

SRILANKAN AIRLINES LIMITED AND ITS SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2025

STATEMENT OF FINANCIAL POSITION

As at 31 March 2025

		Group		Company	
		2025	2024	2025	2024
		LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
ASSETS	Note				
Non-current Assets					
Property, Plant and Equipment	3.	12,190.97	11,582.46	8,224.18	7,470.61
Right of Use Assets	4.	64,791.84	74,848.14	64,654.22	74,648.10
Aircraft Predelivery Payments	5.	5,692.34	5,774.00	5,692.34	5,774.00
Aircraft Maintenance Reserve	6.	46,565.35	37,389.27	46,565.35	37,389.27
Aircraft and Spare Engine Deposits	7.	6,714.72	6,129.29	6,714.72	6,129.29
Intangible Assets	8.	61.53	51.94	56.56	44.82
Investments	9.1	0.40	0.40	42.44	42.44
		136,017.15	135,775.50	131,949.81	131,498.53
Current Assets					
Inventories	10.	7,439.73	7,493.15	6,824.85	6,983.64
Trade and Other Receivables	11.	24,660.24	27,022.97	22,870.91	25,586.27
Aircraft Maintenance Reserve	6.	11,928.75	17,168.29	11,928.75	17,168.29
Aircraft and Spare Engine Deposits	7.	1,620.41	2,838.31	1,620.41	2,838.31
Investments	9.2	2,390.13	2,508.42	1,641.66	1,715.99
Cash and Bank Balances	12.	5,200.40	8,842.07	5,134.74	8,466.98
		53,239.65	65,873.21	50,021.32	62,759.48
Total Assets		189,256.80	201,648.71	181,971.13	194,258.01
EQUITY AND LIABILITIES					
Equity					
Stated Capital	13.	208,649.23	202,360.67	208,649.23	202,360.67
Reserves	14.	8,292.44	8,542.18	4,484.28	4,718.22
Accumulated Losses		(596,764.90)	(592,626.52)	(616,609.69)	(607,613.60)
		(379,823.23)	(381,723.67)	(403,476.18)	(400,534.71)
Non-current Liabilities					
Interest Bearing Liabilities	15.	102,694.00	133,108.77	102,291.24	132,532.88
Other Liabilities	16.	66,363.25	57,245.74	64,534.25	55,369.76
		169,057.25	190,354.51	166,825.49	187,902.64
Current Liabilities					
Sales in Advance of Carriage	17.	40,623.56	44,977.47	40,623.56	44,977.47
Other Liabilities	16.	22,400.85	21,658.63	22,400.84	21,658.63
Trade and Other Payables	18.	108,762.59	101,597.30	127,558.00	109,174.99
Interest Bearing Liabilities	15.	228,235.79	224,475.86	228,039.42	231,078.99
		400,022.79	393,017.87	418,621.82	406,890.08
Total Liabilities		569,080.04	583,372.38	585,447.31	594,792.72
Total Equity and Liabilities		189,256.81	201,648.71	181,971.13	194,258.01

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

.....
Group Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
Signed for and on behalf of the Board by:

.....
Director

.....
Director

The Accounting Policies and Notes on pages 10 through 57 form an integral part of these Financial Statements.

XXX
Colombo

STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2025

		Group		Company	
	Note	2025 LKR. Mn	2024 LKR. Mn	2025 LKR. Mn	2024 LKR. Mn
Revenue	20.	303,093.89	339,591.65	296,506.00	333,614.09
Expenditure					
Aircraft Fuel Cost		(91,687.41)	(115,119.33)	(91,687.41)	(115,119.33)
Employee Cost		(32,798.56)	(32,261.33)	(30,159.20)	(29,845.14)
Airport, Enroute and Passenger Expenses		(38,600.92)	(39,186.89)	(45,437.50)	(46,713.52)
Aircraft Maintenance and Overhaul Costs		(43,783.25)	(40,358.53)	(43,783.25)	(40,358.53)
Depreciation/Amortisation		(15,974.55)	(14,138.07)	(15,679.72)	(13,869.28)
Rentals on Short Term Leases Aircraft and Spare Engines		(3,555.58)	(10,722.70)	(3,555.58)	(10,722.70)
Selling, Marketing and Advertising Expenses		(20,286.30)	(22,082.36)	(20,280.47)	(22,077.80)
Crew Expenses		(9,468.56)	(9,701.41)	(9,468.56)	(9,701.41)
Other Operating Expenses		(18,252.39)	(17,786.36)	(13,718.47)	(12,759.04)
		28,686.37	38,234.67	22,735.84	32,447.34
Other Income and Gains	21.	1,661.32	1,485.64	1,661.32	1,485.64
Operating Profit / (Loss) before Exchange and Unscheduled Repair Cost		30,347.69	39,720.31	24,397.16	33,932.98
Exchange Gain/(Loss) excluding Interest Bearing Liabilities		1,261.61	1,943.17	1,524.08	3,260.78
Unscheduled Repair Cost of Neo Engines	18.	(2,228.41)	(11,572.39)	(2,228.41)	(11,572.39)
Operating Profit / (Loss) after Exchange and Unscheduled Repair Cost		29,380.89	30,091.09	23,692.83	25,621.37
Net Finance cost					
Finance Income	23.1	804.79	823.06	742.40	710.90
Finance Cost	23.2	(36,303.24)	(37,387.22)	(36,236.73)	(37,311.84)
Exchange Gain/(Loss) on Interest Bearing Liabilities	23.3	3,924.53	26,716.81	3,903.31	26,687.55
		(31,573.92)	(9,847.35)	(31,591.02)	(9,913.39)
Penalty Charges on Breach of Agreement	18.	-	(11,837.12)	-	(11,837.12)
Profit /(Loss) Before Taxation		(2,193.03)	8,406.62	(7,898.19)	3,870.86
Income Tax Expense	24.	(845.87)	(481.61)	-	-
Profit/(Loss) for the Year		(3,038.90)	7,925.01	(7,898.19)	3,870.86

The Accounting Policies and Notes on pages 10 through 57 form an integral part of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2025

		Group		Company	
		2025 LKR. Mn	2024 LKR. Mn	2025 LKR. Mn	2024 LKR. Mn
Profit / (Loss) for the Year		(3,038.90)	7,925.01	(7,898.19)	3,870.86
Other Comprehensive Income / (Loss)					
Other comprehensive income/ (loss) not to be reclassified to profit or loss in subsequent periods:					
Actuarial Gain/(Loss) on Gratuity	16.3	(1,366.80)	(729.62)	(1,338.25)	(773.72)
Deferred Tax Impact on Actuarial Gain/(Loss) on Gratuity	24.1	8.57	(13.23)	-	-
Actuarial Gain/(Loss) on Leave Encashment	16.3	0.46	(460.39)	6.41	(456.97)
Deferred Tax impact on Actuarial Gain/(Loss) on Leave Encashment	24.1	1.79	1.03	-	-
Revaluation of Property, Plant and Equipment	3.	-	(23.54)	-	-
Deferred Tax impact on Revaluation of Property, Plant and Equipment	24.1	6.77	7.06	-	-
Total Other Comprehensive Income/(Loss) for the Year, Net of Tax		(1,349.22)	(1,218.69)	(1,331.84)	(1,230.69)
Total Comprehensive Income/(Loss) for the Year, Net of Tax		(4,388.12)	6,706.32	(9,230.03)	2,640.17

The Accounting Policies and Notes on pages 10 through 57 form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2025

GROUP	Stated Capital LKR. Mn (Note 13)	Revaluation Reserve LKR. Mn	Capital Reserve LKR. Mn	Accumulated Losses LKR. Mn	Total LKR. Mn
Balance as at 01 April 2023 (Restated)	96,360.67	7,823.56	991.74	(599,605.96)	(494,429.99)
Advance to Stated Capital (Note 13)	3,500.00	-	-	-	3,500.00
Issue of Shares (Note 13)	102,500.00	-	-	-	102,500.00
Transfer of Revaluation Reserve based on Asset Utilization	-	(256.64)	-	256.64	-
Profit for the year	-	-	-	7,925.01	7,925.01
Other Comprehensive Income	-	(16.48)	-	(1,202.21)	(1,218.69)
Total Comprehensive Income / (Loss)	-	(16.48)	-	6,722.80	6,706.32
Balance as at 31 March 2024	202,360.67	7,550.44	991.74	(592,626.52)	(381,723.67)
Advance to Stated Capital (Note 13)	1,288.56	-	-	-	1,288.56
Issue of Shares (Note 13)	5,000.00	-	-	-	5,000.00
Transfer of Revaluation Reserve based on Asset Utilization	-	(256.51)	-	256.51	-
Profit for the year	-	-	-	(3,038.90)	(3,038.90)
Other Comprehensive Income	-	6.77	-	(1,355.99)	(1,349.22)
Total Comprehensive Income / (Loss)	-	6.77	-	(4,394.89)	(4,388.12)
Balance as at 31 March 2025	208,649.23	7,300.70	991.74	(596,764.90)	(379,823.24)

COMPANY	Stated Capital LKR. Mn	Revaluation Reserve LKR. Mn	Capital Reserve LKR. Mn	Accumulated Losses LKR. Mn	Total LKR. Mn
Balance as at 01 April 2023 (Restated)	96,360.67	3,960.47	991.74	(610,487.76)	(509,174.88)
Advance to Stated Capital (Note 13)	3,500.00	-	-	-	3,500.00
Issue of Shares (Note 13)	102,500.00	-	-	-	102,500.00
Transfer of Revaluation Reserve based on Asset Utilization	-	(233.99)	-	233.99	-
Profit for the year	-	-	-	3,870.86	3,870.86
Other Comprehensive Income	-	-	-	(1,230.69)	(1,230.69)
Total Comprehensive Income / (Loss)	-	-	-	2,640.17	2,640.17
Balance as at 31 March 2024	202,360.67	3,726.48	991.74	(607,613.60)	(400,534.71)
Advance to Stated Capital (Note 13)	1,288.56	-	-	-	1,288.56
Issue of Shares (Note 13)	5,000.00	-	-	-	5,000.00
Transfer of Revaluation Reserve based on Asset Utilization	-	(233.94)	-	233.94	-
Profit for the year	-	-	-	(7,898.19)	(7,898.19)
Other Comprehensive Income	-	-	-	(1,331.84)	(1,331.84)
Total Comprehensive Income / (Loss)	-	-	-	(9,230.03)	(9,230.03)
Balance as at 31 March 2025	208,649.23	3,492.54	991.74	(616,609.69)	(403,476.18)

The Accounting Policies and Notes on pages 10 through 57 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

Year ended 31 March 2025

	Note	Group	Company		
		2025 LKR. Mn	2024 LKR. Mn	2025 LKR. Mn	2024 LKR. Mn
Cash Flows From / (Used in) Operating Activities					
Profit / (Loss) before Income Tax Expense		(2,193.03)	8,406.62	(7,898.19)	3,870.86
Adjustments for:					
Depreciation / Amortisation / Impairment		15,974.55	14,138.07	15,679.71	13,869.27
Finance Cost	23.2	36,303.24	37,387.22	36,236.73	37,311.84
Loss/ (Gain) on Disposal of Property, Plant and Equipment Intangible Assets and ROU		3.55	0.71	3.05	0.15
Finance Income	23.1	(804.79)	(823.06)	(742.40)	(710.90)
Provision for Impairment of Receivables	11.3	(161.83)	(187.97)	(164.42)	(134.44)
Allowance for Slow Moving Inventory	10.1	326.40	171.54	327.10	174.81
Provision for Impairment of Maintenance Reserve	6.2	6,159.76	11,878.14	6,159.76	11,878.14
Rent Concession	15.4	-	(44.97)	-	(44.97)
Effect on Unrealised Exchange (Gain) / Loss		(4,248.90)	(27,797.68)	(4,227.69)	(27,768.41)
Write Back of Sales in Advance		(4,122.23)	(1,474.09)	(4,122.23)	(1,474.09)
Provision for Retirement Benefit Obligation	16.3	1,513.20	1,595.32	1,382.08	1,427.02
Operating profit/ (Loss) before Working Capital Changes		48,749.92	43,249.85	42,633.49	38,399.28
Decrease /(Increase) in Inventories		(272.97)	(1,691.72)	(168.31)	(1,765.93)
(Decrease)/Increase in Sales in Advance of Carriage		(231.68)	(6,939.36)	(231.68)	(6,939.36)
(Increase)Decrease in Trade and Other Receivables		2,311.01	6,851.88	2,879.78	2,869.85
Increase/(Decrease) in Trade and Other Payables		23,947.98	(46,039.16)	28,762.97	(37,936.69)
(Increase)/Decrease in Maintenance Reserves		(11,128.50)	(12,886.65)	(11,128.50)	(12,886.65)
Decrease/ (Increase) in Aircraft Security Deposits		834.30	(1,156.80)	834.30	(1,156.80)
Cash Generated From/(Used in) Operations		64,210.06	(18,611.96)	63,582.05	(19,416.30)
Finance Cost Paid		(24,816.34)	(53,051.62)	(24,816.34)	(53,051.62)
Retirement Benefits Paid	16.3	(1,213.32)	(1,517.53)	(1,053.94)	(1,434.64)
Income Tax Paid		(653.60)	(895.83)	-	(33.83)
Net Cash flows from/ (Used in) Operating Activities		37,526.81	(74,076.94)	37,711.78	(73,936.39)
Cash Flows From/(Used in) Investing Activities					
Interest Received		411.39	378.78	306.46	299.71
Acquisition of Property, Plant and Equipment		(2,054.85)	(1,422.01)	(1,969.55)	(1,355.53)
(Investment)/ Realization of Short Term Investment		70.89	(200.76)	69.47	131.44
Acquisition of Intangible Assets		(30.43)	(5.48)	(29.79)	(5.48)
Proceeds from Disposal of Property, Plant and Equipment and Intangible Assets		3.24	7.59	3.05	0.15
Net Cash Used in Investing Activities		(1,599.76)	(1,241.88)	(1,620.36)	(929.71)
Cash Flows From /(Used in) Financing Activities					
Equity infusion by GOSL		6,288.56	106,000.00	6,288.56	106,000.00
Repayment of Interest Bearing Liabilities		(5,852.95)	(1,985.64)	(5,852.95)	(1,985.64)
Repayment of Lease Liabilities	15.4	(39,359.27)	(34,690.31)	(39,172.44)	(34,511.69)
Net Cash from/ (used in) Financing Activities		(38,923.66)	69,324.05	(38,736.83)	69,502.67
Net Increase/(Decrease) in Cash and Cash Equivalents		(2,996.61)	(5,994.77)	(2,645.41)	(5,363.43)
Cash and Cash Equivalents at the beginning of the year	12.	(14,647.84)	(8,653.07)	(15,022.93)	(9,659.50)
Cash and Cash Equivalents at the end of the year	12.	(17,644.45)	(14,647.84)	(17,668.34)	(15,022.93)

The Accounting Policies and Notes on pages 10 through 57 form an integral part of these Financial Statements.

1. CORPORATE INFORMATION

1.1 General

Company

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

SriLankan Airlines Limited is the ultimate parent of the Group.

Subsidiary – SriLankan Catering Limited

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

1.2 Principal Activities and Nature of Operations

Company

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

Subsidiary – SriLankan Catering Limited

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

1.3 Date of Authorisation for Issue

The financial statements for the year ended 31 March 2025 were authorised for issue by the Board of Directors on the XX XXX 2025.

2. GENERAL ACCOUNTING POLICIES

2.1 Basis of Preparation

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

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

2.1.2 Statement of Compliance

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

2.1.3 Comparative Information

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

2.1.4 Functional and Presentation Currency

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

2.2 Basis of Consolidation

The Financial Statements comprise of Financial Statements of the Company and its subsidiary for the year ended 31 March 2025. Financial Statements of the Company's subsidiary has been prepared for the same reporting year using consistent accounting policies.

2.2.1 Business Combination

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

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

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

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

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

2.2.2 Subsidiaries

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

2.2.3 Non-controlling Interests

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

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

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

2.2.4 Loss of Control

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

2.2.5 Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.3 Significant Accounting Policies

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

2.3.1 Significant Accounting Judgements, Estimates And Assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and

estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

(a) Judgements

(i) Contingent Liabilities – Litigations

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

Where the Directors do not anticipate any significant liability in respect of any contingent liabilities arising in the course of business of the Group in respect of legal actions, other claims and potential claims being made against the Group by customers, suppliers and employees, the amounts concerned are disclosed in Note 26.2.

(ii) Leases

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

(b) Estimates

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

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

(ii) Frequent Flyer Programme

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

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

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

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

(iii) Maintenance Reserve

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

recoverable amount, the asset is considered impaired and is written down to its recoverable amount. (Refer Note 6)

(iv) Provision for Aircraft Maintenance and Overhaul Costs

The Company is obligated to carry out heavy maintenance checks on the airframe, engines and landing gears, which are under leases based on agreed terms towards maintenance. Provision for heavy maintenance cost is made progressively in the financial statements based on utilisation or time depending on the nature of the overhaul. In arriving at the provision, assumptions are made on the estimated condition of the asset at the time of check, the material and overhead costs to be incurred and the timing of when the check is to be carried out. These assumptions are formed based on past experience and are regularly reviewed to ensure the reasonability. Any revision in assumptions and estimations that causes a material effect to the provision would be adjusted prospectively in the financial statements. (Refer note 16.1)

(v) Provision for aircraft return conditions

Company is obliged to re-deliver leasehold aircraft at a certain condition which lessors specified in the lease agreements. Aircraft return conditions includes assumptions relating to expected costs, escalation rates, discount rates commensurate with the expected obligation maturity. In arriving at the provision, assumptions are made on the expected condition of the asset at the time of redelivery, the estimated material and overhead costs to be incurred at the time of the redelivery. These assumptions are formed based on past experience and are annually reviewed to ensure they are reasonable. Any revision in assumptions and estimations that causes a material effect to the provision would be adjusted prospectively in the financial statements. (Refer note 16.2)

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

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

(vii) Inventories

The Group reviews the existence and usability of inventories based on physical verification and expiry. Provisions are made when Management determines obsolete stock.

(viii) Impairment of Financial Assets

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

(c) Assumptions

(i) Defined Benefit Plan

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

(ii) Revaluation of Property Plant and Equipment

Land and building and flight kitchen equipment are measured at revalued amounts using the services of an independent qualified valuer. Such valuer uses assumptions and valuation techniques to determine the fair value. The basis of valuation is disclosed in Note 3.

2.4 Summary of Significant Accounting Policies

2.4.1 Foreign Currency Translation

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

2.4.2 Taxation

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

(i) Current Income Tax

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

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

Company

(a) Local Taxation

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

(b) Overseas Taxation

The Company is liable for tax on its overseas operations in countries where there are no double tax treaties at present.

Subsidiary - SriLankan Catering Limited⁴

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

(ii) Deferred Income Tax

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

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

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

2.4.3 Property, Plant and Equipment

(a) Cost and Valuation

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

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

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

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

Property, plant and equipment includes amongst others the following:

(i) Aircraft Rotable Spares

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

(ii) Capital Work-in-Progress

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

(b) Depreciation

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

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

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

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

(c) De-recognition

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

(d) Transfer of Revaluation Reserve to Retained Earnings based on function of asset utilization

An annual transfer from the revaluation surplus to retained earnings is made for the incremental depreciation due to the revaluation (difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost) for buildings on leasehold land.

2.4.4 Intangible Assets

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

The cost of acquisition or development of computer software that is separable from an item of related hardware is capitalised separately and amortised over a period not exceeding 5 years on a straight line basis. The amortisation period and the amortisation method are reviewed at each reporting date. The carrying value of this asset is reviewed at each reporting date for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

2.4.5 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether: –

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

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

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

2.4.5.1 Right of Use (ROU) Assets

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

(a) Lease of Aircraft and Spare Engines

The Company leases Aircraft and Engines in its fleet. The leases of Aircraft and Spare Engines typically run for a period of 2 to 15 years.

The Aircraft leases include a provision for the Return Condition of the Aircraft; an estimate of costs to be incurred by the lessee in restoring the underlying asset to the condition required by the terms and conditions of the leases (Note 15.2) are added to the ROU asset as the obligation is created. Other aircraft maintenance and overhaul expenses (except aircraft heavy maintenance, engine overhaul and landing gear overhaul expenses) are recognised in the Statement of Profit or Loss on an incurred basis, the respective accounting policy disclosed in Note 2.4.15.

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

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

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

(b) Lease of Land and Buildings

The Group leases its land and buildings in Sri Lanka and overseas. Some leases of land and buildings contain extension options exercisable by the Group before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility.

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

(c) Lease of Vehicles

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

Depreciation of Right of Use of Assets

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

2.4.5.2 Lease Liability

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

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's assessment of whether it will exercise a purchase, extension or termination option.

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

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

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

2.4.5.4 COVID-19-related rent concessions

The Group has applied COVID-19-Related Rent Concessions – Amendment to IFRS 16. The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Group applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Group assesses whether there is a lease modification.

2.4.6 Inventories

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

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

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

2.4.7 Impairment of Non-Financial Assets

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

2.4.8 Fair Value Measurement

The Group measures its land and buildings and flight kitchen equipment at fair value. Fair value related disclosures are disclosed in the Note 03.

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

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

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

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

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

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

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

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

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

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

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

2.4.9 Financial Instruments

2.4.9.1 Financial Assets

Initial Recognition and Measurement

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

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

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

Subsequent Measurement

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

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

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

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

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

De-recognition

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

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

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

Impairment of Financial Assets

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

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

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

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

2.4.9.2 Financial Liabilities

Initial Recognition and Measurement

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

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

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

Subsequent Measurement

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

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

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

De-recognition

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

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

2.4.9.3 Offsetting of Financial Instruments

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

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

2.4.10 Aircraft Maintenance Reserve

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

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

2.4.11 Trade and Other Receivables

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

2.4.12 Investments

Investment in Subsidiary

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

2.4.13 Short term Investments

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

2.4.14 Cash and Cash Equivalents

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

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

2.4.15 Provisions

(i) General

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

(ii) Aircraft Maintenance and Overhaul Costs

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

(iii) Provision for aircraft return conditions

Provision for aircraft return conditions (restoration obligations) represents the estimate of the cost to meet the contractual lease end obligations on certain aircraft and engines at the time of re-delivery. At lease commencement, the present value of the expected cost for each restoration obligation considering the existing fleet plan and long-term maintenance schedules is recognised as a provision and are capitalised as part of the right-of-use asset and depreciated over the lease term. Unwinding of the associated discount is recognised as a finance cost over the lease term. Subsequent changes to the estimated cost for each restoration obligation is accounted for as a remeasurement to the provision for aircraft return conditions with a corresponding impact to the related right-of-use asset, if available, and depreciated over the remaining lease term. Otherwise, the remeasurement is accounted in the statement of Profit or Loss. The basis of estimation specified in Note 2.3.2 (b) (v).

2.4.16 Retirement Benefit Obligation**(a) Defined Benefit Plan-Gratuity**

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

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

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

The gratuity liability is not externally funded. This item is grouped under “Other Long Term Liabilities” in the statement of financial position.

Overseas-based employees are covered under legislations/ schemes applicable in their host countries.

(b) Defined Benefit Plan-Leave encashment

The Group is liable for the accumulated leave which is unutilized from the end of the reporting period based on local employment contracts at retirement. The Group’s net obligation towards unutilized accumulated leave is measured at the present value of the defined benefit plan of the local employees with the advice of an Actuary every year using the Projected Unit Credit method.

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

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

(c) Defined Contribution Plans – Employees’ Provident Fund and Employees’ Trust Fund

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

Overseas-based employees are covered under legislations/ schemes applicable in their host countries.

2.4.17 Frequent Flyer Programme

The Company operates a frequent flyer programme ‘FlySmiLes’ that provides travel awards to members of the program based on accumulated mileage. A portion of passenger revenue attributable to the award of frequent flyer benefits is deferred until they are utilised. The deferment of the revenue is estimated based on historical trends of redemption, which is then used to project the expected utilisation of these benefits. The fair value of credits awarded is estimated by reference to the weighted average value of the services for which the award credits may be redeemed. These estimates are reviewed at each reporting date and the liability is adjusted accordingly. Miles accrued through utilising the services of programme partners and paid for by the participating partners are also accounted for as deferred revenue until they are utilised. A liability is not recognised for miles that are expected to expire.

2.4.18 Revenue Recognition

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

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

(a) Airline Revenue

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

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

(b) Sale of Goods

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

(c) Dividend income

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

(e) Interest income

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

(f) Other income

Other income is recognised on an accrual basis.

2.4.19 Expenditure Recognition

Expenses are recognised in the statement of profit or loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment and right of use asset in a state of efficiency has been charged to the statement of profit or loss. For the purpose of presentation of the statement of profit or loss, the “nature of expenses” method has been adopted, on the basis that it presents fairly the elements of the Group’s performance.

2.4.20 Borrowing Costs

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

2.4.21 Segment Reporting

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

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

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

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

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

The new and amended standards and interpretations that are issued up to the date of issuance of the Group’s financial statements but are not effective for the current annual reporting period, are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective

2.5.1 SLFRS 17 Insurance Contracts

This standard does not apply to the group, so it has no effect in this context

2.5.2 Lack of exchangeability – Amendments to LKAS 21

The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

The amendments are not expected to have a material impact on the Group / Company's financial statement.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

3. PROPERTY, PLANT AND EQUIPMENT

3.1 GROUP

	Land and Buildings	Plant & Equipment	Improvements to Aircraft on Leases	Aircraft Related Equipment	Advances / Capital Work- in-Progress	Total 2025	Total 2024
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Cost/ Revaluation							
Balance as at 01 April	6,397.96	11,845.36	572.15	11,525.00	0.27	30,340.73	30,429.63
Acquisitions/Modifications/ Improvements	3.39	992.15	-	956.52	(0.27)	1,951.79	1,669.77
Disposals/Retirements	-	(18.49)	-	(79.70)	-	(98.18)	(1,758.67)
Revaluation during the year	-	-	-	-	-	-	-
Adjustment on Revaluation	-	-	-	-	-	-	-
Balance as at 31 March	6,401.35	12,819.02	572.14	12,401.83	(0.00)	32,194.34	30,340.73
Accumulated Depreciation							
Balance as at 01 April	404.78	8,401.02	548.25	9,404.22	-	18,758.27	18,969.91
Charge for the Year	311.28	539.51	7.36	484.44	-	1,342.59	1,232.68
Disposals/Retirements	-	(17.80)	-	(79.70)	-	(97.50)	(1,444.32)
Adjustment on Revaluation	-	-	-	-	-	-	-
Balance as at 31 March	716.06	8,922.73	555.61	9,808.95	-	20,003.37	18,758.27
Net Book Value as at 31 March	5,685.28	3,896.29	16.54	2,592.87	(0.00)	12,190.97	11,582.46

3. PROPERTY, PLANT AND EQUIPMENT (Contd.)

- 3.2 (a) The Fair Value of the land and buildings of the Company were determined by means of a revaluation carried out respectively by Ranjan J Samarakone (A.I.V Sri Lanka – Corporate Valuer) an independent valuer during the financial year ended 31 March 2023 and the Fair Value of the buildings and the flight kitchen equipment of the Subsidiary were determined by Mr. A.R.Ajith Fernando, an incorporated chartered valuer as at 31 March, 2023.

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

Asset	Method of Valuation	Effective date of valuation	Significant unobservable inputs	Revalued Amount LKR Mn.	Sensitivity of fair value to unobservable inputs	Level of Fair value Hierarchy
Land - Colombo	Open Market Value This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for difference in size, nature and location of the property.	31-Mar-23	Estimated price per perch LKR.20 Mn	715.00	Positively correlated sensitivity	Level 3
Buildings - Colombo / Katunayake	Depreciated Replacement Cost This method considers the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. Further, in relation to buildings on leasehold premises, the underlying properties have been considered as “freehold basis” in assessing the related fair values. This assumption is based on Management’s assessment that there will be uninterrupted continuation of the relevant leases which are of strategic importance for the continuation of the underlying operations.	31-Mar-23	Estimated price per square feet LKR. 850- LKR. 15,000 Management’s assessment of uninterrupted continuation of relevant land leases	3,804.48		
Subsidiary						
Buildings - Katunayake	Depreciated Replacement Cost This method considers the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. Further, in relation to buildings on leasehold premises, the underlying properties have been considered as “freehold basis” in assessing the related fair values. This assumption is based on Management’s assessment that there will be uninterrupted continuation of the relevant leases which are of strategic importance for the continuation of the underlying operations.	31-Mar-23	Estimated price per square feet Rs 4,000 - Rs 12,000 Management’s assessment of uninterrupted continuation of relevant land leases	1,762.70		
Flight Kitchen Equipment included under Plant and Equipment - Katunayake	Depreciated Replacement Cost This method considers the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.	31-Mar-23	Fair value was derived using the Net Replacement Cost (NRC) approach for each equipment	2,532.03		

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

Class of Asset	Cost	Cumulative Depreciation If assets were carried at cost	Net Carrying Amount 2025	Net Carrying Amount 2024
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Land and Buildings	1,854.82	1,576.80	278.02	365.29
Plant and Equipment	3,916.13	3,557.03	359.10	376.58

- (b) During the year, the Group acquired property, plant and equipment to the aggregate value of LKR.1,959.71Mn (2024 - LKR. 1,669.77 Mn). Cash payments amounting to LKR.2,054.85 Mn (2024 -LKR.1,422.01 Mn) were made during the year to acquire property, plant and equipment.
- (c) Group and Company property, plant and equipment includes fully depreciated assets having a gross carrying amount of LKR. 16,315.31 Mn (2024 - LKR. 15,765.48 Mn).
- d) There are no property, plant and equipment mortgaged for bank facilities.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

3. PROPERTY, PLANT AND EQUIPMENT (Contd.)

3.3 COMPANY

	Land and Buildings	Plant & Equipment	Improvements to Aircraft on Leases	Aircraft Related Equipment	Advances / Capital Work-in- Progress	Total 2025	Total 2024
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Cost/Revaluation							
Balance as at 01 April	4,614.74	9,263.01	572.15	11,525.00	0.27	25,975.17	26,099.00
Acquisitions/Modifications/ Improvements/Transfers	-	910.24	-	956.52	(0.27)	1,866.49	1,626.83
Disposals/Retirements	-	(17.74)	-	(79.70)	-	(97.43)	(1,750.67)
Balance as at 31 March	4,614.74	10,155.52	572.14	12,401.84	-	27,744.23	25,975.17
Accumulated Depreciation							
Balance as at 01 April	347.32	8,204.76	548.25	9,404.22	-	18,504.56	18,934.11
Charge for the Year	253.31	367.82	7.36	484.44	-	1,112.92	1,014.77
Disposals/Retirements	-	(17.74)	-	(79.70)	-	(97.43)	(1,444.32)
Balance as at 31 March	600.63	8,554.84	555.61	9,808.96	-	19,520.05	18,504.56
Net Book Value as at 31 March	4,014.11	1,600.68	16.53	2,592.88	-	8,224.18	7,470.61

3. PROPERTY, PLANT AND EQUIPMENT (Contd.)

- 3.4 a)** The fair value of the Company's Land and Buildings was determined by means of a revaluation by Mr. Ranjan. J Samarakone (A.I.V.Sri Lanka – Corporate Valuer) an independent valuer during the financial year ended 31 March 2023. The results of such revaluation were incorporated in the Financial Statements effective from 31 March 2023.

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

Asset	Method of Valuation	Effective date of valuation	Significant unobservable inputs	Revalued Amount LKR Mn.	Sensitivity of fair value to unobservable inputs	Level of fair value hierarchy
Land - Colombo	Open Market Value This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for difference in size, nature and location of the property.	31-Mar-23	Estimated price per perch LKR.20 Mn	715.00	Positively correlated sensitivity	Level 3
Buildings - Colombo / Katunayake	Depreciated Replacement Cost This method considers the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. Further, in relation to buildings on leasehold premises, the underlying properties have been considered as “freehold basis” in assessing the related fair values. This assumption is based on Management’s assessment that there will be uninterrupted continuation of the relevant leases which are of strategic importance for the continuation of the underlying operations.	31-Mar-23	Estimated price per square feet LKR. 850- LKR. 15,000 Management’s assessment of uninterrupted continuation of relevant land leases	3,804.48		

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

Class of Asset	Cost	Cumulative Depreciation if assets were carried at cost	Net Carrying Amount	Net Carrying Amount
	LKR. Mn	LKR. Mn	2025 LKR. Mn	2024 LKR. Mn
Land and buildings	1,246.74	1,046.80	199.94	237.10

- b)** During the year, the Company acquired property, plant and equipment to the aggregate value of LKR. 1,866.49 (2024 - LKR. 1,626.83 Mn). Cash payments amounting to LKR. 1,969.55 Mn (2024 - LKR. 1,355.53 Mn) were made during the year to acquire property, plant and equipment.
- c)** Property, plant and equipment of the Company includes fully depreciated assets having a gross carrying amount of LKR. 16,315.31 (2024 - LKR. 15,765.48 Mn).
- d)** There are no property, plant and equipment mortgaged for bank facilities.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

4. RIGHT OF USE ASSETS

4.1 Right of Use Asset Movement

Group

	Aircraft and Spare Engines LKR. Mn	Land & Building LKR. Mn	Vehicles LKR. Mn	Aircraft Simulator LKR. Mn	Total 2025 LKR. Mn	Total 2024 LKR. Mn
Cost						
Balance as at 01 April	132,036.65	4,180.87	180.79	5,875.64	142,273.94	132,110.62
Additions	4,355.96	140.87	62.49	-	4,559.32	17,298.76
Disposals	(849.90)	-	(9.04)	-	(858.94)	(7,069.85)
Adjustments	-	-	-	-	-	(65.59)
Balance as at 31 March	135,542.70	4,321.75	234.25	5,875.64	145,974.31	142,273.94
Depreciation						
Balance as at 01 April	62,763.93	1,729.02	98.12	2,834.77	67,425.83	61,613.75
Depreciation	13,636.07	509.68	67.53	396.64	14,609.90	12,881.20
Disposals	(849.90)	-	(3.37)	-	(853.27)	(7,069.12)
Balance as at 31 March	75,550.09	2,238.70	162.29	3,231.40	81,182.47	67,425.83
Net Book Value as at 31 March	59,992.60	2,083.05	71.95	2,644.23	64,791.84	74,848.11

Company

	Aircraft and Spare Engines LKR. Mn	Land & Building LKR. Mn	Vehicles LKR. Mn	Aircraft Simulator LKR. Mn	Total 2025 LKR. Mn	Total 2024 LKR. Mn
Cost						
Balance as at 01 April	132,036.65	3,488.57	180.79	5,875.64	141,581.66	131,488.40
Additions	4,355.96	140.86	62.49	-	4,559.30	17,226.84
Disposals	(849.90)	-	(9.04)	-	(858.94)	(7,069.85)
Adjustments	-	-	-	-	-	(63.73)
Balance as at 31 March	135,542.70	3,629.43	234.23	5,875.64	145,282.02	141,581.66
Depreciation						
Balance as at 01 April	62,763.93	1,236.75	98.12	2,834.77	66,933.56	61,167.71
Depreciation	13,636.07	447.29	67.53	396.64	14,547.52	12,834.96
Disposals	(849.90)	-	(3.37)	-	(853.27)	(7,069.12)
Balance as at 31 March	75,550.09	1,684.04	162.27	3,231.40	80,627.82	66,933.56
Net Book Value as at 31 March	59,992.62	1,945.40	71.96	2,644.24	64,654.22	74,648.10

Short Term leases

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

	Group		Company	
	2025	2024	2025	2024
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Rentals on Leased Aircraft / Spare Engines	3,555.58	10,722.70	3,555.58	10,722.70
Rentals on Land & Buildings	156.21	121.39	156.21	121.39
Rentals on Vehicles	87.41	101.68	87.41	101.68

Low Value Assets

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

5. AIRCRAFT PREDELIVERY PAYMENTS

Pre-delivery payments (PDPs) as of 31 March 2025 consist of PDPs made for four Airbus A350-900 aircraft which were to be delivered in 2020 and 2021 amounting to LKR. 5,692.34 Mn (USD 19.21 Mn).

The Company has made a claim for the recovery of the above amount together with damages through the dispute resolution mechanism as set out in the agreement with the Supplier. The process of recovery is being carried out with the advice of the Hon. Attorney General of Sri Lanka and the Solicitors in the United Kingdom appointed by the Company. Timelines for the process have been agreed by the parties which spans for more than one year. Accordingly, the related balance has been classified as non-current.

There is no information available to the Company at this point of time to believe that the outcome of the recovery of PDPs could be unfavorable to the Company.

In accordance with paragraph 92 of LKAS 37, the Company is constrained in terms of the applicable rules and regulations of the dispute resolution mechanism to provide information where confidentiality requirements need to be maintained.

6. AIRCRAFT MAINTENANCE RESERVE

	Group / Company	
	2025 LKR. Mn	2024 LKR. Mn
Balance as at 01 April	79,240.94	97,765.31
Additions	17,368.95	19,484.59
Amounts setoff upon redelivery	(7,621.26)	(22,842.86)
Recoveries	(6,240.45)	(6,597.94)
Exchange (gain) / loss	(1,167.11)	(8,568.18)
	81,581.07	79,240.94
Provision for impairment (Note 6.2)	(23,086.96)	(24,683.38)
Net Recoverable Balance as at 31 March (Note 6.1)	58,494.11	54,557.56

6.1 Current / Non-current Classification

	Gross	Provision for impairment	Net	Amount Recoverable within one year	Amount Recoverable after one year
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Balance as at 31 March 2025	81,581.07	(23,086.96)	58,494.10	11,928.75	46,565.35
Balance as at 31 March 2024	79,240.94	(24,683.38)	54,557.56	17,168.29	37,389.27

6.2 Movement of Provision for impairment

	2025 LKR. Mn	2024 LKR. Mn
Balance as at 1 April	24,683.38	35,791.70
Charged during the year	6,159.76	11,878.14
Amounts setoff upon redelivery	(7,621.26)	(22,842.86)
Adjustments *	186.49	3,481.06
Exchange (gain)/ loss	(321.40)	(3,624.66)
Balance as at 31 March	23,086.96	24,683.38

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

7. AIRCRAFT SECURITY DEPOSITS**7.1 (a). Movement**

	Group / Company	
	2025 LKR. Mn	2024 LKR. Mn
Balance as at 01 April	8,967.60	8,060.46
Additions	469.30	1,501.93
Unwinding effect	435.94	411.19
Recoveries	(1,469.31)	(345.14)
Exchange (gain)/ loss	(68.40)	(660.84)
	8,335.13	8,967.60

(b). Current / Non-current Classification

	2025 LKR. Mn	2024 LKR. Mn
Receivable with in one year	1,620.41	2,838.31
Receivable after one year	6,714.72	6,129.29
	8,335.13	8,967.60

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

8. INTANGIBLE ASSETS

	Group				Company			
	Software	Capital Work-in	Total	Total	Software	Capital Work-in	Total	Total
	LKR. Mn	Progress	2025	2024	LKR. Mn	Progress	2025	2024
Cost		LKR. Mn	LKR. Mn	LKR. Mn		LKR. Mn	LKR. Mn	LKR. Mn
Balance as at 1 April	1,230.66	2.60	1,233.26	1,559.75	1,130.17	2.60	1,132.77	1,459.26
Acquisitions/Modifications/ Improvements	31.63	-	31.63	5.48	31.00	-	31.00	5.48
Disposals/Retirements	-	-	-	(265.14)	-	-	-	(265.14)
Transfers/ Adjustments	-	-	-	(66.83)	-	-	-	(66.83)
Balance as at 31 March	1,262.30	2.61	1,264.89	1,233.26	1,161.15	2.60	1,163.77	1,132.77
Accumulated Amortisation								
Balance as at 1 April	1,181.32	-	1,181.32	1,423.95	1,087.95	-	1,087.95	1,333.54
Charge for the Year	22.05	-	22.05	22.51	19.27	-	19.27	19.55
Disposals/Retirements	-	-	-	(265.14)	-	-	-	(265.14)
Balance as at 31 March	1,203.37	-	1,203.37	1,181.32	1,107.20	-	1,107.20	1,087.95
Net Book Value as at 31 March	58.93	2.61	61.53	51.94	53.95	2.60	56.56	44.82

As at the reporting date, Intangible Assets of the Group and Company include fully amortised assets having a gross carrying amount of LKR.1,119.76 Mn and LKR.1,058.43 Mn (2024 - LKR.1,119.76 Mn and LKR.1,037.04 Mn respectively).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

9. INVESTMENTS

9.1 Non-current Investments	Group		Company	
	2025	2024	2025	2024
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Investments in Subsidiary in Sri Lanka				
- SriLankan Catering Limited (940,268,456 shares, 100% holding)	-	-	42.24	42.24
- Air Lanka (Private) Limited (40,000 Shares) *	0.40	0.40	0.20	0.20
	0.40	0.40	42.44	42.44

* 50% of Share Capital of Air Lanka (Private) Limited is held by the Company and the remaining 50% is held by the Subsidiary
Air Lanka (Private) Limited is a dormant Company since inception and has not been consolidated due to materiality.

9.2 Current Investments

	Group		Company	
	2025	2024	2025	2024
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Fixed Deposits at Bank	2,390.13	2,508.42	1,641.66	1,715.99

The company Fixed Deposit at Bank has been placed as security for Letters of Credit Issued to Lessors.

10. INVENTORIES

	Group		Company	
	2025	2024	2025	2024
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Engineering related stock	8,740.08	8,622.79	8,740.08	8,622.79
Ground Service Equipment related stock	857.76	686.65	857.76	686.65
Raw materials and Consumables	1,757.87	1,780.74	1,023.09	1,150.62
	11,355.71	11,090.18	10,620.93	10,460.06
Allowance for obsolete stock (Note 10.1)	(3,915.98)	(3,597.03)	(3,796.08)	(3,476.42)
	7,439.73	7,493.15	6,824.85	6,983.64

The cost of inventory recognised as an expense in profit or loss amounted to LKR 8,077.28 Mn and LKR 4,808.01 Mn for Group and Company respectively. (2024-LKR 8,340.28 Mn and LKR 4,969.71 Mn)

10.1 Allowance for Obsolete Stock

	Group		Company	
	2025	2024	2025	2024
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Balance as at 01 April	3,597.03	3,440.21	3,476.42	3,316.33
Provision made during the year	326.40	171.54	327.10	174.81
Written-off during the year	(7.44)	(14.72)	(7.44)	(14.72)
Balance as at 31 March	3,915.98	3,597.03	3,796.08	3,476.42

11. TRADE AND OTHER RECEIVABLES**11.1 Trade and Other receivables**

	Group		Company	
	2025	2024	2025	2024
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Trade Receivables	20,135.03	21,377.58	18,494.62	20,150.14
Provision for Impairment of Receivables (Note 11.3)	(2,093.55)	(2,255.38)	(1,976.11)	(2,140.53)
	<u>18,041.48</u>	<u>19,122.20</u>	<u>16,518.51</u>	<u>18,009.61</u>
Deposits, Advances, Prepayments and other receivables	6,524.40	7,832.64	6,258.04	7,508.53
	<u>24,565.88</u>	<u>26,954.84</u>	<u>22,776.55</u>	<u>25,518.14</u>
Loans and Advances to Company Officers	94.36	68.13	94.36	68.13
	<u>24,660.24</u>	<u>27,022.97</u>	<u>22,870.91</u>	<u>25,586.27</u>

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

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

As at 31 March 2025, Trade receivables amounting to LKR. 2,093.55 Mn. related to the Group and LKR. 1,976.11 Mn. related to the Company were impaired and fully provided for. Refer below Note 11.3 for the movement in provision for impairment of trade receivables.

Balance as at 31 March 2025	Total LKR. Mn	Neither Past Due nor Impaired LKR. Mn	Past Due and Impaired				
			30-60 LKR. Mn	61-90 LKR. Mn	91-180 LKR. Mn	181-365 LKR. Mn	>365 LKR. Mn
Group							
Trade Receivables	20,135.03	17,890.98	156.04	4.19	6.39	7.90	1,961.82
Provision for Impairment of Receivables (Note 11.3)	(2,093.55)	-	-	-	(6.39)	(7.90)	(1,978.04)
	<u>18,041.48</u>	<u>17,890.98</u>	<u>156.04</u>	<u>4.19</u>	<u>-</u>	<u>-</u>	<u>(16.22)</u>
Company							
Trade Receivables	18,494.62	16,358.28	156.04	4.19	6.39	7.90	1,961.82
Provision for Impairment of Receivables (Note 11.3)	(1,976.11)	-	-	-	(6.39)	(7.90)	(1,961.82)
	<u>16,518.51</u>	<u>16,358.28</u>	<u>156.04</u>	<u>4.19</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

11. TRADE AND OTHER RECEIVABLES (Contd..)

		Neither Past Due nor Impaired	Past Due and Impaired				
Balance as at 31 March 2024	Total LKR. Mn	LKR. Mn	30-60 LKR. Mn	61-90 LKR. Mn	91-180 LKR. Mn	181-365 LKR. Mn	>365 LKR. Mn
Group							
Trade Receivables	21,377.58	18,753.79	148.94	70.36	129.62	75.73	2,199.14
Provision for Impairment of Receivables (Note 11.3)	(2,255.38)	-			(2.78)	(72.29)	(2,180.31)
	19,122.20	18,753.79	148.94	70.36	126.84	3.44	18.83
Company							
Trade Receivables	20,150.14	17,906.43	28.79	49.03	28.14	72.29	2,065.46
Provision for Impairment of Receivables (Note 11.3)	(2,140.53)	-	-	-	(2.78)	(72.29)	(2,065.46)
	18,009.61	17,906.43	28.79	49.03	25.36	-	-

11.3 Movement for Provision for Impairment of Receivables

	Group		Company	
	2025 LKR. Mn	2024 LKR. Mn	2025 LKR. Mn	2024 LKR. Mn
Balance as at 1 April	2,255.38	2,443.35	2,140.53	2,274.97
Provision/ (reversal) for the year	(161.83)	(187.97)	(164.42)	(134.44)
Balance as at 31 March	2,093.55	2,255.38	1,976.11	2,140.53

As at the Reporting date provision for impairment relating to related parties amounted to LKR. 1,222.12 Mn and LKR. 1,120.89 Mn for Group and Company respectively. (2024- LKR. 1,240.04 Mn for Group and LKR. 1,137.36 Mn for Company).

12. CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS**Components of Cash and Cash Equivalents**

	Group		Company	
	2025 LKR. Mn	2024 LKR. Mn	2025 LKR. Mn	2024 LKR. Mn
12.1 Favourable Cash and Cash Equivalent Balances				
Cash and Bank Balances	5,200.40	8,842.07	5,134.74	8,466.98
12.2 Unfavourable Cash and Cash Equivalent Balances				
Bank Overdrafts (Note 15)	(22,844.83)	(23,489.91)	(22,803.08)	(23,489.91)
Total Cash and Cash Equivalents for the purpose of statement of cash flows	(17,644.43)	(14,647.84)	(17,668.34)	(15,022.93)

13. STATED CAPITAL

	Group		Company	
	2025 LKR. Mn	2024 LKR. Mn	2025 LKR. Mn	2024 LKR. Mn
Ordinary shares issued and fully paid as at 31 March (Note 13.1)	203,860.67	198,860.67	203,860.67	198,860.67
Advance to Share Capital (Note 13.2)	4,788.56	3,500.00	4,788.56	3,500.00
	208,649.23	202,360.67	208,649.23	202,360.67

13.1 Ordinary shares issued and fully paid

	Group		Company	
	2025 LKR. Mn	2024 LKR. Mn	2025 LKR. Mn	2024 LKR. Mn
As at the 1 April	198,860.67	96,360.67	198,860.67	96,360.67
Issued during the year	5,000.00	102,500.00	5,000.00	102,500.00
As at 31 March	203,860.67	198,860.67	203,860.67	198,860.67

Movement in number of shares

	Nos.	Nos.	Nos.	Nos.
As at the 1 April	1,988,606,655	963,606,655	1,988,606,655	963,606,655
Issued during the year	50,000,000	1,025,000,000	50,000,000	1,025,000,000
As at 31 March	2,038,606,655	1,988,606,655	2,038,606,655	1,988,606,655

13.2 Advance to Share Capital

	Group		Company	
	2025 LKR. Mn	2024 LKR. Mn	2025 LKR. Mn	2024 LKR. Mn
As at the 1 April	3,500.00	-	3,500.00	-
Advance received	6,288.56	106,000.00	6,288.56	106,000.00
Issue of shares	(5,000.00)	(102,500.00)	(5,000.00)	(102,500.00)
As at 31 March	4,788.56	3,500.00	4,788.56	3,500.00

14. RESERVES

	Group		Company	
	2025 LKR. Mn	2024 LKR. Mn	2025 LKR. Mn	2024 LKR. Mn
Revaluation Reserve	7,300.70	7,550.44	3,492.54	3,726.48
Capital Reserve*	991.74	991.74	991.74	991.74
Balance as at 31 March	8,292.44	8,542.18	4,484.28	4,718.22

*The Capital Reserve represents the difference between the face value and the fair value of the bonds received as consideration for Equity in 2021/22.

SriLankan Airlines Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2025

15. INTEREST BEARING LIABILITIES

	Group		Company	
	2025 LKR. Mn	2024 LKR. Mn	2025 LKR. Mn	2024 LKR. Mn
Current Liabilities				
Bonds (Note 15.1)	62,677.04	52,587.50	62,677.04	59,380.19
Deffered Settlement Plans with Aircraft Lessors (Note 15.2)	7,288.73	3,240.67	7,288.73	3,240.67
Lease Liability (Note 15.4)	44,109.96	52,948.42	43,955.34	52,758.85
Short Term Loan	91,315.23	92,209.36	91,315.23	92,209.36
Bank Overdraft (Note 12)	22,844.83	23,489.91	22,803.08	23,489.91
	228,235.79	224,475.86	228,039.42	231,078.99
Non-current Liabilities				
Lease Liability (Note 15.3)	98,468.22	127,110.04	98,065.46	126,534.15
Deffered Settlement Plans with Aircraft Lessors (Note 15.2)	4,225.78	5,998.73	4,225.78	5,998.73
	102,694.00	133,108.77	102,291.24	132,532.88

15.1 International Bond

(a) Current / Non-current Classification	Group / Company	
	2025 LKR. Mn	2024 LKR. Mn
Payable within one year included under Current Liabilities*	62,677.04	59,380.19
	62,677.04	59,380.19
*Please refer Note 27.		
(b) Foreign currency denomination		
Capital	175.00	175.00
Unpaid Interest	36.57	22.60
Bonds - USD denominated (Mn)	211.57	197.60

(c) Movement in Bonds	Group / Company	
	2025 LKR. Mn	2024 LKR. Mn
Balance as at 01 April	59,380.19	60,353.66
Accumulated interest	4,167.62	4,422.12
Unrealised exchange loss/(gain)	(870.77)	(5,395.59)
Balance as at 31 March	62,677.04	59,380.19

15.2 Deffered Settlement Plans with Aircraft Lessors

(a) Current / Non-current Classification	Group / Company	
	2025 LKR. Mn	2024 LKR. Mn
Payable within one year included under Current Liabilities	7,288.73	3,240.67
Payable after one year but not more than five years	4,225.78	5,998.73
	11,514.51	9,239.40
(b) Foreign currency denomination		
Deffered Settlement Plans with Aircraft Lessors - USD Denominated (Mn)	38.87	30.75
(c) Movement in Deffered Settlement Plans with Aircraft Lessors		
	Group / Company	
	2025 LKR. Mn	2024 LKR. Mn
Balance as at 01 April	9,239.40	-
Additions	8,197.24	11,571.68
Payments	(5,852.95)	(1,985.63)
Unrealised exchange loss/(gain)	(69.18)	(346.65)
Balance as at 31 March	11,514.51	9,239.40

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

15. INTEREST BEARING LIABILITIES (CONTD...)

15.3 Interest bearing Borrowings - Terms and Repayment Schedule

Company

Lender	Balance as at 31 March 2025 LKR. Mn	Balance as at 31 March 2024 LKR. Mn	Repayment Term	Security
--------	---	---	----------------	----------

(a) Bank Loans

Interest linked to SOFR

Bank of Ceylon	9,628.13	9,766.25	Payment on maturity December, 2025	Letter of Comfort from Ministry of Finance
Bank of Ceylon	12,590.63	12,771.25	Payment on maturity December, 2025	Letter of Comfort from Ministry of Finance
Bank of Ceylon	7,406.25	7,512.50	Payment on maturity December, 2025	Letter of Comfort from Ministry of Finance
Bank of Ceylon	1,481.25	1,502.50	Payment on maturity December, 2025	Treasury Guarantee
Peoples Bank	9,628.13	9,766.25	Payment on maturity December, 2025	Letter of Comfort from Ministry of Finance
Peoples Bank	12,590.63	12,771.25	Payment on maturity December, 2025	Letter of Comfort from Ministry of Finance
Peoples Bank	7,406.25	7,512.50	Payment on maturity December, 2025	Letter of Comfort from Ministry of Finance
Peoples Bank	1,594.58	1,617.46	Payment on maturity December, 2025	Treasury Guarantee

Interest linked to AWPLR

Bank of Ceylon	12,900.00	12,900.00	Payment on maturity December, 2025	Letter of Comfort from Ministry of Finance
Peoples Bank	13,350.00	13,350.00	Payment on maturity December, 2025	Letter of Comfort from Ministry of Finance
Peoples Bank	1,351.90	1,351.90	Payment on maturity December, 2025	Treasury Guarantee
Peoples Bank	1,387.50	1,387.50	Payment on maturity December, 2025	Treasury Guarantee

The approval of the Cabinet was received for the restructuring of state bank debt. The Ministry of Finance is currently in the process of finalizing the formalities with the respective banks on the same.

(b) International Bond

Fixed Interest Rate				
International Bond	62,677.04	59,380.19	Payment on maturity in June 2024	Government Guarantee for USD 175 Mn.

(c) Overdraft Facility

Interest linked to SOFR				
Bank of Ceylon	20,182.99	20,859.89	USD 70 Mn Revolving	Mortgage over the shares of Subsidiary - SriLankan Catering Limited
Interest linked to AWPLR				
Peoples Bank	2,620.09	2,638.87	Payment on maturity December, 2025	Treasury Guarantee

(d) Deferred Settlement Plans with Aircraft Lessors

Settlement Plan I	2,569.20	3,645.04	Monthly payment ending May, 2027.	-
-------------------	----------	----------	--------------------------------------	---

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

15. INTEREST BEARING LIABILITIES (CONTD...)

Settlement Plan II	3,678.99	4,770.25	Monthly payment ending May, 2027.	-
Settlement Plan III	3,340.70	824.11	Monthly payment ending September, 2026.	-
Settlement Plan IV	651.75	-	Monthly payment ending March, 2026.	
Settlement Plan V	1,273.88	-	Monthly payment ending February, 2026.	

Interest bearing liabilities denominated in USD were converted to Sri Lankan Rupees at the exchange rate of LKR. 296.25 (2024 - LKR 300.50) as at 31 March 2025.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

15. INTEREST BEARING LIABILITIES (CONTD...)

15.4 Lease Liability

(a) Current / Non-current Classification	Group		Company	
	2025 LKR. Mn	2024 LKR. Mn	2025 LKR. Mn	2024 LKR. Mn
Payable within one year included under Current Liabilities	44,109.96	52,948.42	43,955.34	52,758.85
After one year but not more than five years included under Non-Current Liabilities	96,240.68	117,868.74	95,837.92	117,292.86
More than 5 Years included under Non-current Liabilities	2,227.54	9,241.29	2,227.54	9,241.29
Total lease liabilities as at 31 March	142,578.18	180,058.46	142,020.80	179,293.00
(b) Lease Liability denominated in Foreign Currencies				
	Group		Company	
	2025 Mn	2024 Mn	2025 Mn	2024 Mn
Denominated in EUR	8.85	9.89	8.85	9.89
Denominated in USD	460.19	575.36	460.19	575.36
(c) Movement in Lease Liability				
Group	Finance		Finance	
	Gross Payable	Charges for future periods	Net Payable	Net Payable
	2025 LKR. Mn	2025 LKR. Mn	2025 LKR. Mn	2024 LKR. Mn
Balance as at 01 April	210,619.86	(30,561.40)	180,058.44	214,032.53
Additions during the year	5,273.95	(1,102.13)	4,171.82	17,075.29
Payments during the year	(48,552.58)	9,193.31	(39,359.27)	(34,690.31)
Concession received on rent	-	-	-	(44.97)
Adjustments	(0.04)	-	(0.04)	148.84
Disposal	(6.60)	0.46	(6.14)	(0.82)
Exchange loss / (gain)	(2,617.93)	331.28	(2,286.65)	(16,462.12)
Balance as at 31 March	164,716.67	(22,138.49)	142,578.16	180,058.44
Company	Finance		Finance	
	Gross Payable	Charges for future periods	Net Payable	Net Payable
	2025 LKR. Mn	2025 LKR. Mn	2025 LKR. Mn	2024 LKR. Mn
Balance as at 01 April	207,430.87	(28,137.87)	179,293.00	213,131.04
Additions during the year	5,273.95	(1,102.13)	4,171.82	17,003.37
Payments during the year	(48,299.70)	9,127.26	(39,172.44)	(34,511.69)
Concession received on rent	-	-	-	(44.97)
Adjustments	-	-	-	148.84
Disposal	(6.60)	0.46	(6.14)	(0.82)
Exchange loss / (gain)	(2,596.72)	331.28	(2,265.44)	(16,432.78)
Balance as at 31 March	161,801.81	(19,781.02)	142,020.79	179,293.00

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

16. OTHER LIABILITIES

	Group		Company	
	2025 LKR. Mn	2024 LKR. Mn	2025 LKR. Mn	2024 LKR. Mn
Payable after one year				
Provision for Aircraft Maintenance and Overhaul Cost (Note 16.1 (b))	47,838.86	40,246.93	47,838.86	40,246.93
Aircraft Return Cost Liability (Note 16.2.(b))	6,508.78	6,596.21	6,508.78	6,596.21
Retirement Benefit Obligation (Note 16.3.(b))	10,947.23	9,281.00	10,186.61	8,526.62
Deferred Tax Liability (Note 24.2)	1,068.37	1,121.60	-	-
	66,363.25	57,245.74	64,534.25	55,369.76
Payable within one year				
Provision for Aircraft Maintenance and Overhaul Cost (Note 16.1 (b))	19,550.36	19,675.31	19,550.36	19,675.31
Aircraft Return Cost Liability (Note 16.2.(b))	2,850.48	1,983.32	2,850.48	1,983.32
	22,400.85	21,658.63	22,400.84	21,658.63

16.1 Provision for Future Aircraft Maintenance and Overhaul Cost

	Group		Group / Company	
	2025 LKR. Mn	2024 LKR. Mn	2025 LKR. Mn	2024 LKR. Mn
(a) Movement				
As at 1 April	59,922.24	70,930.90	59,922.24	70,930.90
Provisions during the year	13,060.47	8,444.75	13,060.47	8,444.75
Adjustments (Note 6)	(243.31)	(3,481.06)	(243.31)	(3,481.06)
Utilisation	(4,346.51)	(10,249.12)	(4,346.51)	(10,249.12)
Exchange (gain)/ loss	(1,003.67)	(5,723.23)	(1,003.67)	(5,723.23)
As at 31 March	67,389.23	59,922.24	67,389.23	59,922.24
(b) Current / Non-current Classification				
Payable within one year included under Other Liabilities	19,550.36	19,675.31	19,550.36	19,675.31
After one year included under Other Long Term Liabilities	47,838.87	40,246.93	47,838.86	40,246.93
	67,389.23	59,922.24	67,389.23	59,922.24

16.2 Aircraft Return Cost

	Group		Group / Company	
	2025 LKR. Mn	2024 LKR. Mn	2025 LKR. Mn	2024 LKR. Mn
(a) Movement				
As at 1 April	8,579.52	9,876.86	8,579.52	9,876.86
Unwinding effect of Return cost	501.39	447.68	501.39	447.68
Settlements	(1,011.89)	(153.18)	(1,011.89)	(153.18)
Amounts setoff upon redelivery (Note 7)	-	(429.71)	-	(429.71)
Addition	222.23	230.59	222.23	230.59
Adjustments	1,186.99	(268.28)	1,186.99	(268.28)
Exchange (gain)/ loss	(119.00)	(1,124.43)	(119.00)	(1,124.43)
As at 31 March	9,359.24	8,579.52	9,359.25	8,579.52
(b) Current / Non-current Classification				
Incurred within one year included under Other Liabilities	2,850.48	1,983.32	2,850.48	1,983.32
After one year included under Other Long Term Liabilities	6,508.78	6,596.21	6,508.78	6,596.21
	9,359.25	8,579.53	9,359.25	8,579.53

16.3 Retirement Benefit Obligation

	Group		Company	
	2025 LKR. Mn	2024 LKR. Mn	2025 LKR. Mn	2024 LKR. Mn
(a). Gratuity				
Balance as at 01 April	8,649.56	7,664.59	7,948.99	7,000.34
Current service cost	580.38	464.36	539.78	423.80
Interest cost	894.06	1,090.38	810.00	970.82
Actuarial loss / (gain)	1,366.80	729.62	1,338.25	773.72
Payments during the year	(1,082.67)	(1,299.39)	(927.58)	(1,219.69)
Balance as at 31 March	10,408.15	8,649.56	9,709.45	7,948.99

16. OTHER LONG-TERM LIABILITIES (CONTD.)**16.3 Retirement Benefit Obligation (Contd.)****16.3 (b) Provision for Leave Encashment**

	Group		Company	
	2025 LKR. Mn	2024 LKR. Mn	2025 LKR. Mn	2024 LKR. Mn
Balance as at 01 April	631.46	348.64	577.63	303.20
Interest Cost	38.76	40.58	32.30	32.40
Actuarial (gain)/loss during the year	(0.46)	460.39	(6.41)	456.97
Benefits paid during the year	(130.66)	(218.15)	(126.36)	(214.96)
Balance as at 31 March	539.10	631.46	477.16	577.63
Total Retirement Benefit Obligation	10,947.23	9,281.00	10,186.61	8,526.62

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

	Company		Subsidiary	
	2025	2024	2025	2024
(i) Rate of Interest				
- LKR	10.5%	13.0%	11.0%	12.0%
- USD	4.0%	6.0%	-	-
(ii) Rate of Salary Increase				
- LKR	8.0%	10.0%	10.0%	11.0%
- USD	3.0%	3.0%	-	-
(iii) The entity will continue as a going concern				
(iv) Average Expected Remaining Service Life	10.61 Years	11.85 Years	10.61 Years	11.85 Years

*As per the statutory regulations, the retirement age is 60 years.

Sensitivity of assumptions employed in actuarial valuation

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

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

Increase /(Decrease) in			Effect on Retirement Benefit Obligation			
Discount Rate	Salary Escalation Rate	Exchange Rate	2025		2024	
			Company LKR. Mn	Subsidiary LKR. Mn	Company LKR. Mn	Subsidiary LKR. Mn
1%	-	-	(644.65)	(56.54)	(507.89)	(49.27)
-1%	-	-	735.46	68.20	578.17	59.09
-	1%	-	751.21	68.50	598.63	59.35
-	-1%	-	(668.37)	(56.20)	(532.73)	(48.98)
-	-	1%	27.60	-	27.60	-
-	-	-1%	(27.60)	-	(27.60)	-

Maturity Analysis

	Less than three months	3 to 12 Months	1 to 5 year	More than 5 years	Total
Group	1,990.81	753.24	3,376.10	4,288.00	10,408.15
Company	1,992.69	720.31	3,175.14	3,821.31	9,709.45

17. SALES IN ADVANCE OF CARRIAGE

Sales in advance of carriage generally represents the value of unutilized tickets and related balances which have not expired.

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2025	2024	2025	2024
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Trade and Other Payables	87,509.13	75,273.43	106,305.10	82,542.52
Unscheduled Repair Cost of Engines*	8,363.33	14,795.36	8,363.33	14,795.36
Penalty Charges on Agreement Breach **	12,889.34	11,837.12	12,889.34	11,837.12
	108,761.80	101,597.30	127,557.77	109,175.00

* The provision reflects the estimated cost payable on repair of CFM Neo engines taking into the consideration of expected manufacturer credits. The corresponding effect on the Profit and Loss is LKR 2,615.09 Mn.

**The Company was in breach of the agreement signed with Rolls Royce (RR) in respect of engines for A350 aircraft. As the Company did not take delivery of A350 aircraft, RR claimed for the loss of business under the said agreement. Accordingly, the Company agreed to provide future business to RR as a settlement by entering into new agreements. As a result of the pandemic and other technical issues, the Company could not fulfill a part of the new contracts. Therefore, RR invoiced the Company for this breach and has put forward a combined settlement proposal. The Company has made provisions for the same including interest accrued in terms of the agreements. Negotiations are ongoing with RR for a settlement plan.

19. FINANCIAL INSTRUMENTS

19.1 Classification of Financial Instruments

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

	2025	2024
	LKR. Mn	LKR. Mn
Group		
Financial Instruments measured at amortised cost		
Financial Assets		
Trade and Other Receivables, excluding Advances and Prepayments	18,041.48	19,122.20
Aircraft Maintenance Reserve	58,494.11	54,557.56
Aircraft and Spare Engine Deposits	8,335.13	8,967.60
Investments	2,390.13	2,508.42
Cash and Bank Balances	5,200.40	8,842.07
	92,461.25	93,997.85
Financial Liabilities		
Interest Bearing Loans and Borrowings	188,351.61	177,526.17
Lease Liability	164,716.67	210,619.86
Provision for Aircraft Maintenance and Overhaul Cost	67,389.23	59,922.24
Return Cost Provision	9,359.25	8,579.52
Trade and Other Payables	100,997.65	93,419.84
	530,814.41	550,067.63
Company		
Financial Instruments measured at amortised cost		
Financial Assets		
Trade and Other Receivables, excluding Advances and Prepayments	19,934.81	21,731.65
Aircraft Maintenance Reserve	58,494.11	54,557.56
Aircraft and Spare Engine Deposits	8,335.13	8,967.60
Investments	1,641.66	1,715.99
Cash and Bank balances	5,134.74	8,466.98
	93,540.45	95,439.78
Financial Liabilities		
Interest Bearing Loans and Borrowings	188,309.86	177,526.17
Lease Liability	161,801.81	207,430.87
Provision for Aircraft Maintenance and Overhaul Cost	67,389.23	59,922.24
Return Cost Provision	9,359.25	8,579.52
Trade and Other Payables	119,793.62	107,648.62
	546,653.77	561,107.42

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

20. REVENUE AND SEGMENT INFORMATION

		Group		Company	
		2025 LKR. Mn	2024 LKR. Mn	2025 LKR. Mn	2024 LKR. Mn
20.1 Revenue					
Scheduled services	- Passenger	234,481.45	276,249.95	234,481.45	276,249.95
	- Cargo	31,672.65	30,956.67	32,070.35	31,225.19
	- Excess Baggage	2,546.81	2,364.34	2,546.81	2,364.34
	- Mail	280.39	420.42	280.39	420.42
		<u>268,981.30</u>	<u>309,991.38</u>	<u>269,379.00</u>	<u>310,259.90</u>
Air Terminal and Other Services		24,895.62	21,227.33	25,178.22	21,425.39
Duty Free		1,948.44	1,824.12	1,948.44	1,824.12
Non-Scheduled Services		0.34	104.68	0.34	104.68
Flight Catering		7,268.19	6,444.14	-	-
Total		<u>303,093.89</u>	<u>339,591.65</u>	<u>296,506.00</u>	<u>333,614.09</u>

20.2 Segment Information

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

	Sri Lanka	Asia (excluding Sri Lanka)	Europe & Africa	Middle East	North & South America	Australia/ Pacific	Total 2025
Revenue 2025	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Scheduled services - Passenger	45,115.63	75,266.86	42,853.20	31,090.38	9,999.91	30,155.47	234,481.45
- Cargo	10,606.78	15,210.72	2,578.66	1,875.39	1.81	1,426.76	31,700.12
- Excess Baggage	400.60	921.11	87.95	878.94	120.83	137.38	2,546.81
- Mail	19.42	217.22	-	-	-	43.75	280.39
	<u>56,142.43</u>	<u>91,615.91</u>	<u>45,519.81</u>	<u>33,844.71</u>	<u>10,122.55</u>	<u>31,763.36</u>	<u>269,008.77</u>
Air Terminal and Other Services	24,895.62	-	-	-	-	-	24,895.62
Duty Free	-	993.70	136.39	389.69	-	428.66	1,948.44
Non-Scheduled Services	0.34	-	-	-	-	-	0.34
Flight Catering	7,268.19	-	-	-	-	-	7,268.19
Segment Revenue	<u>88,306.58</u>	<u>92,609.61</u>	<u>45,656.20</u>	<u>34,234.40</u>	<u>10,122.55</u>	<u>32,192.02</u>	<u>303,121.36</u>

		Asia (excluding Sri Lanka)	Europe & Africa	Middle East	North & South America	Australia/ Pacific	Total 2024
Revenue 2024	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Scheduled services - Passenger	57,751.22	89,440.38	47,464.56	34,609.79	11,922.39	35,061.61	276,249.95
- Cargo	9,095.76	14,788.85	3,353.67	2,275.16	13.65	1,429.58	30,956.67
- Excess Baggage	328.74	878.67	78.53	854.61	113.35	110.44	2,364.34
- Mail	110.93	298.47	-	-	-	11.02	420.42
	<u>67,286.65</u>	<u>105,406.37</u>	<u>50,896.76</u>	<u>37,739.56</u>	<u>12,049.39</u>	<u>36,612.65</u>	<u>309,991.38</u>
Air Terminal and Other Services	21,227.33	-	-	-	-	-	21,227.33
Duty Free	-	1,021.51	91.21	437.79	-	273.62	1,824.12
Non-Scheduled Services	104.68	-	-	-	-	-	104.68
Flight Catering	6,444.14	-	-	-	-	-	6,444.14
Segment Revenue	<u>95,062.80</u>	<u>106,427.88</u>	<u>50,987.97</u>	<u>38,177.35</u>	<u>12,049.39</u>	<u>36,886.27</u>	<u>339,591.65</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

20. REVENUE AND SEGMENT INFORMATION (CONTD.)

(b) Secondary Reporting by Business Segment

	Business Segment				Business Segment			
	Airline	Flight Catering	Inter-segment eliminations	Group	Airline	Flight Catering	Inter-segment eliminations	Group
	2025	2025	2025	2025	2024	2024	2024	2024
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Revenue								
Sales to external customers	296,506.00	14,104.76	(7,516.88)	303,093.89	333,614.09	13,970.77	(7,993.21)	339,591.65
Results								
Profit / (Loss) After Tax	(7,898.19)	4,859.73	(0)	(3,038.90)	3,870.86	4,054.22	(0.07)	7,925.01
Other Segment Information								
Assets	181,971.13	27,348.41	(20,062.74)	189,256.80	194,258.01	23,003.89	(15,613.19)	201,648.71
Liabilities	585,447.31	3,652.84	(20,020.11)	569,080.04	594,792.72	3,978.83	(15,399.16)	583,372.38
Acquisition of Property, Plant and Equipment	1,866.49	85.29	-	1,951.79	1,626.83	42.94	-	1,669.77
Acquisition of Intangible Assets	31.00	0.64	-	31.63	5.48	-	-	5.48
Depreciation and Amortisation	15,679.72	294.83	-	15,974.55	13,869.28	268.79	-	14,138.07
Finance Cost	36,236.73	66.51	-	36,303.24	37,311.84	75.38	-	37,387.22
Exchange loss on Interest Bearing Liabilities	(3,903.31)	(21.22)	-	(3,924.53)	(26,687.55)	(29.26)	-	(26,716.81)
Finance Income	742.40	62.39	-	804.79	710.90	112.16	-	823.06
Tax Expense / (Reversal)	-	845.87	-	845.87	-	481.61	-	481.61
Operating Expenses excluding exchange loss	273,770.16	8,154.24	(7,516.88)	274,407.52	301,166.75	8,183.43	(7,993.20)	301,356.98
Inventory written off	7.44	-	-	7.44	14.72	-	-	14.72

21. OTHER INCOME AND GAINS

	Group		Company	
	2025	2024	2025	2024
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Profit on Disposal of Property, Plant and Equipment	3.05	0.15	3.05	0.15
Miscellaneous Income	1,658.27	1,485.49	1,658.27	1,485.49
	<u>1,661.32</u>	<u>1,485.64</u>	<u>1,661.32</u>	<u>1,485.64</u>

**22. OPERATING LOSS
stated after charging:**

	Group		Company	
	2025	2024	2025	2024
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Aircraft Insurance	1,420.20	1,646.27	1,420.20	1,646.27
Franchise Fees	1,431.39	1,161.18	1,431.39	1,161.18
Allowance for Slow Moving Inventory	326.40	171.54	327.10	174.81
Auditors' Remuneration				
- Audit	20.26	13.71	17.15	12.56
Provision for Impairment of Receivables	(161.83)	(187.97)	(164.42)	(134.44)

23. NET FINANCE COST

	Group		Company	
	2025	2024	2025	2024
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
23.1 Finance Income				
Interest Income	804.79	823.06	742.40	710.90
	804.79	823.06	742.40	710.90

	Group		Company	
	2025	2024	2025	2024
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
23.2 Finance Cost				
Interest on Loans and International Bond	15,286.50	18,359.39	15,286.50	18,359.39
Interest on Deffered Settlement Plans for Suppliers	944.71	706.08	944.71	706.08
Interest Cost Bank Overdrafts and Overdue Supplier Balances	10,377.33	7,340.46	10,377.33	7,340.46
Finance Charges on Lease Liabilities	9,193.31	10,533.61	9,126.80	10,458.23
Unwinding effect of Return cost	501.39	447.68	501.39	447.68
	36,303.24	37,387.22	36,236.73	37,311.84

23.3 Exchange Loss on Interest Bearing Liabilities

Exchange (gain)/ loss on Lease Liabilities	(2,286.65)	(16,462.12)	(2,265.44)	(16,432.86)
Exchange (gain) / loss on Other Interest Bearing Liabilities	(1,637.88)	(10,254.69)	(1,637.88)	(10,254.69)
	(3,924.53)	(26,716.81)	(3,903.31)	(26,687.55)
Net Finance Cost	31,573.94	9,847.35	31,591.02	9,913.39

SriLankan Airlines Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2025

24. TAXATION

Tax Expense

	Group		Company	
	2025 LKR. Mn	2024 LKR. Mn	2025 LKR. Mn	2024 LKR. Mn

The major components of income tax expense are as follows:

Current income tax

Current tax expense on ordinary activities for the year (Note

24.1)

Deferred tax expense

881.98	676.29	-	-
(36.11)	(194.68)	-	-
845.87	481.61	-	-

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

	Group		Company	
	2025 LKR. Mn	2024 LKR. Mn	2025 LKR. Mn	2024 LKR. Mn
Accounting Profit/ (Loss) before Tax	(2,193.03)	8,406.62	(7,898.19)	3,870.86
Less: (Profit)/ Loss exempt from income tax	(23.73)	(3.39)	-	-
Profit / (Loss) liable for income tax	(2,216.76)	8,403.23	(7,898.19)	3,870.86
Net of Allowable and Disallowable Expenses	(28,931.78)	(42,313.98)	(29,118.68)	(43,368.72)
Tax Losses incurred	(31,148.55)	(33,910.75)	(37,016.87)	(39,497.86)
Taxable Profit arising from the company	-	-	-	-
Taxable Profit arising from the subsidiary	5,868.76	5,587.20	-	-
Less: Losses set off	-	-	-	-
	5,868.76	5,587.20	-	-
Income tax liability at 15%	859.88	831.62	-	-
Income tax liability at 30%	40.86	64.46	-	-
Current Income Tax Expense	900.74	896.08	-	-

24.2 DEFERRED TAX LIABILITY- Subsidiary

	2025 LKR. Mn	2024 LKR. Mn
Balance at the beginning of the year	1,121.60	1,311.13
Charged to profit & loss	(36.11)	(194.67)
Charged to the other comprehensive income	(17.12)	5.14
Balance at the end of the year	1,068.37	1,121.60

Deferred Tax Relates to the Following:

Deferred Tax Liability Arising on:	2025 LKR. Mn	2024 LKR. Mn	Recognised in profit or loss 2025 LKR. Mn	Recognised in OCI 2025 LKR. Mn
Property, Plant and Equipment	23.54	36.70	(13.16)	-
Revaluation of Property, Plant and Equipment	952.22	958.99	-	(6.77)
Intangible Assets	0.53	0.85	(0.32)	-
ROU Asset	20.66	30.06	(9.40)	-
Unrealized exchange gain	404.92	458.10	(53.18)	-
	1,401.86	1,484.70		
Deferred Tax Assets Arising on:				
Gratuity	(209.61)	(210.17)	9.13	(8.57)
leave encashment liability	(18.58)	(16.15)	(0.65)	(1.79)
Allowance for obsolete and slow-moving inventory	(18.73)	(18.84)	0.11	-
Provision for trade debtors	(2.53)	(1.90)	(0.63)	-
Lease Liability	(84.04)	(116.03)	31.99	-
	(333.49)	(363.09)		
Net deferred tax liability	1,068.37	1,121.61		
Net deferred tax expense			(36.11)	(17.12)

Deferred tax liability has been calculated based on the future tax rates applicable to each segment. According to the BOI agreement for Flight Kitchen, Transit Restaurants, Transit Hotel, and Airline Laundry are liable at a concessionary rate of 15% until 31 May 2029, and other income at 30% which is the tax rate effective from 01 October 2022 as per the Inland Revenue Act No 24 of 2017.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

24. TAXATION (Contd..)

24.2 DEFERRED TAX LIABILITY- Company

	2025	2024	Movement
	LKR. Mn	LKR. Mn	2025
			LKR. Mn
Property, Plant & Equipment	(1,232.30)	(1,132.89)	99.41
Revaluation of Land - Colombo	(205.38)	(205.38)	-
Revaluation of Buildings	(1,549.27)	(1,549.27)	-
Net Right of Use Assets and Liabilities	23,209.97	31,393.47	8,183.50
Retirement Benefit Obligation	3,055.98	2,557.99	(497.99)
Provision for Slow Moving Stocks	1,138.82	1,042.93	(95.89)
Provision for Impairment of Receivables	592.83	642.16	49.33
Provision for Aircraft Maintenance and Overhaul Cost	20,216.77	17,976.67	(2,240.10)
Aircraft Return Cost	2,807.78	2,573.86	(233.92)
	48,035.21	53,299.54	5,264.34

Company

The rate of tax used is 30% (2024 - 30%) which is the tax rate that is expected to be applied to the temporary differences when they reverse, based on the tax laws enacted as at the reporting date. A net deferred tax asset amounting to LKR. 48,035.21 Mn as at 31 March 2025 was not recognized in the financial statements as it is not probable that the future taxable profits will be adequate to utilize the available deferred tax assets in the foreseeable future.

Deferred tax asset is not computed on tax losses carried forward at the reporting date amounting to LKR 304,273.30 Mn (2024-LKR 278,959.18)

25. COMMITMENTS AND CONTINGENCIES

25.1 Capital Expenditure Commitments

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

	Group		Company	
	2025	2024	2025	2024
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Authorised and contracted but not provided for				
Tangible	811.92	170.26	811.92	170.26
Intangible	3.75	42.40	3.75	42.40
	815.68	212.66	815.68	212.66
Authorised but not contracted for				
Tangible	2,219.05	2,348.58	2,219.05	2,348.58
Intangible	64.11	92.00	64.11	92.00
	2,283.16	2,440.58	2,283.16	2,440.58
	3,098.85	2,653.24	3,098.85	2,653.24