Annual Report 2015

Airport & Aviation Services (Sri Lanka) Limited

Vision

"To be the most Efficient and Friendliest Premier Aviation Hub in the Asian Region"

Mission

"We will strive to provide Competitive Aviation Facilities and Services with Best Practices while ensuring Stakeholder Satisfaction"

CONTENTS

Financial
Highlights

	2015 Rs. Mn.	2014* Rs. Mn.	+/- %	2014* Rs. Mn.	2013 Rs. Mn.	+/- %
Turnover	15,698	13,887	13%	13,887	12,110	15%
Operating expenses before Depreciation	7,477	6,765	-11%	6,765	7,473	9%
EBITD	8,222	7,122	15%	7,122	4,637	54%
Depreciation of Fixed Assets	2,648	2,656	0.3%	2,656	1,746	-52%
Net Finance costs / (Income)	3,196	(1,030)	-410%	(1,030)	(1,855)	44%
Profit Before Taxation	2,378	5,496	-57%	5,496	4,746	16%
Income Tax	1,561	2,084	25%	2,084	1,192	-75%
Profit After Taxation	817	3,412	-76%	3,412	3,554	-4%
Profit attributable to Equity Shareholders	817	3,412	-76%	3,412	3,554	-4%
Dividends	497	500	-1%	500	500	0%
Cash and Cash Equivalents as at December 31	15,550	10,238	52%	10,238	4,031	154%
Shareholders Fund as at December 31	11,012	10,568	4%	10,568	7,441	42%
Total Carrying Amount of Non-Current Assets as at December 31	44,079	45,578	-3%	45,578	47,193	3%
Total Current Asset as at December 31	21,206	14,952	42%	14,952	9,079	65%
Total Current Liabilities as at December 31	10,132	8,908	-14%	8,908	7,058	-26%
Total Capital Expenditure for the year	617	1,234	50%	1,234	6,378	81%

* 2014 figures have been re-arranged whenever necessary to conform to the current year's presentation.

All figures are subject to rounding differences

+ = Favourable

- = Adverse

Performance Highlights

		2015	2014	2013	2012
Operating Highlights					
International Flight Movements	Nos.	56,156	54,960	51,972	48,416
Passenger Movements **	Nos.	8,505,740	7,780,724	7,330,421	7,079,920
Cargo Movements ***	M.T.	218,402	209,607	194,020	186,618
Total Employees as at December 31	Nos.	3,871	3,932	3,674	3,445
Highlights in Ratios					
Return on Equity	%	7.4	* 32.3	47.8	64.9
Net Profit Before Tax to total Net Revenue	%	15	40	39	35
Net Profit Before Tax to Share holders Fund	%	22	* 52	64	92
Total Revenue to Total Assets	Times	0.24	0.23	0.22	0.22
Total Assets per Employee	Rs'000	16,865	*15,394	15,316	14,378
Total Staff Cost per Employee- Per Annum	Rs'000	1,462	1,203	1,182	1,020
Total Cost per Flight Handled	Rs'000	256	184	188	164
Revenue per Passenger	Rs.	1,846	* 1,785	1,652	1,570
Profit after Tax per Passenger	Rs.	96	* 438	485	387
Aircraft Movement per Employee	Nos.	15	14	14	14
Passengers per Aircraft	Nos.	151	142	141	146
Passengers per Employee	Nos.	2,197	1,979	1,995	2,055
Return on Net Assets	%	7	* 32	48	65
Return on Total Assets	%	1	6	6	6
Profitability Ratio	%	5	* 25	29	25
Energy Productivity Index	Times	12.3	* 12	11	9.8
Capital Productivity Index	Times	0.23	0.24	0.20	0.19
Earning Per Share	Rs.	4,084	*17,058	17,768	13,688
Current Ratio	Times	2.09	*1.68	1.29	1.79
Total Income to Total Expenditure	Times	1.18	*1.65	1.64	1.53

* Prior year figures have been re-arranged whenever necessary to conform to the current year's presentation.
** Passenger movements include Arrival, Departure, Transfer and Transit passengers. Domestic passengers are excluded.
*** Cargo movements include Export, Import and Transhipment. Domestic cargo & Air mails are excluded.

CHAIRMAN'S Review

Performance Overview

As a Government Organization providing services to airport users and air passengers, we pay utmost attention to reviewing our operational and financial performances during the period under review. Due to the exponential growth in passenger numbers, we have been able to manage almost 1.5 times of passenger traffic over the handling capacity at Bandaranaike International Airport (BIA), facing tremendous challenges, while ensuring passenger facilitation and safety. We also ensured that average passenger processing times at BIA terminals are well within the industry norms. The safe sky ensured through human and technological involvement strengthened our relationship with airline community and increased customer loyalty. We posted a record breaking top-line with a turnover of Rs. 15.7 Bn in 2015 in comparison to Rs. 13.9 Bn in 2014, which is a growth of 13%. In turn, the operating profit recorded as historical best with Rs. 5.6 billion which is 25% increase over the previous year after absorbing the Mattala Rajapaksa International Airport (MRIA) operating loss of Rs. 2.2 Bn. However, our bottom line was severely affected by an exchange loss of Rs. 3.5 Bn due to conversion of year end foreign currency loan balances into reporting currency. Although this led to erosion in profits, as an entity which has borrowed foreign loans for Airport developments, no practical risk mitigation mechanism was workable to circumvent the adverse consequences arising due to depreciation of the Sri Lankan Rupee. Nevertheless, we maintained our status quo as a dependable revenue earner for the Government by paying all statutory dues and dividends in a timely manner. When scrolled down, it was a year with positive operational results.

Unfolded Runway Success

BIA's primary operating metrics – passenger, aircraft movements and cargo volumes, reached new heights during the year. Over 55,000 flights got connected with Sri Lanka through BIA runway and we handled over 8.5 Mn passenger movements. This runway success was instrumental in posting the highest ever recorded turnover. We were glad to welcome Austrian Airlines which resumed operations after 8 years along with Malindo Air and Air China which commenced operations with BIA which resulted in expanding BIA's Flight Network of scheduled airlines to 29.

User-friendly Air Space

Our Air Traffic Controllers along with all other cross functional teams are in continuous pursuit in making the Colombo Flight Information Region (FIR) accident free while making it also an eco-friendly, pilot friendly and economical air space in the region. They achieved these multi objectives during 2015 by recording zero accidents while contributing towards a significantly reduced Carbon Emission and fuel consumption by airlines that flew through our FIR. They have adopted many techniques to achieve over 10,000 Tonnage of reduced Carbon Emission compared to past few years leading to an inverse relationship with the aircraft movements' growth. Our plan is a 100% Performance Based Navigation (PBN) System to catalyze the above objectives and is yet to be fully fledged in year 2017.

Strategic Moves

Year 2015 really tested our mettle. We learnt to reshape the business with more focus on business continuity while concentrating on Critical Success Factors of Customer Satisfaction and Safety. All planned mega projects were re-scrutinized to ensure the optimum utilization of resources. The Terminal 2 Project of BIA will be carried forward with changes in roof design. Although this delayed the commencement of the project from the orginal plans, the project launching will take place in 2016 with the signing of the loan agreement with JICA in the first quarter of 2016.

The overlaying of the existing runway at BIA which had been carried forward for many years will move ahead in year

2017 with a blend of foreign loans and Airport & Aviation Services (Sri Lanka) Ltd. (AASL) funds and the prior work will commence in 2016. Restrictions in the runway operations are expected in the first quarter of 2017.

Strategic Choice for MRIA

Although there was an upsurge in air traffic statistics of MRIA during the first couple of years of its operations, curtailment of operations by Srilankan Airlines in the first quarter of 2015 to cut-down unprofitable destinations in their network resulted in the planned usage of the airport not being materialized. This compelled us to implement next best alternatives to ensure that the opportunity cost foregone by the country in this mega investment is minimum. Therefore, AASL supported the Government's decision in diverting resources from the underperforming Strategic Business Unit (SBU) of MRIA so that the same resources can be better utilized to achieve a greater rate of return. AASL looks forward for business opportunities at MRIA, with private sector participation, in spite of the loan repayment burden of MRIA borne by AASL since 2015 and will call for Expression of Interest (EOI) in 2016 from international and local potential investors to carry out any viable aviation related business at MRIA.

Reckoning the Customer Challenges

The real challenge during this kind of a period, where the business dynamics get change is to shield our external and internal customers from the adverse situations arising from the business cycle. We are a service provider and depend on the quality of our staff and therefore we need to ensure that staff remuneration is competitive to retain them in the industry, although the personnel expenses comprise the biggest component in our cost structure. During 2015, salaries were restructured to ensure that the package dispatched to employees is a return for the responsibilities they bear. To ensure that AASL will be the ultimate beneficiary of this remuneration restructuring and that international gateways to Sri Lanka remains enjoyable for years to come, the new Results Based Performance Appraisal system covering all employees will be implemented in 2016

Conclusion

I would like to thank all categories of staff for their commitment, as well as all other stakeholders for their contribution during the year. I take this opportunity to express my appreciation to the two preceding Boards of Directors who have provided the company the necessary direction to have a successful financial year during 2015. I am also grateful to the members of the present Board on whose support and backing I would rely while steering the company along the path of success. Last, but not least, I express my sincere thanks to the Honourable Minister of Transport and Civil Aviation for the guidance and support in Government policy implementation in the aviation industry.

ENG S S Ediriweera
Chairman
June 22, 2016

ANNUAL REPORT OF THE **BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY**

About the Company

AASL is a fully Government owned company with statutory powers to manage and develop civil airports in Sri Lanka. The details set out herein, provide the pertinent information required by the Companies Act No. 7 of 2007, and are guided by best Accounting Practices.

Principal Activities

The principal operational activities of the AASL remained unchanged during the year. Under the mandate granted by the Civil Aviation Act No. 14 of 2010, Gazetted on November 4, 2010, AASL continued to fulfill its role as the sole statutory service provider of the following aeronautical services;

1. The development, operation and maintenance of the BIA, MRIA and the Colombo Airport, Ratmalana (RMA).

2. The provision and maintenance of Search, Rescue and Fire fighting services and Aviation Security services at the aerodromes specified above.

3. The provision of Air Traffic Services, Aeronautical Information Services, Aeronautical Communication Services and the provision of Aeronautical Aids for Communication, Navigation or Surveillance, ensuring the Safety and Security of all aircraft and passengers within the Colombo FIR.

Review of Operations

A review of operational and financial performance, are described in detail in the Chairman's Review and Management Discussion and Analysis (MDA). These reports together with the Audited Financial Statements of the Company reflect the respective state of affairs of the Company.

Directors' Responsibility for the Financial Statements

The Directors fully understand their responsibilities pertaining to the Financial Statements as per the provision of the Company's Act No. 07 of 2007. Accordingly, they acknowledge their duty to ensure that accurate financial records are maintained in compliance with the Sri Lanka Financial Reporting Standards (SLFRS/LKAS) and requirement of the Companies Act No.7 of 2007.

The Directors are satisfied that the Financial Statements presented on page 55 to 88 give a true and fair view of the state of affairs of the Company.

Auditor's Report

The Auditors Report on the Financial Statements of the Company is given on page 53 and 54 .

Significant Accounting Policies

There are no significant changes of any Accounting Policies during the year 2015. The Company adopted SLFRS/LKAS during the year 2015 and is compliant with the previous year. The Accounting Policies adopted in the preparation of Financial Statements are given on pages 59 to 69.

Corporate Social Responsibility (CSR)

The total contribution for Corporate Social Responsibility (CSR) by AASL during the year amounted to Rs. 0.9Mn.

System of Internal Controls

Monitoring of the Company's Internal Control function comes under the purview of the Board of Directors. The scope of activities cover all Financial and Risk Management activities, in addition to reviewing systems effectiveness in terms of achieving the Company's Strategic Goals and Objectives. This is done in accordance with the provision made under the Corporate Governance Framework.

Future Developments

The proposed capacity expansion of BIA in terms of adding a handling capacity of further 9Mn passengers per annum (ppa) by constructing the second Terminal (T2) at BIA, overlay of the BIA runway and the enhancement of infrastructure and associated property developments at BIA and MRIA are the projects planned for the next 5 years which will certainly be a boost to the country's aviation industry.

Income Statement and the Financial Position of the Company

Turnover

The Company recorded the highest ever gross turnover amounting to Rs. 15.7Bn. A detailed analysis of turnover and profit are presented in the Financial Review.

Operating Results

The Company reported a decline in Profit Before Tax (PBT) amounting to Rs. 2.4Bn. for the year ended 2015, which is a decrease of 56 % compared to the previous year. Accordingly, PAT is also decreased by 76 % from the preceding year to Rs 817 Mn. The below table shows how PAT is made for the year 2015 compared to the preceding year.

	2015 Rs.Mn	**2014 Rs.Mn**
PBT for the year ended 31 December after payment of all operating expenditure and provision for Depreciation	2,378	5,496
Less : Taxation	1,561	2,084
PAT for the year	817	3,412
Other Comprehensive Income	-	-
Gain/Loss arising from changes in actuarial assumption	124	325
Total Comprehensive Income	941	3,737

Table 01

Reserves

The reserve for the Company has been increased to Rs. 10,992 Mn as at December 31, 2015 from Rs.10,548 Mn in 2014, with the increase in Retained earnings. The movement in reserves of the Company is shown in the Statement of Changes in Equity on page 57.

Dividends

During the year, the Directors declared and paid a final dividend of Rs. 497 Mn for the year 2014. The dividend in respect of the year ended December 31, 2015 is to be proposed at the Annual General Meeting.

Capital Expenditure

The capital expenditure of the Company was Rs. 617 Mn in the year under review, compared to Rs. 1,234 Mn in 2014. The movements in Property, Plant and Equipment during the year is set out in notes No. 12 and 13 of the Financial Statements.

Events after the Balance Sheet Date

No material events that require adjustment to the Financial Statements have taken place, subsequent to the date of Balance Sheet.

Going Concern

After making due inquiries, embracing the normal forecasting process and considering future prospects and risks, the directors consider that the Company has adequate resources and committed borrowing facilities to continue in operational existence for the foreseeable future. Consequently, all Financial Statements have been prepared on Going Concern basis.

Contingencies and Commitments

Information with regards to Contingent Liabilities and Capital Commitments as at December 31, 2015, are given in notes 27 and 28 on page 88 of the Financial Statements.

Share Capital

The share capital of the Company appears in the Company Accounts and comprises Ordinary Shares at Rs. 100/- each. The shareholding as at December 31, 2015 is as follows:

No of shares	Value (Rs.)	Held by
200,000	20,000,000	Secretary to the Treasury
1	100	Secretary, Ministry of Transport & Civil Aviation
1	100	Director General of Civil Aviation
200,002	**20,000,200**	

Table 02

Information on the Board of Directors and Board Subcommittees

Directorate

A new Board was appointed in October 2015 and the names of the 09 Directors who were appointed during the year and who held office at the end of the financial year are given below along with the capacity hold/held and dates of appointment, resignation and re-appointment. The same details of the members of the 02 preceding Boards of Directors who ceased to hold the office during the year are also shown below in parenthesis. The appointment of the Chairman (Article 79) and Non-Executive Directors (Article 82) have been done as per the terms shown in above mentioned clauses of the Articles of Association of AASL.

Details of the Directors who held office at the end of financial year 2015

Name	**Position**	**Date of Appointment**	**Date of Resignation**	**Date of Re-Appointment**
S S Ediriweera	Chairman	12/10/2015	-	-
K V P R De Silva	Vice Chairman	12/10/2015	-	-
Johanne Jayaratne	Executive Director*	01/11/2008	15/01/2015	12/10/2015
N R Hewathantri	Director	12/10/2015	-	-
N P L P Fernando	Director	12/10/2015	-	-
W M A Wijekoon	Director	12/10/2015	-	-
S E W Gunasekara	Director	12/10/2015	-	-
L W A De Soysa	Director*	18/02/2015	09/10/2015	16/11/2015
S R Attygalle	Director*	24/02/2015	Vacated	16/11/2015
R Ketawalage	Director*	24/03/2015	Vacated	16/11/2015

Details of the immediate preceding Board of Directors who held office during the financial year 2015

Name	**Position**	**Date of Appointment**	**Date of Resignation**	**Date of Re-Appointment**
G H A Wimalasena	Chairman	30/01/2015	09/10/2015	-
H M S L Wijeratne	Vice Chairman	30/01/2015	09/10/2015	-
R D Bandaranayake	Executive Director	30/01/2015	09/10/2015	-
D J G S Edirisinghe	Director	27/02/2015	Vacated	-
P W Sirimanne	Director	27/02/2015	20/05/2015	-
S K Cyril	Director	12/05/2015	Vacated	-
H Sumanapala	Director	28/05/2015	09/10/2015	-
L W A De Soysa	Director*	18/02/2015	09/10/2015	16/11/2015
S R Attygalle	Director*	24/02/2015	Vacated	16/11/2015
R Ketawalage	Director*	24/03/2015	Vacated	16/11/2015

ANNUAL REPORT OF THE
BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY Contd.

Details of the preceding Board of Directors who held office during the financial year 2015

Name	**Position**	**Date of Appointment**	**Date of Resignation**	**Date of Re-Appointment**
Prasanna J Wickramasuriya	Chairman	02/04/2008	09/01/2015	-
Kamal S Ratwatte	Vice Chairman	02/04/2009	20/01/2015	-
Johanne Jayaratne	Executive Director*	01/11/2008	15/01/2015	12/10/2015
Kosala Wickramanayake	Director	04/04/2007	13/01/2015	-
Ananda Goonatilleke	Director	01/10/2008	13/01/2015	-
Yoga Perera	Director	12/05/2010	13/01/2015	-
Shanika Gopallawa	Directress	12/05/2010	13/01/2015	-
J R U De Silva	Director	30/06/2010	13/01/2015	-
D S P Senaratne	Director	17/12/2013	06/02/2015	-

*Details of these Directors are repeatedly shown, as they held office at the end of the financial year as well as a preceding Board who ceased to hold the office during the financial year under review.

Board Committees

The Audit and Management Committee (AMC) is established by the Board for better monitoring and guidance for operations and internal control. It comprises three Non-Executive Directors appointed by the Board, namely Mr. L W A De Soysa, , Mr. S R Attygalle, Mr. D J G S Edirisinghe served in this committee during the year under review. The Chief Accountant of the Ministry of Transport and Civil Aviation, was the other member.

Disclosure of Directors dealing in Shares or Debentures

No shares or debentures are held by any of the Directors

Directors' Interest in Contracts and Proposed Contracts

No Director was directly or indirectly interested in contracts or proposed contracts connected to the Company's business during the year under review.

Directors' Remuneration and Other Benefits

There were three Executive Directors and a Non- Executive Directress (as per clause 77 of the Article of Association) who were paid Rs. 12.8 Mn during the year as remuneration. This included all financial benefits namely salary, Directors' allowances, EPF, ETF, reimbursement of entertainment, telephone, leave, other allowances. The others who were Non Executive Directors were paid an amount of Rs. 781, 960/- being the cost of travelling and directors' fees for attending the Board meetings.

Corporate Governance

The Directors uphold the responsibility of ensuring the effectiveness of the Company's overall governance process, to develop and nurture long term relationships with all key stakeholders.

Statutory Payments

The Board of Directors confirm, that to the best of their knowledge and belief, all statutory payments due to the Government, other regulatory institutions and in relation to employees have been made on time, or have been provided for.

Auditors

Messers Price Waterhouse Coopers, Chartered Accountants, were appointed by the Auditor General, to perform the audit of AASL under the provision of Article 154 (4) (a) of the Constitution of the Democratic Socialist Republic of Sri Lanka for the year 2015.

The audit fee for the current year is Rs. 940,753 (2014: Rs 536,535) and there was no fees paid to the auditors for audit related services and non-audit services for the year same as the previous year.

Annual General Meeting

The Annual General Meeting is scheduled to be held on June 30, 2016, at the Board Room of AASL at 3.00pm

Acknowledgement

The Board of Directors wishes to thank and appreciate the direction and guidance provided by the preceding Boards who ceased to hold the office during the year 2015. They also wish to congratulate the Management team for their encouragement and professionalism which contributed towards the achievement of greater triumphs by Company. Further, they wish to express their gratitude towards the Government of Sri Lanka, the Ministry of Transport and Civil Aviation and other institutions that continued to assist the Company in its endeavors. Last but not least our gratitude goes to all AASL staff for their commitment, integrity, and hard work.

BY ORDER OF THE BOARD

ENG S S Ediriweera
Chairman
June 22, 2016

Management Discussion & Analysis

Global Outlook of the Airport Industry

Considering the economic uncertainty in Europe and the geopolitical risks stemming from ongoing events in Ukraine, the Middle East and West Africa, air travel remained relatively resilient in 2015. Accumulated passenger traffic across the world's major airports showed growth of over 6% for this period. The fears of a regional and global spillover effect from these events have been contained with minimal repercussions on air transport. From a regional perspective, there were no major weak spots with respect to the rise in passenger traffic for the period from January to December 2015. Growth in passenger traffic is forecasted at 5.9% year over year in 2016.

Although the rate of growth in air cargo markets slowed compared to 2014, air cargo grew by 2.3% on a year-to-date basis to December 2015 as compared to the same period the previous year. Growth became more subdued since 2015; ACI Annual Report global demand for foreign goods and commodities weakened compared to 2014. Reflecting the emerging market malaise, business confidence was in limbo for the first half of 2015. Naturally, the air cargo market was affected by this with the weakening of orders by air and the build-up of inventories. Downside risks will continue to persist in 2016.

While the prospect of future global economic growth is cause for optimism, there are two forces at play that continue to move in opposite directions. As key regional economies such as North America get back on course, a slowdown in emerging markets is dampening the potential for significant advances in the global air cargo market. Thus, economic growth prospects were limited in 2015 and will continue to be so in 2016.

With regard to airport financial performance, revenues on a per-passenger basis will continue to remain stable and are expected to grow only modestly in the short term. With a greater reliance on passenger related charges and revenues, there is a strong positive relationship between passenger traffic growth and growth that is generated in airport revenues. The non-aeronautical side of the airport business will continue to see opportunities at airports in some key emerging markets, although airports that already have well-developed commercial activities, particularly in advanced economies, are likely to face more moderate growth prospects. On the cost side, although lower oil prices may have reduced the cost of doing business within the value chain, a tightening of credit markets, particularly in the United States, will increase the cost of capital and debt financing of airports.

Source : ACI Annual Report 2015 (www.aci.aero)

Medium Term Macroeconomic Outlook of Sri Lanka

Sri Lanka's economy is projected to expand at a rate of 5.8 % in 2016, and strengthen over the medium term to achieve a higher growth trajectory of around 7 %. The envisaged growth path is expected to be attained with the improvement in investor sentiments. Further, the new policy initiatives of the Government to spur growth across all major sectors of the economy and increase private sector participation through the creation of an investor friendly environment, are also expected to contribute to the growth trajectory of the economy over the medium term. The implementation of policy measures to encourage small and large scale entrepreneurs to participate in the global economy and the resultant positioning of Sri Lanka in the global value chain, are expected to bolster the contribution of the Industry, Agriculture and Service sectors to this growth momentum.

Source : Annual Report 2015 of Central Bank

BIA's Flight Network

BIA offers flights to 32 westbound destinations and 15 eastbound destinations throughout the entire reporting year. In 2015, a total of 29 scheduled airlines were represented at BIA. Sri Lankan Airlines, the national carrier, is the largest customer with 51 % of the total passenger volume (2014 – 53 %) followed by Emirates with 10 % of the passengers.

Air China commenced scheduled operations from/to BIA from February 2015, connecting China's cities of 'Chenhghu' and 'Wuhan'. Austrian Airlines resumed operations between Austria and Colombo in October 2015 after a lapse of eight years. The frequency of flights between Vienna of Austria and Colombo will be one per week. Malindo Air commenced operations from/to Kaulalampur of Malaysia to Colombo and the frequency of flights will be two flights per week. These three airlines' commencement following bilateral talks between Civil Aviation authorities of both countries will act as a catalyst for Sri Lanka's tourism industry as most tourists of these countries prefer to spend their holidays in Sri Lanka.

With this commencement, BIA's scheduled operators increased to 29.

Relentless Growth in Air Traffic Statistics at BIA

BIA experienced a constant increase in passenger traffic in 2015, with the highest recorded 8,503,066 passengers using BIA. It was an impressive 9% growth over the previous year. Since the Civil war came to an end in 2009, the tourism influx to the country has grown exponentially, and the new routes that BIA's network has gained as an emerging market has contributed tremendously for this upsurge. All these new routes have been resulted from the bilateral agreements that Sri Lankan relevant authorities have entered with other nations of the world. During 2015, Sri Lanka has entered into new bi-lateral agreements with 05 countries namely, Cambodia, Morocco, Scandinavian countries, Ruanda and Nigeria; while the amendments were done for 09 other bilateral agreements.

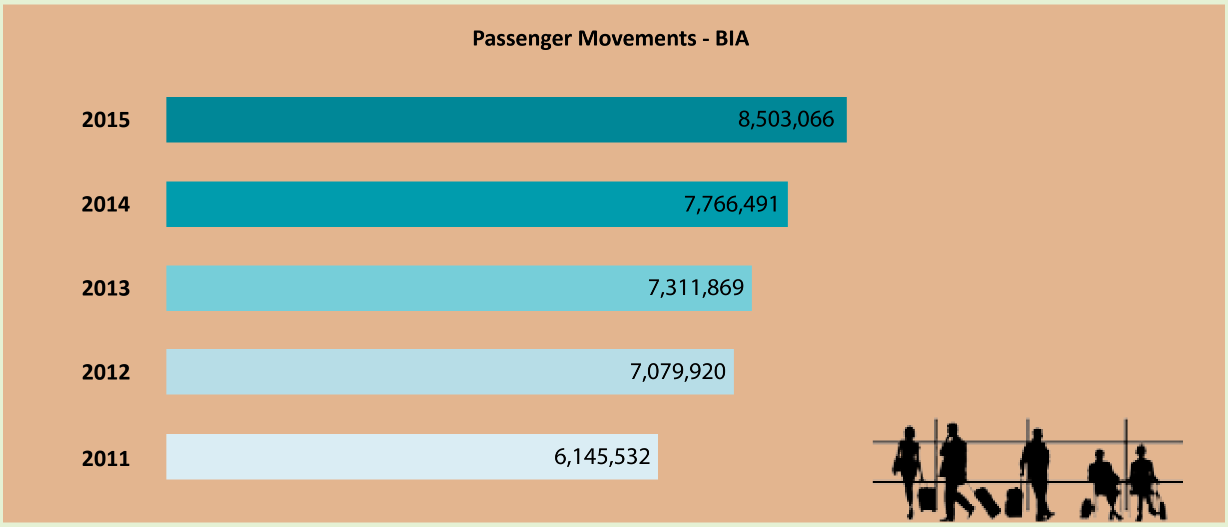
This is the first time in the history that the total passenger count surpassed 8Mn ever and tourist count reached to 1.8Mn levels. Destinations in India and China P.R. (inclusive of Hongkong) recorded the highest increase in tourist count while strong growth was recorded on the routes to Asia(East & West) and Western Europe. When the total passenger and total aircraft throughput was analysed, it was evident that, BIA is moving towards consolidating its position as a hub in the South Asian Continent. 30% of Passengers to/from BIA flew to/from SAARC Countries while 40% of aircraft movements also were connected with SAARC destinations during the year under review.

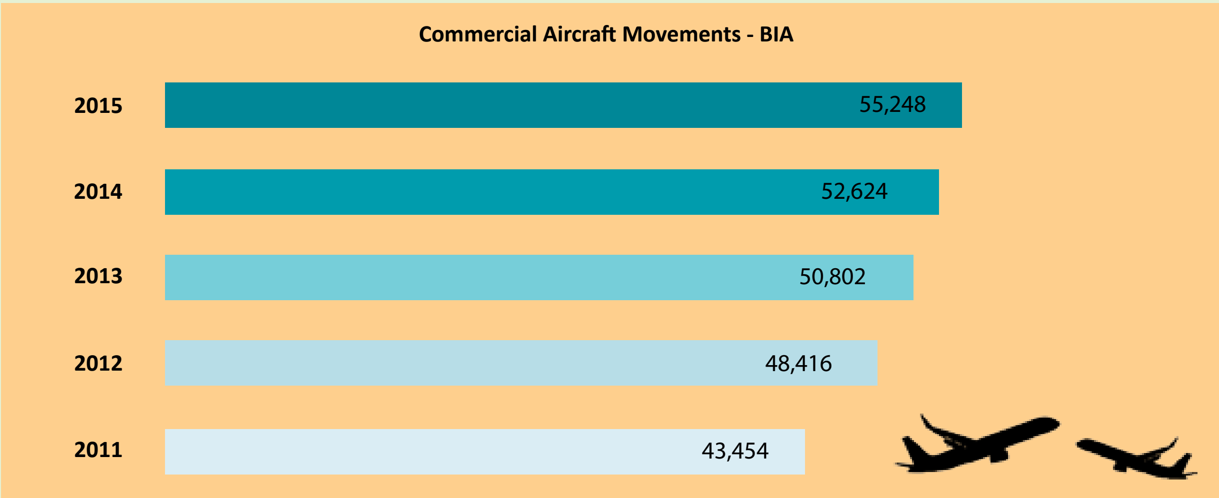
Over the year in review, 29 scheduled Airlines have used BIA, flying to and from 43 Cities around the world. In all, there were 1,062 flights per week.

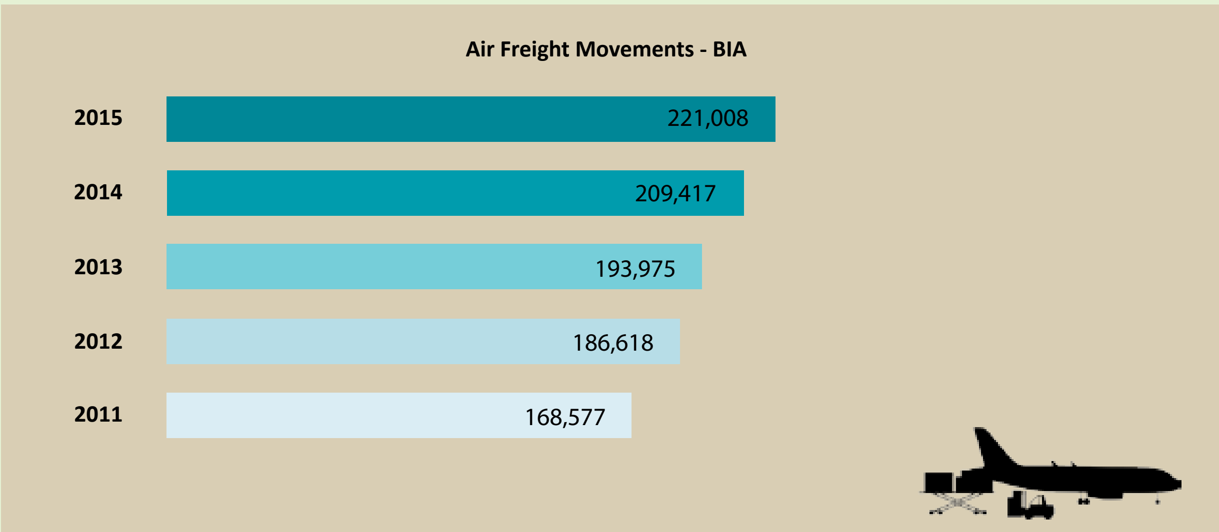
In addition to the national carrier Sri Lankan Airlines, existing Full Service Carriers (FSCs), such as Emirates Airlines, Jet Airways & Indian Airlines continued to expand their operations and marked an overall growth of 3% by FSCs. The incline marked by Low Cost Carriers (LCCs) was expanded to 16%, compared to the 1% recorded during 2014 for the same. The composition of FSC:LCC was 86% : 14% during the year under review.

The total throughput of cargo handled during the year under review was 221,008 MT. The export cargo increased by 2% and import cargo by 11%. The year on year total cargo growth was 5% and this was a slow growth compared to the year on year (y-o-y) passenger growth of 9%.

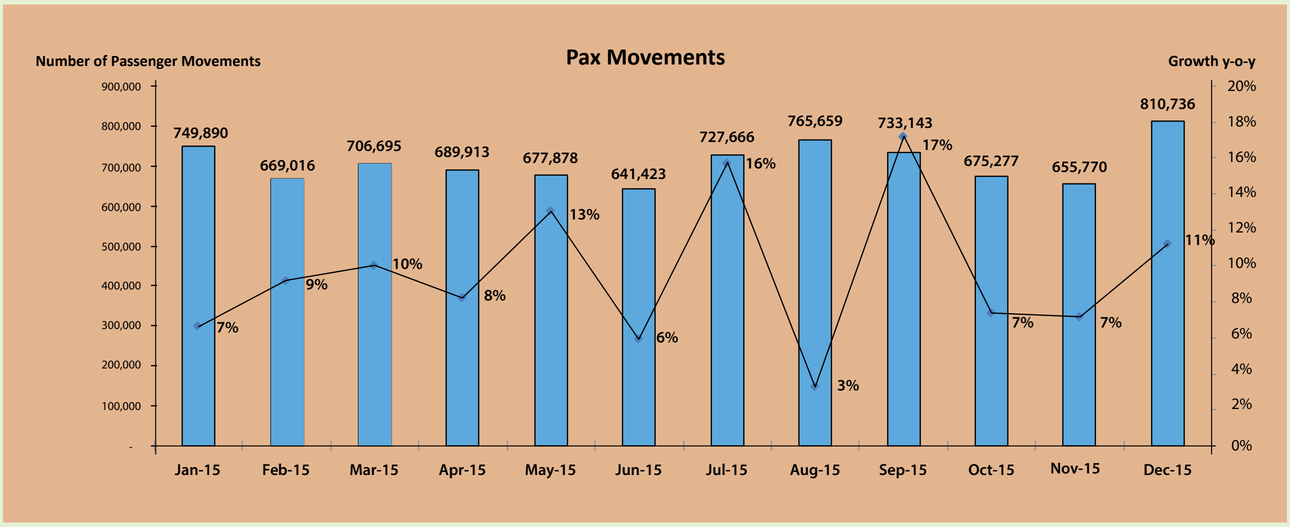
Air Traffic Statistics
By Year

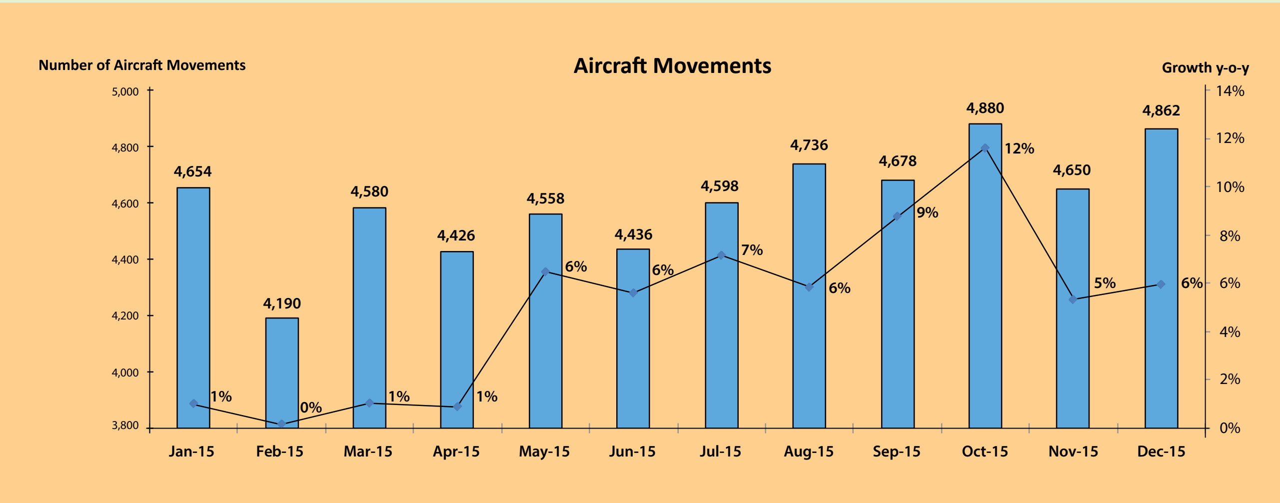


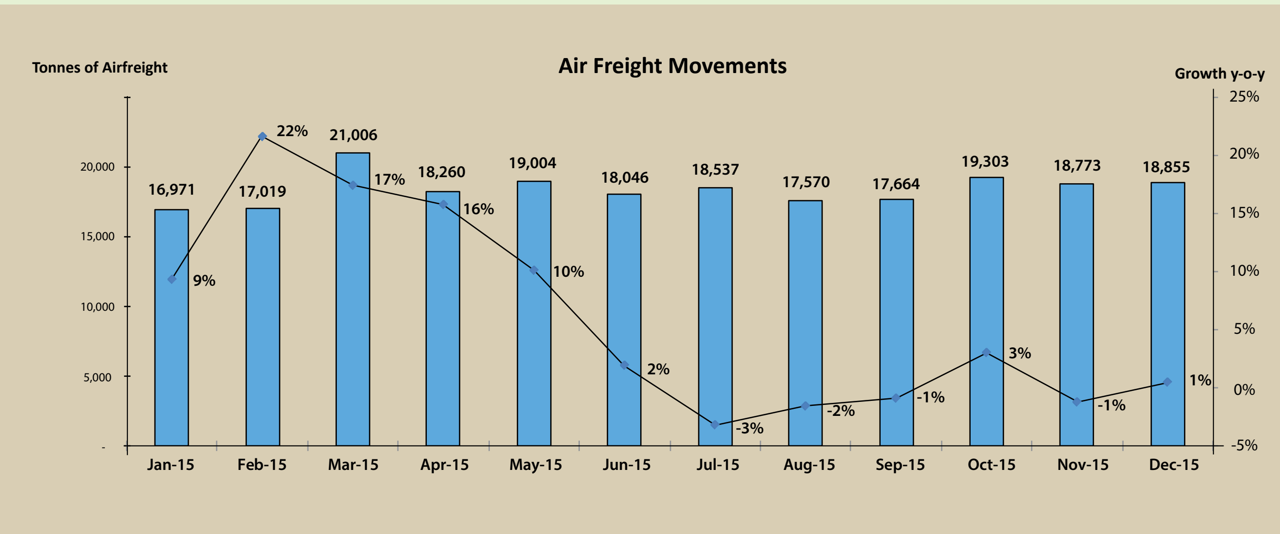




Air Traffic Statistics
By Month







Passenger Traffic by Airline

	Airlines	2015	Change in % (y-o-y)	Share in %
1.	Sri Lankan Airlines	4,327,254	4.3	51
2.	Emirates	839,753	17.6	10
3.	Qatar Airways	517,994	23.5	6
4.	Mihin Lanka	513,713	8.1	6
5.	Fly Dubai	204,743	19.7	2
6.	Jet Airways	194,325	77	2
7.	Air Arabia	165,288	3.7	2
8.	Etihad Airways	163,174	7.3	2
9.	Cathay Pacific	161,331	-17.4	2
10.	Air India	157,626	55.5	2
11.	Others	1,257,865	12	15
		8,503,066		**100**

Overflying Movement Growth in the Colombo FIR

Year	Number of Overflying Movements	Growth % (y-o-y)
2011	**22,746**	**12%**
2012	**23,835**	**5%**
2013	**27,529**	**15%**
2014	**31,600**	**15%**
2015	**32,694**	**3%**

1 *Cabin Crew staff of 'Air China' at the welcome Ceremony for the airline in February 2015*

2 *BIA's welcome for 'Malindo Air' when it started operations at BIA in December 2015.*

3 *Water Salute Welcome for 'Austrian Airlines' when it resumed operations at BIA in October 2015*

4 *Front view of the MRIA Passenger Terminal Building*

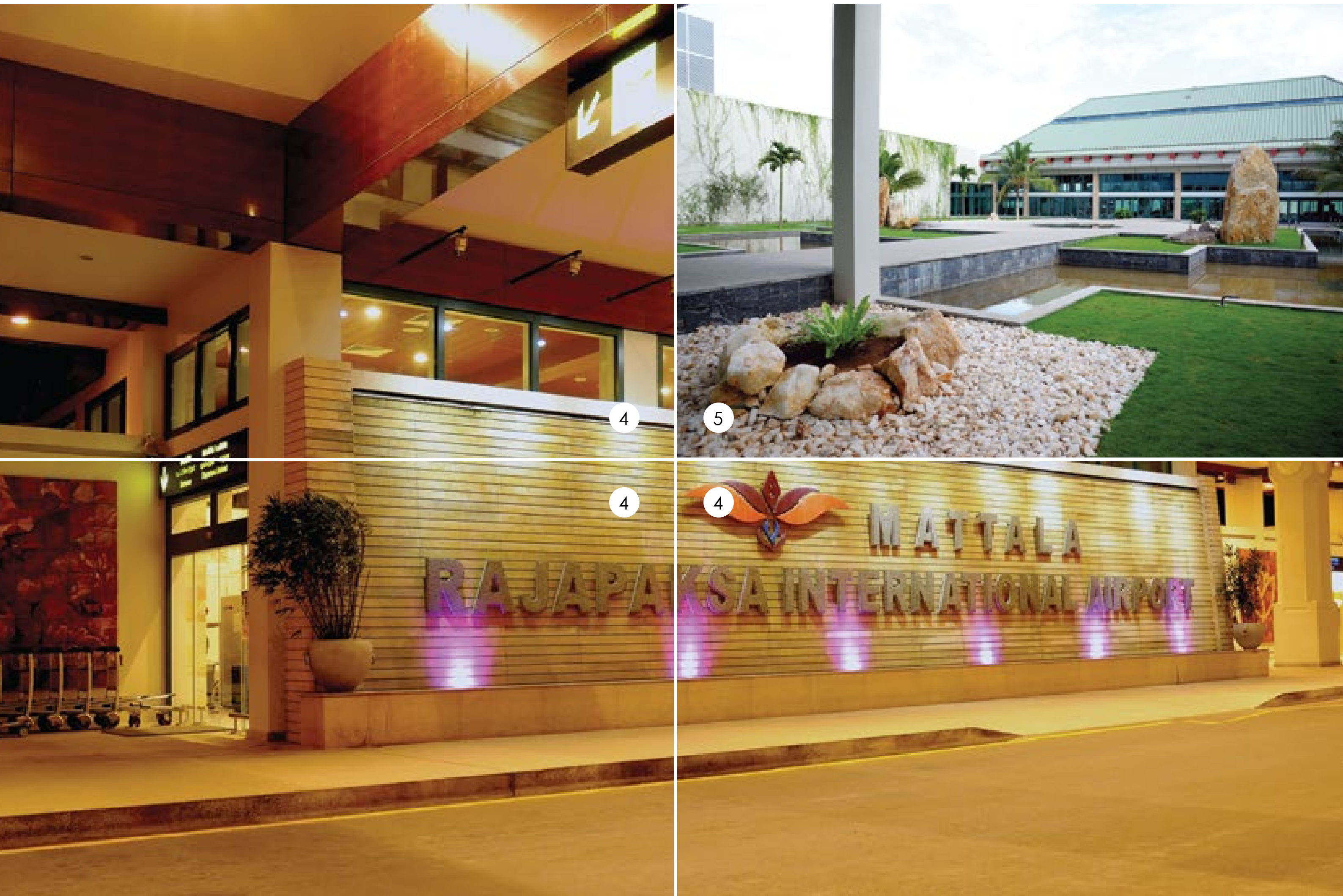
5 *Courtyard of MRIA*

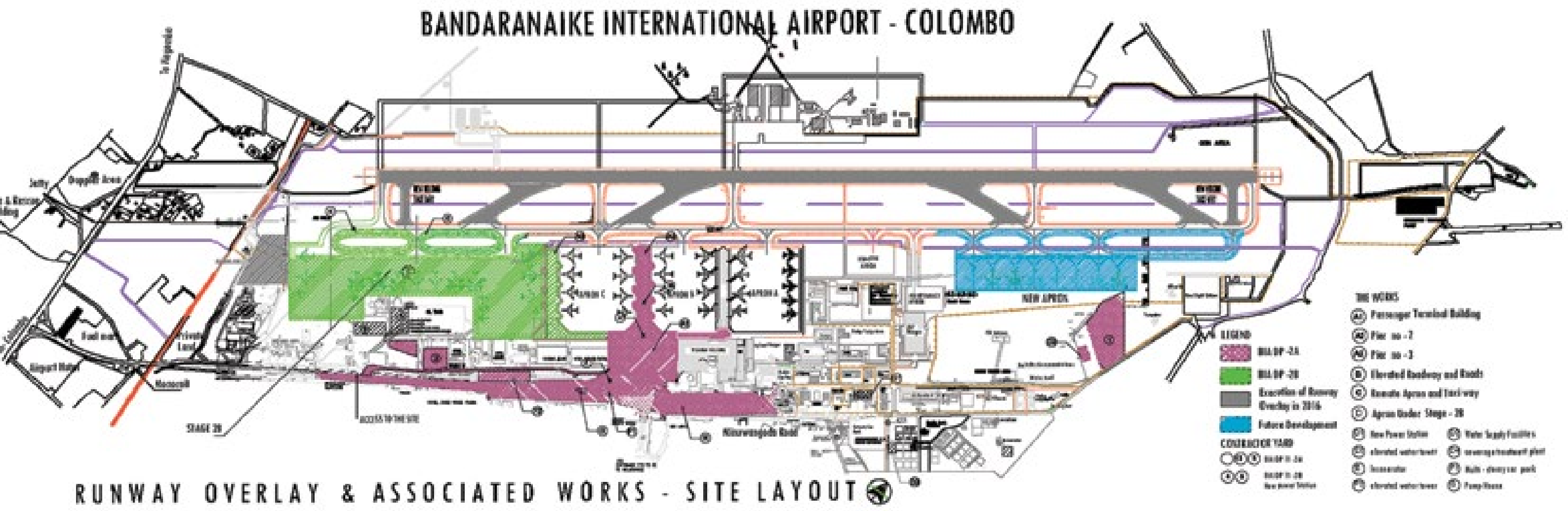
MRIA Operations

With the curtailment of operations of the national Carrier from /to MRIA from January 2015 to optimize their profitability, MRIA's air traffic statistics have been significantly dropped to 910 aircraft movements in 2015 compared to 2,734 of the same in 2014; while passenger movements were 5,736 in 2015 compared to 40,386 in 2014. 'Fly Dubai' and 'Rotana Jet Aviation' are the only two scheduled operators operated at MRIA at present. However, it is evident that the growth rate of overflying movements within the Colombo FIR has been higher than that of the industry as a whole as well as historical extrapolation (as shown in the table-1 of page 9) after MRIA's commencement. Consequently, GOSL pursues better investment opportunities while looking at other possible alternatives for the new airport which carried out Commercial Operations as an international airport for little longer than two years from its inception on 18th March, 2013.

As In most cases, in case of MRIA too, it was not immediately obvious how the operational capacities could be better utilized. Not only the post inception period, even the pre-inception period was fully attempted to increase the market share and to turn its performance around. However, both GoSL and AASL have realized that the MRIA's market share in the global aviation market is too small to be competitive and continuing to maintain an operation is going to require large investments in equipment, advertising and marketing to remain viable. Therefore, GOSL has elected to invite for external funding with business proposals for potential business avenues for MRIA, rather than invest the monetary and management resources.

Accordingly, AASL is in the process of calling for Expression of Interest (EOI) for MRIA to carryout investments and commercial operations at MRIA. As the type of investments and commercial operations are not specified or limited in the EOI, AASL's degree of involvement in executing the responsibilities in core business activities in the areas of Air Navigational Services, Fire and Rescue operations and Security will vary, depending on the nature of investment and the terms of the agreement.





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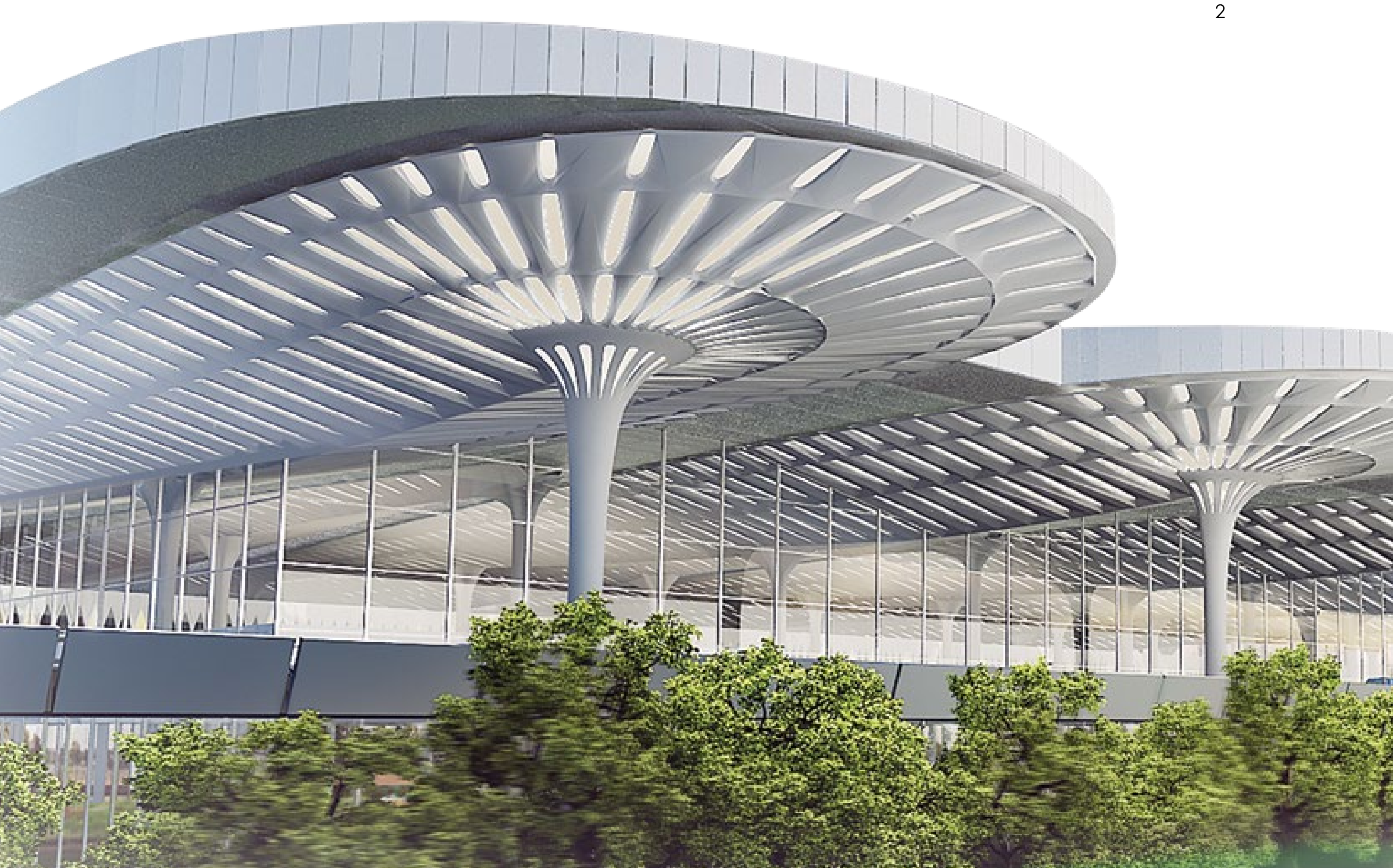
Runway Widening, Overlay and Associated Works at BIA

Runway upgrading of BIA is being a longstanding requirement, as there were no major upgrading work carried out since it was constructed and opened for operations of flights. AASL's attempts in driving the project were not succeeded in the past due to various reasons. In mid 2015 AASL/GOSL decided to upgrade runway of BIA to meet next 20 years requirement which includes strengthening of existing pavement and widening of the runway and introduce several Rapid Exit Taxiways (RETs) and by pass taxiways to improve the efficiency of the runway and taxiway systems.

Overlay of runway and taxiway together with upgrading AGL system from CAT II to CAT I will improve safe operations of aircraft. RETs and bypass taxiways will increase the number of aircraft handling per hour enhancing operational efficiency. Widening of runway and taxiways will facilitate the handling of new larger aircrafts such as A380 at BIA. The project is scheduled to commence its construction on January 6, 2017 and will span for a period of 12 months, during which the runway operations will be restricted.

2



Re-scheduled New Terminal (T2) Project

Although bidding for the second new Terminal (T2) at BIA for an additional handling capacity of 6 Mn passengers per annum (mppa) was launched in 2013, it was subsequently cancelled to optimize output in order to meet the projected passenger influx to the country. Consequently, a re-design took place to accommodate a passenger handling capacity of 9 mppa out of this T2 Project. The contract was signed for the detailed design of the 9 mppa development project of BIA in March 2014, but the consultant failed to complete the structural design of the roof frame and other works, within a schedule time frame of 10 months.

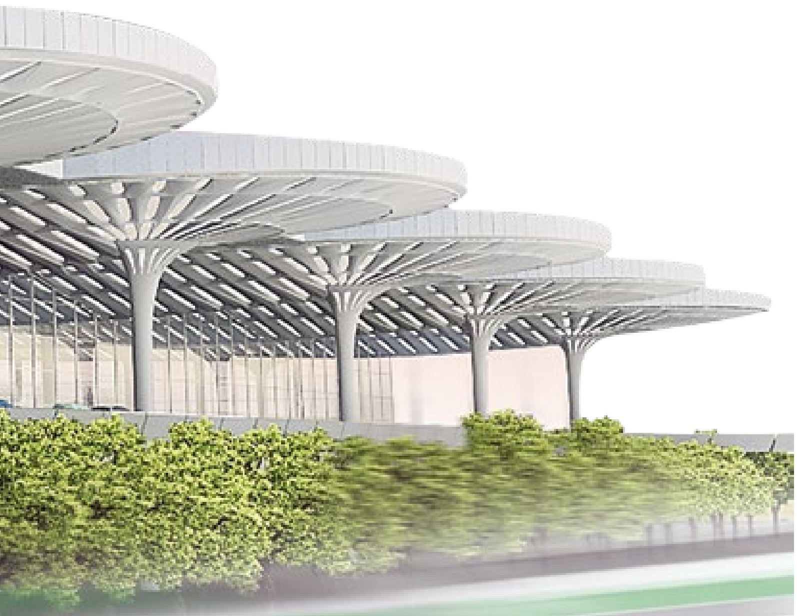
As a result, the consultant was entrusted with the task to design a simplified roof frame to avoid further delays in completion of the detailed design of the terminal and associated works. The project is funded with Japan International Corporation Agency (JICA) ODA loan, and for the first time in the history of Sri Lanka, a Loan Agreement (SL-P104) was signed between JICA and AASL, a Government Agency on March 28, 2012; as the first loan agreement to execute the above mentioned original plans. As the cost was escalated along with the design changes, the second Loan Agreement (SL-P114) was signed on March 24, 2016.

This US$ 560 Mn mega investment consisting of eco- friendly features, improved architectural and interior finishes, exciting retail and dining outlets, will enhance the refreshing travel and retail experience of passengers. Increasing the circulation space in the transit area by 6,000 sqm. will increase the handling capacity of Transit passengers while creating a lively ambience at BIA. The total passenger handling capacity of BIA will be enhanced to 15mppa on completion which is scheduled by early 2020. Further, this T2 will feature facilities for "barrier free" access to all passengers.

In addition to the multi level main Terminal Building, two pier buildings with 16 numbers boarding gates each and 10 numbers bus gates would be constructed under the project. The vertically separated Arrivals and Departures of the Terminal Building, will provide a rapid exit to the Colombo Katunayake Expressway directly from the airport.

Expansion of Existing Passenger Terminal

The projected passenger throughput of BIA for the year 2016 will be 9.5Mn and 13.3Mn by year 2020. As the T2 project will open for public in year 2020, the congestion in the existing Passenger Terminal Building (PTB) will have to be obviously managed with all possible interim means. Remodeling of existing Arrival Terminal by shifting of duty free shops which are currently existing in the first floor to the second floor and rearrangement of Immigration area will release a space of 25,000 sqft required for passenger movements. Further, refurbishment of existing Arrival and Departure walkways along with additional shop spaces will be carried out to provide enhanced circulation space to passengers and visitors. Departure Emigration area also relocated to first floor of the Departure Terminal. Detailed designs and tender documents were completed for these restructuring of space during the year in order to select suitable contractors to carry out the tasks.



1 *Artist impression of BIA aerodrome once upgraded with Runway Overlaying and widening project*

2 *Artist impression of T2 Terminal at BIA after Construction*

Contribution towards Sustainable Aviation

AASL as the sole Air Navigation Services Provider is a member of the State Action Plan committee to reduce Green House Gas (GHG) emissions, spearheaded by the Civil Aviation Authority of Sri Lanka (CAASL) as a member state of International Civil Aviation Organization (ICAO) is a signatory to the ICAO convention to comply with all the resolutions.

ICAO resolution A38-18 governs the states to reduce emissions by 2% through a basket of measures, such as Air Traffic Management (ATM) and Infrastructure improvements, Aircraft Technology Developments, Sustainable Alternative Fuels and Market Based measures. To be in line with the ICAO Resolution, AASL upgraded the ATM system at the Colombo Area Control Centre (ACC), and was fully fledged in 2015. It meets with all requirements to provide efficient and safe Air Navigation Services for all the airlines flying through Colombo FIR. The multi tracking Radar system integrated with the satellite based Automatic Dependent Surveillance (ADS) and Controller Pilot Data Link (CPDLC) services enhance the operational efficiency of the Colombo ACC while enabling to handle the ever increasing traffic growth safely. Colombo FIR, in support of the sound surveillance system (ADS-C and Multi Tracking Radars) is able to facilitate the flight level changes necessary for 95% of overflying aircraft approximately to enhance their flight performance. This is an encouragement for the airlines to fly through Colombo FIR as it is user-friendly from many viewpoints.

Fuel saving and reduction of carbon emission has become a priority for the Air Navigational Services (ANS) division of AASL to serve the airlines for the sustainable growth in aviation. During 2015, many fuel saving techniques were adopted such as Continuous Decent Operation (CDO), Continuous Climb Operation (CCO), use of direct routes, user preferred routes, use of deferential runways, flex tracks and improvements in minimizing ground delays. Reduced Horizontal Separation (RHS) trials also was an important step adopted in reducing the spacing between aircraft from present 80 nm to 50 nm (RHS), which enables more aircraft flying at their optimum flight levels to ensure minimum levels in fuel consumption, carbon and noise emission.

The Approach Unit at BIA in 2015 initiated 90% CDOs which saved significant amount of fuel reducing Carbon emission from international Arrivals. The following table shows the Fuel Savings and Carbon Reduction through CDO, CCO and Direct Routes initiatives adopted by Air Traffic Controllers (ATCs) for Arrivals, Departures and Overflights separately. Increasing CDO achievement across the Colombo FIR by an average of just 5% will deliver over 26,000 quieter arrivals and save over 4,000T of CO_2 emissions.

1 *Top officials of Aviation Cluster who presented at the head table in the ATC Day held in Colombo, organized by AASL.*

SriLankan Airlines

2016

s. C.Tissera
Head of Air Navigation Services
Airport and Aviation Services (Sri Lanka) Ltd
Bandaranaike International Airport
Katunayake

Dear Ms Tissera

I write in response to the email sent by Mr. Sumith Tennakoon to the CEO of SriLankan Airlines. Many thanks for the good wishes and kind words on our achievement.

We at SriLankan airlines are humbled by the ranking, and only to be surpassed by Trans Asia Airways in the Asia Pacific region. SriLankan Airlines was placed above leading airlines in the region, thus making this achievement more the sweeter.

We think this is an outcome of a result oriented fuel saving process with many IATA recommended fuel saving initiatives. Flight operations has been sphere heading this process by constant dialog with all stake holders including pilots whose contribution has been the biggest. Recommended pilot techniques in accordance with Airbus green operation procedures has brought fuel burn saving of 1,700,000Kgs equals to CO2 emission of 5355 tons during operations in year 2015.

We are absolutely grateful for the immense support we as an airline has received from the Air traffic controllers thus far. Especially Colombo being the hub, it has definitely contributed to the saving of fuel in return reducing the emission. Please convey my sincere appreciation and gratitude to all the controllers for their unstinting support.

Also, we welcome your suggestion to have pilot-controller discussions which will pave the way to share ideas and also better understand each other's constraints. We shall give our fullest support to continue these discussions.

Furthermore, Flight operations Fuel management section which monitor and manage the fuel saving and CO2 emission and will start a dialog with you to get the support for further improvements.

We, at Flight Operations look forward to your continued support not only in saving fuel, but reducing the impact on the environment, thus making our beloved country greener.

Thanking you

Yours sincerely
SriLankan Airlines Limited

Rajind Ranatunga
Head of Flight Operations

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Company Reg.PB 67

Fuel Savings and Carbon Emission Reduction in the Colombo FIR

Aircraft Phase	Total Aircraft in 2015	Initiatives By ATC	Fuel savings (Tonnes)	Carbon Reduction (Tonnes)
Arrival	26,626	90% CDO (60kg)	1,437	4,530
Departure	26,643	CCO with Direct Route (50kg)	1,333	4,197
Overflight	32,912	Direct Route (50kg)	1,645	5,180
Total			**4,415**	**13,907**

Safety and Security

Ensuring safe and secure airport operations is an important part of the role plays by AASL as manager and operator of the airport, and developer of the Sri Lanka's aviation hub. To provide passengers with a safe and seamless experience, and airport partners with a sustainable and conducive work environment, AASL's aerodrome Safety, Airport Emergency Service and Aviation Security units work together with the airport community to ensure that all stakeholders in the BIA aerodrome uphold strict safety and security standards in all aspects of operations.

In the year 2015, as per the directives of the Director General of Civil Aviation (DGCA), the Aviation Security Policy and Regulatory Section of the Civil Aviation Authority (CAA) conducted an Audit at BIA, for the issuance of Service Provider Certificate as per Civil Aviation Act, No. 14 of 2010. The objective of this audit was to assess the implementation and effectiveness of Aviation Security Measures by AASL as the Aviation Security Service Provider. The audit was conducted from 23rd to 31st March 2015 and AASL Security Division submitted the duly completed "Corrective Action Plan" for each finding at this audit. In order to incorporate the Corrective Action Plan for the Airport Security Programme (ASP), Security Division commenced the revision of 4th edition of ASP.

Aerodrome Safety

The Safety Management Unit oversees the effective implementation of AASL's Safety Management System and ensures continued compliance with regulatory safety requirements at BIA, MRIA and RMA airports. To this end, the Safety Management Unit performs stringent monitoring of safety performances of operational divisions within the 3 airports' aerodromes, and conducts regular audits on these divisions.

Airport Emergency Service

The Airport Emergency Planning Committee is the main forum to develop, distribute and amend the Airport Emergency Plan (AEP) for BIA, MRIA and RMA. This Committee will endorse any amendments to the AEP. The

Committee meets once in 02 months or as and when necessary.
The Emergency Plan of BIA, MRIA and RMA is tested regularly by conducting emergency exercises. A full-scale emergency exercise is conducted at intervals not exceeding two years and a partial emergency exercise is conducted in the intervening year to ensure that any deficiency found during the full-scale aerodrome emergency exercise has been corrected. De-brief sessions are conducted by the Emergency Planning Committee immediately after each exercise conducted. A Full- scale emergency exercise was successfully carried out on 24th of November, 2015 at MRIA as first of its nature from its inception.

Public Health Emergency Preparedness Plan of BIA

World Health Organization (WHO) assists member states in building and strengthening core capacities at points of entry to face any Public Health Emergency of International Concern (PHEIC). WHO regional meeting on International Health Regulations core capacities at points of entry was held in Colombo from June 23rd to 25th , 2015. Regional delegates visited BIA for a first hand look at the level of core capacities and preparations which were put in place at BIA and were impressed with level of preparedness at BIA for any PHEIC compared to other regional airports.

Full Compliance with ICAO Medical SARPs

In accordance with Civil Aviation Standerd and Recommended Practices (SARPs), annexure 09 to the Chicago Convention (facilitation), all international airports are required to maintain facilities and services for emergency medical assistance of passengers. Until April 2015, Medical Unit was providing emergency medical services to all other airlines with partial assistance of Sri Lankan Airlines. With taking over of provision of emergency medical services to all Sri Lankan Airlines passengers and in flight crew from April 2015, Medical Unit becomes the sole medical care provider at BIA and MRIA, complying fully with the ICAO medical SARPS. As a result of this take over passenger numbers seeking services of Medical Unit of AASL has increased by 50% with the proportionate increase in revenue generated.

Technology Upgrades

An investment of Rs 166 Mn made to install Doppler VHF Omini Range (DVOR) and Distance Measuring Equipment (DME) at BIA was brought to operational conditions in September 2015. DVOR located at or near an airport not only provides bearing information for an approach to that airport, but also provides en-route bearing information to aircraft overflying or using the airway on which the DVOR is serving. The DVOR system can be co-located with DME to form a DVOR/DME Station. Then an aircraft can determine its position by referring to the location of a single DVOR/DME station. This was a replacement made for the DVOR/DME equipment which was installed in 1985 to improve reliability and availability of the services provided to aircraft while enhancing safety.

The other infrastructure upgrading projects which are on cards are shown under “Projects in pipeline for the next 5 years” in page 26 of this review.

1 *The first full-scale emergency exercise carried out at MRIA in November 2015*

2 *Doctors of BIA’s Medical Unit operated by AASL providing an emergency medical service to an on-board passenger of A380 aircraft*

3 *Counterpoise of DVOR/DME System replaced in 2015*

Airport Property

Airport Property provides high potential business investment for tenants, while providing essential space for the effective operation of the airport itself. AASL manages a portfolio of airport properties namely, Offices, Airside Support Facilities, Airline Lounges, Warehouses, Airline Check-in Desks, Ground Handling Accommodation, Fuel Facilities, Crew Reporting Centres and Aircraft Hangars, spaces on antenna mast building for Communication Operators. Total commercial property spreading across a space over 4 Mn sqm. and this commercial accommodation is utilized by more than 400 tenants at BIA. All these 400 businesses are heavily reliant on the quality of our property management, the availability of accommodation and our commitment to providing choice, quality, hospitality and value for money.

By having business presence at BIA, the tenants enjoy the benefits of access to diverse client base, Lease flexibility, published rental guidelines, dedicated on-site support, emergency and security services, 24 hour access to banking, gastronomy facilities and high street shops, utilities and services which are designed to keep the airport functioning and also the brand reputation of BIA.

Revenue from property and associated operational facilities currently generates over Rs 6 Bn per annum.

Opportunities in the Retail and Properties Segment

BIA's Gross Retail Sales improved to Rs 19.2 Bn compared to Rs 15.2 Bn recorded in the FY 2014. The Concession Income earned as a percentage on pre-determined rates out of the gross retail sales at the BIA Duty Free is the second-largest revenue component in AASL's revenue structure. The largest contributor at BIA's Duty Free is the segment comprising of Liquor, Tobacco, Confectionaries & Perfume, posted an annual increase of 24% in the year 2015 with a US$ 87Mn Gross turnover comparative to the previous year. The second and third-largest segments, namely, Electrical, Electronic & Home appliances sector and the food and beverages segments recorded a 7% and 75% growth with US$ 33 Mn and US$ 5 Mn gross turnover respectively. These three segments together contribute to 85% of the Gross Retail

1 *Passengers visiting the outlet of one of the largest retail duty free operators -'World Duty Fee' during their Christmas Sales promotions*

2 *Burger King, new F & B brands at BIA*

3 *Serendib Lounge operated by Srilankan Airlines at BIA*

4 *Pavers England, new international footwear and leather products entrant at BIA*

5 *Shelves arrangement of 'Spa Ceylon' at BIA, one of Sri Lankan brands presented internationally in the luxury Ayurvedha Product Category*

Income in US$ terms. Burger King's arrival as a leader in global fast food chain in March 2015 and Pavers England's arrival in November 2015 as a global player in footwear category were two remarkable international entrants to the BIA's Duty Free market during the year.

Out of the rest of the segments, the highest performing segments were, Gem and Jewellary sector, Apparel sector and Tea and Coffee segment which recorded a growth of 7 %, 11% and 19% in Gross turnover compared to the FY 2014. It was found that Transit passengers opt to travel via the BIA in order to avail themselves the opportunity to purchase world renowned Sri Lankan Gems, Jewellery, Tea and handicrafts.

AASL's net retail income per passenger improved by 7% from Rs 437 to Rs 469.

As majority of the agreements with concessionaires get expired within the first quarter of 2016, the documentary work to go for national competitive bidding was started during the last quarter of 2015. The revenue is expected to shoot-up through this process. A premium will be introduced for the bidders to bid, as airport prime commercial space offer the tenants many add-on features as explained under the "Airport Property" above.

1

2

CATC, Consolidating the Position as a Trainer for Aviation

While enjoying and delivering the benefits gained through TRAINAIR PLUS full membership which was renewed till December, 2018 and further explained under HRM Review of this report, Civil Aviation Training Centre (CATC) is in continuous pursuit to ensure that CATC creates the right talent pool to meet the demand of the industry. Accordingly, CATC hosted the first “Industry Interaction Forum to Ascertain Training Needs” in August 2015; mainly targeting the Aviation Diploma students as key beneficiaries. The key employers in the industry shared the human resource development needs of the respective organizations with a special emphasis on vacuums in aviation expertise at entry level.

CATC, The training arm of our company, is now gradually emerging as a regional training provider and the new Facility and Administration Building opened in April, 2015 at a cost of Rs 85Mn, would provide the much needed commercial interface demanded by a modern day business establishment. The new building houses a new Information Resource Centre and a new Auditorium. The Information Resources Centre is a formal upgrading of the existing library to a fully-fledged Library in Civil Aviation which will also be open to the general public. The new Auditorium has state of the art audio-visual facilities and will serve as a venue for industry events for the dissemination of knowledge in Civil Aviation in years to come. It also accommodates the work place of the academic and administrative staff having state of the art office automation facilities. With these capital assets acquiring CATC could assure providing greater services to its stakeholders. Further, the hostel building of CATC which could accommodate 48 residential trainees also was refurbished during the year at a cost of Rs 12Mn.

Since gaining full membership in the TRAINAIR PLUS programme, CATC Sri Lanka is gradually emerging as a regional aviation training institution. During 2015 it has provided training to growing number of airport operational personnel from Maldives and Nepal. Total Number of foreign trainee throughput was 6,660 hours. The foreign exchange earnings through providing training were US$ 106,808. Rs 632,220 was earned through local commercial training by allocating 10,164 trainee hours as local trainee throughput.

1 *Gate Number R5 at the Departure Terminal opened for Domestic Passengers with a waiting area and other facilities at an investment of Rs 64Mn*

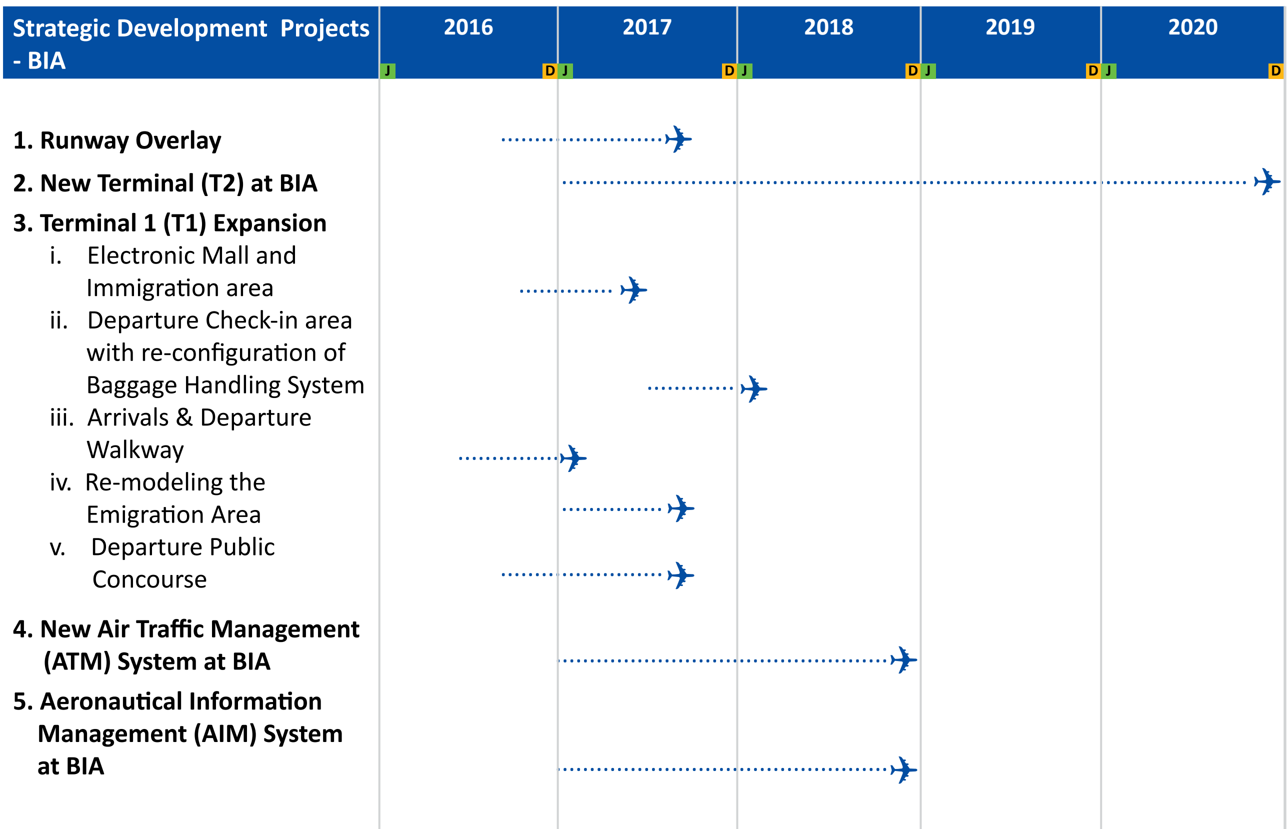
2 *Industry Interaction Forum hosted by CATC*

3 *Interior outlook of the new Facility and Administration Building at CATC*

4 *His Excellency President of Sri Lanka, Maithripala Sirisena chairing a meeting at AASL's Board Room with top officers of Ministry and AASL to discuss the development activities of BIA*

Key Projects in the Pipeline for the next 5 years.

Timelines of key projects planned for the next 5 years are shown below from the month of awarding the contract to the selected parties till the full completion of the project.



Financial **Review**

Performance Overview

The 2015 financial year showed a mixed scorecard in terms of AASL's key financial parameters. The Total Turnover of AASL of Rs 15.7Bn, improved its previous best by over Rs. 1.8 Bn when compared to the previous year, and the year on year (YoY) growth in Total Turnover was 13%. The expenses grew up to Rs 10.1Bn from Rs.9.4Bn with a 7% YoY increase. Consequently, the operating profit was recorded as Rs 5.5 Bn for the financial year 2015 compared to the Rs 4.5Bn in 2014. However, this year's exchange loss on loan conversion amounting to Rs 3.5 Bn affected adversely on AASL's profitability as Profit After Tax (PAT) plummeted disproportionately during 2015 by 76% from Rs 3.4 Bn in 2014 to Rs 817Mn in 2015. However, no hedging mechanism could have adopted to arrest this exchange loss.

The expansion of Full Service Carriers (FSCs) was a key driver of passenger growth at BIA. Passenger traffic on FCCs grew moderately by 9%, while continued to contribute the bulk of passenger traffic accounting for 87% of the BIA.

The incline of Low Cost Carriers (LCCs) was reported as 16% and the growth in passenger volume of LCCs was 10%.

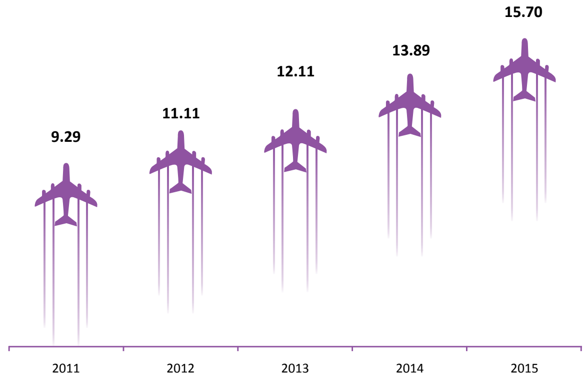
Turnover

The above mentioned increase in Total Turnover is mainly attributable to increase in Non-Aeronautical Income by 12% over the previous year which accounted for 75% of our total revenue.

The Development of AASL Total Turnover over a five year period is analyzed below.

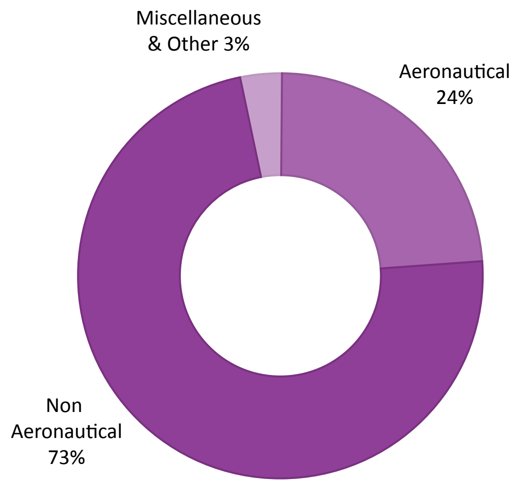
The biggest contributor to AASL's turnover in the year under review was the Embarkation Levy, which accounted for 26% of turnover in the year under review.

Development of AASL Total Turnover (Rs. Bn)



AASL's key revenue segments and their share of contribution to the company's Gross Revenue is highlighted below.

Company Revenue Structure 2015



The Concession Income which recorded a significant increase of 19% in income was the second largest contributor to AASL's turnover, accounting for 23%. Other main contributors to the turnover were Rental income, Landing and Parking income and Overflying income which contributed 16%, 16% and 6% respectively. They recorded a turnover growth of 7%, 14% and 9% respectively.

If we further analyse the movements which resulted in enhanced revenue, the maximum take-off weight (MTOW), which is the key parameter of Landing and Parking income, accelerated by 13% during this year from 3,768,962 MTOW in 2014 to 4,275,465 MTOW in 2015, while overflying movements moved upwards by 3%

(from 31,600 to 32,694 movements). However, the percentage growth of overflying income is not equal to this percentage growth in movements as the overflying income is varied on pre-determined slabs made up of MTOW of overflying aircraft.

Revenue Earned from Overseas Domiciled Business Operators

Out of total operational revenue, 36% is earned from Overseas Domiciled Business operators operated from/to/at BIA and MRIA amounting to Rs 5.5Bn. This is the total invoiced value of AASL out of all foreign airlines and foreign duty free operators operated at the two airports in foreign and local currencies. When the income sources are accumulated based on the country of domicile of those Overseas Domiciled business operators; Italy, India, UAE, Qatar and Singapore are the top 5 countries from which AASL earns a revenue over Rs. 180Mn in the year under review. In 2015, a triple digit exceptional growth was recorded in this particular income category from China with a record growth of 177%, while a double digit growth in income was recorded, with an income over Rs 100Mn by UAE (22%), India (20%), Qatar (53%), and Indonesia (41%). 'Air China' Airline's scheduled operations with BIA from February 2015 with the enhanced tourist arrivals from China was the main contributory factor for the said exceptional accumulated invoiced total, earned from China out of all Chinese Airlines. The said double digit growth recorded by other countries was due to increase in their airlines flight frequencies to/from BIA and also the increase in overflying income, while the two largest retail duty free operators at BIA namely World Duty Free and Flemingo contributes for 99% and 91% of the consolidated revenue reported by Italy and India respectively.

The top 20 countries who account for our highest absolute revenue earned from Overseas Domiciled business operators in the year 2015 & 2014 with their share of operational revenue, absolute revenue growth with percentage growth and the country's rank based on absolute revenue earned from Overseas Domiciled business operators are listed down below.

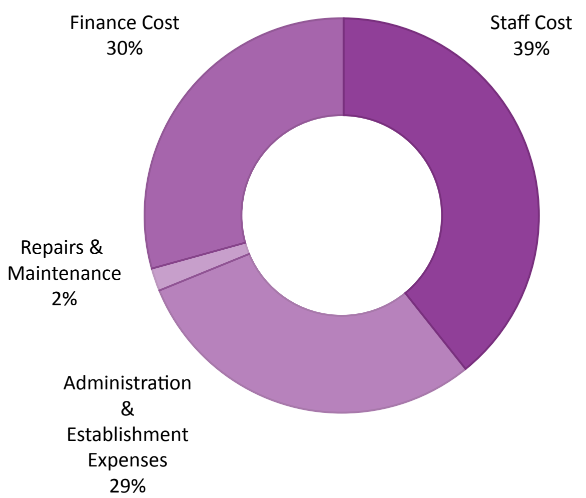
Revenue Earned from Overseas Domiciled Business Operators based on Country of Domicile

Country	Revenue 2015 Rs.	Share of Operational Revenue 2015	Revenue 2014 Rs.	Share of Operational Revenue 2014	Revenue Growth absolute	Revenue Growth %	Rank on Absolute Revenue 2015	Rank on Absolute Revenue 2014
ITALY	1,561,084,256	10.26%	1,539,216,873	11.31%	21,867,383	1%	1	1
INDIA	1,401,778,462	9.21%	1,171,112,751	8.60%	230,665,711	20%	2	2
UAE	846,232,218	5.56%	695,706,143	5.11%	150,526,075	22%	3	3
QATAR	370,001,077	2.43%	242,354,565	1.78%	127,646,512	53%	4	4
SINGAPORE	182,582,383	1.20%	173,465,880	1.27%	9,116,503	5%	5	7
HONG KONG	145,014,180	0.95%	190,323,554	1.40%	(45,309,375)	-24%	6	5
SAUDI ARABIA	144,687,991	0.95%	137,051,100	1.01%	7,636,891	6%	7	8
MALAYSIA	132,926,151	0.87%	125,567,259	0.92%	7,358,892	6%	8	6
UK	106,538,527	0.70%	126,830,847	0.93%	(20,292,320)	-16%	9	9
INDONESIA	100,301,605	0.66%	71,216,689	0.52%	29,084,916	41%	10	15
CHINA	72,889,095	0.48%	26,291,800	0.19%	46,597,295	177%	11	17
THAILAND	69,935,778	0.46%	54,732,836	0.40%	15,202,942	28%	12	10
TURKEY	58,119,434	0.38%	43,256,963	0.32%	14,862,471	34%	13	14
KOREA	56,184,791	0.37%	55,191,720	0.41%	993,071	2%	14	13
OMAN	48,230,274	0.32%	41,330,949	0.30%	6,899,325	17%	15	12
AUSTRALIA	47,359,418	0.31%	44,854,554	0.33%	2,504,865	6%	16	16
KUWAIT	47,050,592	0.31%	38,440,651	0.28%	8,609,941	22%	17	11
MALDIVES	26,233,879	0.17%	23,339,970	0.17%	2,893,909	12%	18	19
SOUTH AFRICA	24,453,164	0.16%	24,024,950	0.18%	428,214	2%	19	18
MAURITIUS	21,355,771	0.14%	20,549,700	0.15%	806,071	4%	20	20
OTHERS	32,892,701	0.22%	40,698,597	0.44%	(7,805,896)	-19%	NOT RANKED	
	5,495,851,747	36%	4,885,558,350	36%				

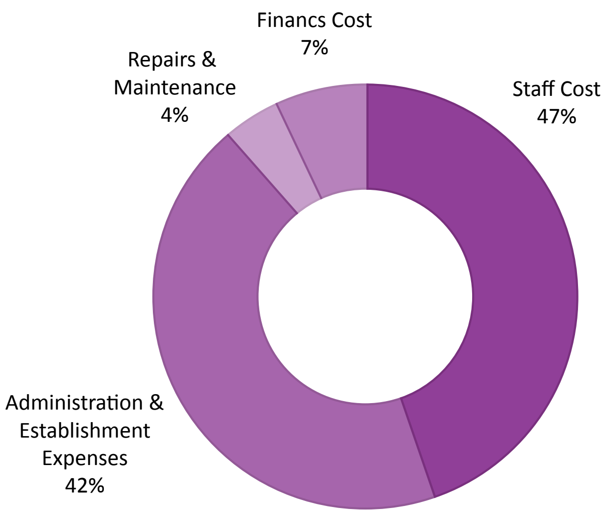
Operational Expenditure

Total expenditure grew by 7% to reach Rs.10.1Bn up from Rs. 9.4Bn in 2014. With tight Management controls over administration expenses, the cost to income ratio for the period under review contracted to a commendable 67% with as opposed to 69% evidenced in preceding year, even with a steep drop of commercial operations of MRIA in its third year of operation. This was after absorbing Rs. 1.5Bn Depreciation of MRIA out of Rs. 2.7Bn of total Depreciation of AASL. During the year the staff cost increased by 21% to reach Rs.4.7Bn up from Rs.3.9Bn in 2015. Repair and Maintenance expenses decreased considerably by 43% in the year under review compared to preceding year.

Company Expenditure Structure 2015



Company Expenditure Structure 2014



Net Finance Cost

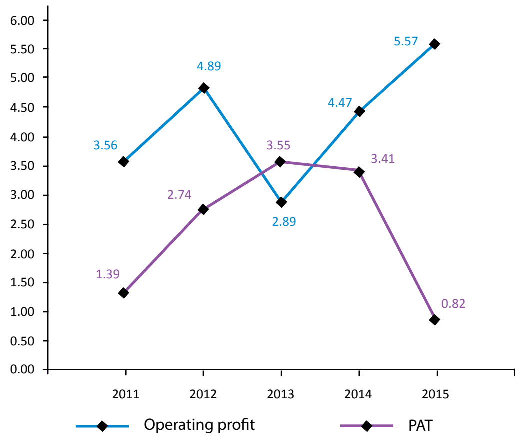
Net Finance cost comprises of two components, namely, costs involved in Long Term borrowing inclusive of Exchange Losses on Loan Conversion & Finance income. Comparative to last year, AASL experienced an exchange loss on loan conversion of Rs 3.5Bn as opposed to an exchange gain of Rs. 1.2Bn in the preceding year since largely affected by rupee depreciation. While the interest income depicted significant increase of 47% relative to the preceding year mainly due to increase of interest income on Treasury bill under Repurchase agreement.

Profitability

With the MRIA business model which is at its introductory phase, AASL posted it's historical best Operating Profit of Rs 5.5Bn, with a year on year (YOY) increase of 25%. However, Profit Before tax was Rs 2.38 Bn. And it was a 57% of YOY decrease & consequently Profit after Tax recorded in 2015 was Rs 817Mn with 76% YOY decline due to deferred tax implication on Asset base of MRIA as well as huge Exchange loss.

AASL's profit performance for the previous five years is analyzed below.

Profitability Rs. Bn



Cash Flow

The Cash generated from operations was Rs 8.2 Bn in the year under review and it was a slight drop of 1.8% from Rs 8.3Bn recorded in the previous year. Although, there was a major drop of 101% in working capital persists, it was not resulted in significant reduction in the cash flow and stood at Rs 8.2 Bn level. Cash outflow on account of capital expenditure amounted Rs 617Mn (out of which Rs.168Mn was for MRIA). (Rs. 1,234 Mn in 2014).

The net increase in cash and cash equivalents during the year was Rs 5,312 Mn (net increase of Rs 6,207Mn in 2014)

AASL possesses the necessary banking facilities to support its operations, cash generation from operations and available banking are adequate to finance working capital, capital expenditure, dividends and statutory payments.

Capital Structure

The AASL Capital structure is briefly set out below:

Share Capital	Rs	20 Mn
Reserves	Rs	10,992 Mn
Debt	Rs	37,730 Mn

Capital Structure

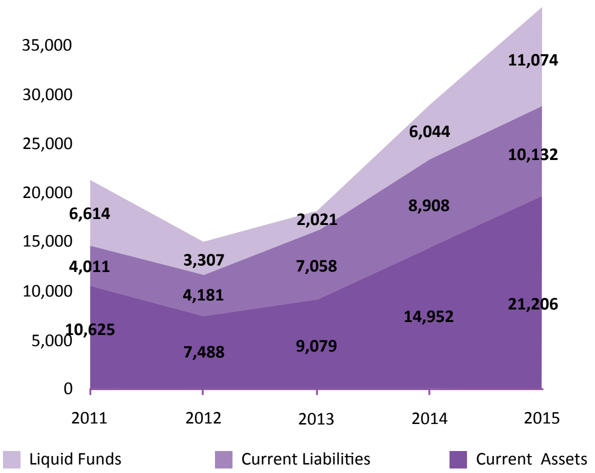
The company slightly increased retained earnings which comprise in above Reserves, by 5% compared to the previous year. The long term liabilities other than above stated Debt (Retirement Benefit Liability + Capital Expenditure grants received from the Government+ Deferred Tax Liability) increased by 23% due to increase in deferred tax liability compared to 2014.

Gearing Ratio

The gearing ratio, which is calculated as a proportion of the long term interest bearing borrowings to equity added to long term interest bearing borrowings, which is an indicative of the financial leverage of the company, marginally dropped to 67% for the FY 2015. It stood at 71% in 2014. Although this gearing ratio might make it seem as though the entity is highly leveraged, these borrowings are wholly consist of loans obtained through GOSL for the development of BIA under sovereign guarantee.

Working Capital

Company Working Capital Rs. Mn



Stakeholders' Wealth Maximization

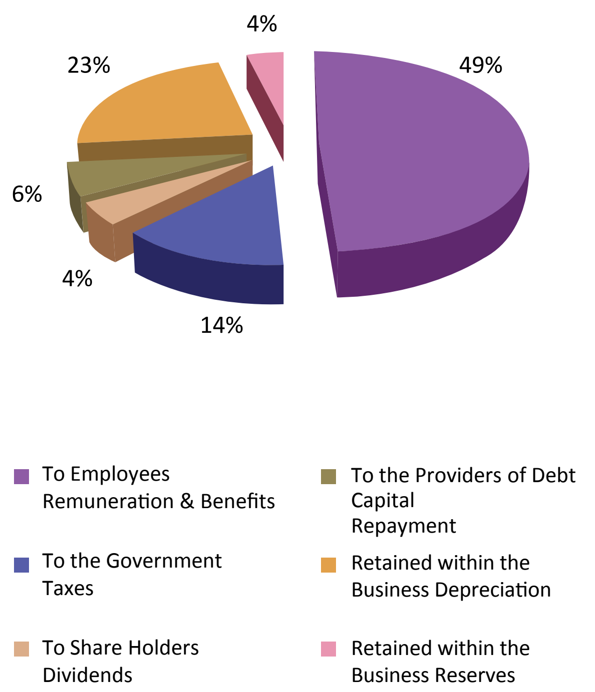
Value Addition for year 2015

The company's total value of Rs. 11.5Bn, for the financial year ended 31st December 2015, indicates a steep drop of of 17% compared to the previous year. This is mainly due to impact on profit due to exchange loss on loan conversion amounting to Rs 3.5Bn which leads to a value loss of Rs 4.5Bn over the previous year. It negates the impact of turnover growth recorded in 2015 amounting to Rs 1.6Bn over the previous year.

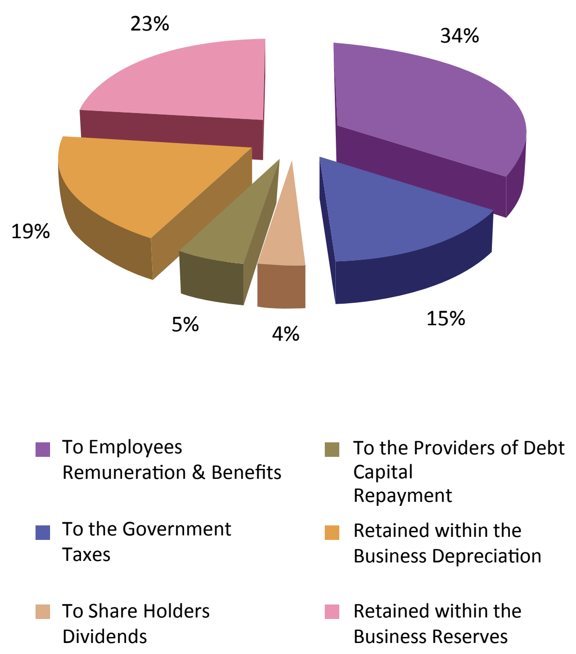
The following Statement of Value addition shows how the total wealth was created and distributed among employees, the Government of Sri Lanka (GOSL) and the providers of debt and equity capital. Also shown is the portion of wealth retained for reinvestment in operations by way of depreciation and reserves

		2015		2014	
		Rs.000		Rs.000	
Revenue		**15,218,760**		13,612,559	
Other Income		**479,508**		274,687	
Finance Income		**1,046,516**		710,949	
Gain arising on changes in Actuarial assumption		**124,515**		325,415	
		16,869,299		14,923,609	
Administration, Establishment & Marketing Expenses		**(1,818,866)**		(2,036,462)	
Exchange gain or (loss) on Financing activities		**(3,525,238)**		1,019,522	
Value Addition		**11,525,195**		13,906,670	
			%		%
Distribution of Value Added					
To Employees	Remuneration & Benefits	**5,657,710**	49%	4,728,971	34%
To the Government	Taxes	**1,561,270**	14%	2,084,315	15%
To Shareholders	Dividends	**497,000**	4%	500,000	4%
To the Providers of Debt Capital	Interest	**717,067**	6%	700,145	5%
Retained within the business	Depreciation	**2,647,778**	23%	2,656,110	19%
Retained within the business	Reserves	**444,370**	4%	3,237,130	23%
		11,525,195	100%	13,906,670	100%

Distribution of Value Added 2015



Distribution of Value Added 2014



Human Resource **Management**

AASL views Human Resources (HR) as a value creator having a high impact on the bottom line. Accordingly, AASL's HR strategy is designed to focus on a comprehensive corporate HR suite to enable it to establish a key differentiator in building competitively advantageous strategies for sustainable business promotion and goals. The overall strategic plan of the company mandatorily directed the AASL's HR strategy.

Recruitment and Selection

New Initiatives

Our recruitment process demands that all potential candidates are thoroughly evaluated to assess their skills and abilities to meet the future challenges faced by AASL. The comprehensive recruitment process ensures that candidates are assessed on their capabilities in multiple areas, including written, spoken, physical and practical aptitudes, where applicable. Further, a competency based interviewing techniques were adopted in recruitment. During the year, the company recruited 36 candidates to fill the existing cadre requirements of BIA and MRIA in the following categories.

Category	Number of Recruitments	Staff Strength as of 31/12/2015
Executives	11	259
Supervisors/Technical Officers	06	296
Clerical & Allied	07	690
Skilled & Semi-skilled employees	12	2,022
Minor & Unskilled employees	-	602
Casual & Trainees	-	3
TOTAL	**36**	**3,872**

Career Progression

During the year, 293 promotions took place, which led to upliftment and enhancement of performance. The committee appointed to look into the employees' grievances on Career Progression prospects concluded their study and submitted their report to the management for implementation during the year by consulting Human Resources Division, Trade Unions, Senior Management, all categories of staff as well as the Executive Directors.

The breakdown of promotions based on type is shown below.

Type of Promotions	**Number of Promotions**
Internal Recruitment	29
Lateral Promotion	104
Line Promotion	160
Total	**293**

Training and Development

An important aspect of retaining staff with the company is training and development.

All training imparted are assessed for effectiveness through participants' feedback as well as the Company's own evaluation process. Training opportunities are provided both locally (from internal and external sources) and overseas.

AASL fosters the learning habit and job related educational expenses and subscriptions for membership in professional bodies are reimbursed by the Company in a bid to promote knowledge acquisition and personal development. All participants who receive the overseas training opportunities are required to submit a report electronically to the commonly accessible file directory called 'e-library portal', whereby the knowledge sharing is promoted.

2,121 and 133 employees underwent external (local) and overseas training respectively during the year, all of which was funded by the company.

Our training calendar is extensive, comprehensive and includes programmes that are not only job oriented, but also designed for the development of soft skills and in creating the all round individual who will be an asset and a significant contributor to the success of the company.

Training	**Number of Trainee Hours**	
	2015	**2014**
Overseas Training	7,152	7,800
Local Training (in-house and external)	15,585	22,395
Total	**22,737**	**30,195**

The HR professionals of AASL carried out a workshop for non-HR professionals of AASL under the theme "Awakening HR Instincts in you" to unleash the potential of human resources, as AASL is a firm believer that HR instincts of superiors help to get the desired outcome from subordinates with less conflict and supervision.

Extended TRAINAIR PLUS membership for CATC

ICAO extended TRAINAIR PLUS membership of CATC for another 3 years as a consequence of an assessment carried out in September, 2015. The CATC is a full member of the TRAINAIR PLUS programme of the ICAO since 2012. TRAINAIR PLUS is a global cooperative network of aviation training institutions delivering high quality training and accredited by the ICAO. All the members in this network are thoroughly assessed initially by the ICAO and then reassessed once every three years. In this assessment, ICAO assessed the areas of instructional design, training delivery, training quality assurance, trainer quality assurance record keeping, documentation and training facilities available & safety. AASL directly enjoys the benefit of this CATC's accreditation by providing necessary operational training for employees, by cutting down a considerable expenditure in foreign training.

A total of 21,450 trainee hours were completed by AASL employees under the training wing – CATC in following catogaries.

Area	Number of Trainee Hours
Soft skills Development	1,452
Training for new recruits	5,760
Career Development	11,670
Refresher Training	2,568
Total	**21,450**

1 *Head of Human Resources conducting awareness workshops for AASL employees on new Performance Management System*

2 *CATC Successfully reassessed by ICAO in TRAINAIR PLUS*

3 *Fire Training at CATC for new recruits for the Fire and Rescue Division*

3

Counseling Schemes

With the aim of increasing overall productivity across AASL, a Counseling Unit was formed in 2008 at AASL and is still functioning successfully with the support of consultants. Special emphasis is placed on emotional stability, conflict resolution, stress management, change management etc. The professional counseling related to job/performance related issues is also part of the counseling service. Poor performers are referred to counselors in two ways, either on the employee's own initiative or on the direct intervention of the supervisors.

Welfare and Work-lIfe Balance of employees

Health Insurance Scheme, Death Donation Scheme, Staff Loan, Personal Accident Insurance Scheme, Staff Transport Service, Holiday Bungalow Facilities, Staff Quarters, partial Interest Refund on Housing Loans are the key welfare measures enjoyed by the AASL employees. Further, the opportunities for sports and recreation activities are provided through Sports, Welfare and Recreational Club (SWRC). Company sponsorship was provided for AASL sportsmen and women who participated for international Competitions, to bring honor to the Country. Many individuals and teams took part in mercantile tournaments of the Country and brought victories during the year.

Annual Get-to-gether, Buddhist and Catholic pilgrimage, Vesak and Christmas Celebrations are the most awaited events organized by SWRC, Budhist Association and Christian Association of AASL which attracts majority of employee participation.

Apart from above, special programs were arranged to employees' children by the HR division during school vacations by way of children counseling programs. Further, company funds were provided for an event organized by one of the employees unions during the year to recognize for the special educational achievements of employee children.

Performance Management

The New Performance Management System which had been carried out during previous years as a Pilot Project was continued in 2015. Accordingly, Executive Grade Officers will be covered by Performance Management and Development System (PMDS) and other employees will be covered by 180^0 Appraisal System from year 2016.

Awareness sessions covering employees at BIA, RMA and MRIA as well as vivid dialogues with all interested parties including trade unions, introduction of a guidance handbook were the key strategies adopted during the execution of the Pilot Project. 1,153 employees participated for the awareness sessions conducted by our

1 *Counseling Training Programmes carried out for employees' children*

2 *SLNSS, one of the employees Union launched it's first annual employee children rewards program for the Grade 5 scholarship holders*

3 *The weekly Counseling Programme while in progress*

4 *The AASL Holiday Bungalow located at Pidurutalagala, Nuwara Eliya*

HR Team while 3,200 trainee hours were allocated for the purpose.

The criteria under the new system will ensure that employee goals are aligned to key organizational objectives and that rewards and recognition are linked directly to performance. Under the proposed system, employees are expected to define their operational goals and development goals for them to meet the current job challenges while acquiring the competencies required to undertake the responsibilities in the current job role and the next step in the hierarchy. Thereby, a solid platform will be laid to establish a system for Succession Planning.

Path Ahead

There are few challenges to be overcome in the immediate future years. Transfer of employees between different locations is most likely to happen, once the MRIA's core business undertakings are finalized through the EOI. Our HR Team along with the Senior Management Team shoulders the challenge of optimizing the cadre through deferment of certain recruitments. Most importantly, AASL will face the challenge of introducing a reward scheme for staff by way of monetary or non-monetary in order to motivate the staff towards achievement of agreed performance measures. Further, the entire staff is expected to revamp in order to move our focus from facilitating passengers to offering a guest experience to all our customers.

Corporate Governance

Our Approach And Commitment

AASL views good corporate governance as the underlying principle behind organizational competitiveness, growth and long term sustainability. The widely accepted definition classifies Corporate Governance (CG) as "the system by which companies are directed and controlled". The salient features of CG are the mitigation of conflicting interests between stakeholders, accountability and economic efficiency.

All our Corporate Governance practices are tested to ensure that it leads the Company to encourage the value creation, innovation, economic development and an enhanced standard of quality and service to our customers and the public.

AASL's CG principles are derived from the Public Enterprises Guidelines for Good Governance issued by Department of Public Enterprises, Ministry of Finance under the Category "A" Commercial Public Enterprises.

AASL is a fully owned government company and its Board is responsible to the government for the strategic guidance and oversight of the Company. The Board is responsible for taking business decisions within a framework of effective accountability and transparency in the process of meeting our core objective of maximising value for our stakeholders.

The Company is guided by the Corporate Governance Regulatory framework recommended by the Department of Public Enterprises and the Ministry of Finance. This governance framework is underpinned by five (05) core principles.

1. Leadership and Direction.
2. Transparency, Integrity and Risk Management.
3. Accountability to the Government as its key shareholder.
4. Recognising the legitimate interests of stakeholders.
5. Timely and balanced disclosure

Principle 1: Leadership and Direction

The Company's business and operations are managed under the supervision of the Board, which consists of members with experience and knowledge in the areas of business management and finance governance appointed by the Minister of Transport and Civil Aviation in line with the Articles of Association. The Chairman who leads the Corporate Governance policies of the organization and is responsible for providing leadership to the Board is appointed by the Minister. The Board of Directors executes a statutory responsibility in the stewardship of the company on behalf of the Government and its stakeholders. It's principle functions are:

a) To lead the company towards achieving its vision.

b) To oversee the management, operations and the performance of the company as the whole.

Independence of the Board

The Board comprises of 10 Directors, of which 07 are Non-Executive Directors and 03 are Executive Directors. This Board composition reflects the independence of management, both in fact and appearance. That is not only on directors' individual relationships –personal, employment or business – but also on the Board's overall attitude towards management. Providing objective independent judgment is at the core of the Board's oversight role.

All Directors have independent and joint access in respect of both internal and external information to the Company Secretary. The Company Secretary ensures that Board procedures are followed and provide guidance on legal requirements regarding Board proceedings.

In addition, the Secretary circulates the notice of Board Meetings, Minutes of meetings, Board papers together with other relevant documents with adequate information to enable the board to make informed decisions. Follow-up on actions on Board decisions is also executed by the secretary.

All the Departments of the Company were divided among the three Executive Directors to have greater supervision and a proper control over them. All the directors are having independent access to the Senior Management.

Matters reserved for the leadership of the Board include:

a) Providing the vision and the direction for the Company based on its specific mission built up within the scope of the provisions in Civil Aviation Act No 14 of 2010 and how best it could serve the interests of the Government and other stakeholders.

b) Ensuring that legal requirements are fulfilled and the Company operates in accordance with the provisions of the Companies Act No. 7 of 2007/ Memorandum and Articles of Association.

c) Framing different types of policies including Risk Management in order to achieve optimum returns and benefits to the government and other key stakeholders.

d) Reviewing public policy objectives periodically and providing strategic direction to formulate long-term goals and objectives for future growth.

e) Guaranteeing adequate accountability by delegating responsibility .

The Board is responsible for the overall management of the Company through established effective systems of Internal controls, and the implementation of the same in its optimum mixture through proper Delegation of Authority amongst Senior Managers.

Matters reserved for the Board in this capacity include:

a) Ensuring that Board policies are executed in the same spirit as it was framed and in the best interests of the institution and the public at large.

b) Monitoring and Evaluating the Managerial Performance by means of Management Information reports to ensure that the company is on track in its operations.

c) Taking remedial action without delays to ensure that goals are met, if results are not in line with desired expectations.

d) Appointing competent personnel as Managers and ensuring that there is adequate delegation of authority amongst the Senior Management.

e) Attending Committee on Public Enterprises (COPE) meetings and Parliamentary Consultative Committee (PCC) meetings or delegating the authority for the same towards Senior Management when and where necessary.

The Role of the Audit and Management Committee (AMC) in Corporate Governance aspects

The Board is assisted by the Audit and Management Committee (AMC) which has been set up according to the Treasury Circular No PF/PE 3 of 19/11/1999. This committee is made up of Non-Executive Directors delegated with specific responsibilities cited in the Terms of Reference (TOR) which defines its scope of authority. This includes determination of the responsibilities of the Internal Audit Unit and reviewing of the Annual Audit Plans, monitoring and evaluating internal control systems for all activities of the entity and assessing performance at regular intervals for cost effectiveness and to eliminate wasteful expenditure. Others include liaising with External Auditors and reporting on Management Letters issued by the Auditor General and External Auditors, asserting compliance with statues, regulations, rules and circulars, reviewing financial statements to ensure conformity with Sri Lanka Financial Reporting Standards (SLFRS / LKAS)and assessing implementation of recommendations and directives of the COPE

The Audit and Management Committee (AMC) comprises of three Non-Executive Directors, Chief Accountant of Ministry of Transport and Civil Aviation, Head of Internal Audit and Quality Assurance (H/IA & QA). Head of IA & QA acted as the convener. The three Non-Executive Directors who have been appointed by the Board namely; Mr Anomal De Soysa (Chairman of AMC), Mr. S. R Attygalle, and Mr.D.J.G.S. Edirisinghe, served in this committee during the year under review.

The Board receives a report of the AMCs proceedings and deliberations, in which it has no authority to make decisions on matters reserved specifically for the Board and recommendations are highlighted for approval by the Board of Directors. The Chairman of this committee, reports the outcome of the committee meetings to the Board and the relevant decisions are incorporated into the minutes of the Board of Directors' meetings.

The AMC held 03 meetings during the financial year 2015.

The activities conducted by the AMC are set out under principle 2: Transparency, Integrity and Risk Management

Principle 2: Transparency, Integrity and Risk Management

Ongoing organizational cultural adoption towards safeguarding the integrity of the Company's financial reporting which demands enhanced governance, accountability and transparency is reviewed and monitored by the AMC.

Internal Audit

AMC is assisted by the Internal Audit and Quality Assurance (IA & QA) Division. The Head of IA & QA functionally reports to the AMC and administratively to the Chairman.

The main focus of the IA & QA Division is to conduct independent review on the overall prevailing system of internal control, by evaluating the adequacy, integrity and effectiveness of internal controls, while ensuring that standards of quality for certain areas of the airport services are satisfactorily met and make appropriate recommendation to the Management in order to strengthen the Internal Controls.

The Internal Audit include

- Reviewing prevailing system of Internal Control.
- Ensure that major decisions undertaken by the Board of Directors are implemented effectively.
- Evaluating and making recommendations on risk assessment over Management decisions and activities under the purview of each division of the AASL, to the AMC and the Chairman of the AASL.
- Making observations on risk assessment by External Auditors in respect of systems and controls.
- Adhoc and periodic Financial Reviews with respect to Income and Expenditure and its recognition as well as reporting.

- Undertaking quality Audits regarding selected airport facilities and airport services.
- Review of procurement procedures in compliance with the National Procurement Agency guidelines.

Principle 3: Accountability to the Government as the Key Stakeholder

As a fully owned Government Company, accountability to the Government is exercised by the following mechanism:

Parliament

Annual Reports of the company should be tabled in Parliament within 150 days from the end of the financial year as per the Treasury Circular PE/PF 21 dated May 24, 2002 for review.

COPE

The Parliamentary Committee on Public Enterprises (COPE) is empowered to review the performance of the Company and to assess the extent to which the Company achieves performance targets and fulfills social responsibilities. When summoned by the COPE, the Chairman, Directors and Senior Managers together with the Secretary to the Ministry – the Chief Accounting Officer, should be present at the reviews, to respond to any queries and matters of concern regarding the activities of the Company. During the year, AASL was not summoned by the COPE.

PCC

The Parliamentary Consultative Committee (PCC) on Aviation has the power to request the Chairman, Board of Directors and Senior Managers of the company to be present at meetings of the Committee, to clarify queries raised on any matters of interest or concern regarding the operations of the Company. AASL was not summoned by PCC, in the year 2015.

Minister of Finance / General Treasury

The Minister of Finance or the General Treasury on his behalf is responsible for financial discipline in the public sector, including public enterprises. A Treasury representative is appointed to the Board to monitor performance, ensure compliance with statutes, rules and regulations etc. and to report on any matters of concern to the Minister.

Mr. S. R Attygalle, the Treasury Representative, performed this function during the year under review.

The responsibility for monitoring the financial management and control of Public Enterprises lies in the hands of the Department of Public Enterprises (DPE), General Treasury.

Ministry of Transport and Civil Aviation

The Secretary of the Ministry of Transport and Civil Aviation as the Chief Accounting Officer is accountable to the Government for the financial administration and management of the Company and in this capacity regularly reviews the following matters with the Board.

1. Corporate Plan and Budgets
2. Physical and Financial performance of the Capital Projects undertaken in the current year
3. Audit Deliverables including Management Letter and Financial Performance of the Year as a whole
4. Matters arising from meetings of the COPE or any other Statutory/Regulatory institution

Distribution of Profits to the Government

As the key mechanism by which AASL distributes profits to the Government as a public Enterprise; AASL declared and paid a dividend of Rs 350Mn in July 2016 out of 2015 profits.

Principle 4: Recognise the legitimate interests of stakeholders

Stakeholder value is enhanced when an entity treats the stakeholders well and have a reputation towards civic responsibility and legal compliance. In light of that, the Company recognizes the legal and other obligations to all legitimate stakeholders including the Government and other affiliated constituencies who have an interest over AASL's affairs, employees, users of the airport (airlines, passengers and the business community who run their businesses inside the airport) suppliers and other service providers and the community as a whole. These obligations are best viewed as part of the paramount duty to optimize long term stakeholder value.

It demonstrates its commitment to appropriate corporate practices, which comprise of the following areas:

1. Due diligence by the Board and Management to the regulatory framework.
2. Fulfilling the responsibilities of the Government, acting as the statutory service provider of airport operations.
3. Promptly meeting obligations to creditors and financial institutions.
4. Consistently meeting obligations in relation to fair trading and ensuring a level playing field when dealing with suppliers and other service providers.
5. Ensuring ethical business practices affecting the community.
6. Carrying out all operations and activities as stipulated by law and following best practices as appropriate.
7. Non-discriminatory treatment of all airport users.
8. Treat employees fairly and equitably.

Principle 5: Timely and Balanced Disclosure

Providing timely, accurate information with required coverage of depth and breath for prudent decision making is the crust of our information disclosures internally as well as externally. The company's established policies and procedures ensure compliance with the disclosure requirements of all laws and regulations, including the circulars stipulated in the Department of Public Enterprises of the General Treasury and Sri Lanka Financial Reporting Standards (SLFRS/LKAS)

AASL maintains effective and candid communication with the stockholders with the goal to help stockholders understand the business, risk profile, financial condition and operating performance and trends of the corporation. Many periodic and adhoc reports and analyzed information are provided as a practice and on demand. The employees are updated with true position of corporate operations and financial performance. The Company intranet serves the purpose of information dissemination enhancement to employees. AASL contributes to public policy dialogue whenever there is a development, enactment and revision of the laws and regulations that impact our business and affect the community in which we operate.

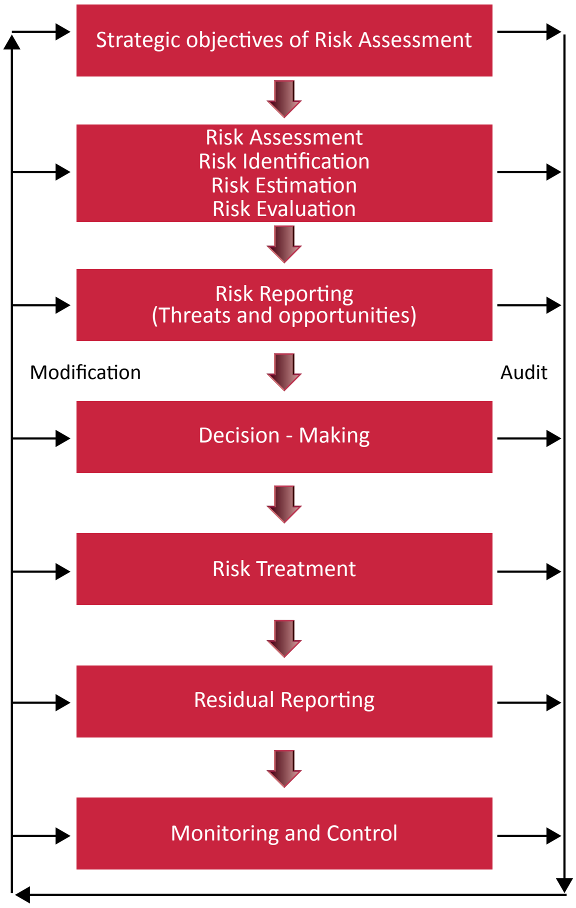
RISK MANAGEMENT

As the statutory service provider of the Government of Sri Lanka who manage and develop three airports in the country namely BIA, MRIA and RMA; AASL shoulders a multitude of risks that not only threatens the operational and financial performance of the organization, but also the image of the country at large. Therefore, at AASL, Risk Management is one of the key elements in the Corporate Governance Framework, and the Board is responsible for the effectiveness of the AASL's system of Internal Control and Risk Management.

Objectives of Risk Management are as follows.

- Establishment and maintenance of sound systems of internal controls to mitigate all types of risks.
- Create awareness on concept of risk management to staff and educate them on risk management practices
- Communicate risk assessment and risk response to those concerned
- Obtaining qualitative, sufficient and accurate information in timely manner.
- Ensure the existence of expertise in understanding technical and complex information
- Establish risk appetite
- To enable AASL to be successful in achieving its financial and non financial objectives
- To identify the risks faced by AASL by using appropriate risk identification methods
- Continuous improvement of the ability to respond and mitigate risks facing AASL.
- Maintains AASL's reputation
- To help AASL to be socially responsible and be seen as a good corporate citizen
- To apply an appropriate risk response strategy for each category of risk.
- To give an assurance that the quality of our business remains constant, whilst allowing for the ability to respond swiftly to changes and new developments.
- Create an appropriate balance between entrepreneurship and the risk associated with business opportunities.

Risk Management cycle at AASL is presented by way of a diagram as follows.



- Our risk assessment process comprises risk evaluation through risk identification. Risk identification requires an excellent knowledge of AASL's Objectives, aviation services, markets and a continous study on the impact of external factors, namely; Legal, Political, Economic, Social and Technological environment in which the company operates. Risk identification involves perceiving hazards, identifying failures and recognizing adverse consequences.

- AASL adopts two methods of approach for identifying risks – Top Down (Management knows well) and Bottom Up (Operatives know best). AASL adopts Root Cause Analysis to investigate the cause of risks by working backwards and considering all possible cases.

- Based on risk identification and it's impact on the business, AASL takes decisions as to whether the each specific risk should be accepted or treated by comparing it with the risk profile of AASL.

- Risk Reporting : AASL's Risk Reporting addresses the control systems for risk management, processes used to identify and respond to risks, methods used to manage significant risks and monitoring and reviewing of systems.

- Risk Treatment: Risk Response is the process of selecting and implementing measures to mitigate the risks, while considering alternative courses of action. These actions include avoidance, reduction, sharing and acceptance of risks which depend on the Risk Appetite of AASL.

- Residual Reporting : Reporting risks that are left over after all other major risks are treated.

- Monitoring : Once the risk treatment is developed and implemented, the success of such implementation depends on monitoring by the Risk Management Team.

- The cycle is repeated as an ongoing process, with modifications effected whenever the need arises at each stage of Risk Management Cycle. Any information gathered during the cycle process is used to refine the process.

Our risks, corresponding impacts and Risk Response strategies are as follows.

Risk Category and Description	Potential Impact on AASL	Risk Response Strategies
Strategic Risks		
Industry/Country Risks Air Traffic Volume Growth Rate AASL's business operations are dependent on the volume and growth of air traffic, which are significantly affected by tourism influx into the country. And also subjected to seasonal fluctuations.	• Inability to achieve targeted profitability & returns.	• Joint marketing efforts to boost tourism in the country with Sri Lanka Tourism.
High dependency on National Carriers Sri Lankan Airlines is the largest customer of AASL with a 51% share of passenger volume of the BIA.	• Exposing AASL to a high level of structural risks in terms of the market and customer base.	• AASL is in a continuous effort to synchronize the business plans of both the airport operator and the national carrier. The GOSL is in the process of finalizing a new business plan for Sri Lankan Airlines to make it competitive in the long run while safeguarding the national interests in aviation.
Market Development Risk for the second International Airport Risk of client base	• The year of breakeven & the payback period of the project would be longer	• Marketing efforts are focused on identifying and expanding the market potential for MRIA. Scenario Analysis and Forecasts, Traffic Forecasts, Route Forecasts, Catchment Area Analysis etc. are some of the vital steps in this process. • AASL is guided by the GOSL to check the viable business alternatives for MRIA to reduce the Payback period and to maximise the Return on Capital Employed (ROCE) by calling EOI.
Operational Risks		
Loss or damages to Aviation Assets	• Cost overruns & loss of profit	• In addition to the appropriate safety and fire protection measures, emergency plans are rehearsed on a regular basis. • Transference of risk to third parties through insurance policies is considered a mandatory practice.

Risk Category and Description	Potential Impact on AASL	Risk Response Strategies
Operational Risks (Contd.)		
Exposure to high level of Operational Gearing due to large Capital Investments	• If the company's ROA does not exceed the interest on the loan, it will greatly diminish the company's return on equity and profitability.	• All major investment decisions are made following a project feasibility evaluation. • Apart from the most widely used financial techniques such as CFROI, Payback period, NPV, EVA and IRR; AASL places great emphasis on non-financial measures. • As Investments in infrastructure related to airline and passenger satisfaction can improve subsequent economic performance by increasing revenues and loyalty of existing customers, attracting new customers and reducing transaction costs, the relevant output and outcome indicators of the capital investments are assessed in our Organizational Results Framework. • Capital rationing, or in other words, limiting the investments in capital assets and projects is adopted through the annual budgeting process in order to maintain a healthy liquidity and adequate financial leverage to plan out long term projects. The prioritization in the capital rationing process is done based on the critical nature and business importance of the proposed capital asset or project. AASL's expenditure commitment is determined by the ceiling dictated by liquidity and gearing ratios, while the funds for other projects over and above this upper limit are sought through external sources.
Legal Risks **Non- compliance to Environmental Standards**	• Sustainability issues resulted from the ignorance of the environmental balance	• Adhering to the environmental standards required by the Central Environmental Authority. • The exchange of information is done with the involvement of local citizens in the mediation process or through neighbourhood advisory boards

Risk Category and Description	Potential Impact on AASL	Risk Response Strategies
Operational Risks (Contd.)		
Risks associated with deaths/damages to passengers and public using the three Airports	• Apart from the financial loss to be borne by AASL arising due to legal obligations, there will be negative consequences on safety.	• The Liability Insurance Policy was introduced to cover accidents within the terminal buildings and the adjacent areas. • The Public Liability Insurance Policy was made mandatory in the Agreements of Airline Operators, Duty Free Shops and other concessionaires, to cover the legal risks associated with deaths/damages to third parties within their contracted areas. • The "Contractors All Risks" Insurance Policy which all contractors should submit at the time of entering into contracts with AASL, is yet another cover for risks associated with construction contracts within airports. • All our contracts contain a provision to explore the possibility of an amicable settlement prior to litigation or arbitration. This clause was introduced to encourage the mitigation of the high cost of legal risks.
Wilful damages to Computer Systems and Risks	• Disruption to operations, Passenger dissatisfaction, loss of competitive advantage	• To combat the risks of hackers and viruses to our confidential, sensitive and safety related information, an effective firewall mechanism is in place. • Also in operation are the advanced system authentication controls with special focus on Network Access Control and intrusion, detection, in addition to safeguards introduced for the prevention of hackers and unlawful interferences, to the system.

Risk Category and Description	Potential Impact on AASL	Risk Response Strategies
Operational Risks (Contd.)		
Frauds, Breakdown of Internal Controls, processes and procedures	• Disruption to operation, loss of profits & dissipation of resources	• A stringent system of internal controls is in operations such as standardized Financial Procedures and ISO certified Quality Management System Audits (Compliance Audits). • Periodic reviews and implementation of effective internal controls by the internal audit department are supplemented by regular Management Audits carried out by internal teams within the organization.
Failure of Systems	• Obstruction to operations	• Pre- monitoring mechanisms as well as post monitoring and detection systems are in place to prevent and minimize the system failures. The Central Fault Monitoring system is such a pre monitoring system which displays the current status and faults graphically and warns on future collapses. • Fire detection systems and contingency plans are in place to ensure the prompt detection of faults while minimizing the loss or damage. • Data Centre at airport support the advance technologies like network virtualization, Server virtualization & consolidation and Storage virtualization. • AASL is currently discharging the business continuity services enabling minimization the machine down time of IT systems from Disaster Recovery (DR) Centre located in BIA – Katunayake. The modular architecture of the current DR site provides greater flexibility in relocating to MRIA in future

Risk Category and Description	Potential Impact on AASL	Risk Response Strategies
Operational Risks (Contd.)		
Risks associated with Sourcing	• Compromise the Price, quality & Brand competitiveness of the purchases of goods & services obtained	• The strict adherence to tender guidelines prevent us from exposure to most of the frequently found risks. The limits covered by tender boards were expanded to the lowest of Rs 250,000 (from Rs 1Mn) and to the highest of Rs 100 Mn (from Rs 50Mn) as a result of implementing a Government circular and through introducing Tender Board III. • The suppliers' capacity to do business with us is evaluated through vigilant checks carried out by the appointed TECs by cross checking the quoted references as well as verification from independent references obtained through Market Research. We test their systems, processes, sourcing and the impact to and from the environment to ensure a continuous supply. We place equal importance on timely delivery, compatibility, sustainability and financial credentials of suppliers. While our expectations are clearly laid down in the tender documents, we include clauses and conditions to promote greater transparency. • The contract agreements are the key to controlling the risk associated with outsourcing, continuous supply, timely delivery and after sales service. • Once the potential customers and suppliers have qualified and been awarded contracts to participate in our inbound and outbound logistics chain, the risks of non-performance by the suppliers are covered through standard conditions introduced through performance bonds and bid bonds against bank guarantees
Interruption in utility services at BIA	• Obstruction to operations	• Improvement of the ground water harvesting system through additional bore wells in order to reduce the overdependence on the main water supply system to ensure an uninterrupted supply of water to the BIA • A sufficient number of Generators with the required capacity have been deployed as the back-up plan in case of electricity failure.

Risk Category and Description	Potential Impact on AASL	Risk Response Strategies
Operational Risks (Contd.)		
Security Risks Risks associated with aviation security namely global terrorism, drug trafficking, dangerous liquids and solids, un-quarantined animals and plants, unruly passengers, contrabands and touting for customers etc.	• Malicious acts against passengers, aircraft and other aviation assets and threats to border security	• The airport security personnel of AASL work collaboratively with the BIA's in-house supervisory resources namely; Customs, Immigration, Air Force and Police help in keeping these occurrences to a minimum.
Safety Risks **Bird Population Trends**	• Accidents and incidents due to Bird strikes. may result in fatal injuries and damages to aircraft. Consequently, the airlines may step out from flying.	• Measures taken primarily at aerodrome, such as avifauna assessment and management. • The Bird Hazard Control Unit executes the recommendations spelled out by the Field Ornithology Group of Sri Lanka attached to Department of Zoology of University of Colombo in their periodic study revealing carried out at both BIA and MRIA
Aircraft incidents/ accidents in the Colombo Flight Information Region	• Airlines may step out from flying will result in loss of business.	• Regulation, Education and Training. • The adherence to universally accepted Standards And Recommended Practices (SARPs) related to safety, personnel licensing, operation of aircraft, aerodromes, air traffic services, accident investigation and the environment are maintained with Periodic Surveillance Audits carried out by the regulatory authorities. The in-house "Safety Management System" described under MDA further enhances the effectiveness in our approach in minimizing the safety risks.

Risk Category and Description	Potential Impact on AASL	Risk Response Strategies
Operational Risks (Contd.)		
Health Risks Spreading of communicable diseases due to air travel	• In case there are no preventive and precautionary measures, the passengers may opt to avoid the country as a flying destination.	• AASL Medical Unit in collaboration with Ministry of Health and World Health Organization (WHO) country office takes precautionary measures, such as screening of passengers, awareness campaigns etc.at BIA and MRIA while keeping medical staff on the highest alert.
Financial Risks **Risk of fluctuations of Parity Rates** Exposure or uncertainty inherent in dealing with more than one currency that does not have fixed parity values	• Adverse impact on profitability and liquidity on translation of foreign currency transactions to base reporting currency	• Internal hedging through matching technique (Equating assets and liabilities in foreign currencies wherever possible) • The liquidity risk arising out of default payment is mitigated by charging a default interest income at a rate over and above the lending rate offered by Government securities
Adverse interest rate fluctuations	• Stunted growth prospects & high opportunity cost	• Invest in daily overnight Treasury bills. • In order to minimize interest rate risk and improve yields we purchase number of bonds along the short to long term maturity spectrum. • All our overnight balances are automatically transferred to an interest earning Call Deposit Account. • Invested on investment tools with guaranteed returns in the banks owned by the GOSL.

Risk Category and Description	Potential Impact on AASL	Risk Response Strategies
Operational Risks (Contd.)		
Risk of default by the Debtors	• Loss of profit & higher working capital requirement	• Prior to permitting or extending a credit line, AASL obtains bank guarantees from all their debtors, based on predetermined limits of credit which adequately cover the risk of default. • AASL has further legal provisions in place to terminate the contract for the provision of services or commercial space at the airport if there is a risk of the debtor moving beyond the stage of recovery • Entering into guaranteed performance contracts with minimum parameters dictated for turnover earned by concessionaires at BIA. Bank guarantees are incorporated in to the agreements, which also cover liquidated damages, penalties, duration and settlement procedures. • Payment default risks associated with customers are minimized by obtaining bank guarantees, which sufficiently cover us from any monetary losses, in the event of a payment default.
Human Resources Risk Loss of trained and skilled employees and brain drain	• High training costs and disturbance to business continuity planning	• The fair and equitable remuneration structure provides special allowances for professional, academic and technical qualifications, in order to retain the portion of professional cadre. • Foreign employment and exposure opportunities are granted on no-pay terms and combined with bonded contracts
Reputation Risks Perceptions and misconceptions of stakeholders may ruin the reputation. Adverse publicity	• Customer dissatisfaction • Decline the brand value of the company • Loss of competitive advantage • Adverse impact on Sustainable Business Management	• The realization of risks and mitigation of them are not confined to a specific division, instead considered as a prime function across all the divisions, while the Marketing Division liaise with the media to handle the adverse publicity

FINANCIAL REPORTS

FINANCIAL CALENDAR

Final Dividends for 2014 was paid on
September 30, 2015

Annual Report and Accounts for 2015
signed on **June 22, 2016**

Thirty third Annual General Meeting to
be held on **June 30, 2016**

INDEPENDENT AUDITOR'S **REPORT**

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கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT

To the shareholders of Airport & Aviation Services (Sri Lanka) Limited

Report of the Auditor General on the financial statements of the Airport & Aviation Services (Sri Lanka) Limited for the year ended 31 December 2015.

Report on the Financial Statements

1 The audit of the financial statements of the Airport & Aviation Services (Sri Lanka) Limited for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory 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. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice.

Management's Responsibility for the Financial Statements

2 The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as, the Board determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

3 My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

INDEPENDENT AUDITOR'S **REPORT**

To the shareholders of Airport & Aviation Services (Sri Lanka) Limited (Contd.)

Report of the Auditor General on the financial statements of the Airport & Aviation Services (Sri Lanka) Limited for the year ended 31 December 2015.

Basis for Qualified Opinion

4 The statement of financial position includes property, plant and equipment relating to the Mattala Rajapaksha International Airport (MRIA) with a carrying amount of Rs. 26,564,560,367 as at 31 December 2015. There had been a downturn in the operations of MRIA from commencement and presently flight movements are limited to a two airlines with passenger movements declining from 2,620 in January 2015 to 349 in May 2016. I consider these to be an indicators of impairment in accordance with LKAS 36, Impairment of assets, as the economic performance of MRIA had deteriorated at the date of this report with full potential of the airport not expected to be realized in the near future. However, management had not carried out an impairment assessment to check whether there was indication that MRIA may be impaired, on the basis of it being a separate cash generating unit, and thereby had not carried out an impairment test to determine whether any impairment write down should be applied to the amounts recorded in the statement of financial position at 31 December 2015. In the absence of information to assess the recoverable amount of the property, plant and equipment of MRIA, I am unable to satisfy myself as to the carrying amount of such property, plant and equipment as at 31 December 2015.

Qualified Opinion

5 In My opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the financial statements give a true and fair view of the financial position of Airport & Aviation Services (Sri Lanka) Limited as at 31 December 2015, and its, financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

6 These financial statements also comply with the requirements of Section 151 (2) of the Companies Act, No. 07 of 2007.

Report to Parliament

7 My report to parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

H.M Gamini Wijesinghe
Auditor General

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STATEMENT OF
COMPREHENSIVE INCOME

Year ended December 31	Note		
		2015	2014
		Rs.	Rs.
Revenue	5	**15,218,760,071**	13,612,558,544
Other Income	6	**479,508,416**	274,686,838
		15,698,268,487	13,887,245,382
Administrative establishment and marketing expenses	7	**(10,124,353,778)**	(9,421,541,976)
Operating Profit		**5,573,914,709**	4,465,703,406
Finance (cost)/ Income - Net	8	**(3,195,789,337)**	1,030,326,359
Profit before income tax		**2,378,125,372**	5,496,029,765
Income Tax Expenses	9	**(1,561,269,801)**	(2,084,314,609)
Profit for the Year		**816,855,571**	3,411,715,156
Basic Earning Per Share	10	**4,084**	17,058
Other Comprehensive Income			
Gain arising from changes in assumptions on computing retirement benefit obligation	23	**172,937,123**	451,965,325
Deferred tax on actuarial gain	14	(48,422,395)	(126,550,291)
Other Comprehensive Income, Net of Tax		**124,514,729**	325,415,034
Total Comprehensive Income for the Year		**941,370,300**	3,737,130,189

The note on pages 59 to 88 form an intergral part of these financial statements.

Independent Auditors Report on Page 53 to 54.

Statement of **Financial Position**

As at December 31	Note	2015 Rs.	2014 Rs.
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	12	**40,179,660,763**	42,216,804,939
Intangible Assets	13	**17,427,437**	27,937,595
Deferred Income Tax Assets	14	**745,194,174**	707,123,424
Investment in Debentures	15	**3,050,000,000**	2,550,000,000
Loans to Company Officers	17	**87,102,227**	76,573,944
		44,079,384,601	45,578,439,902
Current Assets			
Inventories	16	**349,373,380**	265,250,647
Trade and Other Receivables	17	**4,548,446,775**	3,805,846,607
Income Tax Receivable	18	**758,699,782**	643,041,022
Treasury Bills Repurchase agreements and short term bank deposits	19	**14,939,671,493**	9,639,936,284
Cash and Cash Equivalents	19	**609,972,967**	597,887,449
		21,206,164,397	14,951,962,009
Total Assets		**65,285,548,997**	60,530,401,911
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital	20	**20,000,200**	20,000,200
Reserves	21	**1,008,226,769**	1,004,726,769
Retained Earnings		**9,984,213,901**	9,543,343,602
		11,012,440,870	10,568,070,571
Non-Current Liabilities			
Borrowings	22	**35,135,336,416**	33,731,461,267
Retirement Benefit Obligation	23	**2,395,344,714**	2,255,951,234
Deferred Income Tax Liabilities	14	**5,278,471,611**	3,630,708,665
Deferred Government Grant	24	**1,331,704,823**	1,436,666,249
		44,140,857,564	41,054,787,415
Current Liabilities			
Trade and Other Payables	25	**7,537,941,778**	6,719,351,553
Borrowings	22	**2,594,308,784**	2,188,192,372
		10,132,250,562	8,907,543,925
Total Liabilities		**54,273,108,127**	49,962,331,340
Total Equity and Liabilities		**65,285,548,997**	60,530,401,911

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

....
Head of Finance

The Board of Directors is responsible for the preparation and presentation of these financial statements. These financial statements were authorised for issue by the Board of Directors on 22 June 2016.

....
Chairman

....
Executive Director

Signed on behalf of the Board on June 22, 2016
The notes on pages 59 to 88 form an integral part of these financial statements.
Independent Auditors Report on Page 53 to 54.

Statement of **Changes in Equity**

	Note	Stated Capital	Other Reserves	Retained Earnings	Total
		Rs.	Rs.	Rs.	Rs.
Balance as at January 01, 2014		20,000,200	992,726,769	6,428,657,016	7,441,383,985
Profit for the year		Nil	Nil	3,411,715,156	3,411,715,156
Other Comprehensive Income					
Actuarial gain on post employment benefit obligations		Nil	Nil	451,965,325	451,965,325
Deferred Tax on Actuarial Gain		Nil	Nil	(126,550,291)	(126,550,291)
Other Comprehensive Income net of Tax		Nil	Nil	325,415,034	325,415,034
Total Comprehensive Income		Nil	Nil	3,737,130,189	4,062,545,223
Prior year adjustment	12(vi)	Nil	Nil	(110,443,603)	(110,443,603)
Dividend paid	11	Nil	Nil	(500,000,000)	(500,000,000)
Transfer to Reserve Account		Nil	12,000,000	(12,000,000)	Nil
Balance as at December 31, 2014		20,000,200	1,004,726,769	9,543,343,602	10,893,485,605
Balance at 1 January 2015		**20,000,200**	**1,004,726,769**	**9,543,343,602**	**10,893,485,605**
Profit for the year		**Nil**	**Nil**	**816,855,571**	**816,855,571**
Other Comprehensive Income					
Actuarial Gain on post employment benefit obligations		**Nil**	**Nil**	**172,937,123**	**172,937,123**
Deferred tax on Actuarial Gain		**Nil**	**Nil**	**(48,422,395)**	**(48,422,395)**
Other Comprehensive Income, net of Tax		**Nil**	**Nil**	**124,514,729**	**124,514,729**
Total Comprehensive Income		**Nil**	**Nil**	**941,370,300**	**941,370,300**
Dividend Paid	**11**	**Nil**	**Nil**	**(497,000,000)**	**(497,000,000)**
Transfer to Reserve Account		**Nil**	**3,500,000**	**(3,500,000)**	**Nil**
Balance at 31 December 2015		**20,000,200**	**1,008,226,769**	**9,984,213,901**	**11,337,855,904**

The notes on pages 59 to 88 form an integral part of these financial statements.
Independent auditor's report- pages 53 and 54.

Statement of **Cash Flows**

Year ended December 31	Note	2015 Rs.	2014 Rs.
Cash Flows from Operating Activities			
Profit Before Income Tax Expenses		**2,378,125,372**	5,496,029,765
Adjustment for :			
Depreciation	12	**2,647,777,594**	2,624,562,243
Amortization	13	**10,527,658**	8,116,711
Exchange (Gain)/Loss	22	**3,189,855,520**	(1,164,566,850)
Income from Investment	8	**(1,047,704,225)**	(698,867,771)
(Profit)/Loss on Sales of Property, Plant and Equipment		**(13,873,095)**	(2,284,013)
Written off	12	**6,365,791**	207,062,809
Amortization of Deferred Government Grants	24	**(104,961,426)**	(150,918,051)
Finance Cost	8	**717,067,024**	700,144,990
Provision for Retirement Benefit Plan	23	**387,961,248**	398,155,879
Operating Profit before Working Capital Changes		**8,171,141,461**	7,417,435,712
(Increase)/ Decrease in Inventories		**(84,122,733)**	102,454,024
(Increase)/ Decrease in Trade and Other Receivables		**(742,600,168)**	482,307,957
Increase /(Decrease) in Trade and Other Payables		**818,590,226**	311,226,879
Cash Generated from Operations		**8,163,008,785**	8,313,424,572
Defined Benefit Plan Costs Paid	23	**(75,630,644)**	(26,735,837)
Interest Paid	8	**(717,067,024)**	(700,144,990)
Income Tax Paid	18	**(115,658,760)**	(67,467,529)
Net Cash Generated from Operating Activities		**7,254,652,357**	7,519,076,217
Cash Flows from Investing Activities			
Acquisition of Property, Plant and Equipment	12	**(616,999,225)**	(1,219,827,097)
Acquisition of Intangible Assets	13	**(17,500)**	(14,053,965)
Investment in Debentures	15	**(800,000,000)**	Nil
Redemption of Debentures	**15**	300,000,000	**Nil**
Proceeds from Sale of Property, Plant and Equipment		**13,873,077**	3,056,143
Interest Received	8	**1,047,704,225**	698,867,771
Staff Loan Granted		**(104,016,595)**	(98,366,406)
Staff Loan Receipt		**93,488,348**	71,278,553
Net Cash used in Investing Activities		**(65,967,670)**	(559,045,000)
Cash Fows from Financing Activities			
Dividend Paid	11	**(497,000,000)**	(500,000,000)
Loan Receipt	22	**160,785,686**	530,994,851
Loan Repayment	22	**(1,540,649,646)**	(764,263,842)
Repayment to the Treasury during the year		**Nil**	(19,618,285)
Net Cash used in Financing Activities		**(1,876,863,960)**	(752,887,276)
Net Increase in Cash and Cash Equivalents		**5,311,820,727**	6,207,143,941
Cash and Cash Equivalents at the Beginning of the Year	19	**10,237,823,733**	4,030,679,792
Cash and Cash Equivalents at the end of the Year	19	**15,549,644,460**	10,237,823,733

The notes on pages 59 to 88 form an integral part of these financial statements.
Independent Auditors Report on Page 53 to 54.

Notes to the **Financial Statements**

1. Corporate Information

1.1 General

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

1.2 Principal Activities and Nature of Operations

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

1.3 Date of Authorization for Issue

The financial statements of Airport and Aviation Services (Sri Lanka) Limited for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the Board of Directors on 22 June 2016.

2. Summary of Significant Accounting Policies

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

2.1 Basis of Preparation

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

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

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

2.1.1 Amalgamation

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

(a) The voted fund representing the government grants for capital expenditure; and

(b) The Retained Revenue Fund,

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

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

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

2.1.1 Amalgamation (Contd)

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

The voted fund was audited by the Auditor General under section 14(2) (c) of the Finance Act, No. 38 of 1971 up to the year of amalgamation on 31 December 2012. Subsequent to the amalgamation and with the repeal of the Air Navigation (Special Provisions) Act, No. 2 of 1982 by the Civil Aviation Act, No.14 of 2010, the voted fund accounts included in the amalgamated financial statements were audited by the Company's auditors M/s PricewaterhouseCoopers up to 31 December 2014.

2.1.2 Statement of Compliance

The statement of financial position, statements of comprehensive income, changes in equity and cash flows, together with accounting policies and notes, ("Financial Statements") of the Company as at 31 December 2015 and for the year then ended together with the comparative information are comply with the Sri Lanka Accounting Standards (SLFRS/LKAS).

2.1.3 Comparative Information

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

2.1.4 Changes in Accounting Policy and Disclosures

(a) New standards, amendments and interpretations adopted by the Company

The following standards have been adopted by the Company for the first time for the financial year beginning on or after 1st January, 2015 and have a material impact on the Company:

SLFRS 13, 'Fair Value Measurement', confirmsthat short-term receivables and payables can continue to be measured at invoice amounts if the impact of discounting is immaterial. SLFRS 13 also clarifies that the portfolio exception in the standard (measuring the fair value of a group of financial assets and financial liabilities on a net basis) applies to all contracts within the scope of LKAS 39 'Financial Instruments: Recognition and Measurement'.

LKAS 16, 'Property, Plant and Equipment and LKAS 38, 'Intangible Assets', clarify how the gross carrying amount and accumulated depreciation are treated where an entity measures its assets at revalued amounts.

LKAS 24, 'Related Party Disclosures', clarifies that the amounts incurred by the entity to obtain key management personnel services that are provided by a separate management entity (the "management entity") shall be disclosed as a related party transaction, but not the compensation paid or payable by the management entity to its employees or directors.

LKAS 19, 'Employee Benefits', clarifies the accounting for defined benefit plans that require employees or third parties to contribute towards the cost of the benefits. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service. Entities with plans that require contributions that vary with service will be required to recognise the benefit of those contributions over employee's working lives.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2015 are not material to the Company.

(b) New standards, amendments and interpretations issued but not early adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statement. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

SLFRS 9 'Financial Instruments', retains but simplifies the mixed measurement model in LKAS 39 'Financial Instruments: Recognitionand Measurement' and establishes a single model that has only three primary classification categories for financial assets: amortised cost, fair value through profit or loss and fair value through Other Comprehensive Income ("OCI") for certain financial assets that are debt instruments.Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognised at fair value. All fair value movements on financial assets are taken through the profit or loss, except for equity investments that are not held for trading, which may be recorded in the profit or loss or in reserves without subsequent recycling to the profit or loss. For financial liabilities, the standard retains most of the LKAS 39 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in OCI rather than the profit or loss, unless this creates an accounting mismatch.The new hedge accounting rules align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. Further, SLFRS 9 introduces a new expected credit losses model on impairment for all financial assets that replaces the incurred loss impairment model used in LKAS 39. The expected credit losses model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.SLFRS 9 also introduces expanded disclosure requirements and a change in presentation .The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted.

SLFRS 15, 'Revenue from Contracts with Customers', deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service, and a new five-step process must be applied before revenue can be recognised. SLFRS 15 replaces LKAS 18 'Revenue' and LKAS 11 'Construction Contracts' and related interpretations. The standard was originally effective for annual periods beginning on or after 1 January 2017. However, the International Accounting Standard Board ("IASB") deferred the effective date of SLFRS 15 by one year to 1 January 2018 in September 2015. Entities will have a choice of full retrospective application, or prospective application with additional disclosures and earlier application is permitted.

Amendments to LKAS 16, 'Property, Plant and Equipment' and LKAS 38, 'Intangible Assets', clarify that a revenue-based method of depreciation or amortisation is generally not appropriate. The amendments are effective for accounting periods beginning on or after 1 January 2016.

Amendments to SLFRS 5,'Non-current Assets Held for Sale', clarify when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such. The amendments are effective for accounting periods beginning on or after 1 January 2016.

Amendments to SLFRS 7, 'Financial Instruments: Disclosures', provide specific guidance for transferred financial assets to help management to determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for derecognition. It further clarifies that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by LKAS 34 'Interim Financial Reporting'. The amendments are effective for accounting periodsbeginning on or after 1 January 2016.

Amendments to LKAS 19, 'Employee Benefits', clarify that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise. The amendments are effective for accounting periods beginning on or after 1 January 2016.

Amendments to LKAS 1, 'Presentation of Financial Statements', amendments are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including: materiality, disaggregation and subtotals, notes to the financial statements and OCI arising from investments accounted for under the equity method. The amendments are effective for accounting periods beginning on or after 1 January 2016.

The impact of SLFRS 9 'Financial Instruments' and SLFRS 15 'Revenue from Contracts with Customers' are still being assessed. Apart from SLFRS 9 and SLFRS 15, the adoptions of amendments to published standards are not expected to have a material impact to the financial statements of the Company.

There are no other standards or IFRIC interpretations that are not yet effective that would be expected to have a material impact to the Company.

2.2 Foreign Currency Translation

(a) Functional and Presentation Currency

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

(b) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other (losses)/gains – net'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the income statement, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

2.3 Current and Deferred Income Tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date.
Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

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

2.4 Inventories

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

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

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

Company has made allowances for all inventories which are non-moving for more than 10 years.

2.5 Trade and Other Receivables

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

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

2.6 Cash and Cash Equivalents

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

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

2.7 Property, Plant and Equipment

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

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

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

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

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

The useful lives of the assets are estimated as follows:

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

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

When each major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

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

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.
Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within other income / (losses) net, in the statement of comprehensive income.

Impairment of Property, Plant and Equipment

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

2.8 Stated Capital

Ordinary shares are classified as equity.

2.9 Trade Payables

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

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

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

2.10 Borrowings

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

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

2.11 Borrowing Costs

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

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

2.12 Provisions

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

2.13 Retirement Benefit Obligations

(a) Defined Benefit Plan

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

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

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

(b) Defined Contribution Plans

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

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

2.14 Grants and Subsidies

The monetary grants related to assets are recognized at the consideration received and deferred over the useful life of the asset.

2.15 Impairment of Non-Financial Assets

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

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

2.16 Financial Assets

2.16.1 Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial Assets at Fair Value through Profit or Loss

A financial asset is classified into this category if acquired principally for the purpose of selling in the short term designated by management. Assets in this category are classified as current assets if expected to settle within 12 months; otherwise, they are classified as non- current assets. Derivatives are also categories as financial assets at fair value thru profit or loss unless they are designated as hedges.

(b) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. Loans and receivables of which maturity greater than 12 months classified as non- current asset. The company's loans and receivables comprise "Trade & other receivable and Cash & Cash equivalent" in the balance sheet.

(c) Held to Maturity Investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

(d) Available for Sale

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of them within 12 months of the balance sheet date.

2.16.2 Recognition and Measurement

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or losses are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Available for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

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

Dividend income from financial assets at fair value through profit or loss is recognized in the income statement as part of other income when the company's right to receive payments is established.

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

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognized in the income statement as part of other income when the company's right to receive payments is established.

2.17 Offsetting Financial Instruments

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

2.18 Impairment of Financial Assets

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

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

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the income statement. If a loan or held – to – maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the income statement.

(b) Assets classified as available for Sale

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the company uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in profit or loss. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the income statement.

2.19 Financial Liabilities

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

2.20 Revenue Recognition

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

(a) Rendering of Services

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

(b) Interest

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

(c) Rental Income

Rental income is recognized on an accrual basis.

(d) Franchise Fee and Concessions

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

(e) Others

Other income is recognized on an accrual basis.

3 Financial Risk Management

3.1 Financial Risk Factors

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

(a) Market Risk

(i) Foreign Exchange Risk

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

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

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

Sensitivity of the Exchange Rate of USD against LKR

	2015 Increase/ Decrease in Profit (Rs.)	2014 Increase/ Decrease in Profit (Rs.)
10 % appreciation/ depreciation (2014- 10%) of the USD	**(235,302,690)**	(17,093,739)
15 % appreciation/ depreciation (2014- 15%) of the USD	**(352,954,035)**	(25,640,608)
20 % appreciation/ depreciation (2014- 20%) of the USD	**(470,605,381)**	(34,187,478)

Sensitivity of the Exchange Rate of Euro against LKR

	2015 Increase/ Decrease in Profit (Rs.)	2014 Increase/ Decrease in Profit (Rs.)
10 % appreciation/ depreciation (2014- 10%) of the Euro	**1,132,926**	2,111,699
15 % appreciation/ depreciation (2014- 15%) of the Euro	**1,699,389**	3,167,548
20 % appreciation/ depreciation (2014- 20%) of the Euro	**2,265,852**	4,223,398

Sensitivity of the Exchange Rate of Japanese Yen against LKR

	2015 Increase/ Decrease in Profit (Rs.)	2014 Increase/ Decrease in Profit (Rs.)
10 % appreciation/ depreciation (2014- 10%) of the Yen	**82,549,936**	126,882,158
15 % appreciation/ depreciation (2014- 15%) of the Yen	**123,824,903**	190,323,237
20 % appreciation/ depreciation (2014- 20%) of the Yen	**165,099,871**	253,764,316

Sensitivity of the Exchange Rate of Canadian Dollar against LKR

	2015 Increase/ Decrease in Profit (Rs.)	2014 Increase/ Decrease in Profit (Rs.)
10 % appreciation/ depreciation (2014- 10%) of the CAD	**Nil**	434,213
15 % appreciation/ depreciation (2014- 15%) of the CAD	**Nil**	651,319
20 % appreciation/ depreciation (2014- 20%) of the CAD	**Nil**	868,425

(ii) Cash Flow and Fair Value Interest Rate Risk

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

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

(b) Credit Risk

The credit risk arises from trade and other receivables from outside parties. Further details set out in note 26.

(c) Liquidity Risk

Cash flow forecasting is performed by the Finance Division. The Finance Division monitors rolling forecasts of the company's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements. Ex: currency restrictions.

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

3.2 Capital Risk Management

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

The gearing ratio as at 31st December, 2014 and 31st December, 2015 were as follows:

	2015 Rs.	2014 Rs.
Total Borrowings (Note 22)	**37,729,645,200**	35,919,653,640
Less: Cash and Cash Equivalents (Note 19)	**(15,549,644,460)**	(10,237,823,733)
Net Debt	**22,180,000,740**	25,681,829,907
Total Equity	**11,337,855,904**	10,893,485,605
Total Capital	**33,517,856,644**	36,575,315,511
Gearing Ratio	**66%**	70%

The above loan wholly consist of loans obtained through General Treasury at the market rate for the development of Bandaranaike International Airport and Mattala Rajapaksa International Airport under sovereign guarantee.The fair value of borrowing equals their carrying amount as the impact of discontinuing is not significant.

4 Critical Accounting Estimates and Judgements

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

4.1 Critical Accounting Estimates and Assumptions

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

(a) Defined Benefit Plan- Gratuity

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

(b) Provisions

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

5. Revenue	**2015 Rs.**	**2014 Rs.**
Aeronautical	**3,737,262,112**	3,367,416,696
Non-Aeronautical	**11,470,317,455**	10,239,540,139
	15,207,579,567	13,606,956,835
Miscellaneous Revenue	**11,180,504**	5,601,709
	15,218,760,071	13,612,558,544
Aeronautical Revenue		
Landing Charges	**2,497,635,025**	2,197,005,039
Landing Charges- Domestic	**11,393,410**	7,154,354
Overflying Charges	**904,646,520**	830,071,618
Aerobridge Charges	**323,587,157**	333,185,685
	3,737,262,112	3,367,416,696
Non-Aeronautical Revenue		
Embarkation Levy	**3,936,659,028**	3,559,421,970
Entry Permits	**172,548,921**	149,515,718
Entry Permits- PVG	**Nil**	6,240,179
Parking Fees- Vehicles	**50,660,514**	50,220,045
Rental	**2,498,880,043**	2,331,849,224
Concession	**3,510,046,152**	2,946,570,114
Franchise Fee on Ground Handling- SLA	**298,976,680**	247,476,658
Ground Handling- Domestic- RMA/BIA	**9,826,194**	9,506,728
Franchise Fee- SLCS	**212,723,235**	205,124,487
Training Centre Income	**13,838,163**	3,065,990
Other Non-Aeronautical Income	**766,158,528**	730,549,026
	11,470,317,455	10,239,540,139
Total Aeronautical and Non-Aeronautical Revenue	**15,207,579,567**	13,606,956,835

Other non-aeronautical income mainly consists of gross profit from lounges amounting to Rs. 283,860,928 (2014- Rs. 268,581,180) and income from incineration of garbage amounting to Rs. 53,644,704 (2014- Rs. 52,294,749)

6. Other income

	2015 Rs.	2014 Rs.
Amortization of Government Grant	**104,961,426**	150,918,051
Operating Profit from Fuel Filling Station (Note 6.1)	**9,032,920**	16,847,413
Net Foreign Exchange Gain/ (Loss) on transactions/ translations	**365,514,070**	106,921,374
	479,508,416	274,686,838

6.1 Operating Profit From Fuel Filling Station

	2015 Rs.	2014 Rs.
Sales	**1,082,502,038**	1,244,650,775
Less: Cost of Sales	**(1,055,233,870)**	(1,214,127,006)
Gross Profit	**27,268,168**	30,523,769
Less : Personnel and Administration Expenses	**(18,249,648)**	(13,690,756)
Sundry Income	**14,400**	14,400
Operating Profit	**9,032,920**	16,847,413

7. Expenses by Nature

	2015 Rs.	2014 Rs.
Directors' Emoluments	**12,774,722**	22,215,319
Staff Cost	**4,746,610,198**	3,925,045,779
Defined Contribution Plan Costs	**510,364,297**	383,553,532
Defined Benefit Plan Costs (Note 23)	**387,961,248**	398,155,879
Auditor's Remuneration Audit	**940,753**	536,535
Non Audit	**Nil**	Nil
Depreciation (Note 12)	**2,647,777,594**	2,656,109,505
Amortisation (Note 13)	**10,527,658**	8,116,711
Debtors impairment/(reversal)	**301,141,372**	(17,930,516)
Repair and Maintenance	**249,295,711**	434,195,269
Electricity Expenses	**703,910,068**	893,701,538
Legal Fees	**1,733,796**	384,942
Donations	**10,350**	170,026
Other Expenses	**551,306,011**	717,287,457
	10,124,353,778	9,421,541,976

8. Net Finance Cost /(Income)

Finance Cost	2015 Rs.	2014 Rs.
Loan Interest	**(717,067,024)**	(700,144,990)
Exchange loss on financing activities	**(3,525,237,920)**	Nil
	(4,242,304,944)	(700,144,990)
Finance Income		
Interest on Treasury Bills/Bonds under repurchase agreements	**690,001,765**	309,504,316
Interest on USD Fixed Deposits	**81,334,059**	33,335,943
Interest on Rupee Fixed Deposits	**17,778,812**	86,789,091
Interest on Debenture	**258,589,589**	269,238,421
Interest on Staff Loans	**6,639,428**	7,433,317
IFRS adjustment on staff loan	**(7,828,046)**	4,647,791
	(1,188,618)	12,081,108
Exchange gain on financing activities	**Nil**	1,019,522,469
Net Finance Cost / Income	**(3,195,789,337)**	1,030,326,359

9. Income Tax Expense

The major components of income tax expense for the year ended 31 December are as follows :

	2015 Rs.	2014 Rs.
Current Income Tax		
Current Tax Charge	**Nil**	Nil
Over provision of Taxes in respect of prior year	**Nil**	(182,761,157)
Income tax	**Nil**	(182,761,157)
Deferred Income Tax		
Income tax charge in respect of deferred taxation (14)	**1,561,269,801**	2,267,075,766
Total Tax Expense	**1,561,269,801**	2,084,314,609

Due to capital allowances claimed on Property, plant and equipment exceeding the book depreciation substantially and qualifying payments claimable exceeding assessable income there is no taxable income on which Company is liable to tax for the year ended 31 December 2015.

The tax on the Company's profit before tax differs from the theoritical amount that would arice using basic tax rate (28%) applicable to profits of the Company as follows :

	2015 Rs.	2014 Rs.
Profit Before Tax	**2,378,125,372**	5,496,029,765
Tax calculated at the effective tax rate of 28% (2014- 28%)	**665,875,104**	1,538,888,334
Profit not subject to tax	**(570,900,914)**	(50,391,570)
Expenses not deductible for tax	**969,688,407**	252,578,450
Income not subject to tax	**(294,038,843)**	(9,334,064)
Expenses deductable for tax	**(332,461,035)**	Nil
Tax losses for which no deferred income tax asset was recognised	**1,123,107,083**	535,334,613
Over provision for income tax in respect of prior years	**Nil**	(182,761,157)
Total Tax Expense	**1,561,269,801**	2,084,314,608

10. Basic Earnings Per Share

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

The following reflects the income and share data used in the basic earnings per share computation.

	2015	2014
Net profit attributable to shareholders- Rs	**816,855,571**	3,411,715,156
Weighted average number of ordinary shares in issue (Note 20)	**200,002**	200,002
Basic earnings per share- Rs	**4,084**	17,058

11. Dividend

The dividends paid in 2015 amounting to Rs.497,000,000, as shown in the statement of changes in equity, represents the interim dividend of Rs.250 Mn and the final dividend of Rs.247 Mn paid in respect of the year ended 31 December 2014. The dividend in respect of the year ended 31 December 2015 is to be proposed at the Annual General Meeting. These financial statements do not reflect this dividend payable.

12. Property, Plant and Equipment

(i) Land and building includes land amounting to Rs.940,412,498 as at 31 December 2015 (2014- 940,412,498) which is located at Katunayake.

(ii) The second international airport at Mattala which commenced operations in March 2013 had been constructed on a land leased out by the Government of Sri Lanka on a 99 year lease period. The base payments on the lease fall due after a grace period of 50 years from 2011.

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

(iv) Property, plant and equipments includes fully depreciated assets still in use amounting to Rs 7,702,192,684 (2014- Rs 7,469,762,337).

(v) Capital work-in-progress includes payments made in advance to system developer of Rs 27,502,032 relating to ERP system implementation. The system implementation had been suspended due to delivery failures by the system developer. Pending conclusion to the negotiations initiated by the developer, the amount paid remains as capital work-in-progress as at the reporting date. The agreement with the developer provides a performance bond of Rs 24,860,000 (10% of contract sum Rs 248,600,000) issued by People's Bank will be released on concluding negotiations. The date of completion and delivery of services as per the agreement was 31 March 2016.

(vi) Property, Plant and Equipment (PPE) includes Fixed Assets generated through Hmabanthota International Airport Development Project (HIADP) at Maththala Rajapaksha International Airport (MRIA) amounting to Rs.1, 246,648,241 (net book value as at 31.12.2015 Rs.1, 014,120,099) not accounted during the years 2013 and 2014 mainly due to "Status had not been finalized on the Price Escalation Claims of the Contractor, China Harbour Engineering (CHEC) to the original contract value of the HIADP then.

These unadjusted accounting balances have been accounted to the current financial statements for the Year Ended 31st December 2015 retrospectively.

The impact to the financial statements is shown below.

12. Property, Plant and Equipment (Contd.)

	Land & Bulidings	Plant and Machinery	Motor vehicle
As at 1st January 2014	Rs.	Rs.	Rs.
Cost	17,542,778,533	4,589,547,326	1,080,602,319
Accumulated depreciation	(2,689,936,909)	(2,954,232,907)	(664,080,063)
Closing net book amount	**14,852,841,624**	**1,635,314,419**	**416,522,256**
Year ended 31st December 2014			
Opening net book amount	14,852,841,624	1,635,314,419	416,522,256
Additions	Nil	54,151,675	111,573,383
Transfers- cost	(276,645,731)	(15,581,412)	(11,194,385)
- Accumulated depreciation	Nil	(1,254,419)	Nil
Written off- cost	(18,115,251)	(3,864,305)	(563,341)
- Accumulated depreciation	2,837,891	2,958,858	Nil
Disposals- cost	Nil	(13,794,351)	(9,204,369)
- Accumulated depreciation	Nil	13,794,147	9,204,353
Depreciation charge (Note 7)	(322,374,514)	(335,300,275)	(103,555,626)
Prior year adjustment {Note 12(vi)}	240,020,332	37,200,728	13,899,435
Adjustment to accumulated depreciation	(8,602,329)	(9,680,952)	(2,001,466)
Closing net book amount	14,469,962,022	1,363,944,114	424,680,242
As at 31st December 2014			
Cost	17,488,037,883	4,647,659,662	1,185,113,043
Accumulated depreciation	(3,018,075,862)	(3,283,715,548)	(760,432,801)
Closing net book amount	14,469,962,022	1,363,944,114	424,680,242
Year ended 31st December 2015			
Opening net book amount	**14,469,962,022**	**1,363,944,114**	**424,680,242**
Additions	**44,298,028**	**18,286,123**	**84,623,234**
Adjustments- cost	**Nil**	**Nil**	**Nil**
- Accumulated depreciation	**(810)**	**39,236**	**48,925**
Disposals- cost	**Nil**	**(16,842,250)**	**(24,356,579)**
- Accumulated depreciation	**Nil**	**16,842,249**	**24,356,562**
Written off/ transfers- cost	**(12,988,248)**	**(261,016)**	**Nil**
- Accumulated depreciation	**7,227,012**	**260,967**	**Nil**
Demolishing of PVG	**511,099**	**Nil**	**Nil**
Depreciation charge (Note 7)	**(330,909,441)**	**(341,579,536)**	**(93,846,084)**
Closing net book amount	**14,178,099,662**	**1,040,689,886**	**415,506,300**
As at 31st December 2015			
Cost	**17,519,347,663**	**4,648,842,519**	**1,245,379,698**
Accumulated depreciation	**(3,341,248,001)**	**(3,608,152,633)**	**(829,873,398)**
Closing net book amount	**14,178,099,662**	**1,040,689,886**	**415,506,300**

Furniture, Fittings & Office Equipments	Communication & Navigation Equipment	Other Equipment	Airport Infrasturcture	Capital Work In Progress	Total
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1,024,952,741	7,658,913,224	951,549,065	27,311,296,088	881,955,287	61,041,594,584
(792,831,811)	(4,455,166,759)	(709,713,203)	(4,933,890,673)	Nil	(17,199,852,325)
232,120,930	**3,203,746,465**	**241,835,861**	**22,377,405,416**	**881,955,287**	**43,841,742,259**
232,120,930	3,203,746,465	241,835,861	22,377,405,416	881,955,287	43,841,742,259
31,454,312	88,238,346	55,809,980	130,581,567	2,209,939,471	2,681,748,734
(4,633,744)	(76,318,014)	(19,915,667)	(744,839,777)	(215,273,394)	(1,364,402,125)
Nil	4,947,265	1,670,646	Nil	Nil	5,363,492
(123,357)	(15,254,797)	(5,225,731)	(3,294,041)	(160,621,986)	(207,062,809)
96,338	11,948,894	5,116,563	3,225,227	Nil	26,183,771
(18,559,176)	(12,931,990)	(17,005,013)	(74,456)	Nil	(71,569,354)
18,145,185	12,601,521	16,977,568	74,451	Nil	70,797,224
(74,796,743)	(611,149,148)	(60,751,099)	(1,148,182,100)	Nil	(2,656,109,505)
3,683,388	74,227,577	3,289,873	874,326,908	(1,246,648,241)	Nil
(825,079)	(14,824,133)	(736,962)	(73,215,828)	Nil	(109,886,747)
186,562,054	2,665,231,986	221,066,018	21,416,007,367	1,469,351,137	42,216,804,939
1,036,774,165	7,716,874,346	968,502,506	27,567,996,289	1,469,351,137	62,080,309,030
(850,212,110)	(5,051,642,360)	(747,436,488)	(6,151,988,922)	Nil	(19,863,504,091)
186,562,054	2,665,231,986	221,066,018	21,416,007,367	1,469,351,137	42,216,804,939
186,562,054	**2,665,231,986**	**221,066,018**	**21,416,007,367**	**1,469,351,137**	**42,216,804,939**
32,769,232	**49,576,620**	**30,617,745**	**29,208,591**	**476,700,101**	**766,079,674**
Nil	**Nil**	**Nil**	**(878,000)**	**Nil**	**(878,000)**
(5,799)	**2,863**	**(278,013)**	**47,280**	**Nil**	**(146,317)**
Nil	**Nil**	**Nil**	**Nil**	**Nil**	**(41,198,829)**
Nil	**Nil**	**Nil**	**Nil**	**Nil**	**41,198,811**
(6,799,289)	**(7,162,778)**	**(3,312,043)**	**(5,165,556)**	**(148,202,449)**	**(183,891,379)**
6,649,825	**6,284,887**	**3,310,429**	**4,317,326**	**Nil**	**28,050,446**
Nil	**64,405**	**Nil**	**843,507**	**Nil**	**1,419,011**
(47,625,883)	**(618,057,663)**	**(43,682,645)**	**(1,172,076,342)**	**Nil**	**(2,647,777,594)**
171,550,141	**2,095,940,321**	**207,721,492**	**20,272,304,172**	**1,797,848,789**	**40,179,660,763**
1,062,744,108	**7,759,288,188**	**995,808,208**	**27,591,161,324**	**1,797,848,789**	**62,620,420,496**
(891,193,967)	**(5,663,347,868)**	**(788,086,716)**	**(7,318,857,152)**	**Nil**	**(22,440,759,734)**
171,550,141	**2,095,940,321**	**207,721,492**	**20,272,304,172**	**1,797,848,789**	**40,179,660,763**

Notes to the Financial Statements (Contd)

13. Intangible Assets

	Software Rs.	Total Rs.
As at 1st January 2014		
Cost	27,819,323	27,819,323
Accumulated amortisation	(5,487,647)	(5,487,647)
Closing net book amount	22,331,676	22,331,676
Year ended 31st December 2014		
Opening net book amount	22,331,676	22,331,676
Additions	14,053,964	14,053,964
Prior year adjustment	1,243,048	1,243,048
Adjustments	(1,017,496)	(1,017,496)
Amortisation during the year (Note 7)	(8,116,711)	(8,116,711)
Adjustments to accumulated amortisation	(556,885)	(556,885)
Closing net book amount	27,937,595	27,937,595
As at 31st December 2014		
Cost	42,098,839	42,098,839
Accumulated amortisation	(14,161,244)	(14,161,244)
Closing Net Book Amount	27,937,595	27,937,595
Year ended 31 December 2015		
Opening net book amount	**27,937,595**	**27,937,595**
Additions	**17,500**	**17,500**
Amortisation during the year (Note 7)	**(10,527,658)**	**(10,527,658)**
	17,427,437	**17,427,437**
As at 31 December 2015		
Cost	**42,116,339**	**42,116,339**
Accumulated amortisation	**(24,688,902)**	**(24,688,902)**
Closing net book amount	**17,427,437**	**17,427,437**

The prior year adjustment relates to software cost amounting to Rs. 1,243,048 not accounted during the years 2013 and 2014 as disclosed in the note 12 (vi).

	As at 31 December 2015	As at 31 December 2014
Cost		
Opening balance	**42,098,839**	40,855,791
Prior year adjustment	**Nil**	1,243,048
Additions during the year	**17,500**	Nil
	42,116,339	42,098,839
Accumulated depreciation		
Opening balance	**14,161,243**	13,604,358
Prior year adjustment	**Nil**	556,885
Charge for the year	**10,527,658**	Nil
	24,688,901	14,161,243
Adjusted net book value	**17,427,438**	27,937,596

14. Deferred Income Tax (Libilities)/Assets

	Balance Sheet		Income Statement	
	2015	**2014**	**2015**	**2014**
Deferred Tax Liability on :	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Accelerated Tax Depreciation	**5,278,471,611**	3,630,708,665	**1,647,762,946**	2,371,709,314
	5,278,471,611	3,630,708,665	**1,647,762,946**	2,371,709,314
Deferred Tax Assets on :				
Defined Benefit Plan	**670,696,521**	631,666,344	**(39,030,177)**	22,552,681
Provision for Inventory and Debtors	**24,655,424**	24,655,424	**Nil**	(1,590,108)
Deferred Government Grants	**49,842,229**	50,801,656	**959,427**	954,170
	745,194,174	707,123,424	**(38,070,750)**	21,916,743
Other Comprehensive income				
Actuarial gain/(loss) on defined benefit plan			**(48,422,395)**	(126,550,291)
Deferred Income Tax Charge/ Credit (Note 9)			**1,561,269,801**	2,267,075,766

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

	2015	**2014**
	Rs.	**Rs.**
Deferred Tax Asset	**745,194,174**	707,123,424
Deferred Tax Liability	**(5,278,471,611)**	(3,630,708,665)
Deferred Tax Liability (net)	**(4,533,277,437)**	(2,923,585,241)

15. Investment in Debentures

Investment in debentures wholly consists of investment in 5 and 8 years redeemable debentures of Bank of Ceylon. The carrying value of the investment, held to maturity equals the fair value.

	2015	**2014**
	Rs.	**Rs.**
Debentures at weighted average rates of interest		
6 month TB Rate + 0.75%	**500,000,000**	800,000,000
6 month TB Rate + 1.25%	**800,000,000**	Nil
Debentures at fixed rate (11% & 13%)	**1,750,000,000**	1,750,000,000
	3,050,000,000	2,550,000,000

Debenture date of issue and date of redemption are as follows ;

Date of Issue	**Date of Redemption**	**Amount of Investment**
		Rs.
08.12.2011	07.12.2016	1,500,000,000
08.12.2011	07.12.2016	500,000,000
25.10.2014	24.10.2018	250,000,000
06.10.2015	05.06.2023	800,000,000
		3,050,000,000

Notes to the Financial Statements (Contd)

16. Inventories

	2015 Rs.	2014 Rs.
General**	**44,412,295**	49,808,301
Electronics	**65,381,413**	70,059,293
Engineering	**167,002,302**	149,795,109
Fuel	**8,343,385**	11,358,567
Fire equipment spare parts	**20,474,650**	19,949,896
Goods in transit	**107,509,306**	22,925,016
Stock- lounge	**415,805**	458,761
	413,539,157	324,354,943
Less : Allowance for slow moving inventory	**(64,165,776)**	(59,104,296)
	349,373,380	265,250,647

** The general inventory includes painting items, stationeries, staff uniform and other hardware items,etc..

17. Trade and Other Receivables

	2015	2014
Trade Debtors	**5,134,901,643**	4,092,918,582
Less: Provision for Impairment of Debts	**(965,753,991)**	(664,612,619)
	4,169,147,652	3,428,305,963
Other Receivables	**134,827,163**	86,375,728
Advances and Prepayments	**146,934,916**	221,596,743
Less: Provision for Doubtful Debts	**(1,476,881)**	(1,476,881)
	280,285,198	306,495,591
Loans to company officers	**99,013,925**	71,045,053
	99,013,925	71,045,053
	4,548,446,775	3,805,846,607

Loans to Company officers are receivable from employees in equal monthly installments over the loan period not exceeding 4 years. Interest is charged on employee loans at a rate of 4.2% & 5% per annum. As per accounting policy the employee loans are measured at amortized cost using the effective interest method of each reporting date. The effective interest on employee loans were 15% in 2015 (2014 15%)

Loans to company officers	2015 Rs.	2014 Rs.
Less than 1 year	**99,013,925**	71,045,053
More than 1 year	**87,102,228**	76,573,944
	186,116,153	147,618,997

All non- current receivables are due within five years from the end of the reporting period.
The fair values of trade receivables and amortized cost of staff loans are as follows:

	2015	2014
Trade Receivables	**4,169,147,652**	3,428,305,963
Loans to company officers	**99,013,925**	71,045,053
	4,268,161,577	3,499,351,016

As of 31 December 2015 trade receivables of Rs. 1,839,009,806 (2014: Rs. 2,262,954,777) were fully performing.

17. Trade and Other Receivables (Contd)

As of 31 December 2015, trade receivables of Rs.1,902,917,774 (2014: Rs.869,158,834) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2015 Rs.	2014 Rs.
Between 2 to 3 months	**715,362,471**	447,853,862
3 to 6 months	**1,187,555,303**	421,304,972
	1,902,917,774	869,158,834

As of 31 December 2015, trade receivables of Rs.967,230,872 (2014: Rs.666,089,500) were impaired.The individual impaired receivables mainly relate to aeronautical and non- aeronautical activities.

The carrying amounts of the Company's trade and other receivables are denominated in the following currencies:

	2015 Rs.	2014 Rs.
US Dollars	**19,613,940**	13,712,392
	19,613,940	13,712,392

The movement in the provision for impairment of trade receivables is as follows:

	2015 Rs.	2014 Rs.
At 1st January	**666,089,500**	780,595,630
Written off during the year	**Nil**	(56,079,449)
Provision made during the year	**364,245,766**	113,304,020
Reversals made during the year	**(63,104,394)**	(171,730,701)
At 31st December	**967,230,872**	666,089,500

The creation and release of provision for impaired receivables have been included in 'administration expenses' in the statement of comprehensive income. Amounts charged to the allowance account are generally written off, when there is no expectation of recovery.

The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Company does not hold any collateral as security.

Notes to the Financial Statements (Contd)

18. Income Tax Receivable/ Payable

	2015 Rs.	2014 Rs.
Balance at the beginning of the year	**643,041,022**	392,812,336
Previous year over provision	**Nil**	182,761,157
Payments during the year	**115,658,760**	67,467,529
Balance at the end of the year	**758,699,782**	643,041,022

19. Cash and Cash Equivalents

	2015 Rs.	2014 Rs.
Short Term Bank Deposits	**3,249,136,297**	3,005,936,284
Treasury Bills under repurchase agreements	**11,690,535,196**	6,634,000,000
	14,939,671,493	9,639,936,284
Cash at bank	**609,442,890**	597,387,001
Cash in hand	**530,077**	500,448
	609,972,967	597,887,449
Total cash and cash equivalents for the purpose of cash flow statement	**15,549,644,460**	10,237,823,733

20. Stated Capital

	Number of Shares	Value Rs.
At 31 December 2014	**200,002**	20,000,200
At 31 December 2015	**200,002**	20,000,200

All issued shares are fully paid

21. Reserves

	2015 Rs.	2014 Rs.
Net assets taken over from Airports Authority	**892,726,769**	892,726,769
Reserve for lightning damages to property, plant and equipment and inventory	**115,500,000**	112,000,000
	1,008,226,769	1,004,726,769

The value of net assets transferred to the Company from the Airports Authority which was dissolved upon the incorporation of the Company, and also Rs. 115.5 Mn transferred from retained earnings for utilization in the event of damages to property plant and equipment and inventory are considered reserves.

22. Borrowings

	2015	2014
Loans	**Rs.**	**Rs.**
Balance at the beginning of the Year	**35,919,653,640**	37,317,489,479
Loans obtained during the Year	**160,785,686**	530,994,851
	36,080,439,326	37,848,484,330
Loans settled during the Year	**(1,540,649,646)**	(764,263,842)
Exchange (gain)/loss on translation	**3,189,855,521**	(1,164,566,849)
Balance at the end of the Year	**37,729,645,201**	35,919,653,640
Current portion of borrowings	**2,594,308,784**	2,188,192,372
Non- current portion of borrowings	**35,135,336,416**	33,731,461,267
	37,729,645,200	35,919,653,640

Maturity analysis of the borrowings

	2015	2014
	Rs.	**Rs.**
No later than 1 year	**2,594,308,784**	2,188,192,372
Later than 1 year and no later than 5 years	**10,377,235,136**	9,500,608,331
Later than 5 years	**24,758,101,280**	24,230,852,937

The above wholly consists of loans denominated in foreign currency obtained through General Treasury at the market rate for the development of Bandaranayake international Airport under sovereign guarantee. The fair value of borrowings equals their carrying amount as the impact of discounting is not significant.

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

	2015 (%)	2014 (%)
United States Dollar (USD)- Mattala Rajapakse International Airport	**2.00**	2.00
Japanese Yen		
Bandaranayake International Airport Development Project	**2.75**	2.75
Bandaranayake International Airport Development Project	**1.80**	1.80
Bandaranayake International Airport Development Project	**0.75**	0.75
Bandaranayake International Airport Development Project	**0.20**	0.20
Euro		
Modern RMA Air Traffic Control System- Tranche- 2	**4.90**	4.90
Modern RMA Air Traffic Control System- Tranche- 3	**2.10**	2.10
Canadian Dollar- Bandaranayake International Airport	**Nil**	0.75

The carrying amounts of borrowings denominated in foreign currencies are as follows; (values in foreign currencies).

	2015	2014
United States Dollar (USD)	**183,410,566**	190,000,000
Japanese Yen	**9,003,726,377**	9,251,987,000
Euro	**815,732**	1,026,616
Canadian Dollar	**Nil**	37,500

Notes to the Financial Statements (Contd)

23. Retirement Benefit Obligation

Movement in the liability recognized in the balance sheet is as follows:

	2015 Rs.	2014 Rs.
As at beginning of the year	**2,255,951,234**	2,336,496,517
Current service cost (Note 7)	**135,294,710**	136,468,269
Interest cost (Note 7)	**252,666,538**	261,687,610
Payments made during the year	**(75,630,644)**	(26,735,837)
Gain arising from changes in assumptions used	**(172,937,123)**	(451,965,325)
As at end of the year	**2,395,344,714**	2,255,951,234

As at 31 December 2015, the gratuity liability was actuarially valued under the Project Unit Credit (PCU) method by a professionally qualified actuary firm Actuarial & Management Consultants (Private) Limited.

The key assumptions used by the actuary include the following :

	2015 Rs.	2014 Rs.
Discount rate	**11.00%**	11.20%
Rate of future salary increases	**6.00%**	7.50%
Inflation rate	**2.80%**	4.70%
Rate of staff turnover	**1.00%**	0.78%
Retirement age	**60 years**	60 years

The liability for defined benefit obligations is not externally funded.

24. Deferred Government Grant

Treasury Grant	2015 Rs.	2014 Rs.
At the beginning of the year	**1,436,666,249**	1,607,202,584
Reveral of over Amortization/(Amortization)	**(104,961,426)**	(150,918,051)
Refund to the treasury	**Nil**	(19,618,285)
At the end of the year	**1,331,704,823**	1,436,666,249

24.1 The above grants include:

(a) A sum of Rs.34,265,267 received in 2010 from the Telecommunication Regulatory Commission as a grant received for the microwave link established between Piduruthalagala and Ratmalana during 2008, which had been amortized effective from 2008 over the useful life of the communication equipment estimated as 8 years.

(b) An amount of Rs 8,479,962,767 received from the Department of Treasury, accounted as Treasury contributions in the Voted Fund in previous years prior to the amalgamation and now accounted as a grant representing amounts received for BIA development projects since incorporation of the Company. On amalgamation the amounts received prior to 2001 utilized for assets purchased prior to that year had been adjusted to opening equity balance. The balance Rs 2,297,170,632 represents the grants received for assets acquired subsequent to 2001 and is being amortized over the useful life periods of those assets.

25. Trade and Other Payables

	2015 Rs.	2014 Rs.
Trade payable	**5,727,529,022**	5,334,753,358
Refundable deposits	**270,273,712**	236,078,627
Other payables	**1,540,139,044**	1,148,519,568
	7,537,941,778	6,719,351,553

Other payables mainly includes loan interest and commitment fee amounting to Rs 1,309,611,581 (2014: 944,619,691) payable to General Treasury.

26. Financial Instruments by Category

(a) Financial Instruments

Financial Assets	2015 Rs.	2014 Rs.
Loans and receivables		
Trade and other receivables (Note 17)	**4,449,432,850**	3,734,801,554
Loans to company officers	**87,102,227**	76,573,944
Cash and bank balances (Note 19)	**609,972,967**	597,887,449
	5,146,508,044	4,409,262,946
Held to maturity financial assets		
Investment in debentures (Note 15)	**3,050,000,000**	2,550,000,000
Investments in treasury bills/bonds repurchase (Note 19)	**11,690,535,196**	6,634,000,000
Short term bank deposits (Note 19)	**3,249,136,297**	3,005,936,284
	17,989,671,493	12,189,936,284

Financial Liabilities		
Other financial liabilities		
Borrowings (Note 22)	**37,729,645,200**	35,919,653,640
Trade and other payables (excluding non financial liabilities) (Note 25)	**7,537,941,778**	**6,719,351,553**
	45,267,586,978	42,639,005,192

Notes to the Financial Statements (Contd)

(b) Credit Quality by Class of Financial Assets

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

31st December 2015

	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
Trade Receivables (Note 17)	2,264,752,997	1,902,917,774	967,230,872	5,134,901,643
Loans to company officers	186,116,153	Nil	Nil	186,116,153
Total Financial Assets	**2,450,869,150**	**1,902,917,774**	**967,230,872**	**5,321,017,796**

31st December 2014

	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
Trade Receivables (Note 17)	2,559,147,129	869,158,834	664,612,619	4,092,918,582
Loans to company officers	147,618,997	Nil	Nil	147,618,997
Total Financial Assets	2,706,766,126	869,158,834	664,612,619	4,240,537,579

Cash at Bank and Short-Term Bank Deposits

	2015 Rs.	2014 Rs.
AA+(lka)	**3,858,579,187**	3,603,323,285
Total	**3,858,579,187**	3,603,323,285

27. Contingencies

27.1 Contingent liabilities

The Company is the defendant in the following lawsuits filed against the Company. In the directors' opinion, after taking appropriate legal advice, the outcome of these legal action will not give rise to any significant loss. Accordingly, no provision is made in the financial statements, in respect of these lawsuits.

(a) Members of two Taxi Associations have filed 133 cases against the Company demanding approximately Rs. 62 Mn for breach of contract. Court order directed AASL to pay Rs.40,000 each to the Plaintiffs of two cases in the District Court. However, as a result of an appeal these cases are to be re- tried at the District Court of Negombo.

(b) Arbitration proceedings referred by late A.S.K Fernando of Floorshine Service against the Company demanding Rs.80 Mn for termination of contract is laid by until his testamentary proceedings are concluded.

Other than the above, there were no material contingent liabilities outstanding at the balance sheet date.

27.2 Contingent assets

Performance bond of Rs 24,860,000 gurranteed by People's Bank for the termination of ERP system implementation.

28. Commitments

28.1 Capital Expenditure Commitments

	2015 Rs.	**2014 Rs.**
Contracted but not provided for	**1,047,650,530**	699,400,000
Authorized by the Board, but not contracted for	**2,575,680,807**	1,643,000,000
	3,623,331,337	2,342,400,000

28.2 Financial Commitments

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

28.3 Operating Lease Commitments

There are no any operating lease commitments.

29. Key Management Compensation

	2015 Rs.	**2014 Rs.**
Emoluments and Fees	**12,774,722**	22,215,319
	12,774,722	22,215,319

The Board of Directors have been considered as key management personnel of the Company.

30. Events after the end of reporting date

There have been no material events occurring since the date of the statement of financial position that require adjustments to, or disclosure in, the financial statements.

NOTES

NOTES Contd.

NOTES Contd.

CORPORATE
INFORMATION

Company Registration Number	: PV 7931 (Companies Act No. 7 of 2007)
Date of Incorporation	: 23rd February 1982
Legal Form	: Limited Liability Company
Board of Directors	: S S Ediriweera (Chairman)
	K V P R De Silva (Vice Chairman)
	Johanne Jayaratne (Executive Director)
	N R Hewathantri
	N P L P Fernando
	W M A Wijekoon
	S E W Gunasekara
	L W A De Soysa
	S R Attygalle
	R Ketawalage
Company Secretary	: M C G Mahipala (Ms)
Registered Office	: Bandaranaike International Airport, Katunayake
Other Locations of Operations	: • Mattala Rajapaksa International Airport, Mattala
	• Colombo Airport, Ratmalana
	• Civil Aviation Training Centre, 64, Kandawala Road, Ratmalana
	• HF Transmitting Station, Attidiya Road, Ratmalana
	• Radar & Communications Centre, Pidurutalagala Peak , Nuwara Eliya
	• HF Receiving Station, Seetha Eliya, Kandapola.
Vat Registration Number	: 1040827697000
Auditors	: Auditor General's Department
Bankers	: Bank of Ceylon PLC, National Savings Bank

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