



# ජාතික විගණන කාර්යාලය

## தேசிய கணக்காய்வு அலுவலகம்

### NATIONAL AUDIT OFFICE



මගේ අංකය  
எனது இல.  
My No.

AAV/A/AASL/FA/24/30

ඔබේ අංකය  
உமது இல.  
Your No.

දිනය  
திகதி  
Date

16 June 2025

The Chairman

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

**Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Airport and Aviation Services (Sri Lanka) (Private) Limited for the year ended 31 December 2024 in terms of Section 12 of the National Audit Act, No. 19 of 2018.**

#### 1. Financial Statements

##### 1.1 Qualified Opinion

The audit of the financial statements of the Airport and Aviation Services (Sri Lanka) (Private) Limited (AASL) for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. My report to Parliament in pursuance of provisions in Article 154(6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the basis for qualified opinion section of my report, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

## 1.2 Basis for Qualified Opinion

- (a) According to Paragraph 36 of Sri Lanka Accounting Standards (LKAS) 16 – Property, Plant and Equipment (PPE), when an item of PPE is revalued, the entire class of assets to which it belongs shall be revalued. However, the company had excluded 15 buildings valued at Rs. 212.7 million, 44 vehicles valued at Rs. 84.8 million, hangars valued at Rs.18.5 million, and plant and machinery valued at Rs. 6,900 million when revaluing the PPE.
- (b) According to Paragraph 16(b) of LKAS 16, only costs directly attributable to preparing an asset for its intended use may be capitalized. Further, Paragraph 20 of LKAS 23 requires the suspension of capitalization of borrowing costs during extended periods of inactive development. However, contrary to that the salaries of the PMU staff and loan interest amounting to Rs. 7.5 million and Rs. 43.8 million respectively, incurred during the suspended period had been capitalized under the capital work-in-progress.
- (c) Without the ownership being transferred, a sum of Rs. 671.1 million was reported as lands under Property, Plant, and Equipment in the company's financial statements for the year under review.
- (d) According to the 2023 Board of Survey report, the cost of the assets (carrying value Rs. 529.9 million) not available in the company was Rs. 1,952 million. However, no required adjustments had been made in the books of accounts of the company. As a result, the PPE shown in the financial statements had been overstated by similar amount.
- (e) The goods received during the year under review amounting to Rs. 1,403.9 million, had been erroneously shown as goods in transit, without being transferred to the relevant stock account.
- (f) Cost of the fully equipped ambulance and a garbage compactor valued at Rs. 52.1 million which were donated to AASL by the government of Japan had not been accounted as PPE under the financial statements of the Company year under review.
- (g) As per the financial statements, the fixed deposit investment was Rs. 100,970 million. However, as per bank confirmation it was Rs.100,677.3 million. Hence, there was a difference of Rs. 292.7 million between two balances and no action had been taken to reconcile the two balances.



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 Matters**

I draw attention to Note No. 30 and as per the circular dated 12/04/2022 on "Interim policy regarding the service of Sri Lanka's external public debt" issued by the Ministry of Finance, direction was given not to settle foreign loans obtained by the government entities. This adversely affected the on-going constructions of BIADP Phase II Stage 2 Project, as the contractor refused to continue the project since JICA stopped the loan disbursements with the issuance of circular.

Despite the circular issued by the Ministry of Finance, Company communicated to the Ministry of Finance that AASL has the financial capability to make loan repayments and continue the project as the company has adequate funds. Since that endorsement could not be issued due to IMF debt restructuring programme, the contractor Taisei Corporation terminated the contract with AASL, with effect from 09 December 2022.

After contract termination, AASL was authorized to fund critical protective works using its own resources until JICA funding resumes. Two contracts worth Rs. 3,677 million were awarded, with one completed and the other 73% done by the end of 2024. Termination payments to Taisei Corporation paid and unpaid amounted to JPY 444.5 million and Rs. 1,486.8 million, excluding additional running costs and financing charges to be accrued to the final claim. AASL received local materials worth Rs. 3,920 million and approved overseas stock plans worth Rs. 720 million. While the contractor may escalate disputes to a Dispute Board, no provision has been made in the 2024 financial statements for this potential liability.

After settling termination payments, the remaining JICA loan is insufficient to complete Package A, resulting to ongoing funding negotiations between JICA, the Sri Lankan Government, and AASL. An Aide-Memoire was signed on 11 November 2024 to support financing for the completion phase (Package "AI"), and Amendment No. 3 to the consultancy agreement was signed on 1 November 2024. Tendering began on 24 September 2024, extended to 25 March 2025, with bid evaluations currently in progress.

My audit opinion remains unmodified in respect of this matter.



#### **1.4 Other information included in the Company's 2024 Annual Report.**

The other information comprises the information included in the Company's 2024 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 ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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



## **1.6 Auditor's Responsibilities for the Audit of the Financial Statements Statement**

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

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

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



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

## **2. Report on Other Legal and Regulatory Requirements**

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

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

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

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

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

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

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



## Reference to Laws/ Direction

- (a) Section 11(2) of the Inland Revenue Act No. 24 of 2017
- (b) Section 2.3 and 3.1 of the Public Enterprise Circular No PED 01/2015 dated 25 May 2015 and circular No. 01/2015 (ii) dated 14 January 2022
- (c) Paragraph 2.6 (Use of e-GP Portal for “Shopping” Procedure) of circular PFD Circular No. 08/2019 and dated 17 December 2019 issued by the Ministry of Finance, Economy and Policy Development
- (d) Section 2.2.2 (b) V of the Public Enterprises Circular No. 01/2021 and dated 16<sup>th</sup> November 2021– Guideline on Corporate Governance for State Owned Enterprises
- (e) Public Enterprises Circular No. 01/2021 - and dated 16<sup>th</sup> November 2021–Operational Manual for state owned Enterprises
- (i) Section 3.2 (i)

## Non -compliance

Contrary to the provision in the Act, a capital expenditure of Rs. 1,223 million paid to the General Treasury for foreign loan repayment was deducted as an allowable expense when calculating business income.

Contrary to the circular provisions, the Board of Directors of the company had approved fuel allowances for 277 officers exceeding their entitled limits and the overpayment was Rs.67 million.

All the procurement planned to be processed by PEs under the shopping procedure should be processed through the e-GP system gradually by PEs beginning 01 January 2020. However, e-GP Portal for shopping procedure was not followed by the company yet.

The Board of Directors (BOD) ensure that appointment of Chief Executive Officer (CEO) and as per the section 2.1 of the circular, wherever the role of Chairman and CEO are combined through the relevant statute or the AOA, the relevant BOD must initiate action to split the two roles through an amendment to the statute or the AOA. However, the BOD had not initiated action to split the two roles and to appoint CEO even as at the 31 May 2025.

The Company is required to submit requests pertaining to cadres including cadre positions, Scheme of Recruitments (SOR), pay structure and allowances with Board approval



and recommendations of the Line Ministry, for the approval of the Director General of Department of Management Services. However, the Company only obtained Board approval for the SOR and the pay structure and allowances were approved by the Ministry of Finance on 1 January 2024 without full approval for SOR.

(ii) Section 3.4

The Company should include job descriptions, academic qualifications, experience, and other relevant details when formulating schemes for recruitment and promotions. However, the current SOR in use does not include job descriptions or the mode of recruitment.

(iii) Section 5.3

A significant discrepancy between the stipulated 30% profit after tax distribution to the consolidated fund, as per the PED Operational manual and the actual amount credited by the Airport and Aviation Company over the past three financial years (2022, 2023, and 2024). While the expected contribution totals Rs. 16,280,640,860, the company only paid Rs. 7,336,000,000 representing only 45% of the anticipated credit to the consolidated fund.

(iv) Section 2.1 of the Public Enterprises Circular No. PED 04/2023 dated 11 December 2023 and Section 4 of the Internal Memorandum issued by the Company

In April 2023, the Company paid a bonus advance of Rs. 178.8 million to 3,589 employees, Rs. 50,000 each, which should have been deducted from the annual bonus of Rs. 125,000 per employee at year-end, as per circulars. However, the Company paid Rs. 664.6 million as bonus for 2025 without adjusting for the advance. Further, Rs. 514.5 million was paid as leave encashment, contrary to the relevant circular.

(f) Circular No. AP/238 dated September 2023 of Airport and Aviation Services (SL) Ltd.

Despite AASL implementing measures to improve vehicle accident investigations, formal procedures were not followed for 50 accidents involving the company's vehicle fleet during 2023 and 2024.



- (g) Circular No. AP/203 dated 12 May 2015 of Airport and Aviation Services (SL) Ltd. The staff loan repayment period is 36 or 48 months. However, contrary to that loans given to 11 employees aggregating to Rs. 1,157,883 had not been recovered even though the repayment period is lapsed.

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

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

- (a) During the year, the Company planned 63 projects over Rs. 50 million each, totaling Rs. 30,495 million. Out of the 19 procurements scheduled for completion in 2024, only 4 were finalized. The remaining 15 projects, valued at Rs. 5,984 million, were still in early procurement stages, including 10 marked as urgent.

## **2.5 Other Matters**

- (a) As per the information submitted to the audit, twelve vehicles valued at Rs. 7.5 million could not be verified since vehicles were not available at the company.
- (b) Supplier advances obtained by all division and section heads should be settled before the end of each year. However, advances aggregating to Rs. 21.4 million had remained over 1 to 4 years without being settled.
- (c) A financial fraud involving Rs. 14.8 million, committed in the Airport Management Division by a Management Assistant through the misappropriation of cash collected from the issuance of entry passes, had remained without been recovered as of the date of this report.
- (d) International and domestic landing and parking trade debtors of Rs. 234.5 million and 65.1 million, rental debtors of Rs. 94.9 million, aerobridge debtors of Rs. 1.3 million, and overflying debtors of Rs. 196.9 million had remained over 1 to 5 years without being recovered.
- (e) According to the Customer Complaint Management System, the Company received 977 customer complaints in 2024, including cases of lost baggage, mishandled

baggage, and damaged baggage. However, no preventive actions had not taken to resolve the the issues fully.

- (f) Approval was given to allocate alternative land for the Akuregoda site and to provide Rs. 161 million for establishing a new high-frequency transmission center. However, the ownership of the land allocated from the Seetha Eliya Kandapola forest had not been transferred to the company, and no action had been taken to obtain the funds.
- (g) The Company entered into agreements with six associations/ companies for taxi services in 1983 and extended the contract periods by the Board of Directors until February 2026. However, due to breaches of two agreements by the company between 1 February 1995 and 8 February 1996, the Company had paid a sum of Rs. 23.4 million as compensation to the respective parties as of 29 May 2025.
- (h) A difference of Rs. 4,697.1 million was identified between the Embarkation Levy payables recorded by the Authority and the receivables reported by Airport and Aviation Services Sri Lanka Limited (AASL). However, no action had been taken to reconcile the two balances.
- (i) The cost incurred for the construction of the Mattala Airport Security Building Complex during the year 2013 and 2014 was Rs. 18,744,398 and the construction works remained incomplete even as at the end of the year under review.
- (j) Since the company formation in 1983 until 31 December 2024, the Company had invested a sum of Rs. 105,517 million on Property, Plant, and Equipment, excluding lands and assets at Mattala for airport infrastructure development as a statutory service provider, without obtaining concurrence from the Civil Aviation Authority of Sri Lanka.
- (k) According to the Cabinet decision No.අමප/23/0154/604/014 dated 07 February 2023, company required to sign a MOU with the Government of Sri Lanka (GOSL) and adjust the books of accounts about the foreign loan amounting to Rs.30,423 million equivalent to US\$ 102.4 million shown in the financial statements. And it is also required to remit debt servicing instalments to the General Treasury. However, the company had failed to sign the MOU and adjust the books of accounts and remit loan instalments to the General Treasury.



- (l) The operating cost and the operating income of the Mattala Rajapaksa International Airport (MRIA) for the year under review was Rs. 3,600.8 million and Rs. 242.2 million respectively, while the operating loss and net loss after tax was Rs. 3,358.6 million and Rs. 879.7 million respectively. The cumulative net losses as at the end of the year under review was Rs. 39,369 million. Although the expected annual passenger movement was one million, only 321,577 passengers were recorded over six years. A sum of Rs. 36,564 million (USD 247.7 million) investment had not been effectively utilized, and AASL continues to pay Rs. 2,053 million annually in interest on the foreign loan used for construction.

(m) **Phase II Step 2 of the Bandaranaike International Airport Development Project (BIADP)**

Initially, in year 2009 the project it is expected to expand the passenger movement capacity from 6 to 12 million. Accordingly, a sum of Rs. 344.5 million had incurred as consultancy expenses on designing works. Subsequently, the passenger movement capacity had been changed from 6 to 15 million through infrastructure upgrades and improved connectivity. As a result, the consultancy expenses incurred amounting to Rs. 344.5 million had resulted uneconomic, since the plan designed for the earlier passenger movement could not be used for the revised passenger movement capacity.

Under the JICA funding arrangements and the loans agreements of 2012 and 2016 the total fund of the project was JPY 74,397 million and only JPY 26,862.5 million had been used by 31 December 2024. Due to underutilization, Sri Lanka incurred JPY 247.9 million in commitment fees and JPY 35.7 million in interest. Loan repayments began on 16 March 2022.

A new consultancy agreement was signed on 3 March 2014, with a Japanese joint venture firm and amended in year 2016, 2023, and 2024 to meet AASL's updated requirements, extending the contract to July 2028. The total consultancy cost was set at USD 1.48 million, JPY 3,425.5 million, and Rs. 1,731.8 million. By 31 March 2025, AASL had paid a sum of Rs. 4,563.4 million, equivalent to JPY 2,772.4 million, for planning and consultancy services.

Construction works was divided into two packages namely A and B. Package B included a remote apron and taxiways to expand aircraft parking bays from 25 to 48. Although the work was scheduled to complete by October 2019, the actually completed in January 2022 at a cost of Rs. 8,448.6 million. However, 5 bays were



blocked due to ongoing work, and 14 bays were deemed optimal use. Despite an agreement signed in February 2024 to re-mark the bays, no progress had been made as of May 5, 2025.

Under Package A, the Passenger Terminal Building & Associated Works contract was awarded to Taisei Corporation on 4 March 2020 at a contract amount of Rs. 105,569.7 million (JPY 41,553.9 million and Rs. 35,135.8 million). The project was scheduled to be completed by 14 December 2023. However, the construction work was suspended on 9 December 2022, after JICA stopped the funding due to a Ministry of Finance circular on foreign debt. At the time of suspension, the total payment made to the contractor was Rs. 37,311.3 million and the actual work completed was only 5.44% when compared with the planned 30%. Materials worth Rs. 1,995 million, including expired items, were stored in private warehouses, which incurred Rs. 60.3 million in rent by the end of 2024, with further rental costs expected until work resumes. The commitment charges and project administration expenses of Rs. 133.3 million incurred during the suspension period of the Construction of Passenger Terminal Building-II and associated works were uneconomical.

Two contracts valued Rs. 3,732.9 million were signed with a private company for protective works and essential activities, with Rs. 1,328.7 million paid by the end of 2024. The cumulative work-in-progress under Package A stood at Rs. 38,640 million, while total expenses, including consultancy and project management salaries, amounted to Rs. 43,735.7 million. To restart the project, tenders were re-invited between September and December 2024, with the bid submission deadline extended twice to March 25, 2025. As at that date, the bid evaluation process was in progress.

  
G.H.D. Dharmapala  
Auditor General (Actg)



**AIRPORT AND AVIATION SERVICES (SRI LANKA) (PRIVATE) LIMITED**

**FINANCIAL STATEMENTS  
31 DECEMBER 2024**



**AIRPORT AND AVIATION SERVICES (SRI LANKA) (PRIVATE) LIMITED**

**FINANCIAL STATEMENTS - 31 DECEMBER 2024**

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**AIRPORT & AVIATION SERVICES (SRI LANKA) (PRIVATE) LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME**

(All amounts in Sri Lankan Rupees)

	Note	Year ended 31 December	
		2024	2023
Revenue	5	43,750,204,235	38,245,784,487
Other Income	6	147,125,607	130,045,148
		43,897,329,842	38,375,829,636
Administration and Establishment Expenses	7	(24,317,232,283)	(19,061,158,765)
<b>Operating Profit</b>		19,580,097,559	19,314,670,871
Finance Income		7,742,971,965	10,428,195,594
Finance Cost		1,348,014,727	3,896,212,133
Net Finance Income / (Cost)	8	9,090,986,693	14,324,407,728
<b>Profit Before Tax</b>		28,671,084,252	33,639,078,598
Income Tax Expenses	9	(7,563,533,219)	(5,517,423,668)
<b>Profit for the Year</b>		21,107,551,033	28,121,654,931
Basic Earning Per Share	10	105,537	140,607
<b>Other Comprehensive Income</b>			
(Loss)/Gain Arising From Changes In Assumptions on Computing Retirement Benefit Obligations	23	(1,584,154,286)	(296,536,179)
Deferred Tax on Actuarial Loss	13	475,246,286	88,960,854
FA Revaluation Reserve	19	3,887,322,433	-
<b>Total Other Comprehensive Income</b>		2,778,414,433	(207,575,325)
<b>Total Comprehensive Income for the Year</b>		23,885,965,466	27,914,079,606

The notes on pages 5 to 33 form an integral part of these financial statements.



**AIRPORT & AVIATION SERVICES (SRI LANKA) (PRIVATE) LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
(All amounts in Sri Lankan Rupees)

	Note	As at December 31	
		2024	2023
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, Plant and Equipment	11	46,691,988,899	36,177,294,374
Investment Properties	11	4,350,666,207	3,927,460,603
Right of Use Assets	11	4,108,917	-
Capital Work in Progress	11	49,646,447,011	38,443,670,909
Intangible Assets	12	118,145,699	162,669,883
Deferred Tax Assets	13	3,511,980,247	3,509,712,949
		<u>104,323,336,980</u>	<u>82,220,808,717</u>
<b>Long Term Investments</b>			
Long Term loans		9,188,500	10,388,500
Long Term Debenture Investments	14.1	1,754,300,000	2,199,300,000
Long Term Bank Deposits	14.2	5,141,085,264	-
Loans Granted to Company Staff	16.1	124,009,193	102,362,282
		<u>7,028,582,957</u>	<u>2,312,050,782</u>
<b>Current Assets</b>			
Inventories	15	1,926,917,609	3,509,400,475
Trade and Other Receivables	16	10,710,000,768	11,815,955,294
Short Term Debenture Investments	14.1	445,000,000	800,000,000
Short Term Bank Deposits	14.2	93,427,415,884	87,716,805,396
Cash and Cash Equivalents	17	4,519,586,238	3,171,397,540
		<u>111,028,920,500</u>	<u>107,013,558,705</u>
<b>Total Assets</b>		<u><b>222,380,840,436</b></u>	<u><b>191,546,418,204</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Stated Capital	18	20,000,200	20,000,200
Reserves	19	10,864,853,399	6,846,530,966
Retained Earnings	20	79,408,637,223	60,744,660,339
		<u>90,293,490,821</u>	<u>67,611,191,506</u>
<b>Non-Current Liabilities</b>			
Borrowings	21	71,031,712,452	69,992,369,357
Lease liabilities	11	8,422,060	-
Debentures	22	4,000,000,000	4,000,000,000
Retirement Benefit Obligation	23	9,365,305,451	6,993,907,655
Deferred Tax Liability	13	10,439,696,649	9,211,489,732
Deferred Government Grants	24	1,240,393,529	1,312,017,220
		<u>96,085,530,141</u>	<u>91,509,783,963</u>
<b>Current Liabilities</b>			
Trade and Other Payables	25	8,949,384,603	10,405,420,689
Borrowings	21	24,775,111,060	19,922,064,751
Lease liabilities	11	454,087	-
Deferred Government Grants	24	73,490,290	73,794,595
Income Tax Payable	26	2,203,379,433	2,024,162,700
		<u>36,001,819,474</u>	<u>32,425,442,734</u>
<b>Total Liabilities</b>		<u><b>132,087,349,615</b></u>	<u><b>123,935,226,697</b></u>
<b>Total Equity and Liabilities</b>		<u><b>222,380,840,436</b></u>	<u><b>191,546,418,204</b></u>

The Board of Directors are responsible for the preparation and presentation of these Financial Statements. These Financial Statements were authorised by the Board of Directors on 28th May 2025.

Chairman

Director

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

Head of Finance



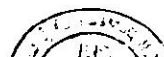
**AIRPORT & AVIATION SERVICES (SRI LANKA) (PRIVATE) LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
(All amounts in Sri Lankan Rupees)

	Note	Stated Capital	Other Reserves	Retained Earnings	Total
Balance at 1 January 2023		20,000,200	6,848,033,247	38,389,121,466	45,257,154,914
Prior Year Adjustments		-	-	(60,043,013)	(60,043,013)
Profit for the Year		-	-	28,121,654,931	28,121,654,931
<b>Other Comprehensive Income</b>					
Actuarial Loss on Post Employment Benefit Obligations		-	-	(296,536,179)	(296,536,179)
Deferred Tax on Actuarial Gain		-	-	88,960,854	88,960,854
<b>Other Comprehensive Income</b>		-	-	(207,575,325)	(207,575,325)
<b>Total Comprehensive Income</b>		-	-	27,914,079,606	27,914,079,606
Dividend Paid	28	-	-	(5,500,000,000)	(5,500,000,000)
FA Revaluation Reserve		-	(5,612,281)	5,612,281	-
Transfer to Reserve Account		-	4,110,000	(4,110,000)	-
Balance at 31 December 2023		20,000,200	6,846,530,966	60,744,660,339	67,611,191,508
Balance at 1 January 2024		20,000,200	6,846,530,966	60,744,660,339	67,611,191,508
Prior Year Adjustments	29	-	-	82,333,851	82,333,851
Profit for the Year		-	-	21,107,551,033	21,107,551,033
<b>Other Comprehensive Income</b>					
Actuarial Loss on Post Employment Benefit Obligations		-	-	(1,584,154,286)	(1,584,154,286)
Deferred Tax on Actuarial Gain		-	-	475,246,286	475,246,286
<b>Other Comprehensive Income</b>		-	-	(1,108,908,000)	(1,108,908,000)
<b>Total Comprehensive Income</b>		-	-	19,998,643,033	19,998,643,033
Dividend Paid	28	-	-	(1,286,000,000)	(1,286,000,000)
FA Revaluation Reserve		-	3,887,322,433		3,887,322,433
Transfer to Reserve Account		-	131,000,000	(131,000,000)	-
Balance at 31 December 2024		20,000,200	10,864,853,399	79,408,637,223	90,293,490,822



**AIRPORT & AVIATION SERVICES (SRI LANKA) (PRIVATE) LIMITED**  
**STATEMENT OF CASH FLOWS**  
(All amounts in Sri Lankan Rupees)

	Note	Year ended 31 December	
		2024	2023
<b>Cash Flows from Operating Activities</b>			
Profit Before Income Tax Expenses		28,671,084,252	33,639,078,598
Adjustment for :			
Depreciation	11	3,789,060,472	2,112,941,365
Amortization of Intangible Assets	12	44,574,911	8,301,847
Adjustments for PPE Transfers	11	4,477,356,408	1,065,965,556
Demolization of Assets	11	-	6,610,000
Assets Written Off / Disposals /Donations	11	-	27,482,546
Exchange (Gain) / Loss on Loans Conversion	8	(13,266,244,433)	(15,204,613,135)
Exchange (Gain) / Loss on Fixed Deposits Conversion	8	8,835,297,942	8,467,336,122
Income from Investment	8	(7,495,522,963)	(10,366,420,837)
Loss/(Profit) on Sales of Property, Plant and Equipment		1,157,767	-
Prior Year Adjustments	11,20,21,26	245,174,814	(60,043,013)
Amortization/Receipt of Deferred Government Grants	24	(73,927,995)	(77,600,562)
Adjustments for Staff Loan interest		(8,037,658)	-
Finance Cost	8	2,515,661,418	2,225,201,499
Provision for Retirement Benefit Plan	23	1,459,477,173	1,395,653,571
Operating Profit Before Working Capital Changes		29,195,112,106	23,239,893,558
(Increase)/ Decrease in Inventories		1,582,482,866	(1,263,036,556)
(Increase)/ Decrease in Trade and Other Receivables		(1,808,728,485)	(1,186,127,444)
Increase/ (Decrease) in Trade and Other Payables		(3,180,194,511)	1,733,350,107
Cash Generated From Operations		25,788,671,976	22,524,079,664
Defined Benefit Plan Costs Paid	23	(672,233,663)	(575,627,437)
Interest Paid		(790,737,613)	(1,503,215,684)
Income Tax Paid	26	(5,933,212,438)	(3,771,513,797)
<b>Net Cash Generated from Operating Activities</b>		<b>18,392,488,261</b>	<b>16,673,722,746</b>
<b>Cash Flows From Investing Activities</b>			
Acquisition of Property, Plant and Equipment	11	(26,513,468,465)	(4,876,794,714)
Acquisition of Intangible Assets	12	(50,727)	(155,040,414)
Net Withdrawals in Debentures	14	800,000,000	299,000,000
Net (Investments) in Bank Deposits		(19,686,993,694)	(11,195,812,812)
Loan Recovered from Sport Club		1,200,000	1,200,000
Interest Received		10,384,007,557	8,470,891,677
Staff Loans Granted		(98,000,000)	(126,536,520)
Staff Loans Receipt		110,589,164	92,513,023
<b>Net Cash generated from Investing Activities</b>		<b>(35,002,716,165)</b>	<b>(7,490,579,760)</b>
<b>Cash Flows from Financing Activities</b>			
Payment of lease liabilities	11	(993,600)	-
Dividend Paid	28	(1,286,000,000)	(5,500,000,000)
Loan Receipt	21	20,468,769,311	321,109,644
Loan Repayment (Foreign)	21	(1,223,359,109)	(1,475,191,088)
<b>Net Cash (Used in)/Generated from Financing Activities</b>		<b>17,958,416,602</b>	<b>(6,654,081,444)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>1,348,188,699</b>	<b>2,529,061,545</b>
<b>Cash and Cash Equivalents at the Beginning of the Year</b>	17	<b>3,171,397,540</b>	<b>642,335,995</b>
<b>Cash and Cash Equivalents at the End of the Year</b>	17	<b>4,519,586,238</b>	<b>3,171,397,540</b>





**AIRPORT & AVIATION SERVICES (SRI LANKA) (PRIVATE) LIMITED**  
**Notes to the Financial Statements**

**1 Corporate Information**

**1.1 General**

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

**1.2 Principal Activities and Nature of Operations**

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

**1.3 Date of Authorization for Issue**

The financial statements of Airport and Aviation Services (Sri Lanka) (Private) Limited for the year ended 31 December 2024 were authorised for issue in accordance with a resolution of the Board of Directors on 28th May 2025.

**2 Summary of Significant Accounting Policies**

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

**2.1 Basis of Preparation**

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

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

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

**2.1.1 Amalgamation**

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

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

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

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

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

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



## **AIRPORT & AVIATION SERVICES (SRI LANKA) (PRIVATE) LIMITED**

### **Notes to the Financial Statements (Contd)**

#### **2.1.2 Statement of Compliance**

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

The statement of financial position, statements of comprehensive income, changes in equity and cash flows, together with accounting policies and notes, ("Financial Statements") of the Company as at 31 December 2024 and for the year then ended together with the comparative information are comply with the Sri Lanka Accounting Standards (SLFRS/LKAS) laid down by The Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act. These Standards are listed at [www.casrilanka.com](http://www.casrilanka.com).

#### **2.1.3 Comparative Information**

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

#### **2.1.4 Basis of Measurement**

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

Short-term investments classified under Amortized Cost are initially recognized at fair value plus transaction costs, if any. They are subsequently measured using the effective interest rate (EIR) method.

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

#### **2.1.5 Functional and Presentation Currency**

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

#### **2.1.6 Presentation of Financial Statements**

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

#### **2.1.7 Materiality and Aggregation**

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

#### **2.1.8 Use of Judgments and Estimates**

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





**AIRPORT & AVIATION SERVICES (SRI LANKA) (PRIVATE) LIMITED**  
**Notes to the Financial Statements (Contd)**

**2.1.9 Going Concern**

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

**2.1.10 Financial Instruments**

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

**2.1.11 Deferred Tax Assets**

Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that future taxable profits will be available against which such tax losses can be utilised. Assumptions are made to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies.

**2.1.12 Fair Value Measurement**

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

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

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

**2.1.13 Changes in Accounting Policy and Disclosures**

***New and amended standards and interpretations***

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

The new and amended standards and interpretations are disclosed below.

***Classification of Liabilities as Current or Non-current - Amendment to LKAS 1***

Amendments to LKAS 1 relate to classification of liabilities with covenants as current or non-current. The amendments clarify that if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants only at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. The requirements apply only to liabilities arising from loan arrangements

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

***Lease Liability in a Sale and Leaseback - Amendment to SLFRS 16***

The amendments to SLFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. A seller-lessee applies the amendment retrospectively in accordance with LKAS 8 to sale and leaseback transactions entered into after the date of initial application.

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



**AIRPORT & AVIATION SERVICES (SRI LANKA) (PRIVATE) LIMITED**  
**Notes to the Financial Statements (Contd)**

***Disclosures: Supplier Finance Arrangements - Amendments to LKAS 7 and SLFRS 7***

The amendments clarify the characteristics of supplier finance arrangements and require an entity to provide information about the impact of supplier finance arrangements on liabilities and cash flows, including terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those arrangements.

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

***International Tax Reform—Pillar Two Model Rule - Amendments to LKAS 12***

The amendments to LKAS 12 introduce a mandatory exception in LKAS 12 from recognising and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. An entity is required to disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

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

**2.2 Foreign Currency Translation**

***Transactions and Balances***

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

At the end of each reporting period

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

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

**2.3 Current and Deferred Income Tax**

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

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

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

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





**AIRPORT & AVIATION SERVICES (SRI LANKA) (PRIVATE) LIMITED**  
**Notes to the Financial Statements (Contd)**

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

**2.4 Inventories**

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

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

The cost incurred in bringing inventories to its present location and conditions are accounted using the weighted average basis other than fuel which is valued at First-in, First-out (FIFO) basis.

**2.5 Trade and Other Receivables**

Trade receivables are amounts due from customers for services performed in the ordinary course of business.

Collection is expected in the normal operating cycle of the business, and they are classified as current assets. Trade receivables are recognized initially at their transaction price unless they contain significant financing components, in which case they are recognized at fair value. AASL holds trade receivables with the objective of collecting contractual cash flows and, therefore, subsequently measures them at amortized cost using the effective interest method.

Other receivables generally arise from transactions outside the usual operating activities of the AASL

**2.6 Cash and Cash Equivalents**

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

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

**2.7 Property, Plant and Equipment**

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

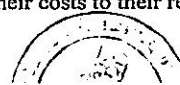
The cost of self-constructed assets includes the cost of materials, direct labor and an appropriate proportion of production overheads.

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

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

The Company applies the cost model for all classes of Property, Plant and Equipment, except for Land & Buildings and Motor vehicles, which are measured using the revaluation model after initial recognition. Under the revaluation model, Land & Buildings and Motor vehicles are carried at their revalued amounts, representing fair value at the date of revaluation, less any subsequent accumulated depreciation (in the case of buildings and Motor vehicles) and any accumulated impairment losses incurred after the date of valuation. To ensure that the carrying amounts reflect fair value, the Company conducts revaluations of Land & Buildings and Motor Vehicles at least once every ten years, or more frequently if there is a significant difference between the fair value and carrying amount as at the reporting date.

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



## AIRPORT & AVIATION SERVICES (SRI LANKA) (PRIVATE) LIMITED

### Notes to the Financial Statements (Contd)

The useful lives of the assets are estimated as follows:

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

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

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

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

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

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

#### Impairment of property, plant and equipment

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

#### 2.7.1 Investment Properties

Investment properties are recognized at cost, including directly attributable transaction costs. Subsequent to initial recognition, they are measured using the Cost Model, carried at cost less accumulated depreciation and impairment losses.

#### 2.7.2 Right of use assets

Entity recognizes right of use assets when the underlying asset is available for use. Right of use assets are measured at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognized. the recognized right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term.

#### 2.8 Intangible assets

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

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

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

#### 2.9 Stated Capital





**AIRPORT & AVIATION SERVICES (SRI LANKA) (PRIVATE) LIMITED**  
**Notes to the Financial Statements (Contd)**

**2.10 Trade Payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

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

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

**2.11 Borrowings**

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

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

**2.12 Borrowing Costs**

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

**2.13 Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

**2.14 Retirement Benefit Obligations**

**(a) Defined Benefit Plan**

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



**AIRPORT & AVIATION SERVICES (SRI LANKA) (PRIVATE) LIMITED**  
**Notes to the Financial Statements (Contd)**

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

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the actuarial valuation. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

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

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

**(b) Defined Contribution Plans**

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

**2.15 Grants and Subsidies**

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

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

**2.16 Impairment of Non-Financial Assets**

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

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

**2.17 Financial Assets**

**2.17.1 Classification**

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



**AIRPORT & AVIATION SERVICES (SRI LANKA) (PRIVATE) LIMITED**  
**Notes to the Financial Statements (Contd)**

*(a) Amortised Cost*

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

*(b) Fair Value through Other Comprehensive Income*

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

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

*(c) Fair Value through Profit or Loss*

Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income (FVOCI) are measured at fair value through profit or loss (FVPL)

**2.17.2 Recognition and Measurement**

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

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

Dividend income from financial assets at fair value through profit or loss is recognized in the Statement of

Comprehensive Income as part of other income when the company's right to receive payments is established.

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

**2.18 Offsetting Financial Instruments**

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





**AIRPORT & AVIATION SERVICES (SRI LANKA) (PRIVATE) LIMITED**  
**Notes to the Financial Statements (Contd)**

**2.19 Impairment of Financial Assets**

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

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

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

**2.20 Financial Liabilities**

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

**2.21 Revenue Recognition**

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

*(a) Rendering of Services*

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

*(b) Interest*

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

*(c) Rental Income*

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

*(d) Franchise Fee and Concessions*

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

*(e) Landing & Parking Income International / Domestic*

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



**AIRPORT & AVIATION SERVICES (SRI LANKA) (PRIVATE) LIMITED**  
**Notes to the Financial Statements (Contd)**

*(f) Overflying Income*

Overflying income is calculated based on the MTOW of aircraft and the distance flown recognised on an accrual basis. Company is liable to pay 40% of collection on overflying Income to General Treasury with effect from 16.03.2023

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

*(h) Embarkation Levy*

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

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

Revenue is collected and recognised on cash basis

*(j) Others*

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

Incinerator income is recognised on accrual basis.

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

**3 Financial Risk Management**

**3.1 Financial Risk Factors**

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

*(a) Market Risk*

*(i) Foreign Exchange Risk*

The company is sensitive to the fluctuations in exchange rates and is principally exposed to fluctuations in the value of the Sri Lanka Rupee (LKR) against the United States Dollar (USD), Euro, and Japanese Yen. The company's functional currency is LKR in which most of the transactions are denominated, and most of other currencies are considered foreign currencies for loan repayment purposes. Certain trade and other receivables and trade and other payables are denominated in foreign currencies.

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

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



**AIRPORT & AVIATION SERVICES (SRI LANKA) (PRIVATE) LIMITED**  
**Notes to the Financial Statements (Contd)**

**Sensitivity of the exchange rate of USD against LKR**

	<b>2024</b>	<b>2023</b>
	<b>Increase/ (Decrease)</b>	<b>Increase/ (Decrease)</b>
	<b>in profit (LKR)</b>	<b>in profit (LKR)</b>
10 % appreciation/ depreciation (2023 - 10%) of the USD	418,993,543	565,034,429
15 % appreciation/ depreciation (2023 - 15%) of the USD	628,490,315	847,551,643
20 % appreciation/ depreciation (2023 - 20%) of the USD	837,987,086	1,130,068,857

**Sensitivity of the exchange rate of Euro against LKR**

	<b>2024</b>	<b>2023</b>
	<b>Increase/ (Decrease)</b>	<b>Increase/ (Decrease)</b>
	<b>in profit (LKR)</b>	<b>in profit (LKR)</b>
10 % appreciation/ depreciation (2023 - 10%) of the Euro	312,182	696,484
15 % appreciation/ depreciation (2023 - 15%) of the Euro	468,274	1,044,726
20 % appreciation/ depreciation (2023 - 20%) of the Euro	624,365	1,392,968

**Sensitivity of the exchange rate of Japanese Yen against LKR**

	<b>2024</b>	<b>2023</b>
	<b>Increase/ (Decrease)</b>	<b>Increase/ (Decrease)</b>
	<b>in profit (LKR)</b>	<b>in profit (LKR)</b>
10 % appreciation/ depreciation (2023 - 10%) of the Yen	907,318,718	954,730,401
15 % appreciation/ depreciation (2023 - 15%) of the Yen	1,360,978,077	1,432,095,602
20 % appreciation/ depreciation (2023 - 20%) of the Yen	1,814,637,436	1,909,460,803

**(ii) Cash flow and fair value interest rate risk**

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

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

**(b) Credit risk**

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

**(c) Liquidity risk**

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

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





**AIRPORT & AVIATION SERVICES (SRI LANKA) (PRIVATE) LIMITED**  
**Notes to the Financial Statements (Contd)**

**3.2 Capital Risk Management**

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

The gearing ratio as at 31 December 2024 and 31 December 2023 were as follows:

	Company	
	2024	2023
Total Debt (Note 21 & Note 22)	99,806,823,512	93,914,434,108
Less: Cash and Cash Equivalents (Note 17)	(4,519,586,238)	(3,171,397,540)
Less: Short Term Debenture Investments (Note 14.1)	(445,000,000)	(800,000,000)
Less: Short Term Bank Deposits (Note 14.2)	(93,427,415,884)	(87,716,805,396)
Net Debt	1,414,821,390	2,226,231,172
Total Equity	90,293,490,822	67,611,191,508
Total Capital	91,708,312,211	69,837,422,679
Gearing Ratio	2%	3%

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

**3.3 Fair Value Estimation**

The Company had no financial instruments measured at fair value.

**4 Critical Accounting Estimates and Judgments**

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

**Critical Accounting Estimates and Assumptions**

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

**(a) Defined Benefit Plan - Gratuity**

The present value of the defined benefit plan depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for defined benefit plan include the discount rate. Any changes in these assumptions will impact the carrying amount of defined benefit plan. The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit obligations. Other key assumptions for defined benefit plan are based in part on current market conditions. Additional information is disclosed in Note 23.



**AIRPORT & AVIATION SERVICES (SRI LANKA) (PRIVATE) LIMITED**  
**Notes to the Financial Statements (Contd)**

(b) *Provisions*

The Company recognizes provisions when it has a present legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. The recording of provisions requires the application of judgments about the ultimate resolution of these obligations. As a result, provisions are reviewed at each Statement of Financial Position date and adjusted to reflect the company's current best estimate.

**5 Revenue**

	2024	2023
Aeronautical	7,767,625,053	7,575,143,036
Non-Aeronautical	35,982,579,182	30,670,641,452
	<b>43,750,204,235</b>	<b>38,245,784,487</b>
<b>Aeronautical Revenue</b>		
Landing & Parking Income	4,685,661,143	4,543,507,581
Overflying Income	3,320,426,705	2,991,964,311
- 40% Contribution on overflying revenue to Treasury	(1,229,060,261)	(877,398,950)
Aerobridge Income	972,658,608	895,530,276
Domestic Landing & Parking Income	17,938,858	21,539,818
	<b>7,767,625,053</b>	<b>7,575,143,036</b>
<b>Non-Aeronautical Revenue</b>		
Embarkation Levy	8,721,057,950	8,648,651,187
Concession	12,959,625,830	11,489,266,114
Rental	7,857,351,225	5,168,896,420
Entry Permits	877,997,880	812,886,979
Fuel Throughput Chargers	294,718,859	256,201,035
Franchise Fee on Ground Handling - SLA	1,312,216,802	1,420,987,416
Franchise Fee - SLCS	773,381,475	786,139,193
Parking Fees - Vehicles	326,131,964	210,648,560
Domestic Ground Handling CIAR / BIA	9,770,084	9,305,834
Other Non-Aeronautical Income	1,710,603,809	991,037,548
Gross Profit from Lounges	1,139,723,303	876,621,167
	<b>35,982,579,182</b>	<b>30,670,641,452</b>
<b>Total Aeronautical and Non-Aeronautical Revenue</b>	<b>43,750,204,235</b>	<b>38,245,784,488</b>

**6 Other Income**

	2024	2023
Amortization of Government Grants	73,927,995	53,963,608
Operating Profit from Fuel Filling Station (Note 6.1)	73,197,612	76,081,540
	<b>147,125,607</b>	<b>130,045,148</b>

**6.1 Operating Profit from Fuel Filling Station**

	2024	2023
Sales	2,531,840,644	2,833,249,661
Less: Cost of Sales	(2,458,643,032)	(2,757,168,121)
Gross Profit	<b>73,197,612</b>	<b>76,081,540</b>



**AIRPORT & AVIATION SERVICES (SRI LANKA) (PRIVATE) LIMITED**  
**Notes to the Financial Statements (Contd)**

**7 Administration and Establishment Expenses**

	2024	2023
Directors' Emoluments	12,310,349	12,434,946
Staff Cost	10,072,258,508	7,467,364,871
Defined Contribution Plan Costs	1,236,872,476	898,677,674
Defined Benefit Plan Costs	1,459,477,173	1,395,653,571
Bonus	664,670,021	383,461,779
Overtime	848,490,802	832,373,375
Auditor's Remuneration	1,850,000	1,254,000
Depreciation (Note 11)	3,789,060,472	2,112,941,365
Amortization (Note 12)	44,574,911	8,301,847
Provision for Debtors Impairment	209,501,156	111,730,643
Repair and Maintenance	1,573,885,418	1,880,496,451
Electricity Expenses	1,992,918,323	1,967,195,344
Legal Fees	5,014,480	2,512,620
Donations	2,350,000	228,000
Other Expenses	2,403,998,194	1,986,532,279
	<b>24,317,232,283</b>	<b>19,061,158,765</b>

**8 Net Finance Income/(Cost)**

	2024	2023
<b>8.1 Finance Income</b>		
Interest on Treasury Bills/Bonds under Repurchase Agreements	29,134,176	131,812,265
Interest on USD Bank Account	5,454,882	2,650,951
Interest on USD Fixed Deposits	6,523,623,592	7,824,771,732
Interest on Rupee Fixed Deposits	489,588,519	1,888,563,833
Interest on Debenture Investments	447,721,794	518,622,056
Interest on Loan Sports Club	322,212	322,212
Interest on Staff Loans	988,983	7,860,783
Interest on Security Deposits	3,691,673	1,872,563
Default Interest Income	239,491,431	68,336,471
IFRS Interest on Staff Loans	2,954,702	(16,617,272)
	<b>7,742,971,965</b>	<b>10,428,195,594</b>

**8.2 Finance Cost**

	2024	2023
Loan Interest	(2,515,661,418)	(2,225,201,499)
Net Foreign Exchange (Loss)/Gain on Transactions	(234,477,391)	(161,712,314)
Exchange Gain / (Loss) on Loans Conversion	13,266,244,433	15,204,613,135
Exchange (Loss) / Gain on Fixed Deposits Conversion	(8,835,297,942)	(8,467,336,122)
Exchange (Loss) / Gain on Other Accounts Conversion	(332,792,954)	(454,151,067)
	<b>1,348,014,727</b>	<b>3,896,212,133</b>
Net Finance Income	<b>9,090,986,693</b>	<b>14,324,407,728</b>





**AIRPORT & AVIATION SERVICES (SRI LANKA) (PRIVATE) LIMITED**  
**Notes to the Financial Statements (Contd)**

**9 Income Tax Expense**

The major components of Income Tax Expense for the year ended 31 December 2024 are as follows :

	2024	2023
<b>Current Income Tax</b>		
Current Tax Charge	5,862,347,313	5,886,760,534
<b>Income Tax</b>	<b>5,862,347,313</b>	<b>5,886,760,534</b>
<b>Deferred Income Tax</b>		
Charge / (Reversal) in respect of Deferred Taxation (Note 13)	1,701,185,905	(369,336,867)
<b>Total Tax Expense</b>	<b>7,563,533,219</b>	<b>5,517,423,668</b>
	<b>2024</b>	<b>2023</b>
<b>Profit Before Tax</b>	<b>28,671,084,252</b>	<b>33,639,078,598</b>
Tax calculated at the effective tax rate of (30% )	8,601,325,276	10,091,723,580
Tax effect on Expenses not deductible for tax	4,694,257,414	3,765,481,113
Tax effect on Expenses/Income deductible for tax	(7,433,235,376)	(7,970,444,159)
Tax losses/(Gain) for which no Deferred Income Tax Asset was recognised	1,701,185,905	(369,336,867)
<b>Total Tax Expense</b>	<b>7,563,533,219</b>	<b>5,517,423,668</b>

**10 Basic Earnings per Share**

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

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

	2024	2023
Net Profit attributable to Shareholders - LKR	21,107,551,033	28,121,654,931
Weighted average number of Ordinary Shares issued	200,002	200,002
Basic Earning per Share - LKR	105,537	140,607

**11 Property, Plant and Equipment**

- (i) Land and building includes land amounting to LKR.941,277,941 as at 31 December 2024 (2023 - LKR.935,980,401) which is located at Katunayake.

- (ii) **Ownership of Land and Buildings used by AASL**

Ownership of the lands used by AASL is vested with the Civil Aviation Authority of Sri Lanka (CAASL).

The Secretary to the Ministry of Ports, Shipping & Aviation cum Chairman of Audit and Management Committee (AMC) of the Ministry at the second Ministry AMC meeting of 2023 held on 21st June 2023 and at the first meeting of 2024 held on 28th February 2024 stated that though the ownership of lands is vested with the CAASL, there are no barriers for AASL being the only operator to carry out its investments.

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

- (iv) Property, Plant, and Equipment include fully depreciated assets amounting to LKR 22,605,532,993 as of 2024 and LKR 21,934,000,440 as of 2023.



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**PORT & AVIATION SERVICES (SRI LANKA) (PRIVATE) LIMITED**  
**as to the financial statements (Contd)**

**. Property, plant and equipment**

at 1 January 2023

	Land & Buildings	Plant and machinery	Motor vehicle	Furniture, Fittings & Office Equipments	Communication & Navigation	Other Equipment	Airport Infrastructure	Investment Properties	Capital Work in Progress	Total
Initial cost	19,955,980,260	6,059,714,297	1,951,252,288	1,335,261,557	8,945,679,124	1,556,560,471	35,247,594,748	-	36,703,863,706	111,658,903,451
Accumulated depreciation	(2,209,595,301)	(5,087,424,786)	(1,456,893,832)	(1,138,210,024)	(6,260,567,886)	(1,339,489,369)	(15,833,143,844)	-	-	(35,324,328,155)
Carrying amount	17,746,384,959	971,289,499	494,358,456	200,051,533	585,111,139	217,071,102	19,414,450,904	-	(6,197,854)	76,334,576,296

at 31 December 2023

Initial cost	17,746,384,959	971,289,499	494,358,456	200,051,533	585,111,139	217,071,102	19,414,450,904	-	36,697,565,852	76,334,576,296
Accumulated depreciation	(895,453,514)	(535,395,044)	(45,491,612)	(42,248,373)	(55,429,533)	(28,400,496)	(363,242,232)	-	(2,812,133,910)	(1,339,489,369)
Carrying amount	16,850,931,445	435,894,455	448,866,844	157,803,160	529,681,606	188,670,606	19,051,208,672	-	(2,812,133,910)	75,005,086,927
Initial cost	(4,540,449,181)	(21,902,394)	(46,742)	(65,741,099)	(641,610,375)	(16,687,835)	-	4,540,449,181	(1,065,965,556)	(1,065,965,556)
Accumulated depreciation	(612,888,588)	(19,719,924)	(46,742)	(64,700,717)	(641,338,501)	(16,036,958)	-	(612,888,588)	-	(2,112,941,365)
Carrying amount	14,237,054,736	1,406,799,093	977,348,757	187,123,030	468,634,560	170,620,585	18,729,703,614	3,927,460,603	(6,197,854)	76,334,576,296

at 31 December 2023

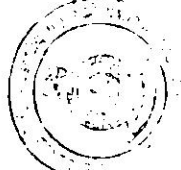
Initial cost	16,305,374,583	6,672,205,947	2,525,705,478	1,314,895,427	8,250,499,284	1,566,308,835	35,610,836,982	4,540,449,181	38,449,858,763	115,249,146,490
Accumulated depreciation	(2,068,309,847)	(5,265,407,854)	(1,551,357,721)	(1,127,773,397)	(7,791,863,724)	(1,365,688,251)	(16,881,133,368)	-	-	(36,694,522,751)
Carrying amount	14,237,064,736	1,406,799,093	977,348,757	187,123,030	468,634,560	170,620,585	18,729,703,614	3,927,460,603	(6,197,854)	78,554,623,739

at 31 December 2024

Initial cost	14,237,064,736	1,406,799,093	977,348,757	187,123,030	468,634,560	170,620,585	18,729,703,614	3,927,460,603	38,443,670,909	78,548,425,886
Accumulated depreciation	(551,645,048)	(494,815,793)	(31,968)	(209,023,575)	(1,519,149,898)	(33,750,587)	(7,887,708,839)	-	(25,986,445,121)	(36,819,781,076)
Carrying amount	13,685,419,688	911,983,299	945,382,789	178,099,455	349,484,662	136,869,998	10,841,994,775	3,927,460,603	12,457,225,788	41,728,644,810
Initial cost	(30,978,479)	(30,894,889)	(31,968)	(11,554,480)	(501,790,499)	(24,135,457)	-	-	-	(568,491,892)
Accumulated depreciation	(4,501,158)	(4,501,158)	(31,968)	(3,518,152)	(9,249,147)	(1,058,026)	-	-	-	(18,326,483)
Carrying amount	(35,479,637)	(35,396,047)	(63,936)	(15,072,632)	(510,939,646)	(25,193,483)	-	-	-	(19,384,965)
Initial cost	5,297,541	(4,029,749)	4,029,749	(648,139)	(22,322,138)	22,322,138	-	(14,783,669,019)	-	(14,783,669,019)
Accumulated depreciation	(372,457,977)	6,572,487	519,289,091	(519,289,091)	519,289,091	(81,829,484)	84,600,000	143,081,101	-	381,024,702
Carrying amount	4,925,083,764	1,582,031,586	949,038,840	1,582,031,586	1,038,378,182	158,158,654	84,684,684	284,162,182	381,024,702	4,925,083,764
Initial cost	(1,140,888,545)	(5,334,274,735)	(114,285,001)	(1,178,946,867)	(7,389,878,200)	(1,453,412,561)	(19,448,251,650)	(332,844,085)	-	(38,392,801,684)
Carrying amount	15,346,920,649	1,799,811,105	3,077,950,555	329,447,433	1,856,408,189	144,566,817	24,134,884,132	4,350,656,207	49,646,447,011	100,689,102,117

at 31 December 2024

Initial cost	16,489,819,194	7,134,085,840	3,192,235,566	1,508,394,300	9,246,286,398	1,597,979,378	43,583,145,821	4,683,510,282	49,646,447,011	137,081,903,801
Accumulated depreciation	(1,140,888,545)	(5,334,274,735)	(114,285,001)	(1,178,946,867)	(7,389,878,200)	(1,453,412,561)	(19,448,251,650)	(332,844,085)	-	(38,392,801,684)
Carrying amount	15,348,930,649	1,799,811,105	3,077,950,565	329,447,433	1,856,408,189	144,566,817	24,134,884,132	4,350,656,207	49,646,447,011	100,689,102,117



**AIRPORT & AVIATION SERVICES (SRI LANKA) (PRIVATE) LIMITED**  
**Notes to the Financial Statements (Contd)**

- (v) A total asset value of LKR 18.3 Billion relating to MRIA is included in the amalgamated Property, Plant & Equipment as at 31.12.2024.

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

The newly appointed Board of Directors of AASL at its meeting held on 17th December 2024 decided to recommend to revoke the decision of the Cabinet of Ministers based on the justifications provided herein in order to call for fresh EOI to attract Investors on terms and conditions more beneficial to GOSL.

Accordingly, the advice of the Secretary to the Ministry of Transport, Highways, Ports and Civil Aviation was sought by AASL letter dated 08 January 2025.

- (vi) Right of use assets

	2024	2023
<b>Cost</b>		
Balance as at 1 January	8,057,513	-
<b>Accumulated amortisation</b>		
Balance as at 1 January	3,642,756	-
Charge for the year	305,840	-
Balance as at 31 December	3,948,596	-
<b>Carrying value as at 31 December</b>	<b>4,108,917</b>	<b>-</b>

The right-of-use assets include two leased lands; the Kataragama land, leased from the Government of Sri Lanka under a 30-year lease agreement, and the International Airport at Mattala (MRIA) land, leased from the Government of Sri Lanka under a 99-year lease agreement.

- (vii) Lease liabilities

The lease liability is initially measured at the present value of the lease payments and discounted using the interest rate implicit in the lease or, if that rate can not be readily determined, the Company's incremental borrowing rate. The movement of Lease creditor for the period is as follows;

	2024	2023
Balance as at 1 January	9,104,368	-
Interest charged for the year	765,379	-
less: Payments made during the year	(993,600)	-
<b>Balance as at 31 December</b>	<b>8,876,147</b>	<b>-</b>
Current	454,087	-
Non Current	8,422,060	-
<b>Total lease liabilities as at 31 December</b>	<b>8,876,147</b>	<b>-</b>

**12 Intangible Assets**

	2024	2023
<b>At the beginning of the Year</b>		
Cost	298,804,688	143,764,274
Accumulated depreciation	(136,134,806)	(127,832,959)
	<b>162,669,883</b>	<b>15,931,315</b>
<b>Movement during the year</b>		
Opening Net Book Amount	162,669,883	15,931,315
Additions	50,727	155,040,414
Amortisation during the year	(44,574,911)	(8,301,847)
<b>Closing Net Book Amount</b>	<b>118,145,699</b>	<b>162,669,883</b>
<b>At the end of the Year</b>		
Cost	298,855,416	298,804,688
Accumulated Depreciation	(180,709,717)	(136,134,806)
<b>Closing Net Book Amount</b>	<b>118,145,699</b>	<b>162,669,883</b>



**AIRPORT & AVIATION SERVICES (SRI LANKA) (PRIVATE) LIMITED**  
**Notes to the Financial Statements (Contd)**

**13 Deferred Income Tax**

	Statement of Financial Position		Statement of Comprehensive Income	
	2024	2023	2024	2023
<b>Deferred Tax Liability on :</b>				
Accelerated Tax Depreciation	10,439,696,649	9,211,489,732	1,228,206,917	(53,419,684)
	10,439,696,649	9,211,489,732	1,228,206,917	(53,419,684)
<b>Deferred Tax Assets on :</b>				
Defined Benefit Plan	2,809,591,635	2,098,172,295	(711,419,341)	(334,968,693)
Provisions for Inventory & Debtors	308,223,465	995,797,110	687,573,645	73,684,945
Deferred Government Grants	394,165,146	415,743,545	21,578,399	(143,594,289)
	3,511,980,247	3,509,712,949	(2,267,298)	(404,878,036)
Deferred Income Tax Charge	3,511,980,247	3,509,712,949	(2,267,298)	(404,878,036)

**Other Comprehensive Income**

Deferred Income Tax on Actuarial Loss on Defined Benefit Plan	475,246,286	88,960,854
Deferred Income Tax Charge/ (Credit) (Note 9)	1,701,185,905	(369,336,867)

Deferred Income Tax Assets and Liabilities are offset when there is a legally enforceable right to offset current tax against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The Net Deferred Tax amount is as follows;

Deferred Tax Asset	3,511,980,247	3,509,712,949
Deferred Tax Liability	(10,439,696,649)	(9,211,489,732)
Deferred Tax Asset (Net)	(6,927,716,402)	(5,701,776,782)

**14 Investments**

**14.1 Investments in Debentures**

Investments in Debentures wholly consists of investments in 5 - 7 year Redeemable Debentures of Bank of Ceylon, Hatton National Bank & DFCC Bank. The carrying value of the investment, held to maturity equals the fair value.

	2024	2023
<i>Debentures at weighted average rates of interest</i>		
Debentures at Fixed Rate (12.8% - 29.0%)	2,199,300,000	2,999,300,000
	2,199,300,000	2,999,300,000

Date of Issue	Date of Redemption	Amount of Investment	
		2024	2023
29.03.2018	29.03.2025	445,000,000	445,000,000
10.09.2019	10.09.2024	-	800,000,000
23.09.2019	23.09.2026	254,300,000	254,300,000
30.12.2022	30.12.2027	500,000,000	500,000,000
21.12.2023	21.12.2028	1,000,000,000	1,000,000,000
		2,199,300,000	2,999,300,000

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

	2024	2023
Long Term Debenture Investments	1,754,300,000	2,199,300,000
Short Term Debenture Investments	445,000,000	800,000,000
	2,199,300,000	2,999,300,000



**AIRPORT & AVIATION SERVICES (SRI LANKA) (PRIVATE) LIMITED**  
**Notes to the Financial Statements (Contd)**

**14.2 Bank Deposits**

	2024	2023
Long Term Bank Deposits	5,141,085,264	-
Short Term Bank Deposits	93,427,415,884	87,716,805,396
	<u>98,568,501,148</u>	<u>87,716,805,396</u>

Bank of Ceylon has granted Rs.5 Bn worth of credit facilities to AASL for Letter of Credit. LKR Fixed deposit ref: 89151481 opened on 24.6.2022 amounting to 530,199,157.62 is held as a security against this credit facility.

**15 Inventories**

	2024	2023
General	203,489,912	180,588,756
Electronics	103,220,821	114,672,576
Engineering	204,399,848	198,751,981
Fuel	53,116,641	80,741,252
Fire Equipment Spare Parts	36,482,792	21,836,211
Goods in Transit	1,442,453,617	3,093,308,530
Stocks -(Motor Spares)	81,297,600	62,497,223
Stock - Lounge	198,522	537,851
Inventory Clearing Accounts	(115,254,635)	(161,046,396)
	<u>2,009,405,117</u>	<u>3,591,887,983</u>
Less : Allowance for Slow Moving Inventory	(82,487,508)	(82,487,508)
	<u>1,926,917,609</u>	<u>3,509,400,475</u>

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

**16 Trade and Other Receivables**

	2024	2023
Trade Debtors	8,280,669,222	8,782,945,212
Less: Impairment of Trade Receivables	(944,924,053)	(3,236,836,192)
	<u>7,335,745,168</u>	<u>5,546,109,020</u>
Interest & Other Receivables	2,938,194,699	5,828,352,877
Advances and Prepayments	373,266,589	352,500,668
	<u>3,311,461,288</u>	<u>6,180,853,546</u>
Loans to Company Officers (Note 16.1)	62,794,312	88,992,728
	<u>62,794,312</u>	<u>88,992,728</u>
	<u>10,710,000,768</u>	<u>11,815,955,294</u>

Loans to Company officers are receivable from employees in equal monthly installments over the loan period not exceeding 4 years. Interest is charged on employee loans at a rate of 4.2% per annum. As per accounting policy the employee loans are measured at amortized cost using the effective interest method of each reporting date. The effective interest on employee loans was 11% in 2024 (13% in 2023)

**16.1 Loans to Company Officers**

	2024	2023
- Less than 1 year	62,794,312	88,992,728
- More than 1 year	124,009,193	102,362,282
	<u>186,803,505</u>	<u>191,355,010</u>



**AIRPORT & AVIATION SERVICES (SRI LANKA) (PRIVATE) LIMITED**  
Notes to the Financial Statements (Contd)

**17 Cash and Cash Equivalents**

	2024	2023
Short Term Bank Deposits	2,401,527,619	2,173,454,795
Treasury Bills/Bonds under Repurchase Agreements	165,945,394	23,999,823
Cash & Bank		
Cash at Bank	1,948,539,725	971,107,422
Cash in Hand	3,573,500	2,835,500
	<u>1,952,113,225</u>	<u>973,942,922</u>
Total Cash and Cash Equivalents for the purpose of Cash Flow Statement	<u>4,519,586,238</u>	<u>3,171,397,540</u>

**18 Stated Capital**

	2024	2023
Number of Shares		
Stated Capital	200,002	
	<u>20,000,200</u>	<u>20,000,200</u>
	<u>20,000,200</u>	<u>20,000,200</u>

All issued shares are fully paid

**19 Reserves**

	2024	2023
Net Assets taken over from Airports Authority	892,726,769	892,726,769
FA Revaluation Reserve	9,648,126,630	5,760,804,197
Reserve for Lightning Damages to Property, Plant and Equipment	324,000,000	193,000,000
	<u>10,864,853,399</u>	<u>6,846,530,966</u>

The reserves consist of net assets transferred to the Company from the Airports Authority which was dissolved upon the incorporation of the Company, Revaluation reserve of assets and the reserve created from retained earnings amount of LKR 324 Million (5% of annual asset additions of electronic, electrical, communication & other equipment) for fire damages to property plant and equipment due to lightning with effect from 2013.

**20 Retained Earnings**

	2024	2023
As at beginning of the year	60,744,660,340	38,389,121,466
Current year Profit	21,107,551,033	28,121,654,931
Prior Year Adjustments	82,333,851	(60,043,013)
Other Comprehensive (Expenses)/ Income	(1,108,908,000)	(207,575,325)
Transfer from Reserve Account	-	5,612,281
Transfer to Reserve Account	(131,000,000)	(4,110,000)
Dividend paid during the year	(1,286,000,000)	(5,500,000,000)
As at end of the year	<u>79,408,637,223</u>	<u>60,744,660,340</u>

**21 Borrowings**

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



**AIRPORT & AVIATION SERVICES (SRI LANKA) (PRIVATE) LIMITED**  
**Notes to the Financial Statements (Contd)**

**22 Debentures**

	2024	2023
Debentures (at amortized cost)	4,000,000,000	4,000,000,000
	<u>4,000,000,000</u>	<u>4,000,000,000</u>

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

**23 Retirement Benefit Obligations**

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

	2024	2023
As at beginning of the year	6,993,907,655	5,877,345,342
Current Service Cost	550,269,177	337,731,410
Interest Cost	909,207,995	1,057,922,161
Payments made during the year	(672,233,663)	(575,627,437)
Loss arising from changes in assumptions used	1,584,154,286	296,536,179
As at end of the year	<u>9,365,305,451</u>	<u>6,993,907,655</u>

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

	2024	2023
Discount rate	11%	13%
Rate of Future Salary Increases	1% - 10%	1% - 12%
Cost of Living Allowance Increment Rate	10%	12.00%
Rate of Staff Turnover	1.5%	1.5%
Retirement Age	60 years	60 years

The provision for Retirement Benefit Obligations for the year is based on the Actuarial Valuation carried out by professionally qualified actuaries M/S Actuarial & Management Consultants (Pvt) Ltd as at 31st December 2024.

The liability for Defined Benefit Obligations is not externally funded.

**24 Deferred Government Grant**

Treasury Grant and Foreign Grant	2024	2023
At the beginning of the year	1,385,811,815	907,164,185
Received during the year	2,000,000	532,611,238
Amortization for the period	(73,927,995)	(53,963,608)
At the end of the year	<u>1,313,883,820</u>	<u>1,385,811,815</u>
Current	73,490,290	73,794,595
Non Current	1,240,393,529	1,312,017,220
	<u>1,313,883,820</u>	<u>1,385,811,815</u>

**25 Trade and Other Payables**

	2024	2023
Trade Payable	852,199,372	2,047,226,502
Interest Payable	3,474,212,706	1,672,249,026
Refundable Deposits	556,062,086	480,487,766
Contractor Payables	652,733,720	3,318,555,308
Other Payables	3,414,176,719	2,886,902,087
	<u>8,949,384,603</u>	<u>10,405,420,689</u>



**AIRPORT & AVIATION SERVICES (SRI LANKA) (PRIVATE) LIMITED**  
**Notes to the Financial Statements (Contd)**

**26 Income Tax Payable**

	2024	2023
Balance at the beginning of the year	2,024,162,700	(91,084,038)
Prior Year Adjustments	250,081,858	-
Provisions for the year	5,862,347,313	5,886,760,534
Payments during the year	(5,933,212,438)	(3,771,513,797)
Balance at the end of the year	<u>2,203,379,433</u>	<u>2,024,162,700</u>

**27 Financial Instruments by Category**

**(a) Financial Instruments**

	2024	2023
<b>Financial Assets</b>		
Amortised Cost		
Trade and other Receivables (Excluding prepayments, Advances) (Note 16)	10,273,939,868	11,374,461,898
Cash and Bank Balances (Note 17)	<u>1,952,113,225</u>	<u>973,942,922</u>
	<u>12,226,053,093</u>	<u>12,348,404,820</u>
Investment in Debentures (Note 14)	2,199,300,000	2,999,300,000
Long term Bank Deposits	5,141,085,264	-
Investments in Treasury Bills/Bonds Repurchase (Note 17)	165,945,394	23,999,823
Short Term Bank Deposits	<u>93,427,415,884</u>	<u>87,716,805,396</u>
	<u>100,933,746,542</u>	<u>90,740,105,219</u>
<b>Financial Liabilities</b>		
<b>Other Financial Liabilities</b>		
Borrowings (Note 21)	95,806,823,512	89,914,434,108
Debentures (Note 22)	4,000,000,000	4,000,000,000
Trade and Other Payables (excluding non financial liabilities) (Note 25)	<u>8,949,384,603</u>	<u>10,405,420,688</u>
	<u>108,756,208,115</u>	<u>104,319,854,795</u>

**(b) Credit Quality by Class of Financial Assets**

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

**31 December 2024**

	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
Trade receivables (Note 16)	5,308,771,696	2,026,973,472	944,924,053	8,280,669,222
Loans to Company Staff	186,803,505	-	-	186,803,505
Total financial assets	<u>5,495,575,201</u>	<u>2,026,973,472</u>	<u>944,924,053</u>	<u>8,467,472,726</u>

**31 December 2023**

	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
Trade Receivables (Note 16)	3,334,035,766	2,208,079,532	3,236,836,192	8,778,951,490
Loans to Company staff	191,355,010	-	-	191,355,010
Total Financial Assets	<u>3,525,390,776</u>	<u>2,208,079,532</u>	<u>3,236,836,192</u>	<u>8,970,306,500</u>

**Cash at Bank and Short-Term Bank Deposits**

	2024	2023
AA+(Ika)	100,517,040,873	88,687,912,818
Total	<u>100,517,040,873</u>	<u>88,687,912,818</u>

**AIRPORT & AVIATION SERVICES (SRI LANKA) (PRIVATE) LIMITED**  
**Notes to the Financial Statements (Contd)**

**28 Dividend**

The company has paid an interim dividend of LKR 1,286 million for the year 2024.  
A final dividend of LKR 5,000 million was declared and paid for the year 2023.

**29 Prior Year Adjustments**

During the current financial year, several accounting treatments, relating to previous periods were identified. These have been addressed through prior year adjustments, which have been recorded as part of retained earnings.

One adjustment relates to the difference in exchange rates applied to the total value of project payments (IPC 1-IPC 22) as at the project completion date on 26 January 2022. The total value recorded in the ledger did not reflect the actual value as per the prevailing exchange rate on the completion date, resulting in an increase of LKR 342,240,623.98 in retained earnings. In another instance, payments made to Social Security Contribution Levy (SSCL) in 2022 were recorded as expenses instead of reducing the SSCL payable balance, leading to an increase of LKR 41,993,850.47 in retained earnings.

Meanwhile, certain expenses related to the year 2023 had not been recorded. Fuel expenses amounting to LKR 10,677,266.41 and LKR 9,961,499.92 were not posted to the designated fuel account (Account 570007). Additionally, SSCL expenses for the month of December 2023 amounting to LKR 20,494,833.76 were not recorded under the relevant SSCL account. These adjustments resulted in a decrease in retained earnings. Moreover, based on audit reference AAV/A/ASL/01/23/50, the Company evaluated the realizability of an income tax receivable for the year of assessment 2013/2014 to 2021/2022 and determined that its recovery is uncertain. Accordingly, an amount of LKR 250,130,253.00 was removed from the balance sheet, leading to a further reduction in retained earnings.

An amount of LKR 12,749,510.31, representing the interest on the Right-of-Use (ROU) asset for Katharanaga Land from January 2008 to December 2023, has been recognized as a prior year adjustment. As part of this adjustment, the rent payment of LKR 12,263,600.00 previously expensed was reclassified and transferred to Lease Liabilities under Right-of-Use assets, resulting in an increase in retained earnings. However, the recognition of accumulated interest on the ROU asset led to a decrease in retained earnings. Accordingly, the net impact on retained earnings due to the recognition of Katharanaga Land as a Right-of-Use asset is a decrease of LKR 485,910.31

**30 Contingencies**

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

As per the circular dated 12/04/2022 on "Interim policy regarding the service of Sri Lanka's external public debt" issued by the Ministry of Finance, direction was given not to settle foreign loans obtained by the Government entities. This adversely affected the ongoing constructions of BIA Development Phase II Stage 2 Project (Package A – Construction of Passenger Terminal Building & Associated works) as the contractor refused to continue the project since JICA stopped the loan disbursements with the issuance of the circular.

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

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

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

As part of the way forward, Action plan of the project, with the approval of the Cabinet of Ministers, AASL initiated action to carry out an identified scope of work of the above project to address the issue of deterioration of steel reinforcements in halfway completed structures of the above project utilizing funds from AASL with at a total cost of Rs. 477 Mn. This work commenced on 12th July 2023 and completed on 29th February 2024. Part of the requirement of steel reinforcement for above work was provided by AASL from materials taken over from the terminated Contractor.



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**Notes to the Financial Statements (Contd)**

There are materials both permanent and temporary, purchased by the Contractor for the implementation of the project and some of those materials such as timber, plywood and steel reinforcements etc. will tend to deteriorate with time before the commencement of the balance work. Therefore AASL has made arrangements to auction the plywood and timber while use Reinforcement for the above mentioned Identified Scope of Works after obtained the approval of JICA.

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

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

Accordingly, tenders were called from local contractors and awarded to carry out the Identified Scope of Works in MTB, Pier 2 & Pier 3 on Bandaranaike International Airport Development Project - Phase II Stage 2 - Bandaranaike International Airport, Katunayake at a total cost of Rs.3.2 billion on 5th April 2024 and the works was commenced on 19th April 2024 and still at the progressing of 82%. Above work is carried out with AASL funds under the direct supervision of the Consultant, JV - Japan Airport Consultants, Inc. - Nippon Koei Co. Ltd

Further, as part of the above way forward action plan approved by the Cabinet of Ministers, the Consultant for the project, JV - Japan Airport Consultants, Inc. - Nippon Koei Co. Ltd has prepared the Bidding Documents, BOQ and the cost estimate for re-bidding of Package 'A1' (Completion of Package 'A' - Passenger Terminal Building and Associated Works) works and it is under procurement process. The bids were published on 24th September 2024 and the bids will be closed on 18th March 2025.

In addition, the Consultant, JV - Japan Airport Consultants, Inc. - Nippon Koei Co. Ltd evaluated the statement of payment on Termination as submitted by the Contractor, Taisei Corporation paid the unpaid IPC 5 and IPC 6 (amount to JPY 444,498,046 and LKR 1,486,804,716).

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

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

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

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

The Contractor may refer disputed items to Dispute Board (DB) appointed for the contract and accordingly, it may take considerable time to settle the Contractor's claim totally and therefore, the final amount of the claim may increase further accordingly.

There are large quantities of materials and equipment (Permanent/Temporary) ordered/ purchased by the Contractor for the implementation of the above project and same has been offered to next Contractor in the bidding document for Package 'A1' (Completion of Package 'A' - Passenger Terminal Building and Associated Works)

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

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

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

**Major materials and equipment overseas**

No	Item	Invoice Value (Rs.Mn)	Store location	Status
1	Roof steel structure partly fabricated	632	India	To be disposed
2	Roof Insulation Materials	76	India	To be disposed
3	Baggage Handling System	536	Malaysia	Imported to Sri Lanka and took over by AASL
4	IT Structured cabling system	404	Singapore	Imported to Sri Lanka and took over by AASL
5	Passenger Boarding Bridge	12	Spain	To be disposed

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

With the settlement of due payments to the terminated Contractor, the balance available amount of the JICA loan will not be sufficient to complete the total remaining scope of Package 'A1' (Completion of Package 'A' - Passenger Terminal Building and Associated Works). Accordingly, it is necessary to obtain additional funding to carry out the remaining scope of the balance work of this project.

In addition, discussion with JICA, GOSL and AASL are being progressed for the funding of Package 'A1' (Completion of Package 'A' - Passenger Terminal Building and Associated Works) and Aide Memoire has signed between the above parties on 11th November 2024.

Further, with the termination of the Project, the services of the Consultant, JV - Japan Airport Consultants, Inc. - Nippon Koei Co. Ltd had to be retained for the conclusion of the termination process including the evaluation of the claim, preparation of re-bidding documents, supervision of identified scope of works etc. as additional services which have been claimed by the Consultant, JV - Japan Airport Consultants, Inc. - Nippon Koei Co. Ltd and the Contract Agreement for Amendment No. 3 to the Design and Post Design Consultancy services was signed on 1st November 2024.

Since AASL is unable to reliably measure the liability that could derive consequent to the termination of the project, no provision was made for the same in the Financial Statement for 2024.





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## Notes to the Financial Statements (Contd)

### 31 Commitments

#### 31.1 Capital Expenditure Commitments

	2024	2023
Contracted but not provided for	11,202,776,102	1,746,005,054
Authorized by the Board, but not contracted for	14,573,692,735	19,828,668,852
	<u>25,776,468,837</u>	<u>21,574,673,906</u>

#### 31.2 Financial Commitments

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

### 32 Transactions with Key Management Personnel

	2024	2023
Emoluments and Fees	12,310,349	12,434,946
	<u>12,310,349</u>	<u>12,434,946</u>

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

### 33 Related Party Transactions

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

During the year, below transactions were noted as over Rs.50Million transactions with related parties.

Name of the Entity	Relationship	Nature of the Transaction	2024 LKR Million	2023 LKR Million
Civil Aviation Authority	Government Owned	Embarkation Levy Income	8,721	8,649
Department of Inland Revenue	- Do -	Taxes	9,942	7,250
General Treasury	- Do -	Dividend Payments	1,286	5,500
Ceylon Petroleum Corporation	- Do -	Fuel Purchases	2,464	2,757
Ceylon electricity board	- Do -	Electricity Payments	2,003	1,971
General Treasury	- Do -	Loan Repayments	1,223	1,475
Sri Lankan Airlines	- Do -	Franchise Fee Income	1,312	1,421
Sri Lankan Catering Ltd	- Do -	Franchise Fee Income	773	786
Central Bank of Sri Lanka	- Do -	EPF	989	719
Sri Lankan Catering Ltd	- Do -	Catering Services	902	646
Ceylon Petroleum Corporation	- Do -	Franchise Fee Income	295	256
Employees Trust Fund Board	- Do -	ETF	247	180
General Treasury	- Do -	Interest Payments	126	177
Sri Lanka Insurance Corporation Ltd	- Do -	Insurance payments	92	100
Urban Council	- Do -	Rates Payments	59	59



**AIRPORT & AVIATION SERVICES (SRI LANKA) (PRIVATE) LIMITED**  
**Notes to the Financial Statements (Contd)**

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

			2024	2023
			LKR Million	LKR Million
<b>Receivables</b>				
Bank of Ceylon	Government Owned	Investments	101,043	89,907
National Saving Bank	- Do -	Investments	1,427	2,283
Civil Aviation Authority	- Do -	Embarkation levy Income	1,546	871
Sri Lankan Airlines	- Do -	Franchise Fee Income	445	202
Sri Lankan Catering Ltd	- Do -	Franchise Fee Income	119	137
Ceylon Petroleum Corporation	- Do -	Concession income	33	60
Divisional Secretary Katana	- Do -	Deposit For Land Acquisition	-	13

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

			2024	2023
			LKR Million	LKR Million
<b>Payables</b>				
Department of Inland Revenue	Government Owned	Taxes	554	288
Ceylon electricity board	- Do -	Electricity	147	203
Sri Lankan Catering Ltd	- Do -	Purchases	83	139
Employees Trust Fund Board	- Do -	ETF	21	15
Ceylon Petroleum Corporation	- Do -	Fuel Deposit	57	59
Central Bank of Sri Lanka	- Do -	EPF	151	109

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

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

**34 Events after the reporting period**

There have been no material events occurring after the Statement of Financial Position date that require adjustments to or disclosure, other than the following disclosure in the Financial Statements.

On 06/02/2025, the Commercial High Court of Colombo issued a judgement ordering AASL to pay LKR 196,526,136.83 to E W Information Systems Limited regarding a contract on implementation of a ERP system. This event occurred after the reporting period ended on 31st December 2024 and AASL has filed appeal to the Supreme Court on the judgement.

