



Navigating Our Future

SriLankan Airlines
Annual Report 2023/24

 SriLankan Airlines



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Navigating Our Future

In an industry driven by competitive innovation and technological advancements, we at SriLankan Airlines are enthused to be a part of a transformative era where possibilities seem boundless.

Our adaptability and continuous learning capabilities have ensured that we stay ahead of the curve with all our stakeholder groups, while becoming increasingly proficient in understanding and addressing their needs. This adaptability will be crucial in navigating the ever-evolving landscape of the future of aviation that is not just inclusive but collaborative.

Therefore our vision for the future of growth holds immense promise, and our strategy will be a catalyst in this transformative journey. So while we navigate our future of sustainable progress, we look forward to cautious growth and immense opportunity.

Our Vision

We aspire to be the Airline of choice for travelers seeking a unique, authentic Sri Lankan experience, delivered with warmth, care, and hospitality.



Our Mission



To grow a sustainable, profitable Airline that promotes Sri Lanka to the world, supports tourism, Sri Lankans overseas and the national economy whilst developing an air transport hub taking advantage our unique Indian Ocean location.

To be an aviation center of excellence, developing talent for the Airline and the wider industry.

We are committed to do business in an ethical manner, which yields long-term, sustainable benefits for the country and the communities we serve.



Introduction to the Report

This is the Annual Report of SriLankan Airlines for the financial year 2023/24. The report covers the performance from 1st April 2023 to 31st March 2024.

SriLankan Airlines, the national carrier of Sri Lanka, initiated operations in 1979. The Airline mainly conducts passenger and cargo operations to a wide network of destinations. In addition, the Group serves its customers through ground handling services, inflight catering, aircraft maintenance services and ancillary services. An award-winning Airline, SriLankan Airlines has fostered a solid reputation over the years for its high-quality service, comfort, safety, and reliability.

The Airline operates from its main hub, Bandaranaike International Airport in Colombo and provides convenient connections to a global network of 114 destinations in 62 countries during the financial year under review.

Scope and Boundary

The report contains information relating to financial and non-financial developments of the Group during the period under review. This includes a comprehensive coverage of operational and financial performance, risk management, corporate governance and practices, offering our stakeholders a complete picture of the Group and its performance during the reporting period.

Standards and Principles of Preparation

The financial statements presented in this Report have been prepared in accordance with the Sri Lanka Financial Reporting Standards, and the requirements of the Companies Act No.7 of 2007. The narrative on Corporate Governance complies with the Guidelines on Corporate Governance and Operational Manual for State-Owned Enterprises issued under Public Enterprises Circular No. 01/2021.

Forward-looking Statements

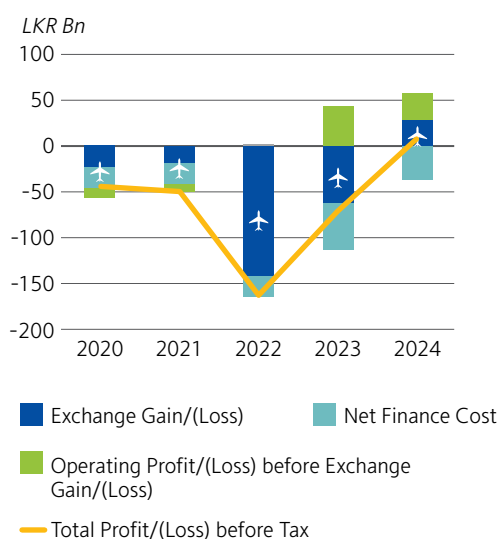
This Report contains “forward-looking statements” regarding the future performance of the Group that involve risks and uncertainties. Hence, it is important to note that the actual results and the Group’s future performance may differ from projections made in forward-looking statements. Therefore, readers are cautioned not to place undue reliance on such “forward-looking statements”.



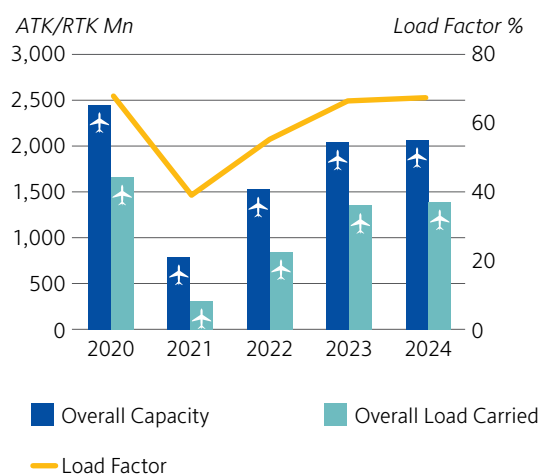
Financial Highlights

As at 31 March 2024	Note	Group		Company	
		2024 LKR. Mn	2023 LKR. Mn	2024 LKR. Mn	2023 LKR. Mn
Financial					
Revenue	LKR Mn	339,591.65	369,470.04	333,614.09	365,171.77
Operating Expenditure	LKR Mn	312,929.37	329,856.52	312,739.14	330,568.53
Operating Profit before Exchange Gain/(Loss)	LKR Mn	28,147.92	43,371.56	22,360.59	40,743.58
Profit/(Loss) for the Year	LKR Mn	7,925.01	(71,306.66)	3,870.86	(73,621.53)
Total Assets	LKR Mn	201,648.71	211,176.41	194,258.01	199,454.76
Shareholders' Funds	LKR Mn	(381,723.67)	(494,429.99)	(400,534.71)	(509,174.88)
Traffic					
Passenger Capacity	ASK Mn			15,425.45	15,188.00
Passengers carried	RPK Mn			12,198.65	11,793.72
Passenger Load Factor	%			79.08	77.65
Overall Capacity	ATK Mn			2,072.57	2,044.45
Overall Load carried	RTK Mn			1,394.50	1,355.99
Overall Load Factor	%			67.28	66.33
Staff Productivity					
Average strength	Nos.	6,648	6,203	5,935	5,440
Revenue per employee	LKR Mn	51.08	59.56	56.21	67.13
Aircraft Fleet					
Narrow body	Nos.			12	12
Wide body	Nos.			9	11
Aircraft in service at year end	Nos.			21	23

Financial Performance



Operational Performance



Leadership

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Navigating our future as we look to new horizons



Chairman's Message

We have made full use of the Airline's global sales network and online marketing to encourage both foreign tourists and Sri Lankan expatriates to visit Sri Lanka.

The global economy showed strong resilience during the financial year, with continued recovery after the long pandemic slowdown. This continued recovery was also seen in the aviation industry, bringing increased global air travel, and along with it increased operational challenges. Whilst passenger demand has returned quickly, suppliers of aircraft, engines, spare parts and other critical materials have not been able to move as fast. The Sri Lankan aviation industry has shared these challenges with an increase in tourist arrivals and a greater demand for Airline services, along with the same supply shortages. The Airline has achieved positive operational results by managing the situation with flexibility and adaptability, although there have been bumps along the way and our schedule reliability has at times fallen below our own historically high standards.

Macroeconomic Environment

The aviation industry faced multiple challenges as capacity returned. Lack of skilled professionals, shortages of fleet as well as spare parts and engines, and escalating costs were some of the top ones. During the pandemic, many employees left the industry. As a result, there are labor shortages, specifically in

the areas requiring specialised skills such as pilots, engineers, ground handling staff, flight dispatchers, IT professionals, accountants and analysts.

The global capacity issues posed a challenge to SriLankan Airlines as managing fleet levels to meet the growing demand remained challenging. Despite having obtained cabinet approval in 2022 to lease five wide-body (WB) and five narrow-body (NB) aircraft, to replace aircraft that were ending their lease period, the Airline was unable to secure wide-body aircraft due to high demand for this type of aircraft at a time when both the Airline and the country were seen by lessors as carrying financial risk. The fleet availability was made worse by the increased time required to complete required maintenance checks on aircraft as a result of global component shortages, and maintenance issues of engines for Airbus A320/321 Neo aircraft in the global marketplace. Due to this, the Airline was forced to cancel more than 1000 flights (10% of the scheduled flights) last year, which cost more than USD 60 Mn.

Strategic Approach

To mitigate the fleet constraints and maintain capacity and slots, the Airline

LKR 339.6 Bn
Group Revenue



LKR 39.7 Bn
Group Operating Profit before exchange gains and unscheduled engine repair cost





was able to wet lease aircraft during the winter peak season. In terms of revenue generation, the Airline concentrated on enhancing its global presence, establishing codeshares with new carriers and strengthening the existing agreements with OneWorld Airlines and other partners, improving connectivity and broadening network coverage. The Airline also worked tactically, optimising its limited capacity and maximising profitability by focusing on the strongest routes.

The Airline has also upgraded its IT infrastructure, replacing and updating many of its core operational systems. These cover amongst other areas, Revenue accounting, Maintenance and Engineering, the Frequent Flyer Program, and Cargo and Revenue Management.

The Airline is working on its customer offerings. In flight there has been an award-winning campaign to enhance passenger experience with additional meal choices featuring Sri Lankan flavours. On the ground, as passenger numbers have increased at Bandaranaike International Airport, we have run major recruitment campaigns to increase the numbers of ground handling staff. At the same time to accelerate the check-

in process at peak times, and maximise utilisation of the limited airport space, we have introduced self-service check-in facilities enhancing passenger convenience and satisfaction. Currently, the Airline is working with the Airport and Aviation Authority of Sri Lanka (AASL) to increase the check-in counters to cater for the next winter peak.

The Airline also plays a vital role in promoting Sri Lanka as a tourist destination. This is good for both the country and the Airline. We have made full use of the Airline's global sales network and online marketing to encourage both foreign tourists and Sri Lankan expatriates to visit Sri Lanka. We have also focused on expanding awareness of the diversity of opportunities the country has for visitors with marketing campaigns highlighting the diverse and scenic landscapes of the country and showcasing endurance and adventure sports.

Group's Performance

During the year, the Group delivered an operational profit (before accounting for exchange gains and unscheduled engine repair costs) of LKR 39.7 Bn. The net profit for the fiscal year 2023/24 for the Group is LKR 7.9 Bn.

Revenue derived from passenger operations during the year was LKR 276.2 Bn. The cargo revenue dropped by 39% to LKR 31 Bn during the year under review as the Cargo yields reduced as the industry belly hold capacity increased with the return of passenger traffic. Nevertheless, Cargo Revenue remained well above pre-Covid levels. As foreign carriers also returned in numbers to Bandaranaike International Airport (BIA), the Group managed to achieve a total revenue from air terminal and related services of LKR 21.2 Bn, an increase of 37% compared to the previous year (2022/23: LKR 15.5 Bn). The inflight catering revenue recorded LKR 6.4 Bn, an increase of 33% compared to the previous year.

Group operating expenditure reported a reduction of LKR 43.6 Bn, with exchange rate fluctuations and decreases in jet fuel prices complimenting the Airline's various cost-saving and efficiency initiatives.

Key Milestones

SriLankan Airlines' reputation for high-quality service was appreciated with several awards during the year. Amongst these was the APEX IFSA Best Inflight Food or Beverage 2024 Award for our Sri Lankan Flavours initiative. The

Chairman's Message contd.



Airline also received a 'Gold Award' in the category of 'Marketing-Carrier' at the 28th Pacific Asia Travel Association (PATA) Gold Awards, 2023, recognising its achievement in outstanding global marketing communication initiatives. The SriLankan Cargo team, not to be outdone, also succeeded in getting the award for "Emerging Cargo Airline" at the Arabian Cargo Awards, 2023, emphasising its strong position in the region.

Flying Sustainably

In its shared responsibility to protect the planet, SriLankan Airlines continues to maintain its commitment to achieving net-zero carbon emissions from aviation by 2050. Much of this will be derived from industry and global technology initiatives. But the Airline is also looking at local initiatives. This has led the Airline to introduce eco-friendly carpets manufactured from recycled ocean plastic, onboard its aircraft to reduce its carbon footprint. Similarly, 'Eco Trailers' training was initiated to train youth in the surrounding Negombo lagoon area on mobilising the community for mangrove conservation efforts. The groundbreaking signature upcycling project 'Mathaka' repurposes the Airline's scrap material into a variety of lifestyle products.

Robust Governance

The Airline's strong governance framework serves as the foundation of the Company, guiding its strategic direction to foster long-term growth. SriLankan Airlines maintains the highest standard of governance, nurturing an environment of equity, accountability, and transparency within the Airline. This commitment is reflected in its work ethics, core values, and the rigorous framework of accountability and transparency, which are continuously evaluated and enhanced.

Future Outlook

The steady improvement in macroeconomic indicators and pick-up in tourism has created a conducive environment for SriLankan Airlines to flourish. Tourism growth will boost the economy and help revive the Airline, creating growth opportunities. As a 'hub', the Airline looks forward to capitalising on opportunities from the primary source market, the Indian subcontinent, and expanding its presence in the Far East and other regions, tapping into growing demand from these regions.

With the efforts underway to privatise SriLankan Airlines, as the initial step of the restructuring process, the

Government of Sri Lanka (GoSL) infused LKR 102.5 Bn capital to settle the outstanding debt to Ceylon Petroleum Corporation (CPC). This reduced the Group's total liabilities by 21%. In addition, SLA received LKR 5 Bn as an equity investment from GoSL in March and April 2024, to overcome urgent cashflow shortfalls that the Company was experiencing. It is anticipated that the subsequent cabinet approval for the government banks' debt restructuring will open the door for the Airline's continued expansion and increase its appeal to investors.

Acknowledgment

I take this opportunity to express my heartfelt gratitude to our loyal customers, both local and international passengers, for placing their trust in our ability to cater to their expectations. Your loyalty has fueled our ongoing journey. I am also grateful to the Board of Directors for providing their wise counsel and guidance and to the Chief Executive Officer, Mr. Richard Nuttall, for steering the Airline with his astute leadership during a tumultuous period. I also commend the unwavering support and dedication of our management team and the employees for continuing to operate the Airline amidst significant constraints.



My deepest appreciation also goes to the Government of Sri Lanka, His Excellency the President, the Honorable Minister of Ports, Shipping & Aviation, the Secretary to the Treasury, the Secretary of the Ministry of Ports, Shipping & Aviation, and the officials of relevant institutions for their ongoing support and contribution to the Airline's advancement. I also appreciate the ongoing support extended by all our shareholders. It is your patronage that enabled SriLankan Airlines to navigate through uncertainties, advancing towards our broader goal of enhancing tourism and boosting the national economy.

A handwritten signature in white ink, consisting of stylized initials and a surname, located to the left of the name Asoka Pathirage.

Asoka Pathirage
Chairman

Chief Executive Officer's Review

The global aviation industry continues to face challenges. The biggest of these are around labour shortages, fleet shortages and escalating costs.

As another eventful year ends, the aviation industry continues its post pandemic recovery and Sri Lanka continues its economic recovery. In this backdrop, I am pleased to present the Annual Report and Audited Financial Statements of SriLankan Airlines for the fiscal year 2023/24.

It was a year in which global economies continued to rebound after Covid. The aviation industry experienced a notable resurgence in travel demand, edging closer to pre-pandemic levels. In Sri Lanka, the year 2022 saw tourism come to a standstill due to “sensationalist international reporting” and damaging travel advisories. However, last year common sense prevailed, and tourism slowly and more rapidly returned to these idyllic shores. On the flip side, the Ukraine and Gaza conflicts have exacerbated global supply chain challenges leading to escalating costs across all economies for the industry.

With growing demand, more Airlines have both resumed flights and aggressively added capacity to Sri Lanka. Due to a lack of aircraft capacity, of which more later, SriLankan Airlines has been unable to restore flights from pre Covid times as fast as we would wish and our share of seats into and out of Sri Lanka, has reduced to roughly 50% of

the market share. However, we are still by far the biggest Airline contributing to the Sri Lankan economy, carrying tourists, businessmen, overseas workers and goods to and from the country. And, despite various challenges and increased competition, the Airline continued to deliver positive operational results.

Industry Landscape

The rebound from the pandemic continued to propel the recovery of passenger markets in 2023. Globally, throughout 2023, traffic was at 94.1% of pre-pandemic levels reflecting the strong recovery (IATA. Press Release 6. 2024). The restoration of connectivity continues to drive the global economy as people travel for business, education, vacations, and more.

However, the global aviation industry continues to face challenges. The biggest of these are around labour shortages, fleet shortages and escalating costs. During Covid, many people left the industry and training programs also ceased. As a result there are labour shortages, specifically a shortage of pilots, engineering staff, cabin crew, and ground staff posing significant impediments to the industry's operational capacity and growth potential. These challenges are further compounded in low wage economies such as Sri Lanka,

LKR 333.6 Bn
Company Revenue



LKR 33.9 Bn
Company Operating Profit before exchange gains and unscheduled engine repair cost





where large carriers from around the world are also poaching skilled workers.

The same challenges apply to aircraft. During the pandemic, production stopped or slowed in factories across the globe. And again, skilled labour exited the workforce. As a result, deliveries of new aircraft were delayed and there was a scarcity of spare parts. This has been compounded by problems at Boeing further delaying new aircraft production. At the same time, the engines for new generation narrow body aircraft have also had major reliability issues and carriers globally are seeing large portions of their fleet grounded pending engine overhauls. This has resulted in a highly constrained market for older leased aircraft. Carriers are being compelled to hold onto aircraft they planned to retire and every aircraft that comes on the market is being chased by multiple Airlines, many of who would never have previously looked to lease a second hand aircraft.

This environment is especially challenging as we look to restore our fleet. Most lessors are wary of SriLankan Airlines' financial situation, and the financial situation of the country. They would rather lease aircraft to other carriers with less perceived financial risk.

Sustaining Performance

Amidst the challenges, the Airline managed to realise a revenue of LKR 333.6 Bn for the fiscal year, with an operating profit (before accounting for exchange gain and unscheduled repair cost) of LKR 33.9 Bn. The Airline recorded a net profit of LKR 3.9 Bn after accounting for unscheduled engine repair costs of LKR 11.6 Bn and net finance charges of LKR 36.6 Bn.

Passenger revenue performance declined by 6% to LKR 276.2 Bn, with a yield decrease of 9%. Given that fares are all based on USD rates or other foreign currencies, this is a marginal improvement on the previous year after the LKR strengthened by 10% against the USD when averaged across the year. Whilst competition increased through the year as foreign carriers increased flights, this was more or less in line with increased demand alongside some regional variances. Ancillary revenues increased to LKR 10.8 Bn as we continue to improve additional services available to our passengers.

The year was more challenging for Cargo. In normal times, most airfreight is carried in passenger aircraft. With the return of passenger traffic and flights through the year, there was a strong growth in global

cargo capacity, leading to increased competition and a continued fall in yields. Nevertheless, yields have now more or less stabilised at a rate roughly 50% higher than before the pandemic. Cargo generated LKR 31 Bn during the year. Roughly 9% of the Airline's income.

Other revenues grew 26% to LKR 26.1 Bn, largely from ground and other services provided to other carriers, as capacity to Sri Lanka increased rapidly as the market recovered from the challenges of previous years.

SriLankan Airlines faced significant operational challenges during the year, particularly in the second and third quarters of the fiscal year. As alluded earlier, the industry is suffering from supply chain and aircraft availability challenges. The Airline was especially affected by its inability to get slots for Leap 1A engine overhauls and delays in major checks and aircraft inductions due to scarcity of spare parts and skilled labour.

Whilst passenger demand grew during the year, capacity constraints prevented SriLankan Airlines from taking full advantage. We have struggled to replace aircraft that have left the fleet as their leases have ended. Cabinet approval was

Chief Executive Officer's Review contd.



obtained in 2022 to lease five wide-body (WB) and five narrow-body (NB) aircraft. However, this exercise proved challenging. The Airline has been unable to secure any wide-body aircraft due to the high demand for this type of aircraft. The financial position of the Company and the country are considered high risk by lessors who have plenty of demand from other carriers. The Airline was more successful with narrow body aircraft, extending the leases on three and sourcing two replacements, one of which commenced flights at the start of 2024, the second of which is expected to arrive in mid-2024. The number of aircraft now stands at 21, excluding temporary wet leased aircraft (narrow-body aircraft 12 and wide-body aircraft 9), whereas pre-Covid the fleet was 27 aircraft (narrow-body aircraft 13 and wide-body aircraft 14).

The situation was exacerbated by the prolonged time taken to complete mandatory maintenance tasks and checks on aircraft due to the unavailability of components worldwide and the ongoing shortage and maintenance issues of engines for Airbus A320/321 Neo aircraft in the global marketplace, causing aircraft to be grounded. Likewise, high staff turnover and high cost of operations continued to pose challenges to maintaining operations. As a result,

the Airline had to cancel over 1000 flights (10% of planned flights) last year resulting in a loss of over USD 60 Mn.

SriLankan Airlines took a proactive approach in response to the challenges and implemented several measures such as optimising its schedule, reallocating aircraft to maximise profitability, short term wet-leasing of additional aircraft to meet the growing demand and exploring innovative recruitment strategies to address staff shortages.

The Airline has focused on enhancing its award-winning, in-flight product offering during the financial year. The Airline enhanced its range of Sri Lankan meals as we seek to offer a genuine Sri Lankan experience showcasing the best of Sri Lankan hospitality to international passengers, and a sense of "home" for Sri Lankans.

As traffic returned rapidly to Sri Lanka, this posed challenges at the airport as many experienced staff left the industry during the pandemic. The Airline has worked hard to improve the situation, recruiting and training hundreds of ground staff through the year. In addition to enhanced service, customer experience and a lack of check-in counters at Bandaranaike International Airport, the Airline also added self-serving facilities

in mid-2023. This has allowed us to speed up the check in process and reduce queues at peak times. Currently, the Airline is working with the Airport and Aviation Authority of Sri Lanka (AASL) to increase the number of check-in counters by 50% over the next six months to manage continued passenger growth.

SriLankan Airlines is globally the single biggest promoter of Sri Lanka as a tourist destination. We have sales teams on the ground everywhere we fly and many places we don't, liaising with major tour operators and showcasing Sri Lanka as a tourist destination across the world. We also have our online channels and are working hard to expand our digital presence highlighting the country and all Sri Lanka has to offer.

Considering the pivotal role of technology in modern aviation, the Airline has been conducting an overhaul of its core operational systems, many of which were becoming outdated. This program of upgrades covers Revenue Management, Revenue Accounting, Cargo, Maintenance, Spares Inventory Management, the Frequent Flyer Program and Flight Planning to name just a few. The Airline runs over 150 IT systems, and we are committed to ensure the Airline makes optimal use of automation and new technologies.



Significant Milestones

Amid the challenges, SriLankan Airlines continues to win awards. Some of the highlights for the year are listed below:

- PATA Gold Awards 2023- Marketing Carrier
- SriLankan Airlines retained APEX FOUR STAR™ MAJOR Airline for 2023 and 2024.
- Best Wi-Fi: SriLankan 2024- Central/Southern Asia
- Best Food & Beverage: SriLankan Airlines 2023- Central/Southern Asia
- Best Seat Comfort: SriLankan Airlines 2023- Central/Southern Asia
- IT Team of the Year award at Women in IT Awards Asia
- Best International Cargo Airline at the India Cargo Awards 2023

Integrating Sustainability

Environmental Sustainability is becoming ever more important as the aviation industry grows and we learn more about our own impacts and the technologies available to mitigate them. The Airline is committed to IATA's long-term goal to achieve net zero CO₂ emissions by 2050. We continue to follow industry best practices to improve fuel efficiency, monitoring, reporting, and verifying emissions, improving our resource efficiency, ensuring SAF related knowledge development, and monitoring

and supporting new initiatives as they arise such as CO₂ Connect program by IATA.

On a more local level, we are using more recycled and environmentally friendly options in our products. One of our newest initiatives has been the introduction of eco-friendly aircraft cabin carpets manufactured from recycled ocean plastic and we are now shifting to recycled PET fabrics for head rest covers and pillow covers in business class.

At the same time, we live in a country celebrated for its greenery and biodiversity. We are committed to playing a role in preserving this heritage and improving learning on how this can be better done going forward. We support mangrove and sea grass conservation and support academic institutions to develop their knowledge and skills to become more effective in their conservation efforts.

We have also ventured into assisting sustainable development of communities with eco- friendly opportunities such as "Eco trailers" eco-tourism training which targeted the communities living in the periphery of mangrove reservations, and through the Airline's award-winning upcycling project "Mathaka" which contributes to women empowerment. All the outreach activities of the Airline are planned with consideration of the Sustainable Development Goals (SDGs) declared by the United Nations (UN).

Way Ahead

The positive macroeconomic outlook in the last quarter of the financial year brings hope. The economy is turning the corner and tourism to Sri Lanka is revitalised and growing rapidly. These dual factors, along with our proximity to India which is the fastest growing major aviation market today, and possibly for the next decade, bodes well for the future of the Airline if we can restructure our finances and invest for the future. A strong Airline also contributes to the overall economic growth of the country, providing a symbiotic relationship.

Currently, the Government's efforts are in place to restructure and privatise SLA. 30% of the Airlines' long term debt has been removed and approvals and plans are in place for much of the rest. This enables a pathway for investment and sustainable growth. In many ways, we are a mirror to the country. We know where we want to go. We have made the first steps. There is still hard work, possible pitfalls and challenges ahead. But if we can harness our energies and our innate resilience, and work together, there is a great future that awaits us.

Acknowledgments

In closing, I wish to express my appreciation to the Chairman, the Board of Directors, our business partners, and the Government of Sri Lanka for their continued support for us to move ahead, delivering results in yet another difficult year. I also commend our loyal customers who continued to fly with us, trusting our ability to cater to their expectations. I am also appreciative of the commitment and dedication demonstrated by our management and the employees in sustaining operations and delivering value to our customers, even in the face of numerous challenges. We believe that SriLankan Airlines will play a pivotal role in restoring the connectivity of Sri Lanka to the global economy thereby creating enhanced opportunities for national economic growth.

Richard Nuttall
Chief Executive Officer

Board of Directors

01

Mr. Asoka Pathirage



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

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

02

Mr. Malik J. Fernando



Mr. Malik J. Fernando was appointed to the Board of SriLankan Airlines Limited on 8th January 2020 and was subsequently appointed to the Board of SriLankan Catering Limited. He was a member of the Audit Committee until 25th June 2024, Chairman of the Human Resources and the Remuneration Committee, and Member of the Board Group Risk Committee of SriLankan Airlines and its subsidiary.

He is the Co-Chair of MJF Holdings and Chairman of MJF Leisure/ Resplendent Ceylon, the first local luxury resort brand, developing a remarkable circuit across Sri Lanka with a range of authentic experiences, while contributing towards local communities and the environment through the MJF Foundation and Dilmah Conservation. After the Easter Sunday Attacks, Mr. Fernando spearheaded the Sri Lanka Tourism Alliance to mobilise the private tourism sector with one voice under the “Love Sri Lanka” banner. Mr. Fernando has a BSc in Business Management from Babson College in the US.

03

**Dr. Shridhir Sariputta
Hansa Wijayasuriya**



Dr. Hansa Wijayasuriya was appointed to the Board of SriLankan Airlines Limited on 23rd January 2020. He is a member of the Human Resources and the Remuneration Committee, He was a member of the Audit Committee, and the Board Group Risk Committee until 25th June 2024.

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

He serves on the Board of Directors of the Axiata Group and of Dialog Axiata PLC, in addition to being a Board Member of several other regional subsidiaries of the Axiata Group. Up to the year 2016, he functioned as the Group Chief Executive of Dialog Axiata PLC (Dialog). He also serves on the Board of John Keells Holdings PLC in the capacity of an Independent Director. Dr. Wijayasuriya also serves on the Board of the GSM Association – the governing body of the Global Mobile Industry.

In 2024, Dr. Wijayasuriya was honored by the GSM Association with the “Chairman’s Award” in recognition of outstanding contribution to the global mobile industry. Previously in 2017, Dr. Wijayasuriya was the recipient of the “Outstanding Contribution to the Asian Mobile Industry” Award in its inaugural year of award. He is a past Chairman of GSM Asia Pacific – the regional interest group of the GSM Association. He was also named ‘SriLankan of the Year’ by Sri Lanka’s premier business journal, LMD in 2008. Dr. Wijayasuriya is a past chair of the Ceylon Chamber of Commerce, Sri Lanka’s premier business chamber.

04

Mr. Joseph Micheal
Jayanth Perera



Mr. J.M. Jayanth Perera was appointed to the Board of SriLankan Airlines, effective 27th March 2021 and was subsequently appointed to the Board of SriLankan Catering Limited. He is the Chairman of the Group Board Risk Committee and Protem Chairman of the Audit Committee and Member of the Human Resources and the Remuneration Committee of the Company and its subsidiary.

Mr. Perera has over 40 years of experience in the financial sector with the majority of those years being at Senior Management and Board levels.

He is a fellow of the Chartered Institute of Bankers (London) and has undergone extensive training in a host of International Financial Centers such as in London, New York, San Francisco, Hong Kong and Singapore.

He serves as an independent Non- Executive Director of Singer Finance PLC, McLaren's Group of Companies – Main Board, InterOcean Energy (Pvt) Ltd, Qwest Destinations (Pvt) Ltd, Qwest Cruises Ltd, ODEL PLC, Horana Plantations PLC, and Softlogic Stockbrokers (Pvt) Ltd.

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

05

Mr. A.K.D.D.D
Arandara



Mr. A.K.D.D.D. Arandara was appointed to the Board of SriLankan Airlines Limited, 16th March 2023 and was subsequently appointed to the Board of SriLankan Catering Limited. He serves as a Director cum Treasury Representative to the Board, and a member of the Human Resources and the Remuneration Committee, Audit Committee and the Board Group Risk Committee.

Mr. Arandara is an Attorney-at-Law by profession and serves as the Additional Director General in the Department of Legal Affairs, Ministry of Finance.

He is the Chairman of Sri Lanka Telecom (Services) Limited.

Board of Directors contd.

06

**Mr. A.M.A.A Lakmal
Ratnayake**



Mr. Lakmal Ratnayake was appointed to the Board of SriLankan Airlines Limited 10th April 2023 and was subsequently appointed to the Board of SriLankan Catering Limited. He is a member of the Human Resources and the Remuneration Committee of the Company and its subsidiary.

Mr. Ratnayake is an Attorney-at-Law of the Supreme Court of Sri Lanka and a Counsel who is in private practice for over 20 years. Mr. Ratnayake has represented individuals, corporate entities, both public and private, and state institutions as an Attorney, in original and appellate courts as a lead counsel in civil and criminal matters and public law litigation.

He previously held the post of Chairman of the National Institute of Co-operative Development from 2010 to 2015, and during his tenure as Chairman he developed the infrastructure of the National Institute of Co-operative Development and upgraded the NICD into a facility of international standard. He has also represented Sri Lanka at the International Cooperative Alliance General Assemblies held in Cancun Mexico, Manchester United Kingdom and Cape town South Africa in 2011, 2012 and 2013 and also represented the country at the International Cooperative Alliance Conference held in Quebec, Canada in 2014.

He has also held the post of Chairman of the Co-operative Wholesale Establishment (C.W.E.), Director of the Sri Lanka Ports Authority, Chairman of Sri Lanka Port Management & Consultancy Services (Private) Limited, Board Member of Hambantota International Port Services Company (Private) Limited, Lanka Coal Company (Private) Limited, Colombo International Container Terminals Limited and Hambantota International Port Group (Private) Limited.

He currently holds positions as Chairman of the Jaya Container Terminals Limited which is a fully owned subsidiary of the Sri Lanka Ports Authority.

07

**Mr. Ananda W.
Atukorala**



Mr. Ananda Atukorala was appointed to the Board of SriLankan Airlines Limited on 3rd February 2023 and was subsequently appointed to the Board of SriLankan Catering Limited.

He holds a BSc (University of Leeds, UK), MTT (North Carolina State University, USA) and a MBA. He was a former Director of the Sri Lanka Banks Association (Guarantee) Ltd. and the Credit Information Bureau of Sri Lanka (CRIB) and a Committee Member of the Banker's Club of Sri Lanka. He possesses extensive experience in banking extending over 40 years, having been with the ANZ Grindlays Banking Group in Sri Lanka, London and other overseas territories and having served as Deputy General Manager of ANZ Grindlays Bank, Sri Lanka and Country Manager - Sri Lanka of Mashreq Bank PSC.

He was also a former advisor to the Ministry of Policy Development & Implementation. He has also served as a Member of the Technology Initiative for the Private Sector - an USAID sponsored project with the Ministry of Industrial Development, a Member of the Commercial Banking Sector of the Presidential Commission on Finance and Banking.

He currently serves as the Chairman of the NAPPP. He is also an Independent Non-Executive Director on the Boards of NDB Capital Holdings Ltd., NDB Securities (Pvt) Ltd, NDB Zephyr Partners Ltd, Mauritius, United Motors Lanka PLC., Unimo Enterprises Ltd., Colombo City Holdings PLC., Arni Holdings & Investments (Pvt) Ltd., and Unawatuna Boutique Resort (Pvt) Ltd.

He was formerly the Independent Non-Executive Chairman of NDB Bank PLC., and DHPL Ltd. He was also an Independent Non-Executive Director of DFCC Bank PLC., DFCC Vardhana Bank Ltd., Union Bank PLC., UB Finance Company Ltd., Orient Finance PLC, Taj Lanka Hotels PLC and TVS Lanka Ltd.

08

Mr. Niranjan
Arulpragasam



Mr. Niranjan Arulpragasam was appointed to the Board of SriLankan Airlines Limited on 11th June 2024. He is a member of the Audit Committee and Risk Committee of SriLankan Airlines.

Mr. Arulpragasam is an Attorney-at-Law of the Supreme Court of Sri Lanka and has been in private practice for over 12 years. Previously he was an investment banker at Merrill Lynch, New York and thereafter an Associate Vice President at Moody's Analytics. Mr. Arulpragasam was also a Consultant to the Ministry of Finance, was a Non-Executive Director of the Regional Development Bank and also a member of the Colombo Port City Economic Commission.

Mr. Arulpragasam received a Kofi Annan International Scholarship to pursue a Bachelor of Arts in Economics at Macalester College, USA, and is a member of Omicron Delta Epsilon, an international honour society in Economics. He also holds an MBA from the INSEAD School of Business, France/Singapore, and was called to the bar in 2012 after passing with honours from the Sri Lanka Law College.

Senior Management Team

01 ✈️

Mr. Richard Nuttall

Chief Executive Officer

Mr. Richard Nuttall joined the Airline as Chief Commercial Officer from the start of November 2021 and became Acting Chief Executive Officer from 1st January 2022. He was later appointed as Chief Executive Officer from 29th April 2022. He has 30 years' experience in the aviation industry and has held a variety of senior roles in multiple carriers covering different operating models around the world.

He has held several roles within Saudia Airlines. Initially he was appointed as VP Commercial Transformation, subsequently progressing to VP Sales and assuming additional responsibilities for Product & Marketing. While he shared ownership of the commercial strategy for the Airline with \$6 Bn in annual revenues, leading 2,700 staff globally, he also achieved an international passenger growth of 30% over 3 years, well above regional averages, leading to a 25% reduction in distribution costs. Furthermore, he played a leading role in a service initiative that raised the Airline's NPS score in line with the best in the industry. He was also the representative of Saudia Airlines to the Skyteam Supervisory Board where he later joined the Executive Board under a new governance model.

Previously he was appointed the Chief Commercial & Strategy Officer at Royal Jordanian where he led a team of business leaders and internationally renowned consultants to deliver a turnaround strategy, identifying 70 initiatives and creating a framework to track and measure performance. Consequently, he managed to return the Airline to profitability with an \$80 Mn improvement in the bottom line and 12% margin growth.

Amongst his other roles held, he served as CEO of Bahrain Air, Commercial Director at Kenya Airways, Senior Commercial Advisor of Philippine

Airlines, VP Sales & Marketing – Americas for Polar Air Cargo, and a range of Management roles at Cathay Pacific Airways.

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

02 ✈️

Mr. Yasantha Dissanayake

Group Chief Financial Officer

Mr. Yasantha Dissanayake joined the Airline in 2004 and currently serves as the Chief Financial Officer overseeing the Finance, Commercial Procurement, Logistics and Properties functions of the Airline, all of which report directly to him.

He has also spearheaded many pioneering financing transactions for the Airline, including the first International Bond issue and Islamic Financing facility that received recognition from two Asian Regional Awards.

Additionally, he was also instrumental in formulating pre-delivery financing (PDP) for the new A330-300 fleet, a transaction that received recognition from the Air Finance journal as the 'PDP Financing Deal of the Year' in 2014.

Prior to joining the Airline, he held senior positions in the investment banking and telecommunications industries. He is an Accountant by profession (Fellow Member of the Chartered Institute of Management Accountants, UK) and holds a Master's Degree in Business Administration from the University of Wales, Cardiff.

03 ✈️

Mrs. Dalrene Thirukumar

Group Head of Corporate Secretarial Services/ Company Secretary

Mrs. Dalrene Thirukumar joined the Airline in 2013. She is the Group Head of Corporate Secretarial Services cum Company Secretary. The Division

provides Corporate Secretarial Services to SriLankan Airlines Limited, SriLankan Catering Limited and AirLanka (Pvt) Ltd. She functions as the Secretary to the Board subcommittees – the Audit, Human Resources & Remuneration and the Group Board Risk Committee of the Airline and its subsidiary. She is a Trustee for the SriLankan Cares Trust.

She has over 26 years of post-qualifying experience in the field of Company Secretarial Practice and has held very senior positions in public quoted diversified conglomerates in Sri Lanka. She is an Associate Member of the Chartered Governance Institute of the United Kingdom and Ireland and holds a Master's in Business Administration (AUS). She is a member of the Sri Lanka Institute of Directors (SLID) and is an active member of the Working Committee of the Board Secretaries Forum, representing SLID.

04 ✈️

Mr. Chamara Perera

Group Head of Information Technology

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

Mr. Perera entered the Airline industry in 1999 counting two decades with the National Carrier. He has hands-on experience in various areas within IT and has served in several management capacities in the Airline. In 2012 he was identified for the position of Head of Information Technology and subsequently was retitled as Group Head of Information Technology being in charge of the IT requirements of the Airline Group.

The Group's Aviation ICT and Digital Eco Systems span from ground IT operations up to on-board connectivity enabling an array of IT Systems for Airline Business and Operations.

Mr. Perera spearheaded many pioneering implementations of technology innovation to establish passenger centric services, some of which are the IATA Simplifying the Business (StB) program to fast travel innovative solutions in air transportation. He also steered the compliance of globally recognised IT standards ensuring a holistic IT governance platform for the Airline. SriLankan IT is certified for ISO/ IEC 27001:2013 Information Security Management, ISO 9001:2015 Software Quality Management and ISO/IEC 20000:2018 IT Service Management.

Under his leadership, he has successfully guided the Technology teams to transform and replace expensive legacy Airline systems with low-cost application suites in order to rationalise overall technology spend of the National Carrier. Furthermore, many of the in-house developed applications have won national and international accolades under his guidance and leadership.

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

05 ✈️

Mrs. Buddhika Manage

Group Head of Human Resources

Mrs. Buddhika Manage joined the Airline in 2003 as a Management Trainee and started her career as an Executive in the Commercial Procurement Department in 2004. She has 20 years of experience in the Airline, serving as the Commercial Procurement Executive (Projects), Senior Inflight Service Executive (Admin and Crew Services), Inflight Service Manager (Admin and Crew Scheduling), Manager Human Resource Development and

Business Partnering, Senior Manager Human Resource Development and Business Partnering and Head of Cabin Services. In addition to the position of Head of Cabin Services, she was appointed as the Acting Head of Human Resources from January 2020. She was permanently appointed as the Head for both the divisions; Human Resources and Cabin Services and retitled as "Head of Human Resources and Head of Cabin Services" effective July 2020.

In September 2020, she was appointed as the Group Head of Human Resources in addition to holding the position of Head of Cabin Services, to provide leadership to the SriLankan Catering HR department in addition to her duties in the Airline. She has been serving her duties under both roles as the first ever "Group Head of Human Resources" in the history of the Airline and was heading the main front-line division, Cabin Services, covering the whole Human Resources function of the Group and the Cabin Crew administration and Inflight service operation of the Airline. She was also the only member of the Senior Management Team who was heading two main divisions at the same time for a period of nearly four years. From November 2023, she is holding the position of .Group Head of Human Resources.

She has shown her exemplary leadership in the areas of people management , establishing employee engagement and well-being and welfare initiatives and employee centered training and development programs, specially focusing on career related skills . Her initiatives specially in the areas of restructuring of cadre and employee benefits schemes and employee engagement and training activities of the organisation is commendable.

She holds a BSc (Hons) Special degree in Statistics from the University of Colombo and, Msc in Management from the University of Moratuwa. She has obtained professional qualifications in Human Resource Management from Chartered Institute of Personal Management

(CIPM) and qualifications in and Labour Law, Supply Chain Management, and Information Technology. She is currently following "Professional Consulting Programme conducted by Chartered Management Institute , UK ", through Chartered Institute of Personal Management (CIPM).

Mrs. Manage is a Chartered Member of the CIPM and a Professional Member of AHRP (Association of Human Resource Professionals). She is a "Certified Professional Transformational Coach" of Coach Masters Academy Global, an International Coaching Federation (ICF) accredited programe. Further, she was appointed as a visiting lecturer at CIPM, Sri Lanka. In the year 2024, she was appointed as an Executive Council member of the CIPM for the year 2024/25.

06 ✈️

Mr. Dimuthu Tennakoon

Head of Worldwide Sales & Distribution

Mr. Dimuthu Tennakoon has over three decades of experience in the aviation industry, specialising in Airline sales, financial management, revenue management and commercial planning. He is the current Head of Worldwide Sales and Distribution at SriLankan Airlines, a position that he has held since 2017. In this role, he leads the Airline's worldwide passenger sales, channel management and sales operations teams.

Since joining the Airline in 1992, he has served in multiple disciplines, including finance, revenue planning, network planning, route management and pricing. Furthermore, he has held the posts of Sales Manager Dubai, Canada, Manager Maharashtra and Gujarat, Regional Manager Asia Pacific and Australasia and Regional Manager Middle East. Following his overseas stints, he worked as General Manager Commercial Operations, leading the departments of Regional Sales; Sales Development; Product Development; Customer Affairs; SriLankan Holidays;

Senior Management Team contd.

Industry Affairs; Customer Relations (including the Airline's loyalty programme); E-commerce; the Global Call Centre; and Channel Management, demonstrating his solid expertise in Airline commercial operations. Between his tenures at SriLankan Airlines, he worked for Oman Air as the Country Manager for North India, overseeing the operation of Bombay, Delhi, Lucknow and Jaipur.

He has gained a firm reputation in the Airline industry for revolutionising sales growth amid contemporary challenges including fierce competition. An advocate for innovative and effective commercial practices, he is well-known for his strategic planning acumen and track record of achieving the Airline's commercial objectives. He is a passionate leader who envisions organisational growth and inspires the best in his team.

A graduate of the University of Colombo, Faculty of Law, holding an International Master's in Business Administration from the Buckinghamshire New University. Additionally, he serves as the Chairman of Sri Lanka Board of Airline Representatives.

07 ✈

Capt. Patrick Fernando

Head of Flight Operations

Capt. Patrick Fernando joined the Airline in 1992 when it was formerly known as Air Lanka as a cadet pilot on the L1011 fleet. Since then, he has flown L1011, A320, 330 and A340 aircraft in the capacity of a Captain for over 20 years and has been an instructor for over 15 years. He joined the management in 2011 as Deputy Chief Pilot Training and Standards and later advanced to the position of Chief pilot Training and Standards.

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

08 ✈

Mr. Saminda Perera

Head of Marketing

Mr. Saminda Perera spearheads SriLankan's Marketing and Strategic Communications Roadmap since June 2015. He counts over two decades in the air transport industry, specialising in strategic marketing and global sales. He also overlooks the Airlines' Corporate Social Responsibility (CSR) arm - SriLankan Cares, SriLankan Holidays, and Sustainability initiatives.

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

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

He holds a Bachelor of Commerce degree in Financial Accounting and Auditing from the University of Mumbai and a Diploma in Airline Studies (Airline Marketing, Airline Finance, Accounting, Station Management) from the International Air Transport Association (IATA).

09 ✈

Mr. Sumudu Upatissa

Head of Strategy

Mr. Sumudu Upatissa joined the Airline in 2000 as a Management Trainee and moved to the Commercial Division in 2001 after successfully completing the program. With 22 years of industry experience, he has over 16 years of

managerial expertise in various areas, including International Relations, Schedules Planning, Network & Revenue Planning, Pricing & Revenue Management, and GSA Administration. In 2017, he was appointed as the Head of Revenue Management, Planning, and Commercial Support. In 2023, he assumed the role of Head of Strategy after completing a no-pay leave period of two years.

He is a graduate of the University of Sri Jayewardenepura, holding a Bachelor of Science Degree in Marketing Management. Additionally, he possesses an IATA Diploma in Airline Studies (Montreal) and a Postgraduate Diploma in Marketing from the Chartered Institute of Marketing (UK), where he is an Associate Member (ACIM).

10 ✈

Mr. Chaminda Perera

Head of Cargo

Mr. Chaminda Perera joined the Airline in January 2022. He has over 30 years of experience in the aviation industry in cargo commercial and ground handling operations. He commenced his career at SriLankan Airlines in the ground handling sector and his career aspirations in handling the commercial aspects of air cargo led him to transition to Lufthansa. He then advanced to a position with China Airlines, managing a team, and handling commercial and ground handling operations as the Cargo Sales and Customer Services Manager. Subsequently, he transitioned to Emirates, working for a period of 16 years and was serving as Cargo Manager Sri Lanka at the time of leaving.

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

11 ✈

Mr. Vipul Misra

Head of Engineering

Mr. Vipul Misra joined the Airline in 2024 assuming duties as Head of Engineering. With experience of over two decades in aircraft engineering, Mr. Misra encompasses conversance with a range of commercial Airlines that includes Air India, SpiceJet, Vistara, Indigo, Air Deccan, and Kingfisher Airlines.

In his roles ranging from a licensed engineer certifying aircraft to Deputy General Manager and other such senior positions, he has been involved in the Technical Management of multiple Airlines at various levels, ranging from Low-Cost Carriers, Full Service Carriers, Startups, and Legacy Carriers gathering wide-ranging experience and expertise.

Mr. Misra holds a master's degree in Aerospace Law & Post graduation in Business Administration along with this he holds an Aircraft Maintenance Engineer's License as well.

12 ✈

Lt. Col. Bandula Weragama

General Manager Group Security

Col. Bandula Weragama joined the Airline in 2012 with an unblemished service of 23 years in the Sri Lanka Army. In addition to having extensive experience in command and training within a tri-services environment, he has also served the United Nations Department of Peace Keeping Operations. Having worked with the HR, Inflight and Security Divisions, he was appointed to lead the Division of Airport and Ground Services in February 2016. He currently leads the Group Security Division, a position he assumed in April 2020. He holds a Masters in Defense Studies from the University of Kelaniya and a MSc from the University of Quetta, Pakistan.

13 ✈

Mr. Deepal Pallegangoda

Senior Manager Airport & Ground Services

Mr. Deepal Pallegangoda joined the Airline in 1991. In 1994, he departed from the Airline and joined Doha Airport, where he played a key role in establishing Qatar Airways Handling. He rejoined the Airline in 1995. He has worked in all areas of Airport operation as Duty Manager, Aircraft Dispatcher, Instructor for Airport Services (local/overseas) and Station Manager. He joined the commercial team in 2010 and worked as Sales Executive, Assistant Sales Manager, Country Manager, Manager Government Travel and Public Affairs. He was later appointed as Senior Manager Airport and Ground Services in May 2023.

He holds a postgraduate diploma in Service Management from the University of Colombo and a Master of Business Administration from University of Cardiff (UK). Further, he is a Certified Instructor from City and Guilds.

14 ✈

Mr. Kshanaka Saparamadu

Senior Manager Revenue Management

Mr. Kshanaka Saparamadu joined the Airline in 2000 as a Management Trainee and has held various leadership roles throughout his career in the Commercial Division. With over two decades of experience in the commercial aviation industry, including over 15 years in managerial roles, his specialisations are in Revenue Planning, Network Optimisation and Revenue Management.

He joined the Revenue Planning Department in 2001 and went on to lead the team as Revenue Planning Manager. He was thereafter elevated to the role of Manager Planning in 2010 with the enhanced responsibilities of leading both the Revenue Planning and Network Planning teams. He was subsequently

appointed as Commercial Manager in the Revenue Management Department overlooking functions of Revenue Management for the European Region. He was then promoted to the role of Senior Manager Revenue Management directing the overall functions of Inventory and Pricing for the Europe and Far Eastern Regions. He currently leads the Division of Revenue Management, Network Planning & Research as well as the International Relations Department of the Airline.

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

15 ✈

Mrs. Thushari Perera

Senior Manager Group Legal Affairs

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

She is an Attorney-at-Law by profession and possesses Notary Licenses in English and Sinhala languages. She has successfully completed the Aircraft Acquisition and Financing Course conducted by International Air Transport Association (IATA). She has also successfully completed the

Senior Management Team contd.

National Diploma in Human Resources Management at the Institute of Personnel Management and the Management Development Programme conducted by the Postgraduate Institute of Management in addition to her legal education.

16 ✈️

Mr. Dilantha Weeraratne

Senior Manager Group Safety

Mr. Dilantha Weeraratne joined the Airline in 1984 counting nearly 40 years with the National Carrier, having served various leadership roles within the Flight Operations Division, including 24 years in managerial capacity. Having started his career as a trainee Flight Dispatcher, he has progressed as a recognised authority in Operations Control and Flight Dispatch, demonstrating expertise and proficiency throughout his career.

In 2000, he ascended to the role of Route Planning & Fuel Management Manager, where he played a pivotal role in establishing and overseeing aviation fuel usage, implementing best practices to optimise consumption. Subsequently, he assumed responsibility for managing the Flight Operations Training Division, ensuring the coordination of all regulatory training requirements related to Flight Operations. In 2006, he rose to the position of Manager Network Control, where he oversaw Flight Dispatch and Operations Control Functions. In 2012, he spearheaded the establishment of the Airline Operations Control Centre, pioneering a centralised command hub for managing flight schedules and operational control. Since November 2023, he serves as the Senior Manager Group Safety, providing strategic direction on the implementation and maintenance of the Safety Management System (SMS) while overseeing the safety umbrella within the organisation, emphasising a comprehensive approach to safety across all facets of the operation.

17 ✈️

Mr. Ravi Samarasinghe

Senior Manager Cabin Services

Mr. Ravi Samarasinghe joined the Airline as a cabin crew member in 1988 and rose through the ranks up to an inflight service instructor. He was appointed as a Crew Performance Manager and inflight Service Manager subsequently. In 2024, he was appointed as the Senior Manager Cabin Services heading the inflight Services department. Prior to joining the national carrier, he possessed previous experience in the Banking sector as well.

He is presently in charge of the on-board services which the Airline is renowned for and managing all functions thereof. Managing the courteous cabin crew which is one of the most important tasks among many others. In addition inflight duty free and the food and beverages served on board are other responsibilities which are entrusted to him.

Mr. Samarasinghe holds a Master's degree of Business Administration from University of Suffolk (UK).

18 ✈️

Mr. Kalinga Hiranya

Deputy General Manager, SriLankan Aviation College

Mr. Kalinga Hiranya Joined the Company in 2013 as the Finance Manager – SriLankan Training. He currently serves as the Deputy General Manager at SriLankan Aviation College (SLAC), the training arm of SriLankan Airlines Limited. Before joining the Company Mr. Kalinga held an Executive position in a diversified conglomerate in Sri Lanka.

Mr. Kalinga holds an MBA from the Postgraduate Institute of Management (PIM) at the University of Sri Jaywardenepura and earned a B.Sc. in Business Administration from the same university. He is also a Fellow member of the Association of Chartered Certified Accountants (ACCA) UK and Associate member of the Institute of Chartered Accountants of Sri Lanka.

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Navigating our future as we deliver the best customer service



Management Discussion and Analysis

Operating Environment

Global Macroeconomic Environment

The global economy was on a recovery path and demonstrated resilience emerging from the blows of the pandemic, the impact of the Ukraine-Russia war, and increasing inflation. However, tightening global monetary policy conditions to control inflation hinders growth, causing the economies to move forward at a slower and uneven pace, indicating global growth divergence. Despite both headline and core inflation remaining under control, most economies, especially emerging and developing markets, continue to struggle to return to pre-pandemic trends. Although the Gross Domestic Production (GDP) growth has been stronger than anticipated, it persists to moderate in the backdrop of tighter financial conditions, weak trade growth, and lower business and consumer confidence.

The global aviation sector also returned to nearly pre-pandemic activity levels during 2023, renewing the financial profitability of the industry. Industry-wide passenger traffic, measured in revenue passenger kilometers (RPKs), grew by 40.1% year-on-year (YoY) through September 2023 and reached approximately 94% of pre-pandemic levels. All regions, except Asia Pacific, continue to reach or surpass their 2019 traffic in 2023, with a future projection of doubling the global passenger traffic by 2040. However, the cargo segment continues to be challenged by the slowdown in demand owing to the macroeconomic uncertainties and the subdued performance in global trade.

Local Macroeconomic Landscape

The Sri Lankan economy entered a recovery trajectory during 2023, resurging after a catastrophic economic crisis the year before. This recovery was supported by improved external resilience, stronger fiscal balances, and preserved financial system stability. The adoption of timely and appropriate policy measures by the Government of Sri Lanka

(GoSL) and the Central Bank of Sri Lanka (CBSL) along with the structural reform agenda by the International Monetary Fund's Extended Fund Facility (IMF-EFF) arrangement contributed to this overall macroeconomic stability.

Sri Lanka experienced a notable influx in tourist arrivals, reaching its peak in December 2023, reflecting a positive trajectory for Sri Lanka's tourism industry. This surge is mainly attributable to the favorable macroeconomic climate, as well as the recognition of Sri Lanka as one of the top destinations by travel-related entities. During the financial year, the Country witnessed a tourist arrival of approximately 1.8 million, mainly from key markets like India, Russia, and the UK. The increased popularity of Sri Lanka as a tourist destination also attracted international carriers, leading to intensified competition, particularly on routes to and from Europe and the Middle East. Consequently, renowned Airlines increased their frequency and capacity to Colombo, putting downward pressure on fares and impacting SriLankan Airlines' yields.

Sources

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Our Operations

As the two key revenue streams of the Airline, the passenger and cargo operations play a significant role in effectively ensuring the Airline's financial

strength and long-term sustainability. These two operations support the dual focus of the Airline; transporting passengers and carrying goods across the globe efficiently and safely to drive profitability. Therefore, amidst an uncertain macroclimate in the domestic and global sphere, the Company continued to implement strategies aligned with the rapidly evolving industry landscape.

Passenger Operations

There was a notable resurgence in travel demand which positively contributed to global passenger recovery during the period. According to the International Air Transport Association (IATA), global passenger traffic recovered to 94% of pre-pandemic levels in 2023. However, this positive momentum was challenged by significant limitations that impeded the progress of passenger operations. The shortage of aircraft and spare parts for maintenance, labour shortage, and rising costs placed significant pressure on the Airlines' operating margins and profitability.

SriLankan Airlines encountered the same situation, unable to fully capitalise on the growing demand. While the available seat kilometers (ASK) experienced a modest 2% year-over-year increase, the overall capacity remained 18% below pre-pandemic levels mainly due to the shortage in the operational fleet. The situation was worsened by the difficulties in recruiting and retaining skilled technical personnel, in all areas, further adding pressure on operational continuity. In response, the Airline implemented several measures, including optimising its schedule by reallocating aircraft to maximise profitability, wet-leasing additional aircraft to meet the growing demand, and exploring alternate recruitment strategies to address the staff shortage. These proactive measures aimed at minimising passenger inconvenience and ensuring operational continuity demonstrated the Airline's commitment to providing a reliable and seamless travel experience.

Despite the obstacles, the Airline managed to marginally increase the number of passengers carried due to an overall rise in passenger arrivals to the country. Throughout the year, the Airline carried 3.6 Mn passengers, representing a 4% growth compared to the previous year, and achieved a seat factor of 79.1%, highlighting the effectiveness of its network and optimisation strategies. However, the Airline's passenger revenue stood at LKR 276.2 Bn, which is a 6% decline compared to the previous year (LKR 293.3 Bn). This reduction is merely due to the currency appreciation as the Airline recorded a passenger revenue of 865 Mn in US Dollars terms, reflecting a 5% increase compared to the last year.

Strategic Partnerships

The Airline's strategic partnerships remain vital to its competitive advantage as they increase the market coverage creating additional revenue opportunities. Thus, SriLankan Airlines continues to establish new alliances alongside strengthening the existing ones to enhance connectivity and broaden its network coverage.

During the year, the Airline established an interline partnership with Virgin Australia, providing continuous connections to key destinations across Australia and the Pacific region. This partnership enhanced the Airline's network coverage including provision of convenient travel options to a substantial Sri Lankan diaspora residing in Australia. Furthermore, SriLankan Airlines formed a mutual interline agreement with Emirates, facilitating seamless travel for passengers on both Airlines to a range of destinations in the Middle East, Africa, and North America across their respective networks via Colombo and Dubai.

In addition, SriLankan Airlines formed a codeshare partnership with Korean Air, opening up new markets in East Asia. This agreement allowed passengers to increase travel options to Seoul, including improved access to popular tourist destinations and business hubs in the region.

Moreover, SriLankan Airlines also established a partnership with APG, a leading global Airline distribution network. By utilising APG's extensive network of travel agents and partners to sell its tickets on a neutral platform, SriLankan Airlines was able to effectively enhance its distribution capacities, reaching a wider customer base. This easy accessibility to SriLankan Airlines' flights to travelers in various markets was also expected to improve ticket sales and revenue generation.

Since 2014, SriLankan Airlines has been a valued member of The OneWorld Alliance, which continues to expand its international reach with the addition of two new members. Oman Air and Fiji Air are expected to join the alliance as non-shareholder members by the last quarter of 2024, further improving the network and travel choices available to SriLankan Airlines' passengers.

Cargo Operations

With a surge in passenger flights, cargo ATKs increased by 2% during the year, despite operating 376 flights less compared to the previous year. However, the additional belly capacity supply of the industry led to a cargo yield decline in the first three quarters of the year. Nevertheless, the softening of import restrictions and appreciation of LKR towards the end of the financial year led to an increase in demand for import cargo. Similarly, the stabilisation of the high inflation rate and reduction in bank interest rates contributed to low production costs, propelling an increase in exports from the country. However, the increased competition with more Airlines commencing operations in Sri Lanka and local market deviations due to rapid changes in economic policies remained concerns for the segment. The demand for cargo also contracted mainly driven by the high interest rates and decline in purchasing power in the global market. During the financial year, the cargo operations accounted for a total revenue of LKR 31 Bn.

The cargo segment launched four products to the market; Freshness Class, Precious Class, Wellness Class and Guardian Class. Moving ahead, SriLankan Cargo plans to introduce novel products while increasing the market penetration of its existing products. The Airline also intends to commence third-party freighter operations as per market demand, enhancing collaboration with global partners. Moreover, SriLankan Cargo will initiate its import operations from terminal 06, and establish separate courier and perishable centers including obtaining CEIV Certifications (Pharma, Lithium & Fresh) to optimise cargo handling and increase efficiency.

Significant investments were also made in implementing technology-driven systems and solutions to drive efficiency and revenue optimisation.

Optimising Operations with Technology

The Airline continues to embrace and accelerate the digital transition in driving operational excellence and competitive advantage. Remaining steadfast in this commitment, the Airline transformed some of its core systems and processes onto a digital platform during the year, enhancing internal efficiencies and improving the quality of its service to the customers, further fortifying their trust.

■ PROS Revenue Management Advantage

SriLankan Airlines went live with the PROS Revenue Management Advantage (RMA), a cloud-based, AI and machine learning-driven revenue optimisation solution. This move signifies a strategic enhancement in the Airline's operational efficiency and revenue management capabilities.

PROS RMA is designed to leverage state-of-the-art AI and ML technologies to provide dynamic pricing, forecasting, and inventory control, tailored to maximise revenue opportunities. Integration of this advanced tool enables SriLankan Airlines to improve its response abilities to market demands in real-time, optimise

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seat pricing, and enhance overall revenue performance. Hence, this is expected to streamline the Airline's revenue management processes, offering more accurate predictions and adaptable strategies to meet changing market situations. This is also on par with the current overall industry trend where Airlines are progressively adopting AI and ML solutions to sustain their competitive advantage and profitability in a rapidly evolving environment.

Amadeus Group Manager

SriLankan Airlines went live with the Amadeus Group Manager (AGM), an advanced solution designed to streamline and enhance the management of group bookings, demonstrating the Airline's commitment to improve operational efficiency and customer service for group travel in boosting revenue. This implementation forms a significant part of the Airline's overall strategy in embracing the latest technology to drive operational excellence and customer convenience, sustaining its competitive position within the industry.

PRA V20

SriLankan Airlines upgraded its financial operations migrating to Accelya's PRA V20, the latest passenger revenue accounting solution, to enhance accuracy, efficiency, and compliance in revenue accounting. This cutting-edge solution streamlines and automates the complex processes involved in passenger revenue accounting including real-time processing, auto proration, and comprehensive reporting.

Partnerships with Cargo Digital Booking Platforms

The Airline also established partnerships with digital booking platforms WebCargo, Cargo.One and CargoAi, enabling electronic processing of the entire booking process for users. Hence, users can enter the shipment details and select their preferred solution through the list of Airlines provided by the search results and settle the payment online. Afterward, the rate and space confirmation will be communicated in real-time between the Airline and the user, eliminating the

time-intensive processes that are currently in place. This also allows SriLankan Cargo a platform for better communication and coordination among stakeholders, including shippers, carriers, and logistics providers, resulting in streamlined logistics and supply chain management.

Our People

The Company's employees form the foundation of its success and growth, driving value creation for all stakeholders. They symbolise the Company's vision and mission, shaping the public image of the Airline to the world. By working collaboratively on varied duties, employees directly impact the customer experience, maintaining the Airline's reputation and strengthening its ability to advance despite challenges. Considering this exceptional role they play in the Company's continued progress, the Airline remains dedicated to supporting their well-being and satisfaction at the workplace.

As of financial year, 2023/24, SriLankan Airlines encompasses a total workforce of 5935 employees of which 66% are male and 34% are female. They are dispersed across various strategic business units.

Category	Female		Male		Grand Total	
Managers	111	2%	182	3%	293	5%
Flight Crew	18	0.3%	241	4%	259	4%
Cabin Crew	665	11%	310	5%	975	16%
Aircraft Engineers and Technicians	21	0.4%	555	9%	576	10%
Trainee, Graded, and Executive Staff	1179	20%	2653	45%	3832	65%
Grand Total	1994	34%	3941	66%	5935	100%

SriLankan Airlines' Human Resource Policy

The Airline's Human Resource Policy focuses on recruiting the right talent for the right job role in driving the Company's overall business objectives. Considering the core challenges such as adverse economic conditions, financial constraints, resource limitations, and brain drain that had a significant impact on all aspects of Airline operations during the period, the HR division adopted a strategic business partnering approach to support the Airline's overall operations.

The HR strategy focused on the following key areas of strategic importance:

- Staff Retention by fostering a culture of continuous engagement and focusing on targeted development plans for critical areas.
- Competitive reward and remuneration schemes to motivate and engage employees.
- Capability building and upskilling.
- Health and well-being of employees to ensure a productive workforce.
- Industrial harmony and fostering a positive work environment.
- Sustain robust relationships with trade unions and employee representatives to address concerns proactively.

Recruitment and Retention

The Company has in place a fair and unbiased recruitment process for attracting the best-suited candidates for vacant positions. Hence, the candidates are selected completely based on their qualifications and suitability to hold the job position. When sourcing appropriate talent for a job position, priority was given to the home-grown talent, first advertising vacancies internally. Positions that need to be filled externally

and entry-level positions are advertised outside the Company according to their operational and business requirements. The sourcing channel varies depending on the job role. The selection process requires candidates to undergo a thorough evaluation based on the competencies assessed for each job category.

The recruitment process is further enhanced by the state-of-the-art recruitment system that allows digital applications (submitting job applications), automated screening (automated identification of suitable candidates based on predefined criteria) and data-driven decision-making (evaluation of the effectiveness of the recruitment strategies through data analytics).

Employee Turnover

Considering the challenges at the global and domestic level, the Airline turnover during the year remained high at 10%. The aviation industry also suffered from the country's brain drain, with a significant number of skilled Airline professionals seeking employment overseas. In addressing the issue, the Airline commenced recruitment of new candidates while simultaneously implementing several retention strategies. Hence, during the year 1055 new employees were onboarded for various job functions.

The Company implemented several key strategies throughout the financial year in order to ensure employee retention.

- Appropriate performance increments were given to top-performing staff, effective June 2023
- Considering the market and industry rates, the pay scales were adjusted in June 2023
- Revisions were made to several allowances related to skills and commuting
- Revisions were made to hourly productivity payments for flight and cabin crew to encourage higher flying hours

Performance Evaluation

The Company has inculcated a performance-driven culture within the Company in motivating the employees to thrive in their positions, resulting in heightened productivity that surpasses performance expectations. Therefore, every year, two evaluations are carried out (mid-year and annual reviews) based on the KPIs identified at the strategic level. Based on the performance feedback, a training needs analysis was also conducted to identify the training requirements of the employees. The performance-driven culture is further fortified through several initiatives such as aligning individual goals with the divisional KPIs for the performance cycle, introducing a Performance Improvement Plan (PIP) for the underperformers, facilitating discussions with the line managers and the underperformers to mitigate the performance gaps.

Employee remuneration is directly linked with performance elevation where annual increments are decided based on the performance ranks. These performance ranks are also considered in employee selection for promotions and in preparing individuals for progression to the next level of career development.

Benefits

Employees are offered an attractive benefit package to sustain their motivation and satisfaction at the workplace, contributing to high productivity and outcomes. Therefore, apart from the statutory benefits (Gratuity, EPF & ETF) that are provided as per the regulations, employees are provided with a benefit package through the Staff Welfare Society. These include retail outlets, banking services, fruit stalls, annual and festival sales, hire purchase facilities, as well as a holiday bungalow facility.

Moreover, scholarship programs are also offered by the Welfare Society in recognition and support of the academic endeavors of children of employees. In addition, the Company offers a medical benefits scheme to employees allowing them to reimburse medical costs, and a

24-hour medical centre to obtain medical services along with special consultancy and medical camps. A 24-hour canteen facility and transport service are also available for the staff based in Katunayake.

Learning and Development

Learning and development are utilised to improve employee performance and capabilities, which is essential for the sustainable progress of the Company. SriLankan Airlines provides Leadership Development training programs for all categories of employees in addition to a series of soft skills training programs concentrated on building competencies to meet the performance standards of the organisation. Furthermore, training programs are also organised relating to supervisory skill development as well as competency development for newly promoted staff. Most of these training and skill development programs are facilitated by qualified internal resource panels while programs for Executive and Management were facilitated through state universities.

Health and Safety

The Airline considers ensuring the health and safety of employees as a moral obligation and hence remains committed to supporting the physical and mental well-being of employees, carrying out initiatives for the same. Thus, the Company closely liaises with relevant authorities and national agencies to stay updated on new regulatory developments. Following which, the recommended health and safety guidelines/standards are properly implemented in line with the current international and local standards, modifying operational processes to reduce risks and maintain a safe and healthy work environment.

Additionally, employee awareness regarding health and safety is also raised through continuous communication, conducting awareness campaigns, workshops, and medical camps. The entire work premises inclusive of cafeterias, lunchrooms, and washrooms are being monitored regularly and

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conditioned to optimise hygienic standards. In addition, Personal Protective Equipment/gear is provided to necessary staff according to each of their work requirements and operational position, aligned with international health and safety guidelines.

Furthermore, the Corporate Safety Unit closely monitors the health and safety of all staff and provides them with 24-hour on-call support for their immediate medical requirements through the Company Medical Centre. There is also a comprehensive Safety Management Systems (SMS) manual in place, which is updated regularly.

Engagement and Work-Life Integration

This was a time that required extra effort to boost employee morale and satisfaction to ensure their retention. At a time when industry turnover was significantly high, engaging employees was a complete necessity. Hence, the Company organised corporate and themed employee engagement activities to bolster their morale, teamwork, and work-life integration. Likewise, the Company also carried out annual planned events, tactical events, and engagement activities based on business requirements.

Moreover, the Company made it a point to celebrate community events and special days, including carrying out awareness campaigns and Corporate Social Responsibility (CSR) initiatives throughout the year. Inter-unit and departmental collaborations, as well as collaboration with trade unions are maximised in employee engagement events. In addition, the Company arranges special collaborations with industry partners, and external organisations to bring in exposure, cross-cultural experiences and knowledge-sharing events. SWS Cricket Bash - an inter-departmental cricket tournament, Mother's Day and Women's Day Staff Activation, multi-religious ceremonies for New Year and Company Anniversary are

among the numerous events conducted with the invaluable collaboration and support of our Trade Unions and industry partners during last year.

Furthermore, to encourage a wholesome work-life integration, we implemented an inclusive range of initiatives supporting employees' well-being and motivation. These include various awareness campaigns, workshops, a dedicated counselling service, as well as sports and recreational activities that have been organised periodically.

Grievance Handling

The Company has a fair and well-structured grievance and dispute handling policy in place which is updated promptly. This ensures equitable treatment to all employees, encouraging them to raise their concerns to their immediate supervisor or Group Head of Human Resources without worrying about encountering negative repercussions. The Company takes immediate steps regarding the concerns raised, making a proper inquiry/investigation of the matter thereby addressing the issue. Given the diverse range of employee groups in the Company, the grievance and dispute-handling process thoroughly addresses the concerns of all categories.

The employees are also encouraged to feel comfortable and safe to voice different ideas and opinions without the fear of repercussions. Further, a committee is also set up to handle sexual harassment-related grievances.

Diversity and Inclusion

As an equal opportunity employer, the Company remains committed to ensuring diversity, equality, and inclusion within the workplace where individuals are not discriminated against by gender, age, ethnicity, disability, religion, sexual orientation, or cultural background. Therefore, employees are consistently encouraged to freely express their ideas and opinions, thereby nurturing a safe and supportive work environment that values and welcomes diverse perspectives.

Customer Experience

Operating within a highly competitive industry landscape, delivering exceptional service is crucial for ensuring the Airline's sustainable growth and long-term reputation. It is through personalising customer journeys that foster connections with passengers and make them feel valued, ensuring a memorable travel experience. Hence, from booking a ticket to disembarking, the customer travel experience comprises various interactions that collectively shape customers' perceptions of the Airline, cultivating the brand image that people hold in their minds.

In comprehending this vital aspect, SriLankan Airlines endeavors to sustain and improve customer experience on an ongoing basis, catering to the evolving demands of a diverse clientele.

Product and Service Offerings

As an Airline focused on customer satisfaction, the Company consistently enhances its product offerings to maintain high service quality and meet the diverse needs of its clientele. Consequently, the enhanced onboard experience was recognised with the "Best Inflight Food or Beverage Innovation Award" by the Airline Passenger Experience Association (APEX) and International Flight Services Association (IFSA) in 2024 highlighting the SriLankan Flavours Campaign. The award-winning SriLankan Flavours Campaign was designed to promote Sri Lankan cuisine that serves as a unique aspect of the SriLankan Airlines product offering. The menu introduces Sri Lankan food as "Fueling the mind, body and soul", showcasing the authentic culinary experience that Sri Lanka has to offer to its passengers. This campaign was extended onboard and at Business class lounges, furthering the Airline's vision of delivering an authentic Sri Lankan experience to its passengers.

Also, the Airline was conferred with the "Passenger Choice Award" for Best Wi-Fi Central/Southern Asia by the Airline Passenger Experience Association (APEX). The Airline also received recognition as a Four-Star Major Airline in 2024 by APEX Official Airline Ratings for the sixth consecutive year.

SriLankan Holidays

The Company continues to promote travel to and from Sri Lanka, capitalising on its network through SriLankan Holidays (SLH), the leisure arm of the national carrier. Accordingly, SLH collaborates with top hotels, tour operators, and other tourism-related organisations, providing travelers with a wide range of vacation choices, including customised all-inclusive holiday packages.

With regard to outbound tourism, the Airline innovatively improved its processes by exploring new avenues for business growth and fostering collaborations with new partners. As such, the Airline collaborated with Cruise companies, introducing new products. Alongside, the Airline also appointed multiple SriLankan Holidays Ground Operators (SHGO) to foster competition among SHGOs to secure competitive rates for markets such as UAE, Singapore, Malaysia, and Maldives. SHGOs were also appointed on offline points to introduce new products in offline markets such as Africa, Oman, Saudi Arabia, Georgia, Cambodia, and Vietnam. Further, the Airline partnered with a Destination Management Company (DMC) focusing on sustainable travel to Singapore offering holiday packages to travelers. Likewise, a selection of packages was designed to cater to a wide range of travelers, from luxury to budget, including options for business class to accommodate diverse customer preferences and needs.

New products were also introduced to tap online markets; where the Airline directly operates and offline markets; where the Airline does not directly operate but facilitates through the

strategic partnerships with other Airlines, following a competitor behavior analysis. Hence, new products were introduced for offline destinations such as Vietnam, Cambodia, Myanmar, Lisbon, and the Philippines apart from creating packages to promote routes with low cabin factors through country managers and social media platforms, further strengthening market position in destinations like Madurai, Kuala Lumpur, Bangkok, Dubai and Male. As for inbound tourism, SLH managed to expand its network by appointing new SHFOs (SriLankan Holidays Franchise Operators) in Madras, Trivandrum, Katmandu and Cochin to strengthen its on-ground presence across the Airline network.

With a diverse set of special packages, SriLankan Holidays ensure that travelers can discover the essence of Sri Lanka while enjoying a seamless travel experience. As for the online packages, a new booking engine is in progress to facilitate a fully automated solution giving direct passengers and Business to Business (B2B) agents the liberty to purchase and sell packages around the clock.

SLH also promoted Meetings, Incentives, Conferences, and Exhibitions (MICE) tourism events to unite professionals from various industries, fostering connections, inspiring innovation, and promoting growth. Thus, SLH partnered with Sri Lanka Convention Bureau (SLCB) to organise "MICE familiarisation yours and country" promotions in Bangladesh, Delhi, Chennai, Indonesia, China and Hyderabad. Apart from that SLH secured a successful partnership with Entrepreneur Organisation (EO), a peer-to-peer network of more than 17000+ influential business owners with 213 chapters in 60+ countries connecting UL with EO groups from Nepal, Kerala and South Asian Regional conference.

Marketing and Communications

As a key promotor of tourism in the country, the Airline has been dedicated to positioning Sri Lanka across its worldwide network, including the leading tourism-generating markets for Sri Lanka.

The year in review observed SriLankan Airlines taking a range of initiatives focusing on Sri Lanka's diverse and scenic landscape as a setting for endurance and adventure sports.

Extension of 'Ride Sri Lanka 2023'

Stemming from the success of the 'Ride Sri Lanka 2023' cross-country cycling tour, which was held in January 2023, a group consisting of travel influencers, tour organisers/leaders and bloggers from the UK took on an extension of the Ride in June 2023. They rode across Sri Lanka on a carefully curated racing route, featuring a range of ecological and historic attractions throughout the island, starting from Negombo and finishing off in Hambantota. Given the reach of the participants, the event was highly effective in promoting Sri Lanka as a sought-after cycling destination for all levels of cyclists. Besides, the riders, being representatives of cycling clubs and tour operators in the UK that offer soft cycling tours, added a sales promotional value to the initiative.

'The Colours of Jaffna' Campaign

The Airline highlighted Jaffna on a global stage through its 'The Colours of Jaffna' campaign. Considering the tourism potential of the north of the Country, with its striking architecture, vibrant cultural characteristics, and the unique culinary features, the Airline endeavored to capture the beauty of each of these aspects through this campaign, inviting the traveler to have a deeply engaging experience.

Launch Video unveiling Jaffna Beauty

'The Colours of Jaffna' campaign was launched with a spectacular video that unveils the fascinating facets of Jaffna, followed by a series of posts and a fun quiz, raising awareness of Jaffna's various attractions. Complementing the promotional drive, SLH introduced a series of holiday packages covering the best of Jaffna in collaboration with Jetwing Hotels as the exclusive hospitality partner. This attractive invitation to experience Jaffna is carried across the Airlines' vast network, including its single largest market, India, which is connected

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to the island with over 80 flights a week out of nine Indian cities. The video can be viewed by scanning the following QR code.



Fans' World Cup 2023

Additionally, the Airline drew global focus to the heritage city, Galle, with 'Fans' World Cup 2023' in collaboration with Barmy Army. Cricket fans from Australia, India, Pakistan, South Africa, Sri Lanka and the UK played against each other in November 2023 and as the principal partner of the Barmy Army Fans World Cup 2023, SriLankan Airlines contributed to the decision to select Galle as the event's host city. These international events served as a platform to mobilise global interest in Sri Lanka as a trending destination for adventure and sport.

Global Sales Conference 2023

SriLankan Airlines impressed the world's travel trade with its latest Global Sales Conference in Hambantota in November 2023, with the participation of 200 top Airline international agents and tour operators. During the program, the Airline offered the international participants information on its operational plans, including a fascinating glimpse into the incredible landscapes, wildlife, history, cuisine, and culture of Sri Lanka that portray it as a beautiful destination.

The participants represented SriLankan Airlines' direct network spanning the Indian subcontinent, Southeast Asia, the Far East, Europe, the Middle East, and Australia and included general sales agents, travel agents, tour operators, and franchisees of the Airline's tour operating arm, SriLankan Holidays. Through carefully curated tours and accompanied by members of the Airline's worldwide sales team, the participants were able to visit some of Sri Lanka's most iconic landmarks.



Global Sales Conference in Hambantota in November 2023, with the participation of 200 top Airline international agents and tour operators

Sports and Culture Tourism

Over the years, SriLankan Airlines has been a driving force in promoting the island for adventure and sports tourism through an assortment of events in the spheres of surfing, cycling, mountain biking, golfing, and running. The Airline executed a range of promotional activities focusing on the Asia Cup and the historic Kandy Esala Perahera; two remarkable events that were simultaneously underway. Through each of these events, the Company successfully showcased the Country's exceptional beauty and rich culture, inspiring tens of thousands of tourists to visit. The Airline also returned to its two signature events in Australia, the iconic Melbourne Marathon and the Great Ocean Road Running Festival in Melbourne as a title sponsor.

System Improvements for Better Customer Experience

Customer Affairs and Service Audit

During the financial year, a state-of-the-art software solution, CASA (Customer Affairs and Service Audit) was introduced to provide a seamless workflow management system, enabling staff to provide a better customer experience to passengers seeking service recovery. The overall process automation enhances the

level of customer responsiveness of the Airline whilst facilitating an integrated work process.

CRIS Loyalty Management Solution

SriLankan Airlines successfully went live with the Customer Relationship Information System (CRIS) for its loyalty program in January 2024. This advanced system is designed to enhance the Airline's frequent flyer program, providing improved customer engagement and a more personalised travel experience. This implementation is a testament to the Airline's commitment to leveraging advanced technology to provide exceptional customer service, fostering long-term customer loyalty.

Ticket Refund Management Solution

The Company implemented a centralised Ticket Refund Management Solution (TRMS) for the internal departments to streamline and automate refund queries. TRMS enhances efficiency by providing passengers with automatic email updates on their refund status and reducing the need for direct contact with the refund processing team. This system also collects necessary information through automated emails, making the process

quicker and more efficient. As a result, passengers benefit from a faster, more transparent refund process, encouraging increased use of the Airline's Internet Booking Engine (IBE) and potentially boosting sales.

Empowering Communities

SriLankan Airlines consistently strives to make a difference in the world in which we live by fulfilling its social responsibility to the surrounding communities. By empowering underserved communities through extending support to sustain their long-term progress, the Company attempts to build a more equitable society where everyone can flourish and succeed. Focusing on key areas such as health, education, and youth empowerment, the Company carries out its CSR initiatives through SriLankan Cares, the community arm of SriLankan Airlines, bringing together related programs towards uplifting children and adults throughout Sri Lanka. The Company is also involved in organising programs to enhance the quality of education and health of children. Most of the funding for these projects comes from employee contributions and partnerships with similar organisations.

Health Care Assistance

SriLankan Cares continues to pursue its commitment to uplift the Country's health care sector, extending support for initiatives that enhance the overall well-being of underprivileged communities who lack access to essential healthcare. Thus, SriLankan Cares facilitated a donation to the Human Heart Valve and Tissue Bank at Lady Ridgeway Hospital for Children, donating essential chemicals from a group of donors from the United Kingdom which is crucial for processing heart valves obtained from the deceased. By facilitating the swift transportation of the much-needed chemical shipment from Oxford University Hospital Foundation in the United Kingdom to Lady Ridgeway Hospital, SriLankan Cares affirmed its commitment to the health and well-being of the underserved community.

Medical Camps

SriLankan Cares extended their assistance to those communities in need of essential medical facilities by conducting camps in disadvantaged localities across the nation. These camps offered free-of-charge medical consultations including essential medicines to both children and adults, providing them an avenue to seek medical assistance.

During the financial year, three such medical outreach events were carried out at Hathamuna Primary School, Hingurakgoda, Mangala Raja Maha Vihara, Seruwila, and the College of Military Medicine in Mundalma, Puttalam. At the camps, complimentary medical care for disadvantaged students, teachers, and local communities was offered including general checkups, vision screening, and free medicine for all participants. SriLankan Cares partnered with Liquid Island (Pvt) Limited and Sri Lanka College of Military Medicine for these medical camps.

Leadership Programs

SriLankan Cares concentrated on enhancing the Leadership and Team building skills of school students to provide students with the skills and qualities they need to become effective leaders of the Country in the future. These Leadership programs/workshops were conducted at St. Peters College, Colombo, Ananda Balika National School, Hingurakgoda as well as at Visakha Vidyalaya, Colombo. These programs focused on various aspects of leadership including leadership, development, teamwork, emotional intelligence, mental well-being/psychology and self-confidence.

Care Giving Initiatives

SriLankan Cares organised several caregiving initiatives for patients in need. The first of these was organised at the Comprehensive Cancer Centre (CCC) in Maharagama, the transit residence for cancer outpatients and their caregivers who cannot afford to live in outside accommodation or travel long distances to and from their rural homes

for treatment. SriLankan Cares shared a moment of joy with its in-house cancer patients, serving tea and refreshments to the patients and spending the evening with them on the 44th Anniversary of SriLankan Airlines.

SriLankan Cares also collaborated with Suwaseriya Foundation, which provides island-wide, free pre-hospital emergency care to all Sri Lankans, bearing the travel expenses of a team of six Paramedic experts hailing from Buckinghamshire New University in the UK to provide specialised training for the Suwaseriya Foundation employees, emphasising its commitment to support community initiatives.

Further, three caregiving programs were organised at Mapiya Sewana Elders Home, Ja-Ela. The purpose of this initiative was to encourage the Cabin Crew to enhance their knowledge of essential care for the elderly and the differently abled, given their frequent encounter with these segments of passengers onboard, requiring greater empathy and compassionate approach when serving them.

Two more similar events were organised at Vincent De Paul Home, Wattala with the cabin crew providing a morning feast for the elders, fostering a warm and inclusive environment. Following the breakfast, the crew also engaged in uplifting activities, such as singing songs and organising fun games that brought smiles and laughter. The visit emphasised the crew's commitment to create positive experiences beyond their regular responsibilities, fostering a sense of togetherness and care within the community.

Educational Tours

During the year, SriLankan Cares arranged familiarisation tours for selected groups of students from Amandoluwa Primary School, Visakha Vidyalaya and Ananda College, Colombo. These exposure tours offered children to understand and experience the aircraft interiors, operational aspects, functionality and the aircraft maintenance arm, SriLankan Engineering.

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On World Children's Day 2023, a special program was organised for the children, providing them with a day of fun and learning on the travel and tourism industry of Sri Lanka with a tour of Colombo city, the airport and inside an aircraft

Similarly, a field visit was arranged for the members of the Green Club of Andiambalama National School to the Meethirigala Nissarana Reserve Forest to gain knowledge on diverse flora and fauna and the significance of environmental conservation. The project concluded with a clean-up event where the children participated in collecting trash from the forest.

International Day Celebrations

SriLankan Cares carried out various activities to strengthen its bond with children from underprivileged communities. As such, in celebration of Global Wellness Day 2023, a medical camp was organised for the fifth consecutive year for the underserved communities in the Hambantota area. An initiative conducted in collaboration with Shangri-La Hambantota, provided medical check-ups, consultations, and screenings for 700 participants from the surrounding areas.

Also, in celebration of World Children's Day 2023, a special program was organised for the children of the Child Development Centre at Vincent Home, Rathnapura, providing them with a day of fun and learning on the travel and tourism industry of Sri Lanka with a tour

of Colombo city, the airport and inside an aircraft. The group was treated to SriLankan Airlines' world-renowned hospitality with a scrumptious lunch at Palm Strip Restaurant and a tea party at Galle Face Hotel at the end of the day. This initiative was carried out in collaboration with Galle Face Hotel and Ebert Silva Holidays.

Further, in celebration of International Women's Day, a special program was organised for the parents of Andiambalama National School to educate the children on healthy living, conducted by the Company's medical officer. The program also discussed the importance of education for women to succeed in life, hosted by an Aircraft Workshop Engineer.

Spreading the festive joy on Christmas Day, a Christmas party was organised for the children residing at CCC Home in collaboration with Galle Face Hotel and Ebert Silva Holidays. The occupants experienced a joyous day with a tour on the festive double-decker bus ride to Galle Face Hotel and an evening full of music, dance, and a visit from Santa Claus who distributed gifts, bringing holiday cheer to the children and

exemplifying the spirit of compassion and community support, reflecting the shared commitment of SriLankan Cares, Galle Face Hotel, and Ebert Silva Holidays in making a positive impact on the lives of those in need. A similar program was also organised to celebrate the Christmas spirit for the adult occupants of CCC Home, donating 450 packs of essential items.

Sustainability Performance

SriLankan Airlines continues with its unwavering commitment to preserve the environment for future generations. Recognising the crucial responsibility of the Airline towards the planet, the Airline strives to seek opportunities to drive meaningful sustainability efforts aligned with its national obligation to safeguard the environment in which we live. In pursuit of this goal, the Company has adopted eco-friendly practices, embedding sustainability into its daily operations. The Airline consistently explores innovative ways to implement impactful sustainable initiatives, aiming to minimise its environmental impact and further enhance its commitment to planetary responsibility

SriLankan Airlines' Environmental Strategy

The Environmental Strategy of SriLankan Airlines adopts a six-pillar approach, outlined as follows;

1. Carbon Footprint Reduction	Reduce carbon emissions from direct and non-direct sources.
2. Resource Efficiency and Waste Reduction	Increase the efficiency in using electricity, water, and other inputs to the operation. Move towards environmentally friendly inputs.
3. Environmental Compliance	Ensure conformity of the Airline operations to all applicable environmental regulations and policies.
4. Conservation and Protection of Biodiversity	Conduct projects to enhance biodiversity and ecosystem preservation of the country.
5. Child and Youth Empowerment towards achieving environmental sustainability goals	Ensure environmental science skills and knowledge development within Sri Lanka.
6. Community Empowerment	Sustainable livelihoods for communities around sensitive ecosystems.

Key Initiatives

"Eco Trailers" Program

SriLankan Airlines conducted a career training program, called "Eco Trailers", for youth from communities that occupy the border areas of the mangrove reservation at Negombo lagoon. This program aimed to develop eco guides who can generate a sustainable income stream through mangrove reservations. This training for peripheral community development helps conservation by raising awareness, promoting sustainable livelihoods, fostering community-based conservation efforts, contributing to monitoring and research, and empowering local communities.

Training local eco-guides not only provides sustainable employment opportunities but also ensures that conservation messages are effectively communicated to a broader audience. This approach of involving and empowering individuals who depend on these ecosystems creates a sustainable and long-term approach to mangrove conservation.

Eco-Friendly Carpets

As one of its Product Development initiatives, SriLankan Airlines became one of the first Airlines in South Asia to introduce eco-friendly carpets onboard its aircraft after completion of a successful trial. These lightweight carpets are assembled from regenerated nylon made of waste material such as abandoned ocean fishing nets, aquaculture nylon waste, used carpet waste, and fabric scraps from mills. Moreover, by utilising waste materials and efficient manufacturing processes, it also uses significantly less crude oil, water, and energy during production, unlike conventional virgin nylon manufacturing. With the installation of carpets in the fleet, SriLankan Airlines' jet fuel consumption is expected to reduce due to the reduced weight of the new carpets, leading to savings of about LKR 21 Mn annually. The reduced fuel use will enable the Airline to shrink its yearly carbon footprint by approximately 248.79 tons, in addition to the emission savings made by using regenerated nylon in the manufacturing process.

Raising Awareness

The Company regularly carries out awareness-raising programs on on-site and off-site environmental issues in keeping the staff members well informed on industry-related environmental concerns. This is further enhanced through organising volunteer events and industry-specific training sessions on environmental sustainability. During the year, as a means of inculcating environmentally conscious behavior amongst the staff,

Sustainable Aviation Fuel (SAF) training was provided to engineering staff members to improve the SAF readiness of the Airline.

Decarbonising Initiatives

Affirming its commitment to decarbonisation, the Airline continues to adhere to the industry's best practices to reduce its emissions. These industry best practices include enhancing operational efficiency through the adoption of industry-recommended green operating procedures, optimising flight planning, and managing aircraft operating weight. The Company also promotes adherence to the Airbus Green Operations Manual in the flight operation area, conducting monitoring, reporting, and verification of aircraft emission data under the ICAO CORSIA program.

During the year, SriLankan Airlines joined the IATA CO₂ Connect program along with the rest of its OneWorld member Airlines. The Airline sees this as an opportunity to contribute towards increasing data transparency and accuracy regarding aircraft emissions, creating a source for passengers to obtain the most accurate emission data available.

Moreover, the Airline takes ongoing action to reduce its electricity consumption by implementing infrastructure-related energy efficiency improvement measures, awareness programs, and good housekeeping measures.

Disclosure on Green House Gas (GHG) Emission – Scope I & II

GHG Protocol is a set of standards and guidelines developed as a collaborative effort by the World Resources Institute and World Business Council for Sustainable Development (WBCSD). It offers methods for quantifying and controlling greenhouse gas emissions from value chains, operations in the public and commercial sectors, and mitigation measures.

As the initial step towards sustainability reporting, the Company initiated the

Management Discussion and Analysis contd.

verification on GHG emission from its operations, compliant with GHG protocol. The Company has conducted a verification of its Scope 1 and Scope 2 emissions for the Financial year under review and the verification was done by Control Union Inspections (Pvt) Ltd. Scope 1 and 2 is a way of categorising the different kinds of GHG emissions a company creates in its own operations, and in its wider value chain. Scope 1 emissions are direct greenhouse gas (GHG) emissions that occur from sources that are owned or controlled by the Company. Scope 2 emissions are indirect GHG emissions which are a consequence of the company's energy use but occur at sources owned or controlled by another entity, typically a utility provider. Please refer below for more information regarding reporting boundaries and scope of the verification.

Through this voluntary exercise the Company expects to improve the data transparency regarding environmental sustainability and support the initiatives taken by the regulators to bring more attention to environmental sustainability and climate change. The Company will also use the data to further improve its environmental performance.

GHG Emission disclosure of the SriLankan Airlines Group for the FY 23/24

Operation type	Unit	Scope 1	Scope 2	Total
Cargo Operations	MT CO ₂ e	10,458.30	1,046.36	11,504.66
Ground Handling	MT CO ₂ e	72,097.14	664.75	72,761.88
SriLankan Engineering	MT CO ₂ e	10,587.49	1,815.93	12,403.42
SriLankan Catering	MT CO ₂ e	21,171.46	4,828.50	25,999.97
Airline (excluding above functions)	MT CO ₂ e	1,194,926.77	1,862.46	1,196,789.23
Total Airline Group GHG emission	MT CO ₂ e	1,309,241.16	10,218.00	1,319,459.16

Notes:

- Assessment conducted according to the guidelines of GHG Protocol
- Reporting period 1st April 2023 to 31st March 2024.
- Metric Tonne of Carbon dioxide equivalent (CO₂e) is the unit used to compare an account for emissions of various Green House Gases based on their global warming potential.
- Scope 1 direct emissions and Scope 2 purchased energy emissions are disclosed.
- Materiality of the Assessment is set at 5%.

Regulatory Compliance

Regulatory Compliance is a vital aspect of Airline operations as it guarantees the safety of passengers, maintaining operational efficiency. By ensuring stringent compliance with aviation standards and procedures, the Airline is well prepared to prevent potential accidents, safeguarding human life and assets. These rules and regulations also provide a solid framework for seamless business operations, clearly assigning responsibilities and accountabilities across all functionalities of the Airline. Hence, SriLankan Airlines remained persistently committed to complying with all the stipulated local and international industry standards.

Rules and Regulations of the Civil Aviation Authority of Sri Lanka

SriLankan Airlines maintains the Air Operator Certificate, which is required for aircraft operations, stringently adhering to the rules set forth by the Civil Aviation Authority of Sri Lanka. The Civil Aviation Authority of Sri Lanka performs periodic checks,

inspections, and audits on the Airline to assess the Airline's level of compliance with these regulations.

Conformity with International Standards

As a commercial carrier engaged in international aircraft operations, SriLankan Airlines must conform with applicable international standards and industry best practices. The Airline maintains updated IOSA (IATA Operational Safety Audit) and ISAGO (IATA Safety Audit for Ground Operations) registrations to ensure compliance with the highest international standards and best practices. As a result, SriLankan Airlines has consistently maintained the highest standards of quality and safety across its functions without compromise.

Quality Assurance

SriLankan Airlines implements hazard identification and mitigation procedures by carrying out regular reviews of operational policies and procedures through the Airline's quality assurance program, ensuring a safe environment across all operational departments.

SriLankan Airlines also successfully renewed its Air Operator Certificate and ISAGO accreditation throughout the past year, under all national and international regulations.

Several cost-effective techniques have also been introduced within the quality assurance program enabling the Company to ensure efficient financial management. These include;

- Integration of internal audits to capture regularity requirements during IOSA and ISAGO audits, reducing labour costs and boosting efficiency.
- To minimise in-person audits and maximise the maintenance of safety standards, the Airline revised and standardised the line station audit checklists to include the most recent ground handling criteria suited to remote auditing methodologies.
- A cost-saving measure for the Airline was also achieved by an

agreement with IATA to gain access to the ISAGO database for external service provider monitoring needs at line stations, reducing the need for physical audits.

Cyber Security and Data Protection

SriLankan Airlines prioritises the security of passenger data, utilising a variety of technologies and measures including Artificial Intelligence (AI) and Machine Learning (ML) to enhance cyber security posture. Hence, the Airline continually improves operations to meet the requirements of the Data Protection Regulations, including, but not limited to, the European Union General Data Protection Regulation (GDPR) and Personal Data Protection Act No. 9 of 2022 (PDPA) of Sri Lanka.

Key information security measures include;

- **Bot Detection and Mitigation:** Web Access Firewall (WAF) employs ML and AI to identify and distinguish between legitimate user traffic and malicious bot activity. By analysing various characteristics, such as user behavior, mouse movements, and browser fingerprinting, it can detect and block bot-based attacks, including botnets, web scraping, and credential stuffing attempts.
- **Endpoint Detection and Response:** The Airline's endpoint devices are protected with the latest AI and ML-based technologies that continuously monitor, detect, and automate real-time responses to ransomware and other cyber threats.
- **Vulnerability Assessment:** These assessments ensure the proactive identification of potential vulnerabilities in Airline systems and networks by analysing configurations, code, and security logs. It also identifies weaknesses before they are exploited by cybercriminals, ensuring that security measures are up-to-date and effective in protecting passenger data.
- **Security Information and Event Management (SIEM):** SIEM serves as a robust security event analysis

tool where security events and logs are being collected to correlate and analyse security data from various sources within the Airline's computer network, effectively detecting and responding to security incidents and vulnerabilities.

- **Network Behavioral and Analysis:** The Airline has deployed an AI and ML-driven cybersecurity platform designed to detect and respond to cyber threats and security incidents in real time.
- **Spam and Phishing Detection:** ML algorithms are used to learn from a vast amount of data to recognise the characteristics of spam and phishing emails. By analysing email attributes, sender reputation, message content, and recipient behavior, the Company can accurately classify and filter out unwanted and potentially harmful messages.
- **Encryption:** SriLankan Airlines utilises encryption techniques to safeguard sensitive passenger data both during transmission and storage, ensuring data security and protection from unauthorised access.

Financial Review

Resurgence from Losses

The aviation industry, having experienced losses for over three years due to the COVID-19 pandemic, saw a resurgence in 2023, with global air traffic returning to over 90% of pre-pandemic levels. Despite the revival in global air travel, the Airline encountered challenges in realising its full potential due to fleet shortages, engine issues, and aircraft maintenance delays. However, the unwavering resilience of the Company in finding solutions and capitalising on the industry resurgence enabled it to manage operations while maintaining the level of the previous year. The Group recorded an operating profit (before exchange gain and unscheduled repair cost) of LKR 39.7 Bn.

SriLankan Airlines Limited recorded a Group net profit of LKR 7.9 Bn, a significant improvement from the previous year supported by resilient strategies and the appreciation of Sri Lanka rupee. Furthermore, the Airline achieved a net profit of LKR 3.9 Bn, its first net profit since 2009 even with accounting for LKR 23.4 Bn for unscheduled repair cost for Neo engines and penalty charges on breach of agreement.

Key Group Indicators	2023/24 LKR Mn	2022/23 LKR Mn	Variance LKR Mn	Variance %
Revenue	339,592	369,470	-29,878	-8%
Operating Expenses	301,357	326,957	-25,600	-8%
Exchange Gain/(Loss)	28,660	-63,128	91,788	145%
Unscheduled Repair Cost of Neo Engines	11,572	2,899	8,673	299%
Net Finance cost	36,564	50,189	-13,625	-27%
Penalty Charges on Breach of Agreement	11,837	-	11,837	100%
Net profit	7,925	-71,307	79,232	111%

Fleet Management and Operational Strategy

Recognising the operational and financial significance of maintaining the fleet, the Airline secured Cabinet approval in 2022 to lease ten aircraft as replacements for expiring leases. However, as a result of the adverse situation that prevailed in the Country and the Company, which led to a delay in approaching the market, securing the required five wide-body aircraft has been challenging amid high demand for aircraft. Even with the tremendous efforts, only the procurement of the five narrow-body aircraft

Management Discussion and Analysis contd.

has been successful. Nevertheless, as an alternative strategy, the Company managed to wet lease aircraft to meet passenger demand and maintain its flight schedule. At the end of the financial year 2023/24, the fleet comprised 21 aircraft, down from 27 pre-pandemic.

Furthermore, the CFM engines installed on Airbus A320/321 Neo aircraft underperformed, a global issue that has grounded hundreds of aircraft. Discussions are currently underway with the engine manufacturer CFM, and other options are being explored to ensure these aircraft become operational within the shortest possible time. However, the cost of repairs exceeded initial estimates resulting in a cost increase of LKR 11.6 Bn, after considering expected manufacturer credits, with cashflow issues further delaying the return of these aircraft to service.

Earnings

The country witnessed a remarkable recovery in the tourism sector, with tourist arrivals reaching 3.9 Mn, a substantial 40% increase compared to the previous year. This surge in tourism, particularly from key markets such as India, Russia, and the UK, significantly boosted demand for air travel. The Airline catered to 1.8 Mn tourists (47% of total arrivals), a 6% increase from the previous year.

Despite the marginal capacity increase, the Airline carried 3.6 Mn passengers, representing a 4% year-on-year growth, demonstrating effective network and scheduling strategies. Passenger revenue for the financial year 2023/24 stood at LKR 276.2 Bn, a 6% decline compared to the preceding year (2022/23: LKR 293.3 Bn). This reduction, however, is primarily attributable to currency appreciation, as the Airline recorded a passenger revenue of 865 Mn in US Dollar terms, reflecting a 5% increase compared to the last year.

Cargo Revenue, which played a pivotal role in sustaining company operations during the pandemic, witnessed a 4% year-on-year increase in cargo tons carried. However, cargo revenue

dropped by 39% to LKR 31 Bn during the year under review, as the cargo yields fell with increased aircraft belly hold capacity from the progressive restoration of passenger flights. Nonetheless, Cargo Revenue remained 3% above pre-COVID levels in US Dollar terms.

During the year under review, the Company made significant strides in enhancing its service quality to deliver a customer-centric experience as the sole ground handler at Bandaranaike International Airport (BIA). As a result, the Airline generated a total revenue of LKR 21.2 Bn from air terminal and related services, an increase of 37% compared to the previous year (2022/23: LKR 15.5 Bn). The revenue generated from other sources also witnessed a year-on-year growth of 13%.

Expenditure

Expenditure at Group level before Exchange Loss/Gain and Unscheduled Repair Cost decreased by 5%. The detailed breakdown of the Group's expenses is depicted in the table below.

	2023/24		2022/23		Variance	
	Value	Contribution	Value	Contribution		
	(LKR Mn)	%	(LKR Mn)	%	(LKR Mn)	%
Aircraft Fuel Cost	115,119	35%	155,559	35%	-40,440	-26%
Employee Cost	32,261	10%	26,553	6%	5,708	21%
Airport, Enroute and Passenger Expenses	39,187	12%	40,761	9%	-1,574	-4%
Aircraft Maintenance and Overhaul Costs	40,359	12%	39,300	9%	1,059	3%
Depreciation/Amortisation	14,138	4%	15,154	3%	-1,016	-7%
Rentals on Short Term Leases Aircraft and Spare Engines	10,723	3%	504	0%	10,219	2028%
Selling, Marketing and Advertising Expenses	22,082	7%	24,643	6%	-2,561	-10%
Crew Expenses	9,701	3%	7,661	2%	2,040	27%
Other Operating Expenses	17,786	5%	16,822	4%	964	6%
Operating Expenses (before Exchange Loss/Gain and Unscheduled Repair Cost)	301,356	90%	326,957	74%	-25,601	-5%
Unscheduled Repair Cost of Neo Engines	11,572	3%	2,899	1%	8,673	299%
Penalty Charges on Breach of Agreement	11,837	4%	-	0%	11,837	100%
Finance Cost	37,387	11%	51,483	12%	-14,096	-27%
Exchange Loss/(Gain)	-28,660	-9%	63,128	14%	-91,788	-145%
Total Expenses	333,492	100%	444,467	100%	-110,975	-25%

Aircraft fuel remains the largest component of Airline's operating expenses at 35%. During the year under review, aircraft fuel costs decreased by 26% compared to 2022/23, driven by the significant drop in fuel prices from USD 3.39 per USGallon to USD 2.72 per USGallon.

Employee costs increased by 21% in the year under review, reaching LKR 32.3 Bn. The Company intensified its retention and recruitment efforts during this period, foreseeing a sustained recovery and aiming to fortify operational resilience by filling positions left vacant during the pandemic and the economic downturn. This initiative led to a 9% expansion in the staff count. Simultaneously, the Company implemented several strategies to ensure the retention of the existing employees.

Crew Expenses increased by 27% to LKR 9.7 Bn during the year under review. The cap rate on crew payments, imposed due to exchange rate volatility during the economic crisis, was removed from May 2023 onwards, resulting in an increase in LKR costs.

Considering the challenges at the global and domestic level, the Company turnover during the year remained high at 10%. The aviation industry also suffered from the country's brain drain, with a significant number of skilled Airline professionals seeking employment overseas.

The short-term lease rental costs for aircraft and spare engines surged to LKR 10.7 Bn, compared to LKR 0.5 Bn incurred last year. This increase primarily stems from wet lease charges to address the unavailability of wide-body aircraft and the premature failure of Neo engines. Additionally, lease charges for engines increased by LKR 1.6 Bn compared to the previous year, as a higher number of A330 engines had to be leased short-term due to the deactivation of the Total Care Agreement (TCA) program by Rolls Royce.

Further, during the year under review, the unscheduled repair cost related to Airbus A320/321 Neo aircraft engines has increased to LKR 11.6 Bn as a result of the failure of engines during the year and significant increase in the cost estimates based on new findings. Also, a one-off expense incurred during the year of LKR 11.8 Bn for penalty and interest to Rolls Royce on a contract breach stemming from the cancellation of Airbus A350 aircraft in 2015. These two items alone contributed 7% of the total cost.

Financial Position

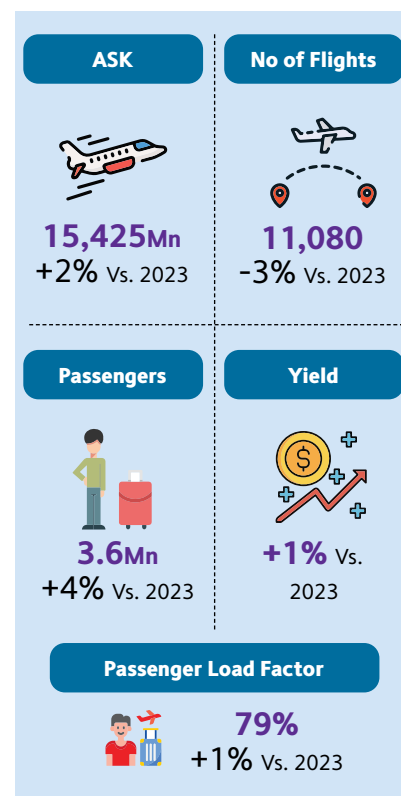
As of 31 March 2024, the Group's total assets stood at LKR 201.6 Bn, primarily consisting of right-of-use assets totaling LKR 74.8 Bn and other receivables in the form of short-term and long-term securities provided for lessors amounting to LKR 63.3 Bn.

The Group's total liability was LKR 583.4 Bn. Compared to the previous financial year, this demonstrated a reduction of 21%, mainly due to the full settlement of the outstanding debt to Ceylon Petroleum Corporation (CPC) through the first tranche of the capital infusion of LKR 102.5 Bn invested by the Government of Sri Lanka (GoSL) as the first step of the debt restructuring process. In addition, the Company received LKR 5 Bn as an equity investment from GoSL in March and April 2024, to overcome urgent cashflow shortfalls that the Company was experiencing.

Cash Position

In the backdrop of a turbulent operational environment and associated flight disruptions, the Group remained cash-negative throughout the financial year, as a result of catching up on overdue payments to main suppliers.

In response, the Airline actively engaged in continuous negotiations with suppliers including aircraft leasing companies to defer payments. This strategy, coupled with the curtailment of expenses, contributed to managing the cash position during the year.



Business Unit Performance

SriLankan Airport and Ground Services

Overview

SriLankan Airport and Ground Services (A&GS) is the sole Ground Handling arm of SriLankan Airlines and offers services to local and international Airlines operating from Bandaranaike International Airport (BIA) and Mattala Rajapakse International Airport (MRIA). At present, it serves over 30 regular customer Airlines and ad hoc carriers leveraging the strength of approximately 2000 employees who are well trained in Ground Handling operations. Drawing on expertise gained over three decades, A&GS has fostered a reputation for high-quality service delivery upholding its core values of safety, precision, and exceptional service.

Management Discussion and Analysis contd.



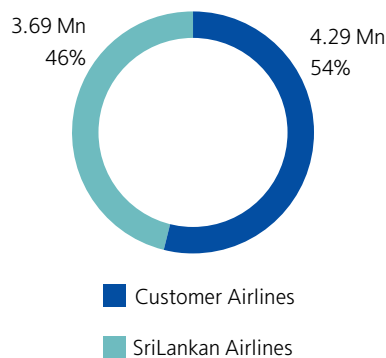
Performance

Though A&GS was compelled to operate with infrastructure constraints due to construction at BIA staff and Ground Service Equipment (GSE) shortages, at the end of the year under review, A&GS managed to achieve the highest number of flights/ passenger movements handled in the post-pandemic period with the increase in passenger arrivals to the Country.

A&GS achieved an impressive financial and service performance level during the period under review, recording a total air terminal and other services revenue for the Group of LKR 21.2 Bn, an increase of 37% compared to the previous financial year. While the total flights handled remained at 48,197, an increase of 25% compared to the previous financial year, the passenger numbers handled also witnessed a rise, totaling 7.98 Mn, an increase of 37% compared to the last financial year.

Further, 171,000 MT of cargo was handled by Ground Services during the period. The revenue derived from cargo handling accounted for 25% of total Airport and Ground Service Revenue. The mishandled baggage rate remained at 0.87 per 1000 passengers. The division maintained a SriLankan Airlines handling reliability of 99.69% and a Customer Airline (CAL) handling reliability of 99.83%.

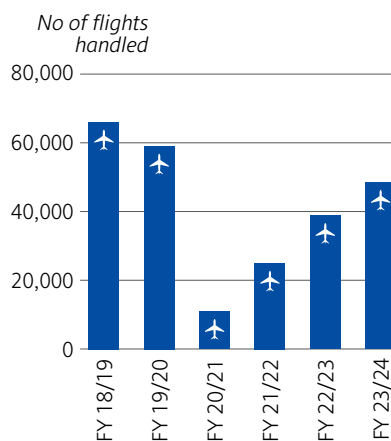
FY 23/24 Passengers Handled



Key Strategies

The implementation of a Self-Check-in System was a prudent strategic measure adopted during the period to increase efficiency and reduce delays. As a result, over 20% of the total passengers traveling on SriLankan flights from BIA were checked in through self-check-in kiosks. Further, A&GS implemented measures to address the capacity issue by initiating recruitment of staff to meet the increased demand. In addition, A&GS also acquired a few essential equipment including state of the art Passenger Coaches. Greater focus was also placed on staff recruitment and training to ensure adequate personnel deployment, facilitating smooth operations.

Number of Flights Handled at BIA



Future Outlook

With the increase in Customer Airline movements, there is a necessity to expand the capacity to cater to the growing demand. Hence, A&GS is pursuing the possibility of expanding the staff strength and equipment to cater to the demand in the near future. Moreover, A&GS is exploring the possibility of acquiring Electric GSEs for the fleet as a Green Initiative, to enhance sustainability and reduce environmental impact.

SriLankan Engineering (SLE)

Overview

SriLankan Engineering (SLE) is the engineering arm of SriLankan Airlines and provides a range of services including end-to-end Maintenance, Repair, and Overhaul (MRO) services of aircraft and related components, operating from three locations; Colombo, Male, and Maththala airports. With more than thirty years of experience in aircraft maintenance, SLE at present serves SriLankan Airlines and many other international operators, further extending its service offerings to a broader clientele in the near future.

SLE is accredited by the Civil Aviation Authority of Sri Lanka (CAASL), the European Aviation Safety Agency (EASA) and several other National Aviation Authorities (NAAs) for its comprehensive aircraft maintenance services provided in the region.

Performance

The financial year under review witnessed an increase in demand for MRO activities. However, there were capacity constraints due to maintenance requirements on our own fleet. Although it was established as a full MRO service division that can cater to a wider customer base across the globe, SLE was unable to capitalise on emerging opportunities to service third-party Airlines due to the prevailing capacity limitations.

Assessing the operational performance during the year, SLE managed to maintain an average dispatch reliability of 98.76% and 97.73% for the A320 and A330 aircraft categories respectively.

Key Strategies

Looking at the three verticals of operations under the SLE, the year proved to be a slow year for the base maintenance given the ongoing capacity constraints that prevented extending third-party maintenance to new customers. As for the line maintenance, it continued to perform regular maintenance tasks and inspections on



aircraft at the usual pace with SLE entering into new agreements with Air Arabia Abu Dhabi, Air Belgium, China Eastern, Edelweiss, and Smartwings. Considering capacity issues, SLE ensured a greater focus on component maintenance during the year, driving revenue generation, reaching out to new customers to obtain the first component maintenance business from foreign Airlines, and developing in-house capabilities. A key milestone during the financial year was the SLE obtaining approval from the National Aviation Authority for performance maintenance on aircraft and components registered in other countries.

Future Outlook

SLE will prioritise maximising the number of Airlines handling and to meet the fleet requirements of SriLankan Airlines. Alongside this, SLE will also concentrate on business development on third-party and scope enhancements thereto.

SriLankan Aviation College (SLAC)

Overview

Incorporating three decades of expertise in aviation training, SriLankan Aviation College (SLAC), the esteemed training division of SriLankan Airlines, presents a diverse array of training solutions catering to both the nation and the region. SLAC is the sole institution in Sri Lanka and is among one of the select few across Southeast Asia, holding multiple international accreditations and Civil Aviation approvals. These include, but are not limited to, recognition from esteemed bodies such as the European Union Aviation Safety Agency (EASA), the International Air Transport Association (IATA), the International Organisation for Standardisation (ISO), the Civil Aviation Authority of Sri Lanka, the Civil Aviation Authority of Pakistan, the Civil Aviation Authority of Maldives, and the Civil Aviation Authority of Nepal.

SLAC is also a distinguished member of prestigious organisations such as the Royal Aeronautical Society (RAES) and the European Aviation Maintenance Training Committee (EAMTC). The college collaborates with globally renowned training and academic institutions, extending comprehensive aviation and corporate training opportunities to both aspiring students and seasoned professionals.

Management Discussion and Analysis contd.



SLAC plays a pivotal role in contributing to the country's foreign exchange earnings by drawing international students. During the year, the number of student enrollments witnessed an increase, contributing to generating external revenue, despite numerous challenges faced by the industry. Over the years, the academy has contributed to reducing foreign currency outflow by providing local students with access to internationally recognised aviation qualifications.

Key Strategies

Strategic Partnerships

SLAC was able to foster two strategic partnerships during the financial year to enhance its learning opportunities and access to resources.

Sri Lanka Airforce

SriLankan Airlines entered a memorandum of understanding between SriLankan Aviation College and Sri Lanka Air Force to strengthen the collaboration in aviation training. This landmark partnership marks a first of its kind in Sri Lanka, amalgamating the resources of two behemoths in aviation training. Considering the long-standing training partnership SLAC has established with Sri Lanka Airforce, this initiative

is anticipated to further strengthen the relationship between the two parties, solidifying the synergy to work together in Aircraft Maintenance and other aviation-related training ventures including the exchange of academic staff and training facilities according to training requirements of both parties. This partnership will also enable the exchange of relevant information between the two parties about training and other areas of mutual interest as and when needed, allowing a depository of superior knowledge, resources, and training capacity.

British Way English Academy

SLAC partnered with British Way to integrate grooming and etiquette training into the British Way curriculum.

Expansions and Accreditations

SLAC also acquired two additional accreditations to enhance its credentials in the industry, expanding its presence across the region.

Nepal Civil Aviation Approval

SLAC received accreditation from the Civil Aviation Authority of Nepal for 'Type Training', positioning SriLankan Aviation College as the sole Part 147 approved organisation in Nepal, becoming a vital player in the field of aviation training

in Nepal. This approval paves the path for Himalaya Airlines to collaborate with SriLankan Aviation College and have its facility added to the European Union Aviation Safety Agency (EASA) Maintenance Training Organisation Exposition (MTOE), filling the void of EASA-approved training organisations in the country. This collaboration will also enable SriLankan Aviation College to conduct both theoretical and practical 'Type training' in Nepal using international training standards, enhancing the aviation skills and competencies in the country.

NVQ Level 6

SLAC also gained NVQ Level 6 status under the National Vocational Qualifications (NVQ) Framework, increasing the national recognition of its programs and enhancing graduates' career prospects by validating their occupational competence. The NVQ accreditation certifies that each course is on par with a Higher National Diploma in technical and vocational training and enables local students to laterally enter graduate programs in related disciplines. SriLankan Aviation College took steps to obtain the accreditation, having recognised the profound importance of NVQ qualifications for students.

SLAC has signed the agreement to become a Regional Training Partner (RTP) for IATA, conducting two programs under this agreement; Safety Management Systems for MRO and Instructional Design.

Future Outlook

SLAC is in discussion with the Ministry of Higher Education and Highways and the Ministry of Ports, Shipping and Aviation on achieving the degree awarding non-state higher education institute status, to offer students in the region, the unique opportunity to study at an internationally accredited aviation university. Further, SLAC is in the process of obtaining the Approved Training Organisation (ATO) status with the Civil Aviation Authority of Sri Lanka, thus becoming the first

institution that specialises in overall aviation professional studies to be certified as an ATO in Sri Lanka, allowing its students to earn a globally recognised educational qualification.

Remaining steadfast in its vision to expand operations internationally, the college, having recognised the aviation training needs in the region, is currently driving towards expanding its operations in Bangladesh, allowing potential students an assured pathway into a career in aviation. SLAC also remains the first institution to have an EASA-approved examination centre in the Maldives. Moreover, SLAC is currently in discussion with Aviation Australia to offer a Diploma in Aircraft Maintenance – an Australian diploma qualification that paves the way for a degree in Australia for those who wish to study abroad.

SriLankan Catering Limited (SLC)

Overview

SriLankan Catering Limited (SLC), fully owned Subsidiary of the Company, is the sole Airline catering company in Sri Lanka and is a Limited Liability Company registered under the Company's Act No. 07 of 2007. The core business activity of SLC is the in-flight catering to SriLankan Airlines and other international Airlines that operate from Bandaranaike International Airport (BIA), Mattala Rajapaksa International Airport (MRIA) and Colombo International Airport Ratmalana (CIAR). SLC also provides a range of services for the airport's lounges and restaurants, including catering, laundry, and restaurant management. With more than forty years of expertise in delivering exceptional service to passengers of leading global Airlines, SLC serves its diverse customers with a high level of expertise and professionalism in all its business activities comparable to the best Airline Caterers in the world. SLC is an active member of the International Flight Catering Association (IFCA) and the International In-flight Food Services Association (IFSA).



Given the nature of its business activities, SLC takes substantial precautions to maintain high standards of hygiene, upholding strict quality control procedures and adhering to the following key guidelines.

- ISO 9001:2015 – Quality Management System with UKAS (United Kingdom Accreditation Service) accreditation.
- ISO 22000:2018 – Food Safety Management System with SAS (Swiss Accreditation System) accreditation.
- HACCP – Food Safety Assurance with Hazard Analysis and Critical Control Points.
- ISO 14001:2015 – Environmental Management System with SAS (Swiss Accreditation System) accreditation.
- HALAL Certification - Certified by Malaysian Airlines
- Food Act, No. 26 Of 1980 As Amended by Food (Amendment) Act, No.20 of 1991.

Performance

SLC demonstrated a notable performance during the financial year, recording a profit with a turnover of LKR 14 Bn, an 11% growth compared to the previous financial year. This increase was mainly attributable to the increase in revenue from Inflight Catering and the airport restaurants (Public and Transit). The

number of meals produced at Flight Kitchen during the year increased by 13%, 5.1 Mn meals per annum compared to 4.5 Mn meals produced in the previous financial year. SriLankan Airlines, being the main customer of Inflight Catering, contributed 65% of the total Inflight Catering turnover and utilised 73% of the total number of meals produced during the year.

SLC also recorded an operating profit during the year of LKR 5,787 Mn (2022/23 –LKR 5,010 Mn) while the net profit before tax decreased to LKR 4,708 Mn by 17% compared to the last financial year (LKR 5,701 Mn) mainly due to exchange rate fluctuations. An exchange loss of LKR 1,116 Mn (Exchange gain 2022/23- LKR 706 Mn) was recorded, which arose owing to the appreciation of the Sri Lankan Rupee against the US Dollar during the financial year.

All key performance indicators increased significantly, owing to the increase in passenger arrivals and commencement of operations by a few Airlines following the pandemic and the improved macroeconomic environment.

Key Strategies

During the financial year, SLC continued to search for revenue-generating

Management Discussion and Analysis contd.

opportunities through existing business units and succeeded in securing new contracts with some of the leading carriers like Etihad Airways and Air China. SLC continues to expand Cuisine Gastronomer, its ready-to-eat meal segment to the local and export markets, leveraging its vast production and operational capabilities. As a result, SLC was able to export this range of meals to Australia, the USA and Canada, anticipating further expansion into export and local markets in the near future.

Further, SLC also concentrated on operational cost controls while focusing on optimum resource utilisation to drive efficiencies. As a result, staff were rightsized, and other operational expenses were reduced in relation to the decreased operational capacity.

Future Outlook

Considering the positive macroeconomic developments towards the latter part of the financial year and the rise in tourist arrivals to the country driven by global demand for air travel, SLC's outlook remains favorable in the term ahead. Capitalising on this improved environment, SLC is currently in discussion with other Airlines to recommence catering which was suspended due to the pandemic. Concurrently, SLC is considering broadening its supplier base with a view to improving the quality, efficiency, and productivity of its processes, in addition to revamping its IT systems for better operational synergies.

Corporate Governance Report

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

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

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

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

The Board of Directors

Composition of the Board

In terms of the Articles of Association of the Company, the Government of Sri Lanka, acting through the Secretary to the Treasury, appoints the Board of Directors as long as the Government holds more than 50 percent of the shares of the Company. As the public ownership of enterprises is vested in the government, the Board of Directors is directly accountable to the Government.

The role of the Board

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

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

Board's core responsibilities are to;

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

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

- All Directors receive accurate, relevant, timely, clear and balanced information
- The Company Secretary acts as the point of contact for the flow of information between Committees, the Board and Directors, and other key Management.
- The CEO along with the respective Heads of Divisions present their submissions to the Board and provide the necessary clarifications requested by the Board.

- In addition, all Board Papers are made available in electronic format, in line with the Company's sustainability initiatives.

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

Delegation to Board Subcommittees

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

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

Indemnities to Directors

In accordance with the Articles of Association of the Company, the Directors are granted an indemnity from the Company to the extent permitted by law in respect to liabilities incurred as a result of the performance of their duties in their capacity as Directors to the Company. The indemnity would not provide any coverage to the extent the Director is proven to have acted fraudulently or dishonestly. The Company has maintained Directors and Officers Liability Insurance cover throughout the year.

Role of the Chairman and Chief Executive Officer

Distinction between strategic and operational matters is clearly established in terms of division of responsibility of the Chairman and the Chief Executive Officer. The Chairman of the Board of Directors is a non-executive appointment

Corporate Governance Report contd.

and focuses on strategic issues and monitors the business and Senior Management Team. He ensures Board procedures are followed and all Board Members effectively participate during meetings.

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

Internal Control and Enterprise Risk Management

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

Statutory Compliance

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

Enterprise Risk Management

SriLankan Airlines recognises that effective risk management is essential for the attainment of its corporate objectives and the sustainability of its operations. Understanding that risks are inherent in the dynamic aviation industry, the Airline has established a structured risk management framework that encompasses all business units, which empowers the Company to proactively identify potential risks that could impact the organisation, assess their consequences, and formulate strategies to mitigate risks to its operations.

The SriLankan Airlines Risk Management Framework is meticulously structured in alignment with recognised risk management standards and industry requirements and is approved by the Board of Directors, reflecting the organisation's commitment to high-level oversight and governance.

Risk Governance

The Board of Directors is responsible for risk oversight of the Group. The Risk Committee which is a Board Sub Committee has been delegated authority from the Board to identify and assess the risks that could have an impact on the business operations of the Company and its subsidiary and assess the impact of such risks both financial and non-financial. The deliberations of the Board Risk Committee should facilitate the BOD to address the impact of the risk affecting the operations and take appropriate actions to mitigate any adverse impact.

The Chief Executive Officer offers strategic direction in risk management and ensures that organisational decision-making involves the explicit consideration of risks and the application of risk management principles.

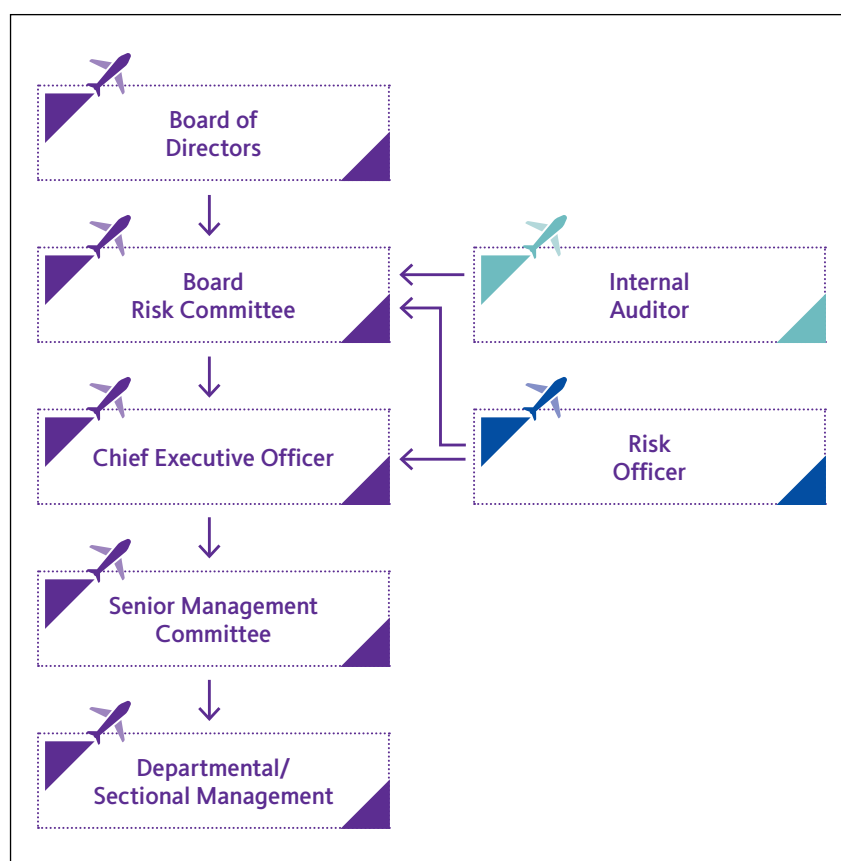
Following the end of the financial year, in accordance with the good corporate governance practices, the Risk Officer has been appointed to address the development and implementation of the organisation's risk management framework. The primary responsibilities of the Risk Officer include ensuring comprehensive management of group-

wide risks by identifying potential threats and formulating preventive and mitigative strategies. The Risk Officer plays a pivotal role in supporting business operations within the Group, necessitating collaboration with the management team, and providing ongoing support across all departments to ensure the effective execution of risk management activities.

The Senior Management Committee reviews the respective risk profiles of the business units and formulates strategies to effectively manage these risks. Departmental / Sectional Managers bear the responsibility of identifying risks within their purview and creating action plans for their management.

Group Internal Audit offers independent and objective assurance and advice to the Board, ensuring the effectiveness of the Group's risk management practices.

Risk Governance Framework

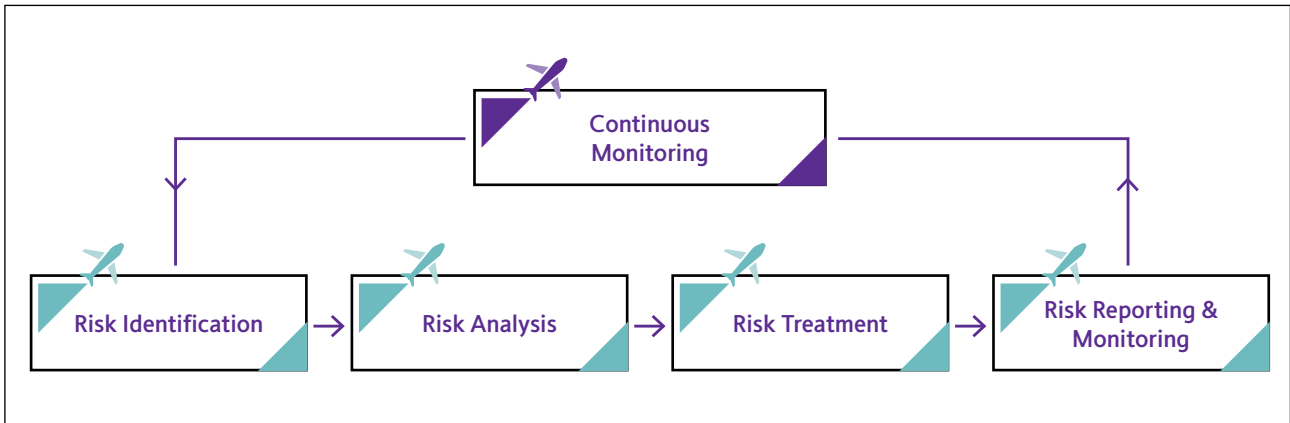


Risk Management Process

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

The responsibility of identifying, measuring, managing and reporting risks lies with the business units. The identified risks are analysed based on the likelihood of occurrence and its impact and are rated as significant, high, medium or low according to the risk score.

Enterprise Risk Management contd.



The action plans are formulated based on the risk ratings and the risk score while the CEO/ Risk Officer /respective Senior Management Committee member reviews the actions taken to address significant risks.

SLA also maintains Risk registers in a centralised database, and these are regularly reviewed and updated by the risk owners of business units, with the guidance of the Risk Management department.

Risk Landscape

In the dynamic business landscape, SriLankan Airlines encountered numerous risks throughout the fiscal year 2023/24. The Airline was significantly impacted by macroeconomic and political factors within the global aviation industry, as well as the economic instability in Sri Lanka. Specifically, the Airline contended with capacity constraints due to an insufficient fleet to support optimal network operations, supply chain bottlenecks, high turnover of skilled employees and cash flow issues.

This year, the Company faced significant operational challenges impacting its budgeted flight schedule, including delays in replacing aircraft at the end of their leases, engine issues and prolonged maintenance tasks, all of which adversely affected revenue generation, recovery of fixed costs and reputation.

The global aircraft and engine manufacturing and delivery sector faces significant challenges due to supply chain disruptions, labor shortages, and increased demand. Geopolitical tensions and stricter regulatory requirements further complicate production timelines and costs. Additionally, financial constraints within the Airline industry exacerbate these difficulties, impacting overall delivery schedules. This difficulty is further exacerbated by the economic instability in Sri Lanka in replacing the aircraft by the Company.

The heightened global demand for skilled employees and the surge in economic migration significantly impacted the Airline's ability to retain and attract a skilled workforce, particularly in the aviation and professional categories. The shortage of aircraft engineers and technicians has adversely affected the execution of both scheduled and ad hoc aircraft maintenance, directly impacting the Company's published schedule operations.

The organisation's cash situation has significantly deteriorated mainly due to the impact of losses on flight disruptions as well as aircraft and engine related expenses. In order to mitigate this, the government is pursuing privatisation of SLA in order to ensure transforming into a financially sustainable organisation.

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Navigating our future
with genuine
Sri Lankan warmth,
care and hospitality



Annual Report of the Board of Directors

The Board of Directors of SriLankan Airlines Limited, take pleasure in presenting the Annual Report for the year ended 31 March 2024.

Principal Activities and Business Review

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

Financial Statements and Auditor's Report

The complete Financial Statements duly signed by the Group Chief Financial Officer and the two Directors and the Auditor's Report thereon for the year ended 31 March 2024 are attached to this Report.

Accounting Policies

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 65 to 114.

Group Turnover

The turnover of the Group amounted to LKR 339,592 Mn (2022/23: LKR 369,470 Mn). A detailed analysis of

Group Turnover is given in Note 20 to the Financial Statements. Transactions between the Company and its fully owned Subsidiary, SriLankan Catering Limited is conducted at fair market prices.

Results

The Group's net profit for the year after taxation is LKR 7,925 Mn (2022/23: LKR 71,307 Mn loss). Group incurred a taxation expense of LKR 482 Mn (2022/23: LKR 1,360 Mn). The Statement of Profit or Loss for the year is given on page 61.

Group Investment

Group capital expenditure during the year on Property, Plant and Equipment amounted to LKR 1,693 Mn (2022/23: LKR 1,309 Mn).

Property, Plant and Equipment

The net book value of the Property, Plant and Equipment of the Group as at the reporting date amounted to LKR 11,582 Mn (2022/23: LKR 11,460 Mn).

Details of Property, Plant and Equipment and their movements are given in Note 3 to the Financial Statements.

Stated Capital

The Stated Capital of the Company amounts to LKR 203,860,665,500. At the EGM held on 25th June 2024, the stated capital of the Company was increased from LKR 198,860,665,500 to LKR 203,860,665,500 by the allotment of 50 Mn ordinary share at LKR 100 per share to GoSL.

Reserves

Total accumulated loss as at 31 March 2024 amount to a negative LKR 592,627 Mn (2022/23: negative LKR 599,606 Mn).

Capital Reserves of LKR 8,542 Mn (2022/23: LKR 8,815 Mn). Movement in these Reserves is shown in the Statement of Changes in Equity in the Financial Statements.

Corporate Donations

The Group did not make any donations during the year.

Taxation

The Company is liable for income tax for all its business activities with effect from 1 April 2018 based on the Inland Revenue act No 24 of 2017. The Company is liable for tax on its overseas operations in countries where there are no double tax treaties at present.

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

Share Information

Share information as at 31 March 2024 is as follows;

Share Ownership	No. of shares	% of holding
Government of Sri Lanka	1,984,006,469	99.77%
Employees Provident Fund	1,863,676	0.09%
Others	2,736,510	0.14%

Compliance with Law and Regulations

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

Related Party Transactions

Related Party transactions are disclosed in Note 28 to the Financial Statements.

Contingent Liabilities and Capital Commitments

Contingent Liabilities as at 31 March 2024 and Commitments made on Capital Expenditure as at that date are given in Note 25 to the Financial Statements.

Events Occurring after the Reporting Date

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

Human Resource/Employment Policies

The Company continued to invest in human capital development and implement effective workforce aligned around new business priorities and to ensure that its employees are developing the skills and knowledge required for the future success of the Company. Employment policies of the Group respect the individual and offer equal career opportunities regardless of gender, race, or religion. Occupational health and safety standards receive substantial attention. The number of persons employed by the Company at the year-end was 5935 (2022/23: 5440) and by the Subsidiary was 713 (2022/23 – 808).

Statutory Payments

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

Environmental Protection

The Group's business activities can have direct and indirect effects on the environment. It is the Group's policy to

keep adverse effects on the environment to a minimum and to promote co-operation and compliance with the relevant authorities and regulations.

Going Concern

As noted in the Statement of Directors' Responsibilities, the Directors have adopted the going concern basis in preparing the Financial Statements based on the assurance of the Secretary to the Treasury (Acting), that the Government of Sri Lanka will provide financial support, if needed, to the Company for the year 2023/24 to continue as a going concern until the entity is restructured.

The Board of Directors

In accordance with Article 79 of the Articles of Association of the Company, the Directors are appointed by the Secretary to the Treasury. Brief profiles of the Directors are given on pages 16 to 19 of the Annual Report.

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

Name of the Director during the Financial Year 2023/24	No. of Board Meetings Attended for the Period of Directorship
Mr. Asoka Pathirage (Chairman)	12/12
Mr. Malik J. Fernando	09/12
Dr. Shridhir Sariputta Hansa Wijayasuriya	10/12
Mr. Joseph Michael Jayanth Perera	12/12
Mr. Ananda Wijetilaka Atukorala	12/12
Mr. A.K.D.D.D. Arandara cum Treasury Representative	12/12
Mr. A.M.A.A. Lakmal Ratnayake	10/12
Mr. D.D. Shiran Chaminda Dammage (Appointed w.e.f. 4th May 2023 & Resigned w.e.f. 31st May 2024)	08/12

* Mr. Frank Niranjana Arulpragasam (Appointed w.e.f. 11th June 2024).

Members of Audit Committee

The following members comprise the Audit Committee.

Committee Members Financial Year 2023/24	No. of Meetings Attended
Mr. Joseph Michael Jayanth Perera (Protem Chairman)	8/8
Mr. A.K.D.D.D. Arandara cum Treasury Representative (Appointed w.e.f. 16th March 2023)	7/8
Mr. D.D. Shiran Chaminda Dammage (Appointed to the Committee on 26th May 2023 & Resigned w.e.f. 31st May 2024 and he serves as the Chairman of the committee.)	2/8
Mr. Malik J. Fernando (Resigned w.e.f. 25th June 2024)	4/8
Dr. Shridhir Sariputta Hansa Wijayasuriya (Resigned w.e.f. 25th June 2024)	6/8

* Mr. Ananda Athukorala (Appointed w.e.f. 25th June 2024)

* Mr. Frank Niranjana Arulpragasam (Appointed w.e.f. 25th June 2024)

The Audit Committee Report is given on page 54 of this Annual Report.

Annual Report of the Board of Directors contd.

Board Human Resources and Remuneration Committee

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

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

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

Committee Members Financial Year 2023/24	No. of Meetings Attended
Mr. Malik J. Fernando – Chairman	4/6
Dr. Shridhir Sariputta Hansa Wijayasuriya	4/6
Mr. Joseph Michael Jayanth Perera	6/6
Mr. A.K.D.D.D. Arandara (Appointed w.e.f. 26th May 2023)	5/6
Mr. A.M.A.A. Lakmal Ratnayake	5/6

Board Group Risk Committee (BGRC)

The Board Group Risk Committee is required to identify and assess the risks that could have an impact on the business operations of the entity, quantify the impact of such risks both financial and non-financial. The deliberations of the BGRC should facilitate the Board of Directors to address the impact of the risks affecting the operations of the entity and take appropriate actions to mitigate any adverse impact.

The following members of the Board comprises of the Board Group Risk Committee;

Committee Members	No. of Meetings Attended
Mr. Joseph Michael Jayanth Perera – Chairman	4/4
Dr. Shridhir Sariputta Hansa Wijayasuriya	1/4
Mr. A.K.D.D.D. Arandara	2/4
Mr. Ananda Wijetilaka Atukorala	2/4
Mr. D.D. Shiran Chaminda Dammage (Resigned w.e.f. 31st May 2024)	3/4
Mr. Malik J. Fernando (Resigned w.e.f. 25th June 2024)	2/4

* Mr. Frank Niranjana Arulpragasam (Appointed w.e.f. 25th June 2024)

Directorate – SriLankan Catering Limited

The current Board of Directors of SriLankan Catering Limited:-

Mr. Asoka Pathirage (Chairman)
Mr. Malik J. Fernando
Mr. Joseph Michael Jayanth Perera
Mr. Ananda Wijetilaka Atukorala
Mr. A.K.D.D.D. Arandara
Mr. A.M.A.A. Lakmal Ratnayake (Appointed w.e.f. 10th April 2023)

* Mr. D.D. Shiran Chaminda Dammage (Resigned w.e.f. 31st May 2024)

Directors' Remuneration

Total paid for the Financial year is LKR 3.2 Mn.

Directors' Shareholdings

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

Interests Register

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

Directors' Interests in Contracts

The Directors have had no direct or indirect interest in any other contracts or proposed contracts in relation to the business of the Company other than those disclosed in Note 28 to the Financial Statements.

Annual General Meeting

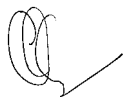
The Forty Sixth Annual General Meeting of the Company will be held on Thursday, 19th September 2024 at 3.00 p.m. at 'Mihilaka Medura' Bandaranaike Memorial International Conference Hall (BMICH), Buddhaloka Mawatha Colombo 7, Sri Lanka.

The notice of the Annual General Meeting is on page 125 of the Annual Report.

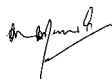
Auditors

In accordance with Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka, the Auditor General is hereby appointed Auditors of the Company. Details of audit fees are set out in Note 22 to the Financial Statements. The Auditors, do not have any relationship (other than of an Auditor) with the Company or its Subsidiary.

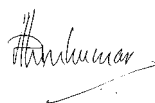
Signed on behalf of the Board,



Asoka Pathirage
Chairman



Jayanth Perera
Director



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

20th August 2024
Katunayake

Board Audit Committee Report

Role and Responsibilities

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

Committee Composition

The Board members who served on the Board Audit Committee during the year ended 31 March 2024 were Mr. Shiran Dammage (Chairman, appointed on 26 May 2023, resigned w.e.f. 31 May 2024), Mr. Jayanth Perera (Member and appointed as the Pro-tem Chairman on 31 May 2024), Mr. Malik Fernando (Member), Dr. Hansa Wijayasuriya (Member) and Mr. A.K.D.D Arandara (Member).

Ms. Surangi Gunathilaka, Superintendent of Audit, National Audit Office attended Audit Committee meetings as an independent observer.

Meetings

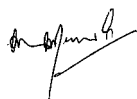
The Board Audit Committee held eight (8) meetings during the year ended 31 March 2024. The representatives of the SriLankan Airlines management attended the meetings upon invitation to brief the Board Audit Committee on specific issues.

Group Assurance and Advisory Services Division

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

Key activities of the BAC during the Financial Year

- Reviewed the year-end Audited Financial Statements and recommended for Board approval.
- Reviewed the Internal Audit function to ensure the independence and authority of its reporting obligations.
- Reviewed and approved the internal audit plan.
- Reviewed the Internal Audit Charter and the SLA Audit Committee Charter and recommended for Board approval.
- Reviewed the internal audit reports and monitored management action taken by Heads of Departments.
- Reviewed the Company's quarterly compliance dashboards to determine that all relevant laws and regulations are complied with.
- Reviewed IT compliance on Information Security regulatory requirements.
- Reviewed waiver approval granted due to operational/commercial reasons.
- Reviewed the Related Party Transaction details on quarterly basis.
- Reviewed the Debtors Age Analysis periodically.
- Reviewed the revised Revenue Generating Contracts Manual.



Mr. Jayanth Perera
Pro-tem Chairman

Board Audit Committee

27 June 2024

Statement of Directors' Responsibilities

The responsibilities of the Directors in relation to the Financial Statements of the Company and the Group differ from the responsibilities of the Auditors which are set out in their report appearing on page 57.

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

The Directors are responsible for ensuring that the Company and its Subsidiary keep sufficient accounting records to disclose with reasonable accuracy of the financial position of the Company and the Group for ensuring that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards and provide the information required by the Companies Act No.7 of 2007. They are also responsible for taking reasonable measures to safeguard the assets of the Group, and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to the prevention and detection of fraud and other irregularities.

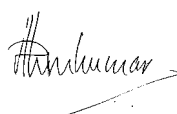
The Directors continue to adopt the 'Going Concern' basis in preparing the Financial Statements, after considering the Government of Sri Lanka's (GoSL) continuous support to the Company by way of providing letters of comfort to obtain bank facilities, and also considering GoSL's efforts in the restructuring of the Company in a view to strengthen the Operational and Financial Position of the Company. Further the GoSL by way of Cabinet approval dated 25th April 2024 (and the letter issued by the Secretary to the Treasury (Acting) on 11th July 2024) has confirmed that the

GoSL will continue to extend the required financial support to the Company to continue its operations as a 'Going Concern' until the proposed restructuring process is completed as described under Note 2.1.1 to the Financial Statements.

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

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

By Order of the Board of Directors,



Mrs. Dalrene Thirukumar
Group Head of Corporate Secretarial Services/ Company Secretary
20th August 2024

Independent Auditor's Report



ජාතික විගණන කාර්යාලය தேசிய கணக்காய்வு அலுவலகம் NATIONAL AUDIT OFFICE



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My No. }

AAV/B/SLAL/FA/2023/18

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Your No. }

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திகதி }
Date }

08 August 2024

Chairman SriLankan Airlines Limited

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the SriLankan Airlines Limited and its subsidiary for the year ended 31 March 2024 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. FINANCIAL STATEMENTS

1.1 Opinion

The audit of the financial statements of the SriLankan Airlines Limited ("Company") and its subsidiary (Group) for the year ended 31 March 2024 comprising the statement of financial position as at 31 March 2024 and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of

the National Audit Act No. 19 of 2018. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice.

In my opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2024, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Opinion

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

1.3 Emphasis of Matter

(a) Materiality Uncertainty Related to Going Concern

I draw attention to Note 2.1.1 to the financial statements, that discloses the Group recorded a net profit of

Rs.7,925.01 million during the year ended 31 March 2024 (2023 - loss of Rs.71,306.66 million) with an accumulated loss of Rs.592,626.52 million (2023 - Rs.599,605.96 million) and, as of that date, the Group's current liabilities exceeded its current assets by Rs.327,144.66 million (2023 - Rs.418,568.67 million) and total equity of the Group as of the reporting date is a negative Rs.381,723.67 million (2023 - negative Rs.494,429.99 million). Further, Company recorded a net profit of Rs.3,870.86 million during the year ended 31 March 2024 (2023 - loss of Rs.73,621.53 million) with an accumulated loss of Rs.607,613.60 million (2023 - Rs.610,487.76 million) and, as of that date, the Company's current liabilities exceeded its current assets by Rs.344,130.60 million (2023 - Rs.431,624.55 million) and total equity of the Company as of reporting date is a negative Rs.400,534.71 million (2023 - negative RS.509,174.88 million).

The existence of such events or conditions, along with other matters as set forth in Note 2.1.1, indicate that a material uncertainty exists that may cast significant doubt on the Group's/ the Company's ability to continue as a going concern.





(b) Aircraft Predelivery Payments

I draw attention to Note 5 to the financial statements, relating to the aircraft predelivery payments as at 31 March 2024 amounting to Rs.5,774 million (USD 19.21 million), as the Company has made a claim for the recovery of the said amount together with damages through the dispute resolution mechanism set out in the agreement with the supplier.

My opinion is not modified in respect of these matters.

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

The other information comprises the information included in the Company's 2024 Annual Report but does not include the financial statements and my auditor's report thereon, which I have obtained prior to the date of this auditor's report. Management is responsible for the other information.

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

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

above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

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

1.5 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of

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

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

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

1.6 Auditor's Responsibilities for the Audit of the Financial Statements

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

Independent Auditor’s Report contd.



they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting

and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern

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

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in

internal control that I identify during my audit.

2. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

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

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



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

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

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

2.2.4 to state that the resources of the Company had not been procured and utilised economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018.

W.P.C. Wickramaratne
Auditor General

Statement of Financial Position

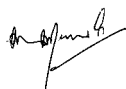
As at 31 March 2024		Group		Company	
	Note	2024 LKR. Mn	2023 LKR. Mn Restated (Note 30)	2024 LKR. Mn	2023 LKR. Mn Restated (Note 30)
ASSETS					
Non-current Assets					
Property, Plant and Equipment	3	11,582.46	11,459.71	7,470.61	7,164.89
Right of Use Assets	4	74,848.14	70,496.87	74,648.10	70,320.69
Aircraft Predelivery Payments	5	5,774.00	6,288.68	5,774.00	6,288.68
Aircraft Maintenance Reserve	6	37,389.27	43,116.59	37,389.27	43,116.59
Aircraft and Spare Engine Deposits	7	6,129.29	5,713.80	6,129.29	5,713.80
Intangible Assets	8	51.94	135.79	44.82	125.72
Investments	9.1	0.40	0.40	42.44	42.44
		135,775.50	137,211.84	131,498.53	132,772.81
Current Assets					
Inventories	10	7,493.15	5,972.97	6,983.64	5,392.52
Trade and Other Receivables	11	27,022.97	33,534.74	25,586.27	28,266.13
Aircraft Maintenance Reserve	6	17,168.29	18,857.02	17,168.29	18,857.02
Aircraft and Spare Engine Deposits	7	2,838.31	2,346.66	2,838.31	2,346.66
Investments	9.2	2,508.42	2,253.13	1,715.99	1,826.00
Cash and Bank Balances	12	8,842.07	11,000.05	8,466.98	9,993.62
		65,873.21	73,964.57	62,759.48	66,681.95
Total Assets		201,648.71	211,176.41	194,258.01	199,454.76
EQUITY AND LIABILITIES					
Equity					
Stated Capital	13	202,360.67	96,360.67	202,360.67	96,360.67
Reserves	14	8,542.18	8,815.30	4,718.22	4,952.21
Accumulated Losses		(592,626.52)	(599,605.96)	(607,613.60)	(610,487.76)
		(381,723.67)	(494,429.99)	(400,534.71)	(509,174.88)
Non-current Liabilities					
Interest Bearing Liabilities	15	133,108.77	154,201.38	132,532.88	153,472.18
Other Liabilities	16	57,245.74	58,871.78	55,369.76	56,850.96
		190,354.51	213,073.16	187,902.64	210,323.14
Current Liabilities					
Sales in Advance of Carriage	17	44,977.47	53,390.92	44,977.47	53,390.92
Other Liabilities	16	21,658.63	31,260.34	21,658.63	31,260.34
Trade and Other Payables	18	101,597.30	172,817.98	115,826.08	179,116.25
Income Tax Payable		308.61	528.16	141.61	175.45
Interest Bearing Liabilities	15	224,475.86	234,535.84	224,286.29	234,363.54
		393,017.87	492,533.24	406,890.08	498,306.50
Total Liabilities		583,372.38	705,606.40	594,792.72	708,629.64
Total Equity and Liabilities		201,648.71	211,176.41	194,258.01	199,454.76

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

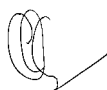


Yasantha Dissanayake
Group Chief Financial Officer

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



Jayanth Perera
Director



Asoka Pathirage
Director

The Accounting Policies and Notes on pages 65 through 114 form an integral part of these Financial Statements.

02 August 2024
Colombo

Statement of Profit or Loss

Year ended 31 March 2024	Note	Group		Company	
		2024 LKR. Mn	2023 LKR. Mn	2024 LKR. Mn	2023 LKR. Mn
Revenue	20.	339,591.65	369,470.04	333,614.09	365,171.77
Expenditure					
Aircraft Fuel Cost		(115,119.33)	(155,559.11)	(115,119.33)	(155,559.11)
Employee Cost		(32,261.33)	(26,552.99)	(29,845.14)	(24,341.47)
Airport, Enroute and Passenger Expenses		(39,186.89)	(40,761.00)	(46,713.52)	(48,474.28)
Aircraft Maintenance and Overhaul Costs		(40,358.53)	(39,300.04)	(40,358.53)	(39,300.04)
Depreciation/Amortisation		(14,138.07)	(15,153.46)	(13,869.28)	(14,685.12)
Rentals on Short Term Leases Aircraft and Spare Engines		(10,722.70)	(504.44)	(10,722.70)	(504.44)
Selling, Marketing and Advertising Expenses		(22,082.36)	(24,643.41)	(22,077.80)	(24,627.60)
Crew Expenses		(9,701.41)	(7,660.86)	(9,701.41)	(7,660.86)
Other Operating Expenses		(17,786.36)	(16,821.96)	(12,759.04)	(12,516.36)
		38,234.67	42,512.77	32,447.34	37,502.49
Other Income and Gains	21.	1,485.64	3,758.04	1,485.64	6,140.34
Operating Profit / (Loss) before Exchange and Unscheduled Repair Cost		39,720.31	46,270.81	33,932.98	43,642.83
Exchange Gain/(Loss) excluding Interest Bearing Liabilities		1,943.17	(24,748.95)	3,260.78	(25,560.09)
Unscheduled Repair Cost of Neo Engines	18.	(11,572.39)	(2,899.25)	(11,572.39)	(2,899.25)
Operating Profit / (Loss) after Exchange and Unscheduled Repair Cost		30,091.09	18,622.61	25,621.37	15,183.49
Net Finance cost					
Finance Income	23.1	823.06	1,293.58	710.90	1,220.87
Finance Cost	23.2	(37,387.22)	(51,482.84)	(37,311.84)	(51,394.83)
Exchange Gain/(Loss) on Interest Bearing Liabilities	23.3	26,716.81	(38,379.05)	26,687.55	(38,273.72)
		(9,847.35)	(88,568.31)	(9,913.39)	(88,447.68)
Penalty Charges on Breach of Agreement	18.	(11,837.12)	-	(11,837.12)	-
Profit / (Loss) Before Taxation		8,406.62	(69,945.70)	3,870.86	(73,264.19)
Income Tax Expense	24.	(481.61)	(1,360.96)	-	(357.34)
Profit/(Loss) for the Year		7,925.01	(71,306.66)	3,870.86	(73,621.53)

The Accounting Policies and Notes on pages 65 through 114 form an integral part of these Financial Statements.

Statement of Comprehensive Income

Year ended 31 March 2024	Note	Group		Company	
		2024 LKR. Mn	2023 LKR. Mn	2024 LKR. Mn	2023 LKR. Mn
Profit / (Loss) for the Year		7,925.01	(71,306.66)	3,870.86	(73,621.53)
Other Comprehensive Income / (Loss)					
Other comprehensive income/ (Loss) not to be reclassified to profit or loss in subsequent periods:					
Actuarial Gain/(Loss) on Gratuity	16.3	(729.62)	(1,142.09)	(773.72)	(1,135.92)
Deferred Tax Impact on Actuarial Gain/(Loss) on Gratuity	24.1	(13.23)	1.85	-	-
Actuarial Gain/(Loss) on Leave Encashment	16.3	(460.39)	(125.63)	(456.97)	(113.57)
Deferred Tax impact on Actuarial Gain/(Loss) on Leave Encashment	24.1	1.03	3.62	-	-
Revaluation of Property, Plant and Equipment	3.	(23.54)	5,346.90	-	2,733.06
Deferred Tax impact on Revaluation of Property, Plant and Equipment	24.1	7.06	(784.15)	-	-
Total Other Comprehensive Income/(Loss) for the Year, Net of Tax		(1,218.69)	3,300.50	(1,230.69)	1,483.57
Total Comprehensive Income/(Loss) for the Year, Net of Tax		6,706.32	(68,006.16)	2,640.17	(72,137.96)

The Accounting Policies and Notes on pages 65 through 114 form an integral part of these Financial Statements.

Statement of Changes in Equity

As at 31 March 2024 GROUP	Stated Capital LKR. Mn (Note 13)	Revaluation Reserve LKR. Mn	Capital Reserve LKR. Mn	Accumulated Losses LKR. Mn	Total LKR. Mn
Balance as at 01 April 2022	96,360.67	5,436.47	991.74	(529,212.71)	(426,423.83)
Effect of Change in Accounting Policy (Note 30)	-	(1,970.48)	-	1,970.48	-
Balance as at 01 April 2022 (Restated)	96,360.67	3,465.99	991.74	(527,242.23)	(426,423.83)
Transfer of surplus on revaluation due to disposal during the year	-	(0.06)	-	0.06	-
Transfer of Revaluation Reserve based on Asset Utilisation	-	(205.12)	-	205.12	-
Loss for the year	-	-	-	(71,306.66)	(71,306.66)
Other Comprehensive Income	-	4,562.75	-	(1,262.25)	3,300.50
Total Comprehensive Income / (Loss)	-	4,562.75	-	(72,568.91)	(68,006.16)
Balance as at 01 April 2023 (Restated)	96,360.67	7,823.56	991.74	(599,605.96)	(494,429.99)
Advance to Stated Capital (Note 13)	3,500.00	-	-	-	3,500.00
Issue of Shares (Note 13)	102,500.00	-	-	-	102,500.00
Transfer of Revaluation Reserve based on Asset Utilisation	-	(256.64)	-	256.64	-
Profit for the year	-	-	-	7,925.01	7,925.01
Other Comprehensive Income	-	(16.48)	-	(1,202.21)	(1,218.69)
Total Comprehensive Income / (Loss)	-	(16.48)	-	6,722.80	6,706.32
Balance as at 31 March 2024	202,360.67	7,550.44	991.74	(592,626.52)	(381,723.67)

As at 31 March 2024 COMPANY	Stated Capital LKR. Mn (Note 13)	Revaluation Reserve LKR. Mn	Capital Reserve LKR. Mn	Accumulated Losses LKR. Mn	Total LKR. Mn
Balance as at 01 April 2022	96,360.67	3,115.82	991.74	(537,505.15)	(437,036.92)
Effect of Change in Accounting Policy (Note 30)	-	(1,713.59)	-	1,713.59	-
Balance as at 01 April 2022 (Restated)	96,360.67	1,402.23	991.74	(535,791.56)	(437,036.92)
Transfer of surplus on revaluation due to disposal during the year	-	(0.06)	-	0.06	-
Transfer of Revaluation Reserve based on Asset Utilisation	-	(174.76)	-	174.76	-
Loss for the year	-	-	-	(73,621.53)	(73,621.53)
Other Comprehensive Income / (Loss)	-	2,733.06	-	(1,249.49)	1,483.57
Total Comprehensive Income / (Loss)	-	2,733.06	-	(74,871.02)	(72,137.96)
Balance as at 01 April 2023 (Restated)	96,360.67	3,960.47	991.74	(610,487.76)	(509,174.88)
Advance to Stated Capital (Note 13)	3,500.00	-	-	-	3,500.00
Issue of Shares (Note 13)	102,500.00	-	-	-	102,500.00
Transfer of Revaluation Reserve based on Asset Utilisation	-	(233.99)	-	233.99	-
Profit for the year	-	-	-	3,870.86	3,870.86
Other Comprehensive Income	-	-	-	(1,230.69)	(1,230.69)
Total Comprehensive Income / (Loss)	-	-	-	2,640.17	2,640.17
Balance as at 31 March 2024	202,360.67	3,726.48	991.74	(607,613.60)	(400,534.71)

The Accounting Policies and Notes on pages 65 through 114 form an integral part of these Financial Statements.

Statement of Cash Flows

Year ended 31 March 2024	Note	Group		Company	
		2024 LKR. Mn	2023 LKR. Mn	2024 LKR. Mn	2023 LKR. Mn
Cash Flows From / (Used in) Operating Activities					
Profit / (Loss) before Income Tax Expense		8,406.62	(69,945.70)	3,870.86	(73,264.19)
Adjustments for:					
Depreciation / Amortisation / Impairment		14,138.07	15,153.46	13,869.27	14,685.12
Finance Cost		23.2	51,482.84	37,311.84	51,394.83
Loss/ (Gain) on Disposal of Property, Plant and Equipment Intangible Assets and ROU		0.71	5.05	0.15	5.05
Finance Income		23.1	(1,293.58)	(710.90)	(1,220.87)
Provision for Impairment of Receivables		11.3	205.94	(134.44)	190.13
Allowance for Slow Moving Inventory		10.1	408.17	174.81	362.11
Provision for Impairment of Maintenance Reserve		6.2	10,670.39	11,878.14	10,670.39
Rent Concession		15.4	(203.10)	(44.97)	(122.30)
Effect on Unrealised Exchange (Gain) / Loss		(27,797.68)	38,247.00	(27,768.41)	38,141.67
Write Back of Sales in Advance		(1,474.09)	(768.87)	(1,474.09)	(768.87)
Provision for Retirement Benefit Obligation		16.3	1,336.83	1,427.02	1,200.99
Operating profit/ (Loss) before Working Capital Changes		43,249.85	45,298.43	38,399.28	41,274.06
Decrease /(Increase) in Inventories					
		(1,691.72)	(2,092.14)	(1,765.93)	(1,718.36)
(Decrease)/Increase in Sales in Advance of Carriage					
		(6,939.36)	25,455.48	(6,939.36)	25,455.48
(Increase)Decrease in Trade and Other Receivables					
		6,851.88	(11,699.33)	2,869.85	(7,053.04)
Increase/(Decrease) in Trade and Other Payables					
		(46,039.16)	49,492.47	(37,936.69)	47,261.15
(Increase)/Decrease in Maintenance Reserves					
		(12,886.65)	(15,660.04)	(12,886.65)	(15,660.04)
Decrease/ (Increase) in Aircraft Security Deposits					
		(1,156.80)	(914.29)	(1,156.80)	(914.29)
Cash Generated From/(Used in) Operations		(18,611.96)	89,880.58	(19,416.30)	88,644.96
Finance Cost Paid		(53,051.62)	(50,800.90)	(53,051.62)	(50,800.90)
Retirement Benefits Paid		16.3	(1,287.66)	(1,434.64)	(1,208.26)
Income Tax Paid		(895.83)	(948.89)	(33.83)	(357.34)
Net Cash flows from/ (Used in) Operating Activities		(74,076.94)	36,843.13	(73,936.39)	36,278.46
Cash Flows From/(Used in) Investing Activities					
Interest Received		378.78	52.04	299.71	23.39
Acquisition of Property, Plant and Equipment		(1,422.01)	(1,227.76)	(1,355.53)	(1,166.66)
(Investment)/ Realisation of Short Term Investment		(200.76)	(167.61)	131.44	(167.61)
Acquisition of Intangible Assets		(5.48)	(14.86)	(5.48)	(12.44)
Proceeds from Disposal of Property, Plant and Equipment and Intangible Assets		7.59	(5.05)	0.15	(5.05)
Net Cash Used in Investing Activities		(1,241.88)	(1,363.24)	(929.71)	(1,328.37)
Cash Flows From/(Used in) Financing Activities					
Equity infusion by GOSL		106,000.00	-	106,000.00	-
Repayment of Interest Bearing Liabilities		(1,985.64)	(4,034.96)	(1,985.64)	(4,034.96)
Repayment of Lease Liabilities		15.4	(23,951.12)	(34,511.69)	(23,855.88)
Net Cash from/ (used in) Financing Activities		69,324.05	(27,986.08)	69,502.67	(27,890.84)
Net Increase/(Decrease) in Cash and Cash Equivalents		(5,994.77)	7,493.81	(5,363.43)	7,059.25
Cash and Cash Equivalents at the beginning of the year		12.	(8,653.07)	(9,659.50)	(16,718.75)
Cash and Cash Equivalents at the end of the year		12.	(14,647.84)	(15,022.93)	(9,659.50)

The Accounting Policies and Notes on pages 65 through 114 form an integral part of these Financial Statements.

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 General

Company

SriLankan Airlines Limited (“the Company”) is a Limited Liability Company incorporated and domiciled in Sri Lanka.

The registered office of the Company and the principal place of business is located at Airline Centre, Bandaranaike International Airport, Katunayake, Sri Lanka.

SriLankan Airlines Limited is the ultimate parent of the Group.

Subsidiary – SriLankan Catering Limited

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

1.2 Principal Activities and Nature of Operations

Company

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

Subsidiary – SriLankan Catering Limited

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

1.3 Date of Authorisation for Issue

The financial statements for the year ended 31 March 2024 were authorised for issue by the Board of Directors on the 02 August 2024.

2. GENERAL ACCOUNTING POLICIES

2.1 Basis of Preparation

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

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

2.1.1 Going Concern

During the year under review, the Group recorded a profit of LKR. 7,925.01 Mn (2023 – loss of LKR. 71,306.66 Mn) and an accumulated loss of LKR. 592,626.52 Mn (2023 – LKR. 599,605.96 Mn) as at 31 March 2024. Furthermore, the Group’s current liabilities exceeded its current assets by LKR. 327,144.66 Mn (2023 – LKR. 418,568.67 Mn) and the total equity of the Group as of the reporting date is a negative LKR. 381,723.67 Mn (2023 – negative LKR. 494,429.99 Mn).

The Company recorded a profit of LKR. 3,870.86 Mn (2023 – loss of LKR. 73,621.53 Mn) and an accumulated loss of LKR. 607,613.60 Mn (2023 – LKR. 610,487.76 Mn) as at 31 March 2024. Furthermore, the Company’s current liabilities exceeded its current assets by LKR. 344,130.60 Mn (2023 – LKR. 431,624.55 Mn) and the total equity of the Company as of reporting date is a negative LKR. 400,534.71 Mn (2023 – negative LKR. 509,174.88 Mn).

The economic situation of the country was severely deteriorated during the year 2022 mainly due to the persistent pandemic related challenges and the implications that arose following the government having declared a unilateral

moratorium on servicing sovereign debt owed to international lenders in April 2022. Thereafter, there also followed a social unrest and shortage of fuel in the county which negatively impacted the operations of the Group in the last financial year. However, since the government entered into the staff-level agreement with the IMF in September 2022, considerable progress has been made in the economic front and the operating environment has improved substantially.

The country has witnessed a strong recovery in international air travel during the year under review supporting the recovery of the main business of the Group.

Pursuant to a policy decision at a Cabinet meeting held on 13 March 2023 the decision to restructure and/or divest its shareholding in the Company continues with the State Owned Enterprise Restructuring Unit (SOERU) under the Ministry of Finance, Economic Stabilisation and National Policy (MoF) working with the International Finance Corporation (IFC- a member of the World Bank Group) as the transaction advisor and Expressions of Interest were called from prospective investors for the privatisation of the Company. As per the Cabinet of Ministers meeting held on 9th July 2024, it has been decided to terminate the current bidding process and follow an alternate strategy to divest the Airline based on a framework to be approved by the Cabinet of Ministers to allow an expeditious direct process to divest the Airline.

Further, as a part of the debt restructuring of the Company, a capital infusion of LKR. 102.5 Bn was made on 7 December 2023 which was utilised by the Company to repay the outstanding debt to the Ceylon Petroleum Corporation (CPC) as per the Cabinet decision dated 26 June 2023. The capital infusion helped to strengthen the equity position of the Company and resulted in an interest cost saving of approximately USD 36 Mn per annum based on interest rates previously charged by the CPC. The

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government also provided a cash infusion of LKR. 5 Bn in March and April 2024 in the form of equity to support the short-term cash requirements of the Company. Further, as per a Cabinet Decision dated 4 March 2024 the approval has been granted for the MoF to transfer the Company's outstanding debts to state banks amounting approximately to USD 310 Mn. Discussions are ongoing with the MoF on the basis of the transfer.

During the year under review, the GOSL through the General Treasury approved the re-issuance of all Letters of Comfort and Treasury Guarantees that expired during the period, amounting to USD 204 Mn and LKR. 30 Bn, in favour of two state banks, in order to continue with the provision of short term credit facilities.

The GOSL by the cabinet decision dated 28 November 2022, approved the fleet replacement exercise for no more than ten aircraft via replacement aircraft, lease extension of existing Aircraft or a combination of both. Accordingly, the Company has finalised lease arrangements for two narrow-body aircraft and also to extend the lease period of three narrow-body aircraft already taken on lease. The procurement process is ongoing for the lease of wide-body aircraft and Letters of Intent have been entered for the lease of two wide-body aircraft.

Furthermore, the GOSL, by way of a Cabinet approval dated 25 April 2024 and the letter issued by the Secretary to treasury (Acting) dated on 11 July 2024, has confirmed that the GOSL will continue to extend the required financial support to the Company to continue its operations as a Going Concern until the Company is restructured and privatised.

Management believes that the significant improvement in the operating environment, and measures taken as detailed above including the ongoing re-fleeting exercise and restructuring of debt by the government will improve the Company's liquidity position in the future. Based on the above, the Board

of Directors are of the view that the preparation and presentation of these financial statements as a going concern is appropriate.

2.1.2 Statement of Compliance

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

2.1.3 Comparative Information

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

2.1.4 Functional and Presentation Currency

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

2.2 Basis of Consolidation

The Financial Statements comprise of Financial Statements of the Company and its subsidiary for the year ended 31 March 2024. Financial Statements of the Company's subsidiary has been prepared for the same reporting year using consistent accounting policies.

2.2.1 Business Combination

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

substantive process and whether the acquired set has the ability to produce outputs.

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

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

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

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

2.2.2 Subsidiaries

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

the date on which control commences until the date on which control ceases.

2.2.3 Non-controlling Interests

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

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

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

2.2.4 Loss of Control

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

2.2.5 Transactions Eliminated on Consolidation

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

2.3 Significant Accounting Policies

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

2.3.1 Significant Accounting Judgements, Estimates And Assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

(a) Judgements

(i) Contingent Liabilities – Litigations

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

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

(ii) Leases

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

(b) Estimates

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

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

(ii) Frequent Flyer Programme

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

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

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

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

(iii) Maintenance Reserve

The Company makes monthly payments to lessors on account of several aircraft and engines which are under leases based on agreed terms towards maintenance. These monthly payments are based on the number of hours or cycles

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flown or passage of time. Periodically management evaluates the recoverability of such payments based on best estimates of the amounts recoverable. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. (Refer Note 6)

(iv) Provision for Aircraft Maintenance and Overhaul Costs

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

(v) Provision for aircraft return conditions

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

effect to the provision would be adjusted prospectively in the financial statements. (Refer note 16.2)

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

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

(vii) Inventories

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

(viii) Impairment of Financial Assets

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

(c) Assumptions

(i) Defined Benefit Plan

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

(ii) Revaluation of Property Plant and Equipment

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

2.4 Summary of Significant Accounting Policies

2.4.1 Foreign Currency Translation

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

2.4.2 Taxation

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

(i) Current Income Tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years

The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

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

Company

(a) Local Taxation

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

(b) Overseas Taxation

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

Subsidiary - SriLankan Catering Limited

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

(ii) Deferred Income Tax

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

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

A deferred tax asset is recognised for unused tax losses and deductible temporary differences, to the extent that

it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.4.3 Property, Plant and Equipment

(a) Cost and Valuation

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

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

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

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

Property, plant and equipment includes amongst others the following:

(i) Aircraft Rotable Spares

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

(ii) Capital Work-in-Progress

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

(b) Depreciation

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

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

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

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

(c) De-recognition

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

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

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

2.4.4 Intangible Assets

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

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

2.4.5 Leases

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

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

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

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

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

2.4.5.1 Right of Use (ROU) Assets

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use

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

(a) Lease of Aircraft and Spare Engines

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

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

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

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

Lease of Aircraft for which the lease term ends within 12 months have not been considered and is accounted in the same way as short-term leases and included

and disclosed under Rentals on Leased Aircraft in the Statement of Profit or Loss.

(b) Lease of Land and Buildings

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

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

(c) Lease of Vehicles

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

Depreciation of Right of Use of Assets

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

2.4.5.2 Lease Liability

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

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

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

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

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

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

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

2.4.5.4 COVID-19-related rent concessions

The Group has applied COVID-19-Related Rent Concessions – Amendment to IFRS 16. The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Group applies the practical expedient consistently to

contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Group assesses whether there is a lease modification.

2.4.6 Inventories

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

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

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

2.4.7 Impairment of Non-Financial Assets

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

2.4.8 Fair Value Measurement

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

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

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

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

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

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

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

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

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing

categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

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

2.4.9 Financial Instruments

2.4.9.1 Financial Assets

Initial Recognition and Measurement

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

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

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

Subsequent Measurement

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

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

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

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

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

De-recognition

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

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

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

Impairment of Financial Assets

The Group recognises a loss allowance for expected credit losses on financial

assets measured at amortised cost or at fair value through other comprehensive income.

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

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

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

2.4.9.2 Financial Liabilities

Initial Recognition and Measurement

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

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

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

Subsequent Measurement

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

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

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

De-recognition

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

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

2.4.9.3 Offsetting of Financial Instruments

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

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

2.4.10 Aircraft Maintenance Reserve

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

Based on the nature Aircraft Maintenance Reserve has been classified as a financial asset and the relevant accounting policy

for this category of financial assets is stated in Note 2.4.9.1 above.

2.4.11 Trade and Other Receivables

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

2.4.12 Investments

Investment in Subsidiary

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

2.4.13 Short term Investments

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

2.4.14 Cash and Cash Equivalents

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

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

2.4.15 Provisions

(i) General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits

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will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement.

(ii) Aircraft Maintenance and Overhaul Costs

The Group recognises aircraft maintenance and overhaul expenses (except aircraft heavy maintenance, engine overhaul and landing gear overhaul expenses) on an incurred basis. Aircraft heavy maintenance, engine overhaul and landing gear overhaul expenses are accounted as specified in Note 2.3.1 (b) (iv). For engine overhaul costs covered by “power by-hour” third-party maintenance agreements, the cost is expensed at an agreed fixed rate per hour over the tenure of the agreement

(iii) Provision for aircraft return conditions

Provision for aircraft return conditions (restoration obligations) represents the estimate of the cost to meet the contractual lease end obligations on certain aircraft and engines at the time of re-delivery. At lease commencement, the present value of the expected cost for each restoration obligation considering the existing fleet plan and long-term maintenance schedules is recognised as a provision and are capitalised as part of the right-of-use asset and depreciated over the lease term. Unwinding of the associated discount is recognised as a finance cost over the lease term. Subsequent changes to the estimated cost for each restoration obligation is accounted for as a remeasurement to the provision for aircraft return conditions with a corresponding impact to the related right-of-use asset, if available, and depreciated over the remaining lease term. Otherwise, the remeasurement is accounted in the statement of Profit or Loss. The basis of estimation specified in Note 2.3.1 (b) (v).

2.4.16 Retirement Benefit Obligation

(a) Defined Benefit Plan-Gratuity

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

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

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

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

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

(b) Defined Benefit Plan-Leave encashment

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

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

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

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

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

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

2.4.17 Frequent Flyer Programme

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

2.4.18 Revenue Recognition

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

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

(a) Airline Revenue

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

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

(b) Sale of Goods

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

(c) Dividend income

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

(e) Interest income

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

(f) Other income

Other income is recognised on an accrual basis.

2.4.19 Expenditure Recognition

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

2.4.20 Borrowing Costs

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

2.4.21 Segment Reporting

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

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

Management considers that there is no suitable basis for allocating assets and related liabilities to geographical

segments. Accordingly, segment assets, segment liabilities and other segment information by geographical segment are not disclosed.

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

2.4.22 Changes in accounting policies and disclosures

The Group elected to change the method of accounting for the transfer of revaluation reserve of buildings on leasehold land to retained earnings based on asset utilisation, as the Group believes the change in accounting policy relating to the realisation of revaluation reserve through usage is providing reliable and more relevant information about the effects of transactions on the entity's financial position. The relevant accounting policy stated in note 2.4.3 (d) above. The Group applied the change retrospectively.

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

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

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

Amendments to LKAS 1 relate to classification of liabilities with covenants as current or non-current. The amendments clarify that if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants only at a date subsequent to the reporting period ("future covenants"), the entity has a

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right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. The requirements apply only to liabilities arising from loan arrangements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

2.5.2 Supplier Finance Arrangements - Amendments to LKAS 7 and SLFRS 7

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

The amendments are effective for annual periods beginning on or after 1 January 2024.

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

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

The amendments are effective for annual periods beginning on or after 1 January 2024.

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

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

The amendments are effective for annual periods beginning on or after 1 January 2024.

2.5.5 SLFRS 17 Insurance Contracts

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

3. PROPERTY, PLANT AND EQUIPMENT

3.1 GROUP

	Land and Buildings	Plant & Equipment	Improvements to Aircraft on Leases	Aircraft Related Equipment	Advances / Capital Work-in-Progress	Total 2024	Total 2023
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Cost/ Revaluation							
Balance as at 01 April	6,377.51	11,385.89	1,951.78	10,714.45	-	30,429.63	26,488.13
Acquisitions/ Modifications/ Improvements	20.45	487.27	-	1,161.79	0.27	1,669.77	1,309.33
Disposals/Retirements	-	(27.80)	(1,379.63)	(351.24)	-	(1,758.67)	(87.99)
Revaluation during the year	-	-	-	-	-	-	5,346.90
Adjustment on Revaluation	-	-	-	-	-	-	(2,626.73)
Balance as at 31 March	6,397.96	11,845.36	572.15	11,525.00	0.27	30,340.73	30,429.65
Accumulated Depreciation							
Balance as at 01 April	93.99	7,938.29	1,906.54	9,031.09	-	18,969.91	20,237.39
Charge for the Year	310.79	482.53	21.34	418.03	-	1,232.68	1,440.88
Disposals/Retirements	-	(19.80)	(1,379.63)	(44.90)	-	(1,444.32)	(81.63)
Adjustment on Revaluation	-	-	-	-	-	-	(2,626.73)
Balance as at 31 March	404.78	8,401.02	548.25	9,404.22	-	18,758.27	18,969.91
Net Book Value as at 31 March	5,993.18	3,444.34	23.90	2,120.78	0.27	11,582.46	11,459.71

Notes to the Financial Statements contd.

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

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

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

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

Asset	Method of Valuation	Effective date of valuation	Significant unobservable inputs	Revalued Amount LKR Mn.	Sensitivity of fair value to unobservable inputs	Level of Fair value Hierarchy
Subsidiary						
Buildings - Katunayake	Depreciated Replacement Cost This method considers the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. Further, in relation to buildings on leasehold premises, the underlying properties have been considered as “freehold basis” in assessing the related fair values. This assumption is based on Management’s assessment that there will be uninterrupted continuation of the relevant leases which are of strategic importance for the continuation of the underlying operations.	31-Mar-23	Estimated price per square feet LKR 4,000 - LKR 12,000 Management’s assessment of uninterrupted continuation of relevant land leases	1,762.70	Positively correlated sensitivity	Level 3
Flight Kitchen Equipment included under Plant and Equipment - Katunayake	Depreciated Replacement Cost This method considers the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.	31-Mar-23	Fair value was derived using the Net Replacement Cost (NRC) approach for each equipment	2,532.03	Positively correlated sensitivity	Level 3

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

Class of Asset	Cost	Cumulative Depreciation If assets were carried at cost	Net Carrying Amount 2024	Net Carrying Amount 2023
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Land and Buildings	1,851.43	1,486.13	365.29	699.26
Plant and Equipment	2,592.90	2,453.42	139.48	225.60

Notes to the Financial Statements contd.

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

- (b) During the year, the Group acquired property, plant and equipment to the aggregate value of LKR.1,693.31Mn (2023 - LKR. 1,309.33 Mn). Cash payments amounting to LKR. 1,422.01 Mn (2023 -LKR.1,227.76 Mn) were made during the year to acquire property, plant and equipment.
- (c) Group and Company property, plant and equipment includes fully depreciated assets having a gross carrying amount of LKR. 15,765.48 Mn (2023- LKR. 15,346. 53 Mn).
- d) There are no property, plant and equipment mortgaged for bank facilities.

3.3 COMPANY

	Land and Buildings	Plant & Equipment	Improvements to Aircraft on Leases	Aircraft Related Equipment	Advances / Capital Work-in-Progress	Total 2024	Total 2023
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Cost/Revaluation							
Balance as at 01 April	4,614.74	8,818.04	1,951.78	10,714.45	-	26,099.01	23,304.15
Acquisitions/ Modifications/ Improvements	-	464.77	-	1,161.79	0.27	1,626.83	1,248.23
Disposals/Retirements	-	(19.80)	(1,379.63)	(351.24)	-	(1,750.67)	(87.99)
Revaluation during the year	-	-	-	-	-	-	2,733.06
Adjustment on Revaluation	-	-	-	-	-	-	(1,098.45)
Balance as at 31 March	4,614.74	9,263.01	572.15	11,525.00	0.27	25,975.17	26,099.00
Accumulated Depreciation							
Balance as at 01 April	94.01	7,902.47	1,906.54	9,031.09	-	18,934.11	19,097.87
Charge for the Year	253.31	322.09	21.34	418.03	-	1,014.77	1,016.32
Disposals/Retirements	-	(19.80)	(1,379.63)	(44.90)	-	(1,444.32)	(81.63)
Adjustment on Revaluation	-	-	-	-	-	-	(1,098.45)
Balance as at 31 March	347.32	8,204.76	548.25	9,404.22	-	18,504.56	18,934.11
Net Book Value as at 31 March	4,267.42	1,058.25	23.90	2,120.78	0.27	7,470.61	7,164.89

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

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

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

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

Notes to the Financial Statements contd.

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

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

Class of Asset	Cost	Cumulative Depreciation If assets were carried at cost	Net Carrying Amount 2024	Net Carrying Amount 2023
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Land and Buildings	1,246.74	1,009.63	237.10	262.27

- b) During the year, the Company acquired property, plant and equipment to the aggregate value of LKR. 1,626.83 (2023 - LKR. 1,248.23 Mn). Cash payments amounting to LKR. 1,355.53 Mn (2023 - LKR. 1,166.66 Mn) were made during the year to acquire property, plant and equipment.
- c) Property, plant and equipment of the Company includes fully depreciated assets having a gross carrying amount of LKR. 15,765.48 Mn (2023 - LKR. 15,346.53 Mn).
- d) There are no property, plant and equipment mortgaged for bank facilities.

4. RIGHT OF USE ASSETS

4.1 Right of Use Asset Movement

Group	Aircraft and Spare Engines LKR. Mn	Land & Building LKR. Mn	Vehicles LKR. Mn	Aircraft Simulator LKR. Mn	Total 2024 LKR. Mn	Total 2023 LKR. Mn
Cost						
Balance as at 01 April	126,389.53	2,121.47	88.67	3,510.95	132,110.62	130,753.01
Additions	12,795.75	2,044.60	93.73	2,364.69	17,298.76	1,052.66
Disposals	(7,068.24)	-	(1.61)	-	(7,069.85)	(20.44)
Adjustments	(80.39)	14.80	-	-	(65.59)	325.39
Balance as at 31 March	132,036.65	4,180.87	180.79	5,875.64	142,273.94	132,110.62
Depreciation						
Balance as at 01 April	57,714.28	1,242.88	75.39	2,581.20	61,613.75	47,944.65
Depreciation	12,117.89	486.14	23.60	253.57	12,881.20	13,686.18
Disposals	(7,068.24)	-	(0.87)	-	(7,069.12)	(17.08)
Balance as at 31 March	62,763.93	1,729.02	98.12	2,834.77	67,425.83	61,613.75
Net Book Value as at 31 March	69,272.72	2,451.85	82.67	3,040.87	74,848.11	70,496.87

Company	Aircraft and Spare Engines LKR. Mn	Land & Building LKR. Mn	Vehicles LKR. Mn	Aircraft Simulator LKR. Mn	Total 2024 LKR. Mn	Total 2023 LKR. Mn
Cost						
Balance as at 01 April	126,389.53	1,499.25	88.67	3,510.95	131,488.40	130,077.20
Additions	12,795.75	1,972.67	93.73	2,364.69	17,226.84	1,052.66
Disposals	(7,068.24)	-	(1.61)	-	(7,069.85)	(20.44)
Adjustments	(80.39)	16.65	-	-	(63.73)	378.98
Balance as at 31 March	132,036.65	3,488.57	180.79	5,875.64	141,581.66	131,488.40
Depreciation						
Balance as at 01 April	57,714.28	796.85	75.39	2,581.20	61,167.71	47,537.90
Depreciation	12,117.89	439.90	23.60	253.57	12,834.96	13,646.89
Disposals	(7,068.24)	-	(0.87)	-	(7,069.12)	(17.08)
Balance as at 31 March	62,763.93	1,236.75	98.12	2,834.77	66,933.56	61,167.72
Net Book Value as at 31 March	69,272.72	2,251.82	82.67	3,040.87	74,648.10	70,320.68

Short Term Leases

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

	Group		Company	
	2024 LKR. Mn	2023 LKR. Mn	2024 LKR. Mn	2023 LKR. Mn
Rentals on Leased Aircraft / Spare Engines	10,722.70	504.44	10,722.70	504.44
Rentals on Land & Buildings	121.39	411.26	121.39	411.26
Rentals on Vehicles	101.68	104.35	101.68	104.35

Low Value Assets

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

5. AIRCRAFT PREDELIVERY PAYMENTS

Pre-delivery payments (PDPs) as of 31 March 2024 consist of PDPs made for four Airbus A350-900 aircraft which were to be delivered in 2020 and 2021 amounting to LKR. 5,774 Mn (USD 19.21 Mn).

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

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

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

Notes to the Financial Statements contd.

6. AIRCRAFT MAINTENANCE RESERVE

	Group /Company	
	2024 LKR. Mn	2023 LKR. Mn
Balance as at 01 April	97,765.31	75,164.56
Additions	19,484.59	21,213.70
Amounts setoff upon redelivery	(22,842.86)	(473.83)
Recoveries	(6,597.94)	(5,553.66)
Exchange (Gain) /Loss	(8,568.18)	7,414.54
	79,240.94	97,765.31
Provision for impairment (Note 6.2)	(24,683.38)	(35,791.70)
Net Recoverable Balance as at 31 March (Note 6.1)	54,557.56	61,973.61

6.1 Current / Non-current Classification

	Gross LKR. Mn	Provision for impairment LKR. Mn	Net LKR. Mn	Amount Recoverable within one year LKR. Mn	Amount Recoverable after one year LKR. Mn
Balance as at 31 March 2024	79,240.94	(24,683.38)	54,557.56	17,168.29	37,389.27
Balance as at 31 March 2023	97,765.31	(35,791.70)	61,973.61	18,857.02	43,116.59

6.2 Movement of Provision for impairment

	Group /Company	
	2024 LKR. Mn	2023 LKR. Mn
Balance as at 1 April	35,791.70	27,806.67
Charged during the year	11,878.14	10,670.39
Amounts setoff upon redelivery	(22,842.86)	-
Adjustments *	3,481.06	(5,122.39)
Exchange (Gain)/ Loss	(3,624.66)	2,437.03
Balance as at 31 March	24,683.38	35,791.70

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

7. AIRCRAFT SECURITY DEPOSITS

7.1 (a). Movement

	Group / Company	
	2024 LKR. Mn	2023 LKR. Mn
Balance as at 01 April	8,060.46	6,376.95
Additions	1,501.93	914.29
Adjustments	-	(379.51)
Unwinding effect	411.19	473.79
Recoveries	(345.14)	-
Exchange (Gain)/ Loss	(660.84)	674.94
	8,967.60	8,060.46
(b).Current / Non-current Classification		
Receivable with in one year	2,838.31	2,346.66
Receivable after one year	6,129.29	5,713.80
	8,967.60	8,060.46

8. INTANGIBLE ASSETS

INTANGIBLE ASSETS	Group				Company			
	Software	Capital Work-in Progress	Total 2024	Total 2023	Software	Capital Work-in Progress	Total 2024	Total 2023
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Cost								
Balance as at 1 April	1,490.32	69.43	1,559.75	1,476.32	1,389.83	69.43	1,459.26	1,378.26
Acquisitions/ Modifications/ Improvements	5.48	-	5.48	83.43	5.48	-	5.48	81.00
Disposals/Retirements	(265.14)	-	(265.14)	-	(265.14)	-	(265.14)	-
Transfers/ Adjustments	-	(66.83)	(66.83)	-	-	(66.83)	(66.83)	-
Balance as at 31 March	1,230.66	2.60	1,233.26	1,559.75	1,130.17	2.60	1,132.77	1,459.26
Accumulated Amortisation								
Balance as at 1 April	1,423.95	-	1,423.95	1,397.54	1,333.54	-	1,333.54	1,311.63
Charge for the Year	22.51	-	22.51	26.41	19.55	-	19.55	21.91
Disposals/Retirements	(265.14)	-	(265.14)	-	(265.14)	-	(265.14)	-
Balance as at 31 March	1,181.32	-	1,181.32	1,423.95	1,087.95	-	1,087.95	1,333.54
Net Book Value as at 31 March	49.34	2.60	51.94	135.79	42.22	2.60	44.82	125.72

As at the reporting date, Intangible Assets of the Group and Company include fully amortised assets having a gross carrying amount of LKR.1,119.76 Mn and LKR.1,037.04 Mn (2023 - LKR.1,314.41 Mn and LKR.1,288.69 Mn) respectively.

Notes to the Financial Statements contd.

9. INVESTMENTS

9.1 Non-current Investments

	Group		Company	
	2024 LKR. Mn	2023 LKR. Mn	2024 LKR. Mn	2023 LKR. Mn
Investments in Subsidiary in Sri Lanka				
- SriLankan Catering Limited (940,268,456 shares, 100% holding)	-	-	42.24	42.24
- Air Lanka (Private) Limited (40,000 Shares) *	0.40	0.40	0.20	0.20
	0.40	0.40	42.44	42.44

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

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

9.2 Current Investments

	Group		Company	
	2024 LKR. Mn	2023 LKR. Mn	2024 LKR. Mn	2023 LKR. Mn
Fixed Deposits at Bank	2,508.42	2,253.13	1,715.99	1,826.00

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

10. INVENTORIES

	Group		Company	
	2024 LKR. Mn	2023 LKR. Mn	2024 LKR. Mn	2023 LKR. Mn
Engineering related stock	8,622.79	7,088.23	8,622.79	7,088.23
Ground Service Equipment related stock	686.65	585.15	686.65	585.15
Raw materials and Consumables	1,780.74	1,739.80	1,150.62	1,035.47
	11,090.18	9,413.18	10,460.06	8,708.85
Allowance for obsolete and slow moving stock (Note 10.1)	(3,597.03)	(3,440.21)	(3,476.42)	(3,316.33)
	7,493.15	5,972.97	6,983.64	5,392.52

The cost of inventory recognised as an expense in profit or loss amounted to LKR 8,340.28 Mn and LKR 4,969.71 Mn for Group and Company respectively. (2023- LKR 7,938.32 Mn and LKR 4,792.91 Mn).

10.1 Allowance for Obsolete and slow moving Stock

	Group		Company	
	2024 LKR. Mn	2023 LKR. Mn	2024 LKR. Mn	2023 LKR. Mn
Balance as at 01 April	3,440.21	3,052.67	3,316.33	2,974.85
Provision made during the year	171.54	408.17	174.81	362.11
Written-off during the year	(14.72)	(20.63)	(14.72)	(20.63)
Balance as at 31 March	3,597.03	3,440.21	3,476.42	3,316.33

11. TRADE AND OTHER RECEIVABLES

11.1 Trade and Other receivables

	Group		Company	
	2024 LKR. Mn	2023 LKR. Mn	2024 LKR. Mn	2023 LKR. Mn
Trade Receivables	21,377.58	29,067.44	20,150.14	23,953.95
Provision for Impairment of Receivables (Note 11.3)	(2,255.38)	(2,443.36)	(2,140.53)	(2,274.97)
	19,122.20	26,624.08	18,009.61	21,678.98
Deposits, Advances, Prepayments and other receivables	7,832.64	6,842.79	7,508.53	6,519.28
	26,954.84	33,466.87	25,518.14	28,198.26
Loans and Advances to Company Officers	68.13	67.87	68.13	67.87
	27,022.97	33,534.74	25,586.27	28,266.13

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

Notes to the Financial Statements contd.

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

As at 31 March 2024, Trade receivables amounting to LKR. 2,255.38 Mn. related to the Group and LKR. 2,140.53 Mn. related to the Company were impaired and fully provided for. Refer below Note 11.3 for the movement in provision for impairment of trade receivables.

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

Balances as at 31 March 2023	Total	Neither Past Due nor Impaired	Past Due and Impaired				
			30-60	61-90	91-180	181-365	>365
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Group							
Trade Receivables	29,067.44	21,057.15	2,531.68	872.13	1,336.28	271.19	2,999.02
Provision for Impairment of Receivables (Note 11.3)	(2,443.35)	-	-	-	(105.18)	(271.19)	(2,066.99)
	26,624.09	21,057.15	2,531.68	872.13	1,231.10	-	932.03
Company							
Trade Receivables							
Provision for Impairment of Receivables (Note 11.3)	23,953.95	18,847.29	2,531.68	166.38	236.16	271.19	1,901.25
	(2,274.97)	-	-	-	(102.53)	(271.19)	(1,901.25)
	21,678.98	18,847.29	2,531.68	166.38	133.63	-	-

11.3 Movement for Provision for Impairment of Receivables

	Group		Company	
	2024 LKR. Mn	2023 LKR. Mn	2024 LKR. Mn	2023 LKR. Mn
Balance as at 1 April	2,443.35	2,244.18	2,274.97	2,091.61
Provision/ (reversal) for the year	(187.97)	199.17	(134.44)	183.36
Balance as at 31 March	2,255.38	2,443.35	2,140.53	2,274.97

As at the Reporting date provision for impairment relating to related parties amounted to LKR 1,240 Mn and LKR 1,137.36 Mn for Group and Company respectively. (2023- LKR 1,284.43 Mn for Group and LKR 1,183.97 Mn for Company).

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

Components of Cash and Cash Equivalents

	Group		Company	
	2024 LKR. Mn	2023 LKR. Mn	2024 LKR. Mn	2023 LKR. Mn
12.1 Favourable Cash and Cash Equivalent Balances				
Cash and Bank Balances	8,842.07	11,000.05	8,466.98	9,993.62
12.2 Unfavourable Cash and Cash Equivalent Balances				
Bank Overdrafts (Note 15)	(23,489.91)	(19,653.12)	(23,489.91)	(19,653.12)
Total Cash and Cash Equivalents for the purpose of statement of cash flows	(14,647.84)	(8,653.07)	(15,022.93)	(9,659.50)

13. STATED CAPITAL

	Group		Company	
	2024 LKR. Mn	2023 LKR. Mn	2024 LKR. Mn	2023 LKR. Mn
Ordinary shares issued and fully paid as at 31 March (Note 13.1)	198,860.67	96,360.67	198,860.67	96,360.67
Advance to Share Capital (Note 13.2)	3,500.00	-	3,500.00	-
	202,360.67	96,360.67	202,360.67	96,360.67

Notes to the Financial Statements contd.

13.1 Ordinary shares issued and fully paid

	Group		Company	
	2024 LKR. Mn	2023 LKR. Mn	2024 LKR. Mn	2023 LKR. Mn
As at the 1 April	96,360.67	96,360.67	96,360.67	96,360.67
Issued during the year	102,500.00	-	102,500.00	-
As at 31 March	198,860.67	96,360.67	198,860.67	96,360.67
Movement in number of shares				
	Nos.	Nos.	Nos.	Nos.
As at the 1 April	963,606,655	963,606,655	963,606,655	963,606,655
Issued during the year	1,025,000,000	-	1,025,000,000	-
As at 31 March	1,988,606,655	963,606,655	1,988,606,655	963,606,655

13.2 Advance to Share Capital

	Group		Company	
	2024 LKR. Mn	2023 LKR. Mn	2024 LKR. Mn	2023 LKR. Mn
As at the 1 April	-	-	-	-
Advance received	106,000.00	-	106,000.00	-
Issue of shares	(102,500.00)	-	(102,500.00)	-
As at 31 March	3,500.00	-	3,500.00	-

As a part of debt restructuring process GOSL invested LKR. 102.5 Bn in December 2023 which was fully utilised to settle the overdue amounts to CPC. Further, a capital infusion of LKR. 3.5 Bn was made in March 2024 to support the liquidity position of the Company.

14. RESERVES

	Group		Company	
	2024 LKR. Mn	2023 LKR. Mn (Restated)	2024 LKR. Mn	2023 LKR. Mn (Restated)
Revaluation Reserve	7,550.44	7,823.56	3,726.48	3,960.47
Capital Reserve*	991.74	991.74	991.74	991.74
Balance as at 31 March	8,542.18	8,815.30	4,718.22	4,952.21

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

15. INTEREST BEARING LIABILITIES

	Group		Company	
	2024 LKR. Mn	2023 LKR. Mn	2024 LKR. Mn	2023 LKR. Mn
Current Liabilities				
Bonds (Note 15.1)	52,587.50	57,206.95	52,587.50	57,206.95
Deffered Settlement Plans with Aircraft Lessors (Note 15.2)	3,240.67	-	3,240.67	-
Lease Liability (Note 15.4)	52,948.42	59,831.15	52,758.85	59,658.85
Short Term Loan	92,209.36	97,844.62	92,209.36	97,844.62
Bank Overdraft	23,489.91	19,653.12	23,489.91	19,653.12
	224,475.86	234,535.84	224,286.29	234,363.54
Non-current Liabilities				
Lease Liability (Note 15.3)	127,110.04	154,201.38	126,534.15	153,472.18
Deffered Settlement Plans with Aircraft Lessors (Note 15.2)	5,998.73	-	5,998.73	-
	133,108.77	154,201.38	132,532.88	153,472.18

15.1 International Bond

	Group /Company	
	2024 LKR. Mn	2023 LKR. Mn
(a) Current / Non-current Classification		
Payable within one year included under Current Liabilities*	52,587.50	57,206.95
	52,587.50	57,206.95
*Please refer Note 27.		
(b) Foreign currency denomination		
Bonds - USD denominated (Mn)	175.00	175.00
(c) Movement in Bonds		
Balance as at 01 April	57,206.96	51,327.01
Unrealised exchange Loss/(Gain)	(4,619.46)	5,879.95
Balance as at 31 March	52,587.50	57,206.96

Notes to the Financial Statements contd.

15.2 Deferred Settlement Plans with Aircraft Lessors

	Group /Company	
	2024 LKR. Mn	2023 LKR. Mn
(a) Current / Non-current Classification		
Payable within one year included under Current Liabilities	3,240.67	-
Payable after one year but not more than five years	5,998.73	-
	9,239.40	-
(b) Foreign currency denomination		
Deferred Settlement Plans with Aircraft Lessors - USD Denominated (Mn)	30.75	-
(c) Movement in Deferred Settlement Plans with Aircraft Lessors		
Balance as at 01 April	-	-
Additions	11,571.68	-
Payments	(1,985.63)	-
Unrealised exchange Loss/(Gain)	(346.65)	-
Balance as at 31 March	9,239.40	-

15.3 Interest bearing Borrowings - Terms and Repayment Schedule

Company				
Lender	Balance As At 31 March 2024 LKR. Mn	Balance As At 31 March 2023 LKR. Mn	Repayment Term	Security
(a) Bank Loans				
Interest linked to SOFR				
Bank of Ceylon	9,766.25	10,636.79	Payment on maturity December, 2024.	Letter of Comfort from Ministry of Finance
Bank of Ceylon	12,771.25	13,909.64	Payment on maturity October, 2024.	Letter of Comfort from Ministry of Finance
Bank of Ceylon *	7,512.50	8,182.14	Payment on maturity February, 2024.	Letter of Comfort from Ministry of Finance
Bank of Ceylon	1,502.50	1,636.43	Payment on maturity May, 2024.	Treasury Guarantee
Peoples Bank	9,766.25	10,636.79	Payment on maturity December, 2024.	Letter of Comfort from Ministry of Finance
Peoples Bank	12,771.25	13,909.64	Payment on maturity October, 2024.	Letter of Comfort from Ministry of Finance
Peoples Bank *	7,512.50	8,182.14	Payment on maturity February, 2024.	Letter of Comfort from Ministry of Finance
Peoples Bank	1,617.46	1,761.64	Payment on maturity November, 2024.	Treasury Guarantee
Interest linked to AWPLR				
Bank of Ceylon	12,900.00	12,900.00	Payment on maturity June, 2024.	Letter of Comfort from Ministry of Finance
Peoples Bank	13,350.00	13,350.00	Payment on maturity June, 2024.	Letter of Comfort from Ministry of Finance
Peoples Bank	1,351.90	1,351.90	Payment on maturity November, 2024.	Treasury Guarantee
Peoples Bank	1,387.50	1,387.50	Payment on maturity May, 2024.	Treasury Guarantee

* The approval of the cabinet was received on 4 March 2024 for the transfer of state bank debt to the Finance Ministry as a part of debt restructuring. Accordingly, the renewal of government securities has not been made until the transfer modalities are finalised.

Lender	Balance As At 31 March 2024 LKR. Mn	Balance As At 31 March 2023 LKR. Mn	Repayment Term	Security
(b) International Bond				
Fixed Interest Rate				
International Bond	52,587.50	57,206.95	Payment on maturity in June 2024	Government Guarantee for USD 175 Mn.
(c) Overdraft Facility				
Interest linked to SOFR				
Bank of Ceylon	20,859.89	18,408.22	USD 70 Mn Revolving	Mortgage over the shares of Subsidiary - SriLankan Catering Limited
Interest linked to AWPLR				
Peoples Bank	2,638.87	1,244.90	Payment on maturity July, 2024.	Treasury Guarantee
(d) Deffered Settlement Plans with Aircraft Lessors				
Settlement Plan I	3,645.04	-	Monthly payment ending May, 2027.	-
Settlement Plan II	4,770.25	-	Monthly payment ending May, 2027.	-
Settlement Plan III	824.11	-	Monthly payment ending August, 2024.	-

Interest bearing liabilities denominated in USD were converted to Sri Lankan Rupees at the exchange rate of LKR. 300.5 (2023 - LKR 327.2857) as at 31 March 2024.

15.4 Lease Liability

	Group		Company	
	2024 LKR. Mn	2023 LKR. Mn	2024 LKR. Mn	2023 LKR. Mn
(a) Current / Non-current Classification				
Payable within one year included under Current Liabilities	52,948.42	59,831.15	52,758.85	59,658.85
After one year but not more than five years included under Non-Current Liabilities	117,868.74	132,560.20	117,292.86	131,831.00
More than 5 Years included under Non-current Liabilities	9,241.29	21,641.18	9,241.29	21,641.18
Total lease liabilities as at 31 March	180,058.46	214,032.53	179,293.00	213,131.03
(b) Lease Liability denominated in Foreign Currencies				
Denominated in EUR	9.89	4.16	9.89	4.16
Denominated in USD	575.36	641.80	575.36	641.80

Notes to the Financial Statements contd.

15. INTEREST BEARING LIABILITIES (CONTD...)

15.4 Lease Liability contd.

	Gross Payable 2024 LKR. Mn	Finance Charges for future periods 2024 LKR. Mn	Net Payable 2024 LKR. Mn	Net Payable 2023 LKR. Mn
(c) Movement in Lease Liability				
Group				
Balance as at 01 April	252,381.70	(38,349.17)	214,032.53	211,727.51
Additions during the year	22,388.01	(5,312.71)	17,075.29	1,052.63
Payments during the year	(45,223.92)	10,533.61	(34,690.31)	(23,951.12)
Concession received on rent	(44.97)	-	(44.97)	(203.10)
Adjustments	199.60	(50.76)	148.84	(86.14)
Disposal	(0.86)	0.04	(0.82)	(3.62)
Exchange Loss / (Gain)	(19,079.70)	2,617.58	(16,462.12)	25,496.37
Balance as at 31 March	210,619.86	(30,561.40)	180,058.44	214,032.53
Company				
Balance as at 01 April	248,981.30	(35,850.26)	213,131.04	210,669.67
Additions during the year	22,316.08	(5,312.71)	17,003.37	1,052.66
Payments during the year	(44,969.92)	10,458.23	(34,511.69)	(23,855.88)
Concession received on rent	(44.97)	-	(44.97)	(122.30)
Adjustments	199.60	(50.76)	148.84	(0.54)
Disposal	(0.86)	0.04	(0.82)	(3.62)
Exchange Loss / (Gain)	(19,050.36)	2,617.58	(16,432.78)	25,391.04
Balance as at 31 March	207,430.87	(28,137.87)	179,293.00	213,131.03

16. OTHER LIABILITIES

	Group		Company	
	2024 LKR. Mn	2023 LKR. Mn	2024 LKR. Mn	2023 LKR. Mn
Payable after one year				
Provision for Aircraft Maintenance and Overhaul Cost (Note 16.1 (b))	40,246.93	43,799.39	40,246.93	43,799.39
Aircraft Return Cost Liability (Note 16.2.(b))	6,596.21	5,748.03	6,596.21	5,748.03
Retirement Benefit Obligation (Note 16.3.(b))	9,281.00	8,013.23	8,526.62	7,303.54
Deferred Tax Liability (Note 24.2)	1,121.60	1,311.13	-	-
	57,245.74	58,871.78	55,369.76	56,850.96
Payable within one year				
Provision for Aircraft Maintenance and Overhaul Cost (Note 16.1 (b))	19,675.31	27,131.51	19,675.31	27,131.51
Aircraft Return Cost Liability (Note 16.2.(b))	1,983.32	4,128.83	1,983.32	4,128.83
	21,658.63	31,260.34	21,658.63	31,260.34

16.1 Provision for Future Aircraft Maintenance and Overhaul Cost

	Group		Company	
	2024 LKR. Mn	2023 LKR. Mn	2024 LKR. Mn	2023 LKR. Mn
(a) Movement				
As at 1 April	70,930.90	51,052.45	70,930.90	51,052.45
Provisions during the year	8,444.75	12,403.03	8,444.75	12,403.03
Adjustments (Note 6)	(3,481.06)	5,122.39	(3,481.06)	5,122.39
Utilisation	(10,249.12)	(3,239.04)	(10,249.12)	(3,239.04)
Exchange (Gain)/ Loss	(5,723.23)	5,592.07	(5,723.23)	5,592.07
As at 31 March	59,922.24	70,930.90	59,922.24	70,930.90
(b) Current / Non-current Classification				
Payable within one year included under Other Liabilities	19,675.31	27,131.51	19,675.31	27,131.51
After one year included under Other Long Term Liabilities	40,246.93	43,799.39	40,246.93	43,799.39
	59,922.24	70,930.90	59,922.24	70,930.90

16.2 Aircraft Return Cost

	Group		Company	
	2024 LKR. Mn	2023 LKR. Mn	2024 LKR. Mn	2023 LKR. Mn
(a) Movement				
As at 1 April	9,876.86	8,860.30	9,876.86	8,860.30
Unwinding effect of Return cost	447.68	603.84	447.68	603.84
Settlements	(153.18)	(88.78)	(153.18)	(88.78)
Amounts setoff upon redelivery	(429.71)	(473.83)	(429.71)	(473.83)
Addition	230.59	-	230.59	-
Adjustments	(268.28)	-	(268.28)	-
Exchange (Gain)/ Loss	(1,124.43)	975.33	(1,124.43)	975.33
As at 31 March	8,579.52	9,876.86	8,579.52	9,876.86
(b) Current / Non-current Classification				
Payable within one year included under Other Liabilities	1,983.32	4,128.83	1,983.32	4,128.83
After one year included under Other Long Term Liabilities	6,596.21	5,748.03	6,596.21	5,748.03
	8,579.53	9,876.86	8,579.53	9,876.86

16.3 Retirement Benefit Obligation

	Group		Company	
	2024 LKR. Mn	2023 LKR. Mn	2024 LKR. Mn	2023 LKR. Mn
(a) Gratuity				
Balance as at 01 April	7,664.59	6,349.94	7,000.34	5,748.07
Current service cost	464.36	501.43	423.80	460.84
Interest cost	1,090.38	774.30	970.82	684.02
Actuarial Loss / (Gain)	729.62	1,142.09	773.72	1,135.92
Payments during the year	(1,299.39)	(1,103.17)	(1,219.69)	(1,028.51)
Balance as at 31 March	8,649.56	7,664.59	7,948.99	7,000.34

Notes to the Financial Statements contd.

16. OTHER LONG-TERM LIABILITIES (CONTD.)

16.3 Retirement Benefit Obligation (Contd.)

16.3 (b) Provision for Leave Encashment

	Group		Company	
	2024 LKR. Mn	2023 LKR. Mn	2024 LKR. Mn	2023 LKR. Mn
Balance as at 01 April	348.64	346.39	303.20	313.25
Interest Cost	40.58	61.10	32.40	56.13
Actuarial (Gain)/Loss during the year	460.39	125.63	456.97	113.57
Benefits paid during the year	(218.15)	(184.50)	(214.96)	(179.75)
Balance as at 31 March	631.46	348.64	577.63	303.20
Total Retirement Benefit Obligation	9,281.00	8,013.23	8,526.62	7,303.54

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

	Company		Subsidiary	
	2024 LKR. Mn	2023 LKR. Mn	2024 LKR. Mn	2023 LKR. Mn
(i) Rate of Interest				
- LKR	13.0%	18.0%	12.0%	18.0%
- USD	6.0%	8.0%	-	-
(ii) Rate of Salary Increase				
- LKR	10.0%	15.0%	11.0%	17.0%
- USD	3.0%	3.0%	-	-
(iii) The entity will continue as a going concern				
(iv) Average Expected Remaining Service Life	11.85 Years	13.07 Years	11.85 Years	11.15 Years

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

Sensitivity of assumptions employed in actuarial valuation

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

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

16. OTHER LONG-TERM LIABILITIES (CONTD.)

16.3 Retirement Benefit Obligation (Contd.)

16.3 (b) Provision for Leave Encashment

Increase /(Decrease) in			Effect on Retirement Benefit Obligation			
Discount Rate	Salary Escalation Rate	Exchange Rate	2024		2023	
			Company LKR. Mn	Subsidiary LKR. Mn	Company LKR. Mn	Subsidiary LKR. Mn
1%	-	-	(507.89)	(49.27)	(436.97)	(46.12)
-1%	-	-	578.17	59.09	494.63	52.12
-	1%	-	598.63	59.35	519.28	54.44
-	-1%	-	(532.73)	(48.98)	(464.05)	(48.90)
-	-	1%	27.60	-	25.12	-
-	-	-1%	(27.60)	-	(25.12)	-

Maturity Analysis

	Less than three months	3 to 12 Months	1 to 5 year	More than 5 years	Total
Group	232.22	753.24	3,376.10	4,288.00	8,649.56
Company	232.23	720.31	3,175.14	3,821.31	7,948.99

17. SALES IN ADVANCE OF CARRIAGE

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

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2024 LKR. Mn	2023 LKR. Mn	2024 LKR. Mn	2023 LKR. Mn
Trade and Other Payables	74,964.82	166,632.28	89,193.60	172,930.55
Unscheduled Repair Cost of Engines*	14,795.36	6,185.70	14,795.36	6,185.70
Penalty Charges on Agreement Breach **	11,837.12	-	11,837.12	-
	101,597.30	172,817.98	115,826.08	179,116.25

* The provision reflects the estimated cost payable on repair of CFM Neo engines taking into the consideration of expected manufacturer credits. The corresponding effect on the Profit and Loss is LKR 11,572.39 Mn.

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

Notes to the Financial Statements contd.

19. FINANCIAL INSTRUMENTS

19.1 Classification of Financial Instruments

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

	2024 LKR. Mn	2023 LKR. Mn
GROUP		
Financial Instruments measured at amortised cost		
Financial Assets		
Trade and Other Receivables, excluding Advances and Prepayments	19,122.20	26,624.08
Aircraft Maintenance Reserve	54,557.56	61,973.61
Aircraft and Spare Engine Deposits	8,967.60	8,060.46
Investments	2,508.42	2,253.13
Cash and Bank Balances	8,842.07	11,000.05
	93,997.85	109,911.33
Financial Liabilities		
Interest Bearing Loans and Borrowings	177,526.17	174,704.69
Lease Liability	210,619.86	214,032.53
Provision for Aircraft Maintenance and Overhaul Cost	59,922.24	70,930.90
Return Cost Provision	8,579.52	9,876.86
Trade and Other Payables	93,419.84	164,549.80
	550,067.63	634,094.78
COMPANY		
Financial Instruments measured at amortised cost		
Financial Assets		
Trade and Other Receivables, excluding Advances and Prepayments	21,731.65	25,182.55
Aircraft Maintenance Reserve	54,557.56	61,973.61
Aircraft and Spare Engine Deposits	8,967.60	8,060.46
Investments	1,715.99	1,826.00
Cash and Bank balances	8,466.98	9,993.62
	95,439.78	107,036.24
Financial Liabilities		
Interest Bearing Loans and Borrowings	177,526.17	174,704.69
Lease Liability	207,430.87	213,131.03
Provision for Aircraft Maintenance and Overhaul Cost	59,922.24	70,930.90
Return Cost Provision	8,579.52	9,876.86
Trade and Other Payables	107,648.62	170,848.07
	561,107.42	639,491.55

20. REVENUE AND SEGMENT INFORMATION

20.1 Revenue

	Group		Company	
	2024 LKR. Mn	2023 LKR. Mn	2024 LKR. Mn	2023 LKR. Mn
Scheduled services - Passenger	276,249.95	293,328.87	276,249.95	293,328.87
- Cargo	30,956.67	50,774.13	31,225.19	51,059.58
- Excess Baggage	2,364.34	3,066.99	2,364.34	3,066.99
- Mail	420.42	501.16	420.42	501.16
	309,991.38	347,671.15	310,259.90	347,956.60
Air Terminal and Other Services	21,227.33	15,462.67	21,425.39	15,708.51
Duty Free	1,824.12	1,428.08	1,824.12	1,428.08
Non-Scheduled Services	104.68	78.58	104.68	78.58
Flight Catering	6,444.14	4,829.56	-	-
Total	339,591.65	369,470.04	333,614.09	365,171.77

20.2 Segment Information

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

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

Notes to the Financial Statements contd.

20. REVENUE AND SEGMENT INFORMATION (CONTD.)

20.2 Segment Information (contd.)

Revenue 2023	Sri Lanka	Asia (excluding Sri Lanka)	Europe & Africa	Middle East	North & South America	Australia/ Pacific	Total 2023
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Scheduled services	68,292.31	91,068.03	41,313.33	48,060.35	11,647.96	32,946.89	293,328.87
- Passenger							
- Cargo	17,380.93	21,091.56	6,709.86	2,992.69	8.46	2,590.63	50,774.13
- Excess Baggage	432.78	1,075.78	142.09	1,095.41	148.10	172.83	3,066.99
- Mail	293.31	188.83	2.92	-	-	16.10	501.16
	86,399.33	113,424.20	48,168.20	52,148.45	11,804.52	35,726.45	347,671.15
Air Terminal and Other Services	15,462.66	-	-	-	-	-	15,462.66
Duty Free	-	714.04	142.81	528.39	-	42.84	1,428.08
Non-Scheduled Services	78.58	-	-	-	-	-	78.58
Flight Catering	4,829.56	-	-	-	-	-	4,829.56
Segment Revenue	106,770.13	114,138.24	48,311.01	52,676.84	11,804.52	35,769.29	369,470.04

(b) Secondary Reporting by Business Segment

	Business Segment				Business Segment			
	Airline	Flight Catering	Inter-segment eliminations	Group	Airline	Flight Catering	Inter-segment eliminations	Group
	2024 LKR. Mn	2024 LKR. Mn	2024 LKR. Mn	2024 LKR. Mn	2023 LKR. Mn	2023 LKR. Mn	2023 LKR. Mn	2023 LKR. Mn
Revenue								
Sales to external customers	333,614.09	13,970.77	(7,993.21)	339,591.65	365,171.77	12,542.85	(8,244.58)	369,470.04
Results								
Profit / (Loss) After Tax	3,870.86	4,054.22	(0)	7,925.01	(73,621.53)	4,697.21	(2,382.34)	(71,306.66)
Other Segment Information								
Assets	194,258.01	23,003.89	(15,613.19)	201,648.71	199,454.76	19,536.99	(7,815.34)	211,176.41
Liabilities	594,792.72	3,978.83	(15,399.16)	583,372.38	708,629.64	4,750.01	(7,773.25)	705,606.40
Acquisition of Property, Plant and Equipment	1,626.83	42.94	-	1,669.77	1,248.23	61.10	-	1,309.33
Acquisition of Intangible Assets	5.48	-	-	5.48	81.00	2.43	-	83.43
Depreciation and Amortisation	13,869.28	268.79	-	14,138.07	14,685.12	468.34	-	15,153.46
Finance Cost	37,311.84	75.38	-	37,387.22	51,394.83	88.01	-	51,482.84
Exchange Gain/(Loss) on Interest Bearing Liabilities	(26,687.55)	(29.26)	-	(26,716.81)	38,273.72	105.33	-	38,379.05
Finance Income	710.90	112.16	-	823.06	1,220.87	72.71	-	1,293.58
Tax Expense / (Reversal)	-	481.61	-	481.61	357.34	1,003.62	-	1,360.96
Operating Expenses excluding exchange loss	301,166.75	8,183.43	(7,993.20)	301,356.98	330,568.53	7,532.53	(8,244.54)	329,856.52
Inventory written off	14.72	-	-	14.72	20.63	-	-	20.63

21. OTHER INCOME AND GAINS

	Group		Company	
	2024 LKR. Mn	2023 LKR. Mn	2024 LKR. Mn	2023 LKR. Mn
Profit on Disposal of Property, Plant and Equipment	0.15	5.05	0.15	5.05
Miscellaneous Income	1,485.49	3,752.99	1,485.49	3,752.99
Dividends from SriLankan Catering Ltd.	-	-	-	2,382.30
	1,485.64	3,758.04	1,485.64	6,140.34

Notes to the Financial Statements contd.

22. OPERATING LOSS

Stated after charging:	Group		Company	
	2024 LKR. Mn	2023 LKR. Mn	2024 LKR. Mn	2023 LKR. Mn
Aircraft Insurance	1,646.27	1,225.45	1,646.27	1,225.45
Franchise Fees	1,161.18	892.99	1,161.18	892.99
Allowance for Slow Moving Inventory	171.54	408.17	174.81	362.11
Auditors' Remuneration				
- Audit	13.71	8.58	12.56	7.43
Provision for Impairment of Receivables	(187.97)	205.94	(134.44)	190.13

23. NET FINANCE COST

	Group		Company	
	2024 LKR. Mn	2023 LKR. Mn	2024 LKR. Mn	2023 LKR. Mn
23.1 Finance Income				
Interest Income	823.06	1,293.58	710.90	1,220.87
	823.06	1,293.58	710.90	1,220.87
23.2 Finance Cost				
Interest on Loans and International Bond	18,359.39	32,330.48	18,359.39	32,330.48
Interest on Deferred Settlement Plans for Suppliers	706.08	-	706.08	-
Interest Cost Bank Overdrafts and Overdue Supplier Balances	7,340.46	5,679.35	7,340.46	5,679.35
Finance Charges on Lease Liabilities	10,533.61	12,869.17	10,458.23	12,781.16
Unwinding effect of Return cost	447.68	603.84	447.68	603.84
	37,387.22	51,482.84	37,311.84	51,394.83
23.3 Exchange (Gain)/ Loss on Interest Bearing Liabilities				
Exchange (Gain)/ Loss on Lease Liabilities	(16,462.12)	25,496.37	(16,432.86)	25,391.04
Exchange (Gain) / Loss on Other Interest Bearing Liabilities	(10,254.69)	12,882.68	(10,254.69)	12,882.68
	(26,716.81)	38,379.05	(26,687.55)	38,273.72
Net Finance Cost	9,847.35	88,568.31	9,913.39	88,447.68

24. TAXATION

	Group		Company	
	2024 LKR. Mn	2023 LKR. Mn	2024 LKR. Mn	2023 LKR. Mn
Tax Expense				
The major components of income tax expense are as follows:				
Current income tax				
Current tax expense on ordinary activities for the year (Note 24.1)	676.29	1,260.49	-	357.34
Deferred tax expense	(194.68)	100.47	-	-
	481.61	1,360.96	-	357.34

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

	Group		Company	
	2024 LKR. Mn	2023 LKR. Mn	2024 LKR. Mn	2023 LKR. Mn
Accounting Profit/ (Loss) before Tax	8,406.62	(69,945.70)	3,870.86	(73,264.19)
Less: Profit/ (Loss) exempt from income tax	(3.39)	-	-	-
Profit / (Loss) liable for income tax	8,403.23	(69,945.70)	3,870.86	(73,264.19)
Net of Allowable and Disallowable Expenses	(42,313.98)	17,549.96	(43,368.72)	15,048.12
Tax Losses incurred	(33,910.75)	(52,395.74)	(39,497.86)	(58,216.07)
Taxable Profit arising from the Company	-	2,382.30	-	2,382.30
Taxable Profit arising from the subsidiary	5,587.20	5,820.33	-	-
Less: Losses set off	-	-	-	-
	5,587.20	5,820.33	-	2,382.30
Income tax liability at 14% / 15%	831.62	1,221.82	-	357.35
Income tax liability at 24%	-	17.19	-	-
Income tax liability at 30%	64.46	21.49	-	-
Current Income Tax Expense	896.08	1,260.50	-	357.35

24.2 Deferred Tax Liability- Subsidiary

	2024 LKR. Mn	2023 LKR. Mn
Balance at the beginning of the year	1,311.13	431.98
Charged to profit & loss	(194.67)	100.47
Charged to the other comprehensive income	5.14	778.68
Balance at the end of the year	1,121.60	1,311.13

Notes to the Financial Statements contd.

24. TAXATION (CONTD.)

24.2 Deferred Tax Liability- Subsidiary (Contd.)

Deferred Tax Relates to the Following:	2024	2023	Recognised in	Recognised in
	LKR. Mn	LKR. Mn	profit or loss	in OCI
			2024	2024
			LKR. Mn	LKR. Mn
Deferred Tax Liability Arising on:				
Property, Plant and Equipment	36.70	52.68	(15.98)	-
Revaluation of Property, Plant and Equipment	958.99	966.05	-	(7.06)
Intangible Assets	0.85	1.15	(0.30)	-
ROU Asset	30.06	26.54	3.52	-
Unrealised exchange gain	458.10	595.31	(137.21)	-
	1,484.70	1,641.73		
Deferred Tax Assets Arising on:				
Gratuity	(210.17)	(199.27)	(24.13)	13.23
leave encashment liability	(16.15)	(13.63)	(1.49)	(1.03)
Allowance for obsolete and slow-moving inventory	(18.84)	(19.37)	0.53	-
Provision for trade debtors	(1.90)	(8.84)	6.94	-
Lease Liability	(116.03)	(89.48)	(26.55)	-
	(363.09)	(330.59)		
Net deferred tax liability	1,121.61	1,311.14		
Net deferred tax expense			(194.67)	5.14

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

24.2 Deferred Tax Liability- Company

	2024	2023	Movement
	LKR. Mn	LKR. Mn	during the year
			2024
			LKR. Mn
Property, Plant & Equipment	(1,132.89)	(677.32)	455.57
Revaluation of Land - Colombo	(205.38)	(205.38)	-
Revaluation of Buildings	(1,549.27)	(1,549.27)	-
Net Right of Use Assets and Liabilities	31,393.47	42,843.10	11,449.63
Retirement Benefit Obligation	2,557.99	2,191.06	(366.93)
Provision for Slow Moving Stocks	1,042.93	994.90	(48.03)
Provision for Impairment of Receivables	642.16	682.49	40.33
Provision for Aircraft Maintenance and Overhaul Cost	17,976.67	21,279.27	3,302.60
Aircraft Return Cost	2,573.86	2,963.06	389.20
	53,299.54	68,521.91	15,222.37

24.2 Deferred Tax Liability- Company contd.

Company

The rate of tax used is 30% (2023 - 30%) which is the tax rate that is expected to be applied to the temporary differences when they reverse, based on the tax laws enacted as at the reporting date. A net deferred tax asset amounting to LKR. 53,299.53 Mn as at 31 March 2024 was not recognised in the financial statements as it is not probable that the future taxable profits will be adequate to utilise the available deferred tax assets in the foreseeable future.

Deferred tax asset is not computed on tax losses carried forward at the reporting date amounting to LKR 278,959.18 Mn (2023-LKR 239,461.33).

25. COMMITMENTS AND CONTINGENCIES

25.1 Capital Expenditure Commitments

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

	Group		Company	
	2024 LKR. Mn	2023 LKR. Mn	2024 LKR. Mn	2023 LKR. Mn
Authorised and contracted but not provided for				
Tangible	170.26	426.52	170.26	426.52
Intangible	42.40	558.78	42.40	558.78
	212.66	985.30	212.66	985.30
Authorised but not contracted for				
Tangible	2,348.58	1,047.28	2,348.58	1,047.28
Intangible	92.00	143.51	92.00	143.51
	2,440.58	1,190.79	2,440.58	1,190.79
	2,653.24	2,176.09	2,653.24	2,176.09

25.2 Contingencies

Company

Based on claims made of LKR. 4,717.17 Mn as at 31 March 2024 (2023: LKR. 16,322.03), a penalty levied by an overseas tax authority pertaining to payment of airport taxes amounting to LKR. 449.91 Mn, Service Tax disputes with an overseas tax authority amounting to LKR. 2,267.96 Mn and employee & passenger related claims of LKR. 1,999.30 Mn.

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

Subsidiary

In the opinion of the Company's lawyers, there are no pending litigations against the Company, other than the several pending Labour tribunal cases that will have an impact on the reported financial results of the future operations of the Company. A sum of LKR. 3.74 Mn has been deposited for these cases.

Notes to the Financial Statements contd.

26. ASSETS PLEDGED

Group / Company

Refer Note 15.3 for details of the assets pledged against facilities obtained.

27. EVENTS OCCURRING AFTER THE REPORTING DATE

International Bond

- a) The 7% sovereign guaranteed international bond issued by the Company in 2019 matured on 25th June 2024 (“2024 Bonds”). Pursuant to advice from the Ministry of Finance, Economic Stabilisation and National Polices, the Company informed the holders of the 2024 Bonds that following the occurrence of Events of Default of the 2024 Bonds as a result of the failure to pay the relevant coupons due on 25 December 2022, 25 June 2023 and 25 December 2023, respectively, that the Company does not intend to pay the principal, nor the coupon, due on 25 June 2024. Accordingly, a further Event of Default of the 2024 Bonds has occurred. The Board intends to communicate further with the holders of the 2024 Bonds within the 30-day grace period for non-payment of principal of the next steps the Company intended to take, with a view to reaching a mutually agreeable solution.

Aircraft Induction

- b) 29 June 2024, the Company took delivery of one new A320 narrow body aircraft on an operating lease term.

Capital Infusion

- c) The GOSL in terms of capital infusion plan approved on 18 March 2024 has infused a further LKR. 1.5 Bn as equity to support the liquidity position of the Company on 10 April 2024.

28. RELATED PARTY DISCLOSURES

28.1 GROUP & COMPANY

28.1.1 Transactions with Key Management Personnel (KMP)

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

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

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

	2024 LKR. Mn	2023 LKR. Mn
Short Term Benefits	446.97	306.07
Post-employment Benefits	33.97	45.41

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

28. RELATED PARTY DISCLOSURES (CONTD.)

28.1 GROUP & COMPANY (Contd.)

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

- Mr. Asoka Pathirage, Chairman of the Group serves in Softlogic Holding PLC and its Subsidiaries, Asiri Hospital Holding PLC and its Subsidiaries and Odel PLC and its Subsidiaries in the capacity of Chairman / Managing Director/ Director respectively. During the year Group had transactions LKR 26.39 Mn for staff hospitalisation with Asiri Hospital Holding PLC and its Subsidiaries and there are no balance outstanding as at 31 March 2024, LKR 35.25 Mn for software license and hardware maintenance with Softlogic Information Technologies Pvt Ltd and there are no balance outstanding as at 31 March 2024, LKR 3.73 Mn for services rendered by Softlogic City Hotels Pvt Ltd and there are no balance outstanding as at 31 March 2024 (2023 -Group had transactions of LKR 27.65 Mn with related companies).
- Dr. Shridhir Sariputta Hansa Wijayasuriya a Director of the Company also serves as a Director in Dialog Axiata PLC. During the year Group had LKR 2.32 Mn transactions with Dialog Axiata PLC for telecommunication and related services and the balance receivable as at 31 March 2024 was LKR 0.83 Mn.(2023 - Group had transactions amounting to LKR 3.72 Mn with related Companies).
- Mr.Jayanth Perera, a director of the Group also serves the Board of Mclarens Group of Companies . During the year, Group had transactions of LKR 4.69 Mn with Mclarens Group of Companies for supply of goods and there are no balance outstanding as at 31 March 2024. (2023 - Group had transactions amounting to LKR 3.46 Mn with related Companies).

28.2 Group

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

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

Name of the Company	Relationship	Nature of Transactions	Transaction Amount		Receivable/ (Payable) Balance	
			2024 LKR. Mn	2023 LKR. Mn	2024 LKR. Mn	2023 LKR. Mn
Ceylon Petroleum Corporation*	Government owned	Fuel	(63,161.16)	(71,318.10)	728.44	(101,414.20)
Airport and Aviation Services Ltd.	Government owned	Landing, Aero Bridge, Lounge, Rent,Franchise fees, & Garbage Incineration charges, etc	(4,179.17)	(6,453.84)	(1,531.65)	(2,093.81)
Civil Aviation Authority of Sri Lanka	Government controlled	Licenses, permits and Levies	(23,219.81)	(25,186.50)	(12,822.88)	(5,444.54)
Mihin Lanka (Pvt) Ltd	Government owned	Warehouse Rent	0.58	0.58	1,013.40	1,167.36
Sri Lanka Insurance Corporation	Government owned	Insurance Services	(1,646.27)	(1,363.83)	-	-
Bank of Ceylon	Government owned	Loan	-	-	(44,452.50)	(47,265.00)
		Short term Deposits	-	-	2,921.65	2,073.56
		Bank Overdraft	-	-	(20,851.14)	(18,408.22)
		Interest	(8,424.95)	(9,594.47)	-	-
Peoples Bank	Government owned	Loan	-	-	(47,756.86)	(50,579.60)
		Short term Deposits	-	-	0.87	3.49
		Bank Overdraft	-	-	(2,638.77)	(1,244.90)
		Interest	(8,162.88)	(9,418.42)	-	-

Notes to the Financial Statements contd.

28. RELATED PARTY DISCLOSURES (CONTD.)

28.1 GROUP & COMPANY (Contd.)

28.2 Group contd.

*As a part of debt restructuring process GOSL invested LKR. 102.5 Bn in December 2023 which was fully utilised to settle the over due amounts to CPC in December 2023.

As of the Reporting date the Group has utilised Bank Guarantee facility of LKR. 2,416.71 Mn (2023 - LKR. 3,007.46 Mn) from Bank of Ceylon.

Refer note 15.3 for details of government guarantees and letters of comfort provided on behalf of the Company.

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

As at the Reporting date provision for impairment relating to related parties amounted to LKR. 1,240.04 Mn and LKR. 1,137.36 Mn for Group and Company respectively. (2023- LKR. 1,284.43 Mn for Group and LKR. 1,183.97 Mn for Company).

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

28.3 Company

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

Name of the Company	Relationship	Nature of Transactions	Transaction Amount		Receivable/ (Payable) Balance	
			2024 LKR. MN	2023 LKR. MN	2024 LKR. MN	2023 LKR. MN
SriLankan Catering Limited	Subsidiary	Freight Services	305.04	277.19	(14,360.25)	(9,843.31)
		Flight Catering and Other Services	(10,788.47)	(13,138.86)	-	-
		Dividend	-	2,382.30	-	-
Ceylon Petroleum Corporation *	Government owned	Fuel	(63,602.94)	(70,940.14)	682.27	(101,414.20)
Airport and Aviation Services Ltd.	Government owned	Landing, Aero Bridge, Lounge, Rent, Franchise fees & Garbage Incineration charges	(5,336.61)	(5,527.85)	(1,693.99)	(2,237.53)
Civil Aviation Authority of Sri Lanka	Government controlled	Licences, permits and Levies	(23,219.81)	(25,186.50)	(12,822.88)	(5,444.54)
Mihin Lanka (Pvt) Ltd	Government owned	Warehouse Rent	0.58	0.58	1,013.40	1,055.53
Sri Lanka Insurance Corporation	Government owned	Insurance Services	(1,646.27)	(1,363.83)	-	-
Bank of Ceylon	Government owned	Loan	-	-	(44,452.50)	(47,265.00)
		Short term Deposits	-	-	2,921.65	2,073.56
		Interest	(8,424.95)	(9,594.47)	-	-
		Bank Overdraft	-	-	(20,851.14)	(18,408.22)
Peoples Bank	Government owned	Loan	-	-	(47,756.86)	(50,579.60)
		Short term Deposits	-	-	0.87	3.49
		Interest	(8,162.88)	(9,418.42)	-	-
		Bank Overdraft	-	-	(2,638.77)	(1,244.90)

*As a part of debt restructuring process GOSL invested LKR. 102.5 Bn in December 2023 which was fully utilised to settle the over due amounts to CPC in December 2023.

As of the Reporting date the Company has utilised Bank Guarantee facility of LKR. 2,389.25 Mn (2023 - LKR. 2,987.92 Mn) from Bank of Ceylon.

Refer note 15.3 for details of government guarantees and letters of comfort provided on behalf of the Company.

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

As at the Reporting date provision for impairment relating to related parties amounted to LKR. 1,137.36 Mn . (2023- LKR. 1,183.97 Mn)

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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise loans and borrowings, trade and other payables and other financial liabilities. The main purpose of these financial liabilities is to finance the Group's operations. The Group's financial assets comprise of trade and other receivables and cash and short-term deposits that are derived directly from its operations.

The corporate management periodically reviews and updates a comprehensive risk management matrix and has identified the following financial risks that have a significant impact.

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

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

Notes to the Financial Statements contd.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

(i) Market Risk

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

The Group's policy is to maintain an appropriate balance between fixed and variable rate borrowings including aircraft leasing in order to mitigate the effect of interest rate fluctuations.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on loans and borrowings. With all other variables held constant, the Group/Company loss before tax would have been affected through the impact on floating rate borrowings as follows.

	Effect on Profit / (Loss) before Tax			
	2024		2023	
	Group LKR. Mn	Company LKR. Mn	Group LKR. Mn	Company LKR. Mn
Increase in Interest Rate above Floor Rate				
+1%	922.09	922.09	1,091.04	1,091.04
* Increase in interest rates result in an increase in losses				

Interest rates of facilities obtained from banks are subject to floor rates. Accordingly, the above sensitivity may not be applicable if the interest rates are below the floor rate.

Foreign Currency Risk

Foreign Currency Risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates. The Group is exposed to the effect of foreign exchange rate fluctuations because of its foreign currency denominated revenue, expenses, borrowings and other financial instruments.

Group manages its foreign exchange exposure by a policy of matching as far as possible, receipts and payments in each individually significant currency.

The following table demonstrates the sensitivity to a reasonably possible change in Sri Lankan Rupee (LKR) against US dollar (USD), with all other variables held constant, of the Group /Company loss before tax (due to changes in the fair value of outstanding monetary assets and liabilities recorded in statement of financial position as of the reporting date). The Group's exposure to foreign currency changes for all other currencies is not material.

	Effect on Profit / (Loss) before Tax			
	2024		2023	
	Group LKR. Mn	Company LKR. Mn	Group LKR. Mn	Company LKR. Mn
Appreciation/(Depreciation) of USD against LKR				
+10%	40,450.11	40,332.68	52,641.01	52,120.25
-10%	(40,450.11)	(40,332.68)	(52,641.01)	(52,120.25)
* Appreciation of USD results in an increase in losses.				

USD denominated assets and liabilities were converted to Sri Lankan Rupees at the exchange rate of LKR 300.50 (2023 LKR 327.28) as at 31 March 2024.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

(ii) Liquidity Risk

The Liquidity Risk is the risk that the Group may not be able to meet its present and future cash obligations when they fall due. The Group monitors its risk of shortage of funds using a daily/ weekly / monthly and annual cash management and budgeting process. Group obtains multiple sources of funding from financial institutions including long term and short term loans, bank overdraft facilities, supplier financing, leases in order to mitigate the risk.

The table below summarises the maturity profile of the Group's/Company's financial liabilities based on contractual undiscounted payments.

2024	Undiscounted Contractual Cash Flows					Total LKR. Mn	Carrying Value LKR. Mn
	On demand LKR. Mn	Less than three months LKR. Mn	3 to 12 Months LKR. Mn	2 to 5 year LKR. Mn	More than 5 years LKR. Mn		
Group							
Interest Bearing Liabilities	23,489.91	96,752.50	48,868.47	8,415.29	-	177,526.17	177,526.17
Lease Liability	23,218.29	9,630.41	29,598.25	138,409.02	9,763.91	210,619.88	180,058.44
Aircraft Maintenance and Overhaul Cost	10,976.37	-	8,698.94	40,246.93	-	59,922.23	59,922.24
Return Cost Liability	1,983.32	-	-	4,399.54	2,196.67	8,579.53	8,579.52
Trade and Other Payables	-	93,419.84	-	-	-	93,419.84	93,419.84
	59,667.89	199,802.75	87,165.66	191,470.78	11,960.58	550,067.65	519,506.21
Company							
Interest Bearing Liabilities	23,489.91	96,752.50	48,868.47	8,415.29	-	177,526.17	177,526.17
Lease Liability	23,218.29	9,630.41	28,808.47	136,009.80	9,763.91	207,430.88	179,293.00
Aircraft Maintenance and Overhaul Cost	10,976.37	-	8,698.94	40,246.93	-	59,922.23	59,922.24
Return Cost Liability	1,983.32	-	-	4,399.54	2,196.67	8,579.53	8,579.52
Trade and Other Payables	-	107,648.62	-	-	-	107,648.62	107,648.62
	59,667.89	214,031.53	86,375.88	189,071.56	11,960.58	561,107.43	532,969.55

Notes to the Financial Statements contd.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

2023	Undiscounted Contractual Cash Flows					Total LKR. Mn	Carrying Value LKR. Mn
	On demand LKR. Mn	Less than three months LKR. Mn	3 to 12 Months LKR. Mn	2 to 5 year LKR. Mn	More than 5 years LKR. Mn		
Group							
Interest Bearing Liabilities	19,653.12	29,273.93	125,777.64	-	-	174,704.69	174,704.69
Lease Liability	30,462.69	10,383.28	29,052.54	157,224.66	22,759.62	249,882.79	214,032.53
Aircraft Maintenance and Overhaul Cost	-	-	27,131.51	43,799.39	-	70,930.90	70,930.90
Return Cost Liability	-	-	4,128.83	5,748.03	-	9,876.86	9,876.86
Trade and Other Payables	-	164,549.80	-	-	-	164,549.80	164,549.80
	50,115.81	204,207.01	186,090.52	206,772.08	22,759.62	669,945.04	634,094.78
Company							
Interest Bearing Liabilities	19,653.12	29,273.93	125,777.64	-	-	174,704.69	174,704.69
Lease Liability	30,462.69	10,383.28	28,880.24	156,495.46	22,759.62	248,981.29	213,131.03
Aircraft Maintenance and Overhaul Cost	16,603.69	3,092.27	6,668.53	35,099.77	9,466.64	70,930.90	70,930.90
Return Cost Liability	1,949.35	1,949.35	1,949.35	1,949.35	1,949.35	9,746.74	9,876.86
Trade and Other Payables	-	170,848.07	-	-	-	170,848.07	170,848.07
	68,668.85	215,546.90	163,275.76	193,544.58	34,175.61	675,211.69	639,491.55

(iii) Credit Risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk mainly from its operating activities (primarily for trade receivables).

The sale of passenger and cargo transportation is primarily through IATA accredited sales agents. The credit risk of such sales is relatively small owing to a broad diversification. Settlements from these agents are collected by IATA through their passenger and cargo settlement schemes. The funds collected are settled directly to the Airline by IATA which gives further assurance of the credit worthiness of such agents.

Receivables and payables among major Airlines are primarily settled via the IATA Clearing House. Receivables and payables are generally netted and settled on weekly intervals, which lead to a clear reduction in the risk of default. For other service relationships, collateral is required depending on the nature and scope of the services rendered. Such collaterals from debtors include bank guarantees, security deposits and other mechanisms.

Impairment is made for doubtful accounts receivable whenever risks are identified.

Capital Management

Based on the factors more fully described in Note 2.1.1 to these Financial Statements, the Government of Sri Lanka has demonstrated its commitment to support the Group by the way of Providing sovereign guarantees/letters of comfort for debt financing together with Capital Infusion and restructuring of debt.

30. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Financial Statements have been restated in accordance with Sri Lanka Accounting Standard LKAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, to reflect the following.

The Group re-assessed its accounting for transfer of revaluation reserve to retained earnings with respect to buildings on leasehold lands. The Group had previously transferred revaluation reserve to retained earnings when the asset is derecognised. As at 31 March 2024, the Group changed its accounting policy to transfer the revaluation reserve relating to the buildings on leasehold lands to retained earnings based on asset utilisation, as the Group believes the change in accounting policy relating to the realisation of revaluation reserve through usage is providing reliable and more relevant information about the effects of transactions on the entity's financial position. The Group applied the function of asset utilisation retrospectively and the impact to the financial statements is disclosed as follow.

Impact to the Statement of Financial Position as at 31 March 2023

Group	Previously Reported LKR. Mn	Increase/ (Decrease) LKR. Mn	Restated Amount LKR. Mn
Equity and Liabilities			
Reserve	10,990.90	(2,175.60)	8,815.30
Accumulated Losses	(601,781.56)	2,175.60	(599,605.96)
Company			
Equity and Liabilities			
Reserve	6,840.56	(1,888.35)	4,952.21
Accumulated Losses	(612,376.11)	1,888.35	(610,487.76)

Notes to the Financial Statements contd.

30. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTD.)

Impact to the Statement of Financial Position as at 01 April 2022

Group	Previously Reported LKR. Mn	Increase/ (Decrease) LKR. Mn	Restated Amount LKR. Mn
Equity and Liabilities			
Reserve	6,428.21	(1,970.48)	4,457.73
Accumulated Losses	(529,212.71)	1,970.48	(527,242.23)
Company			
Equity and Liabilities			
Reserve	4,107.56	(1,713.59)	2,393.97
Accumulated Losses	(537,505.15)	1,713.59	(535,791.56)

31. COMPARATIVE INFORMATION

Comparative information reclassified to conform with the current year's classification in order to provide better presentation.

Statement of Profit or Loss	Group / Company		
	Previously Reported 2023 LKR. Mn	Reclassification LKR. Mn	After Reclassification 2023 LKR. Mn
a) Reclassification of Unscheduled Repair Cost of Engines			
Aircraft Maintenance and Overhaul Costs	42,199.29	(2,899.25)	39,300.04
Unscheduled Repair Cost of Engines	-	2,899.25	2,899.25

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Navigating our future in our role as a regional player



Glossary



Available Seat Kilometres (ASK)

The product of seats offered for sale and distance over which they are carried.



Available Tonne Kilometres (ATK)

This is the measure of transport production. The ATK produced by a flight is the capacity for payload of the aircraft measured in tonnes multiplied by the distance flown.



Revenue Passenger Kilometres (RPK)

The product of passengers carried and the distance over which they are carried.



Revenue Tonne Kilometres (RTK)

The product of passenger and cargo carried in tonnes and the distance over which they are carried.



Load Factor

The percentage relationship of revenue loads to capacity provided. The passenger load factor relates RPK to ASK while the overall load factor relates RTK to ATK.



Revenue Per RPK

The revenue per RPK relates the passenger revenue to RPK.



Unit Cost

The unit cost relates the total operating costs from Airline operations to ATK.



Overall Yield

Overall yield relates the net traffic revenue to RTK. The net traffic revenue being the sum of the passenger, excess baggage, cargo and mail revenue from scheduled and non-scheduled services.

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Ten Year Review

		2015	2016	2017	2018
Income Statement					
Revenue	LKR Mn	131,922.13	129,480.41	135,491.19	161,433.87
Operating Expenditure	LKR Mn	145,983.35	137,311.44	146,760.80	175,883.85
Net Profit/(Loss)	LKR Mn	-16,494.66	-12,621.69	-28,929.99	-17,213.57
Balance Sheet					
Share Capital /Stated Capital	LKR Mn	51,617.44	51,617.44	51,617.44	51,617.44
Non-Current Assets	LKR Mn	22,836.77	23,548.01	24,660.56	37,476.46
Current Assets	LKR Mn	49,721.49	26,901.02	26,973.07	30,090.50
Total Assets	LKR Mn	72,558.26	50,449.03	51,633.63	67,566.96
Current Liabilities	LKR Mn	103,414.31	100,334.44	126,302.55	130,358.61
Yield/Unit Cost					
Overall Yield	LKR tkm	80.32	79.06	80.08	84.24
Unit Cost	LKR tkm	62.00	58.72	61.61	65.74
Revenue per RPK	LKR/RPK	8.2	8.2	8.4	8.6
Production					
Passenger Capacity	ASK Mn	16,180.27	15,790.28	15,608.10	18,487.54
Overall Capacity	ATK Mn	2,224.87	2,165.21	2,167.92	2,549.88
Traffic					
Passengers carried	Nos. Thousands	4,348	4,328	4,446	5,839
	RPK Mn	12,963.71	12,727.66	12,455.05	15,280.78
Passenger Load Factor	%	80.12	80.60	79.80	82.65
Cargo carried	Tonnes	101,878	102,082	116,221	132,958
	RTK Mn	373.32	356.76	374.46	401.66
Overall Load carried	RTK Mn	1,519.93	1,484.77	1,475.29	1,749.14
Overall Load Factor	%	68.32	68.57	68.05	68.60
Staff					
Average strength	Nos.	6,987	6,959	7,021	7,019
Revenue per employee	LKR	18,881,084	18,606,181	19,297,991	22,999,555
Capacity per employee	Tonne-km	318,430	311,139	308,776	363,283
Load carried per employee	Tonne-km	217,537	213,359	210,126	249,201
Fleet					
Narrow Body	Nos.	8	8	11	13
Wide Body	Nos.	13	13	13	13
Aircraft in service at year end	Nos.	21	21	24	26
Aircraft Utilisation	Blk. Hrs. per day	12.90	12.02	12.44	13.25

	2019	2020	2021	2022	2023	2024
	180,340.32	180,151.02	50,693.85	132,936.23	365,171.77	333,614.09
	206,344.66	190,321.69	81,405.99	170,209.86	356,128.62	309,478.36
	-44,022.67	-47,197.86	-45,231.46	-166,369.68	-73,621.53	3,870.86
	51,617.44	51,617.44	79,352.43	96,360.67	96,360.67	202,360.67
	36,596.59	150,013.50	122,471.42	122,685.53	132,772.81	131,498.53
	40,742.41	31,176.10	31,909.99	55,458.64	66,681.95	62,759.48
	77,338.99	181,189.60	154,381.41	178,144.17	199,454.76	194,258.01
	227,081.67	242,821.23	253,218.98	358,161.14	498,306.50	406,890.08
	91.32	99.03	146.86	147.06	253.97	220.17
	74.31	74.22	105.23	89.02	163.87	149.53
	9.4	10.2	21.8	15.0	24.4	22.2
	18,925.40	18,041.41	3,816.40	10,144.12	15,188.00	15,425.45
	2,577.53	2,454.30	794.52	1,531.28	2,044.45	2,072.57
	5,663	5,256	167	1,468	3,484	3,619
	15,689.19	14,547.97	748.13	4,968.59	11,793.72	12,198.65
	82.90	80.64	19.60	48.98	77.65	79.08
	125,753	113,971	56,406	97,695	80,827	84,210
	408.71	363.31	244.93	400.16	294.56	296.62
	1,806.58	1,664.49	312.26	847.33	1,355.99	1,394.50
	70.09	67.82	39.3	55.33	66.33	67.28
	6,794	6,693	5,965	5,833	5,440	5,935
	26,544,057	26,916,333	8,498,550	22,790,370	67,127,164	56,211,304
	379,383	366,697	133,196	262,520	375,819	349,211
	265,908	248,691	52,349	145,265	249,263	234,962
	13	13	12	12	12	12
	14	12	12	12	11	9
	27	25	24	24	23	21
	12.6	12.18	2.98	7.21	10.14	11.48

Route Map

114 Destinations in 62 Countries

SriLankan Airlines brings more of the world to you



- Direct Flights
- Code Share Flights

* The number of destinations is subject to change without prior notice.

SriLankan Airlines now serves 114 destinations in 62 countries in Europe, the Middle East, South Asia, South East Asia, the Far East, Australia and North America



Milestones

2012/2013

Commissioning of First Flight A320 Simulator in Sri Lanka for training of Airbus A320 pilots.

The Company took delivery of one Airbus A320 aircraft under an operating lease agreement.

Commencing international flights from Mattala International Airport.

In May 2012, the Company entered into a financing arrangement with a syndicate of foreign banks to secure financing amounting to USD 175 Mn.



2013/2014

Commissioning of Flight Simulator for Airbus A330 pilot training. In December 2013, the Company cutover the passenger services system to Amadeus Altea.

In March 2014, the Company entered into financing arrangement with a syndicate of banks to secure a USD 150 Mn. medium-term loan.



2014/2015

The Company entered into oneworld alliances in May 2014. In June 2014, the Company for the first time issued a five-year International Bond.

The Company took delivery of three brand new A330-300 aircraft in October 2014 and March 2015 respectively as part of a wide body aircraft re-fleeting programme.

2015/2016

The Airline was shortlisted for four prestigious titles: Best in the Region Asia and Australasia, Best inflight Publication, 'Best inflight Video' and Best Ground Experience at APEX Passenger Choice Awards 2015. This is the first time the Airline has been nominated for four categories. The Airline won superior Achievement Award for Passenger Experience in the Asia and Australasia – September 2015 APEX Portland Oregon and best full service Airline, Central and South Asia – Future Travel Experience Awards Asia 2015 – Singapore.

The Company took delivery of four Brand New A330-300 aircraft in August and November and two aircraft in December 2015, as part of the wide-body aircraft re-fleeting programme.



2016/2017

Induction of two A320 Neo aircraft in February 2017 and March 2017 – the first two A320/A321 Family New Engine Option Aircraft joined the fleet SriLankan launched services to eleven exciting new destinations. – Lahore, Jakarta, Dhaka, Calcutta, Madurai, Varanasi, Bodhgaya, Muscat, Bahrain, Seychelles and Gan Islands.

The Company was awarded "top travel award", "Best Airline in South Asia", "Best Full Services Airline in Central and South Asia" for the second consecutive year at the Future Travel Experience Asia 2016. The "Airline claimed the "Training Excellence Award" and "Best HR Strategy in line with Business" at the 7th Asia Employer Brand Awards.

2017/2018

The Company took the delivery of three brand new airbuses A321-200 Neo aircraft in June 2017, October 2017 and December 2017 accordingly as part of the aircraft fleet.

SriLankan, launched services to four new destinations- Melbourne, Hyderabad, Coimbatore and Visakhapatnam.

The Airline received a four star rating of excellence from Airline passenger experiences association (APEX) and at Future Travel Experiences Award 2017- Singapore. The Airline walked away with an award for outstanding services for the third consecutive year. The Company also won the "Innovation in commercial Airlines cabins" award at the In-flight Asia Pacific Awards in Singapore -2017.



2018/2019

The Company took delivery of another brand new Airbus A321 Neo aircraft in July 2018, which completed the induction of the Neo fleet.

SriLankan Airlines became the world's most punctual Airline in the month of September 2018 in the key categories of 'Global Airlines' and 'Major Airlines', rated by the flight data analysis company Flightstats.com.

SriLankan Airlines maintained the Airline Passenger Experiences Association (APEX) four star rating for the second consecutive year and also received several prestigious international awards. These include the World's Leading Airline to the Indian Ocean for the third consecutive year and three Golden City Gate Awards at ITB Berlin.



2019/2020

SriLankan Airlines celebrated 40 years of service in September 2019. National Carrier received the global 'Best Marketing Innovation' award from the Airline Passenger Experience Association (APEX). SriLankan also secured a Four-Star rating in the major Airlines' category for the 3rd consecutive year.

SriLankan Airlines won PATA Gold award for 'Two Cities, One Spirit' campaign and another three awards in Golden City Gate awards, ITB Berlin 2019.

The Company received the First Star awards in 3 categories ("Airline International", "Music International" and "Campaign") at Golden City Gate Awards ITB - Berlin 2020.

SriLankan Airlines won the prestigious 'World's Leading Airline' and 'Asia's Leading Airline to the Indian Ocean' title at World Travel Awards Asia & Oceania.



2020/21

Awarded the Platinum Standard status by APEX Health Safety for passenger safety and wellbeing during air travel, post-COVID.

Awarded "Four Star rating for Major Official Airline" for 2021 by The Airline Passenger Experience Association (APEX), at the Future Travel Experience (FTE) Virtual Expo Award ceremony.

Cargo flights were incorporated into the schedule for the very first time, in order to support Sri Lankan exporters during the global pandemic and with a view to find alternative revenue streams in the face of declining passenger travel.

Operated special passenger flights in order to repatriate Sri Lankans stranded overseas due to border closures arising from the pandemic and special cargo flights were operated to help with the transport of urgent medical supplies.



2021/22

Awarded the Diamond Status- APEX Health and Safety Audit powered by Simplyflying 2021 and "Best in managing health at work" Asian Leadership Awards 2021 for passenger safety and wellbeing during air travel, post-Covid.

SriLankan Airlines won the prestigious World's Leading Airline to the Indian Ocean and Asia's Leading Airline to the Indian Ocean at the World Travel Awards 2021 for the consolidated presence in the South Asian region as well as the Marketing Carrier- PATA Gold Awards 2021 for the campaign, 'Say Bonjour to Paris'.



2022/23

SriLankan Airlines won the APEX Passenger Choice Awards for Best Food & Beverage and Best Seat Comfort in Central/Southern Asia at APEX Asia EXPO, Singapore, 2023.

The Company won the prestigious Best Aviation Sustainability Program Award at the Sheikh Mohammed Bin Rashid Al Maktoum (SMBR) Global Aviation Awards, 2022.

Awarded the Gold Award in the category of 'Marketing-Carrier' at the 27th Pacific Asia Travel Association (PATA) Gold Awards, 2022.

SriLankan Airlines was recognised as the Airline of the Year - Visitors' Choice, at the 2022 South Asian Travel Awards (SATA) and awarded the World's Leading Airline to the Indian Ocean at 2022 World Travel Awards.



2023/24

SriLankan Airlines won a Gold Award in the category of 'Marketing-Carrier' at the 28th Pacific Asia Travel Association (PATA) Gold Awards, 2023.

The Company was crowned as the Leading International Airline - South Asia at the South Asian Travel Awards (SATA), 2023.

SriLankan Airlines Cargo was aptly named the Best International Cargo Airline at the India Cargo Awards (dubbed the 'Oscars of the Cargo Industry'), 2023.

SriLankan Airlines' IT has achieved the 'IT Team of the Year' award at Women in IT Awards Asia, 2023.



Corporate Information

Name of the Company

SriLankan Airlines Limited

Company Registration Number

PB 67

Legal Form

Limited Liability Company

Board of Directors

Mr. Asoka Pathirage (Chairman)
Mr. Malik Fernando
Dr. Hansa Wijayasuriya
Mr. Jayanth Perera
Mr. Ananda Atukorala
Mr. A.K.D.D.D. Arandara cum Treasury Representative
Mr. Lakmal Ratnayake
Mr. Niranjan Arulpragasam (appointed w.e.f 11th June 2024)
Mr. Shiran Dammage (resigned w.e.f. 31st May 2024)

Audit Committee

Mr. Jayanth Perera (pro tem Chairman)
Mr. A.K.D.D.D. Arandara
Mr. Ananda Atukorala (appointed w.e.f. 29th April 2024)
Mr. Niranjan Arulpragasam (appointed w.e.f 25th June 2024)
Mr. Malik Fernando (resigned w.e.f. 25th June 2024)
Dr. Hansa Wijayasuriya (resigned w.e.f. 25th June 2024)
Mr. Shiran Dammage (resigned w.e.f. 31st May 2024)

Board Human Resource and Remuneration Committee

Mr. Malik Fernando (Chairman)
Dr. Hansa Wijayasuriya
Mr. Jayanth Michael Perera
Mr. Lakmal Ratnayake
Mr. A.K.D.D.D. Arandara

Board Group Risk Committee

Mr. Jayanth Perera (Chairman)
Dr. Hansa Wijayasuriya
Mr. Ananda Atukorala
Mr. A.K.D.D.D. Arandara
Mr. Niranjan Arulpragasam (appointed w.e.f 25th June 2024)
Mr. Shiran Dammage (resigned w.e.f. 31st May 2024)
Mr. Malik Fernando (resigned w.e.f. 25th June 2024)

Company Secretary/ Group Head of Corporate Secretarial Services

Mrs. Dalrene Thirukumar (ACG, MBA (AUS))

Bankers

Bank of Ceylon
People's Bank
Standard Chartered Bank
Citibank
Sampath Bank
Nations Trust Bank
Hatton National Bank
Commercial Bank of Ceylon
Cargills Bank

Auditors

Auditor General
National Audit Office
306/72
Polduwa Road
Battaramulla

Registered Office

SriLankan Airlines Limited
Airline Centre
Bandaranaike International Airport
Katunayake
Sri Lanka

Corporate Website

www.srilankan.com

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Forty Sixth Annual General Meeting of the shareholders of SriLankan Airlines Limited will be held on Thursday, 19th September 2024 at 3.00 p.m. at the 'Mihilaka Medura' Bandaranaike Memorial International Conference Hall (BMICH), Baddhaloka Mawatha, Colombo 7, Sri Lanka, for the following purposes:

1. To consider the Annual Report of the Board of Directors and the Financial Statements of the Company for the year ended 31 March 2024 together with the Report of the Auditors thereon.
2. To re-appoint Mr. A.W. Atukorala a Director of the Company who is over seventy years of age and to consider and if deemed fit to pass the following Ordinary Resolution;
"IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act, No. 07 of 2007 shall not be applicable to Mr. A.W. Atukorala, who is 75 years of age and that he be re-appointed as a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year."
3. To re-appoint Mr. J.M. Jayanth Perera a Director of the Company who is over seventy years of age and to consider and if deemed fit to pass the following Ordinary Resolution;
"IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act, No. 07 of 2007 shall not be applicable to Mr. J.M. Jayanth Perera who is 71 years of age and that he be re-appointed as a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year."
4. To amend the Articles of Association of the Company to correct errors in Article 52 by passing the following Resolution as a Special Resolution

Special Resolution

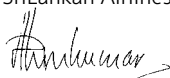
The amended Article 52 would read as

'52. Any General Meeting at which it is proposed to pass a Special Resolution or (save as provided by the Act) a Resolution of which Special Notice is required by These Presents to be given to the Members by the Company shall be called by fifteen Working Days' notice in writing and any other General Meeting including an Annual General Meeting by fifteen Working Days' notice in writing, (exclusive in each case of the day on which it is given or deemed to be given and of the day for which it is given), given in manner mentioned in These Presents to such Members as are under the provisions of These Presents entitled to receive such notices from the Company and to the auditors; provided that a General Meeting notwithstanding that it has been called by a shorter notice than that specified above shall be deemed to have been duly called if it is so agreed -

- (i) in the case of an Annual General Meeting, by all the Members entitled to attend and vote thereat; and
- (ii) in the case of any other General Meeting by all that number or majority in number of the Members having a right to attend and vote thereat, as is required by the Act.'

The Auditor General shall audit the Organisation in terms of Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

By Order of the Board of
SriLankan Airlines Limited



Mrs. Dalrene Thirukumar

Group Head of Corporate Secretarial Services/Company Secretary

26th August 2024
Katunayake

Notes:

1. The Annual Report of SriLankan Airlines for 2023/24, is available on the
 - (i) Corporate website – https://www.srilankan.com/en_uk/corporate/annual-reports
 - (ii) Shareholder Community site - www.srilankan.com/shareholdercommunitysite
 - (iii) Members may also access the Annual Report and Financial Statements on their mobile phones by scanning the following QR code.



2. This report will only be available in PDF format in terms of the Public Enterprise Circular no. 01/2024 dated 28th February 2024 which requests for all State-Owned Enterprises to reduce paper usage as much as possible.
3. A member is entitled to appoint a proxy to attend and vote instead of him/herself. A proxy need not be a member of the company. A form of proxy accompanies this notice.
4. The completed Form of Proxy must be submitted to the company not later than 3.00pm on 17th September 2024
 - via email to comsec@srilankan.com
 - by hand or post to the registered office of the Company, SriLankan Airlines Limited, Airline Centre, Bandaranaike International Airport, Katunayake.
5. A person representing a corporation is required to carry a certified copy of the resolution authorising him/her to act as the representative of the corporation. A representative need not to be a member.

In the event the Company is required to take any action in relation to the Annual General Meeting due to any communications, guidelines, directives or orders issued by the Government of Sri Lanka, Notice of such action shall be given by way of publication on the Company website- www.srilankan.com/AGM, Shareholder Community site www.srilankan.com/shareholdercommunitysite and the National Newspapers.

Form of Proxy

*I/We,..... of

being a Shareholder/Shareholders of SRILANKAN AIRLINES LIMITED hereby appoint:

..... of

..... or failing *him/her, one of the following Directors;

- Mr. Asoka Pathirage or failing him,
- Mr. Malik Fernando or failing him,
- Dr. Hansa Wijayasuriya or failing him,
- Mr. Jayanth Perera or failing him,
- Mr. Ananda Atukorala or failing him,
- Mr. Dimal Arandara or failing him,
- Mr. Lakmal Ratnayake or failing him,
- Mr. Niranjana Arulpragasam or failing him,

as *my/our proxy to represent *me/us and vote on *my/our behalf at the Forty Sixth Annual General Meeting of SriLankan Airlines Limited to be held on Thursday, 19th September 2024 at 3.00 p.m. at 'Mihilaka Medura' Bandaranaike Memorial International Conference Hall (BMICH), Baudhaloka Mawatha, Colombo 7, Sri Lanka., and at any adjournment thereof and at every poll which may be taken in consequence thereof.

- | | For | Against |
|---|--------------------------|--------------------------|
| 1. To consider the Annual Report of the Board of Directors and the Financial Statements of the Company for the year ended 31 March 2024 together with the Report of the Auditors thereon. | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. To re-appoint Mr. A.W. Atukorala, who is over seventy years of age as a Director of the Company. | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. To re-appoint Mr. J.M. Jayanth Perera, who is over seventy years of age as a Director of the Company. | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. To amend the Articles of Association of the Company to correct errors in Article 52 by passing the following Resolution as a Special Resolution | <input type="checkbox"/> | <input type="checkbox"/> |

Special Resolution

The amended Article 52 would read as

'52. Any General Meeting at which it is proposed to pass a Special Resolution or (save as provided by the Act) a Resolution of which Special Notice is required by These Presents to be given to the Members by the Company shall be called by fifteen Working Days' notice in writing and any other General Meeting including an Annual General Meeting by fifteen Working Days' notice in writing, (exclusive in each case of the day on which it is given or deemed to be given and of the day for which it is given), given in manner mentioned in These Presents to such Members as are under the provisions of These Presents entitled to receive such notices from the Company and to the auditors; provided that a General Meeting notwithstanding that it has been called by a shorter notice than that specified above shall be deemed to have been duly called if it is so agreed -

(i) in the case of an Annual General Meeting, by all the Members entitled to attend and vote thereat; and

(ii) in the case of any other General Meeting by all that number or majority in number of the Members having a right to attend and vote thereat, as is required by the Act.'

The Auditor General shall audit the Organisation in terms of Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

Signed this day of.....Two Thousand and Twenty Four.

..... Signature/s

Note:

(a) * Please delete the inappropriate word

If no words are deleted or there is in the view of the proxy holder doubt (by reason of the way in which the instructions contained in the proxy have been completed) as to the way in which the proxy holder should vote, the proxy holder will vote as he/she thinks fit.

Form of Proxy contd.

Instructions as to Completion of the Form of Proxy

1. To be valid, the completed Form of Proxy should reach 48 hours before the time fixed for the Annual General Meeting either by:-
 - 1.1 Post or hand delivered to the Company Secretary's Office, SriLankan Airlines Limited, Airline Centre, Bandaranaike International Airport, Katunayake Or
 - 1.2 Scanned and emailed to the email address comsec@srilankan.com
2. A proxy need not be a Member of the Company.
3. In perfecting the Form of Proxy, please ensure that all the details are legible.
4. Please indicate with an '✓' in the space provided how your proxy to vote on each resolution. If no indication is given the proxy, in his/her discretion, will vote, as he/she thinks fit.
5. In the case of a Company / Corporation, the proxy must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.
6. In the case of proxy signed by the Attorney, the Power of Attorney must be deposited at the Registered Office at "SRILANKAN AIRLINES LIMITED", Airline Centre, Bandaranaike International Airport, Katunayake for registration.



www.srilankan.com

Airline Centre,

Bandaranaike International Airport, Katunayake, Sri Lanka.