

STRONGER THROUGH ADVERSITY

Annual Report 2021-2022



 SriLankan Airlines





STRONGER THROUGH ADVERSITY

Whilst many consider progress as the arrival at a destination, we at SriLankan equate progress with the journey and the lessons learned along the way. Our path in the last couple of years has been short of “blue skies”. However, as we have navigated through much turbulence, we have built resilience for difficult times and we have “honed” our fitness for the future.

We now look forward to clearer horizons where travel returns and economies stabilise. Equipped with a new “leaness” and the learnings of the last years, we look forward to a strong and profitable future, growing to ever better support the economy and aspirations of Sri Lanka.

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OUR VISION

To be Asia's most customer-centric
airline.

OUR MISSION

To delight our customers with
a reliable and pleasant travel
experience with warmth and
hospitality, the Sri Lankan way.

We strive to meet our stakeholder
expectations as a competent,
proactive and diligent organisation
which is financially viable.





SriLankan

City of Serikaddigalhoura
A330-300

FINANCIAL HIGHLIGHTS

		Group 2022	Group 2021	Company 2022	Company 2021
Financial					
Revenue	LKR Mn	134,301.36	50,928.92	132,936.23	50,693.85
Operating Expenditure	LKR Mn	133,222.10	76,111.28	132,397.86	74,511.39
Operating Profit /(Loss) before Exchange Loss	LKR Mn	1,692.66	(8,120.21)	1,237.33	(3,188.89)
Loss for the Year	LKR Mn	(163,583.08)	(49,704.51)	(166,369.68)	(45,231.46)
Total Assets	LKR Mn	182,263.33	157,882.80	178,144.17	154,381.41
Shareholders' Funds	LKR Mn	(426,423.83)	(281,490.88)	(437,036.93)	(289,265.27)
Traffic					
Passenger Capacity	ASK Mn			10,144.12	3,816.40
Passengers carried	RPK Mn			4,968.59	748.13
Passenger Load Factor	%			48.98	19.60
Overall Capacity	ATK Mn			1,531.28	794.52
Overall Load carried	RTK Mn			847.33	312.26
Overall Load Factor	%			55.33	39.30
Staff Productivity					
Average strength	Nos.	6,849	6,981	5,833	5,965
Revenue per employee	LKR Mn	19.61	7.30	22.79	8.50
Aircraft Fleet					
Narrow body	Nos.			12	12
Wide body	Nos.			12	12
Aircraft in service at year end	Nos.			24	24



**STRONGER
THROUGH
ADVERSITY**

CHAIRMAN'S MESSAGE

“The Group reported an operating profit before finance charges and exchange losses of LKR 1.69 Bn for the financial year (2019/20- operating loss LKR 8.12 Bn). With the successful implementation of our new business strategy in line with the increase travel demand...”

The complexities of the COVID-19 pandemic were felt across the globe as it continues to impact the lives of many while disrupting the economies leaving a considerable populace without an income source. Consequently, the financial year witnessed SriLankan Airlines also facing major headwinds as it navigated the depths of the crisis induced by the pandemic (possibly the most challenging period faced by the airline industry since its inception) yet emerging with a stronger foundation for the future.

Although the industry began the year with optimism owing to the easing of lockdowns and border restrictions, several new pandemic waves prompted the borders to be closed again at short notice. This led to a stop-start recovery pattern across many markets creating massive challenges from an operational standpoint. Therefore, recommencing passenger operations whilst facing these complex operational issues and balancing financial headwinds was a challenging task during the period.

Against this backdrop, we were steadfast in remaining agile responding to the challenges in the best way possible while laying the foundation for a sustainable recovery

of our business operations. Over the past two years, we have achieved significant structural improvements in our cost base, ranging from aircraft ownership to supplier costs and greater employee efficiency. Aside from that, we also explored new possibilities to improve our service offerings, including introducing a new onboard menu featuring Sri Lankan flavours and advanced digital capabilities.

As the passenger demand began to return in the second half of the year, we launched a new business strategy aimed at returning the airline to profitability within twelve months period whilst restoring operational integrity. As part of this initiative, we focused our capacity deployment on the most profitable markets and added services to new high-potential markets. At the same time, we continued to fulfil our duty to the economy of Sri Lanka by maintaining uninterrupted connectivity to the key inbound tourism source markets. The new passenger destinations launched during the period include Frankfurt in Germany, Kathmandu in Nepal, Paris in France, Seoul in South Korea and Sydney in Australia. All these new passenger destinations have gained popularity and demand from our travellers including contributing to the increasing tourist arrivals in Sri Lanka.

The significant devaluation of the Sri Lankan Rupee had a negative impact on our profit margins. The Sri Lankan Rupee devaluation in March 2022 led to the restatement of our net liabilities in Rupee terms recording an exchange loss of LKR 142.61 Bn for the financial year. Consequently, the Group recorded a net loss of LKR 163.58 Bn for the year (2019/20 -net loss LKR 49.70 Bn). However the Group reported an operating profit before finance charges and exchange losses of LKR 1.69 Bn for the financial year (2019/20- operating loss LKR 8.12 Bn). With the successful implementation of our new business strategy in line with the increase travel demand, it is significant to note that the Group recorded a profit (when reported in US Dollar terms, as over 75% of the Group's revenues are generated in foreign currencies), for the fourth quarter of the financial year.

SLA has recognised that the debt burden of the company largely relating to liquidity sourcing made in the past, remained a drawback to an otherwise improving financial performance. Therefore, the Company explored the possibilities of restructuring some of these debts, the majority of which are held by institutions owned by the Government of Sri Lanka. I am pleased to place on record that the Government of Sri Lanka announced

“...We are looking forward to reconnecting with people and families around the globe and bringing tourists back to our beautiful island. Rebuilding the operations after nearly two years of limited operations bring about its challenges. However, I am confident that our team is well placed to weather these challenges and deliver a strong financial turnaround for the organisation.”

its intent to restructure the Company in line with policy initiatives of the Country and the Cabinet has in principal approved the requirement to restructure SLA.

Post the closure of the financial year, Sri Lanka went through another turbulent period with an acute economic crisis, that posed a greater challenge to the airline, as it was only beginning to recover from the largest challenge faced since its inception, the COVID-19 pandemic. This situation once again led to a downturn in travel demand into the Country as well as supply issues including a shortage of jet fuel. Despite these impediments, I am pleased to place on note that due to the extensive restructuring activities we undertook during the pandemic phase, the SriLankan Airlines was able to record a commendable performance and continue to sustain its operating profitability achieved during the final quarter of the year under review.

In this journey, the commitment and dedication of our employees are praiseworthy. Undoubtedly, we could not have achieved any of these mileposts without the unwavering commitment and dedication of our incredible team of employees. All our employees undertook a significant pay cut during the period and

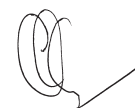
continued to go above and beyond their expectations, even amidst the challenges posed by the pandemic. I am proud of the immense support provided by our team, not only to steer the Group towards recovery but also to set the foundation for future growth.

A significant step during the year was the welcoming of a new Chief Executive Officer, Mr. Richard Nuttall, to the airline. Mr. Nuttall is a seasoned international airline executive with nearly four decades of experience in the airline industry having worked across many airlines in Asia, Europe, the Middle East and the USA. Directed by his leadership and the efforts of our team, the airline was able to deliver successful results in a short period and I am certain that his contribution will continue to add significant value to the organisation over the coming years. I would also like to take this opportunity to thank the outgoing Chief Executive Officer Mr. Vipula Gunatilleka for his commitment and service to the airline during a very challenging period.

Moreover, I would like to extend my gratitude to the Government of Sri Lanka, His Excellency the President, Hon. Minister of Ports, Shipping & Aviation, Hon. former State Minister of Aviation, the Secretary to Treasury,

the Secretary of the Ministry of Ports, Shipping & Aviation, and the officials of relevant institutions for the continued support granted to the organisation. I would also like to express my sincere appreciation to my fellow Directors for their stewardship in navigating the Group at a critical juncture.

As the borders reopen around the world, we as an airline are looking forward to reconnecting with people and families around the globe and bringing tourists back to our beautiful island. Rebuilding the operations after nearly two years of limited operations bring about its challenges. However, I am confident that our team is well-placed to weather these challenges and deliver a strong financial turnaround for the organisation. SriLankan, with the right strategy in place, is now ready to embark on the future confidently relying on its solid foundation.



Asoka Pathirage
Chairman

CHIEF EXECUTIVE'S REVIEW

“...the Company to record a surplus for the fourth quarter of the year, in US Dollar terms– the main functional currency of the business.”

It is with great pleasure that I present to you the Annual Report and the Audited Financial Statements of SriLankan Airlines for the financial year 2021/2022. The year under review was a reflection of the depths of the pandemic amidst demonstrating signs of recovery in travel demand. While the first half of the year tested our resilience as well as the Industry's ability to cope with the downturn, the second half clearly showed signs of gradual improvement in travel demand.

Industry Outlook

Following an extremely challenging year, with the industry facing its greatest obstacle since its inception owing to the COVID-19 pandemic, the global airline industry took an overall positive turn towards recovery in 2021. With the easing of border restrictions in the fourth quarter of the year, a gradual recovery in demand was witnessed across a number of markets leading to a growth in the global passenger revenue by 26% over 2020, reaching USD 239 Bn in 2021. However, this growth did not reflect the pre-pandemic revenue levels as the passenger revenues remained at less than 40% of pre-COVID levels. Despite recording an estimated net loss of a staggering USD 42 Bn, the industry recovery was

significant compared to 2020 where the net losses exceeded USD 135 Bn.

Furthermore, with the recovery in demand and economic activity, global fuel prices also continue to rise steadily since mid-2021. The war in Ukraine had a significant impact on crude oil prices with jet fuel prices increasing drastically at the end of the year under review. Consequently, the International Air Transport Association (IATA) predicted that the revenues of the airline industry to reach over 90% of the pre-pandemic levels in 2022. Nevertheless, a recovery is expected of air travel at the global level though disparities may likely to occur in regional recovery.

SriLankan Airlines' Performance

In the financial year 2021/22, SriLankan Airlines made significant progress in overcoming the consequences of the COVID-19 pandemic. We continued to work meticulously to ensure that our business remained resilient in the face of global travel restrictions. Alongside, we worked tirelessly to meet the national demand during the pandemic phase, adding cargo flights and new tourism routes to support the economy. In this milieu, we were one of the first airlines to receive the APEX Diamond Award for Health

and Safety signifying our success in implementing measures to combat the pandemic. Going ahead, we look forward to delivering a memorable guest experience that is built around the concept of Sri Lankan warmth and hospitality.

It is noteworthy, that during the year, we went from zero to nearly 60% of our regular passenger schedule surpassing many obstacles. Restarting the operations after a period of stagnation was a formidable task as it required significant efforts in terms of reactivation of aircraft, training and regulatory compliance. This situation was made even more complicated by rapid changes in border rules that we witnessed throughout the year. However, SriLankan Airlines succeeded in well responding to this resumption, driven by the support of our incredible employees.

Our financial results for the period evidently reflected the impact of the pandemic-driven border restrictions that suppressed travel for most parts of the year. However, it also demonstrated the commitment and resilience of our team who turned a challenging situation into a successful operational result. Although our capacity during the year was approximately 56% of the pre-

“The customer remains at the core of our decision making and hence, we constantly strive to improve our services to provide an enhanced customer experience.”

COVID levels, our persistent efforts at optimising the revenues allowed us to reach 74% of our pre-COVID revenue. This, along with the significant restructuring of costs achieved during the pandemic enabled the Company to record a surplus for the fourth quarter of the year, in US Dollar terms – the main functional currency of the business. The operating profit (before exchange loss) recorded for the year was LKR 1.69 Bn – a significant improvement over prior year’s loss of LKR 8.12 Bn, despite the many challenges encountered. However, the significant devaluation of the Sri Lanka Rupee in March 2022 resulted in an exchange loss of LKR 143 Bn for the year, driving the Group to record a full-year net loss of LKR 164 Bn after exchange loss and finance charges.

However, our cargo services experienced an increase in demand during the year, achieving the highest cargo revenue generated in the history of the airline, amounting to LKR 44 Bn which reflected a year-on-year growth of 48%. The Sri Lankan logistics community recognised the immense contribution of SriLankan Cargo in providing innovative solutions since the onset of the pandemic by bestowing the “Gold Award” in the Airline category and an “Award of Recognition” at the inaugural

National Logistics Awards by the Sri Lanka Logistics & Freight Forwarders Association (SLFFA).

As the national carrier, SriLankan Airlines is also proud of its role in supporting the nation during times of crisis. Throughout the pandemic, we operated a series of repatriation flights to bring people home. We operated an extensive network of cargo routes using our fleet to provide important connectivity for trade flows. As the borders began reopening this year, we swiftly moved our focus to tourism and launched several routes to important inbound tourism source markets. We also undertook a series of promotional events to grow tourism in Sri Lanka including the hosting of the renowned French adventure trail, Raid Amazonas 2022, in Sri Lanka.

The customer remains at the core of our decision making and hence, we constantly strive to improve our services to provide an enhanced customer experience. Aligned with this, we evolved our digital capabilities to enable a more seamless travel experience for our passengers. In addition, to deliver a unique onboard experience, we also unveiled a new range of authentic Sri Lankan dishes during the year for our onboard menu

under the theme ‘Sri Lankan Flavours’ – which has since proven very popular.

In our quest to develop additional revenue streams, we also took steps to expand the footprint of our subsidiary businesses. Our in-house MRO arm, SriLankan Engineering, significantly expanded its third-party maintenance clientele during the year with the inclusion of several new customer airlines. Besides, our ground handling business continued to maintain high service standards and on-time performance, whilst servicing a range of international airlines under the most challenging circumstances. Our training arm, SriLankan Aviation College, also enhanced its training programmes portfolio and is working towards becoming a degree-awarding institution specialised in aviation.

Another key milestone during the year was the recognition of our efforts to improve operational quality and boost the brand image with numerous awards. We were recognised as the ‘World’s Leading Airline to the Indian Ocean 2021’ at World Travel Awards, Best Cabin Service – Central/Southern Asia from APEX Passenger Choice Awards as well as the Gold Award from Pacific Asia Travel Association for our marketing efforts.

We comprehend that climate change is a major crisis affecting the world and therefore, as a responsible air carrier we continuously remain committed to finding ways to make our flying more sustainable. In this regard, we have implemented a series of ‘Planet Friendly SriLankan’ initiatives to improve our decarbonisation goals and are committed to the ICAO CORSIA programme. Recognising our efforts towards this goal, we were awarded the ‘Best Aviation Sustainability Award’ beating 118 submissions at the recently concluded Sheikh Mohammed Bin Rashid Al Maktoum Global Aviation Awards for

CHIEF EXECUTIVE'S REVIEW CONTD.

“We strongly believe that we are now well-positioned to deliver sustainable and viable business growth in the years to come.”

its ground-breaking signature upcycle project, namely 'Mathaka'. This project focuses on minimising the airline's contribution to landfill waste and ecological footprint by repurposing the airline's scrap material into a variety of lifestyle products.

The airline faced greater challenges in the first half of the financial year 2022/23 with a challenging local economic situation, high-interest rates as well as a shortage in jet fuel supply. But with a lowered cost base and agility in both commercial and operational aspects, we succeeded in improving our financial performance with a positive operating performance for the period.

In conclusion, I would like to express my sincere appreciation to the Chairman, Board of Directors, business partners, Government of Sri Lanka and our customers for their unwavering support. I would also like to thank the Management team and our employees for their continued resilience and commitment. As an island nation, air connectivity remains a vital component in the Country's economic prosperity and hence, we, at SriLankan Airlines, are determined to fulfil our obligation as the national carrier whilst continuing to support the country's economic recovery goals. We strongly believe that we are now well-positioned to deliver sustainable and viable business growth in the years to come.



Richard Nuttall

Chief Executive Officer



BOARD OF DIRECTORS

Mr. Asoka Pathirage

Mr. Asoka Pathirage was appointed to the Board of SriLankan Airlines Limited on 16 December 2019 and was subsequently appointed to the Board of SriLankan Catering Limited. He is the Chairman/Managing Director of Softlogic Holdings PLC, Asiri Hospital Holdings PLC, Asiri Surgical Hospital PLC and Odel PLC. He serves as the Chairman of Softlogic Capital PLC and Softlogic Life Insurance PLC, in addition to the other companies of the Group. He is also the Chairman of NDB Capital Holdings Limited.

He is recognised as a visionary leader of Sri Lanka's corporate world, the founding member of Softlogic Group, one of Sri Lanka's leading conglomerates. He manages over 50 companies with a pragmatic vision, providing employment to more than 10,000 employees. Mr. Pathirage gives strategic direction to the Group, which has a leading market presence in four vertical sectors – Retail & Telecommunications, Healthcare Services, Financial Services & IT and Leisure & Automotive.

Mr. Malik J. Fernando

Mr. Malik J. Fernando was appointed to the Board of SriLankan Airlines Limited on 8 January 2020 and was subsequently appointed to the Board of SriLankan Catering Limited. He is a member of the Audit Committee, Human Resources and the Remuneration Committee, and the Enterprise Risk Management Committee of SriLankan Airlines and its subsidiary.

He is a Director of Dilmah Tea and the Managing Director of Resplendent Ceylon, the first local luxury resort brand, developing a remarkable circuit across Sri Lanka with a range of authentic experiences, while contributing towards local communities and the environment through the MJF Foundation and Dilmah Conservation. After the Easter Sunday Attacks, Mr. Fernando spearheaded the Sri Lanka Tourism Alliance to mobilise the private tourism sector with one voice under the "Love Sri Lanka" banner.

Mr. Fernando has a BSc in Business Management from Babson College in the US.

Dr. Shridhir Sariputta Hansa Wijayasuriya

Dr. Hansa Wijayasuriya was appointed to the Board of SriLankan Airlines Limited on 23 January 2020. He serves as the Chairman of the Human Resources and the Remuneration Committee and is a member of the Audit Committee and the Enterprise Risk Management Committee.

He is currently the Chief Executive Officer – Telecommunications Business of the Axiata Group and heads the pan-region Telecommunications Operations of the Group spanning the markets of Malaysia, Indonesia, Bangladesh, Nepal, Sri Lanka, and Cambodia. Axiata is Asia's second largest Telecommunications Group.

He serves on the Board of Directors of Dialog Axiata PLC, in addition to being a Board Member of several other regional subsidiaries of the Axiata Group. Up to the year 2016, he functioned as the Group Chief Executive of Dialog Axiata PLC (Dialog). He also serves on the Board of John Keells Holdings PLC in the capacity of an Independent Director.

In the year 2016, he was honoured by the GSM Association as the first recipient of the 'Outstanding Contribution to the Asian Mobile Industry' Award. He is a past Chairman of GSM Asia Pacific – the regional interest group of the GSM Association. He was also named 'Sri Lankan of the Year' by Sri Lanka's premier business journal, LMD in 2008. Dr. Wijayasuriya is the immediate past chair of the Ceylon Chamber of Commerce, Sri Lanka's premier business chamber.

Mr. Joseph Micheal Jayanth Perera

Mr. J.M. Jayanth Perera was appointed to the Board SriLankan Airlines, effective 27 March 2021 and was subsequently appointed to the Board of SriLankan Catering Limited w.e.f. 21 May 2021. He is the Chairman of the Enterprise Risk Management Committee and member of the Audit Committee of the Company and its subsidiary.

He has over 40 years of experience in the financial sector with the majority of those years being at senior management and board levels. He is a Fellow of the Chartered Institute of Bankers (London) and has undergone extensive training in a host of International Financial Centres such as in London, New York, San Francisco, Hong Kong and Singapore.

He serves as an Independent Non-Executive Director of the McLarens Group of Companies and Inter Ocean Energy (Pvt) Ltd and a Director of Premier Physicians Medical Group (PVT) Ltd. He also holds the position of Senior Director of Singer Finance PLC where he is Chairman of the Risk Management Committee and also functions as a member of the Audit Committee. He is Director of Qwest Destinations, a well-known establishment in the leisure sector which represents many cruise Companies and Tourism Bodies in Europe and the USA.

Mr. Perera counts along and illustrious career at Hatton National Bank PLC (HNB) where he worked as Senior Deputy General Manager – International, Business Development and Corporate Credit including Treasury Operations. He was also a Founding Director of HNB Assurance PLC. He was also Managing Director of Acuity Stockbrokers (Pvt) Ltd including Acuity Securities and Acuity Partners - jointly owned by HNB and DFCC Bank. In these positions he contributed immensely towards business growth. He also served as Director of Lanka Ventures (Pvt) Ltd. LVL Energy. During his term at HNB, He was able to bring reforms by coordinating with the Central Bank of Sri Lanka while he was a Board Member of the Credit Information Bureau of Sri Lanka.

SENIOR MANAGEMENT TEAM

Mr. Richard Nuttall *Chief Executive Officer*

Mr. Richard Nuttall joined the airline as Chief Commercial Officer from the start of November 2021 and became Acting Chief Executive Officer from 1 January 2022. He was later appointed as Chief Executive Officer from 29th April 2022.

He has 30 years experience in the aviation industry and has held a variety of senior roles in multiple carriers covering different operating models around the world. These include:

- Various roles at Saudia Airlines. Initially appointed as VP Commercial Transformation, he later progressed to VP Sales and took on additional responsibilities for Product & Marketing. He had shared ownership of the commercial strategy for an airline with \$6 Bn in annual revenues and led 2,700 staff globally. Delivered international passenger growth of 30% over 3 years, well above regional averages, achieved a 25% reduction in distribution costs, and played a leading role in a service initiative that raised the Airline's NPS score in line with the best in the industry.
- Chief Commercial & Strategy Officer at Royal Jordanian where he led a team of business leaders and internationally renowned consultants to deliver a turnaround strategy, identifying 70 initiatives and creating a framework to track and measure performance. Returned the Airline to profitability with an \$80 Mn improvement in the bottom line and 12% margin growth.
- Representative of Saudia Airlines to the Skyteam Supervisory Board where he later joined the Executive Board under a new governance model.
- Other positions include CEO of Bahrain Air, Commercial Director at Kenya Airways, Senior Commercial Advisor with Philippine Airlines, VP Sales & Marketing – Americas for Polar Air Cargo, and a range of Management roles at Cathay Pacific Airways.

Mr. Nuttall holds a Mathematics degree from Oxford University and a Sloan Masters degree from London Business School.

Mr. Yasantha Dissanayake *Chief Financial Officer*

Mr. Yasantha Dissanayake joined the Company in 2004 and currently holds the position of Chief Financial Officer. The Finance, Commercial Procurement, Logistics and Properties functions of the Company report to him.

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

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

Mrs. Dalrene Thirukumar *Group Head of Corporate Secretarial Services/ Company Secretary*

Mrs. Dalrene Thirukumar joined the Company in 2013. She is the Group Head of Corporate Secretarial Services/ Company Secretary. The Division provides Corporate Secretarial Services to SriLankan Airlines Limited, SriLankan Catering Limited and Airlanka (Pvt) Ltd. She functions as the Secretary to the Board sub-committees – the Audit, Human Resources & Remuneration and the Enterprise Risk of the Company and its subsidiary. She is a Trustee for the SriLankan Cares Trust.

She has over 25 years of post-qualifying experience in the field of Company Secretarial Practice and has held very senior positions in public quoted diversified conglomerates in Sri Lanka. She is an Associate Member of the Institute of Chartered Secretaries and Administrators in UK and holds a Master's in Business Administration (AUS). She is a member of the Sri Lanka Institute of Directors (SLID) and is an active member of the Working Committee of the Board Secretaries Forum, representing SLID.

Mr. Chamara Perera *Group Head of Information Technology*

Mr. Chamara Perera is an experienced professional in the Airline industry with an extensive knowledge & experience in aviation technology and business process automation delivering strategic leadership to Information Technology and Digital Transformation of the SriLankan Group.

Mr. Chamara Perera entered the Airline industry in 1999 counting two decades with the National Carrier. He has served in several management and senior management positions in the Airline and in 2012 he was appointed as the Head of Information Technology and then was made responsible to overlook Sri Lankan Group Information Technology in 2021.

He overlooks the Aviation ICT and Digital Eco Systems of SriLankan Group spanning from worldwide operations of mission critical aviation systems to business IT solutions driving digital transformation strategy of the Airline Group. Mr. Perera spearheaded many pioneering implementations of technology innovation to establish passenger centric e-business solutions and services across multiple touch points in air transportation processes to uplift the technology use in aviation. IATA Simplifying the Business (StB) programme for fast travel technology adaptation, implementation of data driven Aviation platform to enable

business operations, compliance in aviation sub systems to meet air transportation standards are some of the key initiatives under his leadership. He also steered achieving IT governance standards for the Airline Group. SriLankan IT is certified for ISO/IEC 27001:2013 Information Security Management, ISO 9001:2015 Software Quality Management and ISO/IEC 20000:2018 IT Service Management. Mr. Perera has given the leadership to transform and replace expensive legacy airline systems with cost effective and innovative suite of applications to rationalise the overall technology spend of the National Carrier. Furthermore, SriLankan developed applications and solutions have won national and international accolades under his guidance making marketable products and solutions for the Airline community.

Mr. Perera holds a masters degree in Business Administration, (MBA) specialising in IT Management from the University of Leicester (UK). He is an Engineer by profession, holding a Bachelor of Science Degree in Electronics & Telecommunication Engineering from the University of Moratuwa. He also holds professional qualifications and certifications in IT specialisations and accreditation from international bodies.

Mrs. Buddhika Manage

Group Head of Human Resources and Head of Cabin Services

Mrs. Buddhika Manage joined the Airline in 2003 as a Management Trainee and started her career as an Executive in Commercial Procurement Department in 2004. She has 19 years of experience in the Airline, serving as the Commercial Procurement Executive (Projects), Senior Inflight Service Executive (Admin and Crew Services), Inflight Service Manager (Admin and Crew Scheduling), Manager Human Resource Development and Business Partnering, Senior Manager Human Resource Development and Business Partnering and as the Head of Cabin

Services. In addition to the position of Head of Cabin Services, she was appointed as the Acting Head of Human Resources from January 2020. She was permanently appointed as the Head for both the divisions Human resources and Cabin Services and retitled as "Head of Human Resources and Head of Cabin Services" effective July 2020.

In September 2020, she was appointed as the Group Head of Human Resources in addition to holding the position of Head of Cabin Services to overlook the SriLankan Catering HR function in addition to her duties in the Airline.

The whole Human Resources function of the Airline and SriLankan Catering Ltd and the Cabin Crew administration and Inflight service operation of the Airline are under her purview.

She holds a BSc (Hons) Special degree in Statistics from the University of Colombo, MSc in Management from the University of Moratuwa. She is a Chartered Member of Chartered Institute of Personal Management (CIPM). She has obtained qualifications in Labour Law, Supply Chain Management, and Information Technology. She is a Professional Member of AHRP (Association of Human Resource Professionals)

Mr. Dimuthu Tennakoon

Head of Worldwide Sales & Distribution

Mr. Dimuthu Tennakoon currently spearheads the Worldwide Passenger Sales, Network-wide Sales Channel Management and Sales Operations of the Airline. Appointed to the current role in April 2017, he possesses over 25 years of experience in airline sales, financial management, revenue management and commercial planning.

Mr. Tennakoon joined the SriLankan family in 1992 and has served in finance revenue planning, network planning, route management and

pricing departments in the early years of his career. His overseas assignments include the roles of Sales Manager in Dubai, Canada, Manager Maharashtra and Gujarat based in Mumbai, India, and Regional Manager Asia Pacific and Australasia based in Beijing, China.

Further, he has served as the Country Manager- North India for Oman Air with responsibility of overlooking Oman Air's North India operation.

Prior to his appointment as the Head of Worldwide Sales and Distribution, Mr. Tennakoon contributed as General Manager Commercial Operations where he led Regional Sales, Sales Development, Product Development, Customer Affairs, Industry Affairs, SriLankan Holidays, E-Commerce, Global Call Centre, Channel Management and Customer Loyalty departments, demonstrating his knowledge and expertise in the international airline commercial dynamics. During this time he held the additional responsibility of being the Regional Manager incharge of the Middle East region.

Mr. Tennakoon is well-recognised for his revolutionary sales growth strategies to successfully overcome fierce industry competition and contemporary challenges. An advocate of innovative and effective commercial practices, Mr. Tennakoon is well-known for his outlook of strategic planning and process improvement to achieve the Airlines' commercial objectives. He is a dedicated leader who envisions organisational growth through inspiring and empowering his team.

A graduate of the University of Colombo- Faculty of Law, and a holder of International Master of Business Administration from the Buckinghamshire New University, Mr. Tennakoon also serves as the Chairman of Sri Lanka Board of Airline Representatives.

SENIOR MANAGEMENT TEAM CONTD.

Capt. Patrick Fernando

*Head of Flight Operations
(Flight Crew)*

Joined Sri Lankan in 1992 when it was formerly known as Air Lanka as a cadet pilot on the L1011 fleet. Has flown the L1011, A320, 330 and A340 aircraft. Been a Captain for over 20 years and an instructor for over 15 years. Joined the management in 2011 as Deputy Chief Pilot Training and Standards and Chief pilot Training and standards subsequently.

Current commander on the A320/330 fleet, Simulator and Line Instructor as well as a Designated Check Pilot for CAASL.

Mr. Saminda Perera

Head of Marketing

Mr. Saminda Perera spearheads SriLankan's Marketing and Strategic Communications roadmap since June 2015. He counts over two decades in the air transport industry, specialised in strategic marketing and global sales. Since 2020, he also overlooks the Airlines' Corporate Social Responsibility (CSR) arm, SriLankan Cares.

Mr. Perera joined SriLankan as a Management Trainee during the Emirates era and went on to hold many of the Airlines' prominent positions such as Acting Head of Corporate Communications, Commercial Manager –France, Regional Manager Sri Lanka and Maldives and General Manager Worldwide Sales.

His expertise extends to the areas such as establishing the brand in newly established markets/destinations, marketing innovation and customer-centric, holistic communication. He has led the Airlines' Marketing team in many globally acclaimed marketing communication endeavours that have been recognised at international forums.

He holds a Bachelor of Commerce degree in Financial Accounting and

Auditing from the University of Mumbai and A Diploma in Airline Studies (Airline Marketing, Airline Finance, Accounting, Station Management) from the International Air Transport Association (IATA).

Mr. Arjuna Kapugeekiyana

Head of Engineering

Mr. Arjuna Kapugeekiyana joined the Engineering Division of SriLankan Airlines then known as AirLanka in 1984 as an Apprentice, In May 2018 he was appointed as Senior manager Aircraft Maintenance and was promoted as Head of Engineering in March 2023. He is incharge of aircraft Engineering & Maintenance Division of the company.

He is a Licensed Aircraft Maintenance Engineer with certifying privileges for Airbus A320/330/340 Aircraft. He held many managerial positions at Engineering & Maintenance Division. He had a brief stint at Gulf Aircraft maintenance Company from 1988 to 1991 in a multi-cultural environment.

Mr Kapugeekiyana has an Aircraft Maintenance license from Civil Aviation Authority of Sri Lanka, and holds Master's in Business Administration from university of Cumbria (UK).

Mr. Primal de Silva

*General Manager, SriLankan
Aviation College*

Primal De Silva counts 34 years in the aviation industry joining Air Lanka in 1988 as a member of the cabin crew. Having progressed through the Management of inflight Services which included Managing Cabin Safety, Operations and Training, he was handpicked to lead the Sri Lankan Aviation College in 2014 and currently holds the responsibilities of the General Manager. In his present role, he also holds the responsibilities of Accountable Manager (Part 147) related to the Aircraft Maintenance & Engineering Training Organisation.

Primal holds an Executive Master's in Business Administration degree from the University of Sri Jayewardenepura - Post Graduate Institute of Management (PIM) and Master's Degree in Labour Relations and Human Resources Management from the University Colombo - Faculty of Graduate Studies. He also holds a National Diploma in Training and Development from the Sri Lanka Institute of Training and Development.

Lt. Col. Bandula Weragama

General Manager Group Security

Lt. Col. Bandula Weragama joined the Company in 2012 with an unblemished service of 23 years in the Sri Lanka Army. Besides extensive experience in command and training within a tri-services environment, he has also served the United Nations Department of Peace Keeping Operations. Having worked with the HR, Inflight and Security Divisions, he was appointed to lead the Division of Airport and Ground Services in February of 2016. Bandula now leads the Division of Group Security an appointment he took over in April 2020.

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

Mr Chaminda Perera

General Manager – Cargo

Mr. Chaminda Perera joined SriLankan Airlines as the General Manager Cargo from January 2022. He has over 30 years of experience in the aviation industry in cargo commercial and ground handling operations. Mr. Perera commenced his career at SriLankan Airlines in the ground handling sector, his career aspirations in handling the commercial aspects of air cargo saw him making a move to Lufthansa. He next progressed to China Airlines managing a team handling commercial and ground handling operations as the Cargo Sales and Customer Services Manager and the next move

to Emirates spanning a period of 16 years where he was serving as Cargo Manager Sri Lanka at the time of leaving.

Mr. Perera holds a MSC in Aviation Management in the Digital Age from London Metropolitan University in the United Kingdom, MSC in Marketing from Asia e-University in Malaysia and a Diploma in Transport from the Chartered Institute of Transport in the United Kingdom. He is also a Chartered Member of the Chartered Institute of Logistics & Transport.

Mr. Sanjeeva Jayatileke

Senior Manager Airport and Ground Services

Ravi Sanjeeva Jayatileke was appointed to lead the Airport & Ground Services Division in December 2020 has been with SriLankan Airlines for last 16 years. At SriLankan he started as Manager Human Resource Development and thereafter moved onto manage Product Development Department prior to moving to Worldwide sales division where he served initially as Country Manager in Sri Lanka and thereafter in Australia.

Before joining SriLankan he has served at MAS Slimline, Leisureline and Intimates Division in the Apparel Manufacturing Industry as Manager Human Resources & Administration and Manager HR Development and also at in a Semi Government Authority.

He holds a Master's degree in Human Resources from the University of Southern Queensland and a Bachelors Degree in Business Administration from Washington College, USA.

Mr. Kshanaka Saparamadu

Senior Manager Revenue Management

Mr. Kshanaka Saparamadu joined the Airline in 2000 as a Management Trainee and has held various integral roles throughout his career in the Commercial Division. He possess over

20 years of industry experience with over 15 years in a managerial capacity.

Mr. Saparamadu joined the department of Revenue Planning in 2001 and went on to lead the team as Revenue Planning Manager. He thereafter took on the role of Manager Planning in 2010, overlooking both the Revenue Planning and Network Planning teams. He was appointed as Commercial Manager in the Revenue Management Department for the European Region and thereafter as Senior Manager Revenue Management overlooking Inventory and Pricing for the Europe and Far Eastern Regions. He presently leads the commercial functions of Revenue Management, Network Planning & Research as well as the International Relations of the Airline.

He holds a bachelor's degree specialising in Commerce from the University of Colombo and IATA Diploma in Airline Studies (Montreal). He is also a Passed Finalist of the Chartered Institute of Management accountants (UK).

Mrs. Thushari Perera

Senior Manager Group Legal Affairs

Mrs. Thushari Perera holds the position of Senior Manager Group Legal Affairs of the SriLankan Group. She commenced her career with Human Resources Division of SriLankan Airlines Limited and was engaged in various aspects in Human Resources Management. She has gained a wealth of experience in industrial and labour relations and litigation on employee related matters. Since joining Group Legal Affairs Department in 2013, she has been handling commercial and aviation contracts for the Group at all levels, corporate and regulatory matters, dispute resolution, multi-jurisdictional overseas and local litigation, intellectual property, industrial and labour relations and notarial work of the Group.

Mrs. Perera is an Attorney-at-Law by profession. She possesses Notary Licenses in English and Sinhala

languages. She has also successfully completed National Diploma in Human Resources Management at Institute of Personnel Management and Management Development Programme conducted by the Postgraduate Institute of Management in addition to her legal education.

Capt. Sudath Madapatha

Senior Manager Group Safety

Capt. Sudath Madapatha has over 27 years of airline experience, starting his aviation career at Ground Handling Load Control in 1995 and moving to Flight Operations as a licensed flight dispatcher in 1998. He was appointed as a direct entry First Officer on the Airbus A330 after being selected as a Cadet Pilot in 2001.

He joined Etihad Airways in 2006 as a Captain, he has flown the A320, A330, A340 as well as the A380 Airbus Aircraft.

He was also assigned as Lead Auditor to Etihad's Safety and Quality department, where he performed internal and external audits as a quality assurance auditor across the majority of operational disciplines. He returned to SriLankan in 2019 as a Captain and was hired as a Consultant IOSA Auditor in preparation for the 2020 IOSA certification audit. He was then appointed Flight Safety Manager before being promoted to Senior Manager Group Safety in 2021. Currently he is overseeing Operational Quality in addition to Corporate Safety.

Capt. Madapatha has received extensive training in the Safety Management System and Quality Management System from EASA, IATA, Airbus, and Boeing, as well as airline internal training. He serves on the Ad Hoc Working Group for the Regional Aviation Safety Plan, member of oneworld Safety Best Practice Team, and represents the airline in the development of the National Aviation Safety Plan by the Civil Aviation Authority of Sri Lanka.

ENTERPRISE RISK MANAGEMENT

SriLankan Airlines recognises that Risk management is important in its day-to-day operations and supports the achievement of corporate objectives.

The Company has adopted a risk management framework based on risk management standards and industry requirements. The ERM framework is approved by the Board of Directors with guidelines on identification, evaluation and management of risks in a consistent manner across all divisions of SriLankan Airlines.

Risk Governance

The Board of Directors is responsible for risk oversight of SriLankan Airlines and approving the Company's Risk Management framework.

The Audit Committee assists the Board in their oversight responsibilities by reviewing procedures that are

established at management level for identification, evaluation & management of business risks.

The Chief Executive Officer provides strategic direction on risk management and ensures decision making within the organisation involves the explicit consideration of risks and the application of risk management principles.

The Senior Management Committee reviews the risks profiles and formulates strategies to effectively manage risks. Departmental / Sectional Managers are responsible for identifying risks in their area of responsibility and devising action plans to manage them.

The SriLankan Airlines ERM implementation is facilitated by Group Assurance & Advisory Services.

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

Action plans are formulated based on the risk ratings and the risk score. The significant risk treatment actions are reviewed by the CEO/respective Senior Management Committee member.

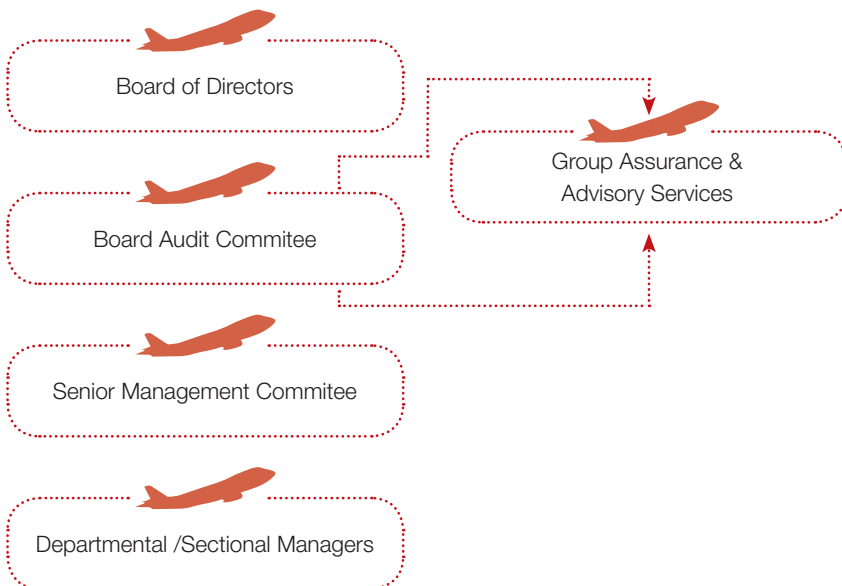
All risk profiles are maintained in a central database and risk owners can directly update the ERM System to ensure that risks are up to date and reflects the current operating environment.

Risk Landscape

SriLankan Airlines operating in a dynamic business environment is exposed to numerous risks arising from internal and external factors. The Company anticipates the relevant internal and external factors and identifies potential risks that may cause any hindrance in achieving functional and corporate objectives.

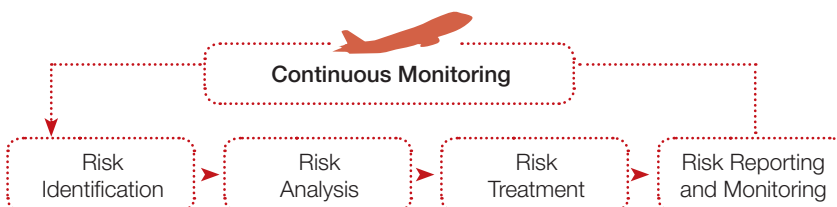
The risk landscape of SriLankan Airlines was affected by the global pandemic and macroeconomic factors of the global airline industry, growing demand of low-cost carriers' operations and long-standing full cost carriers.

Further SriLankan Airlines was affected by the economic situation of the country which restricted access to financing and travel advisories leading to negative impact on the Sri Lankan tourism industry.



Risk Management Process

The SriLankan Airlines risk management process consists of risk identification, risk analysis, risk treatment and risk reporting & monitoring.



CORPORATE GOVERNANCE REPORT

The Board and Management of SriLankan Airlines believe that sound Corporate Governance is essential for the sustainability of the Company's performance and that adoption of good governance practices is an essential requirement in State Owned Enterprises as the Board of Directors discharge fundamentally a role of stewardship.

The Company is committed to continuously enhance the standards of Corporate Governance principles and practices to improve and maintain a healthy balance of fairness, responsibility, transparency, and accountability.

SriLankan Airlines is in compliance with the following frameworks of legislation, Codes and voluntary practices as part of its Corporate Governance adopted by the Board of Directors.

- The Companies Act No. 7 of 2007
- Articles of Association of the Company
- Guidelines on Corporate Governance and Operational Manual for State Owned Enterprises issued under Public Enterprises Circular No. 01/2021 dated 16 November 2021.
- Internal Company rules and processes and industry specific rules and regulations.

The Board of Directors

Composition of the Board

In terms of the Articles of Association of the Company, the Government of Sri Lanka acting through the Secretary to the Treasury appoints the Board of Directors as long as the Government holds more than 50 percent of the shares of the Company. The Government appoints the Directors to the Board through a selection committee to ensure that the Board consists of qualified, and talented personnel with the ability to make the State-Owned Enterprises successful ventures. As the public

ownership of enterprises is vested in the government, the Board of Directors is directly accountable to the Government.

The role of the Board

The Board provides strategic direction to support the achievement of the objective of the Company and ensures that the strategic plan is aligned with the national policies and priorities.

The Board demarcates a clear division of responsibilities amongst the management that facilitates the balance and power and authority.

Board's core responsibilities are to;

- ensure that adequate delegation of authority to the Management especially in making operational decisions facilitating the effective implementation of the strategic directives.
- ensure that the Company is in possession of a sound and reliable Management information system which facilitates decision making and accountability.
- ensure the integrity of the accounting and financial reporting systems, control systems such as risk management and operational control, uphold compliance with the laws, regulations, and relevant standards.
- ensure that the key processes and procedures including the operational, administrative and financial processes are properly documented and updated periodically.
- Ensure disclosure of maximum information of both financial and non-financial nature to its stakeholders without compromising any statutory or operational requirements through the Company's website.

The following processes are in place in order to provide timely and accurate information to Directors to perform their responsibilities

- All Directors receive accurate,

relevant, timely, clear and balanced information

- The Company Secretary acts as the point of contact for the flow of information between Committees, the Board and Directors, and other key Management.
- The CEO along with the respective Heads of Divisions present their submissions to the Board and provide the necessary clarifications requested by the Board.
- In addition, all Board Papers are made available in electronic format, in line with the Company's sustainability initiatives

Board functions are supported by robust Information Technology, enabling Board members to access their Board Papers via a secure connection and participate at meetings even remotely.

Delegation to Board Subcommittees

The Airline has in place Board subcommittees to fulfil better governance and best practices. These committees comprise directors who can bring their expertise and experience to the assigned committees. The duties are set out in formal Terms of Reference. The Secretary to the Board subcommittees is the Company Secretary.

The committees meet regularly to consider and discuss matters falling within their authority and accountability specified in the Terms of Reference. Their observations and recommendations are regularly reported to the Board.

Indemnities to Directors

In accordance with the Articles of Association of the Company, the Directors are granted an indemnity from the Company to the extent permitted by law in respect to liabilities incurred as a result of the performance of their duties in their capacity as Directors to the Company. The indemnity would not provide any

CORPORATE GOVERNANCE REPORT CONTD.

coverage to the extent the director is proven to have acted fraudulently or dishonestly. The Company has maintained Directors and Officers Liability Insurance cover throughout the year.

Role of the Chairman and Chief Executive Officer

Distinction between strategic and operational matters is clearly established in terms of division of responsibility of the Chairman and the Chief Executive Officer. The Chairman of the Board of Directors is a non-executive appointment and focuses on strategic issues and monitor the business and Senior Management Team. He ensures Board procedures are followed and all Board Members effectively participate during meetings.

The CEO is responsible for day-to-day management of the business and leadership of the senior management team, and execution of the Group's strategic and operational plans. The Chairman meets with the CEO regularly to discuss any issues pertaining to the Company's performance, operational matters and human resources.

Internal Control and Enterprise Risk Management

Internal control framework currently in place is set by the enterprise risk management framework, financial control, internal audit and supporting policies. The aim of the Company's internal control framework is to assure that operations are effective and well aligned with the strategic goals. The internal control framework intends to ensure correct, reliable, complete and timely financial reporting and management information. The framework endorses ethical values, good corporate governance and risk management practices.

Statutory Compliance

The Board of Directors, to the best of their knowledge and belief, are satisfied that all statutory payments related to employees of the Airline have been made in a timely manner.



MANAGEMENT DISCUSSION & ANALYSIS



Group recorded a net loss of LKR 163.58 Bn for the financial year 2021/22, of which 87 % consisted of exchange losses (2020/21 : 40 % of the loss was due to exchange).

The GOSL provided the second tranche of the capital infusion on 07 April 2021 equivalent to USD 90.45 Mn (the first tranche of LKR 27.73 Bn equivalent to USD 150 Mn being made last year), which somewhat eased the burden on the Airline during the year under review.



With the demand for air travel growing as the easing of border restrictions around the world since the end of 2021, Airline continued to encounter several challenges including increasing jet fuel prices, shortage of jet fuel in the Country, increase in interest rates, devaluation of the Sri Lanka Rupee, inflation and increasing concerns on the Country's economy along with heightened geopolitical risks.

As the national carrier of Sri Lanka, SLA has not only shown its ability to adapt to challenges, but has also shown agility in forming a sustainable business environment. Over the last two years, there has been a significant transformation of SLA's Cargo business in response to the new opportunities created as a result of the COVID-19 pandemic, making a significant contribution over this period.

With the demand for air travel growing as the easing of border restrictions around the world since the end of 2021, Airline continued to encounter several challenges including increasing jet fuel prices, shortage of jet fuel in the Country, increase in interest rates, devaluation of the Sri Lanka Rupee, inflation and increasing concerns on the Country's economy along with heightened geopolitical risks.

Financial Review

SriLankan Airlines (SLA) continues to steadily rebuild its network leading the recovery of the international travel industry in the Country, whilst maintaining its position as a leading legacy carrier in the South Asian Sub-Continent. During the period under review, the Airline was able to reduce the impact of COVID-19 through prudent management initiatives that improve resilience and efficiency, and ensure cost reduction, thereby paving

the way for a more dynamic post-pandemic period.

The air travel industry had been witnessing a strong recovery in demand at the beginning of 2022 following the easing of global border restrictions in the post-pandemic phase. Facilitated by this demand recovery, along with structural cost efficiencies achieved over the last two-year period, SLA recorded a net profit for the January – March 2022 quarter (Q4) in USD terms.

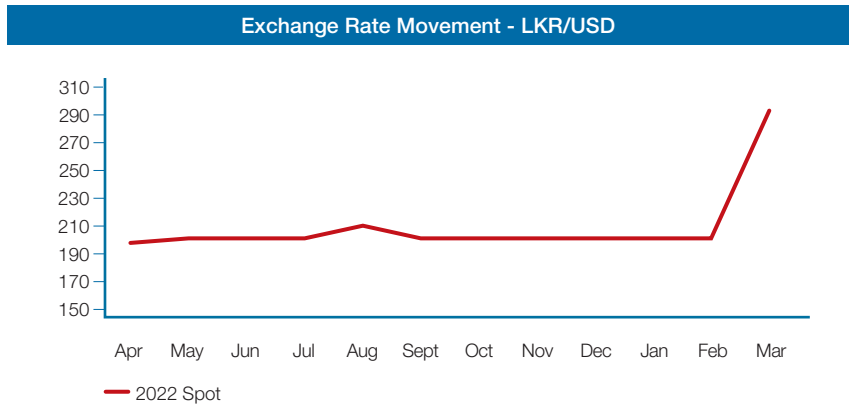
Subsequently, in the year under review, the Group recorded a net loss of LKR 163.58 Bn for the financial year 2021/22, of which 87 % consisted of exchange losses (2020/21: 40 % of the loss was due to exchange).

The main non-operating items, which contributed to an increased Group loss are as follows.

	2020/21	2021/22	% Increase
Finance Cost	22.53	22.90	2%
Exchange Loss Total	19.67	142.61	625%

MANAGEMENT DISCUSSION & ANALYSIS CONTD.

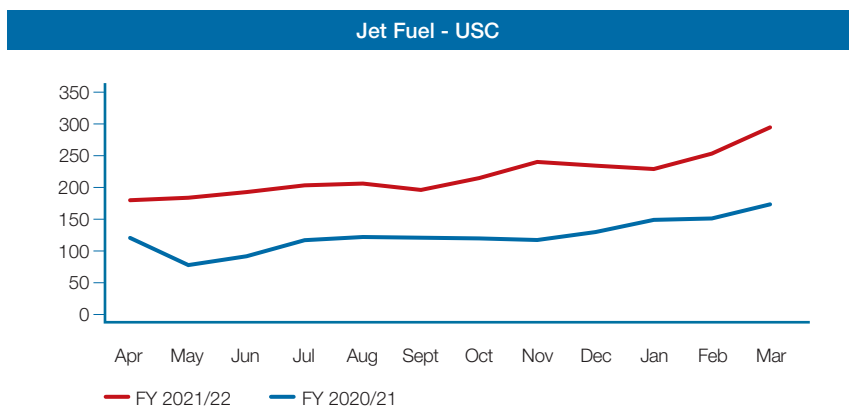
Impact of the Exchange Rate movement



Movement: The Sri Lanka Rupee continued to depreciate against the US Dollar during the financial year 2021/22, with a sharp depreciation in March 2022. The resultant depreciation of the Sri Lanka Rupee in the last month of the year was 47%, whereas a 6% depreciation was recorded during the previous year. Furthermore, the Sri Lankan Rupee continued to depreciate against the other main revenue generating currencies as well.

Impact: A substantial proportion of the Company's operating costs are being incurred in foreign currencies (mainly US Dollars) and the majority of the debt is also USD denominated. The unfavourable currency movement adversely impacted the bottom line of the Airline primarily due to the revaluation of the net foreign currency liabilities, which resulted in a total exchange loss (operating and finance) of LKR 142.61 Bn for the financial year 2021/22 (2020/21- LKR 19.67 Bn).

Impact of the Jet Fuel Price movement



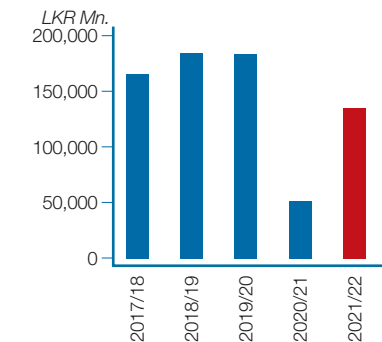
Movement: The price of jet fuel steadily increased over the course of 2021, reaching new highs in early 2022. The escalation of global fuel prices was mainly due to the unrest between Russia and Ukraine. Jet fuel price was recorded at USD 1.79 per gallon in April 2021 and drastically increased to USD 2.97 per gallon at the end of the financial year 2021/22. Against this backdrop, IATA forecasted fuel prices to present a formidable challenge to Airline profitability in 2022.

Impact: The escalating jet fuel prices towards the end of the year were reflected in the Airline's bottom line, where a loss of LKR 17,565 Mn was recorded due to the increase in jet fuel prices alone.

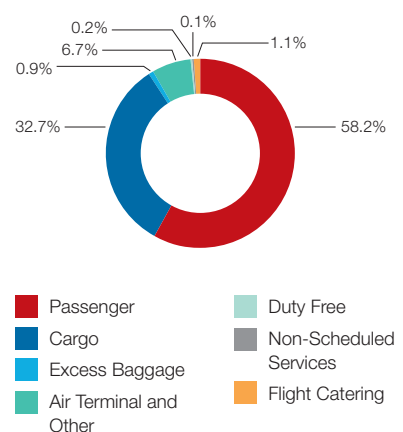
Group Earnings

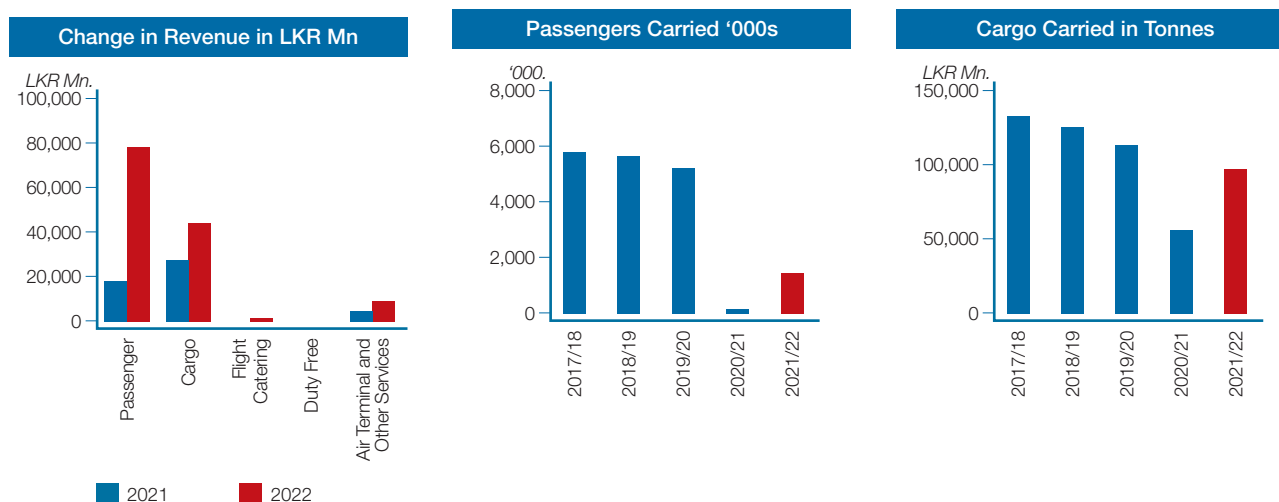
Accordingly, the Group recorded a revenue of LKR 134,301 Mn, reflecting a drastic year-on-year increase of 164%.

Revenue Trends in LKR Mn



Revenue Composition





The overall number of passengers carried grew significantly by 779% compared to 2021, driven by the increased demand for passenger travel resulting from the relaxation of travel restrictions by countries. Therefore, Airline's market capacity in the year under review increased by 166% over the previous year, while the overall passenger cabin factor increased to 49% from 20%.

Although the percentage contributed by cargo revenue was reduced in the year under review, a significant increase of 73% was reflected in the cargo tonnes carried mainly owing to the increased capacity with the resumption of the schedule. The contribution from cargo to the total payload stood at 47% when compared to 78% in the previous financial year.

Expenditure

In 2022, the Group's expenses were LKR 298,736 Mn, reflecting a significant increase of 153% from the Group's expenses of LKR 118,316 Mn for the year 2021, owing to the increase in operations. The breakdown of the Group's expenses is given below;

	2022		2021		Variance	
	Value (LKR Mn)	Contr. %	Value (LKR Mn)	Contr. %	Value (LKR Mn)	%
Aircraft Fuel Cost	42,759	14%	10,569	9%	32,190	305%
Aircraft Maintenance and Overhaul Costs	23,088	8%	13,695	12%	9,393	69%
Employee Cost	17,416	6%	17,112	14%	304	2%
Airport, Enroute and Passenger Expenses	17,753	6%	7,308	6%	10,445	143%
Selling, Marketing and Advertising Expenses	7,250	2%	2,065	2%	5,185	251%
Crew Expenses	3,231	1%	1,680	1%	1,551	92%
Depreciation/Amortisation	14,656	5%	16,745	14%	(2,089)	(12%)
Other Operating Expenses	7,070	2%	6,936	6%	134	2%
Exchange Loss	34,730	12%	6,339	5%	28,391	448%
Operating Expenses	167,953	56%	82,449	70%	85,504	103%
Finance cost	22,904	8%	22,529	19%	173	1%
Exchange Loss on interest bearing liabilities	107,881	36%	13,334	11%	89,994	675%
Finance Expenses	130,785	44%	35,864	30%	90,167	251%
Total Expenses	298,736	100%	118,314	100%	180,223	152%

MANAGEMENT DISCUSSION & ANALYSIS CONTD.

The Aircraft fuel cost remained at 14% of the Group's total expenses compared to 9% during the previous financial year. The total fuel cost increased due to global fuel prices, while the total volume also increased due to increased operations. The average fuel prices increased to USD 2.25 per gallon in the year under review compared to USD 1.31 per gallon in the previous year. The analysis of the fuel cost increase is as follows.

Increase in fuel Cost in compared to 2020/21	LKR Mn	contribution
increase in fuel price	(17,565)	55%
increase in volume	(11,872)	37%
weakening of the Sri Lanka Rupee against the US Dollar	(2,753)	9%

In line with the increased flight numbers and passenger numbers, the airport enroute and passenger expenses surged by 143%, while selling, marketing, and advertising expenses increased by 251%. Other expenses such as crew expenses, aircraft maintenance and overhaul costs increased in line with increased operations.

To minimise the loss resulting from the reduced air traffic revenue compared to pre COVID-19 levels, SLA has taken steps to restructure the lease agreements through extensive negotiations with lessors. Hence, the resultant saving for the financial year 2021/22 was LKR 5,841 Mn (USD 28.4 Mn), whilst a total reduction of USD 160 Mn in lease rentals was received from aircraft lessors for the total remaining period of the respective lease agreements.

In addition, as a result of the re-negotiation of third-party contracts pertaining to IT, product development, properties and logistics, flight operations and revenue management areas, LKR 2,715 Mn (USD 13.2 Mn) was saved during the financial year 2021/22.

The reduction in salaries/allowances of employees coupled with the initiatives such as placing contract staff on no-

pay leave and discontinuing services of the expatriate staff enabled to maintain staff cost in the previous year levels in the year under review.

Cash position

The Group maintained a cash positive status throughout the financial year, where net cash flows from the operating activities improved from a negative LKR 30,779 Mn to a positive LKR 14,542 Mn in 2021/22.

The cash position was aided through negotiations with Aircraft Leasing companies that agreed to defer the lease and maintenance reserves payments worth of USD 23.4 Mn.

Exploring further possibilities under the Airline's cash flow management strategy, during the year, SLA obtained interest moratoriums on the loans from State Banks amounting to USD 5.26 Mn and LKR 460 Mn with a repayment period ranging from six to twelve months.

The GOSL provided the second tranche of the capital infusion on 07 April 2021 equivalent to USD 90.45 Mn (the first tranche of LKR 27.73 Bn equivalent to USD 150 Mn being made last year), which somewhat eased the burden on the Airline during the year under review.

Operational Review

SLA Performance and Market Potential

The financial year 2021/22 presented fresh challenges relating to the effective deployment of available aircraft capacity across the network in line with the sporadic easing of travel restrictions across the regions of operation. The resumption in passenger demand due to confidence in air travel also created a heightened need for a strategic approach to capitalise on developing market opportunities while ensuring the deployment of maximum capacity to higher yielding markets. Therefore, SLA's total passenger carriage at the end of 2021/22 remained at 1.46 Mn compared to only 167,000 in the financial year 2020/21, and over 5.5 Mn passengers in the financial year 2019/20. Accordingly, the passenger capacity offered was only 55% compared to post-pandemic demand.

During the year, SLA carried out extensive studies to identify gaps in the market considering the growing demand for travel with the opening of international borders across the network. This was carried out with the intention of identifying and planning for the deployment of additional aircraft capacity to such markets and to capitalise on the high yield demand, thereby maximising the revenue potential. Utilising these studies, SLA was able to identify the substantial demand for travel into Saudi Arabia originating from Bangladesh and the Indian Sub-Continent. SLA also capitalised on the fact that both Sri Lanka and Maldives are designated green countries and thus creating a suitable option for passengers requiring a transit quarantine to travel onward. In addition, capacity was selectively deployed for related

operations including the resumption of traditional flight operations with a revised operating schedule. The established cargo routes were also maintained based on aircraft availability and revenue potential to cater to cargo demand as well as any incremental passenger demand. Operations of flights were predominantly reliant on coverage of cost and where required, the decision on the allocation of aircraft was based on the absolute revenue potential to SLA.

During the year, SLA operated flights between Sri Lanka and India in accordance with the Air Bubble agreement signed between the countries, making SLA one of the only international airlines operating to/ from Sri Lanka and providing much-needed connectivity. SLA was also one of the first airlines to participate in the VTL (Vaccinated Travel Lane) scheme and operate flights to/ from Singapore, providing connectivity for vaccinated passengers travelling between Singapore and other available points in the network.

Under the circumstances, Airline reported a passenger revenue of USD 356.4 Mn (LKR 78 Bn) for the financial year 2021/22, while the total air transportation revenue stood at USD 589.1 Mn (LKR 123.6 Bn) with an overall increase of 143% from 2020/21 and a drop of 36% from 2019/20.

The market outlook for the post-COVID recovery of passenger demand continues to be positive. However, in the absence of reliable market forecasts, SLA will continue to closely monitor the ground realities and be guided by independent insights made by trade bodies such as International Air Transport Association (IATA) and International Civil Aviation Organisation (ICAO) to continue the positive revenue growth trend experienced into the year 2022/23.

Oneworld Alliance

SLA has been a member of the Oneworld Alliance since 2014 and offers passengers the opportunity to travel to over 1,100 Oneworld destinations worldwide. SLA is the first airline from the Indian Sub-Continent to be inducted into the Alliance and shares membership with some of the largest and premium brands in the airline business such as – Alaska Airlines, American Airlines, British Airways, Cathay Pacific, Finnair, Iberia Airlines, Japan Airlines, Malaysia Airlines, Qantas, Qatar Airways, Royal Air Maroc and Royal Jordanian. In the year 2022, Oman Air has been inducted to join the Oneworld Alliance and is on track to becoming a non-shareholder member of the Alliance by 2023.

As a member of the Alliance, SLA has been able to grow its network, leveraging on its brand value as a regional carrier to a more global platform, while building its loyalty programme and being part of knowledge transfers. Oneworld frequent flyer members are offered benefits ranging from access to business class check-in, priority waitlist on standby, priority boarding, extra baggage allowance and access to over 550 lounges worldwide to name a few. One of the most significant benefits offered through the Alliance to SLA's customers is the ability to earn and burn frequent flyer miles on all the Alliance member carriers.

Worldwide Sales and Distribution

Overview

SLA, having survived the worst economic downturn it had encountered in its 43 years of existence due to the Global Pandemic, managed to continue its persistent adaptation to the new era of Aviation. The Company maintained its focus on developing versatile sales strategies to capitalise on any opportunity within

the capacity restricted industry, where the Airline could serve both its end customers and its shareholders with a satisfactory product offering.

With the Omicron virus emerging in November 2021, the Aviation Industry again became a hard playing field for all its stakeholders. Moreover, the global vaccination rates with at least one dose remained at approximately 60% and most importantly India's completion of fully vaccinated rates being approximately 31%, continued to hamper the Airline's initial plans of recapturing its pre-pandemic momentum in passenger operations in India despite it being a key source market. However, the Airline continued to serve its Indian passengers, enabling travel between the two countries under a Bubble Agreement between the two nations. Another of the Airline's key source markets, China, continued its passenger flight restrictions and outbound travel, thereby posing an adverse impact on the Asia Pacific Regional Traffic growth to pre-pandemic passenger levels during the current financial year. However, the Airline was able to benefit from its new market expansions, while focusing on existing markets with pent-up demand for travel to mitigate the drawbacks of the above.

Market Expansion

In order to strengthen its route network in line with the market opportunities presented in the cargo business sphere, the Airline ventured into the African continent for the first time in its history with flight operations in Nairobi on a bi-weekly frequency. Further, during the financial year, with the development of passenger traffic trends from certain markets, SLA was also able to extend passenger operations to Sydney, Frankfurt, Incheon and Nairobi which were initially cargo-centric operations. The Airline was also swift to embrace new market opportunities presented by evident demand for passenger

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movements in both the European and Asian regions. Hence, by introducing flights to Paris, Moscow and Kathmandu, SLA was able to provide direct connectivity to Sri Lanka.

Developing inbound tourism to Sri Lanka continued to be an important focus of the Airline as the National Carrier of the Isle. However, the global industry canvas posed challenges in achieving this objective, mainly due to the new COVID-19 variant and continued travel restrictions from key source markets. Hence, the Airline re-strategised its focus for the financial year, creating an advantageous positioning as a preferred carrier for visiting friends and relatives as well as student passenger segments. They were provided with direct connectivity to Sri Lanka by offering an enhanced safer travel experience with reduced flying time and connecting points during the pandemic, from all its key markets including Australia, the United Kingdom, other European destinations, and the Middle East in order to meet business continuity and shareholder expectations.

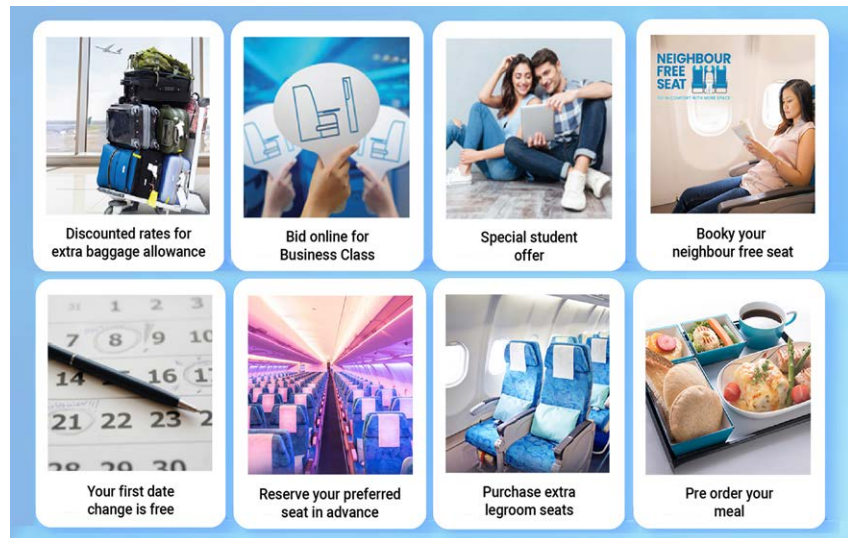
In order to uphold its commitment to enhancing inbound travel to Sri Lanka and to the Asian region, the Airline maintained its flight operations to the European continent, providing seamless gateways to Sri Lanka via its operations to Paris-France, Frankfurt-Germany and Moscow-Russia, in addition to its longest standing European destination; London-United Kingdom to service its valued passengers.

Revenue Generation

With the implementation of timely sales strategies, the Airline achieved USD 356 Mn of passenger revenue in comparison to USD 83 Mn the previous year, showcasing its ability to recover through resilience during one of the worst years in its entire history. It is noteworthy that the Airline achieved a commendable

sales performance during quarter four in the financial year, which was a recovery of above 75% of its pre-pandemic levels, while the IATA forecast for 2022 was estimated at a recovery rate of 40% to pre-pandemic levels.

Product and Service Offerings



While the mainstream of Airline passenger revenue in the Company was reaching above industry forecasted levels, the worldwide sales team continued its focus on E-Commerce, Ancillary and other service offering to enhance its offering by providing higher levels of service to its valued customers. The Airline also revamped its website allowing a refreshed outlook and providing easier navigation options to increase the engagement of its customers visiting the website. It also introduced cross-sell options like Travel Insurance within the booking cycle, offering convenience and a top-class booking experience to its loyal customers.

In further enhancing the product offerings to its customers, the Airline launched its first "Instant UPGRAD" option, which provides economy passengers to seamlessly upgrade themselves to Business Class on the web portal at any point of the booking cycle. This facility was also provided for other Airlines' ticket holders travelling with SriLankan easing passenger travel options with multiple carriers. The Airline also managed to re-instate its other ancillary services in line with its safety regulations, ensuring added comfort while on air.



SLA, in its journey to offer the best service to its customers, opted for online ticket and service purchases by partnering with renowned local banks to introduce additional payment gateways along with multiple payment options, allowing the valued customers the option of using Diners Club and Discover cards. Further, the 'Pay Later' option also continued to sustain customer satisfaction, ensuring quality customer service even at a challenging time for the Airline.

When obtaining the above facilities, passengers were not hassled by currency conversions due to the multi-currency pricing that allowed the Airline's customers with a superior user experience. In addition, the Airline continued to offer its valued customers enhanced security for online purchases of air tickets and other value-added services from its web portal.

The Airline's Loyalty Programme, "FlySmiLes" has continuously been a vital part of strengthening the bond between the Airline and its much-valued passengers. We remained consistent in our efforts to provide an enhanced frequent flyer experience to our loyal members during the year. The FlySmiLes programme serves a customer base of over half a million passengers globally, offering its members a variety of accrual and redemption offering. We continue to offer our Platinum and Gold members lounge facilities at over 600 locations connecting 900 destinations worldwide. The programme offered bonus miles and cash plus miles promotions to its customers throughout the year including mileage expiry and tier extensions to ease the effects of the pandemic, allowing the customers to travel during the post-pandemic phase. FlySmiLes introduced its first-ever Student Club, rewarding the students with discounts, excess baggage redemptions and

bonus miles, ensuring enhanced customer experiences for the student community.

The Global Contact Centre (GCC) continues to add much-needed value to the product offering during these challenging times, offering round-the-clock services to the Airline's valued customers even with reduced man hours. At present, the centre provides services in multiple languages including English, Sinhala, Tamil, and Mandarin, and has the capability of extending to other languages when necessary. The Airline's customers have the facility of reaching the contact centre through their local numbers from countries such as France, Germany, Singapore, United Kingdom, Hong Kong, India, Japan, Kuwait, Malaysia, Pakistan, Thailand, and China.

During the year, the industry evidently witnessed an increase in demand for travel with the easing of travel restrictions. While COVID-19 variants have undeniably posed challenges to the recovery in international passenger travel, the evident levels of pent-up demand and the general bounce back expected in the Global economy are expected to drive the rapid recovery. According to IATA predictions, passenger traffic will continue to grow and reach pre-pandemic levels by 2023.

Driven by the optimistic predictions from global industry experts regarding demand recovery in the near term, the Airline's Worldwide Sales team continues to offer a quality service to its customers, while expanding its revenue streams and generating much-required revenue to add value to its shareholders, the valued citizens and the Country at large.

Marketing Communication

SLA undertook a series of progressive strategic communication and brand retention endeavours across the

markets that were becoming receptive to the travel post-pandemic. Besides, SLA also focused on establishing the Airline brand and destination Sri Lanka at the new destinations that were inducted into its global network during the period under review.

Raid Amazonas 2022

The Airline and Sri Lanka as a destination became hosts to the world-renowned French adventure trail, Raid Amazonas 2022. This is an annual sporting event which, in this edition, featured over 500 French female athletes, who flew with SLA. The partnership was formerly announced at the Airlines' corporate launch event in Paris, and the event was officially announced on International Women's Day 2022 in Colombo. The aircraft that brought the athletes from Paris to Sri Lanka featured a special livery as a connotation to the adventures of the island. This was the single largest event in terms of the number of foreign participants who arrived in the Country for an event post-pandemic.

#NamastefromSriLanka

In a bid to support the Country's tourism recovery endeavours, SLA steered #NamastefromSriLanka bloggers mega fam tour, featuring 50 top-end content creators and bloggers from India, its single largest market. The content creators explored the island on two curated itineraries and visited SLA's Engineering Hangar, Flight Kitchen, Aviation College, and Simulator Centre to experience first-hand, the Airline's globally acclaimed service.

#SriLankanPromises

With the view of strongly establishing the SriLankan brand in Paris and Moscow, the two markets that SLA was connecting after a hiatus of 6 years, the Airline steered two carefully crafted campaigns, predominantly promoting the Country. The two destination launches included two

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trade fairs in the respective markets, airport functions and two official launch events. The Airline won its fourth PATA (Pacific Asia Travel Association) Gold award for its campaign '#SriLankanPromises' in the category 'Marketing-Carrier' from among 113 entries submitted by travel and tourism organisations and individuals worldwide, adjudged by a panel of 18 industry experts.

#SriLankanPromises is the brand retention campaign steered by the Airline during the first global wave of the COVID-19 pandemic, where all activities across the world, including air travel, came to an indefinite standstill. Therefore, in the absence of an actual opportunity to serve its valued customers, it provided an opportunity for the customers and supporters to actively engage with the Airline brand. The campaign aimed at spreading positivity, advocating the importance of staying home while retaining the enthusiasm and anticipation for future travel emphasising the underlying message of safety and well-being. The campaign was well-received by the social media community with over 2 Mn impressions.

SLA, reaffirming its connectivity in the South Asia region, managed to secure the coveted titles 'Asia's Leading Airline to the Indian Ocean 2021' and 'World's Leading Airline to the Indian Ocean 2021' at the World Travel Awards.

SriLankan Cargo

The year 2021 was recorded as a momentous year for air cargo by IATA with year-on-year growth in global air volumes by 18.7%, achieving the highest annual performance since 1990. The Cargo tonne-kilometres (CTKs) was 8.5% higher than pre-COVID-19 levels in 2018, recovering after a 9.9% year-on-year decline in CTKs in the year 2020, which represented the largest decline since 1990. Strong demand for global

trading of goods, including Personal Protective Equipment (PPE) towards the end of the financial year as well as the inventory restocking cycle gave way to the marked improvement of the CTKs during the period. The available cargo capacity measured in cargo tonne-kilometres (ACTKs) declined by 10.9% during the period, slowly regaining momentum with improvements in the passenger uplift towards the latter part of the financial year. The shortage in capacity in relation to demand resulted in exceptionally high load factors and rates during the same period.

The lucrative environment for air cargo allowed the achievement of the highest cargo revenue generated in the history of the airline operations by SLA during the year, amounting to USD 215 Mn, a year-on-year growth of 48% through expanded network operations supported by passenger demand. The SriLankan Cargo charter programme that was initiated in the year 2020 to capitalise on the cargo demand, maximising the available aircraft time and cargo capacity, generated a revenue of USD 4 Mn for the financial year through the operation of 46 charters and 13 Block Space Agreements operating largely out of China and the Indian Sub-Continent regions. SriLankan Cargo was recognised for the innovative solutions provided to the Sri Lankan logistics community since the onset of the pandemic by being awarded "Gold" in the Airline category as well as an "Award of Recognition" at the inaugural National Logistics Awards by the Sri Lanka Logistics & Freight Forwarders Association (SLFFA).

SLA cargo sales accounted for 33% of the total revenue generated, amounting to USD 69 Mn, a year-on-year growth of 49% facilitated by the dynamic deployment of cargo driven capacity into the Maldives and the Middle Eastern regions in catering to the demand at hand. The Far Eastern region generated a revenue of USD

84 Mn, with 69% of the revenue being generated by Singapore, Hong Kong, Japan, and Guangzhou markets. The Singapore station, generating a revenue of USD 23 Mn in the financial year, was once again recognised at the Changi Airline Awards, receiving the "Resilience Award" for maintaining uninterrupted air links right throughout the pandemic. The European region generated a revenue of USD 16 Mn, reflecting a growth of 67% from the previous financial year, with the enhanced cargo capacity made available into Australia in facilitating the high-yielding movements largely from London and Frankfurt. The Middle East region accounted for USD 11 Mn, with the introduced cargo driven operations into Nairobi and Dubai, making a significant contribution to the total revenue generated in the region.

Cargo ground handling operations achieved a revenue of USD 19.1 Mn, handling a cargo throughput of 203,239 metric tonnes, accounting for an increase of 77% and 32% respectively from the previous financial year, primarily owing to an increase of SLA flights year-on-year. The total number of flights handled was 13,104, which amounted to a 157% increase in the flights handled by the SriLankan Cargo ground handling operations. The division maintained a cargo ground handling reliability rate of 99.95%. The construction of the new cargo imports terminal is presently underway with the intended completion date by the second quarter of 2023. The enhanced capacity allowed through the inclusion of the state-of-the-art terminal to the cargo ground handling operations will allow the facilitation of a perishable centre with a temperature-controlled handling area, a courier centre and a dedicated terminal for general cargo that could enhance the ground handling operations in Sri Lanka to be on par with regional cargo hubs. Despite the significant challenges faced as a result of the pandemic related restrictions and the present

airport construction underway, SLA managed to provide an ideal level of service that facilitated the air freight logistics processes to and from the Country. The level of service further gained recognition from key customer Airlines in the year 2021.

SLA was able to effectively capitalise on the opportunities in the lucrative air cargo global market in achieving significant milestones in the Airline's history. The success of air cargo is largely accounted for by dynamic strategies deployed in terms of capacity, sales, and revenue management tactics, which enabled the establishment of the SriLankan Cargo brand as a key logistics provider in the operational network even receiving recognition for its efforts from established institutions in the trade. The normalising of passenger movements and the regularising of capacity is expected to lead to a decline in yields and a significant increase in the levels of competition, creating a hindrance to maintaining dedicated cargo operations in the future. However, the strategic collaboration of the passenger and cargo commercial teams will ensure continued success in overcoming the challenges in the upcoming year.

Flight Operations

Fuel Monitoring

The global economic upswing has intensified growth opportunities while Jet Fuel prices continued to rise throughout the financial year 2021/22. The Russian-Ukrainian conflict, at the tail end of the financial year, also resulted in a spike in Jet Fuel prices since February 2022. Additionally, the Airline experienced significantly low traffic loads during the first half of the financial year 2021/22 as a result of continued travel restrictions imposed by governments, due to the COVID-19 pandemic.

However, in comparison to the first half, the second half of the financial year 2021/22 showed a significant improvement in payloads, thereby resulting in a 27% improvement in the Airline's fuel efficiency, in terms of fuel burn per RTK (Revenue Tonne-Kilometre). Furthermore, the effectiveness of the fuel monitoring process is portrayed by a fuel burn saving (in terms of the volume of planned against actual fuel burn) of 1.3%, achieved in 2021/22, which in turn corresponds to a reduction of 10,625 metric tonnes in CO2 emissions.

Airline Operations Control Centre (AOCC)

AOCC continued to play a vital role during the COVID-19 pandemic, managing the schedule reliability through a meticulous coordination process with all stakeholders. Despite the varied restrictions imposed locally and globally, many strategies were adopted with swift changes fully complying with all regulations in order to manage the operations with minimum inconvenience to customers and in the most cost-effective manner. During the period under review, AOCC had to face challenges such as the scarcity of manpower due to the increase in the number of COVID-positive cases in flight/cabin crew and ground staff, disinfection of the aircraft before and after each flight at most stations including the main base and abiding to quarantine rules along with stringent health guidelines. In addition to COVID-19 constraints, geo-political issues in Afghanistan, Russia and Ukraine were causing challenges to managing the operations during the period under review.

Working alongside all other internal and external operational stakeholders, AOCC managed to overcome those challenges in the best interest of the organisation under 24x7 surveillance with pre-planning and execution. Successful planning and execution

of special cargo flights to Australia by obtaining necessary approvals from regulators are standout achievements during the period under review.

Flight Operations Training

The Flight Operations training team and Flight Instructor body played a vital role in ensuring that all flight crew are qualified in all their regulatory training during the pandemic. The two in-house simulators enabled the crew to be qualified and current, ensuring high productivity to meet commercial aspects. This in turn supported the Company to return to pre-pandemic operational efficiency from a flight crew perspective.

Inflight Services

Inflight services, as one of the main contributors to achieving the Airline's vision, played an important role in providing onboard services to delight our passengers.

'SriLankanising' Campaign was launched by introducing unique Sri Lankan dishes from every region, including an introduction of local fruit juices as a Business Class welcome drink on all long-haul flights. Service equipment were reverted to standard equipment from disposables, which were used during the pandemic to ensure better service in the post-pandemic phase.

Online refresher training commenced due to the restrictions on in-person training. Furthermore, Civil Aviation Authority of Sri Lanka (CAASL) approved procedures were incorporated into the delivery of services onboard due to health concerns as a result of the pandemic. Besides, an improved meal service in replacement of COVID-19 meal service was re-introduced and implemented with necessary approvals from CAASL. PPE restrictions were relaxed for crew and passengers, considering the community spread of COVID-19 being less severe.

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Duty-free services

Inflight duty-free sales re-commenced operations during the year in review, and the much-needed cash sales, which completely ceased, re-started towards the last quarter of the year 2021. Amid the unprecedented supply chain issues, onboard sales continue to grow at a gradual pace. A new Serendib treasures catalogue is expected to be launched with a new range of items in consideration of the current sales trends.

Business Units Review

SriLankan Airport and Ground Services

Overview

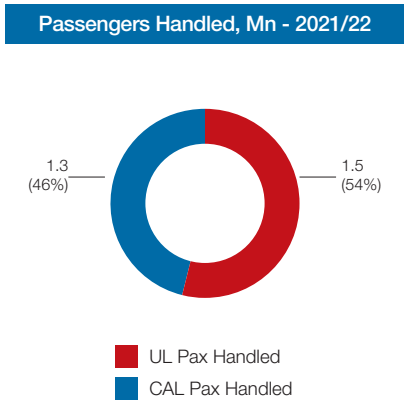
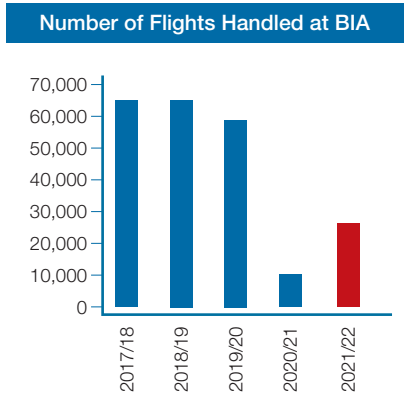
As the sole ground handler at Bandaranaike International Airport (BIA) and Mattala Rajapakse International Airport (MRIA), SriLankan Airport and Ground Services offers all ground operations to all international airlines, ensuring quality service delivery.

The financial year 2021/22 demonstrated signs of recovery despite being one of the most challenging years for all operations at Airport and Ground Services. Ground Operations recovery elevated in 2021/22 as pandemic-related restrictions were lifted around the world, specifically during the second half of the financial year. Amidst many challenges encountered throughout the year, Airport and Ground Services ensured a quality service delivery, upholding its core values of safety, precision, and service excellence.

Performance

Considering the improvements in the operating environment, the second half witnessed an increase in business, leading to a 40% recovery rate of flights handled, with only a

25% recovery rate of passengers handled compared to pre-COVID-19 level.



Subsequently, the Division contributed a revenue of USD 28 Mn. Furthermore, SLA welcomed new business by signing agreements with Air France, GullivAir, Philippine Air Asia, and Island Aviation Services both at BIA and MRJA. During the year in review, SLA managed to maintain an on-time performance of 98.81% despite staff shortages, additional documentation checks, and procedures. On the ramp, the below-the-wing team maintained a handling reliability of 99.74%, utilising over 200 motorised and 550 non-motorised units of Ground Support Equipment. A total of 203,000 metric tonnes of cargo was handled, indicating a 50% increase compared to the previous financial year. The mishandled baggage rate remained at 0.72 per 1000 passengers.

Airport Operations

With the opening of the new Bay at BIA in January 2022 which consists of 23 parking bays, the number of remote operations increased, extending the Ground Support Equipment usage and the ground time. Further, with the commencement of construction of the new passenger terminal in December 2020, existing service roads were closed, leading to the introduction of alternative narrow roads with sharp turns. This change created severe disruptions to ground handling operations in June 2021. Besides, the long distance between the terminal and the new Bay made the baggage and baggage transfer delivery timings challenging. Therefore, initiatives were taken to develop a 'New Standard Operating Procedures' in accordance with the operational changes.

Safety measures as well as other necessary actions were implemented, ensuring the safety of passengers and staff during the pandemic period. These measures include maintaining social distancing, display of health and safety guidelines, and the preparation of all the necessary documentation. In addition, the passengers were also encouraged to use online portals to minimise direct contact. All airport staff was also encouraged to receive all COVID-19 vaccination doses by the Company Medical Center in ensuring their well-being as well as the protection of customers. Operational staff was provided with the necessary PPE, ensuring that they were worn properly at all times during operations.

As the industry emerges out of the pandemic and the travel demand returned following the relaxation of travel restrictions, an unprecedented labour shortage was experienced at the Airport and Ground Operations. These shortages were mainly driven by the pandemic-induced layoffs across the aviation industry that caused operational disruptions and hindrances to the fresh travel demand.

In such a scenario, re-hiring also remained demanding for the industry.

Improvement measures

Despite the challenging situation, Airport and Ground Services continued to invest in human resources and equipment, welcoming Airport Service Agents, Wheelchair Handlers, and Third-Party Contractors for baggage handling and Aircraft cleaning services. Capital investments were also made in Cleaning Equipment and Ground Support Equipment (GSE). Additionally, a procurement process was initiated for the most identified critical equipment in order to maintain an efficient GSE fleet.

SLA continues to develop and nurture its own in-house line trainers' pool to support the Customer Airlines Departure Control Systems training. Hence, SLA managed to complete all regulatory and mandatory training during this challenging period, while adhering to the COVID-19 protocols, thereby supporting and adding value to the continuous development of operational staff performance. Besides, new procedures were also introduced to effectively handle mishandled baggage that improved the efficiency of the process.

Furthermore, Serendiva Lounge was refurbished with modern and finest furniture to provide a more relaxed atmosphere to passengers. The lounge comprises of a capacity for 50 passengers with a full-service buffet, superior beverage and bar service, including the resumption of previously offered facilities.

Achievements

Airport and Ground Services complied with all the necessary regulatory standards in accordance with the IATA Ground Operational Manual (GOM). The Airport and Ground Services are also certified under IATA Safety Audit for Ground Operations (ISAGO) and IATA Operational Safety Audit (IOSA).

With compliance in place, the team is geared to face the next cycle of audits by these international bodies in the next financial year.

Future

Airport and Ground Services will continue to invest in human resources, training, and equipment to further enhance the service levels, while continuing its commitment with substantial force to ensuring service excellence.

SriLankan Engineering (SLE)

Overview

With the recovery from the pandemic and easing of travel restrictions across the world, SLE has commenced exploring new opportunities for business, including the expansion of third-party maintenance to new customer airlines, including Serene Air & Airblue of Pakistan, Salam Air of Oman, Air Seychelles of Seychelles, and Fits Air of Sri Lanka, to name a few. SLE has succeeded in securing long-term maintenance partnerships with the above airlines in the years to come. During the period, a key milestone of SLE was the exclusive Base Maintenance Agreement that was signed for a period of three years with Serene Air.

SLE has performed well in the recent audits conducted by the European Union Aviation Safety Agency (EASA) / the Civil Aviation Authority of Sri Lanka (CAASL) and other International Aviation Regulatory Authorities, establishing and securing many maintenance approvals for the facility to enable and support accepting aircraft for line/base maintenance inputs.

Given the pandemic led reduction in travel demand, the Airline had to park several aircraft. SLE played a critical role in the grounding of many A320 family aircraft in their long-term parking provision and providing regular maintenance in accordance

with manufacturer guidelines to ensure lessor requirements are met.

The 2021 winter schedule was managed by SLE without interruption at a time of unprecedented challenges. With the rebound from COVID-19, the sudden airline demand for wide-body aircraft and the related engine overhaul programme added complexities to the operational schedule. Nevertheless, SLE managed the schedule with an optimistic approach by utilising engines from aircraft under maintenance, paving the way for success in spite of the hardships faced by our maintenance staff.

SLE embarked on a significant undertaking to reconfigure an A330 all-economy aircraft converted to 18BC/251EY configuration with audio / video on demand together with a new galley provision. With a newly introduced EASA-compliant placard printing facility and seat cover manufacturing support, the Airline is progressing towards further cost savings and improved capability at the MRO (Maintenance, Repair and Overhaul) level. Another successful accomplishment is the painting of the aging fleet of three wide-body aircraft during this time.

The SLE Line Maintenance team has entered into new Maintenance Support agreements for customer airlines that serve Sri Lanka. The Euro Wings agreement out of Male line station can be considered a step towards our line maintenance expansion to other airlines outside of the base.

SriLankan Aviation College (SLAC)

Overview

With over 34 years of experience in aviation training to international standards, SriLankan Aviation College (SLAC), the training arm of SLA, presents a wide range of training

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options to the Country and the Region. The college is certified by entities such as the European Union Aviation Safety Agency (EASA), the International Air Transport Association (IATA), the International Organisation for Standardisation (ISO), the Civil Aviation Authority of Sri Lanka (CAASL), the Civil Aviation Authority of Pakistan and the Civil Aviation Authority of Maldives. It is also a member of the Royal Aeronautical Society (RAES) and the European Aviation Maintenance Training Committee (EAMTC). The college collaborates with world-renowned training and academic institutions and extends comprehensive aviation and corporate training options to students as well as to working professionals.

Partnerships

SLAC developed a partnership with Boeing to offer the Boeing Flight Dispatcher certification, comprising of an on-the-job training module offered by SLA. In addition to this, SLAC is also working on a partnership with Embry-Riddle Aeronautical University to offer a Master of Aviation Maintenance and Graduate Certificate in Aviation postgraduate qualifications. These achievements place Sri Lanka at the heart of South Asia as a training hub, while establishing SLAC as a forerunner in aviation training opportunities.

Upcoming enrolments

SLAC has also successfully launched several new training programmes such as Finishing School/Corporate Plus, Wine and Cheese Appreciation, Emotional Intelligence training programme, Flight Operations Officer/Flight Dispatcher (ICAO 201) programme, IATA Cargo Introductory qualification, IATA Cabin Crew qualification and EASA Part 66 Basic course in Aircraft Maintenance for Sri Lankan students, for which enrolments are currently ongoing.

Degree awarding non-state higher education institute status

SLAC is currently working on achieving the Degree Awarding Non-State Higher Education Institute status to offer students in the region the unique opportunity to study at an internationally accredited aviation university.

Approved Training Organisation status

SLAC is currently awaiting the Approved Training Organisation (ATO) status for its aviation training arm, International Aviation Academy. SLAC will be the first institution that provides aviation professional studies, to be certified as an ATO in Sri Lanka, allowing its students to earn a globally recognised educational qualification.

Civil Aviation Authority approval for the online Train-The-Trainer programme

SLAC achieved the CAASL approval for its online Train-The-Trainer programme, in addition to the already existing approval for the classroom Train-The-Trainer programme. This programme is designed to help trainers improve their skills in all aspects related to training, whether it is in a classroom or a virtual setting.

National Vocational Qualification (NVQ) status for SLAC programmes

SLAC is also in the process of obtaining the National Vocational Qualification (NVQ) status for a number of its programmes, including the Basic Course in Aircraft Maintenance, Flight Dispatcher, IATA Travel and Tourism Foundation, and Consultancy diplomas among others, which would provide students with the opportunity to obtain a vocational qualification and lateral entry for degree programmes in both local and foreign universities.

SriLankan Catering Limited

Overview

SriLankan Catering Limited (SLC) is a fully owned subsidiary of SLA and the sole Airline Catering Company in Sri Lanka. Apart from its main operations of inflight catering, it also operates all airline lounges at the Airport including the Serendib, Emirates, Araliya and Lotus lounges and the airport restaurants at BIA and MRJA. As part of its ancillary business activities, SLC also operates the Serenediva Transit Hotel, Aeroclean Industrial Laundry and Cuisine Gastronome – Ready to Eat Frozen Meal range produced for local and export markets.

Performance

SLC's performance was significantly impacted by the COVID-19 pandemic in the first half of the financial year. However, the performance improved gradually compared to the previous year towards the winter season of 2021. The turnover grew by 464% to LKR 3,902 Mn compared to the previous financial year. Furthermore, the subsidiary recorded an operating profit of LKR 474 Mn (2020/21 – operating loss of LKR 1,365 Mn), while the subsidiary's key performance indicators increased significantly, owing to the increase in passenger arrivals and commencement of operations by a few airlines after the pandemic.

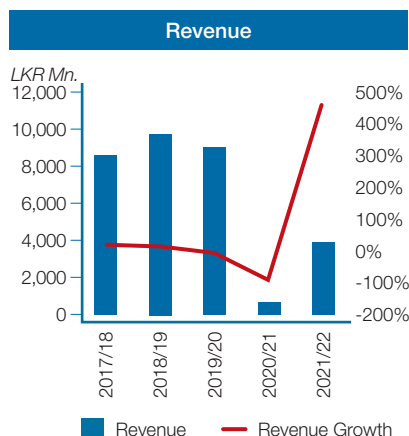
During the year under review, SLC actively scrutinised revenue-enhancing measures through existing business units. SLC expanded ready to eat meal segment, Cuisine Gastronome, to the local as well as export markets, taking advantage of its vast production and operational capabilities. SLC is already exporting this range of meals to Australia, USA and Canada and presently concluding discussions to export these products to Dubai, the United Kingdom, and the European Union. Moreover, plans are

underway to improve the distribution of these products locally and to further develop the export market by expanding into Japan and all Gulf Countries.

Furthermore, continuous efforts were made to reduce operational cost, while the emphasis was given to optimising resources to drive cost efficiencies. As a result, the subsidiary was able to further right-size the staff cadre. In addition, increased emphasis was given to reducing the other direct operating expenses in line with the decreased level of operation. Measures were taken to re-negotiate contracts and agreements to manage costs during the pandemic. As a result, our key service providers including Airport and Aviation Services (Sri Lanka) Ltd granted concessions on rent, which contributed to improving the liquidity of the subsidiary. SLC postponed major capital expenditure projects, while paying attention only to the critical and urgent capital requirements to improve revenue generation activities and cost management initiatives of the subsidiary.

Revenue

There was a major shift in the composition of revenue of the subsidiary during the year under review in comparison to the previous financial year due to the performance of the flight kitchen and restaurant segments.



The increase was mainly attributable to the increase in revenue of Inflight Catering by 541% (LKR 2,556 Mn) and BIA Restaurant by 455% (LKR 396 Mn) compared to the previous year.

The number of meals produced at Flight Kitchen during the year significantly increased by 784% to 2.2 Mn meals per annum compared to 0.25 Mn meals reported in the previous financial year. SLA, the main customer of Inflight Catering, represented 67% of the total Inflight Catering turnover and 73% of the total number of meals produced during the year.

The contribution from Airport Restaurant (public and transit) at BIA was 12% to the total revenue of the Company with the revenue increased by 455% to LKR 483 Mn compared to the previous financial year (2020/21 - LKR 86 Mn). Furthermore, the turnover from other ancillary business activities increased by 195%.

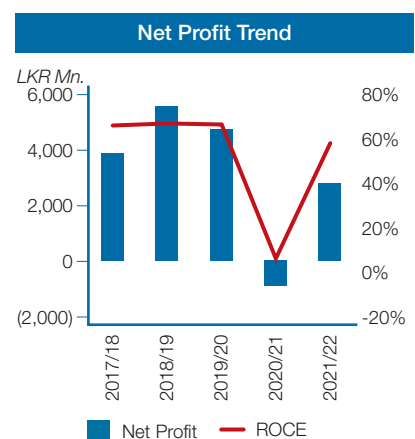
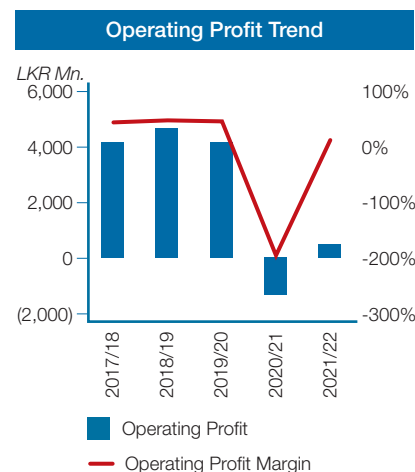
Expenditure

During the year, necessary measures were adopted to manage and control operating expenses in proportion to low business volumes. Cost of sales increased by 213% in line with revenue increase. Total overhead costs increased by 39% from LKR 1,735 Mn to LKR 2,413 Mn. Furthermore, other operating expenses, which are directly linked to activity levels, recorded an increase of 33% during the year.

Profitability

The subsidiary's operating profits gradually increased to LKR 474 Mn during the year, which was a 135% increase compared to last year (Operating loss - LKR 1,365 Mn). Net profit before tax increased to LKR 3,231 Mn by 436% compared to the last financial year. This is mainly due to the exchange gain reported (LKR 2,823 Mn) during the year owing to Sri

Lanka Rupee depreciation against the US Dollar towards the latter half of the financial year.



Income Tax

SLC's income tax expenses increased by 909% compared to last year due to the expiration of full income tax exemption on 30th May 2021 as per the Board of Investment (BOI) agreement. The subsidiary shall be liable to pay income tax at the concessionary rate of 15% from 31st May 2021 for another 8 years.

Support Services

SriLankan IT

During the financial year 2021/22, SriLankan IT Systems contributed to the airline business by introducing more passenger-centric technologies

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by launching and revamping several e-business products with NextGen technologies and innovations.

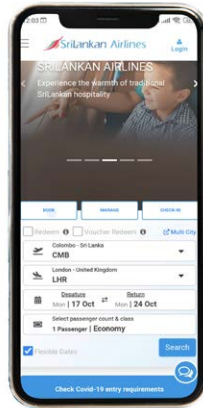
SriLankan IT Systems governs the Airline's IT and Digital Strategy, aligning with the Airline's business plan and objectives to drive more digital businesses and smart operations with improved passenger experience by adapting the state-of-the-art technologies in the aviation industry. Accordingly, SriLankan IT Systems introduced many new innovations and product features to the business operations and passenger front during the year under review.

Look and Feel Features in the Corporate website

SriLankan IT Systems conducts frequent web improvements and User Interface changes for the corporate website in providing a fresh and improved user experience to the website visitors. The latest improvement is the introduction of multilingual language support, enabling an extended reach around the globe. The website is now enriched with the latest user-friendly mobile responsive features with a simplified home page, enhancing customer reachability through mobile technology.

The recently improved collapsible Booking Widget gives all-in-one access to make a reservation with just a few clicks, while the new Ancillary Ribbon showcases all ancillary items available for passengers. Besides, the new search option gives exactly what they need on the website at a glance within seconds under the Latest Deals Section, which includes all the latest offers and promotions from any origin.

This has shown improved customer satisfaction, whilst meeting the required compliance and standards in data protection and aviation regulations.



Alipay, PoLi, WeChat Payment Options for Internet Booking Engine

SriLankan IT Systems supports the Alipay, POLi and WeChat Payment wallets for Internet Booking Engine (IBE), which are leading Alternative Methods of Payment (AMOP) in the Region of China, as a part of Amadeus Payment Platform phase II implementation. These new payment options are enabled for travel originating from China, Hong Kong, Australia, New Zealand, London, Japan, Singapore, the USA, Maldives, etc. while the same payment option is rolled out to SriLankan Mobile Website as well. Recently SriLankan IT also upgraded the Visa and Mastercard payment gateway system, which

is powered by Sri Lanka's banking giants, Bank of Ceylon and Hatton National Bank, allowing the customers the option of paying in their preferred currency out of 42 global currencies with the support of advanced fraud management capabilities. This will encourage customers to opt for online booking and value-added services from the SLA's corporate website over traditional channels that bring about other unique benefits such as site-exclusive deals, the lowest fare guarantee, zero service charges and the ability to make the first date change and cancel tickets within 24 hours before departure at no cost. The SLA's corporate website also currently accepts a wide range of credit cards.

Travel Insurance Solution Integration with Internet Booking Engine

SriLankan IT Systems integrated a travel insurance solution with IBE that enables passengers to purchase travel insurance policies to cater to their insurance needs and provide additional ancillary revenue gain for the Airline. This product facilitates the passengers with insurance policies, covering medical insurance cover, a cover for possible baggage loss and a cover for flight delays and repatriation.

Activation of Rail-Fly with Deutsche Bahn - German Railway



SriLankan IT Systems recently activated German Railway - Deutsche Bahn under the Rail-Fly option to offer passengers the convenience of booking their entire journey from and to any point in Germany through a single booking when they book their ticket through SLA's corporate website.

With this, the passengers have the choice of connecting between Frankfurt Airport and over 5,600 Deutsche Bahn stations in major cities including Berlin, Hamburg, Munich, Stuttgart, and Dusseldorf in Germany; Basel in Switzerland; and Salzburg in Austria. In addition to having an expansive network, passengers could enjoy minimal transit times and flexibility.

Activate Ancillaries via Online Check-in and Counter Check-in

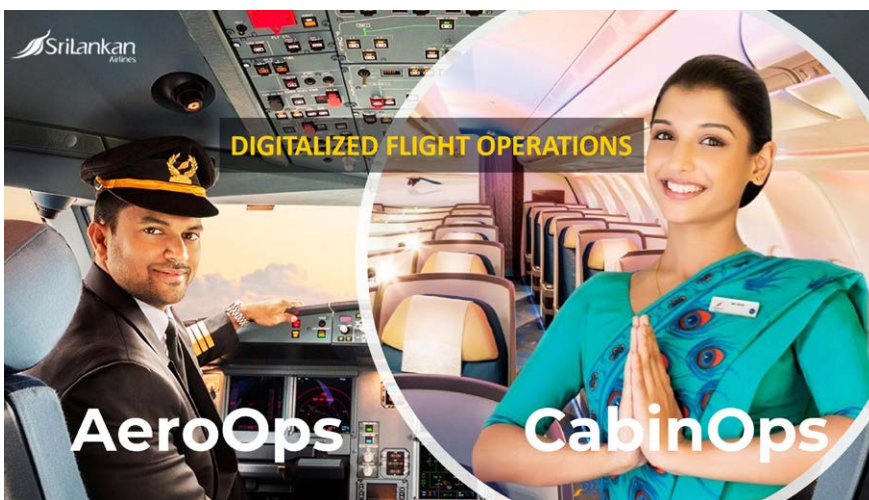
SriLankan IT Systems introduced an option for passengers to purchase ancillary services via online check-in, in addition to extra baggage that could be obtained prior to check-in. This was enabled as part of activating the Amadeus Payment Platform, which enables a hassle-free mobile responsive channel for the passengers to choose and purchase ancillary services as per their personal preferences.

Digitalising Tech Crew Voyage Report for Operational Efficiencies

While digitalising the onboard Tech Crew Voyage Reporting Process in line with the Digital Strategy of the Airline in order to achieve productivity

and efficiency in the operations, the ground services were also streamlined for an improved user and passenger experience. In addition, pilots onboard are empowered with real-time accurate information through integrated systems. Through the in-house developed solution 'AeroOps', SriLankan IT Systems saved approximately USD 200 Mn cost outflow to software companies, if purchased externally.

AeroOps bagged the Silver Award in the "Corporate IT Awards" category at the Digital Excellence Awards organised by the Federation of Information Technology Industry in Sri Lanka and the Merit/Bronze award at the National Best Software Quality Awards.



Empowering users with new digital technology solutions

With the move towards remote working, SriLankan IT Systems provided quick solutions for operational efficiencies and compliance requirements with significant cost savings. These solutions include providing tech crew landing and take-off recency information on mobile, online training and assessment, feedback capturing and analysis and electronic document management that replaced manual processes.

An Information-Driven Airline

'Airline Insight', the Management Information platform of SLA, was recently integrated with SLA's corporate WhatsApp channel to automatically disseminate the daily airline performance to the strategic level decision makers via WhatsApp. This achievement empowered the key decision-makers to access real-time information and take most business-centric decisions.

MANAGEMENT DISCUSSION & ANALYSIS CONTD.

In the next financial year, the focus of Airline Insight is to improve passenger centricity via personalised passenger experience with the capabilities to make SLA a fully information-driven passenger-centric Airline.

Group Data Protection, Compliance and Governance

SriLankan IT Systems continued with its compliance on ISO/IEC 27001:2013 Information Security Management, ISO/IEC 20000:2018 IT Service Management and ISO 9001:2015 Quality Management System for Software Development, encompassing systems and services provided to SLA and SLC. Furthermore, the team continuously improved operations to meet the requirements of the Personal Data Protection Act No. 9 of 2022 (PDPA) of Sri Lanka and recommendations in tandem with the European Union General Data Protection Regulation (GDPR). Also, the Airline expanded its Cyber Security controls with the latest technologies in Machine Learning and Artificial Intelligence for vulnerability management, behavioural analysis, advanced threat protection, data protection and endpoint protection with a focus on the principles of zero trust framework.

Human Resource Management

Overview

SriLankan HR assisted the Airline during the pandemic phase when the operations were limited along with liquidity issues. The HR department played a pivotal role in terms of introducing novel initiatives and setting up policies /processes to ensure business priorities are met.

In order to secure the Airline and its employees, employee cost reduction initiatives were introduced, paving the way to right-sizing and optimising the cadre during the period under limited operations. Besides, cost-

saving measures that were already implemented in the year 2020 were further continued in 2021, whilst encouraging the utilisation of multiple skills of employment in job rotations. All possible extensive measures were implemented to control the people cost until the revival of operations.

Strategic Focus

During the year under review, SriLankan HR focused on key areas of strategic prominence that include optimisation of cadre numbers and resourcing for increasing levels of operation and people-related cost-saving initiatives. Staff recruitment was carried out only for business and operational critical key positions and staff were cross-utilised by way of job enlargement and job rotation to maximise productivity. The Airline managed to secure significant cost-saving measures on remuneration and other benefits to ensure the job security of all employees. With the emerging trends towards recommencing air travel and opening borders, Airline operations increased in the last quarter of 2021. Consequently, some relaxations were granted to the employee remuneration from the previous reductions imposed.

Considering the increasing cost of living, a few restrictions for identified low-income categories were eased out in appreciation of their commitment to reporting to work throughout the pandemic period amidst many difficulties. Furthermore, a portion of savings was utilised to provide various reliefs to all staff categories, including payments related to essential job promotions.

Moreover, a salary survey was initiated to identify any inconsistencies in remuneration packages to make them efficient and to assess the need for revision of pay scales. Even during the heights of the global pandemic, capability building and nurturing of

talent to ensure business continuity, including training and development initiatives continued to ensure that our employees possess the necessary competencies to meet the performance standards of the organisation.

Sustaining Industrial Relations

Facilitating Industrial Relations to enhance employee engagement is a key area of SriLankan HR, where continuous engagement was carried out with all Trade Unions to ensure Industrial harmony. The grave economic situation in the Country leading to a drastic hike in inflation has placed additional strain on industrial relations within the organisation, with all Trade Unions turning towards the organisation, expecting relief for their respective employee segments. Hence, the level of engagement with Trade Unions, individual employees and groups had to be increased significantly.

Health & Safety

Maintaining the health, safety and welfare of our Employees and engaged workforce is an important priority of the organisation. In this regard, the SriLankan HR through its Medical Services Unit and Staff Welfare Unit played a prominent role during the post-COVID period. SriLankan HR Medical Services (HRMS) has been significantly strict and purposeful with regard to the health, safety, and well-being of employees, and carried out all the necessary measures to safeguard employees, customers, and stakeholders, aligned with the local and international health and safety regulations.

HRMS successfully executed the COVID Prevention Vaccination Programme, covering all staff members. HRMS carried out company-wide random PCR and RAT testing for staff as required on a daily

basis, ensuring the utmost safety of employee teams and contacts. Furthermore, the sanitisation routines were appropriately adhered to within the Airline premises and continued to provide Intermediate Care Centre (ICC) facilities for COVID-19-positive staff members with regular follow-ups and check-ups on the affected and their families. The COVID Prevention Task Force has been continuously working for the benefit of staff across the entire organisation to gauge vigilance and preventive action, and to address related issues with promptness and efficiency aligned with local and international guidelines.

The Employee Communication and Engagement Unit (ECEU) of SriLankan HR has been perpetually committed to healthy communication across all hierarchies, thereby sustaining communal morale and the spirit of teamwork within the staff. All staff have been well-informed with the regularly updated health and safety regulations and related important information.

Community Engagement

Overview

SLA has always been an environmentally conscious airline and as a pioneer in the region for aviation sustainability, SLA has committed its operations towards inculcating a 'Planet friendly SriLankan' attitude, while propelling its efforts towards the global initiative, NetZero2050. SLA, as the national carrier, is always looking towards innovative and novel solutions for tackling climate change.

Mathaka

'Mathaka' is one such innovative solution that was launched in December 2021 by SLA in collaboration with House of Lonali's, a local designer. 'Mathaka' features

an exclusive range of designer lifestyle products, entirely made from parts of waste material, consisting of discarded uniforms and aircraft interiors such as seat covers, curtains and many other kinds of rejects. Travel bags, wallets, books, key tags, jewellery, and many more exciting designer items that are yet to be presented in days to come. In terms of sustainable goals, 'Mathaka' project fulfils 5 out of 17 Sustainable Development Goals (SGDs), including Reducing Poverty, Responsible Consumption and Production, Climate Action, Life on Land and Partnerships.

Donating Wheelchairs under Upcycle Project

The SLA's Environment Unit successfully concluded another subproject under its master Upcycle Project by donating repurposed wheelchairs to the residents of the Sarana Buddhist Foundation's Home. The donated wheelchairs were assembled completely by a team of volunteer staff members from the Ramp Services Department of SLA. The materials used to build and restore the wheelchairs were also sourced internally from the Airline's Scrap Yard, Properties and Ramp Workshops.

Reducing Carbon Footprint

As a Country, we are committed to the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), which was agreed upon by the 2016 ICAO General Assembly as part of a basket of measures intended to ensure carbon-neutral growth in international aviation from 2020. By complying with CORSIA, SLA was able to successfully update the emission report in CORSIA and complete the Audit process, demonstrating its environmental commitment.

SriLankan Cares

SriLankan Cares, the Airline's CSR arm continued to support the Country's healthcare sector in the efforts to combat the COVID-19 pandemic through the donation of essential medical aid such as Ventilators to the National Hospital of Sri Lanka and high-flow oxygen machines to the Colombo East Hospital. The Airline also donated a batch of infusion pumps to the Paediatric Cardiology Unit of the Lady Ridgeway Hospital, which is the only tertiary care referral centre in the Country for children with heart diseases.

Spreading the Christmas spirit and joys of the season, SriLankan Cares donated 540 packs of essential items among the occupants of CCC Home, Maharagama. CCC Home is a transit residence for cancer outpatients and their caregivers, who cannot afford to live in outside accommodation or travel a long distance to and from their rural homes for treatment.

SriLankan Cares marked International Women's Day 2022 with a programme to donate shoe vouchers among the children of the beneficiaries of the Sri Lanka Welfare Society of the Blind Women, Seeduwa.

All the donations were funded purely through the contribution of SLA staff members, who joined hands to help fulfil a national endeavour, despite the turbulent times faced by the Airline and the economic challenges faced by all.



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ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of SriLankan Airlines Limited, take pleasure in presenting the Annual Report for the year ended 31 March 2022.

Principal Activities and Business Review

The principal business activities of the Company are the operation of international, scheduled/non-scheduled air services for the carriage of passengers, freight and mail as the designated carrier of Sri Lanka. Providing air terminal services at the Bandaranaike International Airport ("BIA") and the Mattala Rajapaksa International Airport ("MRIA"), sale of duty-free goods on-board, marketing inbound and outbound holiday packages constitute other main activities of the Company. Providing third party aircraft maintenance, provision of flight operation services and conducting aviation related training constitute ancillary activities of the Company. There was no significant change in the nature of activities of the Company during the financial year. The Group consists of the Company and its' wholly owned Subsidiary SriLankan Catering Limited, whose principal activity is the provision of Inflight Catering Services to airlines operating through BIA and MRJA. Other ancillary activities consist of operating public and transit restaurants, provision of laundry services and managing the transit hotel.

Financial Statements and Auditor's Report

The complete Financial Statements duly signed by the Chief Finance Officer and the two Directors and the Auditor's Report thereon for the year ended 31 March 2022 are attached to this Report.

Accounting Policies

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 59 to 71.

Group Turnover

The turnover of the Group amounted to LKR 134,301 Mn (2020/21: LKR 50,929 Mn). A detailed analysis of Group Turnover is given in Note 20 to the Financial Statements. Transactions between the Company and its fully owned Subsidiary, SriLankan Catering Limited is conducted at fair market prices.

Results

The Group's net loss for the year after taxation is LKR 163,583 Mn (2020/21: LKR 49,705 Mn). Group incurred a taxation expense of LKR 426 Mn (2020/21 – expense reversal LKR 57 Mn). The Statement of Profit or Loss for the year is given on page 55.

Group Investment

Group capital expenditure during the year on Property, Plant and Equipment amounted to LKR 474 Mn (2020/21: LKR 362 Mn).

Property, Plant and Equipment

The net book value of the Property, Plant and Equipment of the Group as at the reporting date amounted to LKR 6,251 Mn (2020/21: LKR 7,229 Mn).

Details of Property, Plant and Equipment and their movements are given in Note 4 to the Financial Statements.

Stated Capital

The Stated Capital of the Company amounts to LKR 96,361 Mn. At the EGM held on 16 July 2021 the stated capital of the Company was increased from LKR 51,617,435,500 to LKR 96,360,665,500 by the allotment of 447,432,300 ordinary share at LKR 100 per share to GoSL.

Reserves

Total Group Reserves as at 31 March 2022 amount to a negative LKR 522,785 Mn (2020/21: negative LKR 360,843 Mn). This consists of

accumulated losses of LKR 529,213 Mn (2020/21: LKR 366,285 Mn),

Capital Reserves of LKR 6,428 Mn (2020/21: LKR 5,441). Movement in these Reserves is shown in the Statement of Changes in Equity in the Financial Statements.

Corporate Donations

The Group did not make any donations during the year (2020/21: Nil).

Taxation

The Company was exempted from all taxes in respect of all its business activities up to 31 March 2022 under the provisions of the Inland Revenue Act No.10 of 2006 as amended by the Inland Revenue (Amendment) Act No. 22 of 2011.

However, with the enactment of the Inland Revenue Act No 24 of 2017, the Company is liable for income tax for all its business activities with effect from 1 April 2018. The Company is liable for tax on its overseas operations in countries where there are no double taxation treaties at present. The Subsidiary, SriLankan Catering Limited enjoys a tax holiday up to 30 of May 2021 in terms of its agreement with the Board of Investment of Sri Lanka. Net profit earned from the operations of Flight Kitchen, Transit Restaurant, Transit Hotel, Airline laundry and EK lounge are fully exempted from Income Tax up to 30 May 2021. Thereafter, net profit is liable at the concessionary rate of 15% for further 8 years up to 30 May 2029. The net profit earned from Public Restaurant, Vanilla Pod food outlets, Semondu Restaurant and the local laundry and other income are liable for income tax at the prevailing tax rate of 24%.

Share Information

Share information as at 31 March 2022 is as follows;

Share Ownership	No. of shares	% of holding
Government of Sri Lanka	959,006,469	99.52%
Employees Provident Fund	1,863,676	0.19%
Others	2,736,510	0.28%

Compliance with Law and Regulations

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

Related Party Transactions

Related Party transactions are disclosed in Note 30 to the Financial Statements.

Contingent Liabilities and Capital Commitments

Contingent Liabilities as at 31 March 2022 and Commitments made on Capital Expenditure as at that date are given in Note 25 to the Financial Statements.

Events Occurring after the Reporting Date

No circumstances have arisen since the reporting date that would require adjustment or disclosure, other than those disclosed in Note 27 to the Financial Statements.

Human Resource/Employment Policies

The Company continued to invest in human capital development and implement effective workforce aligned around new business priorities and to ensure that its employees are developing the skills and knowledge required for the future success of the Company. Employment policies of the Group respect the individual and offer equal career opportunities regardless of gender, race, or religion. Occupational health and safety standards receive substantial attention. The number of persons employed by the Company at the year-end was 5,833 (2020/21: 5,965) and by the Subsidiary was 819 (2020/21 – 853).

Statutory Payments

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments in relation to employees and the Government of Sri Lanka have been made up to date.

Environmental Protection

The Group's business activities can have direct and indirect effects on

the environment. It is the Group's policy to keep adverse effects on the environment to a minimum and to promote co-operation and compliance with the relevant authorities and regulations.

Going Concern

As noted in the Statement of Directors' Responsibilities, the Directors have adopted the going concern basis in preparing the Financial Statements based on the assurance of the Secretary to the Treasury/Ministry of Finance, Economic Stabilisation and National Policies that the Government of Sri Lanka will provide financial support, if needed, to the Company for the year 2021/22 to continue as a Going Concern until the entity is restructured.

The Board of Directors

In accordance with Article 79 of the Articles of Association of the Company, the Directors are appointed by the Government of Sri Lanka. Brief profiles of the Directors are given on pages 14 and 15 of the Annual Report.

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

Name of the Director during the Financial Year 2021/22	No. of Board Meetings Attended for the Period of Directorship
Mr. Asoka Pathirage (Chairman)	12/12
Mr. Malik J. Fernando	12/12
Mr. Manohara Ratnavibhushana De Silva PC (Resigned w.e.f. 18th August 2022)	11/12
Mr. Samantha Ratwatte PC (Resigned w.e.f. 18th August 2022)	12/12
Mr. Sanjaya Mohottala (Resigned w.e.f. 29th April 2022)	11/12
Dr. Shridhir Sariputta Hansa Wijayasuriya	12/12
Mr. Joseph Jayanth Michael Perera	12/12

ANNUAL REPORT OF THE BOARD OF DIRECTORS CONTD.

*Mr. Weerasinghe Achchige Sarath Kumara - (Treasury Representative appointed w.e.f. 18th August 2022/ Resigned w.e.f. 3rd February 2023)

*Mr. Ananda Wijetilaka Atukorala - (Appointed w.e.f. 3rd February 2023)

*Mr. A.K.D.D.D. Arandara - (Appointed w.e.f. 16th March 2023)

*Mr. A.M.A.A. Lakmal Ratnayake - (Appointed w.e.f. 10th April 2023)

Members of Audit Committee

Mr. Sanjaya Mohottala was the pro-tem Chairman Audit Committee during the financial year. The following members comprise of the Audit Committee.

Committee Members Financial Year 2021/22	No. of Meetings Attended
Mr. Sanjaya Mohottala (resigned w.e.f. 29th April 2022)	4/4
Mr. Malik J. Fernando	1/4
Mr. Manohara Ratnavibhushana De Silva PC (Resigned w.e.f. 18th August 2022)	4/4
Dr. Shridhir Sariputta Hansa Wijayasuriya	4/4
Mr. Joseph Jayanth Michael Perera - Appointed to the Committee on 23rd April 2021 (Pro-tem Chairman)	4/4

*Mr. Samantha Ratwatte PC- Resigned from the Committee on 23rd April 2021.

*Mr. Weerasinghe Achchige Sarath Kumara/Treasury Representative – Chairman Audit Committee (Appointed w.e.f. 26th August 2022/ Resigned w.e.f. 3rd February 2023).

*Mr. A.K.D.D.D. Arandara - (Appointed to the Committee on 31st March 2023)

The Audit Committee Report is given on page 48 of this Annual Report.

Board Human Resources and Remuneration Committee

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

A remuneration policy has been formulated based on market and industry factors and individual performance for the Group. The Human Resources and Remuneration Committee meets as required.

The following members of the Board comprises of the Human Resources and Remuneration Committee;

Committee Members Financial Year 2021/22	No. of Meetings Attended
Dr. Shridhir Sariputta Hansa Wijayasuriya - Chairman	6/6
Mr. Malik J. Fernando	5/6
Mr. Manohara Ratnavibhushana De Silva PC (Resigned w.e.f. 18th August 2022)	4/6
Mr. Samantha Ratwatte PC (Resigned w.e.f. 18th August 2022)	6/6

*Mr. Jayanth Perera (Appointed w.e.f. 31st March 2023).

Board Enterprise Risk Committee (BERC)

The Board Enterprise Risk Committee is required 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. The deliberations of the BERC should facilitate the Board of Directors to address the impact of the risks affecting the operations of the entity and take appropriate actions to mitigate any adverse impact.

Committee Members
Mr. Joseph Jayanth Michael Perera – Chairman
Mr. Malik J. Fernando
Dr. Shridhir Sariputta Hansa Wijayasuriya
Mr. Sanjaya Mohottala (Resigned w.e.f. 29th April 2022)
Mr. Manohara Ratnavibhushana De Silva PC (Resigned w.e.f. 18th August 2022)
Mr. Ananda Wijetilaka Atukorala (Observer) (Appointed w.e.f. 31st March 2023)
Mr. A.K.D.D.D. Arandara (Appointed w.e.f. 31st March 2023)

Directorate – SriLankan Catering Limited

The current Board of Directors of SriLankan Catering Limited:-

Mr. Asoka Pathirage (Chairman)
Mr. Malik J. Fernando
Mr. Manohara Ratnavibhushana De Silva PC (Resigned w.e.f. 11th July 2022)
Mr. Samantha Ratwatte PC (Resigned w.e.f. 11th July 2022)
Mr. Sanjaya Mohottala (Resigned w.e.f. 29th April 2022)
Mr. Joseph Jayanth Michael Perera
Mr. Weerasinghe Achchige Sarath Kumara (Treasury Representative appointed w.e.f. 30th September 2022/ Resigned w.e.f. 03rd February 2023)

Mr. Ananda Wijetilaka Atukorala
(Appointed w.e.f. 13th March 2023)

Mr. A.K.D.D.D. Arandara (Treasury
Representative appointed w.e.f.
31st March 2023.

Directors' Remuneration

Aggregated remuneration paid to the Non-Executive Directors of the Company is disclosed under Note 30 on page 100 of this Report as per the requirements of section 168 (1) (f) of the Companies Act, No.7 of 2007.

Directors' Shareholdings

By virtue of office, the Government of Sri Lanka Nominee Director Mr. A. K. Pathirage/Chairman holds 03 Ordinary Shares of the Company.

Interests Register

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

Directors' Interests in Contracts

The Directors have had no direct or indirect interest in any other contracts or proposed contracts in relation to the business of the Company other than those disclosed in Note 29 to the Financial Statements.

Annual General Meeting

The Forty Fourth Annual General Meeting of the Company will be held on Friday, 2 June 2023 at 3.00 p.m. at 'Mihilaka Medura' Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha Colombo 7, Sri Lanka.

The notice of the Annual General Meeting is on page 117 of the Annual Report.

Auditors

In accordance with Article 154 (1) of the Constitution Democratic Socialist Republic of Sri Lanka, the Auditor General is hereby appointed Auditors of the Company. Details of audit fees are set out in Note 23 to the Financial Statements. The Auditors, do not have any relationship (other than of an Auditor) with the Company or its Subsidiary.

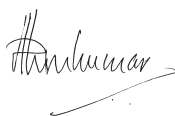
Signed on behalf of the Board,



Asoka Pathirage
Chairman



Jayanth Perera
Director



Mrs. Dalrene Thirukumar
Group Head of Corporate Secretarial Services/Company Secretary

18 April 2023
Katunayake

BOARD AUDIT COMMITTEE REPORT

Role and Responsibilities

The Board Audit Committee (BAC) of SriLankan Airlines scope and responsibilities are governed by the Board Audit Committee Charter approved and adopted by the Board of Directors. The purpose of the Board Audit Committee is to assist the Board of Directors of SriLankan Airlines Ltd. in fulfilling its oversight responsibilities by providing an independent review of the system of internal controls, the financial reporting system, the risk management process, the governance process, the internal audit and external audit functions and the process for monitoring compliance with laws and regulations.

Committee Composition

The Board members who served on the BAC during the year ended 31 March 2022 were Mr. Sanjaya Mohottala (Chairman), Mr. Malik J. Fernando (Member), Mr. Manohara de Silva (Member), Mr. Samantha Ratwatte (Member, resigned 23 April 2021) and Mr. Jayanth Perera (Member, appointed 23 April 2021).

Subsequent to the year-end, Mr. Sanjaya Mohottala (Chairman) and Mr. Manohara de Silva (Member) resigned from the Audit Committee on 29 April 2022 and 18 August 2022 respectively.

Mr. Sarath Kumara was appointed as Chairman Audit Committee on 26 August 2022.

Ms. A.D. Dilrukshi attended the Audit Committee meetings representing the National Audit Office.

Meetings

The Board Audit Committee held four (4) meetings during the year ended 31 March 2022. The members of the SriLankan Airlines management attended the meetings upon invitation to brief the Board Audit Committee on specific issues.

Group Assurance and Advisory Services Division

The Group Assurance and Advisory Services (GAAS) Division of SriLankan Airlines conducts internal audits and reports functionally to the Board Audit Committee.

Key Activities of the BAC During The Financial Year

- Reviewed the year-end Audited Financial Statements and recommended for Board approval.
- Reviewed the Management Letter issued by the external auditor and management responses to the issues highlighted.
- Reviewed the Internal Audit function to ensure the independence and authority of its reporting obligations.

- Reviewed and approved the internal audit plan.
- Reviewed the internal audit reports on system of internal controls including IS/IT controls and monitored that follow-up action is taken by Heads of Departments in a timely manner.
- Reviewed the SLA Corporate Risk Register and procedures undertaken to mitigate key business risks.
- Reviewed and recommended to the Board for approval the revised Corporate Information Security Manual and the Revenue Generating Contracts Manual.
- Reviewed the Company's quarterly compliance dashboards to determine that all relevant laws and regulations are complied with.
- Reviewed the Related Party Transaction details submitted on quarterly basis.
- Reviewed the topmost debtors on a quarterly basis.



Mr. Sarath Kumara
Chairman

Board Audit Committee

22 November 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The responsibilities of the Directors in relation to the Financial Statements of the Company and the Group differ from the responsibilities of the Auditors which are set out in their report appearing on page 51.

The Companies Act No.7 of 2007 requires the Directors to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company and the Group as at end of the financial year and of the Profit or Loss of the Company and the Group for the financial year. In preparing the Financial Statements, appropriate accounting policies have been selected and applied consistently, reasonable and prudent judgments and estimates have been made, and applicable accounting standards have been followed.

The Directors are responsible for ensuring that the Company and its Subsidiary keep sufficient accounting records to disclose with reasonable accuracy of the financial position of the Company and the Group for ensuring that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards and provide the information required by the Companies Act No.7 of 2007. They are also responsible for taking reasonable measures to safeguard

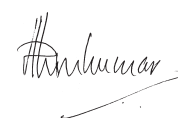
the assets of the Group, and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to the prevention and detection of fraud and other irregularities.

The Directors continue to adopt the 'Going Concern' basis in preparing the Financial Statements, after considering the Government of Sri Lanka's (GoSL) continuous support to the Company by way of Capita infusion, providing letters of comfort to obtain bank facilities, and also considering GoSL's efforts in the restructuring of the Company and a view to strengthening the Operational and Financial Position of the Company. Further the GoSL by way of Cabinet approval dated 25 October 2022 (and the letter issued by the Secretary to the Treasury on 8 November 2022) has confirmed that the GoSL will extend the required financial support to the Company to continue its operations as a 'Going Concern' until the proposed restructuring process is completed as described under Note 3 to the Financial Statements.

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

The Directors confirm that to their best of knowledge, all taxes, levies and financial obligations of the Company and its Subsidiary as at the reporting date have been paid or adequately provided for in the Financial Statements.

By Order of the Board of Directors,



Mrs. Dalrene Thirukumar
Group Head of Corporate Secretarial Services/ Company Secretary

18 April 2023

INDEPENDENT AUDITOR'S REPORT



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My No. }

AAV/B/SLAL/01/21/01

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Your No. }

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திகதி }
Date }

18 April 2023

Chairman

Sri Lankan Airlines Limited

Report of the Auditor General on the Consolidated Financial Statements and Other Legal and Regulatory Requirements of the Sri Lankan Airlines Limited and its subsidiary for the year ended 31 March 2022 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Sri Lankan Airlines Limited ("Company") and the consolidated financial statements of the Company and its subsidiary ("Group") for the year ended 31 March 2022 comprising the statement of financial position as at 31 March 2022 and the statement of profit or loss statement and statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. My report to

Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice.

In my opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2022, and of their financial performance and their cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Opinion

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

1.3 Emphasis of Matter

(a) Materiality Uncertainty Related to Going Concern

I draw attention to Note 2.1 and Note 3 to the financial statements, which describes the continuing impacts of the COVID-19 pandemic and events/ conditions related to going concern, respectively.

Note 2.1 to the financial statements describes the continuing impact of COVID-19 pandemic on Group's/ Company's performance and cash flows.

Note 3 to the financial statements discloses that the Group incurred a net loss of Rs.163,583.08 million during the year ended 31 March 2022 with an accumulated loss of Rs.529,212.70 million and, as of that date, the Group's current liabilities exceeded its current assets by Rs.292,420.17 million and total liabilities exceeded its total assets by Rs.426,423.85 million. Further, Company incurred a net loss of Rs.166,369.68 million during the year ended 31 March 2022 with an accumulated loss of Rs.537,505.15 million and, as of that date, the Company's current liabilities exceeded its current assets by Rs.302,702.51 million and total liabilities exceeded its total assets by Rs.437,036.93 million.

Having taken into account the mitigating factors disclosed in Note 3 along with the Cabinet approval on 25 October 2022 and the letter issued by the Secretary to the Treasury on 08 November 2022 obtained confirming the support of the Government of Sri Lanka (GOSL) to the Company to continue its operations as a "Going Concern" until the entity is restructured, these





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financial statements have been prepared using the going concern assumption. The GOSL by way of a cabinet decision dated 28 November 2022, has approved the fleet replacement exercise for no more than ten aircraft via replacement aircraft, lease extension of existing aircrafts or a combination of both.

However, based on the best available information as of this report, the existence of such events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Company's and the Group's ability to continue as a going concern assumption.

(b) Aircraft Predelivery Payments

I draw attention to Note 11 to the financial statements, relating to the aircraft pre-delivery payments as at 31 March 2022 amounting to Rs.5,649.09 million (USD 19.21 million). There is no information available to the Management of the Company at this point of time to believe that the outcome of the recovery of pre-delivery payments could be unfavourable to the Company.

However, in the absence of a settlement, recovery is dependent upon the outcome of the on going

dispute resolution mechanism, and we have not been made aware of any additional information that contradicts with the Company's assumption on the recoverability of the said pre-delivery payments up to the date of this report.

(c) Events Occurring After the Reporting Date

I draw attention to Note 27.3 to the financial statements, relating to the international bond default.

My opinion is not modified in respect of these matters.

1.4 Other information included in the Group's 2021/22 Annual Report

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

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

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so,

consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

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

1.5 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 and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of

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accounting unless management either intends to liquidate the company or the Group or to cease the operations, or has no realistic alternative but to do so.

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

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Company and the Group are required to maintain proper books and records of all their income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Company and the Group.

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 and the Group'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 Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion

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

2. Report on Other Legal and Regulatory Requirements

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

2.1.1 I have obtained all the information and explanation that required for the audit and, as far as appears from my examination, proper accounting records had been kept



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by the Group 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 of the Group comply with the requirement of section 151 of the Companies Act No.07 of 2007.

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

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

2.2 Based on the procedures performed and evidence obtained where 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 Group has any direct or indirect interest in any contract entered into by the Group 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 Group has not complied with any applicable written law, general and special directions issued by the governing body of the Group as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018.

2.2.3 to state that the Group 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 Group had not been procured and utilised 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.

W.P.C. Wickramaratne
Auditor General

STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	Group		Company	
		2022 LKR. Mn	2021 LKR. Mn	2022 LKR. Mn	2021 LKR. Mn
ASSETS					
Non-current Assets					
Property, Plant and Equipment	4	6,250.74	7,228.51	4,206.28	4,903.20
Right of Use Assets	5	82,808.36	92,455.88	82,539.30	92,171.07
Aircraft Maintenance Reserve	6	30,391.33	21,246.37	30,391.33	21,246.37
Aircraft and Spare Engine Deposits	7	5,439.55	4,038.79	5,439.55	4,038.79
Intangible Assets	8	78.78	92.14	66.63	69.55
Investments	9.1	0.40	0.40	42.44	42.44
		124,969.16	125,062.09	122,685.53	122,471.42
Current Assets					
Inventories	10	4,268.37	4,655.76	4,015.64	4,483.03
Trade and Other Receivables	11	27,807.64	11,111.45	27,052.31	10,810.64
Aircraft Maintenance Reserve	6	16,966.56	13,635.10	16,966.56	13,635.10
Aircraft and Spare Engine Deposits	7	937.40	602.76	937.40	602.76
Investments	9.2	1,937.38	1,367.82	1,681.78	1,114.66
Cash and Bank Balances	12	5,376.82	1,447.82	4,804.95	1,263.81
		57,294.17	32,820.71	55,458.64	31,910.00
Total Assets		182,263.33	157,882.80	178,144.17	154,381.42
EQUITY AND LIABILITIES					
Equity					
Stated Capital	13	96,360.67	79,352.43	96,360.67	79,352.43
Reserves	14	6,428.21	5,441.27	4,107.56	3,115.82
Accumulated Losses		(529,212.71)	(366,284.57)	(537,505.15)	(371,733.52)
		(426,423.83)	(281,490.87)	(437,036.92)	(289,265.27)
Non-current Liabilities					
Interest Bearing Liabilities	15	215,585.08	163,417.25	214,699.18	162,644.32
Other Liabilities	16	43,387.76	28,499.76	42,320.77	27,783.38
		258,972.84	191,917.01	257,019.95	190,427.70
Current Liabilities					
Sales in Advance of Carriage	17	28,704.31	11,196.76	28,704.31	11,196.76
Other Liabilities	16	23,653.30	17,349.86	23,653.30	17,349.86
Trade and Other Payables	18	132,862.79	83,011.81	141,522.63	88,837.45
Income Tax Payable		216.54	175.45	175.45	175.45
Interest Bearing Liabilities	15	164,277.38	135,722.78	164,105.45	135,659.47
		349,714.32	247,456.66	358,161.14	253,218.99
Total Liabilities		608,687.16	439,373.67	615,181.09	443,646.69
Total Equity and Liabilities		182,263.33	157,882.80	178,144.17	154,381.42

These financial statements are prepared in compliance with the requirements of the Companies Act No. 7 of 2007.




Yasantha Dissanayake

Chief Financial Officer

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

Signed for and on behalf of the Board by:



Asoka Pathirage

Director



Jayanth Perera

Director

The Accounting Policies and Notes on pages 59 through 107 form an integral part of these Financial Statements.

31 March 2023

Colombo

STATEMENT OF PROFIT OR LOSS

Year ended 31 March	Note	Group		Company	
		2022 LKR. Mn	2021 LKR. Mn	2022 LKR. Mn	2021 LKR. Mn
Revenue	20	134,301.36	50,928.92	132,936.23	50,693.85
Expenditure					
Aircraft Fuel Cost		(42,759.12)	(10,569.38)	(42,759.12)	(10,569.38)
Employee Cost		(17,415.80)	(17,111.81)	(15,969.51)	(16,206.23)
Airport, Enroute and Passenger Expenses		(17,752.91)	(7,308.38)	(19,272.39)	(7,440.31)
Aircraft Maintenance and Overhaul Costs		(23,088.11)	(13,695.34)	(23,088.11)	(13,695.34)
Depreciation/Amortisation		(14,655.59)	(16,745.32)	(14,188.27)	(16,295.62)
Rentals on Short Term Leases Aircraft and Spare Engines		(43.66)	(2,265.02)	(43.66)	(2,265.02)
Selling, Marketing and Advertising Expenses		(7,249.61)	(2,064.99)	(7,180.41)	(2,033.93)
Crew Expenses		(3,230.96)	(1,680.18)	(3,230.96)	(1,680.18)
Other Operating Expenses		(7,026.34)	(4,670.86)	(6,665.43)	(4,325.38)
		1,079.26	(25,182.36)	538.37	(23,817.54)
Other Income and Gains	21	613.40	17,062.15	698.96	20,628.65
Operating Profit / (Loss) before Exchange Loss		1,692.66	(8,120.21)	1,237.33	(3,188.89)
Exchange Loss excluding conversion of Interest Bearing Liabilities		(34,729.60)	(6,339.22)	(37,812.00)	(6,894.60)
Operating Loss after Exchange Loss		(33,036.94)	(14,459.43)	(36,574.67)	(10,083.49)
Net Finance cost					
Finance Income	23.1	664.17	561.51	639.25	524.86
Finance Cost	23.2	(22,903.90)	(22,529.43)	(22,813.07)	(22,338.61)
Exchange Loss on Interest Bearing Liabilities	23.3	(107,880.72)	(13,334.22)	(107,621.19)	(13,334.22)
		(130,120.45)	(35,302.14)	(129,795.01)	(35,147.97)
Loss Before Taxation		(163,157.39)	(49,761.57)	(166,369.68)	(45,231.46)
Income Tax (Expense) / Reversal	24	(425.69)	57.06	-	-
Loss for the Year		(163,583.08)	(49,704.51)	(166,369.68)	(45,231.46)

The Accounting Policies and Notes on pages 59 through 107 form an integral part of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March	Note	Group		Company	
		2022 LKR. Mn	2021 LKR. Mn	2022 LKR. Mn	2021 LKR. Mn
Loss for the Year		(163,583.08)	(49,704.51)	(166,369.68)	(45,231.46)
Other Comprehensive Income / (Loss)					
Other comprehensive income/ (loss) not to be reclassified to profit or loss in subsequent periods:					
Actuarial Gain/(Loss) on Gratuity	16.3	636.51	(92.13)	598.05	(160.58)
Actuarial Gain/(Loss) on Leave Encashment	16.3	22.83	(7.38)	-	-
Deferred Tax impact on items recognised in OCI	24.2	(9.19)	(9.16)	-	-
		650.15	(108.67)	598.05	(160.58)
Other comprehensive income / (loss) to be reclassified to profit or loss in subsequent periods (net of tax):					
Net Movement of Cash Flow Hedge		-	1,760.86	-	1,760.86
		-	1,760.86	-	1,760.86
Total Other Comprehensive Income/ (Loss) for the Year, Net of Tax		650.15	1,652.19	598.05	1,600.28
Total Comprehensive Income/(Loss) for the Year, Net of Tax		(162,932.93)	(48,052.32)	(165,771.63)	(43,631.18)

The Accounting Policies and Notes on pages 59 through 107 form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

GROUP Year ended 31 March	Stated Capital	Revaluation Reserve	Cash Flow Hedge Reserve	Capital Reserve	Accumulated Losses	Total
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Balance as at 01 April 2020	51,617.44	5,447.53	(1,760.86)	-	(316,477.65)	(261,173.54)
Advance to Stated Capital (Note 13)	27,734.99	-	-	-	-	27,734.99
Transfer of surplus on revaluation due to disposal during the year	-	(6.26)	-	-	6.26	-
Loss for the year	-	-	-	-	(49,704.51)	(49,704.51)
Other Comprehensive Income	-	-	1,760.86	-	(108.67)	1,652.19
Total Comprehensive Income / (Loss)	-	-	1,760.86	-	(49,813.18)	(48,052.32)
Balance as at 31 March 2021	79,352.43	5,441.27	-	-	(366,284.57)	(281,490.87)
Advance to Stated Capital (Note 13)	(27,734.99)	-	-	-	-	(27,734.99)
Issue of Shares (Note 13)	44,743.23	-	-	991.74	-	45,734.96
Transfer of surplus on revaluation due to disposal during the year	-	(4.80)	-	-	4.80	-
Loss for the year	-	-	-	-	(163,583.08)	(163,583.08)
Other Comprehensive Income	-	-	-	-	650.15	650.15
Total Comprehensive Income / (Loss)	-	-	-	-	(162,932.93)	(162,932.93)
Balance as at 31 March 2022	96,360.67	5,436.47	-	991.74	(529,212.71)	(426,423.83)

COMPANY Year ended 31 March	Stated Capital	Revaluation Reserve	Cash Flow Hedge Reserve	Capital Reserve	Accumulated Losses	Total
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Balance as at 01 April 2020	51,617.44	3,115.82	(1,760.86)	-	(326,341.48)	(273,369.08)
Advance to Stated Capital (Note 13)	27,734.99	-	-	-	-	27,734.99
Loss for the year	-	-	-	-	(45,231.46)	(45,231.46)
Other Comprehensive Income	-	-	1,760.86	-	(160.58)	1,600.28
Total Comprehensive Income / (Loss)	-	-	1,760.86	-	(45,392.04)	(43,631.18)
Balance as at 31 March 2021	79,352.43	3,115.82	-	-	(371,733.52)	(289,265.27)
Advance to Stated Capital (Note 13)	(27,734.99)	-	-	-	-	(27,734.99)
Issue of Shares (Note 13)	44,743.23	-	-	991.74	-	45,734.96
Loss for the year	-	-	-	-	(166,369.68)	(166,369.68)
Other Comprehensive Income	-	-	-	-	598.05	598.05
Total Comprehensive Income / (Loss)	-	-	-	-	(165,771.63)	(165,771.63)
Balance as at 31 March 2022	96,360.67	3,115.82	-	991.74	(537,505.15)	(437,036.92)

The Accounting Policies and Notes on pages 59 through 107 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

Year ended 31 March	Note	Group		Company	
		2022 LKR. Mn	2021 LKR. Mn	2022 LKR. Mn	2021 LKR. Mn
Cash Flows From / (Used in) Operating Activities					
Loss before Income Tax Expense		(163,157.39)	(49,761.57)	(166,369.68)	(45,231.46)
Adjustments for:					
Depreciation / Amortisation / Impairment		14,655.59	16,745.32	14,188.27	16,295.62
Finance Cost	23.2	22,903.90	22,529.43	22,813.07	22,338.61
Loss/ (Gain) on Disposal of Property, Plant and Equipment Intangible Assets and ROU		24.89	(7.57)	4.61	(4.94)
Finance Income	23.1	(664.17)	(561.51)	(639.25)	(524.86)
Provision for Impairment of Receivables	11.4	125.63	62.29	88.38	44.22
Allowance for Slow Moving Inventory	10.1	349.35	385.28	405.29	282.74
Provision for Impairment of Maintenance Reserve	6.2	3,836.65	1,181.44	3,836.65	1,181.44
Reversal of With Holding Tax	21	-	(16,433.45)	-	(16,433.45)
Rent Concession	15.3	(339.91)	(444.93)	(191.99)	(278.63)
Effect on Unrealised Exchange Loss		143,139.73	17,303.87	145,580.83	17,885.29
Write Back of Sales in Advance		(2,506.13)	(1,931.97)	(2,506.13)	(1,931.97)
Provision for Retirement Benefit Obligation	16.3	1,241.51	997.45	1,159.11	903.81
Operating profit/ (Loss) before Working Capital Changes		19,609.65	(9,935.92)	18,369.16	(5,473.58)
Decrease /(Increase) in Inventories		38.03	87.60	62.11	47.66
(Decrease)/Increase in Sales in Advance of Carriage		20,013.68	(4,706.44)	20,013.68	(4,706.44)
(Increase)Decrease in Trade and Other Receivables		(12,666.72)	279.03	(12,174.95)	(538.83)
Increase/(Decrease) in Trade and Other Payables		8,052.86	1,153.78	8,186.48	(3,346.54)
(Increase)/Decrease in Maintenance Reserves		(4,613.74)	246.53	(4,613.74)	246.53
Decrease/ (Increase) in Aircraft Security Deposits		471.80	633.22	471.80	633.22
Cash Generated From/(Used in) Operations		30,905.59	(12,242.20)	30,314.53	(13,137.98)
Finance Cost Paid		(15,859.69)	(17,531.09)	(15,768.86)	(17,340.28)
Retirement Benefits Paid	16.3	(456.36)	(988.41)	(438.69)	(941.21)
Income Tax Paid		(46.58)	(37.51)	-	-
Net Cash flows from/ (Used in) Operating Activities		14,542.96	(30,799.21)	14,106.98	(31,419.47)
Cash Flows From/(Used in) Investing Activities					
Interest Received		419.22	300.90	396.73	267.40
Acquisition of Property, Plant and Equipment		(490.55)	(319.95)	(365.11)	(282.82)
(Investment)/ Realisation of Short Term Investment		(329.13)	(271.21)	(329.13)	(446.81)
Acquisition of Intangible Assets		(32.15)	(38.60)	(31.68)	(30.00)
Acquisition of ROU Assets		(19.46)	-	(19.46)	-
Proceeds from Disposal of Property, Plant and Equipment and Intangible Assets		12.62	10.52	10.86	4.94
Net Cash Used in Investing Activities		(439.45)	(318.34)	(337.79)	(487.29)
Cash Flows From /(Used in) Financing Activities					
Proceeds from sale of Treasury Bonds		17,317.57	27,463.82	17,317.57	27,463.82
Repayment of Interest Bearing Liabilities		(7,475.82)	(3,189.70)	(7,474.82)	(3,078.78)
Repayment of Lease Liabilities	15.3	(18,623.57)	(6,562.84)	(18,678.12)	(6,684.77)
Redemption of Preference Shares		-	(1,000.00)	-	-
Proceeds from Interest Bearing Loans and Borrowings		200.75	2,821.40	200.75	2,801.40
Net Cash from/ (used in) Financing Activities		(8,581.07)	19,532.67	(8,634.62)	20,501.67
Net Increase/(Decrease) in Cash and Cash Equivalents		5,522.44	(11,584.88)	5,134.57	(11,405.09)
Cash and Cash Equivalents at the beginning of the year	12	(21,669.31)	(10,084.43)	(21,853.32)	(10,448.23)
Cash and Cash Equivalents at the end of the year	12	(16,146.88)	(21,669.31)	(16,718.75)	(21,853.32)

The Accounting Policies and Notes on pages 59 through 107 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 General

Company

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

SriLankan Airlines is the ultimate parent of the Group.

Subsidiary – SriLankan Catering Limited

SriLankan Catering Limited ("the Subsidiary") a fully owned subsidiary of SriLankan Airlines is a Limited Liability Company incorporated and domiciled in Sri Lanka. The registered office of the Company and the principal place of business is located at Airline Centre, Bandaranaike International Airport, Katunayake, Sri Lanka.

1.2 Principal Activities and Nature of Operations

Company

The principal activities of the Company consist of operating international scheduled, non-scheduled air services for the carriage of passengers, freight and mail as the designated carrier of Sri Lanka. Providing Air Terminal services at the Bandaranaike International Airport ("BIA") and Mattala Rajapaksa International Airport ("MRIA"), sale of duty free goods on-board, marketing inbound and outbound holiday packages constitute other main activities. Providing third party aircraft maintenance, flight operation services and conducting aviation related trainings constitute ancillary activities of the Company.

Subsidiary – SriLankan Catering Limited

The principal activity of SriLankan

Catering Limited ("the Subsidiary") is to provide in-flight catering services to airlines operating through BIA and MRJA. Other ancillary activities consist of operating public and transit restaurants, provision of laundry services and managing the transit hotel.

1.3 Date of Authorisation for Issue

The financial statements for the year ended 31 March 2022 were authorised for issue by the Board of Directors on the 31 March 2022.

2. GENERAL ACCOUNTING POLICIES

2.1 Basis of Preparation

The Financial Statements of the Company and the Group have been prepared on an accrual basis and under historical cost convention, unless otherwise indicated including for land and buildings and Flight Kitchen Equipment that has been measured at fair value.

All values are presented in Sri Lankan Rupees Millions, except when otherwise indicated.

The COVID-19 Outbreak in 2020, continued to impact the operations of the Company and Group in the current financial year.

As disclosed in Note 3- Going Concern, the Group has taken various measures to manage the business through this ongoing crisis, including embarking on new revenue generating opportunities (scheduled cargo flights and converting a passenger aircraft to a dedicated cargo aircraft) implementing cost savings measures, reductions to discretionary capital expenditure and negotiating additional working capital facilities. These measures also include obtaining committed support from the Government of Sri Lanka including the infusion of new equity capital.

The justification for the preparation and presentation of the financial statements as a going concern is disclosed in note 3.

2.1.1 Statement of Compliance

The financial statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS) as issued by the Institute of Chartered Accountants of Sri Lanka. The preparation and presentation of these financial statements is in compliance with the Companies Act No. 07 of 2007.

2.1.2 Comparative Information

The presentation and classification of the Financial Statements of the previous years have been amended, where relevant for better presentation and to be comparable with those of the current year.

2.1.3 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees (LKR), which is the Group's functional and presentation currency. All financial information presented in Sri Lankan Rupees Million, unless otherwise indicated as permitted by the Sri Lanka Accounting Standard - LKAS 01 on 'Presentation of Financial Statements'.

2.2 Basis of Consolidation

The Financial Statements comprise of Financial Statements of the Company and its subsidiary for the year ended 31 March 2022. Financial Statements of the Company's subsidiary has been prepared for the same reporting year using consistent accounting policies.

2.2.1 Business Combination

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set

NOTES TO THE FINANCIAL STATEMENTS CONTD.

of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

2.2.2 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls'

an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date on which control ceases.

2.2.3 Non-controlling Interests

For each business combination, the Group elects to measure any non-controlling interests in the acquiree either: at fair value; or at proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Acquisition of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore, no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

2.2.4 Loss of Control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

2.2.5 Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against

the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.3 Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements.

2.3.1 Changes in Accounting Policies

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021.

Amendments to SLFRS 16 COVID-19 Related Rent Concessions beyond 30th June 2021

The Group has applied practical expedient for COVID-19 related rent concessions which have been extended up to June 2022. The amendment introduces an optional practical expedient for leases in which the Group is a lessee – i.e. for leases to which the Group applies the practical expedient, the Group is not required to assess whether eligible rent concessions that are a direct consequence of the COVID-19 coronavirus pandemic are lease modifications.

The following amendments and improvements are not expected to have a significant impact on the Company's financial statements.

- Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 : Interest Rate Benchmark Reform Phase 2.

2.3.2 Significant Accounting Estimates, Assumptions and Judgments

The preparation of financial statements of the Group require the

management to make judgements, estimates and assumptions that may affect the reported amounts of assets, liabilities, income and expense and disclosures at the reporting date.

The key judgments, estimates and associated assumptions are assessed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

(a) Judgements

(i) Going Concern

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

(ii) Contingent Liabilities – Litigations

The Group has several pending litigations with various parties at the end of the reporting period. The Board of Directors, after due consultation with the Group's legal counsel, assesses the merits of each case and makes necessary provisions when it is determined that there would be a possibility of an outflow of resources in the future.

Where the Directors do not anticipate any significant liability in respect of any contingent liabilities arising in the course of business of the Group in respect of legal actions, other claims and potential claims being made against the Group by customers, suppliers and employees, the amounts concerned are disclosed in Note 25.2.

(iii) Leases

Contract are assessed for whether a contract is, or contains, a lease. A contract is, or contains, a lease if the

contract conveys the right to control the use of an identified asset for a period in exchange for consideration. Factors considered to assess whether a contract conveys the right to control the use of an identified asset are; the contract involves the use of an identified asset, the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and the Group has the right to direct the use of the asset.

(b) Estimates

(i) Depreciation/Amortisation of Property, Plant and Equipment and Intangible Assets

Management assigns useful lives and residual values to property, plant and equipment and Intangible Assets based on the intended use of assets and the economic lives of these assets. Management reviews the residual values, useful lives and depreciation/amortisation method at each reporting date and ensures consistency with previous estimates and patterns of consumptions of the economic benefits that embodies in these assets. Changes in useful lives and residual values of these assets may result in revision of future depreciation or amortisation charges. (Refer Policy 2.4.3. (b) and 2.4.4)

(ii) Frequent Flyer Programme

Award credits are accounted for as a separately identifiable component of revenue. The consideration is allocated to award credits based on their fair value and is accounted as a liability (deferred revenue) in the consolidated statement of financial position.

Estimation techniques are used to determine the fair value of a mile/ credit and reflect the weighted average of a number of factors i.e. fare per sector, flight upgrades and partner rewards. Historical trends are used as the basis of the fair value calculations.

Adjustments to the fair value of miles are also made for miles not expected to be redeemed by members and for expired miles.

A level of judgement is exercised by management due to the diversity of inputs that go into determining the fair value of miles.

(iii) Maintenance Reserve

The Company makes monthly payments to lessors on account of several aircraft and engines which are under leases based on agreed terms towards maintenance. These monthly payments are based on the number of hours or cycles flown or passage of time. Periodically management evaluates the recoverability of such payments based on best estimates of the amounts recoverable. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. (Refer Note 6)

(iv) Provision for Aircraft Maintenance and Overhaul Costs

The Company is obligated to carry out heavy maintenance checks on the airframe, engines and landing gears, which are under leases based on agreed terms towards maintenance. Provision for heavy maintenance cost is made progressively in the financial statements based on utilisation or time depending on the nature of the overhaul. In arriving at the provision, assumptions are made on the estimated condition of the asset at the time of check, the material and overhead costs to be incurred and the timing of when the check is to be carried out. These assumptions are formed based on past experience and are regularly reviewed to ensure they approximate to the actual. Any revision in assumptions and estimations that causes a material effect to the provision would be adjusted prospectively in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

(v) Provision for aircraft return conditions

Company is obliged to re-deliver leasehold aircraft at a certain condition which lessors specified in the lease agreements. Aircraft return conditions includes assumptions relating to expected costs, escalation rates, discount rates commensurate with the expected obligation maturity. In arriving at the provision, assumptions are made on the estimated condition of the asset at the time of redelivery, the material and overhead costs to be incurred and the timing of when the redelivery is made. These assumptions are formed based on past experience and are annually reviewed to ensure they approximate to the actual. Any revision in assumptions and estimations that causes a material effect to the provision would be adjusted prospectively in the financial statements.

(vi) Provisions for Air Transportation Services Related Direct Operating Expenses

The operation of air transportation services inevitably involves the making of various provisions on direct expenses, such as fuel, ground handling charges, landing and parking charges, inflight meals, reservation systems booking fees and information technology related expenses. The estimates and associated assumptions are based on various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making provisions for carrying values of liabilities as at the end of the Reporting period.

(vii) Inventories

The Group reviews the existence and usability of inventories based on a perpetual inventory count. Provisions are made when Management determines obsolete stock and/or assesses a reduction in recoverable value.

(viii) Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. Management uses judgment in estimating such impairment considering the duration of outstanding Security cover and any other factors management is aware of that indicates uncertainty in recoverability.

(ix) Impairment of Financial Assets

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Management uses judgment in estimating such impairment considering the duration of outstanding and any other factors management is aware of that indicates uncertainty in recoverability.

(c) Assumptions

(i) Defined Benefit Plan

The cost of the retirement benefit plan of staff based in Sri Lanka is determined using an actuarial valuation. The actuarial valuation is based on assumptions concerning the rate of interest, rate of salary increases, special premium, retirement age and going concern of the Company. Due to the long term nature of the plan, such estimates are subject to significant uncertainty. (Refer Note 2.4.16 (a))

(ii) Revaluation of Property Plant and Equipment

Land and building and flight kitchen equipment are measured at revalued amounts using the services of an independent qualified valuer. Such valuer uses assumptions and valuation techniques to determine the fair value. The basis of valuation is disclosed in Note 4.

2.4 Summary of Significant Accounting Policies

2.4.1 Foreign Currency Translation

The financial statements are presented in Sri Lanka Rupees, which is the Group's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. The resultant foreign exchange gains and losses are recognised in the statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

2.4.2 Taxation

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI. The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under LKAS 37 Provisions, Contingent Liabilities and Contingent Assets.

(i) Current Income Tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted

at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Company

(a) Local Taxation

The Company is liable for income tax for all its business activities with effect from 1 April 2018 based on the Inland Revenue act No 24 of 2017

(b) Overseas Taxation

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

Subsidiary - SriLankan Catering Limited

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

The Income from Flight Kitchen and Transit Restaurant was exempted from income tax up to 31 May 2021 and then taxable at concessionary rate of 15% for 8 years ending on 31 May 2029 as per the agreement with Board of Investment (BOI). The income from other sources are liable at the normal rate.

(ii) Deferred Income Tax

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

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.4.3 Property, Plant and Equipment

(a) Cost and Valuation

All items of property, plant and equipment are initially recorded at cost. Cost includes expenditure that is directly attributable to the acquisition or construction. Where land and buildings and flight kitchen equipment are subsequently revalued, such revalued property, plant and equipment are carried at revalued amounts less any subsequent depreciation thereon and impairment. All other property, plant and equipment are stated at historical cost less depreciation and/or accumulated impairment losses, if any.

Land and buildings and flight kitchen equipment measured at revalued amounts and any revaluation surplus is recognised in other comprehensive income and accumulated in equity in the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of profit or loss, in which case the increase is recognised in the statement of profit or loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it

offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Valuations are performed with an adequate frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Subsequent cost are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be reliably measured.

Cost of repairs and maintenance are charged to the statement of profit or loss during the period in which they are incurred.

Property, plant and equipment includes amongst others the following:

(i) Aircraft Rotable Spares

Aircraft rotable spares, which are treated as tangible assets, are initially recorded at cost and depreciated over the estimated useful life. This item is grouped under "Aircraft Related Equipment".

(ii) Capital Work-in-Progress

Capital work-in-progress is stated at cost which include all costs incurred from the date of acquisition to the date on which it is commissioned. When commissioned, capital work-in-progress is transferred to the appropriate category under property, plant and equipment and depreciated over the estimated useful life.

(b) Depreciation

Provision for depreciation is calculated by using a straight-line method on cost or valuation of all property, plant and equipment, other than freehold land, in order to write off such amounts over the following estimated useful lives in equal instalments.

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Aircraft Related Equipment	over shorter of 8 years or lease period
Plant & Equipment	over periods ranging from 3 to 10 years based on the type of equipment
Buildings	over the expected useful life ranging from 15 to 50 years
Improvements on aircraft on leases	over shorter of 10 years or lease period

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

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

(c) De-recognition

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

2.4.4 Intangible Assets

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

The cost of acquisition or development of computer software that is separable from an item of related hardware is capitalised

separately and amortised over a period not exceeding 5 years on a straight line basis. The amortisation period and the amortisation method are reviewed at each reporting date. The carrying value of this asset is reviewed at each reporting date for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

2.4.5 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. 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 Group assesses whether: –

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
 - ▶ o the Group has the right to operate the asset; or
 - ▶ o the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

2.4.5.1 Right of Use (ROU) Assets

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

(a) Lease of Aircraft and Spare Engines

The Company leases Aircraft and Engines in its fleet. The leases of Aircraft and Spare Engines typically run for a period of 4 to 12 years.

The Aircraft leases include a provision for the Return Condition of the Aircraft; an estimate of costs to be incurred by the lessee in restoring the underlying asset to the condition required by the terms and conditions of the leases (Note 16.2) are added to the ROU asset as the obligation is created. Other aircraft maintenance and overhaul expenses (except aircraft heavy maintenance, engine overhaul and landing gear overhaul expenses) are recognised in the Statement of Profit or Loss on an incurred basis, the respective accounting policy disclosed in Note 2.4.15.

The payment of the deposit at the inception of the lease and the other lease payments all originate from the same transaction. Therefore, the difference between the present value and the principal amount of the deposit paid at inception is regarded as an additional amount payable by the lessee.

The deposit is within the scope of SLFRS 9 and must initially be accounted for at fair value and the excess between the principal amount of the deposit over its fair value is within the scope of SLFRS 16 Leases. Accounting policy for Deposits is given under Note 2.4.9.

Lease of Aircraft for which the lease term ends within 12 months have not been considered and is accounted in the same way as short-term leases and included and disclosed under Rentals on Leased Aircraft in the Statement of Profit or Loss

(b) Lease of Land and Buildings

The Group leases its land and buildings in Sri Lanka and overseas. The leases of land and building typically run for a period of 2 to 8 years. Some leases of land and buildings contain extension options exercisable by the Group before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors.

The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

(c) Lease of Vehicles

The Group leases vehicles over terms of 2 to 5 years.

(d) Lease of IT and Other Equipment

The Group also leases IT equipment and other machinery with contract terms of one to three years. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases. The respective lease payments included in the Statement of Profit or Loss

Depreciation of Right of Use of Assets

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

2.4.5.2 Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2.4.5.3 Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2.4.5.4 COVID-19-related rent concessions

The Group has applied COVID-19-Related Rent Concessions – Amendment to IFRS 16. The Group applies the practical expedient allowing it not to assess whether

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eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Group applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Group assesses whether there is a lease modification.

2.4.6 Inventories

Inventories consist of Aircraft and Ground Service related stocks, Raw materials and Consumables.

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

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

2.4.7 Impairment of Non-Financial Assets

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

Following the outbreak of COVID-19, the Group has performed an analysis to consider whether any material impairment of non-financial assets (including right-of-use assets) existed at the reporting date. Based on this

analysis, no impairment was identified as at 31 March 2022.

2.4.8 Fair Value Measurement

The Group measures its land and buildings and flight kitchen equipment at fair value. Fair value related disclosures are disclosed in the Note 04.

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

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

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

The fair value of such assets is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

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

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

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

2.4.9 Financial Instruments

2.4.9.1 Financial Assets

Initial Recognition and Measurement

Financial Assets are classified as Amortised cost, Fair value through other comprehensive income (FVOCI) and Fair value through profit or loss (FVTPL).

Financial assets (including assets designated at fair value through profit or loss) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

A financial asset is measured initially at fair value. For an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue is considered.

Subsequent Measurement

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an instrument-by-instrument basis.

The Group has Trade and Other Receivables, Aircraft Maintenance Reserve, Aircraft and Spare Engine Deposits, Short Term Investments and Cash and Bank Balances classified as Financial Assets subsequently measured at amortised cost.

De-recognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of:

- (i) the consideration received (including any new asset obtained less any new liability assumed) and
- (ii) any cumulative gain or loss that had been recognised in Other Comprehensive Income is recognised in profit or loss.

Impairment of Financial Assets

The Group recognises a loss allowance for expected credit losses on financial assets measured at amortised cost or at fair value through other comprehensive income.

The Group uses simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The impact of COVID-19 on the global economy and how governments, businesses and consumers respond is uncertain. This uncertainty is reflected in the Group's assessment of expected credit losses from its credit portfolio which are subject to a number of management judgements and estimates.

The judgements and associated assumptions have been made within the context of the impact of COVID-19 and reflect historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances.

2.4.9.2 Financial Liabilities

Initial Recognition and Measurement

All Financial liabilities (including liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired; Fair value through profit or loss (FVTPL) or other financial liabilities.

A financial liability is measured initially at fair value. For an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue is considered.

Subsequent Measurement

The Group has Interest Bearing Loans and Borrowings, Provision for Aircraft Maintenance and Overhaul Cost, Trade and Other Payables classified as Financial Liabilities.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

Subsequent to initial recognition, financial liabilities are measured at amortised cost.

The amortised cost of a financial liability is the amount at which the financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

De-recognition

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

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

2.4.9.3 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position if, and only if:

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

2.4.9.4 Cash Flow Hedge Reserve

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

fluctuations in foreign exchange rates.

The effective portion of the gain or loss on the hedging instrument is recognised directly in Other Comprehensive Income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the Statement of Profit or Loss as other operating expenses. Amounts recognised as Other Comprehensive Income are transferred to Statement of Profit or Loss when the hedged transaction occurs (when the forecast revenue realises).

If the forecast transaction is no longer expected to occur, the cumulative gain or loss previously recognised in Other Comprehensive Income is transferred to the Statement of Profit or Loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in Other Comprehensive Income remains in equity until the forecast transaction occurs as per the hedge agreement.

The impact of COVID-19 has impacted both the future revenue in foreign currency due to curtailed operations and the foreign currency loans that have been rescheduled accordingly the ineffective portion of the Hedge has been recognised in the Statement of Profit or Loss.

2.4.10 Aircraft Maintenance Reserve

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

Based on the nature Aircraft Maintenance Reserve has been classified under loans and receivables and the relevant accounting policy for this category of financial assets is stated in Note 2.4.9.1 above.

2.4.11 Trade and Other Receivables

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

2.4.12 Investments

Investment in Subsidiary

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

2.4.13 Short term Investments

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

2.4.14 Cash and Cash Equivalents

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

In the statement of cash flows, cash and cash equivalents consist of cash at bank, cash in hand and call deposits in banks net of outstanding bank overdrafts. Investments with short maturities (i.e. three months or less from date of acquisition) are also treated as cash equivalents. Bank overdrafts are disclosed under Interest bearing liabilities in the statement of financial position.

2.4.15 Provisions

(i) General

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

(ii) Aircraft Maintenance and Overhaul Costs

The Group recognises aircraft maintenance and overhaul expenses (except aircraft heavy maintenance, engine overhaul and landing gear overhaul expenses) on an incurred basis. Aircraft heavy maintenance, engine overhaul and landing gear overhaul expenses are accounted as specified in Note 2.3.2 (b) (iv). For engine overhaul costs covered by "power by-hour" third-party maintenance agreements, the cost is expensed at an agreed fixed rate per hour over the tenure of the agreement

(iii) Provision for aircraft return conditions

Provision for aircraft return conditions (restoration obligations) represents the estimate of the cost to meet the contractual lease end obligations on certain aircraft and engines at the time of re-delivery. At lease commencement, the present value of the expected cost for each restoration obligation considering the existing fleet plan and long-term maintenance schedules is recognised as a provision and are capitalised as part of the right-of-use asset and depreciated over the lease term. Unwinding of the associated discount is recognised as

a finance cost over the lease term. Subsequent changes to the estimated cost for each restoration obligation is accounted for as a remeasurement to the provision for aircraft return conditions with a corresponding impact to the related right-of-use asset, if available, and depreciated over the remaining lease term. Otherwise, the remeasurement is accounted in the statement of Profit or Loss. The basis of estimation specified in Note 2.3.2 (b) (v).

2.4.16 Retirement Benefit Obligation

(a) Defined Benefit Plan-Gratuity

Gratuity is a defined benefit plan; the Company and its Subsidiary are liable to pay in terms of Gratuity Act No. 12 of 1983 and the Minimum Retirement Age of Workers Act, No. 28 of 2021. The Group measures the present value of the defined benefit plan of the local employees with the advice of an Actuary every year using the Projected Unit Credit method.

The retirement benefit of overseas station employees are estimated based on the applicable legislation.

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

The gratuity liability is not externally funded. This item is grouped under "Other Long Term Liabilities" in the statement of financial position. Overseas-based employees are covered under social security schemes applicable in their host countries.

(b) Defined Benefit Plan-Leave encashment

The Group is liable for the accumulated leave which is unutilised from the end of the reporting period based on local employment contracts at retirement. The Group's

net obligation towards unutilised accumulated leave is measured at the present value of the defined benefit plan of the local employees with the advice of an Actuary every year using the Projected Unit Credit method.

The Group recognises the actuarial gain/loss arising from leave encashment in other comprehensive income and expenses related to leave encashment in the statement of profit or loss.

The leave encashment liability is not externally funded. This item is grouped under "Other Liabilities" in the statement of financial position.

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

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

2.4.17 Frequent Flyer Programme

The Company operates a frequent flyer programme 'FlySmiles' that provides travel awards to members of the program based on accumulated mileage. A portion of passenger revenue attributable to the award of frequent flyer benefits is deferred until they are utilised. The deferment of the revenue is estimated based on historical trends of redemption, which is then used to project the expected utilisation of these benefits. The fair value of credits awarded is estimated by reference to the weighted average value of the services for which the award credits may be redeemed. These estimates are reviewed at each reporting date and the liability is adjusted accordingly. Miles accrued through utilising the services of

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programme partners and paid for by the participating partners are also accounted for as deferred revenue until they are utilised. A liability is not recognised for miles that are expected to expire.

2.4.18 Revenue Recognition

The Group recognises revenue based on a five-step model on revenue arising from contracts with customers.

Revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

(a) Airline Revenue

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

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

(b) Revenue from Airline catering services

Sale of Goods

The Group recognises revenue as and when the entity satisfies a performance obligation by transferring a promised good or service to a customer. Revenue excludes value added sales taxes and is arrived at after deduction of trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods and continuing management involvement with the goods.

(c) Dividend income

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

(d) Rental income

Rental income is recognised on an accrual basis.

(e) Interest income

For all financial instruments measured at amortised cost, interest income or expense is recorded using the effective interest method.

(f) Other income

Other income is recognised on an accrual basis.

2.4.19 Expenditure Recognition

Expenses are recognised in the statement of profit or loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment and right of use asset in a state of efficiency has been charged to the statement of profit or loss. For the purpose of presentation of the statement of profit or loss, the "nature of expenses" method has been

adopted, on the basis that it presents fairly the elements of the Group's performance.

2.4.20 Borrowing Costs

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

2.4.21 Segment Reporting

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

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

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

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

2.5 New Accounting Standards issued but not yet effective as at Reporting Date –

The following amendments and improvements are not expected to have a significant impact on the Company's financial statements.

- ✈ SLFRS 17 - Insurance Contracts
- ✈ Amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets : Onerous Contracts Costs of Fulfilling a Contract
- ✈ Amendments to LKAS 16 Property, Plant & Equipment : Proceeds before Intended Use
- Amendments to SLFRS 3 Business Combinations: Updating a reference to conceptual framework

3. Going Concern

During the year under review, the Group recorded a loss of LKR 163,583.08 Mn (2021 - LKR 49,704.51 Mn) and an accumulated loss of LKR 529,212.71 Mn (2021 - LKR 366,284.57 Mn) as at 31 March 2022. Furthermore, the Group's current liabilities exceeded its current assets by LKR 292,420.15 Mn (2021 - LKR 214,635.95 Mn) and the total equity of the Group as of reporting date has declined to a negative LKR 426,423.83 Mn (2021- negative LKR 281,490.87 Mn).

The Company recorded a loss of LKR 166,369.68 Mn (2021 - LKR 45,231.46 Mn) and an accumulated loss of LKR 537,505.15 Mn (2021 - LKR 371,733.52 Mn) as at 31 March 2022. Furthermore, the Company's current liabilities exceeded its current assets by LKR 302,702.50 Mn (2021 - LKR 221,309.99 Mn) and the total equity of the Company as of reporting date has declined to a negative LKR 437,036.92 Mn (2021 - negative LKR 289,265.27 Mn).

With the outbreak of the COVID-19 pandemic in early 2020, the operating environment for the airline industry was severely affected. The primary business of the Airline, which is the carriage of passengers, was severely hampered due to cross-border travel restrictions worldwide during the previous financial year. However, passenger traffic returned during the last four months of the year under review with countries commencing to ease strict border controls which were imposed during the peak of the pandemic. Cargo operations continued to be a key contributor to revenue, continuing the trend which commenced during the previous financial year.

The Company had taken several measures to preserve cash resources by optimising its cost structure and negotiating deferred payment plans and concessions with the key suppliers including aircraft lessors, which are expected to favourably impact the future cashflows.

The Government of Sri Lanka (GOSL) continued to support the Company with the infusion of new equity capital during the year under review. Accordingly, the second tranche of the capital infusion since the pandemic, amounting to LKR 18 Bn, was received in April 2021 (the first tranche amounting to LKR 27.7 Bn was received in November 2020). Furthermore, the GOSL through the General Treasury approved the re-issuance of all Letters of Comfort and Treasury Guarantees that expired during the period, amounting to USD 240.5 Mn and LKR 35.8 Bn, in favour of two state banks, in order to continue with the provision of short-term loan facilities.

Further, GOSL, by Cabinet decision dated 31 October 2022, has approved in principle the need to restructure SriLankan Airlines Limited, which includes several steps. The Cabinet has also referred the same to the SOE Restructuring Unit of the Ministry of Finance for their observations and recommendations.

The GOSL by the cabinet decision dated 28 November 2022, has approved the fleet replacement exercise for no more than ten aircraft via replacement aircraft, lease extension of existing Aircraft or a combination of both.

Furthermore, the GOSL, by way of a Cabinet approval dated 25 October 2022 and the letter issued by the Secretary to the Treasury on 08 November 2022, has confirmed that the GOSL will continue to extend the required financial support to the Company to continue its operations as a "Going Concern" until the implementation of the proposed restructuring process is completed.

Further, based on the study of the SOE Restructuring Unit, the GOSL at a Cabinet meeting held on 13 March 2023 has approved in principle the divestment of SLA including SLC. The Cabinet of Ministers has also authorised the appointment of a financial advisor for the restructure of the debt and balance sheet of SLA.

Management believes that the measures taken as detailed above including the intended restructuring activities will improve the Company's liquidity position in the future.

Based on the above, the Board of Directors are of the view that the preparation and presentation of these financial statements as a going concern is appropriate.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

4. PROPERTY, PLANT AND EQUIPMENT

4.1 GROUP

	Land and Buildings	Plant & Equipment	Improvements to Aircraft on Leases	Aircraft Related Equipment	Advances / Capital Work-in- Progress	Total 2022	Total 2021
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Cost/ Revaluation							
Balance as at 01 April	4,568.60	9,852.43	1,911.92	9,719.47	23.24	26,075.66	26,017.05
Acquisitions/Modifications/ Improvements	27.21	221.20	39.86	156.15	29.80	474.22	361.79
Transferred from CWIP	19.35	29.12	-	-	(48.47)	-	-
Disposals/Retirements	-	(26.37)	-	(35.38)	-	(61.75)	(303.18)
Balance as at 31 March	4,615.16	10,076.38	1,951.78	9,840.24	4.57	26,488.13	26,075.66
Accumulated Depreciation							
Balance as at 01 April	913.45	7,807.45	1,795.19	8,331.06	-	18,847.15	17,567.54
Charge for the Year	311.08	672.14	55.46	410.16	-	1,448.84	1,579.95
Disposals/Retirements	-	(23.22)	-	(35.38)	-	(58.60)	(300.34)
Balance as at 31 March	1,224.53	8,456.37	1,850.65	8,705.84	-	20,237.39	18,847.15
Net Book Value as at 31 March	3,390.63	1,620.01	101.13	1,134.40	4.57	6,250.74	7,228.51

4. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

4.2 (a) The Fair Value of the land and buildings of the Company were determined by means of a revaluation carried out respectively by Ranjan J Samarakone (A.I.V Sri Lanka – Corporate Valuer) during the financial year ended 31 March 2018 and the Fair Value of the land and buildings and the flight kitchen equipment of the Subsidiary were determined by Mr. G H A P K Fernando, incorporated valuer of the Institute of Valuers (Sri Lanka) as at 31 March 2019.

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

Asset	Method of Valuation	Effective date of valuation	Significant unobservable inputs	Revalued Amount LKR Mn.	Sensitivity of fair value to unobservable inputs	Level of Fair value Hierarchy
Land - Colombo	Open Market Value This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for difference in size, nature and location of the property.	31-Mar-18	Estimated price per perch LKR. 18 Mn	643.50	Positively correlated sensitivity	Level 3
Buildings - Colombo / Katunayake	Depreciated Replacement Cost This method considers the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.	31-Mar-18	Estimated price per square foot LKR. 643.47- LKR. 8,092.50	2,083.98		
Subsidiary						
Buildings - Katunayake	Income Approach The net income generated by the property is used in conjunction with certain factors is used to calculate its fair value.	31-Mar-19	Estimated price per square foot LKR 4,000 - LKR 16,000	1,565.49		
Flight Kitchen Equipment included under Plant and Equipment - Katunayake	Depreciated Replacement Cost This method considers the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.	31-Mar-19	Fair value was derived using the Net Replacement Cost (NRC) approach for each equipment	1,099.82		

NOTES TO THE FINANCIAL STATEMENTS CONTD.

4. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

The carrying amount of revalued assets that would have been included in the financial statements had the assets been carried at cost less depreciation is as follows:

Class of Asset	Cost	Cumulative Depreciation If assets were carried at cost	Net Carrying Amount 2022	Net Carrying Amount 2021
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Land and Buildings	3,064.75	2,260.97	803.78	942.04
Plant and Equipment	2,492.74	2,206.55	286.19	359.34

(b) During the year, the Group acquired property, plant and equipment to the aggregate value of LKR. 474.22 Mn (2021 - LKR. 361.79 Mn). Cash payments amounting to LKR. 490.55 Mn (2021 -LKR.319.95 Mn) were made during the year to acquire property, plant and equipment.

(c) Group and Company property, plant and equipment includes fully depreciated assets having a gross carrying amount of LKR. 13,230.51 Mn (2021- LKR. 12,434.05 Mn).

(d) There are no property, plant and equipment mortgaged for bank facilities.

4.3 COMPANY

	Land and Buildings	Plant & Improvements Equipment to Aircraft on Leases	Aircraft Related Equipment	Advances/ Capital Work-in- Progress	Total 2022	Total 2021	
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	
Cost/Revaluation							
Balance as at 01 April	2,970.34	8,400.73	1,911.92	9,719.47	7.55	23,010.01	22,981.87
Acquisitions/ Modifications/ Improvements	12.55	110.42	39.86	156.15	29.80	348.78	324.77
Transferred from CWIP	3.66	29.12	-	-	(32.78)	-	-
Disposals/ Retirements	-	(19.26)	-	(35.38)	-	(54.64)	(296.63)
Balance as at 31 March	2,986.55	8,521.01	1,951.78	9,840.24	4.57	23,304.15	23,010.01
Accumulated Depreciation							
Balance as at 01 April	745.90	7,234.66	1,795.19	8,331.06	-	18,106.81	17,214.59
Charge for the Year	223.61	356.47	55.46	410.16	-	1,045.70	1,188.85
Disposals/ Retirements	-	(19.26)	-	(35.38)	-	(54.64)	(296.63)
Balance as at 31 March	969.51	7,571.87	1,850.65	8,705.84	-	19,097.87	18,106.81
Net Book Value as at 31 March	2,017.04	949.14	101.13	1,134.40	4.57	4,206.28	4,903.20

4. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

4.4 a) The fair value of the Company's Land and Buildings was determined by means of a revaluation by Mr. Ranjan. J Samarakone (A.I.V.Sri Lanka – Corporate Valuer) an independent valuer during the financial year ended 31 March 2018. The results of such revaluation were incorporated in the Financial Statements effective from 31 March 2018.

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

Asset	Method of Valuation	Effective date of valuation	Significant unobservable inputs	Revalued Amount LKR Mn.	Sensitivity of fair value to unobservable inputs	Level of fair value hierarchy
Land - Colombo	Open Market Value This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for difference in size, nature and location of the property.	31-Mar-18	Estimated price per perch LKR.18 Mn	643.50	Positively correlated sensitivity	Level 3
Buildings - Colombo / Katunayake	Depreciated Replacement Cost This method considers the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.	31-Mar-18	Estimated price per square foot LKR. 643.47- LKR. 8,092.50	2,083.98		

The carrying amount of revalued assets that would have been included in the financial statements had the assets been carried at cost less depreciation is as follows:

Class of Asset	Cost LKR. Mn	Cumulative Depreciation if assets were carried at cost LKR. Mn	Net Carrying Amount 2022 LKR. Mn	Net Carrying Amount 2021 LKR. Mn
Land and buildings	1,239.49	958.38	281.11	306.63

- b)** During the year, the Company acquired property, plant and equipment to the aggregate value of LKR. 348.78 Mn (2021 - LKR. 324.77 Mn). Cash payments amounting to LKR. 365.11 Mn (2021 - LKR. 282.82 Mn) were made during the year to acquire property, plant and equipment.
- c)** Property, plant and equipment of the Company includes fully depreciated assets having a gross carrying amount of LKR. 13,230.51 Mn (2021 - LKR. 12,434.05 Mn).
- d)** There are no property, plant and equipment mortgaged for bank facilities.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

5. RIGHT OF USE ASSETS

5.1 Right of Use Asset Movement

Group	Aircraft and Spare Engines LKR. Mn	Land & Building LKR. Mn	Vehicles LKR. Mn	Aircraft Simulator LKR. Mn	Total 2022 LKR. Mn	Total 2021 LKR. Mn
Cost						
Balance as at 01 April	122,880.85	1,804.08	69.16	2,500.45	127,254.54	138,754.60
Additions	1,375.09	265.73	9.14	1,010.50	2,660.46	33.27
Disposals	-	(103.84)	(1.80)	-	(105.64)	(18.20)
Adjustments	898.83	44.82	-	-	943.65	(11,515.11)
Balance as at 31 March	125,154.77	2,010.79	76.50	3,510.95	130,753.01	127,254.56
Depreciation						
Balance as at 01 April	31,915.25	710.12	59.67	2,113.62	34,798.66	19,670.87
Depreciation	12,645.69	277.78	8.95	236.95	13,169.37	15,129.23
Disposals	-	(42.21)	(1.70)	-	(43.91)	(1.42)
Adjustments	-	20.53	-	-	20.53	-
Balance as at 31 March	44,560.94	966.22	66.92	2,350.57	47,944.65	34,798.68
Net Book Value as at 31 March	80,593.83	1,044.57	9.58	1,160.38	82,808.36	92,455.88

Company	Aircraft and Spare Engines LKR. Mn	Land & Building LKR. Mn	Vehicles LKR. Mn	Aircraft Simulator LKR. Mn	Total 2022 LKR. Mn	Total 2021 LKR. Mn
Cost						
Balance as at 01 April	122,880.85	1,186.33	69.16	2,500.45	126,636.79	138,136.84
Additions	1,375.09	252.49	9.14	1,010.50	2,647.22	33.27
Disposals	-	(103.84)	(1.80)	-	(105.64)	(18.20)
Adjustments	898.83	-	-	-	898.83	(11,515.11)
Balance as at 31 March	125,154.77	1,334.98	76.50	3,510.95	130,077.20	126,636.80
Depreciation						
Balance as at 01 April	31,915.25	377.18	59.67	2,113.62	34,465.72	19,385.10
Depreciation	12,645.69	224.50	8.95	236.95	13,116.09	15,082.05
Disposals	-	(42.21)	(1.70)	-	(43.91)	(1.42)
Balance as at 31 March	44,560.94	559.47	66.92	2,350.57	47,537.90	34,465.73
Net Book Value as at 31 March	80,593.83	775.51	9.58	1,160.38	82,539.30	92,171.07

5.1 Right of Use Asset Movement (contd.)

Short Term leases

The Group has elected not to recognise Right of Use Assets and lease liabilities for short-term leases of Aircraft, Land and Buildings and Vehicles that have a lease term of 12 months or less. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

	Group		Company	
	2022 LKR. Mn	2021 LKR. Mn	2022 LKR. Mn	2021 LKR. Mn
Rentals on Leased Aircraft / Spare Engines	43.66	2,265.02	43.66	2,265.02
Rentals on Land & Buildings	206.48	243.86	206.48	242.28
Rentals on Vehicles	60.67	15.68	60.67	13.68

Low Value Assets

The Group has elected not to recognise right-of-use assets and lease liabilities of low-value assets, including IT equipment and photocopy machines. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

6. AIRCRAFT MAINTENANCE RESERVE

	Group / Company	
	2022 LKR. Mn	2021 LKR. Mn
Balance as at 01 April	50,517.71	48,461.22
Additions	9,056.00	4,089.09
Amounts setoff upon redelivery	(5,181.18)	(504.39)
Recoveries	(4,442.26)	(4,335.62)
Exchange gain	25,214.29	2,807.41
	75,164.56	50,517.71
Provision for impairment (Note 6.2)	(27,806.67)	(15,636.24)
Net Recoverable Balance as at 31 March (Note 6.1)	47,357.89	34,881.47

NOTES TO THE FINANCIAL STATEMENTS CONTD.

6.1 Current / Non-current Classification

	Gross	Provision for impairment	Net	Amount Recoverable within one year	Amount Recoverable after one year
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Balance as at 31 March 2022	75,164.56	(27,806.67)	47,357.89	16,966.56	30,391.33
Balance as at 31 March 2021	50,517.71	(15,636.24)	34,881.47	13,635.10	21,246.37

6.2 Movement of Provision for impairment

	2022 LKR. Mn	2021 LKR. Mn
Balance as at 1 April	15,636.24	13,567.56
Charged during the year	3,836.65	1,181.44
Amounts setoff upon redelivery	(5,181.18)	(504.39)
Adjustments*	3,376.84	541.96
Exchange loss	10,138.12	849.67
Balance as at 31 March	27,806.67	15,636.24

*Adjustments represents transfer of provisions between Maintenance Reserve and Future Aircraft Maintenance and Overhaul cost as a result of schedule or scope changes in several overhaul events. The corresponding adjustment of the same is reflected in provision for future Aircraft Maintenance and Overhaul cost given under Note 16.

7. AIRCRAFT SECURITY DEPOSITS

	Group / Company	
	2022 LKR. Mn	2021 LKR. Mn
7.1 (a).Movement		
Balance as at 01 April	4,641.55	4,784.03
Additions	29.65	-
Adjustments	(101.97)	-
Unwinding effect	258.01	237.54
Recoveries	(501.45)	(651.39)
Exchange gain	2,051.16	271.37
	6,376.95	4,641.55

(b).Current / Non-current Classification

	2022 LKR. Mn	2021 LKR. Mn
Receivable with in one year	937.40	602.76
Receivable after one year	5,439.55	4,038.79
	6,376.95	4,641.55

8. INTANGIBLE ASSETS

	Group				Company			
	Software	Capital	Total	Total	Software	Capital	Total	Total
	LKR. Mn	Work-in Progress*	2022 LKR. Mn	2021 LKR. Mn	LKR. Mn	Work-in Progress	2022 LKR. Mn	2021 LKR. Mn
Cost								
Balance as at 1 April	1,437.94	14.36	1,452.30	1,427.95	1,340.34	14.36	1,354.70	1,338.95
Acquisitions/Modifications/ Improvements	12.78	11.24	24.02	27.57	12.32	11.24	23.56	18.97
Transferred from CWIP	12.97	(12.97)	-	-	12.97	(12.97)	-	-
Adjustments	-	-	-	(3.22)	-	-	-	(3.22)
Balance as at 31 March	1,463.69	12.63	1,476.32	1,452.30	1,365.63	12.63	1,378.26	1,354.70
Accumulated Amortisation								
Balance as at 1 April	1,360.16	-	1,360.16	1,324.03	1,285.15	-	1,285.15	1,260.45
Charge for the Year	37.38	-	37.38	36.13	26.48	-	26.48	24.70
Balance as at 31 March	1,397.54	-	1,397.54	1,360.16	1,311.63	-	1,311.63	1,285.15
Net Book Value as at 31 March	66.15	12.63	78.78	92.14	54.00	12.63	66.63	69.55

As at the reporting date, Intangible Assets of the Group and Company include fully amortised assets having a gross carrying amount of LKR. 1,290.74 Mn and LKR.1,228. 68 Mn (2021 - LKR. 1,260.85 Mn and LKR1,224.05 Mn) respectively.

*Capital work in progress includes software under deployment.

9. INVESTMENTS

9.1 Non-current Investments

	Group		Company	
	2022 LKR. Mn	2021 LKR. Mn	2022 LKR. Mn	2021 LKR. Mn
Investments in Subsidiary in Sri Lanka				
- SriLankan Catering Limited (940,268,456 shares, 100% holding)	-	-	42.24	42.24
- Air Lanka (Private) Limited (40,000 Shares) *	0.40	0.40	0.20	0.20
	0.40	0.40	42.44	42.44

* 50% of Share Capital of Air Lanka (Private) Limited is held by the Company and the remaining 50% is held by the Subsidiary Company.

Air Lanka (Private) Limited is a dormant Company since inception and has not been consolidated due to immateriality.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

9.2 Current Investments

	Group		Company	
	2022 LKR. Mn	2021 LKR. Mn	2022 LKR. Mn	2021 LKR. Mn
Fixed Deposits at Bank	1,937.38	1,367.82	1,681.78	1,114.66

10. INVENTORIES

	Group		Company	
	2022 LKR. Mn	2021 LKR. Mn	2022 LKR. Mn	2021 LKR. Mn
Engineering related stock	5,975.86	5,943.97	5,975.86	5,943.97
Ground Service related stock	521.48	498.68	521.48	498.68
Raw materials and Consumables	823.70	946.10	493.15	639.61
	7,321.04	7,388.75	6,990.49	7,082.26
Allowance for Slow moving stock (Note 10.1)	(3,052.67)	(2,732.99)	(2,974.85)	(2,599.23)
	4,268.37	4,655.76	4,015.64	4,483.03

The cost of inventory recognised as an expense in profit or loss amounted to LKR 2,297.01 Mn and LKR 1,282.67 Mn for Group and Company respectively.

10.1 Allowance for Slow Moving Stock

	Group		Company	
	2022 LKR. Mn	2021 LKR. Mn	2022 LKR. Mn	2021 LKR. Mn
Balance as at 01 April	2,732.99	2,436.39	2,599.23	2,405.17
Provision made during the year	349.35	385.28	405.29	282.74
Write-offs during the year	(29.67)	(88.68)	(29.67)	(88.68)
Balance as at 31 March	3,052.67	2,732.99	2,974.85	2,599.23

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2022 LKR. Mn	2021 LKR. Mn	2022 LKR. Mn	2021 LKR. Mn
11.1 Trade and Other receivables				
Trade Receivables	22,731.70	8,385.30	21,945.01	8,164.76
Provision for Impairment of Receivables (Note 11.4)	(2,244.18)	(1,617.51)	(2,091.61)	(1,534.14)
	20,487.52	6,767.79	19,853.40	6,630.62
Aircraft Predelivery Payments (Note 11.2)	5,649.09	2,528.12	5,649.09	2,528.12
Deposits, Advances, Prepayments and other receivables	1,624.03	1,763.65	1,512.64	1,612.21
	27,760.64	11,059.56	27,015.13	10,770.95
Loans and Advances to Company Officers	47.00	51.89	37.18	39.69
	27,807.64	11,111.45	27,052.31	10,810.64

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

11.2 Aircraft Predelivery Payments

Pre-delivery payments as of 31 March 2022 consist of pre-delivery payments made for four Airbus A350 900 aircraft which were to be delivered in 2020 and 2021 amounting to LKR 5,649.09 Mn (USD 19.21 Mn).

The Company has made a claim for the recovery of the above amount together with damages through the dispute resolution mechanism as set out in the agreement with the Supplier. The process of recovery is being carried out with the advice of the Hon. Attorney General and the Solicitors appointed by the Company. There is no information available to the Management at this point of time to believe that the outcome of the recovery of PDPs could be unfavourable to the Company.

In accordance with paragraph 92 of LKAS 37, we are unable to provide further information in order not to impair the outcome and/or prejudice the Company's position in this regard.

11.3 As at 31 March the Age Analysis of Trade Receivables is as follows :

As at 31 March 2022, Trade receivables amounting to LKR. 2,244.18 Mn. related to the Group and LKR. 2,091.61 Mn. related to the Company were impaired and fully provided for. Refer below Note 11.4 for the movement in provision for impairment of trade receivables.

Balances as at 31 March 2022	Neither Past Due nor		Past Due and Impaired				
	Total LKR. Mn	Impaired LKR. Mn	30-60 LKR. Mn	61-90 LKR. Mn	91-180 LKR. Mn	181-365 LKR. Mn	>365 LKR. Mn
Group							
Trade Receivables	22,731.70	17,083.44	2,522.43	1,107.62	4.34	17.77	1,996.10
Provision for Impairment of Receivables (Note 11.4)	(2,244.18)	-	(6.71)	(219.26)	(4.34)	(17.77)	(1,996.10)
	20,487.52	17,083.44	2,515.72	888.36	-	-	-
Company							
Trade Receivables	21,945.01	16,472.84	2,492.20	1,103.92	-	-	1,876.05
Provision for Impairment of Receivables (Note 11.4)	(2,091.61)	-	-	(215.56)	-	-	(1,876.05)
	19,853.40	16,472.84	2,492.20	888.36	-	-	-

NOTES TO THE FINANCIAL STATEMENTS CONTD.

11.3 As at 31 March the Age Analysis of Trade Receivables is as follows (contd.)

Balances as at 31 March 2021	Neither Past Due nor			Past Due and Impaired			
	Total LKR. Mn	Impaired LKR. Mn	30-60 LKR. Mn	61-90 LKR. Mn	91-180 LKR. Mn	181-365 LKR. Mn	>365 LKR. Mn
Group							
Trade Receivables	8,385.30	4,900.32	1,660.37	149.15	111.94	44.88	1,518.64
Provision for Impairment of Receivables (Note 11.4)	(1,617.51)	-	-	-	(53.99)	(44.88)	(1,518.64)
	6,767.79	4,900.32	1,660.37	149.15	57.95	-	-
Company							
Trade Receivables	8,164.76	4,793.95	1,653.50	148.46	87.00	44.88	1,436.97
Provision for Impairment of Receivables (Note 11.4)	(1,534.14)	-	-	-	(52.29)	(44.88)	(1,436.97)
	6,630.62	4,793.95	1,653.50	148.46	34.71	-	-

11.4 Movement for Provision for Impairment of Receivables

	Group		Company	
	LKR. Mn 2022	LKR. Mn 2021	LKR. Mn 2022	LKR. Mn 2021
Balance as at 1 April	1,617.51	1,623.40	1,534.14	1,558.10
Provision for the year	125.63	62.29	88.38	44.22
Exchange Loss	501.04	66.93	469.09	66.93
Write off	-	(135.11)	-	(135.11)
Balance as at 31 March	2,244.18	1,617.51	2,091.61	1,534.14

As at the reporting date provision for impairment relating to related parties amounted to LKR 1,230.35 Mn and LKR 1,129.89 Mn for Group and Company respectively. (2021- LKR 1,062.82 Mn for Group and LKR 994.31 Mn for Company).

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

Components of Cash and Cash Equivalents

	Group		Company	
	2022 LKR. Mn	2021 LKR. Mn	2022 LKR. Mn	2021 LKR. Mn
12.1 Favourable Cash and Cash Equivalent Balances				
Cash and Bank Balances	5,376.82	1,447.82	4,804.95	1,263.81
12.2 Unfavourable Cash and Cash Equivalent Balances				
Bank Overdrafts (Note 15)	(21,523.70)	(23,117.13)	(21,523.70)	(23,117.13)
Total Cash and Cash Equivalents for the purpose of statement of cash flows	(16,146.88)	(21,669.31)	(16,718.75)	(21,853.32)

13. STATED CAPITAL

	Group		Company	
	2022 LKR. Mn	2021 LKR. Mn	2022 LKR. Mn	2021 LKR. Mn
13.1 Ordinary shares issued and fully paid (Note 13.2)	96,360.67	51,617.44	96,360.67	51,617.44
Advance to Stated Capital (Note 13.3)	-	27,734.99	-	27,734.99
As at 31 March	96,360.67	79,352.43	96,360.67	79,352.43

13.2 Ordinary shares issued and fully paid

	Group		Company	
	2022 LKR. Mn	2021 LKR. Mn	2022 LKR. Mn	2021 LKR. Mn
As at 1 April	51,617.44	51,617.44	51,617.44	51,617.44
Issued during the year	44,743.23	-	44,743.23	-
As at 31 March	96,360.67	51,617.44	96,360.67	51,617.44

Movement in number of shares

	Nos.	Nos.	Nos.	Nos.
As at 1 April	516,174,355	516,174,355	516,174,355	516,174,355
Issued during the year	447,432,300	-	447,432,300	-
As at 31 March	963,606,655	516,174,355	963,606,655	516,174,355

13.3 Advance to Share Capital

	Group		Company	
	2022 LKR. Mn	2021 LKR. Mn	2022 LKR. Mn	2021 LKR. Mn
As at 1 April	27,734.99	-	27,734.99	-
Advance received	17,999.98	27,734.99	17,999.98	27,734.99
Issue of shares	(44,743.23)	-	(44,743.23)	-
Transfer to Reserve*	(991.74)	-	(991.74)	-
As at 31 March	-	27,734.99	-	27,734.99

During the year, the Government of Sri Lanka (GOSL) invested in the form of Treasury Bonds with the face value of LKR 18 Bn (2021 - LKR 26.8 Bn) and 447,432,300 number of ordinary shares were issued to the GOSL.

*The transfer to Capital reserve from Advance to share capital represents the difference between the face value and the fair value of the bonds received as consideration for Equity. The Company issued shares for the face value of the bonds with the consultation of the Attorney General.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

14. RESERVES

	Group		Company	
	2022 LKR. Mn	2021 LKR. Mn	2022 LKR. Mn	2021 LKR. Mn
Revaluation Reserve	5,436.47	5,441.27	3,115.82	3,115.82
Capital Reserve (Note 13.3)	991.74	-	991.74	-
Balance as at 31 March	6,428.21	5,441.27	4,107.56	3,115.82

15. INTEREST BEARING LIABILITIES

	Group		Company	
	2022 LKR. Mn	2021 LKR. Mn	2022 LKR. Mn	2021 LKR. Mn
Current Liabilities				
Long-term Loans / Bonds (Note 15.1)	-	4,454.53	-	4,454.53
Lease Liability (Note 15.3)	47,469.44	33,000.77	47,297.51	32,938.46
Short Term Loan	95,284.24	75,150.35	95,284.24	75,149.35
Bank Overdraft (Note 12)	21,523.70	23,117.13	21,523.70	23,117.13
	164,277.38	135,722.78	164,105.45	135,659.47
Non-current Liabilities				
Long-term Loans / Bonds (Note 15.1)	51,327.01	34,909.56	51,327.01	34,909.56
Lease Liability (Note 15.3)	164,258.07	128,507.69	163,372.17	127,734.76
	215,585.08	163,417.25	214,699.18	162,644.32

15.1 Long-term Loans / Bonds

	Group		Company	
	2022 LKR. Mn	2021 LKR. Mn	2022 LKR. Mn	2021 LKR. Mn
(a) Current / Non-current Classification				
Payable within one year included under Current Liabilities	-	4,454.53	-	4,454.53
Payable after one year but not more than five years	51,327.01	34,909.56	51,327.01	34,909.56
	51,327.01	39,364.09	51,327.01	39,364.09

(b) Long-term Loans / Bonds denominated in foreign currencies

Long - term Loans / Bonds - USD denominated	175.00	197.22	175.00	197.22
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(c) Movement in Long-term Loans / Bonds

	Group		Company	
	2022 LKR. Mn	2021 LKR. Mn	2022 LKR. Mn	2021 LKR. Mn
Balance as at 01 April	39,364.09	43,584.90	39,364.09	43,491.50
Payments/ Transfers during the year	(4,419.49)	(6,431.10)	(4,418.49)	(6,320.18)
Unrealised exchange loss	16,382.41	2,210.29	16,381.41	2,192.77
Balance as at 31 March	51,327.01	39,364.09	51,327.01	39,364.09

15.2 Interest bearing Borrowings - Terms and Repayment Schedule

Company

Lender	Balance as at 31 March 2022 LKR. Mn	Balance as at 31 March 2021 LKR. Mn	Repayment Term	Security
(a) Bank Loans				
Interest linked to LIBOR				
Credit Suisse Bank AG	-	4,454.53	Monthly instalments ending October, 2021.	Ticket Sales collected by IATA from UAE, Kuwait and Saudi Arabia
Bank of Ceylon	9,555.00	6,516.25	Payment on maturity December, 2022.	Letter of Comfort from Ministry of Finance
Bank of Ceylon	12,495.00	8,521.25	Payment on maturity October, 2022.	Letter of Comfort from Ministry of Finance
Bank of Ceylon	7,350.00	5,012.50	Payment on maturity February, 2023.	Letter of Comfort from Ministry of Finance
Bank of Ceylon	1,470.00	1,002.50	Payment on maturity May, 2022.	Treasury Guarantee
Bank of Ceylon	294.00	-	Payment on maturity June, 2022.	LKR Deposit equivalent to 125% of USD 1.0M
Bank of Ceylon	407.19	-	Payment on maturity September, 2022.	Letter of Comfort from Ministry of Finance
Peoples Bank	9,555.00	6,516.25	Payment on maturity December, 2022.	Letter of Comfort from Ministry of Finance
Peoples Bank	12,495.00	8,521.25	Payment on maturity October, 2022	Letter of Comfort from Ministry of Finance
Peoples Bank	7,350.00	5,012.50	Payment on maturity February, 2023.	Letter of Comfort from Ministry of Finance
Peoples Bank	1,582.47	1,079.20	Payment on maturity November, 2022.	Treasury Guarantee
Peoples Bank	229.64	-	Payment on maturity September, 2022.	Letter of Comfort from Ministry of Finance
Interest linked to AWPLR				
Bank of Ceylon	12,900.00	12,900.00	Payment on maturity June, 2022.	Letter of Comfort from Ministry of Finance
Bank of Ceylon	450.00	450.00	Payment on maturity May, 2022	Treasury Guarantee
Bank of Ceylon	156.32	-	Payment on maturity August, 2022.	Letter of Comfort from Ministry of Finance
Peoples Bank	13,350.00	13,350.00	Payment on maturity June, 2022.	Letter of Comfort from Ministry of Finance
Peoples Bank	1,351.90	1,351.90	Payment on maturity November, 2022.	Treasury Guarantee
Peoples Bank	1,387.50	1,387.50	Payment on maturity May, 2022.	Treasury Guarantee
Peoples Bank	177.77	-	Payment on maturity September, 2022.	Letter of Comfort from Ministry of Finance

NOTES TO THE FINANCIAL STATEMENTS CONTD.

15.2 Interest bearing Borrowings - Terms and Repayment Schedule (Contd.)

(b) International Bond

Fixed Interest Rate

Lender	Balance as at 31 March 2022 LKR. Mn	Balance as at Repayment Term 31 March 2021 LKR. Mn		Security
International Bond	51,327.01	34,909.56	Payment on maturity in June 2024	Government Guarantee for USD 175 Mn.

(c) Overdraft Facility

Interest linked to LIBOR

Bank of Ceylon	17,129.68	18,810.02	USD 70 Mn - Revolving, USD 30 Mn Payment on maturity July, 2022.	Mortgage over the shares of Subsidiary - SriLankan Catering Limited (USD 70 Mn), Treasury Guarantee (USD 30 Mn)
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Interest linked to AWPLR

Peoples Bank	4,394.01	4,307.11	Payment on maturity July, 2022.	Treasury Guarantee
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(d) Loans from other institutions

Fixed Interest Rate

Deferred payment arrangement from a supplier	2,727.45	3,528.25	Monthly instalments ending September, 2022.	None
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Subsidiary

(e) Bank Loans

Interest Linked to LIBOR

Commercial Bank	-	1.00	Payment on maturity July, 2021.	None
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* Interest bearing liabilities denominated in USD were converted to Sri Lankan Rupees at the exchange rate of LKR. 294 (2021 - LKR. 200.5) as at 31 March 2022.

* Refer Note 27 - Events occurring after the reporting date.

15. INTEREST BEARING LIABILITIES (CONTD...)

15.3 Lease Liability

(a) Current / Non-current Classification

	Group		Company	
	2022 LKR. Mn	2021 LKR. Mn	2022 LKR. Mn	2021 LKR. Mn
Payable within one year included under Current Liabilities	47,469.44	33,000.77	47,297.51	32,938.46
After one year but not more than five years included under Non-Current Liabilities	126,509.45	72,408.54	125,623.55	71,950.28
More than 5 Years included under Non-current Liabilities	37,748.62	56,099.15	37,748.62	55,784.48
Total lease liabilities as at 31 March	211,727.51	161,508.46	210,669.68	160,673.22

(b) Lease Liability denominated in Foreign Currencies

	Group		Company	
	2022 Mn	2021 Mn	2022 Mn	2021 Mn
Finance Leases - in EUR	5.36	2.71	5.36	2.71
Finance Leases -in USD	656.55	813.44	653.80	813.44

(c) Movement in Lease Liability

Group	Gross Payable	Finance Charges for future periods	Net Payable	Net Payable
	2022 LKR. Mn	2022 LKR. Mn	2022 LKR. Mn	2021 LKR. Mn
Balance as at 01 April	201,096.59	(39,588.13)	161,508.46	171,866.33
Additions during the year	3,579.25	(963.04)	2,616.21	72.50
Payments during the year	(27,300.06)	8,676.49	(18,623.57)	(6,581.00)
Concession received on rent	(339.91)	-	(339.91)	(444.93)
Adjustments	(267.63)	127.72	(139.91)	(11,950.85)
Disposal	(84.32)	7.33	(76.99)	-
Exchange loss / (gain)	80,342.87	(13,559.65)	66,783.22	8,546.41
Balance as at 31 March	257,026.79	(45,299.28)	211,727.51	161,508.46

NOTES TO THE FINANCIAL STATEMENTS CONTD.

15. INTEREST BEARING LIABILITIES (CONTD...)

15.3 Lease Liability (contd.)

Company	Gross Payable	Finance Charges for future periods	Net Payable	Net Payable
	2022 LKR. Mn	2022 LKR. Mn	2022 LKR. Mn	2021 LKR. Mn
Balance as at 01 April	197,495.12	(36,821.91)	160,673.21	170,986.72
Additions during the year	3,577.21	(962.82)	2,614.39	72.50
Payments during the year	(27,263.80)	8,585.68	(18,678.12)	(6,702.93)
Concession received on rent	(191.99)	-	(191.99)	(278.63)
Adjustments	(233.53)	39.01	(194.52)	(11,950.85)
Disposal	(84.32)	7.33	(76.99)	-
Exchange loss / (gain)	80,083.35	(13,559.65)	66,523.70	8,546.41
Balance as at 31 March	253,382.04	(42,712.35)	210,669.68	160,673.22

(d) Rent concessions

The Group negotiated rent concessions for certain building leases as a result of the severe impact of the COVID-19 pandemic during the year. The Group applied the practical expedient for COVID-19 related rent concessions consistently to eligible rent concessions relating to its building leases. The amount recognised in profit or loss for the reporting period to reflect changes in lease payments arising from rent concessions to which the Group and Company has applied the practical expedient for COVID-19 related rent concessions are LKR 339.91 Mn and LKR 191.99 Mn respectively (2021: Group and Company has applied the practical expedient for COVID-19 related rent concessions are LKR 444.93 Mn and LKR 278.63 Mn respectively).

16. OTHER LIABILITIES

	Group		Company	
	2022 LKR. Mn	2021 LKR. Mn	2022 LKR. Mn	2021 LKR. Mn
(a) Movement				
Payable after one year				
Provision for Aircraft Maintenance and Overhaul Cost (Note 16.1 (b))	29,541.41	17,191.16	29,541.41	17,191.16
Aircraft Return Cost Liability (Note 16.2.(b))	6,718.04	4,653.27	6,718.04	4,653.27
Retirement Benefit Obligation (Note 16.3)	6,696.33	6,570.52	6,061.32	5,938.95
Deferred Tax Liability (Note 16.2)	431.98	84.81	-	-
	43,387.76	28,499.76	42,320.77	27,783.38
Payable within one year				
Provision for Future Aircraft Maintenance and Overhaul Cost (Note 16.1 (b))	21,511.04	17,105.62	21,511.04	17,105.62
Aircraft Return Cost (Note 16.2 (b))	2,142.26	244.24	2,142.26	244.24
	23,653.30	17,349.86	23,653.30	17,349.86

16.1 Provision for Future Aircraft Maintenance and Overhaul Cost

	Group		Company	
	2022 LKR. Mn	2021 LKR. Mn	2022 LKR. Mn	2021 LKR. Mn
As at 1 April	34,296.78	33,909.03	34,296.78	33,909.03
Provisions during the year	7,424.68	3,317.93	7,424.68	3,317.93
Adjustments (Note 6)	(3,376.84)	(541.96)	(3,376.84)	(541.96)
Utilisation	(3,245.92)	(4,175.07)	(3,245.92)	(4,175.07)
Exchange loss	15,953.75	1,786.85	15,953.75	1,786.85
As at 31 March	51,052.45	34,296.78	51,052.45	34,296.78
(b) Current / Non-current Classification				
Payable within one year included under Other Liabilities	21,511.04	17,105.62	21,511.04	17,105.62
After one year included under Other Long Term Liabilities	29,541.41	17,191.16	29,541.41	17,191.16
	51,052.45	34,296.78	51,052.45	34,296.78

16.2 Aircraft Return Cost

	Group		Company	
	2022 LKR. Mn	2021 LKR. Mn	2022 LKR. Mn	2021 LKR. Mn
(a) Movement				
As at 1 April	4,897.51	4,578.22	4,897.51	4,578.22
Unwinding effect of Return cost	265.56	342.28	265.56	342.28
Settlements	(1.46)	(193.52)	(1.46)	(193.52)
Adjustments	1,035.47	(108.02)	1,035.47	(108.02)
Exchange loss	2,663.22	278.55	2,663.22	278.55
As at 31 March	8,860.30	4,897.51	8,860.30	4,897.51
(b) Current / Non-current Classification				
Payable within one year included under Other Liabilities	2,142.26	244.24	2,142.26	244.24
After one year included under Other Long Term Liabilities	6,718.04	4,653.27	6,718.04	4,653.27
	8,860.30	4,897.51	8,860.30	4,897.51

16.3 Retirement Benefit Obligation

(a). Gratuity

	Group		Company	
	2022 LKR. Mn	2021 LKR. Mn	2022 LKR. Mn	2021 LKR. Mn
Balance as at 01 April	6,517.46	6,416.29	5,938.95	5,815.77
Current service cost	370.18	997.45	325.85	520.60
Interest cost	554.10	-	520.01	383.21
Actuarial loss / (gain)	(636.51)	92.13	(598.05)	160.58
Payments during the year	(455.29)	(988.41)	(438.69)	(941.21)
Balance as at 31 March	6,349.94	6,517.46	5,748.07	5,938.95

NOTES TO THE FINANCIAL STATEMENTS CONTD.

16. OTHER LIABILITIES (CONTD.)

16.3 Retirement Benefit Obligation (Contd.)

16.3 (b) Provision for Leave Encashment

	Group		Company	
	2022 LKR. Mn	2021 LKR. Mn	2022 LKR. Mn	2021 LKR. Mn
Balance as at 01 April	53.06	42.46	-	-
Current service costs	313.25	-	313.25	-
Interest cost	3.98	4.25	-	-
Actuarial (gain)/loss during the year	(22.83)	7.38	-	-
Benefits paid during the year	(1.07)	(1.03)	-	-
Balance as at 31 March	346.39	53.06	313.25	-
Total Retirement Benefit Obligation	6,696.33	6,570.52	6,061.32	5,938.95

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

	Company		Subsidiary	
	2022	2021	2022	2021
(i) Rate of Interest				
-LKR	15.8%	8.4%	15.0%	7.5%
-USD	7.5%	-	-	-
(ii) Rate of Salary Increase				
-LKR	10.0%	4.5%	15.0%	7.5%
-USD	3.0%	3.0%	-	-
(iii) LKR depreciation against USD p.a.	-	5.0%	-	-
(iv) Retirement Age - Years	60	60	60	55
(v) The entity will continue as a going concern				
(vi) Average Expected Remaining Service Life	14.02 Years	14.62 Years	12.15 Years	6.33 Years

Subsidiary

The Retirement Benefit Plan of the Subsidiary was amended due to the increase in retirement age enacted by the Minimum Retirement Age of Workers Act No. 28 of 2021.

Sensitivity of assumptions employed in actuarial valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employee benefit liability measurement.

The sensitivity of the statement of comprehensive income and statement of financial position is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss and employment benefit obligation for the year.

16. OTHER LIABILITIES (CONTD.)

Increase/ (Decrease) in Discount Rate	Increase / (Decrease) / in salary escalation Rate	Increase/ (Decrease) in Exchange Rate	Effect on Retirement Benefit Obligation			
			2022		2021	
			Company LKR. Mn	Subsidiary LKR. Mn	Company LKR. Mn	Subsidiary LKR. Mn
1%	-	-	(357.37)	(46.12)	(447.49)	(34.51)
-1%	-	-	404.64	52.12	517.20	38.40
-	1%	-	419.87	54.44	531.81	40.82
-	-1%	-	(374.51)	(48.90)	(464.51)	(37.29)
-	-	1%	24.73	-	24.51	-
-	-	-1%	(24.73)	-	(24.51)	-

Maturity Analysis

	Less than three months	3 to 12 Months	1 to 5 year	More than 5 years	Total
Group	2.66	654.67	2,610.57	3,428.42	6,696.32
Company	2.65	627.54	2,474.10	2,957.02	6,061.31

17. SALES IN ADVANCE OF CARRIAGE

Sales in advance of carriage generally represents the value of unutilised tickets up to 12 months, however under the pandemic situation due to passengers not having an opportunity to travel, ticket validity continued beyond 12 months as at the reporting date. Thus this balance represents 12-24 months of unutilised tickets.

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2022 LKR. Mn	2021 LKR. Mn	2022 LKR. Mn	2021 LKR. Mn
Trade and Other Payables	132,862.79	83,011.81	141,522.63	88,837.45
	132,862.79	83,011.81	141,522.63	88,837.45

NOTES TO THE FINANCIAL STATEMENTS CONTD.

19. FINANCIAL INSTRUMENTS

19.1 Classification of Financial Instruments

Financial assets and liabilities in the table below are split into categories in accordance with SLFRS 9 - Financial Instruments

	2022 LKR. Mn	2021 LKR. Mn
Group		
Financial Instruments measured at amortised cost		
Financial Assets		
Trade and Other Receivables, excluding Advances and Prepayments	20,994.33	7,109.42
Aircraft Maintenance Reserve	47,357.89	34,881.47
Aircraft and Spare Engine Deposits	6,376.95	4,641.55
Investments	1,937.38	1,367.82
Cash and Bank Balances	5,376.82	1,447.82
	82,043.37	49,448.08
Financial Liabilities		
Interest Bearing Loans and Borrowings	168,134.95	137,631.57
Lease Liability	211,727.51	161,508.46
Provision for Aircraft Maintenance and Overhaul Cost	51,052.45	34,296.78
Air Craft Return Cost Provision	8,860.30	4,897.51
Trade and Other Payables	127,379.17	80,855.81
	567,154.38	419,190.13
Company		
Financial Instruments measured at amortised cost		
Financial Assets		
Trade and Other Receivables, excluding Advances and Prepayments	20,350.42	6,960.77
Aircraft Maintenance Reserve	47,357.89	34,881.47
Aircraft and Spare Engine Deposits	6,376.95	4,641.55
Investments	1,681.78	1,114.66
Cash and Bank balances	4,804.95	1,263.81
	80,571.99	48,862.26
Financial Liabilities		
Interest Bearing Loans and Borrowings	168,134.95	137,630.57
Lease Liability	210,669.68	160,673.22
Provision for Aircraft Maintenance and Overhaul Cost	51,052.45	34,296.78
Aircraft Return Cost Liability	8,860.30	4,897.51
Trade and Other Payables	136,407.84	86,682.07
	575,125.22	424,180.15

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

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

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

20. REVENUE AND SEGMENT INFORMATION

	Group		Company	
	2022 LKR. Mn	2021 LKR. Mn	2022 LKR. Mn	2021 LKR. Mn
20.1 Revenue				
Scheduled services - Passenger	77,999.36	16,327.93	77,999.36	16,327.93
- Cargo	43,975.08	27,328.39	43,975.08	27,328.39
- Excess Baggage	1,156.78	196.72	1,156.78	196.72
- Mail	244.43	126.08	244.43	126.08
	123,375.65	43,979.12	123,375.65	43,979.12
Air Terminal and Other Services	9,038.33	4,719.65	9,132.42	4,816.68
Duty Free	245.55	18.36	245.55	18.36
Non-Scheduled Services	182.61	1,879.69	182.61	1,879.69
Flight Catering	1,459.22	332.10	-	-
Total	134,301.36	50,928.92	132,936.23	50,693.85

20.2 Segment Information

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

Revenue 2022	Sri Lanka	Asia (excluding Sri Lanka)	Europe & Africa	Middle East	North & South America	Australia/ Pacific	Total 2022
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Scheduled services							
- Passenger	15,002.46	24,249.36	10,616.35	18,117.11	1,627.78	8,386.30	77,999.36
- Cargo	15,009.90	21,741.97	4,016.24	1,569.92	0.61	1,636.44	43,975.08
- Excess Baggage	150.04	364.58	70.10	461.11	50.60	60.35	1,156.78
- Mail	107.84	43.48	93.11	-	-	-	244.43
	30,270.24	46,399.39	14,795.80	20,148.14	1,678.99	10,083.09	123,375.65
Air Terminal and Other Services	9,038.33	-	-	-	-	-	9,038.33
Duty Free	-	111.26	33.35	90.58	-	10.36	245.55
Non-Scheduled Services	182.61	-	-	-	-	-	182.61
Flight Catering	1,459.22	-	-	-	-	-	1,459.22
Segment Revenue	40,950.40	46,510.65	14,829.15	20,238.72	1,678.99	10,093.45	134,301.36

NOTES TO THE FINANCIAL STATEMENTS CONTD.

20. REVENUE AND SEGMENT INFORMATION (CONTD.)

20.2 Segment Information (contd.)

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

Revenue 2021	Sri Lanka	Asia (excluding Sri Lanka)	Europe & Africa	Middle East	North & South America	Australia/ Pacific	Total 2021
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Scheduled services							
- Passenger	5,216.19	4,138.41	865.40	2,834.37	280.76	2,992.80	16,327.93
- Cargo	10,556.25	13,232.92	1,892.83	1,155.36	0.56	490.47	27,328.39
- Excess Baggage	40.49	66.68	15.98	62.25	1.16	10.16	196.72
- Mail	55.95	28.51	41.62	-	-	-	126.08
	15,868.88	17,466.52	2,815.83	4,051.98	282.48	3,493.43	43,979.12
Air Terminal and Other Services	4,719.65	-	-	-	-	-	4,719.65
Duty Free	-	7.17	6.03	3.05	-	2.11	18.36
Non-Scheduled Services	1,879.69	-	-	-	-	-	1,879.69
Flight Catering	332.10	-	-	-	-	-	332.10
Segment Revenue	22,800.31	17,473.69	2,821.86	4,055.03	282.48	3,495.54	50,928.92

(b) Secondary Reporting by Business Segment

	Business Segment				Business Segment			
	Airline 2022	Flight Catering 2022	Inter-segment eliminations 2022	Group 2022	Airline 2021	Flight Catering 2021	Inter-segment eliminations 2021	Group 2021
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Revenue								
Sales to external customers	132,936.23	3,898.95	(2,533.82)	134,301.36	50,693.85	690.88	(455.81)	50,928.92
Results								
Profit / (Loss) After Tax	(166,369.68)	2,802.68	(16.08)	(163,583.08)	(45,231.46)	(903.40)	(3,569.65)	(49,704.51)
Other Segment Information								
Assets	178,144.17	13,495.56	(9,376.43)	182,263.33	154,381.42	9,675.09	(6,173.71)	157,882.80
Liabilities	615,181.10	2,840.49	(9,334.39)	608,687.18	443,646.69	1,858.67	(6,131.69)	439,373.67
Acquisition of Property, Plant and Equipment	348.78	125.44	-	474.22	324.77	37.02	-	361.79
Acquisition of Intangible Assets	23.56	0.46	-	24.02	18.97	8.60	-	27.57
Depreciation and Amortisation	14,188.27	467.32	-	14,655.59	16,295.62	449.70	-	16,745.32
Finance Cost	22,813.07	90.83	-	22,903.90	22,338.61	190.82	-	22,529.43
Exchnage loss on Interest Bearing Liabilities	107,621.19	259.53	-	107,880.72	13,334.22	-	-	13,334.22
Finance Income	639.25	24.92	-	664.17	524.86	36.65	-	561.51
Tax Expense / (Reversal)	-	425.69	-	425.69	-	(57.06)	-	(57.06)
Operating Expenses excluding exchange loss	132,397.86	3,426.44	(2,602.20)	133,222.10	74,511.39	2,055.70	(455.81)	76,111.28
Inventory written off	29.67	-	-	29.67	88.68	-	-	88.68

21. OTHER INCOME AND GAINS

	Group		Company	
	2022 LKR. Mn	2021 LKR. Mn	2022 LKR. Mn	2021 LKR. Mn
Profit on Disposal of Property, Plant and Equipment	9.47	7.57	10.86	4.94
Miscellaneous Income	603.93	621.13	688.10	620.63
Reversal of Provision for Withholding Tax (Note 21.1)	-	16,433.45	-	16,433.45
Dividends from SriLankan Catering Ltd.	-	-	-	3,569.63
	613.40	17,062.15	698.96	20,628.65

21.1 With the enactment of the Inland Revenue Act No. 24 of 2017, Company was required to withhold the respective Withholding Tax (WHT) amount due from liable foreign supplier payments based on the rate applicable and remit the same to Inland Revenue Department (IRD). Inland Revenue (amendment) Act No. 10 of 2021 was enacted on 13 May 2021 exempting the Company in relation to Withholding Tax on foreign supplier payments with retrospective effect from 1 April 2018. Accordingly, LKR 16,433.45 consisting of provision made for WHT payable from 1 April 2018 to 31 March 2020 was written back to Statement of Profit or Loss during the year ended 31 March 2021.

22. OPERATING LOSS

stated after charging:

	Group		Company	
	2022 LKR. Mn	2021 LKR. Mn	2022 LKR. Mn	2021 LKR. Mn
Aircraft Insurance	619.04	640.75	619.04	640.75
Franchise Fees	355.44	135.81	355.44	135.81
Allowance for Slow Moving Inventory	349.35	385.28	405.29	282.74
Auditors' Remuneration				
- Other Services	0.39	0.59	-	0.20
- Audit	8.58	9.78	7.43	8.63
Provision for Impairment of Receivables	125.63	62.29	88.38	44.22

23. NET FINANCE COST

	Group		Company	
	2022 LKR. Mn	2021 LKR. Mn	2022 LKR. Mn	2021 LKR. Mn
23.1 Finance Income				
Interest Income from Treasury Bonds	298.72	230.54	298.72	230.54
Interest Income Other	365.45	330.97	340.53	294.32
	664.17	561.51	639.25	524.86
23.2 Finance Cost				
Interest on Loans and International Bond	11,227.12	10,702.95	11,227.08	10,651.89
Loss on disposal of Treasury Bonds	682.41	271.16	682.41	271.16
Interest Cost Bank Overdrafts and Overdue Supplier Balances	2,052.33	1,933.61	2,052.33	1,933.61
Finance Charges on Lease Liabilities	8,676.48	9,263.03	8,585.69	9,139.67
Unwinding effect of Air Craft Return cost	265.56	342.28	265.56	342.28
Preference Share Dividend	-	16.40	-	-
	22,903.90	22,529.43	22,813.07	22,338.61

NOTES TO THE FINANCIAL STATEMENTS CONTD.

23.3 Exchange Loss on Interest Bearing Liabilities

	Group		Company	
	2022 LKR. Mn	2021 LKR. Mn	2022 LKR. Mn	2021 LKR. Mn
Exchange loss on Loans / International Bond	41,097.49	4,518.71	41,097.49	4,518.71
Exchange loss Lease Liabilities	66,783.23	8,815.51	66,523.70	8,815.51
	107,880.72	13,334.22	107,621.19	13,334.22
Total Finance Cost	130,120.45	35,302.14	129,795.01	35,147.97

24. TAXATION

	Group	
	2022 LKR. Mn	2021 LKR. Mn
Tax Expense		
The major components of income tax expense are as follows:		
Current income tax		
Current tax expense on ordinary activities for the year (Note 24.1)	87.71	-
Deferred tax expense	337.98	(57.44)
Under/(Over) provision of current taxes in respect of prior years	-	0.38
	425.69	(57.06)

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

	Group		Company	
	2022 LKR. Mn	2021 LKR. Mn	2022 LKR. Mn	2021 LKR. Mn
Accounting Loss before Tax	(163,157.39)	(49,761.57)	(166,369.68)	(45,231.46)
Less: (Profit)/ Loss exempt from income tax	591.94	(955.89)	-	(3,569.63)
Profit / (Loss) liable for income tax	(162,565.45)	(50,717.46)	(166,369.68)	(48,801.09)
Non deductible expenses	70,061.80	4,917.03	72,528.11	4,858.11
Tax Losses incurred	(92,503.66)	(45,800.43)	(93,841.57)	(43,942.98)
Taxable Profit arising from the subsidiary	641.57	-	-	-
Less: Losses set off	(56.93)	-	-	-
	584.64			
Statutory Tax Charge at Tax Rate 15%	87.71	-	-	-
Current Income Tax Expense	87.71	-	-	-

24.2 Deferred Tax Liability

	Subsidiary	
	2022 LKR. Mn	2021 LKR. Mn
Balance as at 1 April	84.81	133.09
Deferred tax (reversal)/charge recognised in profit or loss	337.98	(57.44)
Deferred tax charge / (reversal) recognised in other comprehensive income	9.19	9.16
Balance as at 31 March	431.98	84.81

Company

Deferred tax assets attributable to the following items has not been recognised as detailed below.

	Assets		Liability		Net asset/ (liability)	
	2022 LKR. Mn	2021 LKR. Mn	2022 LKR. Mn	2021 LKR. Mn	2022 LKR. Mn	2021 LKR. Mn
Property, Plant and Equipment	-	-	(325.88)	(416.52)	(325.88)	(416.52)
Revaluation of Land - Colombo	-	-	(147.15)	(147.15)	(147.15)	(147.15)
Revaluation of Buildings	-	-	(600.65)	(600.65)	(600.65)	(600.65)
Net Right of Use Assets and Liabilities	50,560.72	16,384.48	-	-	50,560.72	16,384.48
Retirement Benefit Obligation	1,454.72	1,425.35	-	-	1,454.72	1,425.35
Provision for Slow Moving Stocks	713.96	623.82	-	-	713.96	623.82
Provision for Impairment of Receivables	212.13	368.19	-	-	212.13	368.19
Provision for Aircraft Maintenance and Overhaul Cost	12,252.59	8,287.26	-	-	12,252.59	8,287.26
Aircraft Return Cost	2,126.47	1,175.40	-	-	2,126.47	1,175.40
	67,320.59	28,264.50	(1,073.67)	(1,164.32)	66,246.91	27,100.18

Movement in Deferred Tax during the year

	Balance as at 31 March 2020 LKR. Mn	Movement during the year LKR. Mn	Balance as at 31 March 2021 LKR. Mn	Movement during the year LKR. Mn	Balance as at 31 March 2022 LKR. Mn
Property, Plant & Equipment	(697.98)	281.45	(416.52)	90.64	(325.88)
Revaluation of Land - Colombo	(171.67)	24.52	(147.15)	-	(147.15)
Revaluation of Buildings	(700.76)	100.11	(600.65)	-	(600.65)
Net Right of Use Assets and Liabilities	14,592.93	1,791.54	16,384.48	34,176.24	50,560.72
Retirement Benefit Obligation	1,628.42	(203.07)	1,425.35	29.37	1,454.72
Provision for Slow Moving Stocks	673.45	(49.63)	623.82	90.14	713.96
Provision for Impairment of Receivables	436.27	(68.08)	368.19	(156.06)	212.13
Provision for Aircraft Maintenance and Overhaul Cost	9,527.39	(1,240.12)	8,287.26	3,965.33	12,252.59
Aircraft Return Cost	1,281.90	(106.50)	1,175.40	951.07	2,126.47
	26,569.95	530.23	27,100.18	39,146.73	66,246.91

NOTES TO THE FINANCIAL STATEMENTS CONTD.

24. TAXATION (CONTD..)

24.2 Deferred Tax (Contd.)

Company

The rate of tax used is 24% (2021 - 24%) which is the tax rate that is expected to be applied to the temporary differences when they reverse, based on the tax laws enacted as at the reporting date. As such net deferred tax asset amounting to LKR.66,246.91 Mn as at 31 March 2022 was not recognised in the financial statements as it is not probable that the future taxable profits will be adequate to utilise the available deferred tax assets in the foreseeable future.

Deferred tax asset is not computed on tax loss carried forward at the reporting date amounting to LKR 196,637.62 Mn.

Subsidiary

Deferred tax liability has been calculated based on the future tax rates applicable for each segments which are 15% and 24% (2021 - 15% and 24%).

25. COMMITMENTS AND CONTINGENCIES

25.1 Capital Expenditure Commitments

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

	Group		Company	
	2022 LKR. Mn	2021 LKR. Mn	2022 LKR. Mn	2021 LKR. Mn
Authorised and contracted but not provided for				
Tangible	273.35	133.24	273.35	133.24
Intangible	1.71	-	1.71	-
	275.06	133.24	275.06	133.24
Authorised but not contracted for				
Tangible	1,335.42	778.42	1,335.42	767.52
Intangible	922.36	609.37	922.36	609.37
	2,257.78	1,387.79	2,257.78	1,376.89
	2,532.84	1,521.03	2,532.84	1,510.14

25. COMMITMENTS AND CONTINGENCIES (CONTD.)

25.2 Contingencies

Company

The Contingent liabilities are based on claims made of LKR. 6,259.66. Mn as at 31 March 2022 (2021: LKR. 5,575.97 Mn). The Contingent Liability includes claims made by several suppliers of aircraft parts as a result of cancellation of aircraft lease agreements amounting to LKR 2,277.76 Mn (USD 6.71 Mn and EUR 0.91 Mn), a penalty levied by an overseas tax authority pertaining to payment of airport taxes amounting to LKR 641.17 Mn, Service Tax disputes with an overseas tax authority amounting to LKR 2,740.82 Mn and employee related claims of LKR 59.86 Mn.

No provision has been made in these financial statements as the Directors do not anticipate any significant liability in respect of any contingent liabilities arising in the course of business of the Company in respect of legal actions, other claims and potential claims being made against the Company by customers, suppliers and employees.

Subsidiary

In the opinion of the Company's lawyers , there are no pending litigations against the Company, other than the several pending Labour tribunal cases that will have an impact on the reported financial results of the future operations of the Company. A sum of LKR 5.28 Mn has been deposited for these cases.

Further ,a deposit of LKR .81 Mn has been made inrelation to a tax appeal.

26. ASSETS PLEDGED

Group / Company

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

27. EVENTS OCCURRING AFTER THE REPORTING DATE

Group/ Company

There were no material events that had occurred subsequent to the reporting date that required adjustments to or disclosure in the financial statements except for the following:

27.1 Re-negotiation of short term loans

As disclosed in Note 15.2, the repayment dates of short-term facilities totaling LKR 92,556.79 Mn which have fallen due before the approval for release of these financial statements, have been extended subsequent to the reporting date along with the related treasury guarantees and comfort letters issued by the GOSL.

27.2 Fleet replacement

The GOSL by the cabinet decision dated 28 November 2022, has approved the fleet replacement exercise for no more than ten aircraft via replacement aircraft, lease extension of existing Aircraft or a combination of both.

27.3 International Bond Default

The Company did not service the coupon interest payment which fell due on 25 December 2022. This bond comes under the moratorium declared by the government on international debt repayment.

Accordingly, the Company initiated a consent solicitation process with the bondholders on 22 December 2022 to postpone the interest payment due in December 2022 and June 2023 until December 2023 and a temporary 12-month waiver of events of default which was terminated on 17 January 2023.

Following the expiry of the relevant grace period on 25 January 2023, an event of default has occurred and is continuing. The bondholders had been paid the interest which fell due in the past in full. The Company plans to engage with the bondholders, to find a balanced and equitable solution going forward.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

28. RELATED PARTY DISCLOSURES

28.1 GROUP & COMPANY

28.1.1 Transactions with Key Management Personnel (KMP)

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

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

(a) The significant transactions carried out by the KMP in the ordinary course of business during the reporting period are as follows;

	2022 LKR. Mn	2021 LKR. Mn
Short Term Benefits	208.62	215.73
Post-employment Benefits	35.66	32.36
Termination Benefits	4.96	22.46

No privilege and other firm air tickets were provided to directors during the year. Key Management Personnel and their spouses and dependent children are also entitled for free of charge air tickets on seat availability basis.

(b) KMPs of the Group holds positions in other companies, which had trading transactions with the Group during the year and which are identified below;

- ✈ Mr. Asoka Pathirage, Chairman of the Group serves in Softlogic Holding PLC and its Subsidiaries, Asiri Hospital Holding PLC and its Subsidiaries and Odel PLC and its Subsidiaries in the capacity of Chairman / Managing Director/ Director respectively. During the year Group had transactions LKR 21.75 Mn with Asiri Hospital Holding PLC and the balance outstanding as at 31 March 2022 was LKR 0.01 Mn, LKR 10.75 Mn with Softlogic Holdings PLC and the balance outstanding as at 31 March 2022 was LKR 0.80 Mn. (2020/2021 -Group had transactions LKR 19.18 Mn with related companies).
- ✈ Dr. Shridhir Sariputta Hansa Wijayasuriya a Director of the Company also serves Axiata group of companies in the Capacity of Director/ Managing Director / CEO , Dialog Broadband Network (Pvt) Ltd and Dialog Television (Pvt) Ltd subsidiaries in the capacity of a Director. During the year Group had LKR 4.56 Mn transactions with Dialog Axiata PLC and the balance outstanding as at 31 March 2022 was LKR 0.77 Mn (2020/2021 - During the year Group had transactions amounting to LKR 2.57 Mn with related Companies).
- ✈ Mr.Jayanth Perera, a director of the Company also serve the Board of Mclarens Group of Companies and During the year Group had transactions LKR 0.87 Mn with Mclarens Group of Companies and no outstanding balance as at 31 March 2022.
- ✈ Mr.Sanjaya Mohottala, a director of the Company also serves the BOI as a director. During the year Group had transactions LKR 5.94 Mn with BOI and no outstanding balance as at 31 March 2022.

28. RELATED PARTY DISCLOSURES (CONTD.)

28.1 GROUP & COMPANY (Contd.)

28.2 Group

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

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

Name of the Company	Relationship	Nature of Transactions	Transaction Amount		Receivable/(Payable) Balance	
			2022 LKR. Mn	2021 LKR. Mn	2022 LKR. Mn	2021 LKR. Mn
Ceylon Petroleum Corporation	Government owned	Fuel	(23,338.20)	(5,763.52)	(72,755.49)	(52,281.18)
		Deferred Supplier Payments	-	-	(2,727.45)	(3,528.25)
		Finance Cost on Overdue Payments	(3,523.04)	(2,941.68)	(11,567.46)	(5,405.77)
Airport and Aviation Services Ltd.	Government owned	Landing, Aero Bridge, Lounge, Rent, Franchise fees & Garbage Incineration charges , etc	(2,971.90)	(937.79)	(2,084.66)	(2,170.25)
Civil Aviation Authority	Government controlled	Licenses, permits and Levies	(4,657.97)	(466.60)	(1,607.33)	(150.72)
Mihin Lanka (Pvt) Ltd	Government owned	Warehouse Rent	0.58	0.78	1,001.90	852.18
Sri Lanka Insurance Corporation	Government owned	Insurance Services	(706.57)	(657.56)	-	-
Bank of Ceylon	Government owned	Loan	200.75	1,413.90	(45,077.51)	(34,402.50)
		Short term Deposits	-	-	2,443.58	362.76
		Interest	(3,490.51)	(3,349.14)	-	-
		Bank Overdraft	-	-	(17,129.68)	(18,810.02)
Peoples Bank	Government owned	Loan	-	1,387.50	(47,479.28)	(37,218.60)
		Short term Deposits	-	-	4.08	0.75
		Bank Overdraft	-	-	(4,394.01)	(4,307.11)
		Interest	(2,871.61)	(2,903.90)	-	-
Employees' Provident Fund	Shareholder of the Subsidiary	Preference Share Dividend	-	16.40	-	-
		Loan Interest	-	49.32	-	-
		13.01% Non-Voting Redeemable Cumulative (5 years) Preference Shares Redeemed	-	(1,000.00)	-	-

NOTES TO THE FINANCIAL STATEMENTS CONTD.

28. RELATED PARTY DISCLOSURES (CONTD.)

28.1 GROUP & COMPANY (Contd.)

28.2 Group (contd.)

As of the reporting date the Group has utilised Bank Guarantee facility of LKR 2,952.47 Mn (2021 - LKR 2,090.09 Mn) from Bank of Ceylon.

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

As at the reporting date provision for impairment relating to related parties amounted to Mn and LKR 1,230.35 Mn and LKR 1,129.89 Mn for Group and Company respectively (2021- LKR 1062.82 MN for Group and LKR 994. 31 Mn for Company).

Limited disclosures have been made applying the exemption available in LKAS 24 - 'Related Party Disclosures' for transactions with all government controlled/ related entities.

28.3 COMPANY

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

Name of the Company	Relationship	Nature of Transactions	Transaction Amount		Receivable/ (Payable) Balance	
			2022 LKR. Mn	2021 LKR. Mn	2022 LKR. Mn	2021 LKR. Mn
SriLankan Catering Limited	Subsidiary	Freight Services	94.09	97.03	-	-
		Flight Catering and Other Services	(2,439.73)	(358.79)	(9,334.39)	(6,131.68)
		Dividend	-	3,659.63	-	-
Ceylon Petroleum Corporation	Government owned	Fuel	(23,266.45)	(5,784.17)	(72,755.49)	(52,281.18)
		Deferred Supplier Payments	-	-	(2,727.45)	(3,528.25)
		Finance Cost on Overdue Payments	(3,523.04)	(2,941.68)	(11,567.46)	(5,405.77)
Airport and Aviation Services Ltd.	Government owned	Landing, Aero Bridge, Lounge, Rent, Franchise fees & Garbage Incineration charges	(2,793.54)	(821.44)	(2,231.21)	(2,175.01)
Civil Aviation Authority	Government controlled	Licences, permits and Levies	(4,657.97)	(466.60)	(1,607.33)	(150.72)
Mihin Lanka (Pvt) Ltd	Government owned	Warehouse Rent	0.58	0.78	1,001.90	852.18
Sri Lanka Insurance Corporation	Government owned	Insurance Services	(706.57)	(657.56)	-	-

Name of the Company	Relationship	Nature of Transactions	Transaction Amount		Receivable/ (Payable) Balance	
			2022 LKR. Mn	2021 LKR. Mn	2022 LKR. Mn	2021 LKR. Mn
Bank of Ceylon	Government owned	Loan	200.75	1,413.90	(45,077.51)	(34,402.50)
		Short term Deposits	-	-	2,443.58	362.76
		Interest	(3,490.51)	(3,349.14)	-	-
		Bank Overdraft	-	-	(17,129.68)	(18,810.02)
Peoples Bank	Government owned	Loan	-	1,387.50	(47,479.28)	(37,218.60)
		Short term Deposits	-	-	4.08	0.75
		Bank Overdraft	-	-	(4,394.01)	(4,307.11)
		Interest	(2,871.61)	(2,903.90)	-	-

As of the reporting date the Company has utilised Bank Guarantee facility of LKR 2,952.47 Mn (2021 - LKR 2,070.55 Mn from Bank of Ceylon).

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

As at the reporting date provision for impairment relating to related parties amounted to LKR 1,129.89 Mn (2021- LKR 994.3 Mn)

Limited disclosures have been made applying the exemption available in LKAS 24 - 'Related Party Disclosures' for transactions with all government controlled/ related entities.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise loans and borrowings, trade and other payables and other financial liabilities. The main purpose of these financial liabilities is to finance the Group's operations. The Group's financial assets comprise of trade and other receivables and cash and short-term deposits that are derived directly from its operations. The corporate management periodically reviews and updates a comprehensive risk management matrix and has identified the following financial risks that have a significant impact.

- (i) Market Risk
 - ▶ Interest rate risk
 - ▶ Currency risk
- (ii) Liquidity risk
- (iii) Credit Risk

The Group reviews its risk management policies and procedures on regular basis to reflect changes in markets and other financial risk taking activities and these are governed by appropriate policies and procedures to ensure that risks are identified, measured and managed in accordance with set policies and procedures.

(i) Market Risk

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

The Group's policy is to maintain an appropriate balance between fixed and variable rate borrowings including aircraft leasing in order to mitigate the effect of interest rate fluctuations.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

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

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on loans and borrowings. With all other variables held constant, the Group/Company loss before tax would have been affected through the impact on floating rate borrowings as follows.

	2022		2021	
	Effect on Loss before Tax		Effect on Loss before Tax	
	Group LKR. Mn.	Company LKR. Mn	Group LKR. Mn	Company LKR. Mn
Increase/(Decrease) in Interest Rate				
+10%	9,519.27	9,519.22	7,726.21	7,721.27
-10%	(9,519.27)	(9,519.22)	(7,726.21)	(7,721.27)

* Increase in interest rates result in an increase in losses

Foreign Currency Risk

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

Group manages its foreign exchange exposure by a policy of matching as far as possible, receipts and payments in each individually significant currency.

The following table demonstrates the sensitivity to a reasonably possible change in Sri Lankan Rupee (LKR) against US dollar (USD), with all other variables held constant, of the Group /Company loss before tax (due to changes in the fair value of outstanding monetary assets and liabilities recorded in statement of financial position as of the reporting date). The Group's exposure to foreign currency changes for all other currencies is not material.

	2022		2021	
	Effect on Loss before Tax		Effect on Loss before Tax	
	Group LKR. Mn.	Company LKR. Mn	Group LKR. Mn	Company LKR. Mn
Appreciation/(Depreciation) of USD against LKR				
+20%	100,236.49	102,207.54	67,546.11	69,073.70
-20%	(100,236.49)	(102,207.54)	(67,546.11)	(69,073.70)

* Appreciation of USD results in an increase in losses.

USD denominated assets and liabilities were converted to Sri Lankan Rupees at the exchange rate of LKR. 294 (2020 LKR. 200.5) as at 31 March 2022.

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

(ii) Liquidity Risk

The Liquidity Risk is the risk that the Group may not be able to meet its present and future cash obligations when they fall due. The Group monitors its risk of shortage of funds using a daily/ weekly / monthly and annual cash management and budgeting process. Group obtains multiple sources of funding from financial institutions including long term and short term loans, bank overdraft facilities, supplier financing, leases in order to mitigate the risk.

The table below summarises the maturity profile of the Group's/Company's financial liabilities based on contractual undiscounted payments.

2022	Undiscounted Contractual Cash Flows					Total	Carrying Value
	On demand	Less than three months	3 to 12 Months	2 to 5 year	More than 5 years		
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Group							
Interest Bearing Liabilities	21,523.70	33,038.27	65,847.47	56,852.25	-	177,261.69	168,134.95
Lease Liability	0.17	10,768.36	32,305.09	155,528.06	40,776.09	239,377.77	211,727.51
Aircraft Maintenance and Overhaul Cost	5,424.85	4,039.89	12,046.30	25,758.16	3,783.25	51,052.45	51,052.45
Return Cost Liability	355.76	-	1,795.08	2,405.84	4,303.62	8,860.30	8,860.30
Trade and Other Payables	-	127,379.17	-	-	-	127,379.17	127,379.17
	27,304.48	175,225.69	111,993.94	240,544.31	48,862.96	603,931.38	567,154.38
Company							
Interest Bearing Liabilities	21,523.70	33,038.27	65,847.47	56,852.25	-	177,261.69	168,134.95
Lease Liability	0.17	10,725.38	32,176.14	154,977.44	40,440.83	238,319.97	210,669.68
Aircraft Maintenance and Overhaul Cost	5,424.85	4,039.89	12,046.30	25,758.16	3,783.27	51,052.47	51,052.45
Return Cost Liability	355.76	-	1,795.08	2,405.84	4,303.62	8,860.30	8,860.30
Trade and Other Payables	-	136,407.84	-	-	-	136,407.84	136,407.84
	27,304.48	184,211.38	111,864.99	239,993.69	48,527.72	611,902.27	575,125.22

NOTES TO THE FINANCIAL STATEMENTS CONTD.

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

2021	Undiscounted Contractual Cash Flows						Total	Carrying Value
	On demand	Less than three months	3 to 12 Months	2 to 5 year	More than 5 years			
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn			
Group								
Interest Bearing Liabilities	23,117.13	3,850.13	78,382.09	35,118.14	-	140,467.49	137,631.57	
Lease Liability	12,687.23	7,059.75	22,602.74	94,343.31	64,680.85	201,373.88	161,508.46	
Provision for Aircraft Maintenance and Overhaul Cost	873.83	5,509.11	10,722.67	16,138.28	1,052.88	34,296.78	34,296.78	
Return Cost Liability	244.24	-	-	2,070.71	2,582.56	4,897.51	4,897.51	
Trade and Other Payables	-	80,855.81	-	-	-	80,855.81	80,855.81	
	36,922.43	97,274.80	111,707.50	147,670.44	68,316.29	461,891.47	419,190.13	
Company								
Interest Bearing Liabilities	23,117.13	3,849.13	78,382.09	35,118.14	-	140,466.49	137,630.57	
Lease Liability	12,687.23	7,016.37	22,467.88	93,547.80	62,053.13	197,772.41	160,673.22	
Provision for Aircraft Maintenance and Overhaul Cost	873.83	5,509.11	10,722.67	16,138.28	1,052.88	34,296.78	34,296.78	
Return Cost Liability	244.24	-	-	2,070.71	2,582.56	4,897.51	4,897.51	
Trade and Other Payables	-	86,682.07	-	-	-	86,682.07	86,682.07	
	36,922.43	103,056.68	111,572.64	146,874.93	65,688.57	464,115.26	424,180.15	

(iii) Credit Risk

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

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

Receivables and payables among major airlines are primarily settled via the IATA Clearing House. Receivables and payables are generally netted and settled on weekly intervals, which lead to a clear reduction in the risk of default. For other service relationships, collateral is required depending on the nature and scope of the services rendered. Such collaterals from debtors include bank guarantees, security deposits and other mechanisms.

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

Capital Management

Based on the factors more fully described in Note 3 to these Financial Statements, the Government of Sri Lanka has demonstrated its commitment to support the Group by providing sovereign guarantees / letters of comfort for debt financing.

30. COMPARATIVE INFORMATION

	Group			Company		
	2021	2021	2021	2021	2021	2021
	Reclassifications	Reclassified	Reclassifications	Reclassified	Reclassified	Reclassified
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
STATEMENT OF FINANCIAL POSITION						
(a) Reclassification of Return Cost and Provision for Aircraft Maintenance and Overhaul Cost						
Non-Current Liabilities						
Interest Bearing Liabilities	168,070.52	(4,653.27)	163,417.25	167,297.59	(4,653.27)	162,644.32
Other Non Current Liabilities	23,846.49	4,653.27	28,499.76	23,130.11	4,653.27	27,783.38
Current Liabilities						
Trade and Other payables	100,350.89	(17,339.08)	83,011.81	106,176.53	(17,339.08)	88,837.45
Interest Bearing Liabilities	135,733.56	(10.78)	135,722.78	135,670.25	(10.78)	135,659.47
Other Current Liabilities	-	17,349.86	17,349.86	-	17,349.86	17,349.86
		-			-	
(b) Classification of exchange loss on interest bearing liabilities						
STATEMENT OF PROFIT OR LOSS						
Finance Cost	(35,863.65)	13,334.22	(22,529.43)	(35,672.83)	13,334.22	(22,338.61)
Exchange Loss	-	(13,334.22)	(13,334.22)	-	(13,334.22)	(13,334.22)
		-			-	
STATEMENT OF CASH FLOWS						
Finance Cost	35,863.65	(13,334.22)	22,529.43	35,672.83	(13,334.22)	22,338.61
Exchange Loss	3,969.65	13,334.22	17,303.87	4,551.07	13,334.22	17,885.29
		-			-	

GLOSSARY

Available Seat Kilometres (ASK)

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

Available Tonne Kilometres (ATK)

This is the measure of transport production.

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

Revenue Passenger Kilometres (RPK)

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

Revenue Tonne Kilometres (RTK)

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

Load Factor

The percentage relationship of revenue loads to capacity provided.

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

Revenue Per RPK

The revenue per RPK relates the passenger revenue to RPK.

Unit Cost

The unit cost relates the total operating costs from airline operations excluding finance charges and withholding tax to ATK.

Overall Yield

Overall yield relates the net traffic revenue to RTK.

The net traffic revenue being the sum of the passenger, excess baggage, cargo and mail revenue from scheduled and non-scheduled services.

Breakeven Load Factor

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



TEN YEAR REVIEW

		2013	2014	2015	2016
INCOME STATEMENT					
Revenue	LKR. Mn	119,570.90	121,585.83	131,922.13	129,480.41
Operating Expenditure	LKR. Mn	146,700.24	150,389.46	145,983.35	137,311.44
Net Profit/(Loss)	LKR. Mn	(26,088.57)	(32,408.34)	(16,494.66)	(12,621.69)
BALANCE SHEET					
Share Capital / Stated Capital	LKR. Mn	32,032.75	51,617.44	51,617.44	51,617.44
Non Current Assets	LKR. Mn	23,338.28	25,212.47	22,836.77	23,548.01
Current Assets	LKR. Mn	54,905.22	37,154.23	49,721.49	26,901.02
Total Assets	LKR. Mn	78,243.50	62,366.70	72,558.26	50,449.03
Current Liabilities	LKR. Mn	71,346.64	88,609.07	103,414.31	100,334.44
YIELD/UNIT COST					
Overall Yield	LKR. tkm	74.31	77.26	80.32	79.06
Unit Cost (exc. Finance cost and WHT)	LKR. tkm	63.15	65.00	62.00	58.72
Breakeven Load Factor	%	84.98	84.13	77.18	74.27
Revenue per RPK	LKR./RPK	7.6	7.8	8.2	8.2
PRODUCTION					
Passenger Capacity	ASK Mn	15,944.31	15,780.54	16,180.27	15,790.28
Overall Capacity	ATK Mn	2,186.96	2,187.18	2,224.87	2,165.21
TRAFFIC					
Passengers carried	Nos. Thousands	4,255	4,175	4,348	4,328
Passengers carried	RPK Mn	12,968.74	12,810.95	12,963.71	12,727.66
Passenger Load Factor	%	81.34	81.18	80.12	80.60
Cargo carried	Tonnes	101,100	94,410	101,878	102,082
Cargo Load carried	RTK Mn	377.75	355.59	373.32	356.76
Overall Load carried	RTK Mn	1,513.70	1,466.74	1,519.93	1,484.77
Overall Load Factor	%	69.22	67.06	68.32	68.57
STAFF					
Average strength	Nos.	6,359	6,578	6,987	6,959
Revenue per employee	Rs.	18,803,412	18,483,708	18,881,084	18,606,181
Capacity per employee	Tonne-km	343,916	332,499	318,430	311,139
Load carried per employee	Tonne-km	238,041	222,976	217,537	213,359
FLEET					
A320-200	Nos.	8	8	6	6
A321-200	Nos.	-	-	2	2
A320 NEO	Nos.	-	-	-	-
A321 NEO	Nos.	-	-	-	-
A330-200	Nos.	7	7	7	6
A330-300	Nos.	-	-	2	7
A340-300	Nos.	6	6	4	-
Turbo Otter	Nos.	1	-	-	-
Aircraft in service at year end	Nos.	22	21	21	21
Aircraft Utilisation					
Fleet	Blk. Hrs. per day	12.82	12.76	12.90	12.02

	2017	2018	2019	2020	2021	2022
	135,491.19	161,433.87	180,340.32	180,151.02	50,693.85	132,936.23
	146,760.80	175,883.85	206,344.66	190,321.69	81,405.99	170,209.86
	(28,929.99)	(17,213.57)	(44,022.67)	(47,197.86)	(45,231.46)	(166,369.68)
	51,617.44	51,617.44	51,617.44	51,617.44	79,352.43	96,360.67
	24,660.56	37,476.46	36,596.59	150,013.50	122,471.42	122,685.52
	26,973.07	30,090.50	40,742.41	31,176.10	31,909.99	55,458.65
	51,633.63	67,566.96	77,338.99	181,189.60	154,381.41	178,144.17
	126,302.55	130,358.61	227,081.67	242,821.23	253,218.98	358,161.16
	80.08	84.24	91.32	99.03	146.86	147.08
	61.61	65.74	74.31	74.22	105.23	89.02
	76.94	78.04	81.37	74.95	71.66	60.53
	8.4	8.6	9.4	10.2	21.8	15.0
	15,608.10	18,487.54	18,925.40	18,041.41	3,816.40	10,144.12
	2,167.92	2,549.88	2,577.53	2,454.30	794.52	1,531.28
	4,446	5,839	5,663	5,256	167	1,468
	12,455.05	15,280.78	15,689.19	14,547.97	748.13	4,968.59
	79.80	82.65	82.90	80.64	19.60	48.98
	116,221	132,958	125,753	113,971	56,406	97,695
	374.46	401.66	408.71	363.31	244.93	400.16
	1,475.29	1,749.14	1,806.58	1,664.49	312.26	847.33
	68.05	68.60	70.09	67.82	39.30	55.33
	7,021	7,019	6,794	6,693	5,965	5,833
	19,297,991	22,999,555	26,544,057	26,916,333	8,498,550	22,790,370
	308,776	363,283	379,383	366,697	133,196	262,520
	210,126	249,201	265,908	248,691	52,349	145,265
	6	5	5	5	5	5
	3	3	2	2	1	1
	2	2	2	2	2	2
	-	3	4	4	4	4
	6	6	7	5	5	5
	7	7	7	7	7	7
	-	-	-	-	-	-
	-	-	-	-	-	-
	24	26	27	25	24	24
	12.44	13.25	12.60	12.18	2.98	7.21

ROUTE MAP



SriLankan Airlines now serves 112 destinations in 58 countries in Europe, the Middle East, South Asia, South East Asia, the Far East, Australia and North America



112 Destinations in 58 Countries

SriLankan Airlines brings more of the world to you



MILESTONES

2011/2012

The Company took delivery of four Airbus A320 aircraft, two Airbus A330 wide-body aircraft and one Airbus A340 wide-body aircraft under an operating lease agreement.

The Cabinet approved an equity investment of USD 500 Mn by the GoSL in order to recapitalise the Airline.



2012/2013

Commissioning of First Flight A320 Simulator in Sri Lanka for training of Airbus A320 pilots.

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

Commencing international flights from Mattala International Airport.

In May 2012, the Company entered into a financing arrangement with a syndicate of foreign banks to secure financing amounting to USD 175 Mn.



2013/2014

Commissioning of Flight Simulator for Airbus A330 pilot training. In December 2013, the Company cutover the passenger services system to Amadeus Altea.

In March 2014, the Company entered into financing arrangement with a syndicate of banks to secure a USD 150 Mn. medium-term loan.

2015/2016

The Airline was shortlisted for four prestigious titles: Best in the Region Asia and Australasia, Best inflight Publication, 'Best inflight Video' and Best Ground Experience at APEX Passenger Choice Awards 2015. This is the first time the Airline has been nominated for four categories. The Airline won superior Achievement Award for Passenger Experience in the Asia and Australasia – September 2015 APEX Portland Oregon and best full service airline, Central and South Asia – Future Travel Experience Awards Asia 2015 – Singapore.

The Company took delivery of four Brand New A330-300 aircraft in August and November and two aircraft in December 2015, as part of the wide-body aircraft re-fleeting programme.



2014/2015

The Company entered into oneworld alliances in May 2014. In June 2014, the Company for the first time issued a five-year International Bond.

The Company took delivery of three brand new A330-300 aircraft in October 2014 and March 2015 respectively as part of a wide body aircraft re-fleeting programme.



2016/2017

Induction of two A320neo aircraft in February 2017 and March 2017 – the first two A320/A321 Family New Engine Option Aircraft joined the fleet SriLankan launched services to eleven exciting new destinations.

– Lahore, Jakarta, Dhaka, Calcutta, Madurai, Varanasi, Bodhgaya, Muscat, Bahrain, Seychelles and Gan Islands. The Company was awarded "top travel award", "Best Airline in South Asia", "Best Full Services Airline in Central and South Asia" for the second consecutive year at the Future Travel Experience Asia 2016. The "Airline claimed the "Training Excellence Award" and "Best HR Strategy in line with Business" at the 7th Asia Employer Brand Awards.



2017/2018

The Company took the delivery of three brand new airbuses A321-200neo aircraft in June 2017, October 2017 and December 2017 accordingly as part of the aircraft fleet.

SriLankan, launched services to four new destinations- Melbourne, Hyderabad, Coimbatore and Visakhapatnam.

The airline received a four star rating of excellence from airline passenger experiences association (APEX) and at Future Travel Experiences Award 2017- Singapore. The Airline walked away with an award for outstanding services for the third consecutive year. The Company also won the "Innovation in commercial airlines cabins" award at the In-flight Asia Pacific Awards in Singapore -2017.

2018/2019

The Company took delivery of another brand new Airbus A321neo aircraft in July 2018, which completed the induction of the Neo fleet.

SriLankan Airlines became the world's most punctual airline in the month of September 2018 in the key categories of 'Global Airlines' and 'Major Airlines', rated by the flight data analysis company Flightstats.com.

SriLankan Airlines maintained the Airline Passenger Experiences Association (APEX) four star rating for the second consecutive year and also received several prestigious international awards. These include the World's Leading Airline to the Indian Ocean for the third consecutive year and three Golden City Gate Awards at ITB Berlin.

2019/2020

SriLankan Airlines celebrated 40 years of service in September 2019. National Carrier received the global 'Best Marketing Innovation' award from the Airline Passenger Experience Association (APEX). SriLankan also secured a Four-Star rating in the major airlines' category for the 3rd consecutive year.

SriLankan Airlines won PATA Gold award for 'Two Cities, One Spirit' campaign and another three awards in Golden City Gate awards, ITB Berlin 2019.

The Company received the First Star awards in 3 categories ("Airline International", "Music International" and "Campaign") at Golden City Gate Awards ITB - Berlin 2020.

SriLankan Airlines won the prestigious 'World's Leading Airline' and 'Asia's Leading Airline to the Indian Ocean' title at World Travel Awards Asia & Oceania.

2020/21

Awarded the Platinum Standard status by APEX Health Safety for passenger safety and wellbeing during air travel, post-COVID.

Awarded "Four Star rating for Major Official Airline" for 2021 by The Airline Passenger Experience Association (APEX), at the Future Travel Experience (FTE) Virtual Expo Award ceremony.

Cargo flights were incorporated into the schedule for the very first time, in order to support Sri Lankan exporters during the global pandemic and with a view to find alternative revenue streams in the face of declining passenger travel.

Operated special passenger flights in order to repatriate Sri Lankans stranded overseas due to border closures arising from the pandemic and special cargo flights were operated to help with the transport of urgent medical supplies.

2021/22

Awarded the Diamond Status- APEX Health and Safety Audit powered by Simplyflying 2021 and "Best in managing health at work" Asian Leadership Awards 2021 for passenger safety and wellbeing during air travel, post-Covid.

SriLankan Airlines won the prestigious World's Leading Airline to the Indian Ocean and Asia's Leading Airline to the Indian Ocean at the World Travel Awards 2021 for the consolidated presence in the South Asian region as well as the Marketing Carrier- PATA Gold Awards 2021 for the campaign, 'Say Bonjour to Paris'.

CORPORATE INFORMATION

Name of the Company

SriLankan Airlines Limited

Company Registration Number

PB 67

Legal Form

Limited Liability Company

Board of Directors

Mr. Asoka Pathirage (Chairman)

Mr. Malik J. Fernando

Dr. Shridhir Sariputta Hansa

Wijayasuriya

Mr. Joseph Micheal Jayanth Perera

Mr. Ananda Wijetilaka Atukorala

Mr. A.K.D.D.D. Arandara/Treasury

Representative

Mr. A.M.A.A. Lakmal Ratnayake

Mr. Sanjaya Mohottala (Resigned

w.e.f. 29th April 2022)

Mr. Manohara Ratnavibhushana De

Silva PC (Resigned w.e.f. 18th August

2022)

Mr. Samantha Ratwatte PC

(Resigned w.e.f. 18th August 2022)

Mr. Weerasinghe Achchige Sarath

Kumara - (Appointed w.e.f. 18th

August 2022/ Resigned w.e.f. 3rd

February 2023)

Audit Committee

Mr. Malik J. Fernando

Dr. Shridhir Sariputta Hansa

Wijayasuriya

Mr. Joseph Micheal Jayanth Perera

(Pro-tem Chairman)

Mr. A.K.D.D.D. Arandara

Board Human Resource and

Remuneration Committee

Dr. Shridhir Sariputta Hansa

Wijayasuriya (Chairman)

Mr. Malik J. Fernando

Mr. Joseph Jayanth Michael Perera

Board Enterprise Risk Committee

Mr. Joseph Micheal Jayanth Perera

(Chairman)

Mr. Malik J. Fernando

Dr. Shridhir Sariputta Hansa

Wijayasuriya

Mr. Ananda Wijetilaka Atukorala

(Observer)

Mr. A.K.D.D.D. Arandara

Company Secretary/ Group Head of Corporate Secretarial Services

Mrs. Dalrene Thirukumar (ACIS)

Bankers

Bank of Ceylon

People's Bank

Standard Chartered Bank

Citibank

Sampath Bank

Nations Trust Bank

Hatton National Bank

Commercial Bank of Ceylon

Amana Bank PLC

Cargills Bank

Auditors

Auditor General

National Audit Office

306/72

Polduwa Road

Battaramulla

Registered Office

SriLankan Airlines Limited

Airline Centre

Bandaranaike International Airport

Katunayake

Sri Lanka

Corporate Website

www.srilankan.com

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Forty Fourth Annual General Meeting of SriLankan Airlines Limited will be held on Friday, 2nd June 2023 at 3.00 p.m. at 'Mihilaka Medura' Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 7, Sri Lanka, for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors and the Financial Statements for the year ended 31 March 2022 together with the Report of the Auditors thereon.
2. To propose the following Resolution as an Ordinary Resolution for the appointment of Mr. A.W. Atukorala who has reached the age of 74 years.
"IT IS HEREBY RESOLVED that the age limit referred to in section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. A.W. Atukorala, who has reached the age of 74 years and that he shall accordingly be appointed."
3. To propose the following Resolution as an Ordinary Resolution for the re-appointment of Mr. J.M. Jayanth Perera who has reached the age of 70 years.
"IT IS HEREBY RESOLVED that the age limit referred to in section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. J.M. Jayanth Perera, who has reached the age of 70 years and that he shall accordingly be re-appointed."

The Auditor General shall audit the Organisation in terms of Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

The Annual Report of SriLankan Airlines for 2021/22, is available on the

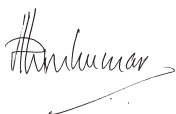
- (i) Corporate website – https://www.srilankan.com/en_uk/corporate/annual-reports
- (ii) Shareholder Community site - www.srilankan.com/shareholdercommunitysite

Members may also access the Annual Report and Financial Statements on their mobile phones by scanning the following QR code.



This report will only be available in PDF format in terms of the Public Enterprise Circular no. 04/2022 dated 8th August 2022 which requests for all State Owned Enterprises to shift to electronic communication platform and reduce paper usage as much as possible.

By Order of the Board of
Srilankan Airlines Limited



Mrs. Dalrene Thirukumar

Group Head of Corporate Secretarial Services/Company Secretary

12th May 2023
Katunayake

Notes:

1. A member is entitled to appoint a proxy to attend and vote instead of him/herself.
2. A proxy need not be a Member of the Company
3. Members are encouraged to vote by Proxy through the appointment of a member of the Board of Directors to vote on their behalf and to include their voting preferences on the resolutions to be taken up at the Meeting in the Form of Proxy.
4. To be valid, the completed Form of Proxy must be lodged at the Registered Office of the Company not later than 48 hours before the meeting.
5. A person representing a Corporate Body is required to carry a certified copy of its Board Resolution authorising him/her to act as the representative of that Corporation.
6. In the event the Company is required to take any action in relation to the Annual General Meeting due to any communications, guidelines, directives or orders issued by the Government of Sri Lanka, Notice of such action shall be given by way of publication on the Company website- www.srilankan.com/AGM, Shareholder Community site www.srilankan.com/shareholdercommunitysite and the National Newspapers.

FORM OF PROXY

SRILANKAN AIRLINES LIMITED

*I/We, of

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

- Mr. Asoka Pathirage
- Mr. Malik J. Fernando
- Dr. Shridhir Sariputta Hansa Wijayasuriya
- Mr. Joseph Jayanth Michael Perera
- Mr. Ananda Wijetilaka Atukorala
- Mr. A.K.D.D.D. Arandara/Treasury Representative
- Mr. A.M.A.A. Lakmal Ratnayake

as *my/our proxy to represent *me/us and vote for *my/our behalf at the Forty Fourth Annual General Meeting of SriLankan Airlines Limited to be held on Friday, 2nd June 2023 at 3.00 p.m. at 'Mihilaka Medura' Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 7, Sri Lanka., and at any adjournment thereof.

- | | For | Against |
|--|--------------------------|--------------------------|
| 1. To receive and consider the Annual Report of the Board of Directors and the Financial Statements for the year ended 31 March 2022 together with the Report of the Auditors thereon. | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. To propose the following Resolution as an Ordinary Resolution for the appointment of Mr. A.W. Atukorala who has reached the age of 74 years.
"IT IS HEREBY RESOLVED that the age limit referred to in section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. A.W. Atukorala, who has reached the age of 74 years and that he shall accordingly be appointed." | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. To propose the following Resolution as an Ordinary Resolution for the re-appointment of Mr. J.M. Jayanth Perera who has reached the age of 70 years.
"IT IS HEREBY RESOLVED that the age limit referred to in section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. J.M. Jayanth Perera, who has reached the age of 70 years and that he shall accordingly be re-appointed." | <input type="checkbox"/> | <input type="checkbox"/> |

The Auditor General shall audit the Organisation in terms of Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

Signed this day of.....Two Thousand and Twenty Three.

..... Signature/s

Note:

- (a) * Please delete the inappropriate word
 If no words are deleted or there is in the view of the proxy holder doubt (by reason of the way in which the instructions contained in the proxy have been completed) as to the way in which the proxy holder should vote, the proxy holder will vote as he/she thinks fit.

Instructions as to Completion:

- 1. Perfect the Form of Proxy after filling in legibly your full name and address, by signing in the space provided and filling in the date of signature.
- 2. The completed Form of Proxy must be deposited at the Registered Office, SriLankan Airlines Limited, 'Airline Centre', Bandaranaike International Airport, Katunayake not later than 3.00 p.m. 31st May 2023 being 48 hours before the time appointed for holding of the meeting.
- 3. In the case of resident/non-resident shareholders, the stamping will be attended to on return of the completed Form of Proxy to the Company.



www.srilankan.com

Airline Centre,
Bandaranaike International Airport, Katunayake, Sri Lanka.