

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

Unaudited Draft Financial Statement

**FINANCIAL STATEMENTS
31 DECEMBER 2023**

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

FINANCIAL STATEMENTS - 31 DECEMBER 2023

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

STATEMENT OF COMPREHENSIVE INCOME

(All amounts in Sri Lankan Rupees)

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

The notes on pages 5 to 31 form an integral part of these financial statements.

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

	Note	As at December 31	
		2023	2022
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	11	36,177,294,374	39,630,716,596
Investment Properties	11	3,927,460,603	-
Capital Work in Progress	11	38,443,670,909	36,697,665,852
Intangible Assets	12	162,669,883	15,931,315
Deferred Tax Assets	13	3,509,712,949	3,104,834,912
		<u>82,220,808,717</u>	<u>79,449,148,675</u>
Long Term Investments			
Long Term loans		10,388,500	11,588,500
Long Term Debenture Investments	14.1	2,199,300,000	1,999,300,000
Long Term Bank Deposits	14.2	-	6,962,540,843
Loans to Company Officers	16.1	102,362,282	68,338,785
		<u>2,312,050,782</u>	<u>9,041,768,128</u>
Current Assets			
Inventories	15	3,509,400,475	2,246,363,918
Trade and Other Receivables	16	11,811,961,572	8,734,298,691
Income Tax Receivable	26	-	91,084,038
Short Term Debenture Investments	14.1	800,000,000	1,299,000,000
Short Term Bank Deposits	14.2	87,716,805,396	78,025,787,863
Cash and Cash Equivalents	17	3,171,397,540	642,335,995
		<u>107,009,564,983</u>	<u>91,038,870,506</u>
Total Assets		<u>191,542,424,482</u>	<u>179,529,787,309</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital	18	20,000,200	20,000,200
Reserves	19	6,846,530,966	6,848,033,247
Retained Earnings	20	60,744,660,339	38,389,121,467
		<u>67,611,191,506</u>	<u>45,257,154,913</u>
Non-Current Liabilities			
Borrowings	21	69,992,369,357	93,028,636,038
Debentures	22	4,000,000,000	4,000,000,000
Retirement Benefit Obligation	23	6,993,907,655	5,877,345,342
Deferred Tax Liability	13	9,211,489,732	9,264,909,416
Deferred Government Grants	24	1,385,811,815	907,164,185
		<u>91,583,578,558</u>	<u>113,078,054,980</u>
Current Liabilities			
Trade and Other Payables	25	10,401,426,966	7,950,084,768
Borrowings	21	19,922,064,751	13,244,492,649
Income Tax Payable	26	2,024,162,700	-
		<u>32,347,654,417</u>	<u>21,194,577,417</u>
Total Liabilities		<u>123,931,232,975</u>	<u>134,272,632,397</u>
Total Equity and Liabilities		<u>191,542,424,482</u>	<u>179,529,787,310</u>

The Board of Directors are responsible for the preparation and presentation of these Financial Statements. These Financial Statements were authorised by the Board of Directors on 21st February 2024.

.....
Chairman

.....
Director

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

.....
Head of Finance

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

Note	Stated Capital	Other Reserves	Retained Earnings	Total
Balance at 1 January 2022	20,000,200	6,846,182,247	34,448,138,251	41,314,321,698
Prior Year Adjustments	-	-	(81,653,286)	(81,653,286)
Profit for the Year	-	-	4,802,697,567	4,802,697,567
Other Comprehensive Income				
Actuarial Loss on Post Employment Benefit Obligations	-	-	(366,067,192)	(366,067,192)
Deferred Tax on Actuarial Gain	-	-	87,856,126	87,856,126
Other Comprehensive Income	-	-	(278,211,066)	(278,211,066)
Total Comprehensive Income	-	-	4,524,486,501	4,524,486,501
Dividend Paid 28	-	-	(500,000,000)	(500,000,000)
Transfer to Reserve Account	-	1,850,000	(1,850,000)	-
Balance at 31 December 2022	20,000,200	6,848,033,247	38,389,121,466	45,257,154,914
Balance at 1 January 2023	20,000,200	6,848,033,247	38,389,121,466	45,257,154,914
Prior Year Adjustments	-	-	(60,043,013)	(60,043,013)
Profit for the Year	-	-	28,121,654,931	28,121,654,931
Other Comprehensive Income				
Actuarial Loss on Post Employment Benefit Obligations	-	-	(296,536,179)	(296,536,179)
Deferred Tax on Actuarial Gain	-	-	88,960,854	88,960,854
Other Comprehensive Income	-	-	(207,575,325)	(207,575,325)
Total Comprehensive Income	-	-	27,914,079,606	27,914,079,606
Dividend Paid 28	-	-	(5,500,000,000)	(5,500,000,000)
FA Revaluation Reserve	-	(5,612,281)	5,612,281	-
Transfer to Reserve Account	-	4,110,000	(4,110,000)	-
Balance at 31 December 2023	20,000,200	6,846,530,966	60,744,660,339	67,611,191,508

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

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

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

Notes to the Financial Statements

1 Corporate Information

1.1 General

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

1.2 Principal Activities and Nature of Operations

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

1.3 Date of Authorization for Issue

The financial statements of Airport and Aviation Services (Sri Lanka) (Private) Limited for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the Board of Directors on 21st February 2024.

2 Summary of Significant Accounting Policies

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

2.1 Basis of Preparation

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

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

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

2.1.1 Amalgamation

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

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

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

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

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

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

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

Notes to the Financial Statements (Contd)

2.1.2 Statement of Compliance

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

The statement of financial position, statements of comprehensive income, changes in equity and cash flows, together with accounting policies and notes, ("Financial Statements") of the Company as at 31 December 2023 and for the year then ended together with the comparative information are compliant with the Sri Lanka Accounting Standards (SLFRS/LKAS) laid down by The Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act. These Standards are listed at www.casrilanka.com.

2.1.3 Comparative Information

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

2.1.4 Basis of Measurement

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

Short Term Investments classified as fair value through profit or loss - Fair Value

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

2.1.5 Functional and Presentation Currency

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

2.1.6 Presentation of Financial Statements

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

2.1.7 Materiality and Aggregation

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

2.1.8 Use of Judgments and Estimates

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

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

Notes to the Financial Statements (Contd)

2.1.9 Going Concern

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

2.1.10 Financial Instruments

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

2.1.11 Deferred Tax Assets

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

2.1.12 Fair Value Measurement

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

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

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

2.1.13 Changes in Accounting Policy and Disclosures

New and amended standards and interpretations

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

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

Amendments to LKAS 8 – Definition of Accounting Estimates

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

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

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

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

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

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

Notes to the Financial Statements (Contd)

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

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

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

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

2.2 Foreign Currency Translation

(a) Functional and Presentation Currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Sri Lankan Rupees, which is the Company's functional and presentation currency.

(b) Transactions and Balances

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

At the end of each reporting period

Foreign currency monetary items shall be translated using the closing rate

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

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

2.3 Current and Deferred Income Tax

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

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

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

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

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

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

Notes to the Financial Statements (Contd)

2.4 Inventories

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

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

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

2.5 Trade and Other Receivables

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

Other receivables are recognized at cost less allowances for bad and doubtful receivables.

2.6 Cash and Cash Equivalents

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

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

2.7 Property, Plant and Equipment

All property, plant and equipment is initially recorded at cost and stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items and also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period. The cost of self-constructed assets includes the cost of materials, direct labor and an appropriate proportion of production overheads. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All repairs and maintenance costs are charged to Statement of Comprehensive Income during the financial period in which they are incurred. Cost of long term capital projects are carried forward in capital projects work- in - progress until the projects are completed and the related assets are available for use. Depreciation begins when an item of property, plant and equipment is available for use and will continue until it is derecognized, even if during that period the item is idle. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their costs to their residual values over their estimated useful lives.

The useful lives of the assets are estimated as follows:

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

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

Notes to the Financial Statements (Contd)

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

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

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

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

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

Impairment of property, plant and equipment

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

2.8 Intangible assets

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

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

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

2.9 Stated Capital

Ordinary shares are classified as equity.

2.10 Trade Payables

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

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

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

2.11 Borrowings

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

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

Notes to the Financial Statements (Contd)

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

2.12 Borrowing Costs

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

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

2.13 Provisions

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

2.14 Retirement Benefit Obligations

(a) Defined Benefit Plan

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

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

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

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

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

(b) Defined Contribution Plans

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

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

Notes to the Financial Statements (Contd)

2.15 Grants and Subsidies

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

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

2.16 Impairment of Non-Financial Assets

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

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

2.17 Financial Assets

2.17.1 Classification

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

(a) Amortised Cost

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

(b) Fair Value through Other Comprehensive Income

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

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

(c) Fair Value through Profit or Loss

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

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

2.17.2 Recognition and Measurement

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

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

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

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

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

2.18 Offsetting Financial Instruments

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

2.19 Impairment of Financial Assets

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

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

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

2.20 Financial Liabilities

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

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

2.21 Revenue Recognition

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

(a) Rendering of Services

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

(b) Interest

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

(c) Rental Income

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

(d) Franchise Fee and Concessions

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

(e) Landing & Parking Income International / Domestic

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

(f) Overflying Income

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

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

(h) Embarkation Levy

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

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

Revenue is collected and recognised on cash basis

(j) Others

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

Incinerator income is recognised on accrual basis.

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

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

3 Financial Risk Management

3.1 Financial Risk Factors

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

(a) *Market Risk*

(i) *Foreign Exchange Risk*

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

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

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

Sensitivity of the exchange rate of USD against LKR

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

Sensitivity of the exchange rate of Euro against LKR

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

Sensitivity of the exchange rate of Japanese Yen against LKR

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

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

(ii) Cash flow and fair value interest rate risk

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

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

(b) Credit risk

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

(c) Liquidity risk

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

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

3.2 Capital Risk Management

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

The gearing ratio as at 31 December 2023 and 31 December 2022 were as follows:

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

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

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

3.3 Fair Value Estimation

The Company had no financial instruments measured at fair value.

4 Critical Accounting Estimates and Judgments

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

Critical Accounting Estimates and Assumptions

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

(a) *Defined Benefit Plan - Gratuity*

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

(b) *Provisions*

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

5 Revenue

	2023	2022
Aeronautical	7,575,143,036	6,135,995,731
Non-Aeronautical	30,670,641,452	19,800,402,953
	38,245,784,487	25,936,398,684
Aeronautical Revenue		
Landing & Parking Income	4,543,507,581	4,006,214,542
Overflying Income	2,114,565,361	1,547,067,263
Aerobridge Income	895,530,276	567,327,572
Domestic Landing & Parking Income	21,539,818	15,386,355
	7,575,143,036	6,135,995,731

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

Non-Aeronautical Revenue

Embarkation Levy	8,648,651,187	5,195,720,093
Concession	11,489,266,114	8,244,584,960
Rental	5,168,896,420	3,452,134,576
Entry Permits	812,886,979	489,845,478
Fuel Throughput Chargers	256,201,035	159,236,447
Franchise Fee on Ground Handling - SLA	1,420,987,416	503,441,315
Franchise Fee - SLCS	786,139,193	594,260,137
Parking Fees - Vehicles	210,648,560	145,240,324
Domestic Ground Handling CIAR / BIA	9,305,834	15,917,318
Other Non-Aeronautical Income	991,037,548	442,841,502
Gross Profit from Lounges	876,621,167	557,180,804
	30,670,641,452	19,800,402,953

Total Aeronautical and Non-Aeronautical Revenue

38,245,784,488 25,936,398,684

6 Other Income

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

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

6.1 Operating Profit from Fuel Filling Station

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

7 Administration and Establishment Expenses

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

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

8 Net Finance (Cost) / Income

8.1 Finance Income

	2023	2022
Interest on Treasury Bills/Bonds under Repurchase Agreements	131,812,265	74,126,627
Interest on USD Bank Account	2,650,951	4,451,204
Interest on USD Fixed Deposits	7,824,771,732	4,409,658,097
Interest on Rupee Fixed Deposits	1,888,563,833	1,168,117,693
Interest on Debenture Investments	518,622,056	453,852,907
Interest on Loan Sports Club	322,212	322,212
Interest on Staff Loans	7,860,783	10,080,507
Interest on Security Deposits	1,872,563	-
Default Interest Income	68,336,471	69,996,927
IFRS Interest on Staff Loans	(16,617,272)	16,065,116
	<u>10,428,195,594</u>	<u>6,206,671,289</u>

8.2 Finance Cost

	2023	2022
Loan Interest	(2,225,201,499)	(1,854,365,149)
Net Foreign Exchange (Loss) on Transactions	(161,712,314)	-
Exchange Gain / (Loss) on Loans Conversion	15,204,613,135	(43,977,059,211)
Exchange (Loss) / (Gain) on Fixed Deposits Conversion	(8,467,336,122)	32,015,382,717
Exchange (Loss) / (Gain) on Other Accounts Conversion	(454,151,067)	1,407,095,512
	<u>3,896,212,133</u>	<u>(12,408,946,131)</u>
Net Finance Income/(Cost)	<u>14,324,407,728</u>	<u>(6,202,274,842)</u>

9 Income Tax Expense

The major components of Income Tax Expense for the year ended 31 December 2023 are as follows :

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

Corporate Income Tax has been computed in accordance with the amended Inland Revenue Act No. 45 of 2022. Tax rate of 24% was applied for the first six month of the year 2022 and 30% was applied for the second six month of the same year and also for the year of 2023 as per the provision of new amendments.

	2023	2022
Profit Before Tax	33,639,078,598	6,433,025,990
Tax calculated at the effective tax rate of (30%-24%)	10,091,723,580	1,736,917,017
Tax effect on Expenses not deductible for tax	3,765,481,113	3,834,860,767
Tax effect on Expenses/Income deductible for tax	(7,970,444,159)	(2,311,768,220)
Tax effect on business losses for prior years	-	(2,382,785,804)
Tax losses/(Gain) for which no Deferred Income Tax Asset was recognised	(369,336,867)	753,104,662
Total Tax Expense	<u>5,517,423,668</u>	<u>1,630,328,422</u>

AIRPORT & AVIATION SERVICES (SRI LANKA) (PRIVATE) LIMITED**Notes to the Financial Statements (Contd)****10 Basic Earnings per Share**

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

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

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

11 Property, Plant and Equipment

- (i) Land and building includes land amounting to LKR.935,980,401 as at 31 December 2023 (2022 - LKR.935,980,401) which is located at Katunayake.

- (ii) The construction of second International Airport at Mattala (MRIA) which commenced operations in March 2013 had been constructed on a land leased out by the Government of Sri Lanka on a 99 year lease period. The base payments on the lease fall due after a grace period of 50 years from 2011. There are two lease agreements and after the end of 50 years grace period Company is liable to pay annual lease rental of Rs.2,141,922 & Rs.3,792,711 for initial 5 years and after that Company will liable to pay lease rentals in each year which will be decided at the time of payment. In addition to that Company is liable to pay a leasehold payment of Rs.6,425,766 & Rs.11,378,133 at the initial year after the grace period (2061).

A total asset value of LKR 18 Billion relating to MRIA is included in the amalgamated Property, Plant & Equipment as at 31.12.2023.

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

- (iv) Property, Plant and Equipment includes fully depreciated assets amounting to LKR 21,934,000,440 (2022 -LKR 19,691,847,762).

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

12 Intangible Assets

	2023	2022
At the beginning of the Year		
Cost	143,764,274	120,906,971
Accumulated depreciation	(127,832,959)	(99,071,714)
	15,931,315	21,835,257
Movement during the year		
Opening Net Book Amount	15,931,315	21,835,257
Additions	155,040,414	16,674,876
Transfers -Depreciation	-	(16,674,876)
Written off/Transfer- Cost	-	6,182,427
Amortisation during the year	(8,301,847)	(12,086,369)
Closing Net Book Amount	162,669,883	15,931,316
At the end of the Year		
Cost	298,804,688	143,764,274
Accumulated Depreciation	(136,134,806)	(127,832,959)
Closing Net Book Amount	162,669,883	15,931,315

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

AIRPORT & AVIATION SERVICES (SRI LANKA) (PRIVATE) LIMITED
Notes to the Financial Statements (Contd)
13 Deferred Income Tax

	Statement of Financial Position		Statement of Comprehensive Income	
	2023	2022	2023	2022
Deferred Tax Liability on :				
Accelerated Tax Depreciation	9,211,489,732	9,264,909,416	(53,419,684)	1,891,699,158
	9,211,489,732	9,264,909,416	(53,419,684)	1,891,699,158
Deferred Tax Assets on :				
Defined Benefit Plan	2,098,172,295	1,663,203,602	(334,968,693)	(602,146,199)
Provisions for Inventory & Debtors	995,797,110	1,069,482,055	73,684,945	(581,756,296)
Deferred Government Grants	415,743,240	272,149,256	(143,594,289)	(42,548,127)
	3,509,712,949	3,104,834,912	(404,878,036)	(1,226,450,622)
Other Comprehensive Income				
Deferred Income Tax on Actuarial Gain/(Loss) on Defined Benefit Plan			88,960,854	87,856,126
Deferred Income Tax Charge/ (Credit) (Note 9)			(369,336,867)	753,104,662

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

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

14 Investments
14.1 Investments in Debentures

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

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

Date of Issue	Date of Redemption	Amount of Investment	
		2023	2022
08.10.2015	07.10.2023	-	800,000,000
25.10.2016	24.10.2023	-	50,000,000
15.03.2018	15.03.2023	-	449,000,000
29.03.2018	29.03.2025	445,000,000	445,000,000
10.09.2019	10.09.2024	800,000,000	800,000,000
23.09.2019	23.09.2026	254,300,000	254,300,000
30.12.2022	30.12.2027	500,000,000	500,000,000
21.12.2023	21.12.2028	1,000,000,000	-
		2,999,300,000	3,298,300,000

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

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

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

14.2 Bank Deposits

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

15 Inventories

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

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

16 Trade and Other Receivables

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

Loans to Company officers are receivable from employees in equal monthly installments over the loan period not exceeding 4 years. Interest is charged on employee loans at a rate of 4.2% per annum. As per accounting policy the employee loans are measured at amortized cost using the effective interest method of each reporting date. The effective interest on employee loans was 13% in 2023 (2022: 18%)

16.1 Loans to Company Officers

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

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

17 Cash and Cash Equivalents

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

18 Stated Capital

	2023	2022
Number of Shares		
Stated Capital 200,002	20,000,200	20,000,200
	<u>20,000,200</u>	<u>20,000,200</u>

All issued shares are fully paid

19 Reserves

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

The reserves consist of net assets transferred to the Company from the Airports Authority which was dissolved upon the incorporation of the Company, Revaluation reserve of assets and the reserve created from retained earnings amount of LKR 193 Million (5% of annual asset additions of electronic, electrical, communication & other equipment) for fire damages to property plant and equipment due to lightning with effect from 2013.

20 Retained Earnings

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

21 Borrowings

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

21.1 Foreign Loans

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

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

21.2 Local Loans

	2023	2022
Balance at the beginning of the year	-	266,666,666
Loans settled during the year	-	(266,666,666)
Balance at the end of the year	-	-
Classification of Loans		
Current Portion of Borrowings	19,922,064,751	13,244,492,649
Non - Current Portion of Borrowings	69,992,369,357	93,028,636,038
	89,914,434,108	106,273,128,687
Maturity Analysis of the Borrowings		
	2023	2022
Less than one year	19,922,064,751	13,244,492,649
More than one year but less than five years	35,033,867,773	40,844,892,882
More than five years	34,958,501,584	52,183,743,155

As per the special letter dated 12/04/2022 issued by General Treasury, company ceased repayment of foreign loans obtain for below purposes and amounts appear as payables as at 31st December 2023 are as follows,

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

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

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

	2023	2022
	(%)	(%)
United States Dollar (USD)		
- Mattala Rajapaksa International Airport	2.00	2.00
- Runway Overlay	LIBOR + 2	LIBOR + 2
Japanese Yen		
- BIA Development Project	1.80	1.80
- BIA Development Project Phase II Stage 1	0.75	0.75
- BIA Development Project Phase II Stage 2	0.20	0.20
Euro		
- Modern RMA Air Traffic Control System - Tranche - 2	4.90	4.90
- Modern RMA Air Traffic Control System - Tranche - 3	2.10	2.10
LKR		
- Bank Loan against Fixed Deposit		AER of FD+0.5
United States Dollar (USD)	131,924,919	131,924,919
Japanese Yen	19,876,819,526	20,275,052,250
Euro	77,638	183,080

22 Debentures

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

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

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

23 Retirement Benefit Obligations

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

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

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

	2023	2022
Discount rate	13%	18%
Rate of Future Salary Increases	1% - 12%	1% - 15%
Cost of Living Allowance Increment Rate	12.00%	10.00%
Rate of Staff Turnover	1.5%	1.3%
Retirement Age	60 years	60 years

The provision for Retirement Benefit Obligations for the year is based on the Actuarial Valuation carried out by professionally qualified actuaries M/S Actuarial & Management Consultants (Pvt) Ltd as at 31st December 2023.

The liability for Defined Benefit Obligations is not externally funded.

24 Deferred Government Grant

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

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

25 Trade and Other Payables

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

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

26 Income Tax Payable /(Receivable)

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

27 Financial Instruments by Category

(a) Financial Instruments

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

(b) Credit Quality by Class of Financial Assets

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

31 December 2023

	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
Trade receivables (Note 16)	3,334,035,766	2,208,079,532	3,236,836,192	8,778,951,490
Loans to Company officers	191,355,010	-	-	191,355,010
Total financial assets	3,525,390,776	2,208,079,532	3,236,836,192	8,970,306,500

31 December 2022

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

Cash at Bank and Short-Term Bank Deposits

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

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

Notes to the Financial Statements (Contd)

28 Dividend

Company has declared LKR 5 Billion as final dividend for 2023
LKR 1 Billion declared as the final dividend for 2022 and out of that LKR 500 Million paid in January 2023

29 Contingencies

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

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

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

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

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

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

There are materials both permanent and temporary, purchased by the Contractor for the implementation of the project and some of those materials such as timber, plywood and steel reinforcements etc. will tend to deteriorate with time before the commencement of the balance work. Therefore AASL has made arrangements to auction those after obtaining the approval of JICA in order to minimize the losses to the Employer.

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

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

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

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

Notes to the Financial Statements (Contd)

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

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

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

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

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

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

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

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

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

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

Major materials and equipment that were delivered and taken over.

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

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

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

Notes to the Financial Statements (Contd)

Major materials and equipment overseas

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

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

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

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

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

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

30 Commitments

30.1 Capital Expenditure Commitments

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

30.2 Financial Commitments

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

31 Transactions with Key Management Personnel

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

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

32 Related Party Transactions

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

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

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

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

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

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

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

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

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

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

33 Events after the reporting period

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

AIRPORT & AVIATION SERVICES (SRI LANKA) (PRIVATE) LIMITED
Notes to the financial statements (Contd)

11 . Property, plant and equipment

	Land & Buildings	Plant and machinery	Motor vehicle	Furniture, Fittings & Office Equipments	Communication & Navigation	Other Equipment	Airport Infrastructure	Investment Properties	Capital Work In Progress	Total
As at 1 January 2022										
Cost	19,938,481,480	5,966,247,147	1,949,754,788	1,235,980,538	8,633,982,624	1,543,754,944	35,150,010,541		30,465,673,358	105,085,885,419
Accumulated depreciation	(1,736,443,738)	(4,854,046,701)	(1,379,534,548)	(1,095,848,827)	(7,989,333,289)	(1,239,543,821)	(14,700,537,511)		-	(32,995,288,437)
Provision for doubtful projects	-	-	-	-	-	-	-		(6,197,854)	(6,197,854)
Closing net book amount	18,202,037,741	1,112,200,446	570,220,240	140,131,711	846,649,335	304,211,123	20,449,473,030		30,459,475,504	72,084,399,129
Year ended 31 December 2022										
Opening net book amount	18,202,037,741	1,112,200,446	570,220,240	140,131,711	846,649,335	304,211,123	20,449,473,030		30,459,475,504	72,084,399,129
Additions	18,498,780	94,455,604	1,735,000	112,000,951	16,290,204	20,658,986	97,584,209		6,654,479,734	7,015,703,468
Disposals - cost		(1,988,451)	(237,500)	(10,897,222)	(4,593,636)	(7,853,459)				(25,570,268)
- Accumulated depreciation		1,988,451	237,500	10,890,679	4,412,995	7,833,824				25,363,449
Written off - cost				(588,139)	(234,639)					(822,778)
- Accumulated depreciation				199,157	107,024					306,181
Transfers - cost	-			1,765,429	(1,765,428)				(416,289,386)	(416,289,385)
- Accumulated depreciation					(2,545,529)	2,545,529				-
Depreciation charge (Note 7)	(472,152,563)	(235,366,634)	(77,596,784)	(53,451,033)	(273,209,186)	(110,324,901)	(1,132,606,333)			(2,354,707,348)
Closing net book amount	17,748,383,958	971,289,499	494,358,456	200,051,534	585,111,140	217,071,102	19,414,450,905		36,697,665,852	76,328,382,448
As at 31 December 2022										
Cost	19,956,980,260	6,058,714,297	1,951,252,288	1,338,261,557	8,845,679,124	1,556,560,471	35,247,594,748		36,703,863,706	111,658,906,451
Accumulated depreciation	(2,208,596,301)	(5,087,424,798)	(1,456,893,832)	(1,138,210,024)	(8,260,567,986)	(1,339,489,369)	(15,833,143,844)		-	(35,324,326,155)
Provision for doubtful projects	-	-	-	-	-	-	-		(6,197,854)	(6,197,854)
Closing net book amount	17,748,383,958	971,289,499	494,358,456	200,051,533	585,111,139	217,071,102	19,414,450,904		36,697,665,852	76,328,382,443
Year ended 31 December 2023										
Opening net book amount	17,748,383,958	971,289,499	494,358,456	200,051,533	585,111,139	217,071,102	19,414,450,904		36,697,665,852	76,328,382,443
Additions	895,453,514	635,395,044	45,491,612	42,248,373	56,429,533	26,400,496	363,242,232		2,812,133,910	4,876,794,714
Donation			556,248,192							556,248,192
Demolization of Assets	(6,610,000)									(6,610,000)
- Accumulated depreciation										-
Disposals - cost		(21,902,394)	(46,742)	(65,741,099)	(641,610,375)	(16,687,835)				(745,988,445)
- Accumulated depreciation	901,927	19,719,924	46,742	64,700,717	641,338,501	16,036,958				742,744,769
Written off - cost			(24,238,870)							(24,238,870)
- Accumulated depreciation										-
Transfers - cost	(4,540,449,191)			127,600		35,700		4,540,449,191	(1,066,128,856)	(1,065,965,556)
- Accumulated depreciation	612,988,588							(612,988,588)		-
Depreciation charge (Note 7)	(473,604,061)	(197,702,980)	(94,510,631)	(54,264,090)	(172,634,239)	(72,235,840)	(1,047,989,524)			(2,112,941,365)
Closing net book amount	14,237,064,736	1,406,799,093	977,348,759	187,123,034	468,634,558	170,620,582	18,729,703,612	3,927,460,603	38,443,670,906	78,548,425,882
As at 31 December 2023										
Cost	16,305,374,583	6,672,206,947	2,528,706,478	1,314,896,427	8,260,498,284	1,566,308,835	35,610,836,982	4,540,449,191	38,449,868,763	115,249,146,490
Accumulated depreciation	(2,068,309,847)	(5,265,407,854)	(1,551,357,721)	(1,127,773,397)	(7,791,863,724)	(1,395,688,251)	(16,881,133,368)	(612,988,588)	-	(36,694,522,751)
Provision for doubtful projects	-	-	-	-	-	-	-		(6,197,854)	(6,197,854)
Closing net book amount	14,237,064,736	1,406,799,093	977,348,757	187,123,030	468,634,560	170,620,585	18,729,703,614	3,927,460,603	38,443,670,909	78,548,425,886