1,475,191,088)	(4,706,288,922)
Exchange (gain)/loss on translation	(15,204,613,135)	43,977,059,211
Balance at the end of the year	89,914,434,108	106,273,128,687

21.2 Local Loans

	2023	2022
Balance at the beginning of the year	-	266,666,666
Loans settled during the year	-	(266,666,666)
Balance at the end of the year	-	-
Classification of Loans		
Current Portion of Borrowings	19,922,064,751	13,244,492,649
Non - Current Portion of Borrowings	69,992,369,357	93,028,636,038
	89,914,434,108	106,273,128,687

Maturity Analysis of the Borrowings

	2023	2022
Less than one year	19,922,064,751	13,244,492,649
More than one year but less than five years	35,033,867,773	40,844,892,882
More than five years	34,958,501,584	52,183,743,155

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 as at 31 December 2023 are as follows,

- Mattala Rajapakse International Airport	6,346,026,804
- Runway Overlay	1,454,669,471
- Phase II Stage 2	3,334,500,000

Repayment of three foreign loans ceased with effect from May 2022 with the circular issued by Ministry of Finance (MoF) on GOSL Interim Debt Policy. MoF informed that these debt are under restructuring process. As the debt restructuring process is still ongoing, unable to predict the applicability of any default interest or whether any debt moratorium will be granted by the lenders. Hence the interest is accrued as per normal interest rate.

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

	2023 %	2022 %
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 Deposit		AER of FD+0.5
United States Dollar (USD)	131,924,919	131,924,919
Japanese Yen	19,876,819,526	20,275,052,250
Euro	77,638	183,080

22. DEBENTURES

	2023	2022
Issued Debentures	4,000,000,000	4,000,000,000
	4,000,000,000	4,000,000,000

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

	2023	2022
As at beginning of the year	5,877,345,342	4,837,739,167
Current Service Cost	337,731,410	580,155,204
Interest Cost	1,057,922,161	556,340,004
Payments made during the year	(575,627,437)	(462,956,225)
(Gain)/Loss arising from changes in assumptions used	296,536,179	366,067,192
As at end of the year	6,993,907,655	5,877,345,342

The principal 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:

	2023	2022
Discount rate	13%	18%
Rate of Future Salary Increases	1% - 12%	1% - 15%
Cost of Living Allowance Increment Rate	12%	10%
Rate of Staff Turnover	1.5%	1.3%
Retirement Age	60 years	60 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 31 December 2023.

The liability for Defined Benefit Obligations is not externally funded.

24. DEFERRED GOVERNMENT GRANT

	2023	2022
Treasury Grant and Foreign Grant		
At the beginning of the year	907,164,185	956,671,369
Received during the year	532,611,238	-
Amortization for the period	(53,963,608)	(49,507,184)
At the end of the year	1,385,811,815	907,164,185

Grant receipt during the year indicates the value of fire vehicles and equipment donated by the Japanese grant aid for the Economic and Social Development Programme.

25. TRADE AND OTHER PAYABLES

	2023	2022
Trade Payable	2,047,226,502	589,466,720
Interest Payable	1,672,249,026	847,430,658
Refundable Deposits	480,487,766	406,434,211
Contractor Payables	3,318,555,308	3,092,569,228
Other Payables	2,882,908,366	3,014,183,950
	10,401,426,966	7,950,084,768

26. INCOME TAX PAYABLE /(RECEIVABLE)

	2023	2022
Balance at the beginning of the year	(91,084,038)	(848,093,206)
Provisions for the year	5,886,760,534	877,223,760
Payments during the year	(3,771,513,797)	(120,214,592)
Balance at the end of the year	2,024,162,700	(91,084,038)

27. FINANCIAL INSTRUMENTS BY CATEGORY**(a) Financial Instruments**

	2023	2022
Financial Assets		
Amortised Cost		
Trade and other Receivables (Excluding prepayments, Advances) (Note 16)	11,370,468,175	8,226,135,397
Cash and Bank Balances (Note 17)	973,942,922	620,627,096
	12,344,411,097	8,846,762,493
Investment in Debentures (Note 14)	2,999,300,000	3,298,300,000
Long term Bank Deposits	-	6,962,540,843
Investments in Treasury Bills/Bonds Repurchase (Note 17)	23,999,823	21,708,899
Short Term Bank Deposits	87,716,805,396	78,025,787,863
	90,740,105,219	88,308,337,605
Financial Liabilities		
Other Financial Liabilities		
Borrowings (Note 21)	89,914,434,108	106,273,128,687
Debentures (Note 22)	4,000,000,000	4,000,000,000
Trade and Other Payables (excluding non financial liabilities) (Note 25)	10,401,426,966	7,950,084,767
	104,315,861,074	118,223,213,453

(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 2023

	Neither past due not impaired	Past due but not impaired	Individually impaired	Total
Trade Receivables (Note 16)	3,334,035,766	2,208,079,532	3,236,836,192	8,778,951,490
Loans to Company Officers	191,355,010	-	-	191,355,010
Total Financial Assets	3,525,390,776	2,208,079,532	3,236,836,192	8,970,306,500

Notes to the Financial Statements

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

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

Cash at Bank and Short-Term Bank Deposits

	2023	2022
AA+(lka)	88,687,912,818	85,607,262,302
Total	88,687,912,818	85,607,262,302

28. DIVIDENDS

Company has declared LKR 5 Billion as final dividend for 2023

LKR 1 Billion declared as the final dividend for 2022 and out of that LKR 500 Million paid in January 2023

29. CONTINGENCIES

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

As per the circular dated 12 April 2022 on "Interim policy regarding the service of Sri Lanka's external public debt" issued by the Ministry of Finance, direction was given not to settle foreign loans obtained by the Government entities. This adversely affected the ongoing constructions of BIA Development Phase II Stage 2 Project (Package A – Construction of Passenger Terminal Building & Associated works) as the contractor refused to continue the project since JICA stopped the loan disbursements with the issuance of the circular.

Despite the circular issued by Ministry of Finance, Company in writing communicated to Ministry of Finance that AASL has the financial capability to make loan repayments and continue the project as the company has adequate funds. At the same time JICA has also requested an endorsement from Ministry of Finance regarding the continuation of loan repayments. Since that endorsement was not given by the Ministry of Finance due to IMF restructuring programme, the contractor Taisei Corporation terminated the contract with AASL, with effect from 9 December 2022.

Contractually, (FIDIC – Multilateral Bank Harmonized Edition June 2010) upon such termination subject to financial settlement of the claims, the plant and materials delivered to the contractor shall become the property and be at the risk of employer. Further, the employer has to pay the cost of removal of temporary works and contractor's equipment from the site and other costs or liabilities reasonably incurred by the contractor in the expectation of completing the works.

With the termination of contract, attending to "Care of Works" namely, security, safety, maintenance and other environmental considerations etc. have been transferred to AASL. The maintenance work of the site is being attended by AASL since then. Further, AASL made arrangements to extend the two insurance policies obtained by the contractor for the project namely: contractor's All Risk Policy and Global Aerospace Airport Contractor's Liability Insurance Policy utilizing AASL funds.

As part of the way forward, Action plan of the project, with the approval of the Cabinet of Ministers, AASL initiated action to carry out an identified scope of work of the above project to address the issue of deterioration of steel reinforcements in halfway completed structures of the above project utilizing funds from AASL with an approximate cost estimate of Rs.800 million. This work commenced on 12 July 2023 and work progress is 95% and expected to complete by early January 2024. Part of the requirement of steel reinforcement for above work was provided by AASL from materials taken over from the terminated contractor.

There are materials both permanent and temporary, purchased by the contractor for the implementation of the project and some of those materials such as timber, plywood and steel reinforcements etc. will tend to deteriorate with time before the

commencement of the balance work. Therefore AASL has made arrangements to auction those after obtaining the approval of JICA in order to minimize the losses to the employer.

Subsequently, as part of the Cabinet decision No.23/0191/628/013 dated 8 March 2023 on Cabinet Memorandum titled "Package 'A' - Termination of Package 'A' Contract by the Contractor and Way forward", an approval was given for AASL to carry out priority work of the project in small scale utilizing funds of AASL with the approval of the Cabinet of Ministers until JICA loan disbursements are recommenced.

Since the loan restructuring process of the Government is not yet completed to commence the disbursement of loans by JICA and also considering the Cabinet decision to carry out priority Works in small scale, utilizing AASL funds, arrangements were made to carry out further identified substructure works of the project comprising piles, piles caps, ground beams and utility tunnel in the MTB, Pier 2 and Pier 3 areas.

Accordingly, tenders have been called from local contractors and it is expected commence this construction work by March 2024 and to complete by end of year 2024. Above work will be carried out with AASL funds under the direct supervision of the Consultant, JV - Japan Airport Consultants, Inc. - Nippon Koei Co. Ltd.

Further, as part of the above way forward action plan approved by the Cabinet of Ministers, the consultant for the project, JV - Japan Airport Consultants, Inc. - Nippon Koei Co. Ltd has prepared the bidding documents, BOQ and the cost estimate for re-bidding of the remaining scope of Package 'A' works and it is under review for finalization.

In addition, the Consultant, JV - Japan Airport Consultants, Inc. - Nippon Koei Co. Ltd is in the process of evaluating the statement of payment on termination as submitted by the contractor, Taisei Corporation on 29 May 2023 amounting to JPY 13,608,871,178 and LKR 10,045,759,810. This amount is after deducting all previously paid IPCs and advance payment but including the unpaid IPC 5 and IPC 6 (amount to JPY 444,498,046 and LKR 1,486,804,716).

In addition to the above-claimed sum, the contractor's monthly running cost up to finalization of the claim and financing charges for the delayed payments will be accrued to the final claim.

The contractor had submitted the above statements under the following claim heads: works done up to termination, consolidation claims, losses due to termination including loss of profits and subcontractor's claims. The Consultant for the Project, JV - Japan Airport Consultants, Inc. - Nippon Koei Co. Ltd appointed a specialist team of Quantity Surveyors and a Contract and Claim Specialist to evaluate the Contractor's claim and it is being evaluated.

Further, during the ongoing evaluation process of the above claim, the Consultant, JV - Japan Airport Consultants, Inc. - Nippon Koei Co. Ltd has requested many supporting documents to substantiate the Contractor's claims and many additional documents have been submitted by the Taisei Corporation since the submission of their final claim.

As per the ongoing evaluation of the above claim that is being carried out by the Consultant, JV - Japan Airport Consultants, Inc. - Nippon Koei Co. Ltd, it is expected that the final evaluated amount of the claim may reach around USD 55 million.

We intend to obtain the approval of Cabinet of Ministers for the value of the claim that will be certified by the Consultant, JV - Japan Airport Consultants, Inc. - Nippon Koei Co. Ltd.

After the Consultant's final evaluation and certification of the above claim, the contractor may refer disputed items to Dispute Board (DB) appointed for the contract and accordingly, it may take considerable time to settle the contractor's claim totally and therefore, the final amount of the claim may increase further accordingly

There are large quantities of materials and equipment (Permanent/Temporary) ordered/ purchased by the contractor for the implementation of the above project.

Due to the termination of the contract, these materials and equipment delivered to Sri Lanka are being taken over by AASL as per the recommendation of Committees appointed by the Chairman of AASL and also with the recommendation of the Consultant, JV - Japan Airport Consultants, Inc. - Nippon Koei Co. Ltd. Accordingly, almost all of the materials and equipment delivered to Sri Lanka have been taken over with some of these materials stored in warehouses rented by AASL.

Notes to the Financial Statements

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

Major materials and equipment that were delivered and taken over.

No	Item	Invoice Value (LKR Mn)	Store Location
1	Roofing Materials	1,241	Stored at a rented warehouse
2	Incinerator	754	With local agent
3	Generator sets (3 Nos.)	392	With local agent
4	GI Pipes	159	BIA Yard 2 and 3
5	Reinforcement steel	434	At Melwire factory and at BIA site

Further, there are many materials and equipment in overseas locations and most of them are at the partially completed stage. With the recommendation of the Committees appointed by the Chairman of AASL and also with the recommendation of the Consultant, JV - Japan Airport Consultants, Inc. - Nippon Koei Co. Ltd, the decision on whether to bring them to Sri Lanka or dispose at overseas locations are being finalized.

Major materials and equipment overseas

No	Item	Invoice Value (Rs.Mn)	Store Location	Status
1	Roof steel structure partly fabricated	632	India	To be disposed of as scrap in India
2	Roof Insulation Materials	76	India	Raw materials and samples to be disposed
3	Baggage Handling System	536	Malaysia	Partly completed, components to be imported for BIA use.(under discussion)
4	IT Structured cabling system	404	Singapore	To be imported to Sri Lanka (Worth Rs. 264 Mn)
5	Passenger Boarding Bridge	12	Spain	To be disposed

The process of taking over of above materials and equipment was informed to the Cabinet Ministers and the Cabinet Decisions were conveyed by memo number CP/23/0974/628/013-II dated 13 June 2023.

It is anticipated that with the settlement of due payments to the terminated contractor, the balance available amount of the JICA loan will not be sufficient to complete the total remaining scope of Package 'A' works. Accordingly, it is necessary to obtain additional funding to carry out the remaining scope of the balance work of this project.

With the determination of the final claim by the Consultant, JV - Japan Airport Consultants, Inc. - Nippon Koei Co. Ltd, AASL would be in a position to determine the exact amount of supplementary funding required for the implementation of the balance scope of the above project.

Further, with the termination of the Project, the services of the Consultant, JV - Japan Airport Consultants, Inc. - Nippon Koei Co. Ltd had to be retained for the conclusion of the termination process including the evaluation of the claim, preparation of re-bidding documents, supervision of identified scope of works etc. as additional services which have been claimed by the Consultant, JV - Japan Airport Consultants, Inc. - Nippon Koei Co. Ltd under the proposed Amendment No. 3 to the Contract for Design and Post Design Consultancy services.

As these claims are not finalised, Management is in the view of not making a provision at the moment.

30. COMMITMENTS**30.1 Capital Expenditure Commitments**

	2023	2022
Contracted but not provided for	1,746,005,054	6,238,190,348
Authorized by the Board, but not contracted for	19,828,668,852	11,964,675,703
	21,574,673,906	18,202,866,051

30.2 Financial Commitments

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

31. TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

	2023	2022
Emoluments and Fees	12,434,946	8,402,305
	12,434,946	8,402,305

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

32 RELATED PARTY TRANSACTIONS

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

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	2023 LKR Million	2022 LKR Million
Name of the Entity	Relationship	Nature of the Transaction	LKR Million	LKR Million
Civil Aviation Authority	Government Owned	Embarkation Levy Income	8,649	5,196
Department of Inland Revenue	- Do -	Taxes	7,250	1,482
General Treasury	- Do -	Dividend Payments	5,500	500
Ceylon Petroleum Corporation	- Do -	Fuel Purchases	2,736	1,526
Ceylon Electricity Board	- Do -	Electricity Payments	1,971	915
General Treasury	- Do -	Loan Repayments	1,475	1,255
Sri Lankan Airlines	- Do -	Franchise Fee Income	1,421	503
Sri Lankan Catering Ltd	- Do -	Franchise Fee Income	786	594
Central Bank of Sri Lanka	- Do -	EPF	719	686
Sri Lankan Catering Ltd	- Do -	Catering Services	646	399
Ceylon Petroleum Corporation	- Do -	Franchise Fee Income	256	159
Employees Trust Fund Board	- Do -	ETF	180	171
General Treasury	- Do -	Interest Payments	177	170
Sri Lanka Insurance Corporation Ltd	- Do -	Insurance payments	100	61
Urban Council	- Do -	Rates Payments	59	59

Notes to the Financial Statements

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

At the end of the year, below balances were noted as receivable balances over LKR 10 million from Related Parties.

			2023	2022
			LKR Million	LKR Million
Receivables				
Bank of Ceylon	Government Owned	Investments	89,907	83,888
National Saving Bank	- Do -	Investments	2,283	3,200
Civil Aviation Authority	- Do -	Embarkation Levy Income	871	788
Sri Lankan Airlines	- Do -	Franchise Fee Income	202	97
Sri Lankan Catering Ltd	- Do -	Franchise Fee Income	137	125
Ceylon Petroleum Corporation	- Do -	Concession Income	60	47
Divisional Secretary Katana	- Do -	Deposit for Land Acquisition	13	13

At the end of the year, below balances were noted as payable balances over LKR 10 million to Related Parties.

			2023	2022
			LKR Million	LKR Million
Payables				
Department of Inland Revenue	Government Owned	Taxes	288	165
Ceylon Electricity Board	- Do -	Electricity Deposit	203	47
Sri Lankan Catering Ltd	- Do -	Purchases	139	49
Employees Trust Fund Board	- Do -	ETF	15	15
Ceylon Petroleum Corporation	- Do -	Fuel Deposit	59	57
Central Bank of Sri Lanka	- Do -	EPF	109	111

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.

Ten Year Summary

	2023 (LKR Mn)	2022 (LKR Mn)	2021 (LKR Mn)	2020 (LKR Mn)	2019 (LKR Mn)	2018 (LKR Mn)	2017 (LKR Mn)	2016 (LKR Mn)	2015 (LKR Mn)	2014 (LKR Mn)
Income Statement										
Total Revenue	38,376	27,577	7,879	8,011	25,693	28,739	20,758	18,329	15,698	13,887
Staff Cost	(10,990)	(9,995)	(7,497)	(7,422)	(8,128)	(7,467)	(6,424)	(6,013)	(5,658)	(4,729)
Other Cost	(8,071)	(4,946)	(4,158)	(5,200)	(5,361)	(4,750)	(4,104)	(4,629)	(4,466)	(4,693)
Operating Profit before Tax	19,315	12,635	(3,776)	(4,611)	12,204	16,522	10,229	7,687	5,574	4,466
Finance Income	10,428	6,207	3,321	3,665	4,165	3,134	2,783	1,894	1,047	1,730
Finance Cost	3,896	(12,409)	(506)	(2,787)	(1,146)	(9,198)	(2,193)	(2,673)	(4,242)	(700)
Net Finance Income / (Cost)	14,324	(6,202)	2,815	878	3,018	(6,063)	590	(779)	(3,196)	1,030
Profit Before Tax	33,639	6,433	(961)	(3,733)	15,222	10,458	10,820	6,909	2,378	5,496
Taxation	(5,517)	(1,630)	(1,123)	1,228	(4,226)	(5,145)	(2,105)	11	(1,561)	(2,084)
Profit / (Loss) after Tax	28,122	4,803	(2,084)	(2,504)	10,996	5,313	8,715	6,920	817	3,412
Earnings per Share	140,607	24,013	(10,417)	(12,522)	54,979	26,566	43,574	34,598	4,084	17,058
Statement of Financial Position										
Non Current Assets										
Property, Plant & Equipment	78,711	76,344	72,106	46,714	47,440	46,246	47,093	39,931	40,197	42,245
Deferred Income Tax Assets	3,510	3,105	1,878	1,968	2,119	1,574	1,271	798	745	707
Long Term Investments	2,312	9,042	5,429	6,889	5,740	4,694	4,042	2,742	3,137	2,627
Total Non Current Assets	84,533	88,491	79,414	55,571	55,300	52,515	52,405	43,471	44,079	45,578
Current Assets										
Inventories	3,509	2,246	808	837	961	855	762	474	349	265
Trade & Other Receivables	11,812	8,734	3,846	3,216	6,150	5,171	3,527	3,475	4,548	3,806
Income Tax Receivable	-	91	848	833	-	-	-	970	759	643
Short Term Debenture Investments	800	1,299	-	-	-	-	-	-	-	-
Short Term Investments	87,717	78,026	41,515	41,933	43,384	41,252	29,439	21,521	14,940	9,640
Cash & Bank Balances	3,171	642	413	826	2,480	1,042	887	1,187	610	598
Total Current Assets	107,010	91,039	47,430	47,645	52,975	48,320	34,615	27,627	21,206	14,952
Total Assets	191,542	179,530	126,844	103,216	108,275	100,835	87,021	71,099	65,286	60,530
Liabilities & Share Holders Equity										
Share Capital	20	20	20	20	20	20	20	20	20	20
Reserves	6,847	6,848	6,846	1,077	1,067	1,048	1,040	1,019	1,008	1,005
Accumulated Profit / (Loss)	60,745	38,389	34,448	35,886	38,144	27,411	22,203	15,397	9,984	9,543
Total Shareholders Equity	67,611	45,257	41,314	36,983	39,231	28,479	23,264	16,436	11,012	10,568
Non-Current Liabilities										
Borrowings	69,992	93,029	60,435	43,433	43,813	45,434	39,728	35,069	35,135	33,731
Debentures	4,000	4,000	4,000	4,000	4,000	-	-	-	-	-
Retirement Benefit Obligation	6,994	5,877	4,838	5,483	5,484	5,093	4,268	2,576	2,395	2,256
Deferred Tax Liability	9,211	9,265	7,373	6,129	7,390	6,747	6,157	5,322	5,278	3,631
Deferred Government Grants	1,386	907	957	986	1,034	1,248	1,156	1,244	1,332	1,437
Total Non Current Liabilities	91,584	113,078	77,603	60,032	61,721	58,522	51,310	44,210	44,141	41,055
Current Liabilities										
Trade & Other Payables	10,401	7,950	3,638	2,462	2,789	6,854	9,298	7,841	7,538	6,719
Income Tax Liability	2,024	-	-	-	786	3,205	98	-	-	-
Interest Bearing Borrowings	19,922	13,244	4,289	3,739	3,748	3,775	3,052	2,611	2,594	2,188
Total Current Liabilities	32,348	21,195	7,927	6,202	7,323	13,834	12,447	10,452	10,132	8,908
Total Equity & Liabilities	191,542	179,530	126,844	103,216	108,275	100,835	87,021	71,099	65,286	60,530
Return on Net Assets (%)	42	11	(5)	(7)	28	19	37	42	7	32
Net Profit Ratio (%)	73	17	(26)	(31)	43	18	42	38	5	25
Earning Per Share (LKR)	140,607	24,013	(10,417)	(12,522)	54,979	26,566	43,574	34,598	4,084	17,058
Current Ratio (Times)	3.3	4.3	6.0	7.7	7.2	3.5	2.8	2.6	2.1	1.7
Quick Assets Ratio (Times)	3.2	4.2	5.9	7.5	7.1	3.4	2.7	2.6	2.1	1.6
Total Income to Total Expenditure (Times)	3.2	1.2	0.9	0.8	2.0	1.5	1.9	1.5	1.2	1.5

Connectivity and Dimensions

AIRLINES OPERATED TO BIA IN 2023

	IATA Code	Airline		IATA Code	Airline
1	G9	Air Arabia	23	EK	Emirates
2	SU	Aeroflot Russian Airlines	24	UK	Vistara
3	AF	Air France	25	8D	FitsAir
4	AI	Air India	26	3L	Air Arabia Abu Dhabi
5	UL	SriLankan Airlines	27	AK	Air Asia Berhad
6	ZF	Azur Air	28	TG	Thai Airways International
7	MU	China Eastern Airlines	29	CA	Air China
8	CX	Cathay Pacific	30	HM	Air Seychelles
9	WK	Edelweiss Air	31	ID	Batik Air
10	EY	Etihad Airways	32	E4	Enter Air
11	FZ	FlyDubai	33	NO	Neos
12	GF	Gulf Air	34	OV	Salam Air
13	6E	IndiGo Airlines	35	QS	Smartwings
14	J9	Jazeera Airways	36	FD	Thai AirAsia
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			

AIRLINES OPERATED TO MRIA IN 2023					
	IATA Code	Airline		IATA Code	Airline
1	UL	SriLankan Airlines			
2	DV	SCAT Airlines			
3	WZ	Red Wings Airlines			
4	HY	Uzbekistan Airways			
5	H6	European Air Charter			
6	EAF	Electra Airways			

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

Corporate Information

COMPANY REGISTRATION NUMBER

PV 7931

DATE OF INCORPORATION

23 February 1982

DATE OF RE-REGISTRATION

07 October 2008

LEGAL FORM

Private Limited Company

KEY SHAREHOLDERS

Secretary to the Ministry of Treasury
Ministry of 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