



# SriLankan Airlines

ANNUAL REPORT  
2019/20



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# OUR VISION

To be Asia's most customer-centric airline.

# OUR MISSION

To delight our customers with a reliable and pleasant travel experience with warmth and hospitality, the Sri Lankan way.

We strive to meet our stakeholder expectations as a competent, proactive and diligent organisation which is financially viable.



## HIGHLIGHTS 2019/20

		Group		Company	
		2020	2019	2020	2019
<b>Financial</b>					
Revenue	LKR. Mn	<b>183,531.82</b>	184,097.04	<b>180,151.02</b>	180,340.32
Operating Expenditure	LKR. Mn	<b>(188,699.06)</b>	(207,321.53)	<b>(190,321.69)</b>	(209,344.66)
Loss Before Tax	LKR. Mn	<b>(44,104.72)</b>	(41,626.91)	<b>(47,197.86)</b>	(44,022.67)
Net Loss for the Year	LKR. Mn	<b>(44,139.40)</b>	(41,700.33)	<b>(47,197.86)</b>	(44,022.67)
Total Assets	LKR. Mn	<b>186,428.56</b>	82,247.73	<b>181,189.60</b>	77,339.00
Shareholders' Funds	LKR. Mn	<b>(261,173.54)</b>	(168,111.70)	<b>(273,369.08)</b>	(177,556.23)
<b>Traffic</b>					
Passenger Capacity	ASK Mn			<b>18,041.41</b>	18,925.40
Overall Capacity	ATK Mn			<b>2,454.30</b>	2,577.53
Passengers Carried	RPK Mn			<b>5,256.04</b>	5,663.01
Overall Load Carried	RTK Mn			<b>1,664.49</b>	1,806.58
Passenger Load Factor	%			<b>80.64</b>	82.90
Overall Load Factor	%			<b>67.82</b>	70.09
<b>Staff Productivity</b>					
Average Strength	Nos.	<b>7,709</b>	7,844	<b>6,693</b>	6,794
Revenue per Employee	LKR. Mn	<b>23.81</b>	23.47	<b>26.92</b>	26.54
<b>Aircraft Fleet</b>					
A320-200	Nos.			<b>5</b>	5
A321-200	Nos.			<b>2</b>	2
A320neo	Nos.			<b>2</b>	2
A321neo	Nos.			<b>4</b>	4
A330-200	Nos.			<b>5</b>	7
A330-300	Nos.			<b>7</b>	7
Aircraft in Service at Year End	Nos.			<b>25</b>	27

## CHAIRMAN'S MESSAGE

**“Despite the unprecedented situation faced by the Airline due to the pandemic, I am confident that the Airline and the industry will normalise in 2021 . . .”**

It is with a resolute commitment that I, together with the new Board of Directors, assumed duties in February 2020 with a firm belief in the inherent potential of SriLankan Airlines to turnaround as a profitable enterprise and with a vision to take the Airline to new heights, playing a key role in the Nation's progress. It was in the backdrop of the devastating Easter Attacks in April 2019, which had a severe impact on the entire air travel and tourism industry, that we took office. I am pleased to note that the Airline, led by the Chief Executive Officer and his team has taken many proactive initiatives to overcome this debacle and was already showing positive impacts. However, as you are aware, the year end saw the Airline industry facing the most severe crisis it has faced to date, due to the rapid spread of the COVID-19 pandemic across the globe; thus, intensifying the challenges that our Airline faced.

### OPERATING ENVIRONMENT

2019 was a challenging year for the global aviation industry. The demand for air passenger services measured in terms of Revenue Passenger Kilometres

(RPKs) slowed down to record a year-on-year growth of 4.2%, a significant decline from a growth of 7.2% in 2018. The most significant impact on the demand for air travel stemmed from the challenging global economic conditions, mainly the trade tensions between the world's superpower economies. World airline capacity, measured in ASKs, at 3.2%, was the slowest year-on-year growth since 2009. In contrast to passenger, the demand for air cargo contracted by 3.2% in 2019, recording a decline for the first time since 2012, due to slowing global trade.

Continuing on the declining trend for the 8th consecutive year, passenger yields fell by 3% in 2019, owing to the intensification of competition. Cargo yields declined by 5% in 2019, following an impressive 12% growth in 2018.

IATA estimated the Airline industry's operating profit in 2019 to be USD 42.5 Bn, down by over USD 3 Bn from 2018. The operating margin for 2019 was 5.1% of revenue, a decline from 5.7% in 2018.

Moreover, the severe travel restrictions amidst the COVID-19 crisis in late 2019 continue to have a devastating impact on passenger demand and airline revenue which deteriorated the outlook for the global industry. Nevertheless, the aviation industry continues to perform a vital role by enabling the repatriation of passengers stranded around the globe and the transportation of essential goods, including medical supplies.

The 2019/20 financial year had an inopportune start with the unprecedented Easter Sunday incident in late April, which not only devastated the whole nation, but brought the entire Travel and Aviation sector to a complete standstill. The impact of the Easter Sunday incidents magnified the pressure on the Airline, which was already battling the challenges of capacity-driven depletion of market yields, volatile global fuel prices, currency depreciation and exposure to adverse tax reforms.

Overall tourist arrivals to Sri Lanka declined significantly following these incidents and reached 1.9 Mn by the end of 2019 calendar year, recording an 18.0% decline over 2018. Total industry earnings also declined by nearly 18.0% from 2018, to USD 3.6 Bn. However, the winter season of 2019 saw tourist arrivals recover significantly, with arrivals in December and January falling short of the previous year only by 4.5% and 6.5% respectively. Despite this, the rapid spread of the COVID-19 pandemic in the Asian region in early 2020 saw tourist arrivals from February onwards recording a rapid decline to end with a complete cessation by end March. With the closure of the Bandaranaike International Airport (BIA) due to the COVID-19 outbreak, the operations are restricted to the government approved repatriation flights and cargo flights.

Despite the unprecedented situation faced by the Airline due to the

pandemic, I am confident that the Airline and the industry will normalise in 2021 on the back of measures taken by the Government to control the pandemic and support the revival of the economy.

## PERFORMANCE

The performance of the Group even though hampered by the double blow of the Easter Attacks and the global pandemic, was creditable with revenues decreasing only by 8% measured in terms of USD and by 0.3% measured in terms of LKR, amounting to LKR 183.5 Bn. The Earnings Before Interest, Tax, Depreciation, Amortisation and Rent (EBITDAR) improved to LKR 15.9 Bn from LKR 9.3 Bn, which is a measure of the real performance of the underlying business. The Operating Loss of the Group for 2019/20 was LKR 5,167 Mn compared to LKR 23,224 Mn and the net loss was LKR 44,139 Mn compared to LKR 41,700 Mn in the previous year. However, it should be noted that the significant contributing factors to this loss was non-operating in nature such as finance cost, exchange loss and Withholding Tax (WHT). Further details on financial performance are given in the CEO's message and the Management Discussion and Analysis.

## FUTURE OUTLOOK

The new Board, together with the team led by the Chief Executive Officer, has already taken many short and long term measures to improve the performance of the Company.

We have identified the key issues that need to be addressed to turnaround the Airline as those stemming from legacy practices, excessive debt and issues related to the aircraft fleet. The plans for restructuring of the Airline will address all of these fundamental issues, even though the current situation will delay the implementation of the plans. The proposals for restructuring, which include an infusion of capital and short term support to overcome the current

crisis, have been submitted to the Cabinet of Ministers. The short term financial support was approved by the Cabinet, whilst the infusion of capital is being assessed by the Government. Further measures, including required relief from WHT, were also approved by the Cabinet.

Many short-term measures have been adopted to meet the current challenges, covering both revenue enhancement as well as cost curtailment measures. Following the escalation of the pandemic and the ensuing closure of international borders for passenger traffic, the Airline immediately embarked on enhancing its cargo operations in order to cater to the demand. For the first time, a scheduled operation was launched for cargo flights and a passenger aircraft was converted by the team at SriLankan Engineering to carry cargo. Other cost curtailment measures included salary reductions as well as reduction of contract and temporary staff. Contracts are being renegotiated with key suppliers and we have already had considerable success in renegotiating better terms with key aircraft lessors for existing aircraft lease contracts.

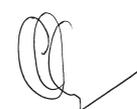
A lack of coordination between Government Agencies promoting Sri Lanka's tourism has been a key drawback in the past and thus, with a view to addressing this, we have submitted a Cabinet Paper together with Sri Lanka Tourism, to promote destination marketing for China, India and Australia.

Prior to the pandemic, the Airline formulated plans to commence new destinations in Europe, the Far East, Australia, India and Africa but these will now be delayed and will be spread over the next few years depending on the recovery of the Tourism sector. The aircraft fleet was reduced by one last year and will be further reduced by two

aircraft this year through lease returns; thus, helping to reduce the fixed cost of the Airline. The aircraft will be replaced only in 2021 and beyond once recovery takes place and we are in a position to launch to new destinations.

It should be acknowledged that the National Carrier has provided yeomen service to the nation over the years, especially during periods of crisis, by connecting Sri Lanka with the rest of the world and vice versa. At the same time, the Board of Directors is committed to ensure that the Airline will not continue to be a burden on the finances of the nation and is currently working very closely with all internal and external stakeholders towards that end. I would like to add that even though the Airline is facing an unprecedented crisis at present and has to overcome a plethora of legacy issues to achieve a sustainable turnaround, I am confident of achieving success in the medium term supported by a very professional team of talented individuals, who are versed in the industry.

In conclusion, I would like to convey my heartfelt appreciation for the tremendous support I have received in my short tenure as the Chairman, from all levels of the Government, including His Excellency the President, the Hon. Minister of Tourism and Aviation, the officials of the Ministry of Tourism and Aviation, the Ministry of Finance and all other Government Agencies with which we work. I also take this opportunity to thank all the Board Members for their valuable input and support. Finally, I wish to thank the entire SriLankan team and the Unions for their support and commitment to the Company.



**Asoka Pathirage**  
Chairman

31 July 2020

## CHIEF EXECUTIVE OFFICER'S MESSAGE

**“Financial results for the year under review recorded a positive EBITDAR (Earnings Before Interest, Taxes, Depreciation, Amortisation, and Rent costs) of LKR 15.9 Bn (USD 135.5 Mn), against a EBITDAR of LKR 9.3 Bn (USD 89.8 Mn) in the previous year. Net cash flow from operating activities of the Group improved to positive LKR 26.1 Bn when compared to LKR 3.3 Bn in the previous year.”**

### INDUSTRY OVERVIEW

During the first half of the year, the global economy was severely affected by the international trade tensions, especially between US and China. In 2019 growth in demand for air passenger services (Revenue Passenger Kilometres - RPKs) slumped to 4.2% from 7.2% recorded in 2018. Industry-wide RPKs fell below the IATA estimated long-term industry average growth rate of 5% for the first time since 2012. Further, at 3.2%, worldwide airline capacity or Available Seat Kilometres (ASKs) too recorded its slowest growth since 2009. The unexpected grounding of Boeing 737 Max had a major influence on this moderate growth in airline capacity. With growth in demand for air travel exceeding the growth in capacity, the Passenger Load Factor improved by 0.5% to 82.6% in 2019, which was a new record high.

The year under review was rather a gloomy year for air cargo. Global Cargo Ton Kilometres (CTKs) contracted by 3.2% over 2018, recording a negative growth for the first time since 2012. Trade tensions led global economic slowdown was the main contributory

factor for contraction in air cargo volumes in 2019. Towards the end of 2019, conditions for the air cargo market showed signs of improvement, as positive steps towards easing of the global trade tensions were taken.

The outbreak of COVID-19 pandemic in late 2019 resulted in a devastating impact on global air travel. IATA forecasts 2020 as the worst year in the history of aviation as the airlines are expected to lose USD 84 Bn at a negative profit margin of 20% and a 50% drop in revenues as per the latest estimates from the International Air Transport Association. The Asia Pacific region is forecast to pose the largest proportion of total industry losses of USD 29 Bn. The ripple effect of this crisis is anticipated to impact 2021 as well, where the airlines are expected to lose USD 15.8 Bn. The CEO of IATA states that “People will want to fly again, provided they have the confidence in their personal financial situation and the measures taken to keep travellers safe.”

### GROUP PERFORMANCE

SriLankan Airlines reached a unique milestone as we celebrated 40 years

of service in September 2019. The year under review has been one of the most challenging years for the Airline. The Easter Attacks saw a downturn in revenue for the Airline in the first half of the year, while the financials of the last quarter of the year was hindered by the COVID-19 outbreak that continues to affect the current financial year with passenger demand being diminished as international borders closed and countries locked down to prevent the spread of the virus.

Financial results for the year under review recorded a positive EBITDAR (Earnings Before Interest, Taxes, Depreciation, Amortisation, and Rent costs) of LKR 15.9 Bn (USD 135.5 Mn), against a EBITDAR of LKR 9.3 Bn (USD 89.8 Mn) in the previous year. After finance cost and exchange loss, the Group loss at the end of the year was LKR 44.1 Bn (USD 112 Mn) against LKR 41.7 Bn (USD 169 Mn) in the previous year. The Group incurred LKR 8.1 Bn as Withholding Tax (WHT) and LKR 40.7 Bn as finance expenses for an outstanding total debt of LKR 352 Bn as at 31st March 2020. Net cash flow from operating activities of the Group improved to positive LKR 26.1 Bn when compared to LKR 3.3 Bn in the previous year.

Airline's capacity in the year under review reduced by 5% over the previous year, while the overall passenger cabin factor reduced by 2% at USC 5.55. The overall decline in Group revenue against the previous year was 0.3%. Decline in revenue was mainly attributable to the decline in passenger arrivals due to international airlines reducing operations to BIA post-Easter Sunday Attacks and COVID-19 outbreak during the last quarter of the financial year. Capacity reduction of other airlines operating to BIA and the concessions on ground handling rates offered to other airlines on a cabinet decision had a significant

negative impact of over LKR 1.1 Bn on the Ground Handling revenue and nearly LKR 0.4 Bn on Catering revenue.

The Group's operating expenses excluding WHT and impact of SLFRS 16 stood at LKR 161.1 Bn, reflecting an improvement of 4.9% against last year. Decline in income was offset by the reduction in operating expenses by 4%. Savings on fuel cost was LKR 5.3 Bn, of which 42.5% was due to fuel price reduction partially offset by the adverse impact of the unfavourable exchange rate movement and 57.5% was resulted through the reduced flight frequencies amidst the unforeseen events. Furthermore, savings of LKR 6.6 Bn was achieved through various management initiatives pertaining to Engineering, Passenger Services, Station Traffic and Commercial divisions. Significant savings amounting to LKR 4.2 Bn was achieved by the Engineering division, while the savings achieved from initiatives implemented by the Commercial, Station & Traffic and Marketing divisions amounted to LKR 2.4 Bn.

Airport and Ground handling, the most profitable strategic business unit of SriLankan Airlines, reported a revenue of LKR 11.8 Bn (8% lower than last year), while the total Group revenue for the year exceeded LKR 183.5 Bn (USD 1 Bn). The reduction in the forecasted revenue of LKR 9.1 Bn was attributable to the reduced operations at BIA post Easter Sunday Attacks in April 2019 and further loss of revenue of LKR 9.8 Bn was the result of the COVID-19 pandemic in the last quarter of the year. The forecasted EBITDAR for the year under review, excluding the aforementioned loss of revenue of LKR 19 Bn, would have been LKR 24 Bn.

The unfortunate Attacks on Easter Sunday and the COVID-19 outbreak resulted in a significant impact on our

performance forecasts and challenged the execution of some of the short and medium term strategies of the business plan. The Airline experienced a substantial reduction in passenger bookings and cancellations from some of the key markets. A series of flight cancellations and aircraft downgrades were accommodated in the schedule due to the reduction in passenger demand and the restrictions imposed by countries due to COVID-19. As a measure of recovery, we scheduled to deploy the excess capacity on cargo flights. The Management is critically reviewing the strategic business plan and has made certain realistic revisions in light of the prevailing and expected conditions. Timelines of re-introducing some of the European, Asian and Australian destinations proposed in the business plan were deferred within the planning horizon to ensure the improvement of market stimulus and passenger confidence.

Notwithstanding all trials and tribulations that we endured, the year under review was never short of achievements.

In the quest of bringing its official online platform on par with the industry's leading airlines, SriLankan Airlines continues to enhance Srilankan.com with improved features, brand new payment options and innovative solutions to cater to all travel needs. During the year under review, the passenger reach in the online sphere has increased to a 14% from the previous year's 11% of the Airline's total revenue. The target for the next 03 years is to increase the online revenue share up to 30%. The number of repeating passengers to the website has increased to 54% from last year's 42%, denoting improved loyalty and an ever-growing customer base to the Airline's online sales channel. With further enhancements such as the marketing feature that will allow

passengers the convenience of obtaining dynamic air ticket pricing at a glance, SriLankan Airlines aims to strengthen the customer experience of its online channel by bringing the world one step closer to the passenger. In addition, with the introduction of a number of payment options such as Alipay, WeChat, PayPal, Paytm, Apple Pay and PoLi, Srilankan.com seeks to increase its contribution to SriLankan Airlines revenue by providing elevated value additions, making Srilankan.com more attractive and increasingly inventive to make the customer journey all the more efficient. To streamline passenger experience, while being on par with the latest technology, SriLankan has been promoting online and kiosk check-in facility to overcome queuing time at BIA. FlysmiLes, with the focus of striving to enhance the customers' loyalty experience with SriLankan, now offers its loyalty members an increased convenience by offering the options of booking for redemption tickets through the Website and the Mobile App, in addition to its other more familiar touch points: the Call Centre, the FFP Service Centre and all SriLankan Airlines overseas offices.

SriLankan became the first Airline in South Asia to introduce Virtual Reality (VR) Cinema in partnership with Skylights at our exclusive Serendib Business Class lounge. We also feature the "World's most advanced muscle recovery tool" Spryng in partner with Twinery, the innovation arm of MAS Holdings. This wearable technology stimulates blood flow and reduces blood pooling in your feet, making you rejuvenated before your long flight.

In order to reduce the Airline's aircraft leasing cost and achieve a reduction in maintenance cost, a number of lease re-negotiation activities with the Airline's lessors were carried out, delivering several million dollars in

## CHIEF EXECUTIVE OFFICER'S MESSAGE CONT'D.

savings to the Airline. Furthermore one A330-300 aircraft was wet leased on a profitable short-term contract to Oman Air, achieving significant profits for the Airline over four months.

The Airline's aircraft maintenance arm, SriLankan Engineering, regained the European Aviation Safety Agency (EASA) Type 145 certification and the resumption of third party aircraft line and base maintenance services resulted in an additional revenue to the Airline. Additional line maintenance work was secured with Air China, Air India, Oman Air and Malaysian Airlines, together with additional base maintenance work being secured with Air Blue and Air Seychelles.

The innovative efforts of the SriLankan Airlines team resulted in the National Carrier receiving the global 'Best Marketing Innovation' award from the Airline Passenger Experience Association (APEX). SriLankan also secured a Four-Star rating in the 'Major Airlines' category for the 3rd consecutive year.

The Airline, continuing to prove the global appeal of its marketing communication endeavours, won an esteemed PATA Gold Award in the category 'Marketing-Carrier' for its advertising campaign 'Two Cities, One Spirit', which aims to entice travellers to experience the inherent similarities between Sri Lanka and Melbourne.

SriLankan was also named the 'Most Punctual Airline of the World' twice during the last 12 months. Furthermore SriLankan Ground Services successfully completed the IATA Operational Safety Audit (IOSA) by the International Air Transport Association.

SriLankan Airlines, reaffirming its stature as a leading airline in the Indian sub-continent, won the prestigious 'World's

Leading Airline' and 'Asia's Leading Airline to the Indian Ocean' title at World Travel Awards Asia & Oceania.

Receiving First Star awards in 3 categories ("Airline International", "Music International" and "Campaign") at Golden City Gate Awards ITB - Berlin 2020, restored much pride to the National Carrier.

The decision made to relocate its corporate offices located in Colombo to existing space in Katunayake resulted in notable financial savings and operational efficiencies. Further plans are underway to refurbish our own regional office located in the heart of Colombo, which had been neglected previously, to make the best use of the available space. SriLankan's Engineering division successfully re-gained the EASA Base Maintenance approval for Airbus A320 and A330 aircraft and obtained Line Maintenance certification approval for Boeing 737 NG aircraft. This significantly enhances our capacity as an MRO (Maintenance, Repair & Operations) Organisation and provides the revenue generation opportunities from 3rd party aircraft maintenance services.

The CSR arm of SriLankan Airlines has carried out projects under the areas Child, Planet, and Talent to elevate social, educational and health-related standards of the community. The various programmes in relation to Good Health and Well-being, Quality Education and Clean Water and Sanitation are embracing the Sustainable Development Goals in the country.

We, as an Airline, will continue to serve the nation as we did during the COVID-19 outbreak. So far we have been able to bring back nearly 15,000 Sri Lankans, who were stranded overseas due to border restrictions

imposed in view of the pandemic. Our dedicated staff in many segments, including the operating pilots, cabin crew, ground handling staff, planners, and many others behind the scenes were risking the safety of their lives and families to operate a humanitarian flight that did not have a commercial objective.

### WAY FORWARD WITH THE NEW NORMAL

The COVID-19 pandemic brought about formation of a "new normal" for all airlines with passenger health and well-being becoming priority focus. In order to promote safe flying, SriLankan Airlines will be providing a Travel Hygiene Pack for all passengers on resumption of normal operations from our base international airport in Colombo. The pack will consist of a 3 Ply Surgical Mask and Sanitiser, in sustainable packaging.

Revenue enhancement through effective capacity deployment, revenue management and expenditure reduction strategies will continue to be the focus of the Management to direct the Airline towards sustainable financial viability in accordance with the business plan. The Management is aggressively pursuing a Company wide cost saving and increase in ancillary revenue initiatives in the next financial year, in order to reduce losses. Furthermore, we have converted a wide-body passenger aircraft into a dedicated cargo aircraft, with a total payload of 45 metric tonnes to support Sri Lanka's export industries and to keep the country connected with the global economy during the pandemic. We currently operate other aircraft on special cargo flights to 20 destinations in Europe, Middle East, Australia, India and the Far East regions, whilst offering capacity for cargo charter operations to customers in need of the same. Several measures have been implemented to preserve the liquidity

of the National Carrier by negotiating deferred payment plans and deductions with the Airline's key suppliers, which have so far resulted in USD 46 Mn.

Further lease reductions are under negotiation, with the Airline being able to conclude a lease restructuring with a major lessor, which would bring over USD 104 Mn cash savings over the next six years and discussions are under way with the other major lessors as well.

I sincerely thank both the previous and the present Board of Directors, Management team, employees, business partners and all other stakeholders for their continued support and patronage during one of the most difficult years.

I will be failing in my duties if I don't mention the support extended by the shareholder, GOSL, during the recent past, by extending necessary financial and policy level support, without which the Airline would not have been able to cope up with the devastating effects of the pandemic that made airlines all over the world go through imminent bankruptcies.

I'm confident that we will continue to be resilient and relentless in our efforts to overcome challenges of the pandemic and will reach the vision of becoming Asia's most customer-centric airline.



**Vipula Gunatilleka**  
*Chief Executive Officer*

31 July 2020

## BOARD OF DIRECTORS

### 01

#### Mr. Asoka Pathirage (Chairman)

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

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

### 02

#### Mr. Ashroff Omar

Mr. Ashroff Omar was appointed to the Board of SriLankan Airlines Limited on 8th January 2020 and was subsequently appointed to the Board of SriLankan Catering Limited. He is

the Chairman of the Human Resources & Remuneration Committee of both SriLankan Airlines and SriLankan Catering.

As the Group Chief Executive Officer of Brandix Lanka Limited, Mr. Ashroff Omar has been instrumental in redefining the Sri Lankan Apparel industry for over four decades. He spearheads a Group of Companies comprises of manufacturing and product development facilities offering end-to-end solutions from Tokyo to the US, including UK, Cambodia, Haiti, Sri Lanka, India and Bangladesh for some of the world's most renowned brands, with a commitment to offering 'Inspired Solutions' to its clientele.

He is also credited with pioneering environmentally-friendly apparel manufacture in the world and establishing the world's first LEED platinum manufacturing facility for eco-friendly manufacture. His extensive experience and ability to think beyond the norm has secured him positions in the Boards of some of Sri Lanka's most respected corporates. He is also the Founder Chair of the Joint Apparel Association Forum (JAAF), the apex body of the Sri Lanka apparel industry.

### 03

#### Mr. Malik J. Fernando

Mr. Malik Fernando was appointed to the Board of SriLankan Airlines Limited on 08th January 2020 and was subsequently appointed to the Board of SriLankan Catering Limited.

Mr. Fernando is a Director of Dilmah Tea and the Managing Director of Resplendent Ceylon, the first local

luxury resort brand, developing a remarkable circuit across Sri Lanka with a range of authentic experiences, while contributing towards local communities and the environment through the MJF Foundation and Dilmah Conservation. After the Easter Sunday Attacks, Mr. Fernando spearheaded the Sri Lanka Tourism Alliance to mobilise the private tourism sector with one voice under the "Love Sri Lanka" banner.

Mr. Fernando has a BSc in Business Management from Babson College in the US.

### 04

#### Mr. Manohara R. De Silva PC

Mr. Manohara R. De Silva PC was appointed to the Board of SriLankan Airlines Limited on 8th January 2020 and was subsequently appointed to the Board of SriLankan Catering Limited.

Mr. Manohara R. De Silva is a President's Counsel practicing in the Superior Courts in Sri Lanka. He was called to the Bar in 1988 and was appointed as a President's Counsel in the year 2006. He is a member of the Law Commission and Legal Aid Commission. He served as a member of the Incorporated Council of Legal Education for several years. In 2006, he was appointed by the Government to serve in the Expert Panel of the All Party Representative Committee on the Constitution.

Mr. De Silva PC was also a member of the University Council of the University of Moratuwa and prior to that served as a visiting lecturer at the same university. He has also functioned as a member of the Bar Council and served

in the Executive Committee of the Bar Association of Sri Lanka and in SAARC LAW some years ago. Mr. De Silva PC has authored several books and papers on the Constitution.

05

### Mr. Samantha Ratwatte PC

Mr. Samantha Ratwatte PC was appointed as a Member of the Board of Directors of SriLankan Airlines on 08th January 2020 and was subsequently appointed to the Board of SriLankan Catering Limited.

He is a President's Counsel with an extensive practice in the field of Civil Law. He is a member of the Governing Council of the University of Peradeniya and has been a Visiting Lecturer in the Department of Law at the same institution. He is also a member of the Law Commission of Sri Lanka.

His services have been engaged by diverse clients in the fields of personal law, land law and matters concerning commercial disputes, which has entailed an extensive practise in the Original Courts and the Appellate Courts spread through out the length and breadth of the Island.

His particular skills in the field of complex legal issues pertaining to civil matters have resulted in his services being procured by numerous entities and individuals. He had his primary and secondary education at Trinity College Kandy.

06

### Dr. Hansa Wijayasuriya

Dr. Hansa Wijayasuriya was appointed to the Board of SriLankan Airlines Limited on 23rd January 2020.

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

Dr. Wijayasuriya serves on the Board of Directors of Dialog Axiata PLC, in addition to being a Board Member of several other regional subsidiaries of the Axiata Group. Up to the year 2016, Dr. Wijayasuriya functioned as the Group Chief Executive of Dialog Axiata PLC (Dialog). Dr. Wijayasuriya also serves on the Board of John Keells Holdings PLC in the capacity of an Independent Director.

In the year 2016, Dr. Wijayasuriya was honoured by the GSM Association as the first recipient of the 'Outstanding Contribution to the Asian Mobile Industry' Award. Dr. Wijayasuriya is a past Chairman of GSM Asia Pacific – the regional interest group of the GSM Association. Dr. Wijayasuriya was also named 'Sri Lankan of the Year' by Sri Lanka's premier business journal, LMD in 2008. Dr. Wijayasuriya is currently the Chairman of the Ceylon Chamber of Commerce, Sri Lanka's premier business chamber.

Dr. Wijayasuriya is an alumni of the University of Cambridge UK and obtained his PhD from the University of Bristol UK. A Chartered Engineer and a Fellow of the Institute of Engineering Technology UK, Dr. Wijayasuriya also holds an MBA from the University of Warwick.

07

### Mr. Sanjaya Mohottala

Mr. Sanjaya Mohottala was appointed to the Boards of SriLankan Airlines and SriLankan Catering on 1st February 2020. He is the pro-tem Chairman of the Audit Committees of both SriLankan Airlines and SriLankan Catering.

Mr. Sanjaya Mohottala was the Asia-Pacific node for Boston Consulting Group's Transportation and Logistics sectors. He was also a core member of the Southeast Asia's Corporate Development and Principal Investors & Private Equity practices.

He has extensive experience in strategy, transactions, restructuring, operational improvement, sales and marketing, advance analytics and organisation design.

Mr. Mohottala has led multiple merger discussions and post-merger integration efforts. He has also worked on large-scale transformations and has been instrumental in developing advanced analytical tools for several global companies.

He holds a BSc (Hons) from the University of Moratuwa, an MBA from the Anderson School of Management of UCLA (USA), CIMA, Diploma in Marketing and is a Fulbright Scholar.

## SENIOR MANAGEMENT TEAM

### Mr. Vipula Gunatilleka Chief Executive Officer

Mr. Vipula Gunatilleka serves as the Chief Executive Officer of SriLankan Airlines since August 2018 and is responsible for the overall management of the National Carrier of Sri Lanka.

Prior to joining SriLankan, Mr. Gunatilleka was a Board member and the CFO of TAAG Angola Airlines. He played a key role with a team of professional managers appointed by Emirates Airlines in restructuring the National Carrier of Angola, which resulted in the airline achieving break even status and a strong cash flow position in a short period of time.

Mr. Gunatilleka held the position of CFO at SriLankan Airlines when the Airline was managed by Emirates and played a pivotal role as the Acting CEO during the management transition from Emirates Airlines to the Government of Sri Lanka.

Mr. Gunatilleka has held senior leadership positions across companies in Sri Lanka, Singapore and Australia, counting over twenty-five years of experience in Aviation, IT, Telecom, Banking and Service sectors.

He is a member of the Tourism Advisory Board of Sri Lanka, Governing Board Member of "oneworld" Alliance and advisory member of the Air Finance Journal.

He was the past Chairman of the CIMA Sri Lanka regional Board and was a member of Sri Lanka Auditing & Accounting Standards Monitoring Board.

Mr. Gunatilleka is a Chartered Management Accountant of UK, Chartered Accountant of Sri Lanka,

Certified Public Accountant of Australia and holds a MBA from the University of Colombo. He is also a GE trained Six Sigma.

### Mr. D. A. G. Jayasuriya Chief Technical Officer

Mr. D. A. G. Jayasuriya joined SriLankan Airlines and was appointed as the Chief Technical Officer on 1 September 2018.

He first joined SriLankan Airlines, then known as AirLanka, in 1982 as a Senior Licensed Engineer and thereafter held various Managerial positions in the Company until 2009. Then, he held the position of Senior Manager (Technical Contracts) in Oman Air.

In 2016, he joined the Civil Aviation Authority of Sri Lanka as the Director of Airworthiness.

Mr. Jayasuriya has an Aircraft Maintenance Engineers License from the Civil Aviation Authority in UK and also holds CAA Pakistan Aircraft Maintenance Engineers License and CAA Sri Lanka Aircraft Maintenance License.

### Mr. Shaminda Samaraweera Chief Financial Officer

Mr. Shaminda Samaraweera has more than 15 years of senior level corporate experience in many industries including Telecommunication, Manufacturing, Tobacco, Navigation and Banking. He was extending his services to Etisalat Lanka (Pvt) Ltd. as the CFO before being welcomed into the SriLankan family in April 2019.

He has also held key positions in leading organisations including Ceylon Tobacco Company PLC, Dialog Axiata PLC and NAVTEQ North America, US.

He specialises in Corporate Strategy and Development and has won leadership awards during his tenure at previous employers.

He has a Bachelor's Degree in Electronics and Telecommunication Engineering from the University of Moratuwa and several Masters' from North Dakota State University. He is a Member of the Chartered Global Management Accountant (US) and a Fellow Member of Chartered Institute of Management Accountants (UK).

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

Mrs. Dalrene Thirukumar joined the Company in 2013. She is the Company Secretary and the Head of Corporate Secretarial Services. The Division provides Corporate Secretarial Services to SriLankan Airlines Limited, SriLankan Catering Limited and in addition, facilitates the Senior Management payroll. She is a Trustee for the SriLankan Cares Trust.

She has over 20 years of post-qualifying experience. During her period she has held very senior and responsible positions in public quoted diversified conglomerates in Sri Lanka.

She is an Associate Member of the Institute of Chartered Secretaries and Administrators in UK and holds a Master's in Business Administration (AUS). She is also a member of the Sri Lanka Institute of Directors.

### Mr. Yasantha Dissanayake Head of Financial Management

Mr. Yasantha Dissanayake joined the Company in 2004 and currently holds the position of Head of Financial Management. The Finance and

Commercial Procurement functions of the Company report to him.

He has spearheaded many pioneering financing transactions for the Company, including the first International Bond issue and Islamic Financing facility which was recognised by two Asian Regional Awards.

He was also instrumental in formulating pre-delivery financing (PDP) for the new A330-300 fleet, a transaction which was recognised by the Air Finance journal as the 'PDP Financing Deal of the Year' in 2014. Prior to joining the Company, Mr. Dissanayake held senior positions in the investment banking and telecommunications industries. He is an Accountant by profession (Fellow Member of the Chartered Institute of Management Accountants, UK) and holds a Master's Degree in Business Administration from the University of Wales, Cardiff.

**Mr. Pradeepa Kekulawala**  
*Head of Properties & Logistics*

Mr. Pradeepa Kekulawala is a Management professional in the corporate sector with over 03 decades of managerial experience out of which over two decades have been in senior management roles. He has been holding key management positions in the disciplines of Project Management, General Management, Technical Administration, Marketing and Business Development before focusing his interest and taking up the art of Human Resource Development 20 years ago. Mr. Pradeepa has held the position of General Manager, Director/CEO, Group Head of Human Resources for many leading companies - in the Education, Office Automation, Engineering and Apparel sectors, before joining SriLankan Airlines in August 2011 as

its Head of Human Resources in which position he served for 8 years before taking over as Head of Logistics and Properties in January 2019.

Mr. Pradeepa holds Post Graduate qualifications in Management, HR and IT including a MBA from the Commonwealth of Learning and a MSc in Information Management specialising in Knowledge Management from the Sri Lanka Institute of Information Technology. He has had executive coaching in Human Resource Management from the National University of Singapore and the Post Graduate Institute of Management (PIM) in Sri Lanka. He is also a Professional member of Society for Human Resource Management USA, Professional member and past President of Association of HR professional (SL), Member of Association of Business Executives (UK), institute of Management (UK) and a Certified National Trainer – Junior Chamber International.

**Mr. Mayuka Ranasinghe**  
*Head of Group Legal Affairs*

Mr. Mayuka Ranasinghe holds the position of Head of Group Legal Affairs of the SriLankan Group. He commenced his career in Litigation and subsequently engaged in the Telecommunication sector prior to joining the Airline. He possesses a wealth of experience gained by handling complex, structural and cross border commercial contracts for the Airline at various levels since joining the Company in 2009. He also manages multijurisdictional litigation and dispute resolution, regulatory affairs, intellectual property and employment issues in various jurisdictions on behalf of the Company.

An Attorney-at-Law by profession, he holds a Bachelors' in Law from the University of Colombo. He also holds a Masters-in-Law from the University of Colombo and a Master of Business Administration from the University of Wales.

**Mr. Chamara Perera**  
*Head of Information Technology*

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

Mr. Chamara Perera entered the Airline industry in 1999 counting two decades with the National Carrier. He has served in a variety of management and senior management positions in the Airline and in 2012 he was appointed as the Head of Information Technology.

He overlooks the Aviation ICT and Digital Eco Systems of the Airline and the Group spanning from ground IT operations up to on-board connectivity enabling an array of IT Systems for Airline Business and Operations. Mr. Perera spearheaded many pioneering implementations of technology innovation to establish passenger centric services, some of which are the IATA Simplifying the Business (StB) programme to fast travel innovative solutions in air transportation. He also steered the compliance of globally recognised IT standards ensuring a holistic IT governance platform for the Airline. SriLankan IT is certified for ISO/IEC 27001:2013 Information Security Management, ISO 9001:2015 Software Quality Management and ISO/IEC 20000:2018 IT Service Management. Mr. Perera has successfully guided the

## SENIOR MANAGEMENT TEAM CONT'D.

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

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

### **Mr. Chamara Ranasinghe** *Head of Cargo*

Mr. Chamara Ranasinghe joined the Company in 2013 as the Head of Cargo. He has over 20 years of experience in the Airline Cargo and Aviation industry in the field of customer services, cargo reservations, cargo sales & marketing and airport cargo operations.

Prior to joining the Company, he held senior management positions in reputed international airlines operating to Sri Lanka.

### **Mr. Sumudu Upatissa** *Head of Revenue Management, Planning and Commercial Support*

Mr. Sumudu Upatissa joined the company in 2000 as a Trainee Executive and upon successful completion of the programme, moved to the Commercial Division in 2001. He has 19 years of industry experience, with over 14 years managerial experience

covering the areas of International Relations, Schedules Planning, Network & Revenue Planning, Revenue Management and was appointed as Head of Revenue Management, Planning and Commercial Support in 2017.

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

### **Mr. Dimuthu Tennakoon** *Head of Worldwide Sales & Distribution*

Mr. Dimuthu Tennakoon currently serves as the Head of Worldwide Passenger Sales, Distribution Channel Management and all Sales & Marketing Operations of the Airline and was appointed in the current role in April 2017.

Mr. Tennakoon is a veteran with over 25 years of experience in the Airline industry with over 15 years in the field of Airline Sales operations, including his tenure at Oman Air. He has held Area, Country and Regional Manager positions in Asia Pacific, Far East, Middle East, Indian Sub-Continent and North American Regions. He moved thereon to become the National Airline's General Manager of Commercial Operations before he succeeded to his current role. In addition to his experience in the field of Sales, he has held responsible positions in Revenue Planning, Revenue Management as well as Management Accounting during the entirety of his aviation career.

He currently overlooks the Company's Marketing, E-Commerce, Global Distribution Channels, Customer

Relationship Management (including the Customer Loyalty Programme- FlysmiLes) and Ancillary Revenue Departments as well as the SriLankan Holidays Business arm of the Airline, in addition to the network-wide sales operations.

He is a product of the Faculty of Law - University of Colombo and currently holds the position of Chairman of the Sri Lanka Board of Airline Representatives whilst also serving as a Board member of the Sri Lanka Convention Bureau.

### **Mrs. Buddhika Manage** *Head of Human Resources and Cabin Services*

Mrs. Buddhika Manage joined the company in 2003 as a Management Trainee and started her career as an Executive in Commercial Procurement Department in 2004. She has 16 years of experience in the Airline, serving as the Commercial Procurement Executive (Projects), Senior Inflight Service Executive (Admin and Crew Services), Inflight Service Manager (Admin and Crew Scheduling), Manager Human Resource Development and Business Partnering, Senior Manager Human Resource Development and Business Partnering and as the Head of Cabin Services. In addition to the position of Head of Cabin Services, she was appointed as the Acting Head of Human Resources from January 2020. She is holding the position of "Head of Human Resources and Cabin Services" effective July 2020.

She holds a BSc (Hons) Special degree in Statistics from the University of Colombo, MSc in Management from the University of Moratuwa and has a Professional Qualification in Human Resource Management from IPM. She has obtained qualifications in Labour Law, Supply Chain Management and Information Technology.

**Capt. Pravin Wettimuny**  
*Head of Flight Operations*



Capt. Wettimuny joined the SriLankan family in 2001 as a young cadet pilot. He has been actively engaged in the Management for more than five years since his initial appointment as the Deputy Chief Pilot. In addition to his role in the Higher Management, Capt. Wettimuny is a current line pilot in A330/A320 fleet, cum a Type A Designated Check Pilot on the same.

He has a Bachelor's Degree in Business Economics with Honours from the University of Durham, UK.

**Lt. Col. Bandula Weragama**  
*General Manager, Airport and Ground Services*



Lt. Col. Bandula Weragama joined the Company in 2012 with an unblemished service of 23 years in the Sri Lanka Army. Besides extensive experience in command and training within a tri-services environment, he has also served the United Nations Department of Peace Keeping Operations. Having worked with the HR, Inflight and Security Divisions, he was appointed to lead the Division of Airport and Ground Services in February of 2016.

He holds a Masters in Defence Studies from the University of Kelaniya and a MSc from the University of Quetta, Pakistan.

**Mr. Primal De Silva**  
*General Manager, SriLankan Aviation College*



Mr. Primal De Silva joined the Company in 1988 as a cabin crew member and continued until 2006 as a Purser. He currently holds the position of General Manager, Sri Lankan Aviation College and the responsibilities of the Accountable Manager (Part 147), Aircraft Maintenance Training Organisation. Prior to this appointment, his previous roles in the Company include, Cabin Safety Manager and Manager Inflight Operations and Training.

He holds an Executive Masters in Business Administration from the University of Sri Jayewardenepura and a National Diploma in Training and Development from the Sri Lanka Institute of Training and Development.

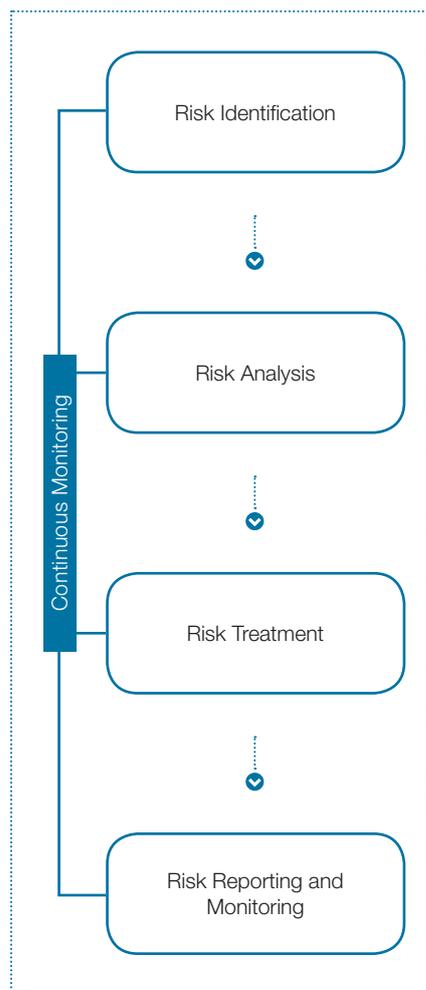
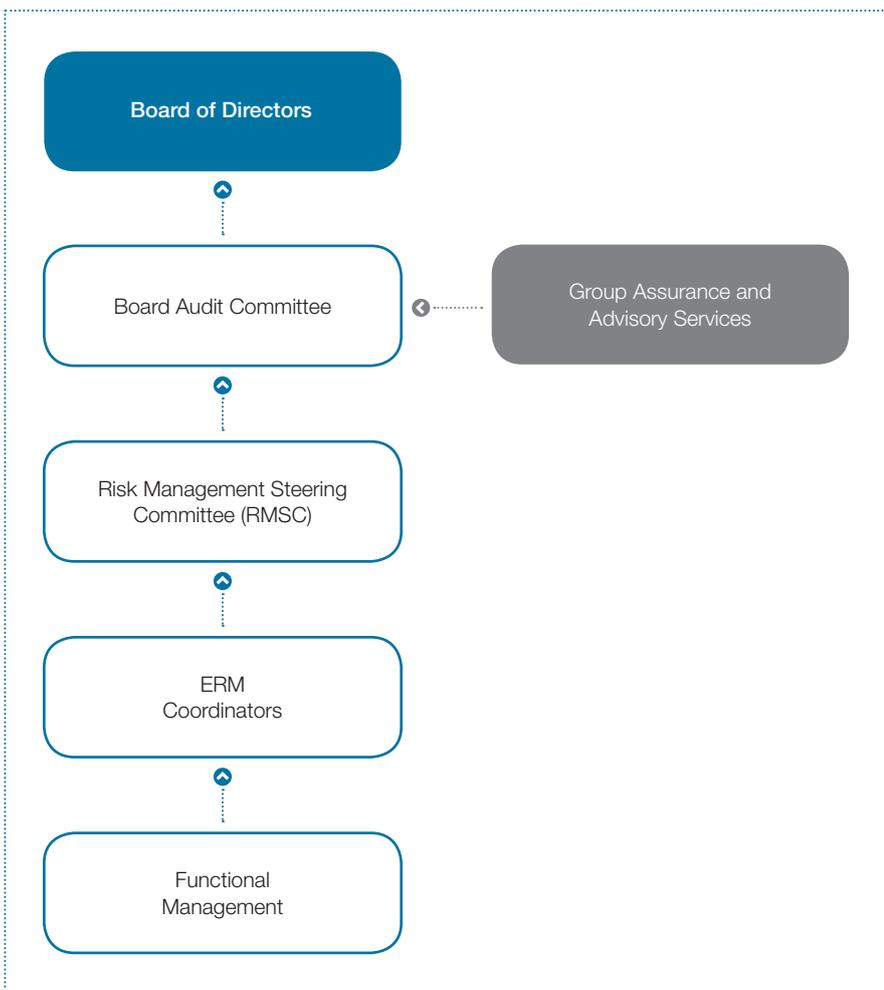
# ENTERPRISE RISK MANAGEMENT

## PROCESS OVERVIEW

The Enterprise Risk Management (ERM) framework of SriLankan Airlines is approved by the Board of Directors and is centrally facilitated by the Group Assurance and Advisory Services Division. SriLankan Airlines ERM Framework is established to meet the requirements of industry regulations and best practices in identifying business risks and drawing up action plans in mitigating the impact of the risks to SriLankan Airlines. Risks are identified at strategic, process and project levels, which include financial, operational, information technology, safety & security, marketing, human resources and macro environment risks. SriLankan Airlines is committed for effective risk management as a fundamental component of good governance and SriLankan Airlines risk culture encourages all employees to make appropriate risk-based decisions.

The responsibility for implementing ERM at SriLankan Airlines rests with the Risk Management Steering Committee (Senior Management Team), ERM Coordinators and the Functional Management (Risk Owners). The RMSC shall be responsible for directing each division's functions in line with the Company's Risk Management Policy and build risk awareness culture. Functional Management is responsible in identifying and evaluating risks, devising suitable risk treatment plans and monitoring progress.

## RISK MANAGEMENT ORGANISATION STRUCTURE



## **RISK MANAGEMENT PROCESS**

The SriLankan Airlines risk management process comprises four key elements; namely, risk identification, risk analysis, risk treatment and risk reporting and monitoring.

### ***Risk Identification***

SriLankan Airlines identifies internal and external factors that may cause any hindrance in achieving the functional and the corporate objectives. Risks are identified by the Risk Owners by using risk identification tools and analysing major processes, projects and business goals. The Functional Management provides all required information to the Divisional/Departmental ERM Co-ordinator to update the risk registers.

### ***Risk Analysis***

The identified risks are analysed based on the likelihood and impact of the risk and rated as significant, high, medium or low, based on the risk score. The risk score is computed by multiplying the likelihood rating with the impact rating.

### ***Risk Treatment***

Functional Management is responsible in formulating action plans based on the risk ratings and the risk score. The risk responses of SriLankan Airlines identified for risk treatment include mitigate, transfer, avoid and accept. The significant risk treatment actions are reviewed by the CEO/respective Senior Management Team member. The high risk treatment actions are reviewed by the Senior Management Team. Medium risk treatment actions are reviewed by the Departmental Managers. Low risks are managed within current controls and monitored closely for changes in the risk rating.

### ***Risk Reporting and Monitoring***

Risk Management registers are reviewed by Divisional/Departmental Heads quarterly to monitor implementation of the action items in a timely manner. The Risk Management Steering Committee reviews the key risks and reports to the Board Audit Committee bi-annually. The Board Audit Committee reviews key corporate risks and reports to the Board of Directors on a bi-annual basis, unless circumstances require immediate attention of the Board.

## MANAGEMENT DISCUSSION AND ANALYSIS



“Despite the unforeseen disruptions to operations on the back of Easter Sunday incidents and the ongoing COVID-19 pandemic, the Group through various initiatives to enhance revenue, managed to match the revenue levels of the preceding financial year in LKR terms with only a marginal decrease, to record a revenue of LKR 183,532 Mn (vis a vis LKR 184,097 Mn in 2018/19)”

## Financial Review

Beginning with a series of terror Attacks on Easter Sunday and ending with a pandemic that is ongoing across the globe, the financial year 2019/20 has been one of the most challenging years in the history of the Airline.

These unforeseen events caused the Airline to navigate a period of heightened uncertainty coupled with a drastic drop in demand for international air travel amidst island-wide curfew measures, airport closures, international border closures, stringent travel restrictions and collapse of the entire tourism sector. Furthermore, achieving the delicate balance between delivering business targets in the face of revenue losses, and assuring the health and safety of our customers and employees through respective operational protocols and Government directives, has been a daunting task.

Moreover, the continued unfavourable macroeconomic factors such as increased competition, overcapacity, increased finance costs and further strengthening of the US Dollar against the Sri Lanka Rupee and other international currencies had a severe impact on the bottom line, partly offsetting the benefit derived from the decrease in jet fuel prices.

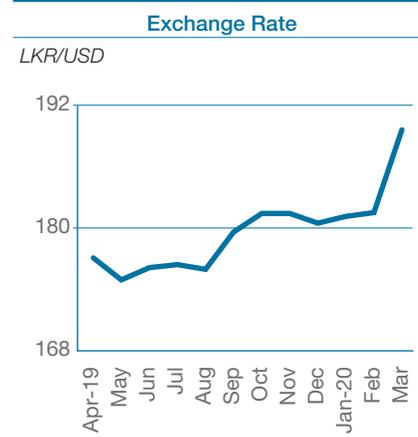
Even though the Group recorded a net loss of LKR 44,139.40 Mn (which was 5.8% higher than the previous financial year) for the financial year ended 31 March 2020, the key contributors to the aforementioned loss were attributable to non-operating items as follows.

	2019/20 LKR Mn	2018/19 LKR Mn	Increase %
Finance Cost	40,667	19,483	108.7
Exchange Loss	5,270	2,328	126.4
Withholding Tax (WHT) Expense	8,062	6,972	15.6

The twofold increase in finance costs was a result of the impact of the adoption of SLFRS 16, which requires all major operating leases with an underlining asset which were hitherto accounted as a rental expense (operating lease), to be recognised in the financial statement as an asset with a corresponding liability. As all aircraft leases are denominated in USD, the resultant exchange loss from the revaluation of the liability amounted to LKR 12,960 Mn, resulting in a finance cost of LKR 10,683 Mn.

The WHT expense consists of a provision made for tax liabilities on overseas payments liable for WHT payment made to non-resident parties. Cabinet approval has now been received to exempt WHT on overseas payments from 01 April 2018 retrospectively. However, the provision made for WHT will remain until such time the same is formalised by the Ministry of Finance and the Department of Inland Revenue by taking the necessary administrative steps, at which time the WHT expense will be written-back.

## IMPACT OF THE EXCHANGE RATE MOVEMENT



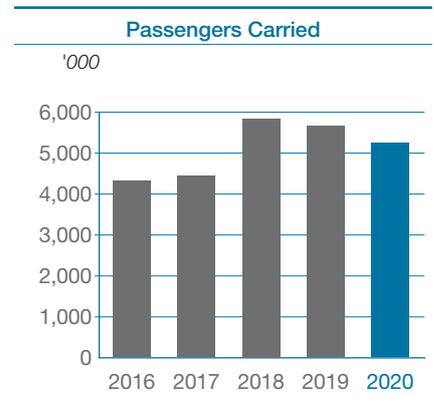
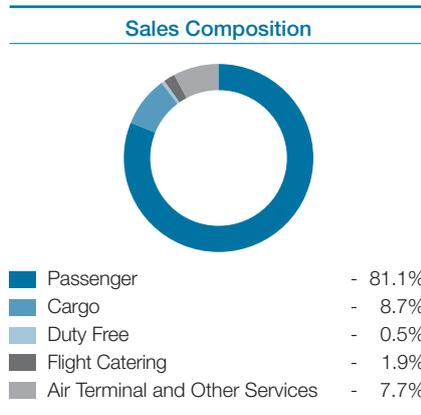
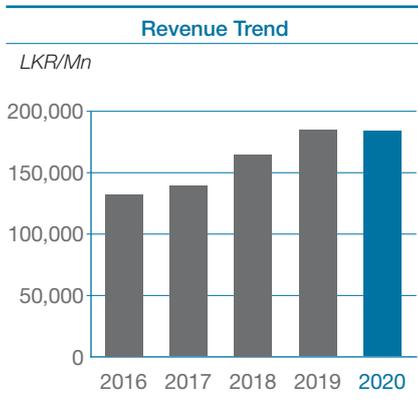
The Sri Lanka Rupee continued to depreciate against the US Dollar during the financial year 2019/20, with a sharp depreciation in March 2020, driven by uncertainty caused by the COVID-19 pandemic. The resultant depreciation of the Sri Lanka Rupee in March 2020 was 4.5%, whilst depreciation for the entire year was 7.8%.

This unfavourable currency movement adversely impacted the bottom line of the Airline, resulting in a total exchange loss (operating and finance) of LKR 23,076 Mn, making up 52.3% of the net loss for the year.

## GROUP EARNINGS

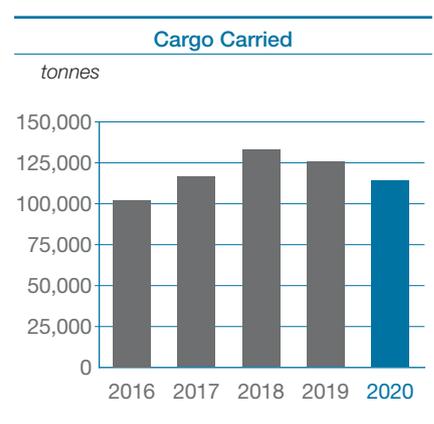
Despite the unforeseen disruptions to operations on the back of Easter Sunday incidents and the ongoing COVID-19 pandemic, the Group through various initiatives to enhance revenue, managed to match the revenue levels of the preceding financial year in LKR terms with only a marginal decrease, to record a revenue of LKR 183,532 Mn (vis a vis LKR 184,097 Mn in 2018/19).

## MANAGEMENT DISCUSSION AND ANALYSIS CONT'D.



### Geographical Revenue in LKR Mn

Year	Sri Lanka	Asia (excluding Sri Lanka)	Europe and Africa	Middle East	North and South America	South West Pacific	Total
2020	48,478	63,318	18,715	36,856	4,491	11,673	183,532
2019	48,412	67,267	21,112	32,909	4,642	9,755	184,097
% Change	(0.1)	(5.9)	(11.4)	12.0	(3.3)	19.7	(0.3)

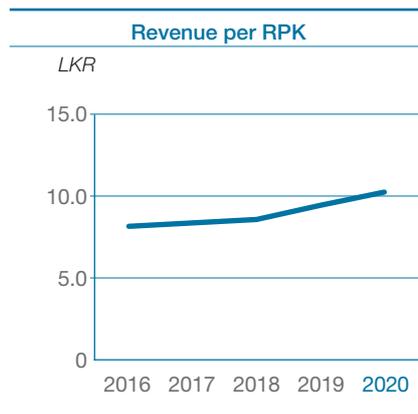
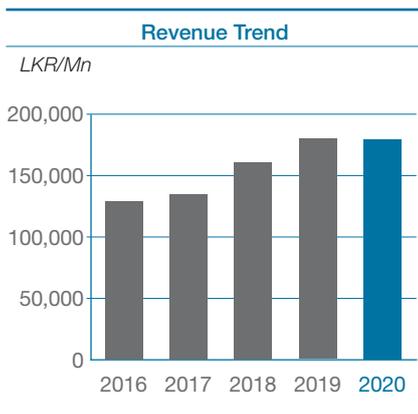


Loss of revenue compared to the forecast for the financial year 2019/20 resulting from the unforeseen events that occurred during the year has been estimated as follows:

	LKR Mn
Due to Easter Attacks	9,147
Due to COVID-19	9,765

### COMPANY EARNINGS

Similarly, the Company revenue for the year under review remained resilient at LKR 180,151 Mn. This was despite the reduction in transport of passengers and cargo owing to cessation of demand and unexpected disruptions to flights.



### STATEMENT OF PROFIT OR LOSS IN USD

The Company's Management Accounts are prepared in USD, as 75% of our expenses are in USD and 84% of our revenues are derived in currencies other than LKR. A concise version of the Statement of Profit or Loss (unaudited) is presented below in USD for information purposes only (the USD profit or loss is not impacted by the exchange losses).

As at 31 March	Group		Company	
	2020 USD Mn	2019 USD Mn	2020 USD Mn	2019 USD Mn
<b>Revenue</b>	1,029.0	1,112.6	1,010.2	1,090.2
<b>Expenditure</b>				
Aircraft Fuel Cost	(309.1)	(361.8)	(309.1)	(361.8)
Employee Cost	(128.0)	(130.8)	(118.5)	(121.5)
Other Operating Expenses	(476.1)	(544.8)	(495.1)	(562.0)
<b>Operating Profit before adjusting for SLFRS 16</b>	115.8	75.3	87.4	45.0
Impact of adoption of SLFRS 16 on Operating Activities	(109.2)	(184.4)	(108.9)	(183.5)
<b>Operating Gain/Loss</b>	6.6	(109.2)	(21.4)	(138.5)
Other Income and Gains	7.6	5.7	17.0	25.2
Finance Income	2.1	0.8	1.8	0.5
Impact of adoption of SLFRS 16 on Financing Activities	(59.7)	(0.6)	(59.0)	(0.6)
Finance Cost (other)	(68.0)	(65.4)	(67.3)	(64.6)
<b>Loss Before Taxation</b>	(111.5)	(168.8)	(128.9)	(178.0)
Income Tax Expense	(0.2)	(0.4)	-	-
<b>Loss for the Year</b>	(111.7)	(169.2)	(128.9)	(178.0)
EBITDAR	135.5	89.8	113.6	79.0
EBITDAR (excluding WHT)	180.6	131.3	158.7	120.6

The above USD Profit and Loss Statement is provided for the information of the shareholders. It is not a direct translation of the LKR Financial Statements and does not include exchange losses.

Group revenue in USD terms decreased marginally by 7.5% to USD 1,029.0 Mn in the financial year 2019/20. Nevertheless, owing to the decreased jet fuel prices and the management initiatives, including cost curtailment and revenue enhancing measures, the Group saw a significant improvement of 106.0% in the operating results for the year under review and managed to convert the operating loss of USD 109.2 Mn made in the previous financial year to an operating gain of USD 6.6 Mn.

Moreover, the Group EBITDAR improved by 50.9% against the previous year to USD 135.5 Mn. Accordingly, the resultant Group EBITDAR excluding WHT provision reflected an increase of 37.6% to USD 180.6 Mn.

## EXPENDITURE

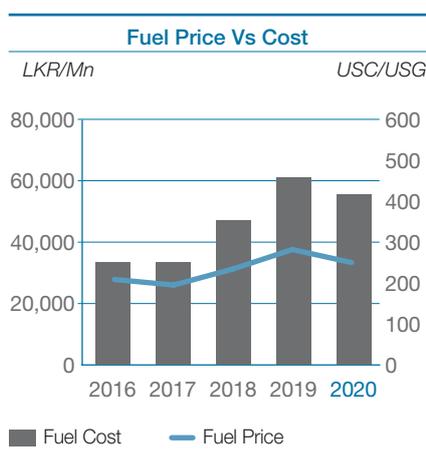
In the financial year 2019/20, the Group's total expenses stood at LKR 229,366 Mn, reflecting a marginal increase of 1.1% from the Group's total expenses for the year 2018/19. Nevertheless, the innovative and sustainable cost saving initiatives and the decrease in jet fuel prices enabled the Group to reduce its operating expenses (excluding WHT expenses and impact of SLFRS-16 on operating activities) by 4.9% to LKR 161,094 Mn in the year under review (LKR 169,420 Mn in 2018/19).

## MANAGEMENT DISCUSSION AND ANALYSIS CONT'D.

The composition of the Group's total expenses is as follows:

Expenditure in LKR Mn	2020		2019		Variance Positive/(Negative)	
	Value	% of Total Expenses	Value	% of Total Expenses	Value	%
Aircraft Fuel Cost	55,328	24.2	60,673	26.7	5,345	8.8
Employee Cost	22,903	10.0	21,928	9.7	(975)	(4.4)
Airport Enroute and Passenger Expenses	25,277	11.0	25,813	11.4	536	2.1
Aircraft Maintenance and Overhaul Costs	22,820	9.9	26,333	11.6	3,513	13.3
Depreciation/Amortisation	1,545	0.7	1,568	0.7	23	1.5
Selling Marketing and Advertising Expenses	14,550	6.3	15,786	7.0	1,236	7.8
Crew Expenses	6,557	2.9	6,582	2.9	24	0.4
Exchange Loss - Operating	5,270	2.3	2,328	1.0	(2,942)	(126.4)
Other Operating Expenses (Excluding the impact of SLFRS 16 and WHT)	6,844	3.0	8,409	3.7	1,565	18.6
<b>Operating Expenses</b>	<b>161,094</b>	<b>70.2</b>	<b>169,420</b>	<b>74.7</b>	<b>8,326</b>	<b>4.9</b>
Impact of SLFRS 16 - Operating Activities	19,543	8.5	30,931	13.6	11,388	36.8
Impact of SLFRS 16 - Financing Activities	23,643	10.3	165	0.1	(23,478)	(14,229.1)
WHT Expenses	8,062	3.5	6,972	3.1	(1,090)	(15.6)
Finance cost (other)	17,024	7.4	19,318	8.5	2,294	11.9
<b>Total Expenses</b>	<b>229,366</b>	<b>100.0</b>	<b>226,805</b>	<b>100.0</b>	<b>(2,561)</b>	<b>(1.1)</b>

Aircraft fuel cost decreased by 8.8% over the previous financial year on account of the decrease in prices and reduced fuel consumption as a result of reduced flight frequency amidst terrorist attacks and the global pandemic. Average fuel price decreased to USC 203 in 2020 compared to USC 227 in 2019, resulting in a cost saving of LKR 6,415 Mn. Furthermore, the cost saving achieved through the reduction in fuel volume was LKR 3,072 Mn. However, the adverse impact of the depreciation of the Sri Lanka Rupee against the US Dollar, resulted in an increase in the Company's fuel cost by LKR 4,142 Mn.



A change of one US Cent per US Gallon (USG) in fuel price affects the Group's annual cost by approximately LKR 298 Mn, when the US Dollar exchange rate and fuel consumption remain constant.

Aircraft maintenance and overhaul costs decreased to LKR 22,820 Mn in 2020

compared to LKR 26,333 Mn in 2019. This was achieved primarily through cost reduction initiatives, which included early returning of one A330-200 aircraft and an engine exchange.

The reduction of 7.8% in selling, marketing and advertising expenses was largely due to the reduction in overriding commission, special incentives and Global Distribution System costs resulting from the reduced sales amidst unforeseen events.

Employee cost increased by 4.4% due to pay revisions based on Collective Bargaining Agreements, whilst the crew expenses remained constant.

The considerable increase in operating exchange loss was a result of the increase in USD denominated trade liabilities, predominantly to Ceylon Petroleum Corporation (CPC), the key fuel supplier of the Airline.

The method of accounting for leases changed significantly, following the adoption of SLFRS 16, where lease rent expenses were replaced by depreciation and finance costs of Right of Use assets and its respective liabilities. The net impact of this change on both operating and financing activities amounted to LKR 12,090 Mn, mainly due to the exchange loss arising from the translation of the lease liability of LKR 176,327 Mn, which is predominantly denominated in USD.

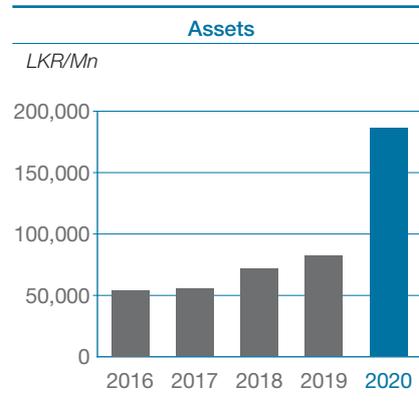
The decrease of 11.9% in finance costs (other) is driven by the depreciation of the Sri Lanka Rupee vis a vis the US Dollar, which was 7.8% in 2019/20 compared with 13.1% in 2018/19.

#### CASH POSITION

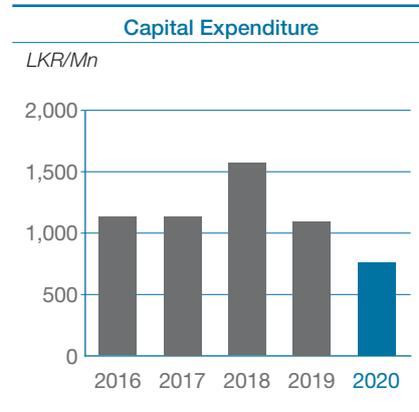
The net cash flows from operating activities excluding working capital of the Group improved to a positive LKR 23,724 Mn compared with the negative LKR 12,699 Mn in the preceding year, mainly as a result of adopting SLFRS 16.

#### FINANCIAL POSITION

As a result of adoption of the new lease accounting standard, SLFRS 16, the Group's total assets increased by 126.7% to LKR 186,428 Mn during the year under review. This was due to aircraft and other non-current assets (land, building and vehicles), which stood at LKR 119,084 Mn on the reporting date with a corresponding liability of LKR 176,327 Mn, not being presented in the Statement of Financial Position as at 31 March 2019 and now being included as ROU (right-of-use) assets.



The Group managed to reduce its capital expenditure by a notable 30.5% to LKR 759 Mn during the financial year by deferring capital expenditure wherever possible by restricting same to the critical operational requirements and keeping a tight rein on costs.



## Operational Review

### COMMERCIAL OPERATIONS

#### Route network and Fleet

During the financial year 2019/2020, the network of SriLankan Airlines (SLA) served 37 online destinations in 20 countries with a strong presence in the Indian sub-continent. In collaboration with the codeshare partners, the Airline offered a wider coverage to its passengers across 116 destinations in 51 countries, covering North America, Europe, Central Asia, Africa, Canada and Australia.

During the year, SLA expanded its cooperation with existing codeshare partners Qatar Airways and Jetstar Asia Airways, by enhancing travel options to 8 points in Europe and the US and adding 7 new points in the US, Europe and Asia. In addition, SLA commenced codeshare partnership with Gulf Air, thereby providing enhanced travel options to total of 3 points in the Middle East, Europe and Africa. Accordingly, in the year under review, the Airline offered convenient travel options to its passengers at 77 destinations in 31 countries in cooperation with their codeshare partners.

#### Network Optimisation and Revenue

The airline experienced a substantial reduction in passenger bookings and cancellations from some of the key markets such as China, UK, Japan, India and Australia immediately after Easter Attacks. As a result, a series of flight cancellations and aircraft downgrades were accommodated in the schedule in the following four months in line with the reduction in passenger demand.

As a measure of recovery, the excess capacity was deployed on prospective "6th Freedom" markets to stimulate transfer traffic via Colombo. This

## MANAGEMENT DISCUSSION AND ANALYSIS CONT'D.

strategy proved to be successful as some of the routes, especially in the Middle East and India, recorded positive overall revenue performance against the original forecasts. Due to the adverse impact of the currency fluctuations, the passenger revenue deteriorated by nearly USD 4 Mn against the budget and by over USD 24.4 Mn compared to 2019.

Due to the prolonged impact of Easter incidents, the forecast revenue for the financial year 2019/20 could not be met during the year in review. The Airline reported a total passenger revenue of USD 807.7 Mn (LKR 147.7 Bn) and cargo revenue of USD 88.6 Mn (LKR 15.7 Bn), whilst the total air transport revenue stood at USD 919.8 (LKR 164.7 Bn) with an overall drop of 7.4% in USD terms over 2018/19.

### oneworld

SLA joined the oneworld Alliance on 01 May 2014, marking its 5-year anniversary in 2019. As a member of the Alliance, SriLankan offers passengers the opportunity to travel to over 1,100 oneworld destinations worldwide. SLA is the first airline from the Indian sub-continent to gain entry to this prestigious alliance and shares membership with some of the largest and premium brands in the airline business such as American Airlines, British Airways, Cathay Pacific, Finnair, Iberia Airlines, Japan Airlines, LATAM, Malaysia Airlines, Qantas, Qatar Airways, Royal Jordanian and S7 Airlines.

As a member of the Alliance, SLA has been able to grow its network, leverage its brand value to a more global platform, build its loyalty programme and be a part of knowledge transfers. Following its entry into oneworld, SLA has entered into codeshare partnerships with 6 airlines, inclusive of 4 oneworld member airlines.

oneworld frequent flyer members are offered benefits ranging from access to business class check-in, priority waitlist on standby, priority boarding, extra baggage allowance and access to over 550 lounges worldwide to name a few. One of the most significant benefits offered through the Alliance to SLA's customers is the ability to earn and burn frequent flyer miles on all the Alliance member carriers.

### WORLDWIDE SALES AND DISTRIBUTION

The financial year was indeed a challenging one to the worldwide sales team and for the Airline as a whole. The year ended with the Airline carrying a total of 5.26 Mn passengers at an overall cabin factor of 80.6% amidst the unforeseen operational disruptions. The strong sales emphasis on the business class sales led to an average of 55.3% business class cabin factor year-around. The Far Eastern and Middle Eastern business continued to be the most lucrative regions with 21.5% and 24.7% contribution to the total Point-of-Sale revenue respectively. Furthermore, India continued to be a key source market, driving 17.2% of the network wide revenue.

However, the loss of Point-of-Sale passenger sales revenue due to strong appreciation of the US Dollar vis a vis the Sri Lanka Rupee was significant. Passenger ticket fares in Sri Lanka are now being priced in USD with effect from 15 July 2019, which helps to overcome the impact of the unfavourable fluctuation of the Sri Lanka Rupee.

In line with the sales strategy, a notable change was made by revamping of the overriding commission structure for General Sales Agents' (GSA) network. We are now looking at a performance led incentive scheme, customised based on each GSA's performance, with

a view to encourage high performers with due credit. Additionally, direct channel optimisations and revamped ancillary offerings have continued to grow and improve the overall passenger experience.

While the external operating environment continued to pose substantial adverse impact on the industry and the business, globally, the rapid growth of low-cost carriers, dynamic ancillary offerings and envisaged fleet configurations further increased the rivalry in the market for the Airline.

### ECOMMERCE

In the quest of bringing its official online sales platform in par with the industry's leading airlines, SLA continued to enhance Srilankan.com with improvements to user interface and experience, coupled with innovative solutions to cater to all the evolving travel needs of its customer base.

Working towards establishing new partnerships with our bank partners, SLA conducted a series of sales promotions in partnership with a number of banks including the May Bank in Malaysia, Krung Thai Bank in Thailand and Seylan Bank in Sri Lanka. Moreover, SLA partnered up with NTB Bank in Sri Lanka to offer attractive fares for its American Express cardholders with exclusive discounts on Srilankan.com.

Enhancing the convenience of booking online even further, Srilankan.com also implemented the unique feature "Time to think", which allows customers to lock in the fare for a nominal fee on Srilankan.com. In addition, the upcoming Agency Booking Portal is expected to provide travel agents the ability to partner up with Srilankan.com to increase sales on the online front, whilst cutting back the cost by considerable amounts.

During the year under review, the passenger reach in the online sphere increased to a 15.5% from the previous year's 14% of the Airline's total revenue, bringing the revenue to USD 118 Mn. With further enhancements such as an enhanced look and feel to the website with the web revamp project and the addition of the performance marketing feature that will allow passengers the convenience of obtaining dynamic air ticket pricing at a glance, SLA aims to strengthen the customer experience of its online channel by bringing the world one step closer right to their fingertips.

#### ANCILLARY SERVICES

Ancillary Services revenue saw a continuous growth in the year under review with a year on year revenue growth of 41% in comparison to the previous year, amidst the challenging operating environment. This comfortably exceeded the annual capacity growth, highlighting the success in customer acceptance of such value-added services.

In the global airline industry, most airlines have identified ancillary revenue as a key component of its revenue generation.

During the year under review, the ancillary revenue of the Company surpassed 10% from its overall passenger revenue. The driving principle of the Airline during this period was to continuously identify the customer needs and provide such ancillary services as a value addition.

In addition to the existing ancillary products of seat upgrade, prepaid baggage, extra legroom seats, advance seat reservation, order of special meals and car rental services, the Airline also introduced new services such as live bidding facility for business class seats and offering of dynamic pricing to upgrade to a business class seat at the

airport. Furthermore, the Airline plans to introduce several new features for passenger convenience and comfort during the ensuing financial year.

Considering the growing importance of ancillary revenue for the industry, SLA has taken steps to promote ancillary services throughout the network by facilitating the purchase of ancillary services through all channels such as internet booking engine, mobile app, call centre, ticket offices and travels agents.

Further plans include the expansion of on-board experience through the availability of exciting and innovative ancillary products to be purchased on board and creating brand awareness.

#### FLYSMILES FREQUENT FLYER CUSTOMER LOYALTY

FlySmiLes, the loyalty partner of SLA's frequent flyers for more than a decade, continued to grow steadily in terms of membership, revenue and member engagement. Despite several challenges during the period, membership grew by 10% to reach nearly 615,000 members at the end of the financial year.

The programme experienced an 8% growth in overall revenue and our members redeemed their miles on flights, excess baggage, hotel stays, duty free shopping, dining and lifestyle experiences.

The financial year was commenced with a novel addition to the programme by offering a "Travel Pass", which entitled the entire member base to benefit from several attractive discounts from a range of partners upon enrolment as a FlySmiLes member. The objective of "Travel Pass" was to offer an inbound traveller a complete travel experience at several touch points during their stay in Sri Lanka.

Keeping pace with the technological advancements to improve convenience to travellers, the mobile application was upgraded to automate the entire lounge use process of FlySmiLes co-branded credit card members. This eliminated paper printing and brought the convenience of using the lounge facility to the fingertips of the member. In addition, overheads were reduced through closure of the Airport Service Counter, whilst offering the same services through the mobile app and the 24 x 7 call centre.

As a further step in the same direction, FlySmiLes initiated the facility of cash plus miles slider feature, which paves way allowing members for dynamic redemption, providing them maximum flexibility to redeem earned miles. After successful trials, the team is in the process of deploying the facility in active environment into the booking flow of Srilankan.com website.

FlySmiLes believes in continuous improvement to the programme and take great delight in providing a seamless, convenient and valuable loyalty experience to our passengers. There are several projects in the pipeline to improve the dynamic aspect of the programme. In addition, SLA is looking at expanding the range of partners and the number of partners to enhance the scope for accruals and redemptions. We envision FlySmiLes beyond another loyalty programme, with the expectation of seeing our loyal members embracing FlySmiLes as a Lifestyle.

#### GLOBAL CONTACT CENTRE

The Global Contact Centre provides round the clock assistance to our global customer base with multiple language support in English, Sinhalese, Tamil and Mandarin. Through the Contact Centre, worldwide customers and FlySmiLes members have a one stop touch

## MANAGEMENT DISCUSSION AND ANALYSIS CONT'D.

point for numerous services, including reservations, ticketing, date changes, travel related inquiries, ancillary and other services.

The Global Contact Centre was functioning round the clock during the unforeseen crises in the country and assistance was given to passengers, who desperately needed to re-arrange their travel plans. Following the Easter Attacks and the COVID-19 outbreak, the inbound call volumes increased by more than 100% and maximum effort was put in to handling such customers by offering alternative travel arrangements.

The overseas customers have the facility of reaching the Contact Centre through their local numbers from 12 countries, which will be extended to other online destinations as well.

To be in line with the digital initiatives undertaken by the Airline, Contact Centre is now equipped to handle the Airline's social media such as Facebook, Twitter and LiveChat. A dedicated team is being deployed to manage and respond to the social media inquiries, complaints and feedback round the clock. Global Contact Centre acts as a central information hub to provide our customers a seamless experience and to ensure customer satisfaction, with further plans to expand its services to the other internet-based channels in the future.

### SRILANKAN HOLIDAYS

Achieving a significant milestone in its expansion strategy, SriLankan Holidays obtained the license in July 2019 from SriLankan Tourism Development Authority to operate as an authorised Tour Operator in the international market. This license will open doors for SriLankan Holidays to work with suppliers direct and offer attractive rates for the benefit of the passengers

to experience the best of Sri Lanka with Luxury Villas, Golf Courses, Diving, Tea Trails, Ayurvedic Medicine, Wildlife Hotspots and indulge in nature.

As a part of outbound operations, SriLankan Holidays incorporated an outreach strategy to expand the market through outskirts and suburbs, by extending the products through Digital Wallet brands and banks in Sri Lanka. In addition to Romantic Getaways, Family Holiday Deals, Tour Packages for what the brand was known for, SriLankan Holidays managed to create interest-based packages to tap the emerging market and offered more personalised services.

To reach the digital savvy holiday travelers globally, SriLankan Holidays revamped the website featuring more hotels, excursions, personalised package, straightforward search filters, customer reviews, flexible payment options and booking windows, making it a marketing platform that reaches a wider audience. All features are set to be available in the market next financial year, covering holiday packages worldwide.

To strengthen Business Tourism, SriLankan Holidays MICE affiliated in more inbound operations, spread its wings on outbound MICE events and made agreements with suppliers and vendors to promote MICE traffic into and out of Sri Lanka.

SriLankan Holidays also played a pivotal role in rebuilding tourist confidence and reviving tourism after the Easter Attacks in April 2019. SriLankan Holidays spearheaded the campaign together with Sri Lanka Tourism Promotion Bureau (SLTB) and Sri Lanka Association of Inbound Tour Operators (SLAITO) and activated a promotional campaign in India and China, generating significant number of tourists.

### MARKETING

SLA launched a range of successful campaigns and activations during the year under review to establish its brand presence across its worldwide network and the home base, Sri Lanka.

The Airline's efforts on consistent and strategic brand building were recognised at global platforms and all collaborative endeavours were well received by the valued customers and the general public.

The National Carrier's campaign for the destination launch, Melbourne, titled "Two Cities, One Spirit" was awarded gold for "Marketing-Carrier" at the PATA Gold Awards 2019.

Through the use of location pin concept, it emphasises on the seamless daily connectivity between the two cities Melbourne and Colombo and easy onward connectivity to the Airline's network.

SLA won global recognition with its brand videos, "Serendipity Right Next Door" and "Ode to Paradise". Released on the 17th and 27th of February 2020 respectively, both videos were well-received online, with over 20 Mn views each at the time of this writing. Both also enjoyed a positive reception at many trade fairs, award platforms and other events.

Both videos were also critically well-received, garnering First Star Awards in the "Airline-International" category at the Golden City Gate Awards 2020 in Berlin. "Serendipity Right Next Door" in particular, went viral on social media, receiving 1 Mn views within 11 hours and 5 Mn within 2 days; making SriLankan the first, and presently only, Sri Lankan brand to have done so. "Ode to Paradise" too did very well, reaching over 35 Mn people within 14 days. The primary objective of these videos was to enhance brand visibility and presence.

WORLD TRAVEL AWARDS  
WINNER  
2019  
World's Leading Airline to  
the Indian Ocean 2019

Want to indulge  
in culture?  
It's there, right next door

We fly to Sri Lanka 124 times a week  
from 11 vibrant cities.

The kind of adventure, excitement, entertainment,  
culture, luxury, tranquility, flavour, scenery and  
absolute fun, where you reinvent yourself,  
is happening right next door in Sri Lanka.

You're our world  
SriLankan Airlines

As the National Carrier, SLA combines Sri Lankan values with world class service. This has cemented its reputation as a global brand with strong Sri Lankan roots and the Airline strives to present this message across all its communications.

With the aim of establishing its presence in Australia, SLA was the title sponsor of the Half Marathon event at the historic Melbourne Marathon Festival 2019, which is Australia's premier marathon event, for the third year running. Additionally, SLA was the premium exclusive airline sponsor of another major sporting event in Australia, the Great Ocean Road Running festival 2019.

Moreover, the Airline's collaborative initiatives such as but not limited to 'SO SRI LANKA PRO 2019', a World Surfing League Qualifying Series 3000 competition and 'CINNAMON FUTURE OF TOURISM', managed to garner a considerable amount of brand visibility and attention among most of the dominant brands such as Sri Lanka Tourism and Cinnamon Hotels and Resorts.

"Serendipity Right Next Door" invited India, SLA's single largest market, to experience Sri Lanka like never before. It showcased the timeless beauty of Sri Lanka using top Sri Lankan celebrities, Jacqueline Fernandez and Kumar Sangakkara.

"Ode to Paradise" captured Sri Lanka's natural beauty, its people and culture. The video featured a star-studded lineup of popular Sri Lankan icons, including Jacqueline Fernandez, Kumar Sangakkara, Mahela Jayawardena, Peter Kuruvita and Bathiya & Santhush. Together, they showcased Sri Lanka's treasures, with SLA positioned as a messenger taking Sri Lanka's story to the world.

## MANAGEMENT DISCUSSION AND ANALYSIS CONT'D.

### SRILANKAN CARGO

The financial year 2019/20 experienced one of the lowest global air freight demand periods since 2009, with a year on year decline of Freight Tonnne-Kilometres (FTKs) by 3.3%, while the available cargo capacity rose to 2.1% in 2019 as reported by International Air Transport Association (IATA). The trade tensions between key markets China, USA and Europe were associated to be the root cause of the dampened weak growth of global trade of 0.9%, with a slowing of GDP growth in manufacturing intensive economies, softer business and consumer confidence and thereby a decline in export orders in comparison to 2018.



The adverse impact on the Airline's network caused by the Easter terror Attacks and the COVID-19 pandemic resulted in a year on year decline of 9% in the Group's operated cargo capacity, reflecting a reduction of 12 Mn kg. However, as global

passenger operations shrunk with the outbreak of COVID-19, SriLankan Cargo turned a challenge into an opportunity by being innovative to operate dedicated cargo services and charter operations using the Airline's passenger fleet. These special services operated to a number of destinations worldwide, including Shanghai, Male, Dubai and Riyadh, providing key connectivity to customers for perishables and manufacturing raw materials with an additional capacity of 282 tonnes in the latter half of March 2020.

The cargo opportunities presented by the pandemic brought about the management decision to convert an underutilised A330 aircraft to a short-term dedicated cargo operation, with the removal of the passenger seats and allowing for main deck loading under the provisions and certification granted by the aircraft's manufacturer, European Union Aviation Safety Agency (EASA) and the Civil Aviation Authority of Sri Lanka. The conversion, carried out 100% in-house, allows an enhanced capacity of 170 CBM per flight with a maximum payload of 45 tonnes, providing enhanced connectivity options for customers.

In spite of the several drawbacks experienced throughout the financial year, including a capacity reduction of 9%, SriLankan Cargo Sales achieved a revenue of USD 88.5 Mn, reflecting only a 7% year-on-year decline. The point-of-Sale yields measured at USD 1.06 saw only a marginal decline of 1% in comparison to the previous financial year, due to the stringent yield driven strategies pursued through the year despite declining market conditions. The total cargo uplift for the period amounted to 113,971 metric tonnes. SriLankan Cargo sales and Postal Mail accounted for 10% of the SLA's total air traffic revenue for the financial year 2019/20, consistently maintaining the

contribution of the division to the total air traffic revenue.

The Indian sub-continent region achieved a revenue of USD 42 Mn, a 3% decline from the previous year, largely due to the reduction in cargo capacity on the Chennai, Bangalore and Mumbai routes amidst the higher passenger carriage. The loss of revenue was offset by the 5% increase in cargo sales from Sri Lanka, which amounted to USD 23 Mn, and was stemming from a yield driven strategy maintained for the station, allowing a 19% year on year growth for the same. China accounted for USD 13 Mn, a 35% reduction in year on year performance, largely driven by the reduction in cargo capacity by 39% during the period. The revenue generated from the Middle Eastern markets stood at USD 8 Mn, with Dubai accounting for over 50% of the revenue generated with continued largely perishable exports into Maldives. Europe recorded a revenue of USD 6 Mn, achieving a 2% increase in yields through pursuing distribution strategies for connecting the high yielding movements into Australia.

Special Prorate Agreements (SPAs) with partner carriers and trucking agreements enhanced the connectivity options for SriLankan Cargo customers, successfully connecting movements from an enhanced 138 origins to 360 destinations within the financial year. The SPAs continued to enhance the revenue potential and utilisation on the directional cargo routes such as out of Male and the Middle East, through connecting China and USA traffic to destinations in the SLA network.

Cargo Ground Handling Operations handled 249,000 Metric tonnes (a 9% year on year decline due to the cancellation of operations of both SLA and customer airlines amidst the Easter Attacks and the COVID-19 pandemic),

maintaining a 99.95% handling reliability throughout the financial year. The total revenue contribution from Cargo Operation amounted to USD 25.6 Mn in the financial year. To be in line with the digital improvisation in the cargo industry with a focus on efficiency, the cargo operations encouraged e-AWB movements, resulting in a 65% penetration in the Colombo market, aiming to pursue a 100% penetration by 2021.

The year 2019/20 brought about several challenges to the Airline, the cargo industry and more recently the global aviation industry, which will continue to challenge the business model of the Airline. The e-commerce segment will continue to be a lucrative segment in the upcoming financial year, with the forecasted societal behaviours for preferring online shopping in the post pandemic world. The evolving logistics sector will continue to challenge the service providers and the requirement for dynamic strategies to meet the customer expectations is exaggerated unlike any previous time in global aviation history.

## FLIGHT OPERATIONS

### Safety

Safety is a paramount culture in SLA's operational environment with an uncompromising emphasis. Mandatory and periodic training is being conducted through a close monitoring process for keeping all operational stakeholders current and updated for required skills necessary for maintaining a safe environment for all. In the current backdrop of COVID-19 pandemic, SLA is operating ad-hoc repatriation flights to new countries and destinations outside its network, where detailed risk assessments are carried out through a process of Compliance and Safety Management Systems (SMS), liaising with all operational stakeholders locally

and internationally, ensuring the safety of passengers, personnel and assets alike.

### On-Time Performance

SLA held a very consistent On-Time Performance (OTP) rating network wide, maintaining an average of 85% Departure and 86% Arrival for all flight movements within 15 minutes going by the industry standard, securing a remarkable feat.

### Airline Operations Control Centre - AOCC

Airlines Operations Control Centre (AOCC) acts as a forerunner and central point of contact for managing published schedule. In this process, managing unforeseeable disruptive eventualities by making critical decisions liaising with all stakeholders is an essential function carried out by AOCC, ensuring minimum inconvenience and impact to passengers as well as to the operation. Especially during the current pandemic backdrop, special arrangements in managing resources and logistics at optimum levels in a cost-effective manner were put in place to ensure operational efficiencies are not hampered in any shape or form. AOCC is a command centre that operates 24 x 7, keeping a close monitoring eye on all global events that could impact aviation and safe operation of a flight before each departure from BIA and in the network.

### Flight Dispatch Centre - FDC

Planning of flights on optimum favourable routes, taking the fuel usage for a journey and the maximum weight of an aircraft into account for calculating the maximum allowable revenue load (pay load) is the primary function of FDC. These functional processes are subjected to strict adherence of regulatory compliance locally and internationally when obtaining route clearance for safe and efficient

## MANAGEMENT DISCUSSION AND ANALYSIS CONT'D.

operation of a flight. Keeping abreast and close monitoring of global fuel prices is another function under FDC. This is to reap the cost advantage by uplifting fuel from cheaper locations, an exercise known as 'Tankering', which is being carried out under close scrutiny for saving on fuel cost. FDC also provides its services to foreign airlines as a service provider which earned an amount of ancillary revenue, a service that was badly hit during March 2020 due to COVID-19 pandemic.

As fuel is the largest contributor to the operating cost of the Airline, a stringent monitoring mechanism for fuel usage is functioning under FDC. This process enables optimum fuel usage for flights, reducing extra fuel burn and creating awareness of the best practices on the fuel usage. As a result, the process of weight calculation, a factor that determines fuel burn, is closely deliberated and planned for achieving desired results. This, together with skillful flying techniques of pilots are all functions and traits leading to achieving optimal performance standard.

### INFLIGHT SERVICES

Ensuring that SriLankan brand value is upheld, Inflight Services continued to deliver the much-valued custom of hospitality. The Inflight Services team continued to strive to reach excellence in onboard services, which was reflected through a 90% average rating received for business class Inflight experience.

Many key initiatives were carried out in the year under review, which included the automation of Cabin Crew Voyage Report and the Vacation Planner, thereby taking steps to moving towards a paperless working environment. Moreover, the automation of the Voyage Report has paved way for the installation of other Apps, which is beneficial in enhancing the onboard

service delivery such as making available information on frequent flyers prior to a flight, onboard customer queries on food and beverages and engineering related information in a visual format.

With the objective of enhancing the productivity, frequent staff engagement sessions were conducted with Cabin Crew and Inflight office staff. This included weekly meetings with office staff, once a month "Cabin Crew Open Day" for the Management to interact with the crew effectively and one-on-one meetings with Purser. Monthly "Inflight newsletter" was circulated among all Inflight staff to enhance the awareness on achievements, celebrations and developments in the department.

Several cost saving initiatives were implemented by Inflight Services, without compromising on the quality. Such initiatives included procuring of pre-packed products directly from the manufacturer and reduction in fuel burn by re-organising the loading of catering equipment and certain dry stores, focusing on the onboard services. Furthermore, maintenance and repairing of unserviceable onboard galley equipment such as meal carts, waste carts and containers were conducted internally. Moreover, all inflight manuals were converted into electronic format and made easily accessible via crew portal to save cost incurred in printing same for 1,100 cabin crew members.

An array of local sweet meats was served onboard instead of imported chocolates on long-haul flights, giving the passengers a touch of Sri Lanka.

The Inflight services will continue to give strategic priority in the coming year despite the setbacks due to COVID-19, to ensure excellence in onboard service with the brand promise of being

customer centric. Whilst optimising the cost, Inflight department will continue to invest on required training, engagement and service enhancements.

### *Inflight Duty Free*

Be it last minute shopping or a gift for a loved one, shopping in the open skies on SLA has provided a unique opportunity for the passengers to browse through a catalogue for a wide range of branded fragrances, jewellery, watches, liquor, tea, cosmetics, skincare products and many more. The FlySmiLes members too have the privilege of shopping onboard with their accrued miles.

As a leading contributor to ancillary revenue, Inflight duty free executed vital strategies to optimise and enhance revenue and manage costs in the period under review. Despite the challenges faced in April 2019, Inflight Duty Free was successful in achieving the highest sales ever recorded in December 2019 and January 2020 after commencing operations in-house. The contributory factors for this achievement were a range of promotions offered to the passengers and the availability of a diversified collection of branded items, which were well perceived by passengers. The best performing crew in terms of the highest sales were recognised and felicitated, in order to motivate them to perform better as a team.

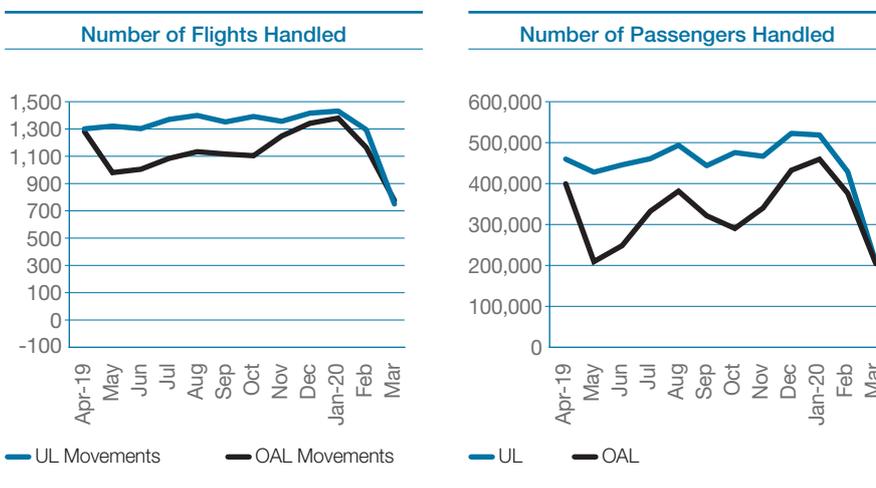


## Business Units Review

### SRILANKAN AIRPORT AND GROUND SERVICES

Airport and Ground Services completed another challenging year upholding its core values; Safety, Precision and Service. The reduced operations by SLA as well as customer airlines owing to the Easter Sunday Attacks and COVID-19 outbreak resulted in a significant reduction in revenue during the beginning and end of the financial year.

However, the year under review recorded a handling reliability of 99.7% and an on-time performance of 87% that made the Airline achieving the IATA standard on-time performance.



During the year, Airport and Ground Services handled 15,800 SriLankan departures and a similar number of arrivals, carrying 5.3 Mn passengers both ways through BIA with 7.2 Mn pieces of baggage. In addition, 12,900 customer airline movements were handled with 4 Mn passengers both ways.

The Mishandled Baggage Rate of 0.78% too has been well below the industry norm of 1.2%. Through creating awareness and conducting random audits on passenger baggage, the safety aspect was well maintained, whilst increasing excess baggage revenue.

At the end of the financial year, COVID-19 pandemic created unprecedented levels of stress in all spheres of the business to which Airport and Ground Services was no exception. Cost reduction in any way possible is essential and the investment plans are put on hold. Nevertheless, Airport and Ground Services moves forward with greater hope and enthusiasm for a better future. The disposable time during slack periods is used for various trainings, with a view to develop the human resource to face future challenges.

The IATA Safety Audit for Ground Operations (ISAGO) and IATA Operational Safety Audit (IOSA) certifications that SriLankan hold are due to re-registering in the next financial year, which would ensure SriLankan Airport and Ground Services being ready to serve all airlines that fly through Colombo with greater diligence, whilst maintaining all safety standards.

### SRILANKAN ENGINEERING

SriLankan Engineering played an integral role in the Company's business improvement initiatives, following the challenging events faced within the year.

The division sought to achieve a reduction in the aircraft maintenance cost through efficiency enhancements and renegotiation of rates with its suppliers and maintenance partners and delivered a 15% year on year reduction in the Company's aircraft maintenance cost. It also enhanced revenue generation through expansion of its Line Maintenance and Base Maintenance service offerings.

During the year, SLA's Line Maintenance operation added the approval to certify Boeing 737 and 787 aircraft, in addition to the number of Airbus and Boeing aircraft types it is already authorised on at its Colombo, Sri Lanka and Malé, Maldives maintenance stations. Base Maintenance activities for external customers were also resumed with successful completion of several maintenance checks for customer airlines from the region.

As part of its efficiency enhancement initiatives, the Engineering division successfully expanded its workshop approvals and accreditations, enabling the in-house performance of a number of previously outsourced maintenance tasks. The division also began in-house manufacturing of aircraft seat covers,

## MANAGEMENT DISCUSSION AND ANALYSIS CONT'D.

achieving a significant saving on cost that would have otherwise been spent on overseas suppliers.

Further efforts are in place to expand the in-house capabilities, with the division evaluating the introduction of selected aircraft component overhaul activities in Sri Lanka, in partnership with aircraft Original Equipment Manufacturers, in its bid to make Sri Lanka a leading aircraft maintenance hub in the region.

Preliminary planning activities were carried out for the launch of a new aircraft Maintenance, Repair and Overhaul (MRO) facility at Mattala Rajapaksa International Airport, with the aim of expanding the volume of external customer heavy maintenance work performed by the Airline and alleviating space limitations currently faced at its facility at BIA.

With the Airline facing a period of demand decline subsequent to the Easter Attacks, the Airline sought to redeploy its excess capacity with other airline operators. Engineering Division, which also has the responsibility for aircraft lease management, was instrumental in negotiation and implementation of a successful aircraft wet lease contract with Oman Air.

In order to reduce the Airline's aircraft leasing cost and achieve a reduction in maintenance cost, the operating lease of a 19-year old Airbus A330 aircraft was terminated and the aircraft was returned to its lessor. This activity helped the Airline minimise its maintenance cost, avoid cash outflow on several major maintenance events that were due later in the financial year and improve the reliability by accelerating its move towards a younger aircraft fleet. A number of lease re-negotiation activities with the Airline's lessors were also carried out, delivering

several million US Dollars in savings to the Airline.

In view of the COVID-19 pandemic, steps were taken to ensure the safety of all aircraft maintenance personnel and the Government regulations for workplace hygiene were implemented across maintenance work facilities. New maintenance processes were introduced for frequent fumigation and disinfection of aircraft in line with WHO and other regulatory guidelines, to ensure safety of our valued passengers and operating crew. As an essential service provider, our maintenance professionals carried out their work in supporting SLA's and external customers' aircraft operating to Sri Lanka and Maldives throughout the respective countries' curfew and lockdown periods, delivering the same reliable and committed service that SriLankan Engineering is known for. The division also completed the in-house conversion of one Airbus A330 aircraft into a short-term freighter configuration.

SriLankan Engineering strives to improve its efficiency and productivity despite the challenging market circumstances and initiatives to improve the skillset of its employees through training and additional development programmes carried out during the year. The first batch of professionals successfully completed the training on Lean Management Principles, and the focus for the next year will be on equipping its team with digital skillsets.

### **SRILANKAN AVIATION COLLEGE (SLAC)**

SriLankan Aviation College (SLAC), the training arm of the National Carrier, marked a noteworthy performance with key milestones achieved in the year under review. The College collaborated with well renowned training and academic institutions and extended comprehensive aviation study options

to students as well as to working professionals. SLAC has the honor of been recognised by IATA as the Top Performing Institute in the Asia Pacific region for the year 2019/2020.

Aircraft Maintenance and Engineering training, the highpoint of training conducted by SLAC has the distinct privilege of receiving certification by the Civil Aviation Authority of Sri Lanka (CAASL), European Aviation Safety Agency (EASA), Maldives Civil Aviation Authority (MCAA) and the Pakistan Civil Aviation Authority (PCAA). Furthermore, SLAC is endorsed for ISO 9001:2015 (Quality Management Systems).

### ***Achieving Non-state Degree Awarding Higher Education Institute Status***

SLAC is working towards receiving University Grants Commission approval as a non-state degree awarding higher education institute. SLAC is currently in the process of completing the Institutional Review Report (IRR) and the Subject Review Report (SRR), which are two key processes that need completion in order to achieve the above status. The academy has almost completed the curriculum for Bachelor of Science in Hospitality and Travel Management (Aviation) and Bachelor of Science in Aviation Management, which are scheduled to be the inaugural degree programmes that will be offered. SLAC is also working towards finalising the academic organisational chart of the university along with the legal structure and is in discussion with the Tourism and Aviation Ministry.

### ***Development of the National Aviation Training Platform***

SLAC was appointed by the Director General Civil Aviation (DGCA) to develop the national aviation training web-based platform in collaboration with the CAASL and the Airport & Aviation Authority of Sri Lanka (AASL). This joint

web-based platform will be the gateway for all regulated aviation training providers in the country to get visibility around the world, which will make Sri Lanka the preferred country for aviation training.

#### **Obtaining 'Approved Training Organisation' (ATO) Status**

SLAC is in the process of working towards obtaining the 'Approved Training Organisation' (ATO) status from the CAASL. The approval, once obtained, will enable SLAC to reach greater heights in aviation training, especially attracting international airlines and overseas students to consider SLAC as a preferred training provider in the region. The ATO will cover Cabin Safety, Airport Passenger Handling, Dangerous Goods and Cargo, Foundation Course in Ramp Coordination and ICAO 201 Flight Dispatcher programmes.

#### **Achieving National Vocational Qualification (NVQ)**

- ✔ SLAC and SriLankan Technical Training (STT) are registered under the Tertiary Vocation Education Commission (TVEC) under Vocational Education Institute.
- ✔ SLAC is in the process of obtaining NVQ status for basic Aircraft maintenance programme. Initial discussions with TVEC has taken place and the institute is in the process of developing the National Competency Standard (NCS) to facilitate lateral entry to university to pursue a higher academic qualification (Degree/Masters).
- ✔ SLAC is in the process of obtaining NVQ approval for the ICAO 201 Flight Dispatcher programme, which is pitched at NVQ LEVEL 6 (Higher National Diploma) to support flight dispatchers who are working in the field, by giving lateral entry to the university curriculum to pursue

a higher academic qualifications (Degree, Masters). Process is now in its final verification stage.

- ✔ SLAC is in the process of obtaining NVQ accreditation for Travel and Tourism programme, which is expected to obtain the NVQ level 4 to Travel Executive / Travel and Tour Operating Executive / Travel Agent / Travel Assistant professionals to facilitate lateral entry to university curriculum to pursue a higher academic qualification through their respective vocational experience.

#### **Proposed partnership with Embry Riddle University**

SLAC is in the process of finalising the discussions in order enter into a partnership with the world-renowned Embry-Riddle Aeronautical University (ERAU), the largest accredited university specialising in Aviation and Aerospace to offer Master of Business Administration in Aviation (MBAA), Master of Science in Aeronautics (MSA) and Master of Aviation Maintenance (MAM). All programmes will be offered in Sri Lanka, immensely benefiting student by not being burdened to travel overseas at high costs.

#### **Aircraft Maintenance Practical Training Project**

The College continues to enhance and develop practical training for the students following aircraft maintenance training courses under Avionics and Mechanical fields. The proposed acquisition of a non-airworthy aircraft, which is nearing completion, will further add value and the practical facility for Structure Workshop and Electrical Wiring Interconnection System (EWIS).

#### **Geographical Diversification**

SLAC is scheduled to establish franchise training model in the North and Eastern Provinces, apart from exploring viable training opportunities in overseas markets such as Bangladesh and Maldives.

#### **Partnership with Kingston**

SLAC, successfully inducted two intakes to follow the Bachelor of Engineering (Honors) top-up degree with the Kingston University, London. This programme is expected to enable students who are qualified up to an 'EASA Category B License Certificate' to obtain an honors degree, which is also accredited by the Royal Aeronautical Society. Further, SLAC successfully completed its validation process with the Kingston University for SLAC to deliver the entire top-up degree, utilising Sri Lankan lecturers on behalf of Kingston University. This will be a major achievement for any lecturer in the country with the correct credentials to be a part of the Kingston University lecture panel.

The College will be offering a Bachelor of Science in Aviation Studies (Honors) for Commercial Pilot Training for pilots with full Airline Transport Pilot License (ATPL). The added benefit is that the programme will be offered on-line and will suit pilots to get a prestigious qualification, while flying.

#### **Partnership with Sir Kotelawala Defence University (KDU)**

SLAC has enrolled two intakes, who are following the Bachelor of Science in Aircraft Maintenance Engineering degree programme offered jointly with by Sir John Kotelawala Defence University (KDU). The four-year degree programme focuses on preparing undergraduates to be more competent and confident to take up their future role as Aircraft Maintenance Engineers. Further discussions are initiated, in order to seek more avenues and possibilities to jointly offer aviation related qualifications. SLAC also supports the KDU by offering its Aeronautical Engineering and Aircraft Maintenance Engineering undergraduates to successfully complete their industrial training at SLA.

## MANAGEMENT DISCUSSION AND ANALYSIS CONT'D.

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The kind of adventure, excitement, entertainment,  
culture, luxury, tranquillity, flavour, scenery and  
absolute fun, where you reinvent yourself,  
is happening right next door in Sri Lanka.

You're our world  
SriLankan Airlines

### Launch of Online Training

SLAC, along with SriLankan IT, developed a synchronous distance learning process (online training), using Microsoft Teams Software as its online training platform. The process is accepted by European Union Aviation Safety Agency (EASA), Civil Aviation Authority of Sri Lanka (CAASL) and Maldivian Civil Aviation Authority (MCAA). Launching of on-line training was a solution that was fast tracked due to the current COVID-19 outbreak and will also be further developed to be an option for any type of aviation related training that will be provided. The first programme to be offered on-line was the Basic Course in Aircraft Maintenance training.

### Eco-friendly Training

The College continues to support the Company's green initiatives by promoting responsible environmental practices in training and remains focused in its efforts to be 'paperless' in terms of using training aids, preparing manuals and carrying out examinations. SLAC is declared as a 'No to polythene' zone.

### SRILANKAN CATERING LIMITED

SriLankan Catering Limited is a fully owned subsidiary of SriLankan Airlines Limited and the sole provider of inflight catering at BIA that recorded another successful year by significantly contributing to the bottom line of SLA. However, due to the Easter Sunday terror Attacks in April 2019 and COVID-19 pandemic in March 2020, the performance of SriLankan Catering showed a decline during the financial year under review. Nevertheless, its performance for the last 10 years has given a clear indication of its strengths and potential.

Apart from its main operation of inflight catering, it also manages/operates restaurant cum lounges for

### European Safety Agency (EASA) Authorised Exams Center

The examinations department of SLAC has been approved by EASA to offer EASA part 66 examinations for any external students, who are either overseas or local.

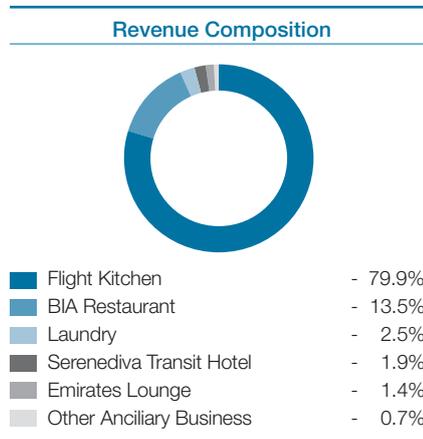
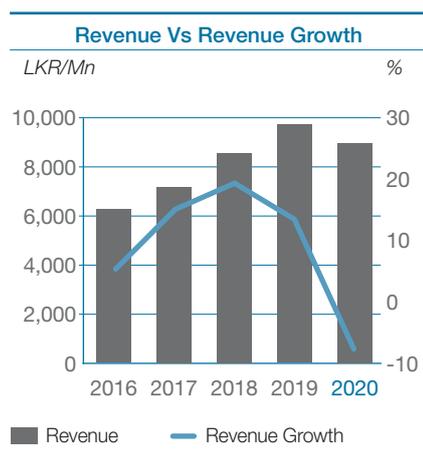
### Updating of the Aircraft Maintenance Training Course Materials

SriLankan Technical Training (STT), the aircraft maintenance training arm of SLAC successfully completed a major project of revamping and receiving approval from EASA for the Aircraft Maintenance training course note. This project was fast tracked and completed within four months, which included revamping almost fourteen thousand pages. The current updated note can be considered as one of the best in the world and received such sentiments from the regulators.

transit passengers at BIA and Mattala International Airport (MRIA). As a part of its ancillary business activities, SriLankan Catering manages/operates the Serenediva Transit Hotel and the Industrial Laundry.

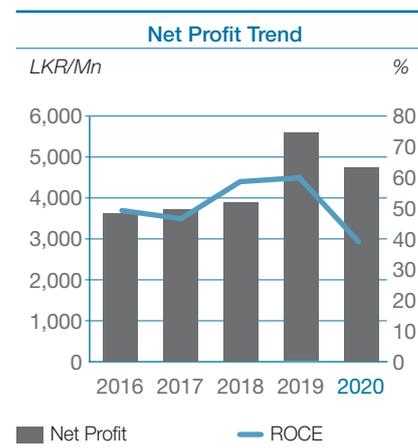
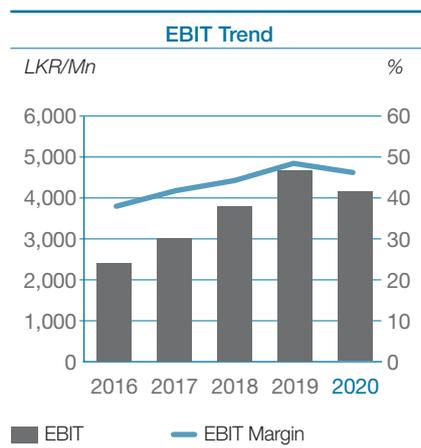
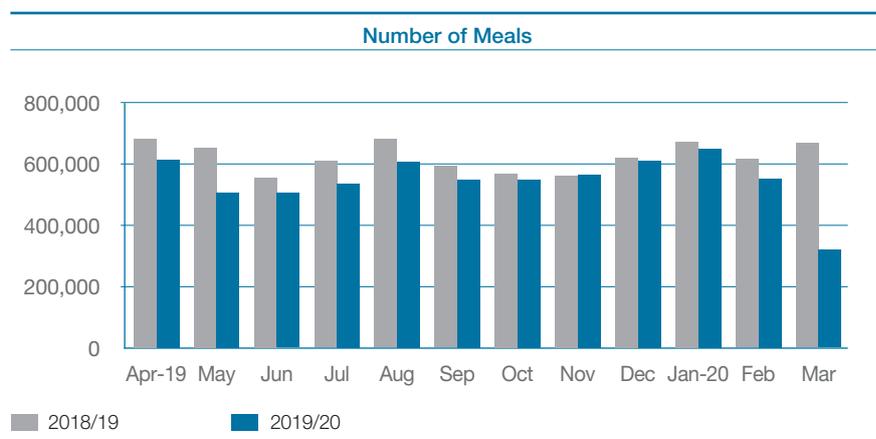
### Revenue

The revenue of the subsidiary declined by 7.4% to LKR 9,026 Mn during the year under review (LKR 9,750 Mn in 2018/19), reflecting a reduction in all segments. The decrease was mainly attributable to the decrease in revenue of Inflight Catering and Transit Restaurant by 7.9% and 6.0% respectively.



The number of meals produced at the Flight Kitchen during the year decreased by 12.3% to approximately 6.6 Mn meals per annum compared to the previous financial year. Although, 76.1% of the total meal production during 2019 was supplied to SLA, the main customer of SriLankan Catering, SLA's contribution to the Flight Kitchen revenue declined by 12.0% during the year.

The contribution from Airport Restaurant (public and transit) at BIA to the total revenue of the subsidiary was 13.5%. Nevertheless, the revenue from Airport Restaurant has decreased by 3.7% compared to the previous financial year. Furthermore, the other ancillary business turnover also decreased by 9.3%.



### Earnings before Interest and Tax (EBIT)

The decline in the top line together with the increase in other expenses resulted in decreasing earnings before interest and tax by 11.5% to LKR 4,162 Mn compared to LKR 4,704 Mn recorded in 2018/19.

### Profitability

SriLankan Catering recorded a profit after tax of LKR 4,760 Mn for the year under review, a decrease of 15.1% (LKR 5,602 Mn in 2018/19) compared to last

## MANAGEMENT DISCUSSION AND ANALYSIS CONT'D.

financial year. Similarly, the subsidiary experienced a decrease in its operating profit and the net profit as a result of the Easter Sunday Attacks and the spread of COVID-19 pandemic.

### Improvements

During the year under review, SriLankan Catering made several capital investments such as purchase of a A380 hi-loader, two units of new standard hi-loaders and four units of standard hi-loaders from Qatar Airways.

SriLankan Catering won several awards for its excellent performance, which included the Presidential Export Award 2018/19 - Best Exporter Award under the category of "Processed Food and Beverages", CNCI Achiever Awards 2019 - National Gold Award under the Government Sector and National Business Excellence Awards 2019 - Silver Overall Winner, Winner under the State Sector, Winner – Excellence in Business and Financial Results in the "Extra-large" category and the 1st Runner-up in the "Extra-large" category. Furthermore, SriLankan Catering team won seven gold, ten silver and ten bronze medals at the Culinary Art Food Expo 2019.

## Support Services

### SRILANKAN IT SYSTEMS

SriLankan IT Systems governs the Airline's IT Strategy under three main pillars; Digital Transformation & Technology Adaptation, Business Continuity & Intelligence and IT Spend & Revenue. The IT Strategy has been defined to align the technology vision of the Airline with its objectives to add value and improve the Airline business operations and passenger experience with state-of-the-art technologies.

The core objectives under the main pillar of Digital Transformation & Technology Adaptation are to digitise and transform the legacy business processes, expand online and direct sales with new digital businesses, personalise passenger service, enable fast travel with its futuristic aim on 'Digital Passenger Journey Map' and achieve industry recognition and digital leadership.

The Airline's IT Strategy is also focused to provide 24 x 7 uninterrupted business and operational continuity with a five-nines availability in mission critical IT Systems, enable and empower the decision makers with real time business intelligence and ensure the compliance, privacy and data governance directives under the second pillar of Business Continuity & Intelligence.

In addition, SriLankan IT Systems as a revenue generator, contributes to the Airline's top line revenue. During the financial year 2019/20, IT Systems contributed to earn an extra revenue

of USD 2 Mn through the ICT services delivered to the customer airlines flying out of BIA and the group business entities. Being a revenue generating core Airline division, SriLankan IT Systems also aims at doubling the revenue generated from the IT shared services within the next 5 years, whilst maintaining the Airline's IT Spend below 2% of the Airline's total revenue, as an initiative taken under the third pillar of IT Spend & Revenue of the IT Strategy.

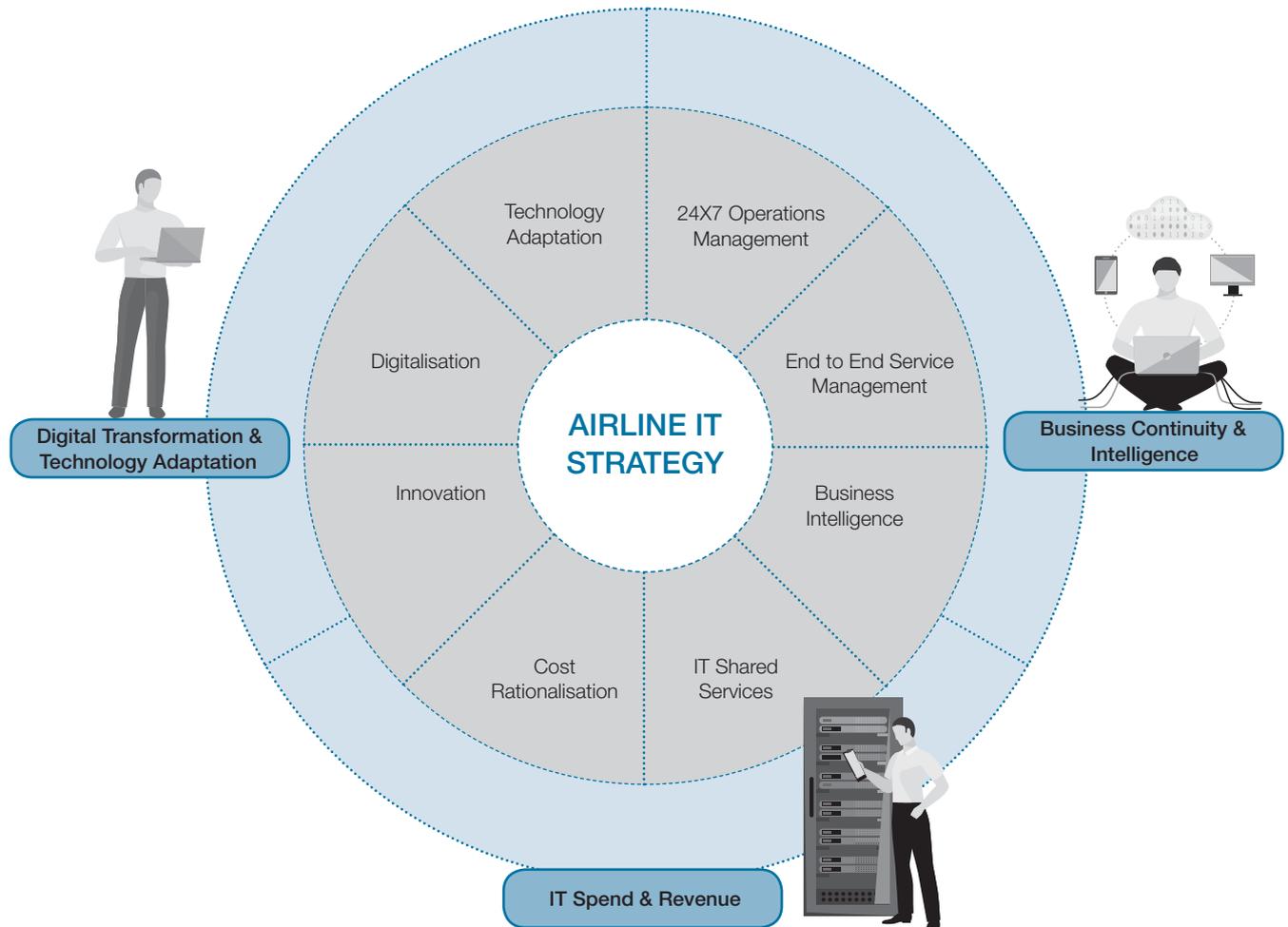
During the financial year of 2019/20, SLA's Information Technology Division was branded as 'SriLankan IT Systems' and redefined their IT Strategy to bring the National Carrier to the next level with next generation technology and innovations, whilst showcasing a set of critical outcomes, that highlighted the value of the SriLankan IT Systems.

### Improved Passenger Experience and Evolution of SMART Passenger

A digital roadmap for Airport and Ground Services was done by SriLankan IT Systems during the year under review, which indulged the nextGen airport experience for passengers flying SriLankan by adding technology enhancements to their journey at home base BIA and across the SriLankan networkwide stations. A comprehensive blueprint was done by carefully assessing the passenger touch points at BIA and bringing in the latest technological enhancements in the industry, whilst giving more prominence towards the self-services by passengers in view of enhancing the passenger experience through the SMART Passenger concept.

**AIRLINE IT STRATEGY AT A GLANCE**

<p><b>Digital Transformation &amp; Technology Adaptation</b></p> <ul style="list-style-type: none"> <li>➤ Digitise and transform legacy Airline processes</li> <li>➤ Expansion of Direct Online Sales and generation of revenue from new digital businesses</li> <li>➤ Introduction of "Passenger Service Personalisation" &amp; a Customer Relationship Management (CRM) system.</li> <li>➤ Enable Fast Travel Technologies at BIA and across all overseas stations</li> <li>➤ Achieve industry recognition for digital leadership</li> <li>➤ Enhancing more features in Mobile App and Internet Booking Engine (IBE) to reach new markets</li> </ul>	<p><b>Business Continuity &amp; Intelligence</b></p> <ul style="list-style-type: none"> <li>➤ Provide 24 x 7 uninterrupted business &amp; operational continuity with 99.9% up time in mission critical IT services.</li> <li>➤ Enable real-time business intelligence (BI)</li> <li>➤ Compliance with Information Security/Privacy Regulatory and Data Governance Directives</li> </ul>	<p><b>IT Spend &amp; Revenue</b></p> <ul style="list-style-type: none"> <li>➤ Improve the airline IT spend as a % of airline revenue and maintain less than 2 %</li> <li>➤ Increase IT Shared Services revenue</li> </ul>
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## MANAGEMENT DISCUSSION AND ANALYSIS CONT'D.

### **Extensive Payment Options on a Hi-Tech Payment Platform**

SriLankan IT Systems introduced the Amadeus Payment Platform with extensive payment options for Internet Booking Engine (IBE) and rolled out the same to SriLankan Mobile Website during the year under review. This is a platform that could be extended to support new alternative payment methods like Alipay, WeChat, POLi, PayPal, Apple Pay and many other payment options in the future. With this enhancement, the number of IBE supported payment currencies were increased to 40 (previously 19), enabling a greater flexibility and convenience to the passengers, whilst diminishing the errors in processing payments.

### **Self-Baggage Drop / Simplifying the Passenger Journey**

SriLankan IT Systems introduced the “Self-Service Baggage Drop” concept at Heathrow Airport, London, making it the first airport to automate baggage drop facility in the SriLankan network. Now the KIOSK check-in facility has also been enabled at Muscat International Airport for passenger convenience and for simplifying the passenger journey. Furthermore, SriLankan IT Systems facilitated Ground Handling Information Systems support for SkyUp Airlines and SalamAir to begin their operations at BIA.

### **Enabling Importers With a Paperless Cargo Clearance Process**

SLA implemented the electronic exchange of Cargo Imports Data as per the requirement of the digitalisation programme introduced by World Custom Organisation in order to facilitate paperless cargo clearance in Sri Lanka. This was facilitated by integrating the SriLankan Cargo Sales and Operations Management System with the Automated System for Customs Data (ASYCUDA) system of Sri Lanka Customs.

### **Boosting Airline Ancillary Revenue**

SriLankan IT Systems enhanced the Advanced Seat Reservation (ASR) facility by gradually rolling it out to short-haul sectors and extended the Extra Leg Room Seats availability for narrow body fleet with a significant cost saving on implementation, whilst opening new ancillary revenue avenue for the Airline.

Furthermore, “One Bag” concept was introduced and promoted online, which contributed to increase ancillary revenue, whilst enhancing online check-in flow to promote “Pre-Paid Baggage” and introducing “Carry-on Excess Baggage” concept at the departure gates. Additionally, bookings made through Global Distribution Systems (GDS) were also facilitated to purchase ancillaries via online under “Manage My Booking” flow, allowing passengers the options to choose as per their convenience.

### **An Information Driven Airline**

“Airline Insight”, the Management Information System (MIS) of SLA is the main information source for the strategic and tactical decision making. The Airline Insight processes the reservations, ticketing and the travel related details of all passengers and produces actionable insights for the senior and middle management through dashboards, reports and email alerts with the Airline Key Performance Indicators (KPIs) to measure the Airline performance and customer relations.

In the next financial year, the focus of the Airline Insight is to improve passenger-centricity by implementing an in-house Customer Relationship Management (CRM) system with capabilities to make SLA a fully information driven passenger-centric Airline.

### **For a Greener SriLankan - Paperless Document Management**

Moving planet-friendly way, most of the manual documentation maintained by BIA operational units have been transformed to use electronic document management systems, eliminating the need to maintain paper records and gradually moving to fully electronic record maintaining operational units. This continuous engagement commenced during the financial year 2019/20 and will be extended to many Airline divisions in the future with zero paper records, whilst being compliance to regulatory bodies on document retention.

### **Group Data Protection, Compliance and Governance**

SLA's IT Systems continued to comply with the International Standards and Certifications during the financial year 2019/20, with ISO/IEC 27001:2013 Information Security Management for SriLankan Group, ISO/IEC 20000:2018 IT Service Management for IT Division and ISO 9001:2015 Quality Management System for Software Development. Moreover, the Airline's operations were continuously improved to meet recommendations and guidelines of European Union General Data Protection Regulation (GDPR), with an emphasis on data protection and privacy throughout the passenger journey.

### **Technology Empowered Airline Staff**

Language translation services for Passenger Services at the BIA was another milestone delivered by Digital Transformation Team of SriLankan IT Systems. The Passenger Services team at BIA has now been empowered with the convenient technology to real time translation of passengers' native language of communication, which further enhanced the service excellence by minimising the language barriers for a better interaction with the passengers.

The launch of first ever trial on visa verification service through KIOSKS for Airport Service Delivery at BIA contributed to transform the existing visa verification process, reducing the passenger acceptance time in the check-in process. This was extended further to the customer airlines, which contributed to reduce the number of inadmissible (INAD) passenger cases and the penalties pertaining to INAD passengers in the year under review significantly, contributing to reduce a huge penalty cost for the Airline.

### Accolades and Awards

SriLankan IT Systems was commended and recognised for the talents and innovations of its team at the SLT Zero One Awards – 2020 Ceremony. They were the Overall Winner of the “Best Use of Mobile” category, the Winner of the “Best use of Mobile” category for the Cabin Crew Voyage Report Mobile App, the 1st Runner-up of the “Best use of Mobile” category for the i-Fleet Mobile App and the 1st Runner-up of the “Best Digital Enabled Product” category for Charika. All these products were in-house developed innovations by the IT team, and this was the second time that the SriLankan IT team was recognised at the SLT Zero One Awards competition series.

In addition, SriLankan IT Systems was recognised at the National ICT Awards – NBQSA 2019 Ceremony, for winning the Bronze and Merit Awards in the “In-House Application” category for two home grown ICT solutions. The Bronze honor was awarded to the i-Fleet application, which is a fully integrated mobile responsive operational system to bring 360-degree visibility of the SriLankan fleet. A Merit honor was awarded to the Charika application, which enabled the self-service ticketing function for staff and transformed the airline staff ticket issuing process into a fully automated digital service with round the clock availability.



Award winning  
'i-Fleet' Mobile App

Award winning  
'Cabin Crew Voyage Report'  
Mobile App

## HUMAN RESOURCES MANAGEMENT

The Human Resources Division of SLA has successfully waded through yet another challenging year with many important milestones and accomplishments in hand, driven by the Company's stature and propagating the renewed Vision and Mission.

As 2019 marked 40 years of service for SLA, Communication and Engagement lead campaigns were aligned to display appreciation to the senior, long-standing staff, valuing their steadfast service to the Company, and highlighting the legacy imparted by them to the next decade.

pULse, the Performing Arts Club of SriLankan, steered by the Communication and Engagement team, motivated the staff across all divisions to boost morale and inspiration during the economic challenges that hit the trade, especially following the Easter Bombings in April 2019. The team also utilised these platforms to elevate unity and optimism not only among the staff, but also among our community. The Communication and Engagement team joined the Marketing and Communications team of SriLankan to promote events of national importance such as the Vesak Poya celebrations, the highlight of the year being the “Vesak Bhakthi Gee” programme, in order to spread a message of global peace and harmony.

In addition, the team also launched an e-campaign and a poster-campaign to engage the staff on the renewed Vision and Mission. Moreover, during the latter part of the last quarter, special awareness and education programmes were brought up, in order to fight the COVID-19 pandemic aligned to Crisis Communication, bringing attention to health and safety practices and utilising online platforms, notices, and messaging.

An online counselling platform was also introduced, identifying the importance of mental wellbeing of our employees to provide emotional support to those who undergo difficult times during the COVID-19 pandemic.

A workshop on Blue Ocean Strategy was conducted for the Management to enforce innovation and reinvention. SLA for at least two decades has been competing in the red ocean markets against much stronger airlines, who have encroached into our market space to the extent that we had to take extreme measures of pulling out of certain regions. Under this programme,

## MANAGEMENT DISCUSSION AND ANALYSIS CONT'D.

“Sustainable Blue Ocean Ideas” were planned to be implemented to increase value for the Company, recognising the dire need of implementing the Blue Ocean Strategy as far as the SLA's business strategies are concerned.

Lean transformation programme for Engineering was conducted with the focus of developing capable change managers at the Engineering to facilitate enterprise excellence initiatives, using the lean six sigma management concept and techniques. It further emphasised on driving each individual of the Company to achieve competitive advantage by reducing cost, reducing lead times and improving quality.

“Leading during challenging times” programme for the Management tier of the Airport focuses on building leadership competencies to deliver ideal customer service even during challenging times with limited resources, as it is in paramount importance to provide a flawless customer service to our passengers irrespective of the business challenges.

Competency development for Engineering Management programme was conducted with the Post Graduate Institute of Management for the Engineering Managers of the E-3/ L-3 Levels to be groomed and developed as sector specialists within the organisation, in order to take up the next level of leadership of the Company effectively and efficiently.

Airport and Cargo Talent Pool was conducted to prepare a leadership pipeline to address the leadership dearth at the Airport and Cargo Divisions. The Talent Pool members were selected from across the Company, as the ‘infusion of new blood’ to the divisions was also vital. They followed a comprehensive training programme over a period of 08 months,

covering technical skills, soft skills and on the job training and also completed a project presentation as their final evaluation, applying the learnings to suggest solutions for contemporary challenges faced by divisions.

In addition, the HR Division also opted for people resourcing and optimisation, as the Company was challenged to operate with limited resources due to the economic impact the Airline faced post Easter Sunday Attacks. The division took the responsibility of optimising human resources with mutual productivity. In this context, the following initiatives were taken under the pillar of “people resourcing and optimisation”.

- ✔ Limiting external recruitments, whilst focusing on fulfilling the talent needs through home grown talent
- ✔ Engaging with the Line Managers and working on the cadre optimisation initiatives in terms of job redesigning, amalgamation, automation and introduction of new work patterns to optimise on cadre numbers
- ✔ Effectively managing natural attrition

### LOGISTICS AND PROPERTIES

The financial year 2019/20 proved another challenging year for the Logistics and Properties Division in the midst of tighter budgetary controls vis a vis the expected deliverables.

From a strategic business perspective, three parallel projects were carried out in the year under review; relocation of Colombo based office staff to Katunayake with a cost saving of LKR 54 Mn, relocation of IT equipment from the Bank of Ceylon tower to our own Regional office in Colombo and moving of the Bulk Stores (UL Bonded warehouse) to a new location to facilitate the BIA expansion project. From an operational perspective, the motto of ‘more for less’ was the

working philosophy for Logistics and Properties to come up with further innovative ways of curtailing costs and minimising wastage without a dilution in the service levels. This enabled a reduction in overall operating costs by 24% amounting to LKR 270 Mn; major contributing factors being enhanced monitoring and controlling of electricity consumption, stringent review of the scope of work to segregate ‘nice to have’ versus ‘fit for purpose’, negotiation of costs, optimisation of the deployment of resources including out-sourced manpower and remodeling of the pool transport operation.

The Division also sustained its efforts in generating ancillary revenue by the collection, segregation and disposal of unserviceable/obsolete inventory and moving assets, thereby generating LKR 15 Mn in the year under review.

## Community Engagement

### SRILANKAN CARES

Under the areas of Child, Planet and Talent, SriLankan Cares, the CSR arm of SLA, carries out projects to elevate social, educational and health-related standards of the community. The various programmes in relation to ‘Good Health and Well-being’, ‘Quality Education’ and ‘Clean Water and Sanitation’ are embracing the Sustainable Development Goals (SDG) of the country.

Aligned to the SDG of Quality Education, the SriLankan Cares team executed “ඉති ජය මග” Special Educational Programme, an Educational Camp conducted for the children of Dimbulgala Aralaganwila Maha Vidyalaya from 13th to 15th September 2019 at the School Premises. Over 100 students from grades 8, 9 and 10 took part in the programme, which included a day of holistic team building

and several classroom sessions on personality and leadership development, handcraft, essential communication, environment best practices and first aid, which the participants found enriching and beneficial, both academically and communally.

Driven by the vision of nurturing the next generation of aviation professionals and to build a dependable entry-level talent pipeline for the airline industry, the 'From School to the World' - Aviation Awareness Programme was launched. In addition, educational familiarisation tours were conducted for Blue Rose Special School Kandy and Monaragala Madulumini Primary School.

In line with the SDG of Good Health and Well-being, SriLankan Cares partnered Amelie and Daniel Linsey Foundation - UK and organised a special donation of "Patient Transfer Trolley Beds" to 9 hospitals in Sri Lanka, aspiring to develop local medical facilities, which was initiated on the 29th of December 2019. Amelie and Daniel Linsey Foundation pledged to fund 100 beds to these 9 hospitals island wide.

Furthermore, SriLankan Cares partnered with Shangri-La's Hambantota Golf Resort and Spa to conduct a special medical camp for the needy communities in Dehigahalanda in Hambantota on 9 June 2019 for the 3rd consecutive year.

Amongst the many social projects headed by the SriLankan Cares team to inculcate magnanimous, caring qualities in staff, five "Care Giving Programmes" were organised in collaboration with Cabin Crew members at Devsiri Sevana Elders Home in Welisara, Vincent De Paul Home for Elders in Kandana, St. Joseph's Child Development Centre in Negombo and Moratuwa Janadara Elders' Home in Moratuwa. The SriLankan Cares team also contributed towards the White

Cane Day programme organised by Sri Lanka Welfare Organisation of Visually Impaired Women in Kuliyaipitiya and Sri Lanka Welfare Society of the Blind.

On the 1 October 2019, SriLankan Cares collaborated with Galle Face Hotel and Ebert Silva Holidays to celebrate World Children's Day with 115 children from Katuwapitiya in Negombo, who were directly affected by the devastating Easter Sunday bombings. The children were provided with a full day of activities focused on post-traumatic therapy based on motivational education.

## Focus on the Environment

SLA as a responsible corporate entity, which established its environmental initiatives from 2009 with a 'Planet Friendly SriLankan' moto, has always been praised by IATA as one of the most conservation minded airlines in the region. Embedding the best practices into its daily operations and being strengthened with environmental policies, SLA always takes pride in their environmental agenda, which focuses on Green House Gas (GHG) emission mitigation, UN Sustainable Development Goals (SDG) and Nationally Determined Contributions (NDC).

During the financial year under review, the team engaged in initiatives that solely focused on environmental conservation, by collaborating with local and international stakeholders. One such collaboration is the tie up with Coca-Cola Sri Lanka on their 'Give Back Life' project, a project to recycle used plastic bottles for manufacturing yarn for materials. In addition, the Airline is closely working with the University of Colombo on a project to determine the polythene and plastic usage at SLA, in both as a conservation effort as well as part of the industrial training opportunity

for the students. Moreover, both these projects are a part of the Airline's '#SayNo2plastics' campaign, which focuses on reducing the usage of single used plastics from the operation.

Apart from its operations, the Airline is closely working with IATA and the oneworld Alliance's environmental teams on environmental initiatives. 'Flygreen' project can be highlighted as one of the popular customer engagement projects. It is the Airline's passenger carbon offset initiative, where passengers contribute to a mini hydropower project in Sri Lanka to offset the flight related carbon footprint of the Airline.

SLA always believes that it is a duty of the Airline to support and contribute to national causes. Therefore, on that note, it pledged its support to the 'Thuruliya Wenuwen Api' initiative of the Sri Lanka Army, by initiating 'A Plant for Wilpattu' project on the World Environment Day 2019. This was a staff engagement programme, where staff contributed to replant a part of Wilpattu National Park.

SLA is committed to meet and comply with all applicable environmental laws and regulations at both domestic and global levels. SLA's passenger carbon offset mechanism 'Flygreen', which was rated as one of the world's 100 cases of Climate Actions, offset 1352 tonnes of CO<sub>2</sub>e (carbon dioxide equivalent) during the year under review. This programme was continuously vetted for its quality and transparency by one of the world-renowned verifiers QAS (Quality Assurance Standard), whilst being praised by IATA several times. Furthermore, 'Flygreen' invests in offsets from the Adavikanda Mini Hydro Power project, which is a small scale, run-of-river hydropower plant in Sri Lanka that produces renewable energy by avoiding approximately 13,000 tonnes of greenhouse gases and generating just under 20 GWh of clean electricity every year for the Sri Lankan National Grid.





## **FINANCIAL REPORTS**

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# ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of SriLankan Airlines Limited, take pleasure in presenting the Annual Report for the year ended 31 March 2020.

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

## FINANCIAL STATEMENTS AND AUDITOR'S REPORT

The complete Financial Statements duly signed by the Chief Financial Officer and the two Directors and the Auditor's Report thereon for the year ended 31 March 2020 are attached to this Report.

## ACCOUNTING POLICIES

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 59 to 103.

## GROUP TURNOVER

The turnover of the Group amounted to LKR. 183,532 Mn (2018/19: LKR. 184,097 Mn). A detailed analysis of Group Turnover is given in Note 21 to the Financial Statements. Transactions between the Company and its fully owned Subsidiary, SriLankan Catering Limited is conducted at fair market prices.

## RESULTS

The Group's net loss for the year after taxation is LKR. 44,139 Mn (2018/19: LKR. 41,700 Mn). Group incurred a taxation expense of LKR. 35 Mn (2018/19 – LKR. 73Mn). The Statement of Profit or Loss for the year is given on page 55.

## GROUP INVESTMENT

Group capital expenditure during the year on Property, Plant and Equipment amounted to LKR. 662 Mn (2018/19: LKR. 1,070 Mn).

## PROPERTY, PLANT AND EQUIPMENT

The net book value of the Property, Plant and Equipment of the Group as at the Reporting date amounted to LKR. 8,450 Mn (2018/19: LKR. 10,222 Mn). Details of Property, Plant and Equipment and their movements are given in Note 4 to the Financial Statements.

## STATED CAPITAL

The Stated Capital of the Company amounts to LKR. 51,617.44 Mn. (2018/19: LKR. 51,617.44 Mn).

## RESERVES

Total Group Reserves as at 31 March 2020 amount to a negative LKR. 312,791 Mn (2018/19: negative LKR. 219,729 Mn). This consists of accumulated losses of LKR. 316,478 Mn (2018/19: LKR. 223,489 Mn), Capital Reserves of LKR. 3,687 Mn (2018/19: LKR. 3,760 Mn). Movement in these Reserves is shown in the

Statement of Changes in Equity in the Financial Statements.

## CORPORATE DONATIONS

The Group made donations amounting to LKR. 0.42 Mn during the year (2018/2019: LKR. 8.75 Mn).

## TAXATION

The Company enjoyed a tax holiday up to 31 March 2013 in terms of its agreement with the Board of Investment of Sri Lanka. The Company was exempted from all taxes in respect of all its business activities up to 31 March 2021 under the provisions of the Inland Revenue Act No.10 of 2006 as amended by the Inland Revenue (Amendment) Act No. 22 of 2011. However, with the enactment of the Inland Revenue Act No 24 of 2017, the Company is liable for income tax for all its business activities with effect from 1 April 2018. The Company is liable for tax on its overseas operations in countries where there are no double taxation treaties at present. The Subsidiary, SriLankan Catering Limited enjoys a tax holiday up to 30 of May 2021 in terms of its agreement with the Board of Investment of Sri Lanka. At present, net profit earned from the operations of Flight Kitchen, Transit Restaurant, Transit Hotel, Airline laundry and EK lounge are fully exempted from Income Tax up to 30 May 2021. Thereafter, net profit shall be liable at the concessionary rate of 15% for further 8 years up to 30 May 2029. The net profit earned from Public Restaurant, Vanilla Pod food outlets, Semondu Restaurant and the local laundry and other income are liable for income tax at the prevailing tax rate of 28%.

## SHARE INFORMATION

Share information as at 31 March 2020 is as follows:

Share Ownership	No. of shares	% of Holding
Government of Sri Lanka	511,574,169	99.11%
Employees Provident Fund	1,863,676	0.36%
Others	2,736,510	0.53%

### COMPLIANCE WITH LAW AND REGULATIONS

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

### RELATED PARTY TRANSACTIONS

Related Party transactions are disclosed in Note 30 to the Financial Statements.

### CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent Liabilities as at 31 March 2020 and Commitments made on Capital Expenditure as at that date are given in Note 27 to the Financial Statements.

### EVENTS OCCURRING AFTER THE REPORTING DATE

No circumstances have arisen since the Reporting date that would require adjustment or disclosure, other than those disclosed in Note 29 to the Financial Statements.

### HUMAN RESOURCE/EMPLOYMENT POLICIES

The Company continued to invest in human capital development and implement effective workforce aligned around new business priorities and to ensure that its employees are developing the skills and knowledge required for the future success of the Company.

Employment policies of the Group respect the individual and offer equal career opportunities regardless of gender, race or religion. Occupational health and safety standards receive substantial attention. The number of persons employed by the Company at the year-end was 6,693 (2018/19: 6,794) and by the Subsidiary was 1008 (2018/19 – 1,050).

### STATUTORY PAYMENTS

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

### ENVIRONMENTAL PROTECTION

The Group's business activities can have direct and indirect effects on the environment. It is the Group's policy to keep adverse effects on the environment to a minimum and to promote co-operation and compliance with the relevant authorities and regulations.

### CORPORATE GOVERNANCE/INTERNAL CONTROL

Adoption of good governance practices has become an essential requirement in today's corporate world. The Directors acknowledge their responsibility for the Group's system of internal control. The system is designed to provide assurance, inter alia, on the safeguarding of assets, the maintenance of proper accounting

records and the reliability of financial information generated. However, any system can ensure only reasonable and not absolute assurance that errors and irregularities are prevented or detected within a reasonable time. The Report of the Board Audit Committee forms part of this Annual Report. The Board is satisfied with the effectiveness of the system of internal control for the period up to the date of signing of the Financial Statements.

### GOING CONCERN

As noted in the Statement of Directors' Responsibilities, the Directors have adopted the going concern basis in preparing the Financial Statements.

### THE BOARD OF DIRECTORS

In accordance with Article 79 of the Articles of Association of the Company the Directors are appointed by the Government of Sri Lanka. Brief profiles of the present Directors are given on pages 10 to 11 of the Annual Report.

Mr. Asoka Kariyawasam Pathirage (Chairman)	Appointed w.e.f. 16th December 2019
Mr. Mohamed Ashroff Omar	Appointed w.e.f. 08th January 2020
Mr. Malik Fernando	Appointed w.e.f. 08th January 2020
Mr. Manohara Ratnavibhushana De Silva PC	Appointed w.e.f. 08th January 2020
Mr. Samantha Ratwatte PC	Appointed w.e.f. 08th January 2020
Mr. Shridhir Sariputta Hansa Wijayasuriya	Appointed w.e.f. 23rd January 2020
Mr. Sanjaya Mohottala	Appointed w.e.f. 01st February 2020

## ANNUAL REPORT OF THE BOARD OF DIRECTORS CONT'D.

### Past Directors

The Following Directors were in office during the financial year commencing 1 April 2019 until resignation from the Board on the following dates;

	Date Resigned
Dr. Mrs. Roshan Perera	21st June 2019
Air Chief Marshal (Rtd.) Kapila Jayampathy	22nd August 2019
Mr. Susantha Katugampala	12th September 2019
Mr. Widanalage Deshal Praveen De Mel	17th November 2019
Ganegama Sena Withanage	18th November 2019
Sellampola Gedara Senarathna	9th December 2019
Sarojin Johann Wijesinghe	8th January 2020
Senior Prof. Arjuna Priyadarsin De Silva	8th January 2020
Mr. A M P M B Atapattu	8th January 2020
Mr. A K D D D Arandara	8th January 2020
Mr. Vajira Kulatilaka	8th January 2020

### HUMAN RESOURCES AND REMUNERATION COMMITTEE

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

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

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

Mr. Mohamed Ashroff Omar (Chairman)  
Mr. Malik Fernando  
Mr. Manohara De Silva PC  
Mr. Samantha Ratwatte PC  
Mr. Sanjaya Mohottala

### MEMBERS OF AUDIT COMMITTEE

Mr. S. G Senarathne was the Chairman Audit Committee during the financial year, until he resigned on 9 December 2019; The following members comprise of the Audit Committee as at date;

Mr. Sanjaya Mohottala/Pro-tem Chairman  
Mr. Malik Fernando  
Mr. Manohara De Silva PC  
Mr. Samantha Ratwatte PC  
Dr. Hansa Wijayasuriya

The Audit Committee Report is given on page 48 of this Annual Report.

### DIRECTORS' MEETING ATTENDANCE

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

Name of the Director during the Financial Year 2019/2020	No. of Board meetings attended for the period of directorship
Mr. Asoka Pathirage (Chairman)	3/3
Mr. Ashroff Omar	3/3
Mr. Malik Fernando	3/3
Mr. Manohara De Silva PC	3/3
Mr. Samantha Ratwatte PC	3/3
Dr. Hansa Wijayasuriya	3/3
Mr. Sanjaya Mohottala	2/2
Mr. Susantha Katugampala (Ceased w.e.f. 12th September 2019)	8/10
Air Chief Marshal (Rtd.) Kapila Jayampathy	8/10
Dr. Mrs. Roshan Perera	6/6
Mr. Deshal De Mel	3/3
Mr. G S Withanage	12/12
Mr.S G Senarathne	10/12
Mr. Johann Wijesinghe	10/12
Senior Prof. Arjuna De Silva	9/12
Mr. A M P M B Atapattu	2/3
Mr. A K D D D Arandara	1/2
Mr. Vajira Kulatilaka	1/1

## DIRECTORATE – SRILANKAN CATERING LIMITED

The current Board of Directors of SriLankan Catering Limited is as follows:-

Mr. Asoka Kariyawasam Pathirage (Chairman)	Appointed w.e.f. 24th January 2020
Mr. Mohamed Ashroff Omar	Appointed w.e.f. 24th January 2020
Mr. Malik Fernando	Appointed w.e.f. 24th January 2020
Mr. Manohara Ratnavibhushana De Silva PC	Appointed w.e.f. 24th January 2020
Mr. Samantha Ratwatte PC	Appointed w.e.f. 24th January 2020
Mr. Sanjaya Mohottala	Appointed w.e.f. 01st February 2020

The following Directors were in office during the financial year commencing from 01st April 2019 until resignation from the Board on the following dates.

	Date Resigned
Dr. Mrs. Roshan Perera	21st June 2019
Air Chief Marshal (Rtd.) Kapila Jayampathy	22nd August 2019
Mr. Susantha Katugampala	12th September 2019
Mr. Widanalage Deshal Praveen De Mel	17th November 2019
Ganegama Sena Withanage	18th November 2019
Sellampola Gedara Senarathna	9th December 2019
Sarojin Johann Wijesinghe	24th January 2020
Senior Prof. Arjuna Priyadarsin De Silva	24th January 2020
Mr. A M P M B Atapattu	24th January 2020
Mr. A K D D D Arandara	24th January 2020

## DIRECTORS' REMUNERATION

Aggregated remuneration paid to the Non-Executive Directors of the Company is disclosed under Note 30 on page 96 of this Report as per the requirements of section 168 (1) (f) of the Companies Act, No.7 of 2007.

## DIRECTORS' SHAREHOLDINGS

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

## INTERESTS REGISTER

The Company maintains the Interests Register conforming to the provisions of the Companies Act No.7 of 2007. All Directors of the Company have

disclosed their interests in other companies to the Board and those interests are recorded in the Directors' Interests Register confirming to Sections 192 (1) and 192 (2) of the Companies Act, No. 7 of 2007.

The Interests Register is available for inspection as required under the Companies Act No.7 of 2007.

## DIRECTORS' INTERESTS IN CONTRACTS

The Directors have had no direct or indirect interest in any other contracts or proposed contracts in relation to the business of the Company other than those disclosed in Note 30 to the Financial Statements.

## ANNUAL GENERAL MEETING

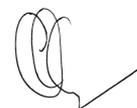
The Forty Second Annual General Meeting of the Company will be held on Friday, 25 September 2020 at 10.00 a.m. at 'Lotus Hall' Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 7, Sri Lanka.

The notice of the Annual General Meeting is on page 113 of the Annual Report.

## AUDITORS

In accordance with Article 36 of the Nineteenth Amendment to the Constitution the Auditor General is hereby appointed Auditors of the Company. Details of audit fees are set out in Note 23 to the Financial Statements. The Auditors, do not have any relationship (other than of an Auditor) with the Company or its Subsidiary.

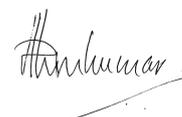
Signed on behalf of the Board,



**Asoka Pathirage**  
Chairman



**Sanjaya Mohottala**  
Director



**Dalrene Thirukumar**  
Company Secretary/ Head of Corporate Secretarial Services

31 July 2020  
Katunayake

## BOARD AUDIT COMMITTEE REPORT 2019/20

### ROLE AND RESPONSIBILITIES

The Board Audit Committee (BAC) of SriLankan Airlines scope and responsibilities are governed by the Board Audit Committee Charter approved and adopted by the Board of Directors. The purpose of the Board Audit Committee is to assist the Board of Directors of SriLankan Airlines Ltd. in fulfilling its responsibilities for the system of internal controls, the financial reporting process, the risk management process, the governance process, the audit process and the Company's process for monitoring compliance with laws and regulations and code of conduct.

### COMMITTEE COMPOSITION

The Board members who served on the BAC during the year ended 31 March 2020 were Dr. Mrs. Roshan Perera (Member, resigned 21st June 2019), Air Chief Marshal (Rtd.) K. Jayampathy (Member, resigned 22nd August 2019), Mr. S. Katugampala (Member, ceased 12th September 2019), Mr. D. de Mel (Member, appointed 22 August 2019 resigned 17 November 2019), Mr. S G. Senarathna (Chairman BAC, resigned 09 December 2019), Senior Prof. Arjuna P. De Silva (Member, resigned 08th January 2020), Mr. A M P M B Atapattu (Member, appointed 22 August 2019 resigned 08 January 2020), Mr. A. K. D. D. D. Arandara (Member, appointed 12 September 2019 resigned 08 January 2020), Mr. S. Mohottala (Pro-tem Chairman, appointed 1st February 2020), Mr. M. Fernando (Member, appointed 24 January 2020), Mr. S. Ratwatte PC (Member, appointed 24 January 2020), Mr. M. de Silva PC (Member, appointed 24 January 2020) and Dr. H. Wijayasuriya (Member, appointed 24 January 2020). Ms. A.D. Dilrukshi, Superintendent of Audit, National Audit Office attends Audit Committee meetings as an independent observer.

### MEETINGS

The Board Audit Committee held five (5) meetings during the year ended 31 March 2020. The members of the management attend the meetings upon invitation to brief the Board Audit Committee on specific issues.

### GROUP ASSURANCE AND ADVISORY SERVICES DIVISION

The Group Assurance and Advisory Services (GAAS) Division of SriLankan Airlines conducts internal audits and reports directly to the Board Audit Committee. The GAAS provides an independent and objective evaluation of adequacy, efficiency and effectiveness of the system of internal controls including IS/IT controls and facilitates the implementation of the Enterprise Risk Management (ERM) framework. GAAS also provides advisory services to the management on the Business Continuity Management System, Governance and Compliance processes.

### KEY ACTIVITIES OF THE BAC DURING THE FINANCIAL YEAR

- ✔ Reviewed the implementation of annual internal audit plan and the audit findings on system of internal controls including IS/IT controls and the status on implementation of audit recommendations.
- ✔ Reviewed the Risk Management processes and procedures adopted by management for the identification, evaluation and management of business risks.
- ✔ Reviewed the Company's compliance framework to determine that it provides reasonable assurance that all relevant laws and regulations have been complied.
- ✔ Reviewed the implementation of the Business Continuity Plans in order to minimise the effects of risks from business interruptions/disasters.

- ✔ Discussed with External Auditors to ascertain the nature, scope and approach of the External Audit and reviewed annual Audited Financial Statements prior to recommendation of same to the Board.
- ✔ Reviewed the External Auditor's Management Letter and Management responses to the issues highlighted in order to be satisfied that appropriate action being taken on a timely basis.
- ✔ Reviewed the Group Assurance & Advisory Services Function activities including the independence and authority of its reporting obligations and internal audit plan.
- ✔ Assessed the independence of the External Auditor and monitoring the External Audit Function.



**Mr. S. Mohottala**  
Pro-tem Chairman

Board Audit Committee  
31 July 2020

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The responsibilities of the Directors in relation to the Financial Statements of the Company and the Group differ from the responsibilities of the Auditors which are set out in their report appearing on page 52.

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

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

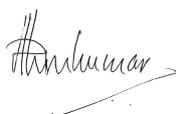
The Directors continue to adopt the 'Going Concern' basis in preparing the Financial Statements, after considering the Government of Sri Lanka's (GOSL) continuous support to the Company by way of providing letters of comfort to obtain bank facilities, and also considering GOSL's efforts in the

restructuring of the Company and a view to strengthening the Operational and Financial Position of the Company. Further the GOSL by way of Cabinet approval dated 17 June 2020 (and the letter issued by the Secretary to the Treasury on 29 June 2020) has confirmed that the GOSL will extend the required financial support to the Company to continue its operations as a 'Going Concern' until the proposed restructuring process is completed as described under Note 3 to the Financial Statements.

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

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

By Order of the Board



**Dalrene Thirukumar**  
*Company Secretary*

31 July 2020

# INDEPENDENT AUDITOR'S REPORT



## ජාතික විගණන කාර්යාලය தேசிய கணக்காய்வு அலுவலகம் NATIONAL AUDIT OFFICE



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எனது இல. }  
My No. }

AVA/C/SLAL/06/19/111

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Your No. }

දිනය  
திகதி }  
Date }

19 August 2020

### Chairman

#### Sri Lankan Airlines Limited

**Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Sri Lankan Airlines Limited and its Subsidiaries for the year ended 31 March 2020 in terms of Section 12 of the National Audit Act, No. 19 of 2018.**

### 1. Financial Statements

#### 1.1 Opinion

The audit of the financial statements of the Sri Lankan Airlines Limited ("Company") and the consolidated financial statements of the Company and its subsidiaries ("Group") for the year ended 31 March 2020 comprising the statement of financial position as at 31 March 2020 and the statement of profit or loss and other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions

in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. My report to Parliament in pursuance of provision in Article 154(6) of the Constitution will be tabled in due course. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice.

In my opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2020 and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### 1.2 Basis for Opinion

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

#### 1.3 Emphasis of Matters

##### a) Material Uncertainty Related to Going Concern

I draw attention to Note 3, which indicates that the Company incurred a net loss of Rs.47,197.86 million during the year ended 31 March 2020 with an accumulated loss of Rs.326,341.48 million and, as of that date, the Company's current liabilities exceeded its current assets by Rs.211,645.13 million and total liabilities exceeded its total assets by Rs.273,369.08 million. Further, the Group incurred a net loss of Rs.44,139.40 million during the year ended 31 March 2020 with an accumulated loss of Rs.316,477.65 million and, as of that date, the Group's current liabilities exceeded its current assets by Rs.200,878.32 million and total liabilities exceeded its total assets by Rs.261,173.54 million.

As stated in Note 3, these events and conditions, along with other matters as set forth in Note 3, indicate a material uncertainty that may cast significant doubt on the Group's/ the Company's ability to continue as a going concern.

Following the spread of COVID-19 in the country, the Group/ the Company is facing implications including, loss of Group's/ Company's revenue due

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව

இல. 306/72, பொல்தூவ வீதி, பத்தரமுல்லை, இலங்கை.

No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.



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www.naosl.gov.lk



to Government imposition of travelling restrictions, delays in settlements and credit and liquidity risks.

Note 2.1 to the Financial Statements, describes the impact of COVID-19 outbreak on Group's/ Company's future prospects, performance and cash flows. The Management has described how they plan to deal with these events and circumstances as the outbreak is prevailing at the time of finalising these financial statements.

Having taken into account the mitigating factors as disclosed in Note 3 along with the Cabinet approval on 17 June 2020 and the letter issued by the Secretary to the Treasury on 29 June 2020 obtained for the purpose of the statutory audit for the year ended 31 March 2020, confirming the support of the Government of Sri Lanka (GOSL) to the Company to continue its operations as a "Going Concern", these financial statements have been prepared using going concern assumption.

#### **b) A350-900 Aircrafts Pre-delivery Payments**

I draw attention to Note 6, which indicates that the pre-delivery payments as at 31 March 2020 consists of pre-delivery payments made for four Airbus A350-900 aircrafts to be delivered in 2020 and 2021 amounting

to Rs.2,528.12 million (USD 19.21 million) and as at 31 March 2020 there is an amount of USD 207.89 million as unpaid pre-delivery payments to Airbus.

As stated in Note 6, the Company has been in discussion with Airbus for a renegotiation of the agreement and therefore the Board does not anticipate a loss of pre-delivery payments or penalties arising from renegotiation. However, no final decision had been taken even by 30 July 2020.

My opinion is not modified in respect of these matters.

#### **1.4 Other Information**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and my auditors' report thereon. These financial statements do not comprise other information.

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

In connection with our audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other

information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease the operations, or has no realistic alternative but to do so.

## INDEPENDENT AUDITOR'S REPORT CONT'D.



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

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

### 1.6 Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- ✔ Identify and assess the risks of material misstatement of the

financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- ✔ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.
- ✔ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- ✔ Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence

obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

- ✔ I have obtained all the information and explanations that required for the audit and, as far as appears from my examination, proper accounting records had been



- kept by the Company as per the requirement of Section 163 (1) (d) of the Companies Act No. 7 of 2007 and Section 12 (a) of the National Audit Act No. 19 of 2018.
- ✔ The financial statements of the Company comply with the requirement of Section 151 of the Companies Act No.07 of 2007.
  - ✔ The financial statements presented is consistent with the preceding year as per the requirement Section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
  - ✔ The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of Section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

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

- ✔ to state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the normal cause of business as per the requirement of Section 12 (d) of the National Audit Act, No. 19 of 2018.
- ✔ to state that the Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company as per the requirement of section 12 (f) of the National Audit Act, no. 19 of 2018.

- ✔ to state that the Company has not performed according to its powers, functions and duties as per the requirement of Section 12 (g) of the National Audit Act, No. 19 of 2018.
- ✔ to state that the resources of the Company had not been procured and utilised economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of Section 12 (h) of the National Audit Act, No. 19 of 2018.

**W.P.C. Wickramaratne**  
*Auditor General*

# STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	Group		Company	
		2020 LKR. Mn	2019 LKR. Mn	2020 LKR. Mn	2019 LKR. Mn
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, Plant and Equipment	4	8,449.51	10,221.90	5,767.28	7,542.19
Right of Use Assets	5	119,083.74	-	118,751.75	-
Aircraft Predelivery Payments	6	2,528.12	2,528.12	2,528.12	2,528.12
Aircraft Maintenance Reserve	7	18,603.60	19,981.17	18,603.60	19,981.17
Aircraft and Spare Engine Deposits		4,241.81	6,403.16	4,241.81	6,403.16
Intangible Assets	8	103.92	131.98	78.50	99.51
Investments	9	0.40	0.40	42.44	42.44
		<b>153,011.10</b>	39,266.73	<b>150,013.50</b>	36,596.59
<b>Current Assets</b>					
Inventories	10	5,128.63	5,191.55	4,813.41	4,849.87
Trade and Other Receivables	11	8,820.33	20,604.31	7,683.59	19,570.39
Aircraft Maintenance Reserve	7	16,290.06	13,747.07	16,290.06	13,747.07
Aircraft and Spare Engine Deposits		542.22	303.60	542.22	303.60
Investments	9.1	1,039.24	922.45	613.64	590.45
Cash and Bank Balances	12	1,596.98	2,212.02	1,233.18	1,681.03
		<b>33,417.46</b>	42,981.00	<b>31,176.10</b>	40,742.41
<b>Total Assets</b>		<b>186,428.56</b>	82,247.73	<b>181,189.60</b>	77,339.00
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Stated Capital	13	51,617.44	51,617.44	51,617.44	51,617.44
Reserves	14	3,686.67	3,759.59	1,354.96	1,416.40
Accumulated Losses		(316,477.65)	(223,488.73)	(326,341.48)	(230,590.07)
<b>Total Equity</b>		<b>(261,173.54)</b>	(168,111.70)	<b>(273,369.08)</b>	(177,556.23)
<b>Non-Current Liabilities</b>					
Preference Shares	15	-	1,000.00	-	-
Interest Bearing Liabilities	16	191,315.43	10,321.02	190,480.17	10,234.42
Other Long-term Liabilities	17	21,990.89	18,332.01	21,257.28	17,579.14
		<b>213,306.32</b>	29,653.03	<b>211,737.45</b>	27,813.56
<b>Current Liabilities</b>					
Preference Shares	15	1,000.00	-	-	-
Sales in Advance of Carriage	18	17,835.18	25,316.76	17,835.18	25,316.76
Trade and Other Payables	19	108,386.45	82,152.15	118,086.76	88,676.41
Income Tax Payable		212.57	201.24	175.45	175.45
Interest Bearing Liabilities	16	106,861.58	113,036.25	106,723.84	112,913.05
		<b>234,295.78</b>	220,706.40	<b>242,821.23</b>	227,081.67
<b>Total Liabilities</b>		<b>447,602.10</b>	250,359.43	<b>454,558.68</b>	254,895.23
<b>Total Equity and Liabilities</b>		<b>186,428.56</b>	82,247.73	<b>181,189.60</b>	77,339.00

These Financial Statements are prepared in compliance with the requirements of the Companies Act No. 7 of 2007.



**Shaminda Samaraweera**  
Chief Financial Officer

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



**Asoka Pathirage**  
Director



**Sanjaya Mohottala**  
Director

The Accounting Policies and Notes on pages 59 through 103 form an integral part of these Financial Statements.

27 July 2020  
Colombo

## STATEMENT OF PROFIT OR LOSS

Year ended 31 March	Note	Group		Company	
		2020 LKR. Mn	2019 LKR. Mn	2020 LKR. Mn	2019 LKR. Mn
<b>Revenue</b>	21	<b>183,531.82</b>	184,097.04	<b>180,151.02</b>	180,340.32
<b>Expenditure</b>					
Aircraft Fuel Cost		<b>(55,327.75)</b>	(60,672.78)	<b>(55,327.75)</b>	(60,672.78)
Employee Cost		<b>(22,903.06)</b>	(21,927.63)	<b>(21,205.44)</b>	(20,368.42)
Airport, Enroute and Passenger Expenses		<b>(25,276.94)</b>	(25,813.06)	<b>(29,217.18)</b>	(29,779.59)
Aircraft Maintenance and Overhaul Costs		<b>(22,820.26)</b>	(26,333.09)	<b>(22,820.26)</b>	(26,333.09)
Depreciation/Amortisation	2.3.1.1	<b>(1,544.60)</b>	(1,567.61)	<b>(1,214.05)</b>	(1,349.28)
Selling, Marketing and Advertising Expenses		<b>(14,549.74)</b>	(15,785.68)	<b>(14,540.51)</b>	(15,775.49)
Crew Expenses		<b>(6,557.11)</b>	(6,581.52)	<b>(6,557.11)</b>	(6,581.52)
Other Operating Expenses	23.1	<b>(14,906.24)</b>	(15,380.71)	<b>(13,835.87)</b>	(14,301.56)
Exchange Loss		<b>(5,270.29)</b>	(2,328.28)	<b>(6,118.51)</b>	(3,414.22)
<b>Operating Profit before adjusting for SLFRS 16 Right of Use Assets</b>	23	<b>14,375.83</b>	7,706.68	<b>9,314.34</b>	1,764.37
Impact of SLFRS 16 First Time Adoption on Operating Activities	2.3.1.1	<b>(19,543.07)</b>	(30,931.17)	<b>(19,485.02)</b>	(30,768.71)
<b>Operating Loss</b>		<b>(5,167.24)</b>	(23,224.49)	<b>(10,170.68)</b>	(29,004.34)
Other Income and Gains	22	<b>1,351.51</b>	952.19	<b>3,046.13</b>	4,222.74
Finance Income	24.1	<b>377.88</b>	128.61	<b>317.28</b>	89.72
Impact of SLFRS 16 First Time Adoption on Financing Activities	24.2	<b>(23,643.08)</b>	(164.91)	<b>(23,514.38)</b>	(164.91)
Finance Cost Other	24.2	<b>(17,023.79)</b>	(19,318.31)	<b>(16,876.21)</b>	(19,165.88)
<b>Total Finance cost</b>		<b>(40,666.87)</b>	(19,483.22)	<b>(40,390.59)</b>	(19,330.79)
<b>Loss Before Taxation</b>		<b>(44,104.72)</b>	(41,626.91)	<b>(47,197.86)</b>	(44,022.67)
<b>Income Tax Expense</b>	26	<b>(34.68)</b>	(73.42)	-	-
<b>Loss for the Year</b>		<b>(44,139.40)</b>	(41,700.33)	<b>(47,197.86)</b>	(44,022.67)

The Accounting Policies and Notes on pages 59 through 103 form an integral part of these Financial Statements.

## STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March	Note	Group		Company	
		2020 LKR. Mn	2019 LKR. Mn	2020 LKR. Mn	2019 LKR. Mn
Loss for the Year		(44,139.40)	(41,700.33)	(47,197.86)	(44,022.67)
<b>Other Comprehensive Income / (Loss)</b>					
<b>Other comprehensive Income/ (Loss) not to be reclassified to profit or loss in subsequent periods (net of tax):</b>					
Actuarial Gain/(Loss) on Retirement Benefit Obligation	17.2	(20.86)	25.92	(8.87)	29.10
Revaluation of Property Plant and Equipment		-	602.82	-	-
Deferred Tax impact of items recognised on OCI		-	(90.90)	-	-
		(20.86)	537.84	(8.87)	29.10
<b>Other comprehensive Income / (Loss) to be reclassified to profit or loss in subsequent periods (net of tax):</b>					
Net Movement of Cash Flow Hedge		(61.44)	(1,366.32)	(61.44)	(1,366.32)
		(61.44)	(1,366.32)	(61.44)	(1,366.32)
<b>Total Other Comprehensive Income/(Loss) for the Year, Net of Tax</b>		<b>(82.30)</b>	<b>(828.48)</b>	<b>(70.31)</b>	<b>(1,337.22)</b>
<b>Total Comprehensive Income/(Loss) for the Year, Net of Tax</b>	-	<b>(44,221.70)</b>	<b>(42,528.81)</b>	<b>(47,268.17)</b>	<b>(45,359.89)</b>

The Accounting Policies and Notes on pages 59 through 103 form an integral part of these Financial Statements.

## STATEMENT OF CHANGES IN EQUITY

GROUP Year ended 31 March	Stated Capital LKR. Mn	Revaluation Reserve LKR. Mn	Cash Flow Hedge Reserve LKR. Mn	Accumulated Losses LKR. Mn	Total LKR. Mn
<b>Balance as at 31 March 2018</b>	51,617.44	4,953.48	(333.10)	(181,820.71)	(125,582.89)
Reversal of surplus on revaluation due to disposal during the year	-	(6.39)	-	6.39	-
Loss for the year	-	-	-	(41,700.33)	(41,700.33)
Other Comprehensive Income	-	602.82	(1,366.32)	25.92	(737.58)
Deferred Tax impact of items recognised on OCI	-	(90.90)	-	-	(90.90)
<b>Total Comprehensive Income / (Loss)</b>	-	511.92	(1,366.32)	(41,674.41)	(42,528.81)
<b>Balance as at 31 March 2019</b>	51,617.44	5,459.01	(1,699.42)	(223,488.73)	(168,111.70)
Transition impact of SLFRS 16 (Note 2.3.1.1)	-	-	-	(48,840.14)	(48,840.14)
<b>Adjusted Balance as at 1 April 2019</b>	51,617.44	5,459.01	(1,699.42)	(272,328.87)	(216,951.84)
Reversal of surplus on revaluation due to disposal during the year	-	(11.48)	-	11.48	-
Loss for the year	-	-	-	(44,139.40)	(44,139.40)
Other Comprehensive Income	-	-	(61.44)	(20.86)	(82.30)
<b>Total Comprehensive Income / (Loss)</b>	-	-	(61.44)	(44,160.26)	(44,221.70)
<b>Balance as at 31 March 2020</b>	51,617.44	5,447.53	(1,760.86)	(316,477.65)	(261,173.54)

COMPANY Year ended 31 March	Stated Capital LKR. Mn	Revaluation Reserve LKR. Mn	Cash Flow Hedge Reserve LKR. Mn	Accumulated Losses LKR. Mn	Total LKR. Mn
<b>Balance as at 31 March 2018</b>	51,617.44	3,115.82	(333.10)	(186,596.50)	(132,196.34)
Loss for the year	-	-	-	(44,022.67)	(44,022.67)
Other Comprehensive Income	-	-	(1,366.32)	29.10	(1,337.22)
<b>Total Comprehensive Income / (Loss)</b>	-	-	(1,366.32)	(43,993.57)	(45,359.89)
<b>Balance as at 31 March 2019</b>	51,617.44	3,115.82	(1,699.42)	(230,590.07)	(177,556.23)
Transition impact of SLFRS 16 (Note 2.3.1.1)	-	-	-	(48,544.68)	(48,544.68)
<b>Adjusted Balance as at 1 April 2019</b>	51,617.44	3,115.82	(1,699.42)	(279,134.75)	(226,100.91)
Loss for the year	-	-	-	(47,197.86)	(47,197.86)
Other Comprehensive Income	-	-	(61.44)	(8.87)	(70.31)
<b>Total Comprehensive Income / (Loss)</b>	-	-	(61.44)	(47,206.73)	(47,268.17)
<b>Balance as at 31 March 2020</b>	51,617.44	3,115.82	(1,760.86)	(326,341.48)	(273,369.08)

The Accounting Policies and Notes on pages 59 through 103 form an integral part of these Financial Statements.

## STATEMENT OF CASH FLOWS

Year ended 31 March	Note	Group		Company	
		2020 LKR. Mn	2019 LKR. Mn	2020 LKR. Mn	2019 LKR. Mn
<b>Cash Flows From/(Used in) Operating Activities</b>					
Loss before Income Tax Expense		(44,104.72)	(41,626.91)	(47,197.86)	(44,022.67)
<b>Adjustments for</b>					
Depreciation / Amortisation / Impairment		19,391.52	1,868.40	19,013.81	1,643.67
Finance Cost	24.2	40,666.87	19,483.22	40,390.59	19,330.79
Loss/ (Gain) on Disposal of Property, Plant and Equipment and Intangible Assets		8.71	(2.29)	(3.49)	(3.41)
Finance Income	24.1	(377.88)	(128.61)	(317.28)	(89.72)
Provision for Impairment of Receivables	11.2	37.35	327.83	32.94	319.79
Provision for Slow Moving Inventory	9.1	113.58	214.47	91.75	223.32
Provision for Impairment of Maintenance Reserve	6.2	4,349.64	4,797.17	4,349.64	4,797.17
Effect on Unrealised Exchange Loss		4,330.87	2,819.29	5,045.97	3,618.66
Write Back of Sales in Advance		(1,818.01)	(1,342.87)	(1,818.01)	(1,342.87)
Provision for Gratuity	17.2	1,126.34	891.80	1,031.33	807.74
<b>Operating Profit/(Loss) before Working Capital Changes</b>		<b>23,724.27</b>	<b>(12,698.50)</b>	<b>20,619.39</b>	<b>(14,717.53)</b>
Decrease/(Increase) in Inventories		(50.66)	(650.04)	(55.29)	(651.67)
(Decrease)/Increase in Sales in Advance of Carriage		(5,663.49)	3,022.23	(5,663.49)	3,022.23
(Increase)Decrease in Trade and Other Receivables		10,584.47	(3,096.35)	10,718.09	(3,007.90)
Increase/(Decrease) in Trade and Other Payables		27,056.52	35,858.47	29,361.49	37,074.78
(Increase)/Decrease in Maintenance Reserves		(6,367.39)	(7,194.00)	(6,367.39)	(7,194.00)
Decrease/ (Increase) in Aircraft Security Deposits		132.68	(109.55)	132.68	(109.55)
<b>Cash Generated From/(Used in) Operations</b>		<b>49,416.40</b>	<b>15,132.26</b>	<b>48,745.48</b>	<b>14,416.36</b>
Finance Cost Paid		(22,699.41)	(11,088.21)	(22,432.00)	(10,948.93)
Gratuity Paid	17.2	(587.07)	(721.06)	(543.52)	(664.92)
<b>Net Cash Flows From Operating Activities</b>		<b>26,129.92</b>	<b>3,322.99</b>	<b>25,769.96</b>	<b>2,802.51</b>
<b>Cash Flows From/(Used in) Investing Activities</b>					
Interest Received		132.57	108.93	88.57	73.68
Acquisition of Property, Plant and Equipment		(735.56)	(1,040.34)	(399.28)	(940.02)
(Investment)/ Realisation of Short Term Investment		(72.08)	(88.22)	4.92	79.78
Acquisition of Intangible Assets		(23.44)	(51.93)	(20.26)	(50.88)
Proceeds from Disposal of Property, Plant and Equipment and Intangible Assets		5.10	5.01	3.84	3.47
<b>Net Cash Used in Investing Activities</b>		<b>(693.41)</b>	<b>(1,066.55)</b>	<b>(322.21)</b>	<b>(833.97)</b>
<b>Cash Flows From / (Used in) Financing Activities</b>					
Repayment of Interest Bearing Liabilities		(39,704.62)	(8,940.53)	(39,579.34)	(8,823.21)
Repayment of Lease Liability		(19,452.56)	(320.57)	(19,421.89)	(320.57)
Proceeds from Interest Bearing Loans and Borrowings		30,556.46	-	30,556.46	-
<b>Net Cash from/ (used in) Financing Activities</b>		<b>(28,600.72)</b>	<b>(9,261.10)</b>	<b>(28,444.77)</b>	<b>(9,143.78)</b>
Net Increase/(Decrease) in Cash and Cash Equivalents		(3,164.21)	(7,004.66)	(2,997.02)	(7,175.24)
Cash and Cash Equivalents at the beginning of the year	12	(6,920.22)	84.44	(7,451.21)	(275.97)
<b>Cash and Cash Equivalents at the end of the year</b>	12	<b>(10,084.43)</b>	<b>(6,920.22)</b>	<b>(10,448.23)</b>	<b>(7,451.21)</b>

The Accounting Policies and Notes on pages 59 through 103 form an integral part of these Financial Statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

### 1.1 General

#### Company

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

### 1.2 Principal Activities and Nature of Operations

#### Company

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

#### Subsidiary – SriLankan Catering Limited

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

### 1.3 Date of Authorisation for Issue

The financial statements for the year ended 31 March 2020 were authorised for issue by the Board of Directors on the 27 July 2020.

## 2. GENERAL ACCOUNTING POLICIES

### 2.1 Basis of Preparation

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

This is the first set of the Financial Statements in which SLFRS 16 – “Leases” has been applied. Changes to significant accounting policies are described in Note 2.4

All values are presented in Sri Lankan Rupees and rounded to the nearest Million Rupees, except when otherwise indicated.

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections being recorded globally. Measures taken to contain and slow the spread of the virus have significantly impacted global economic activity including limiting the movement of people and restricting flights. The worldwide aviation market has been significantly disrupted in the short term. This disruption is expected to be followed by a gradual recovery as travel restrictions are lifted. As an airline, the Company has been unable to viably operate its normal full passenger services and the Company revenue will be negatively impacted as a result of the outbreak, and the full impact and the time period of the disruption is not possible to predict with certainty.

Group has taken various measures to manage the business through this crisis, including embarking on new revenue generating opportunities (scheduled cargo flights and converting a passenger aircraft to a dedicated cargo aircraft) implementing cost

saving measures, reductions to discretionary capital expenditure and negotiating additional working capital facilities. These measures also include obtaining committed support from the Government of Sri Lanka as disclosed in the Going Concern note.

Based on above these consolidated financial statements are prepared on a going concern basis.

Further, due to the impact of COVID-19 on Group, an impairment test was performed, however no impairment loss was identified. Management continues to closely monitor the COVID-19 situation as a part of its ongoing impact assessment.

#### 2.1.1 Statement of Compliance

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

#### 2.1.2 Comparative information

The presentation and classification of the Financial Statements of the previous years have been amended, where relevant for better presentation and to be comparable with those of the current year. Comparative information has been reclassified as indicated in Note 32.

### 2.2 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the

## NOTES TO THE FINANCIAL STATEMENTS CONT'D.

Company controls an investee if, and only if, the Group has:

- ✔ Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- ✔ Exposure, or rights, to variable returns from its involvement with the investee
- ✔ The ability to use its power over the investee to affect its returns

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Company. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets, liabilities and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

### 2.3 Significant Accounting Policies

The accounting policies set out below have been applied consistently to all

periods presented in these Financial Statements.

#### 2.3.1 Changes in Accounting Policies

The Group has applied SLFRS 16 – “Leases” and IFRIC Interpretation 23 - “Uncertainty over Income Tax Treatment” which became effective for the annual reporting periods beginning on or after 1st April 2019 for the first time. The Group has not early adopted any standard, interpretation or amendment that has been issued but not effective.

Except for the changes below, the Group has consistently applied the accounting policies as set out below to all periods presented in these Financial Statements.

##### 2.3.1.1. Transition and the Impact of adopting SLFRS 16 – “Leases”

The Group has applied SLFRS 16 from 1 April 2019 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under LKAS 17 and IFRIC 4. The details of accounting policies under LKAS 17 and IFRIC 4 are disclosed separately if they are different from those under SLFRS 16 and the impact of changes is disclosed in Note 2.4.5.

On transition to SLFRS 16, Group applied the practical expedient and elected not to reassess which contractual arrangements qualify as leases under SLFRS 16. It applied the transition rules of SLFRS 16 only to contracts that were previously identified as leases as per LKAS 17 or IFRIC 4. The definition of a lease under SLFRS 16 was applied to contracts entered into or changed on or after the transition date. Further, Company has applied the following permitted practical expedients on a lease-by-lease basis

- ✔ single discount rate has been applied to a portfolio of leases with reasonably similar characteristics;

- ✔ the new lease measurement rules have not been applied to leases which expire within 12 months of the transition date and are accounted for as short-term leases;
- ✔ initial direct costs associated with the lease have been excluded from the measurement of the right-of-use asset; and
- ✔ hindsight has been used in determining the lease term for contracts with extension/termination options.

The carrying amount of the right-of-use asset and lease liability as at the transition date pertaining to leases previously classified as finance leases applying LKAS 17 remains unchanged. Such assets have been re-classified from property, plant and equipment to right-of-use assets in the consolidated statement of financial position.

Adoption of SLFRS 16 is having a significant impact on the Group's financial statements as it brings off balance sheet assets and liabilities on balance sheet. The type of leases and recognition and measurement impact of the same is summarised in this note.

In respect of the Consolidated Statement of Profit or Loss, the operating lease expense has been replaced with depreciation of the right-of-use asset and interest on the lease liability, resulting in total expense being higher in the earlier years of a lease and lower in later years.

When measuring lease liabilities for leases that were classified as operating leases, the company discounted lease payments using its incremental borrowing rate at 1 April 2019. The weighted-average rates applied for each leased asset categories are as follows.

- ✔ Aircrafts / Buildings (USD) - 6%
- ✔ Vehicles / Buildings (LKR) - 14.3%

Right of Use Assets are measured at their carrying amount as if SLFRS 16 had been applied since the commencement date, discounted using the rate at the date of initial application.

Impact on Statement of profit or loss on leases is as follows;

	Group		Company	
	Year ended	Year ended	Year ended	Year ended
	31 March	31 March	31 March	31 March
	2020	2019	2020	2019
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Rentals of Leased Aircraft	(1,393.67)	(29,099.13)	(1,393.67)	(29,099.13)
Maintenance Cost (Return Cost)	-	(620.19)	-	(620.19)
Depreciation of Right of Use Assets	(17,304.95)	-	(17,304.95)	-
Finance Cost of Lease Liability	(10,246.84)	-	(10,246.84)	-
Exchange Loss on Lease Liability	(12,879.86)	-	(12,879.86)	-
	(41,825.32)	(29,719.32)	(41,825.32)	(29,719.32)
Rentals of Leased Buildings	(291.08)	(866.03)	(282.20)	(704.82)
Depreciation of Right of Use Assets	(228.54)	-	(181.37)	-
Finance Cost of Lease Liability	(341.88)	-	(213.18)	-
Exchange Loss on Lease Liability	(25.49)	-	(25.49)	-
	(886.99)	(866.03)	(702.23)	(704.82)
Rentals of Leased Vehicles	(11.37)	(51.43)	(9.38)	(50.18)
Depreciation of Right of Use Assets	(41.05)	-	(41.05)	-
Finance Cost of Lease Liability	(9.06)	-	(9.06)	-
	(61.48)	(51.43)	(59.49)	(50.18)
<b>Impact of Leases classified as finance lease under LKAS 17</b>				
Depreciation	(272.40)	(294.39)	(272.40)	(294.39)
Finance Cost of Lease Liability	(84.72)	(106.80)	(84.72)	(106.80)
Exchange Loss on Lease Liability	(55.23)	(58.11)	(55.23)	(58.11)
	(412.34)	(459.30)	(412.34)	(459.30)
<b>Total impact</b>	<b>(43,186.13)</b>	<b>(31,096.08)</b>	<b>(42,999.39)</b>	<b>(30,933.61)</b>
Depreciation	(17,846.95)	(294.39)	(17,799.77)	(294.39)
Maintenance Cost (Return Cost)	-	(620.19)	-	(620.19)
Rental of Leased Assets	(1,696.12)	(30,016.59)	(1,685.25)	(29,854.13)
<b>Impact on Operating Activities</b>	<b>(19,543.07)</b>	<b>(30,931.17)</b>	<b>(19,485.02)</b>	<b>(30,768.71)</b>
Finance Cost of Lease Liability	(10,682.53)	(106.80)	(10,553.83)	(106.80)
Exchange Loss on Lease Liability	(12,960.55)	(58.11)	(12,960.55)	(58.11)
<b>Impact on Financial Activities</b>	<b>(23,643.08)</b>	<b>(164.91)</b>	<b>(23,514.38)</b>	<b>(164.91)</b>
	(43,186.13)	(31,096.08)	(42,999.39)	(30,933.61)

The Right-of-Use Assets are presented as a separate line item in the consolidated Statement of Financial Position and the related lease liabilities are included within 'Interest Bearing Liabilities' (Note 16).

## NOTES TO THE FINANCIAL STATEMENTS CONT'D.

The transition impact of adopting SLFRS 16 – “Leases” on Retained Earnings of the Group and Company on the transition date (1 April 2019), is as follows.

	Group	Company
<b>Accumulated Loss reported as at 31 March 2019</b>	(223,488.73)	(230,590.07)
<b>Impact of adopting SLFRS 16</b>		
Impact of Aircraft	(48,032.95)	(48,032.95)
Impact of Leased Buildings	(807.19)	(511.73)
	(48,840.14)	(48,544.68)
<b>Accumulated Loss as at 1 April 2019 after SLFRS 16</b>	<b>(272,328.87)</b>	<b>(279,134.75)</b>

### 2.3.1.2 IFRIC Interpretation 23 - “Uncertainty over Income Tax Treatment”

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of Sri Lanka Accounting Standard LKAS 12 - “Income Taxes”. It does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

- ✔ Whether an entity considers uncertain tax treatments separately
- ✔ The assumptions an entity makes about the examination of tax treatments by taxation authorities
- ✔ How an entity determines taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates
- ✔ How an entity considers changes in facts and circumstances

The Group applies significant judgement in identifying uncertainties over income tax treatments. The Group determines, based on its tax compliance that it is probable that its tax treatments will be accepted by the taxation authorities. The interpretation did not have an impact on the financial statements of the Group.

### 2.3.2. Significant Accounting Estimates, Assumptions and Judgments

The preparation of financial statements of the Group require the management to make judgements, estimates and assumptions that may affect the reported amounts of assets, liabilities, income and expense and disclosures at the reporting date. The key judgments, estimates and associated assumptions are assessed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following key judgements, estimates and assumptions addresses amongst others that are subjective and have significant effect on the amounts recognised in the financial statements.

#### (a) Judgements

##### (i) Going Concern

As disclosed in Note 3 these financial statements have been prepared and presented on a going concern basis.

##### (ii) Contingent Liabilities – Litigations

The Group has several pending litigations with various parties at the end of the reporting period. The Board of Directors, after due consultation with the Group’s legal counsel, assesses the merits of each case and makes necessary provisions when it

is determined that there would be a possibility of an outflow of resources in the future.

Where the Directors do not anticipate any significant liability in respect of any contingent liabilities arising in the course of business of the company in respect of legal actions, other claims and potential claims being made against the Group by customers, suppliers and employees, the amounts concerned are disclosed in Note 26.

##### (iii) Leases (Policy applicable after 1 April 2019)

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

##### (iv) Finance and Operating Leases (Policy applicable before 1 April 2019)

A lease is classified as a finance lease when substantially all the risks and rewards of ownership are transferred to

Group. In determining the appropriate classification, the substance of the transaction rather than the form is considered. Factors considered include but not are limited to the following: whether the lease transfers ownership of the asset to the lessee by the end of the lease term; the lessee has the option to purchase the asset at the price that is expected to be sufficiently lower than the fair value on exercise date; the lease term is for the major part of economic life of the asset even if the title is not transferred and at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased assets.

## **(b) Estimates**

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

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

### **(ii) Frequent Flyer Programme**

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

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

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

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

### **(iii) Maintenance Reserve**

The Company makes monthly payments to lessors on account of several aircraft and engines which are under operating leases based on agreed terms towards maintenance. These monthly payments are based on the number of hours or cycles flown or passage of time. Periodically management evaluates the recoverability of such payments based on best estimates of the amounts recoverable. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. (Refer Note 6)

### **(iv) Provision for Aircraft Maintenance and Overhaul Costs**

The Company is obligated to carry out heavy maintenance checks on the airframe, engines and landing gears, which are under operating leases based on agreed terms towards maintenance. Provision for heavy maintenance cost is made progressively in the financial statements based on utilisation or time depending on the nature of the overhaul. In arriving at the provision, assumptions are made on the estimated condition of the asset at the time of check, the material and overhead costs

to be incurred and the timing of when the check is to be carried out. These assumptions are formed based on past experience and are regularly reviewed to ensure they approximate to the actual. Any revision in assumptions and estimations that causes a material effect to the provision would be adjusted prospectively in the financial statements.

### **(v) Provisions for Air Transportation Services Related Direct Operating Expenses**

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

### **(vi) Inventories**

Company reviews the existence and usability of inventories based on a perpetual inventory count. Provisions are made when Management determines obsolete stock and/or assesses a reduction in recoverable value.

### **(vii) Impairment of Non-Financial Assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired.

Management uses judgment in estimating such impairment considering the duration of outstanding and any other factors management is aware of that indicates uncertainty in recoverability.

## NOTES TO THE FINANCIAL STATEMENTS CONT'D.

### (viii) Impairment of Financial Assets

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

### (c) Assumptions

#### (i) Defined Benefit Plan

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

#### (ii) Revaluation of Property Plant and Equipment

Land and building and flight kitchen equipment are measured at revalued amounts using the services of an independent qualified valuer. Such valuer uses assumptions and valuation techniques to determine the fair value. The basis of valuation is disclosed in Note 4.

### 2.4 Summary of Significant Accounting Policies

#### 2.4.1 Foreign Currency Translation

The financial statements are presented in Sri Lanka Rupees, which is the Group's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange

ruling at the reporting date. The resultant foreign exchange gains and losses are recognised in the statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

#### 2.4.2 Taxation

##### (i) Current Income Tax

###### Company

##### (a) Local Taxation

Under the provisions of the Inland Revenue Act No.10 of 2006 as amended by the Inland Revenue (Amendment) Act No. 22 of 2011, the Company was entitled for a tax exemption period of 10 years for all its business activities effective from 1 April 2011 to 31 March 2021. However, with the enactment of the Inland Revenue act No 24 of 2017, the Company is liable for income tax for all its business activities with effect from 1 April 2018.

##### (b) Overseas Taxation

The Company is liable for tax on its overseas operations in countries where there are no double tax treaties at present. However, there is no liability in the current year due to carry forward tax losses available to the Company.

###### Subsidiary - SriLankan Catering Limited

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

The Income from Flight Kitchen and Transit Restaurant is exempted from income tax up to 31 May 2021 as per the agreement with Board of Investment (BOI). The income from other sources are liable at the normal rate.

##### (ii) Deferred Income Tax

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

#### 2.4.3 Property, Plant and Equipment

##### (a) Cost and Valuation

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

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

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

item will flow to the Company and the cost can be reliably measured.

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

Property, plant and equipment includes amongst others the following:

#### (i) Aircraft Rotable Spares

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

#### (ii) Capital Work-in-Progress

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

#### (b) Depreciation

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

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

Improvements on aircraft on operating leases- over shorter of 10 years or lease period

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

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

#### (c) De-recognition

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

#### 2.4.4 Intangible Assets

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

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

#### 2.4.5 Leases

##### Policy applicable from 1 April 2019

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

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

This policy is applied to contracts entered into, or changed, on or after 1 April 2019

## NOTES TO THE FINANCIAL STATEMENTS CONT'D.

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

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

### Right of Use (ROU) Assets

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

#### (a). Lease of Aircraft and Spare Engines

The Company leases Aircraft and Engines in its fleet. The leases of Aircraft and Spare Engines typically run for a period of 4 to 12 years.

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

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

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

Lease of Aircraft for which the lease term ends within 12 months from 1 April 2019 have not been considered and is accounted in the same way as short-term leases and included and disclosed under Rentals on Leased Aircraft in the Statement of Profit or Loss

#### (b). Lease of Land and Buildings

The Group leases its land and buildings in Sri Lanka and overseas. The leases of land and building typically run for a period of 2 to 9 years. Some leases of land and buildings contain extension options exercisable by the Group before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors.

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

#### (c). Lease of Vehicles

The Group leases vehicles terms of 2 to 5 years.

#### (d) . Lease of IT and Other Equipment

The Group also leases IT equipment and other machinery with contract terms of one to three years. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases. The respective lease payments included in the Statement of Profit or Loss

#### Depreciation of Right of Use of Assets

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

#### Lease Liability

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

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

- ✔ fixed payments, including in-substance fixed payments;
- ✔ variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- ✓ amounts expected to be payable under a residual value guarantee; and
- ✓ the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

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

#### **Short-term leases and leases of low-value assets**

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

#### **Policy applicable before 1 April 2019**

##### **(a) Operating Leases**

Leases where the lessor effectively retains substantially all the risks

and benefits of ownership over the leased term are treated as operating leases. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the users benefit.

Cost incurred on re-configuration of assets under operating leases are capitalised and depreciated over the shorter of the useful life and the remaining lease period. Refer accounting policy 2.4.3.

##### **(b) Finance Leases**

Leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

Capitalised leased assets are disclosed as property, plant and equipment and depreciated over the period the Group is expected to benefit from the use of the leased assets. Refer accounting policy 2.4.3.

##### **(c) Sale and Leaseback**

Profits arising on sale and leaseback transactions which result in operating leases are recognised in the statement of profit or loss immediately to the extent that the sales proceeds do not exceed the fair value of the assets concerned.

#### **2.4.6 Inventories**

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

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

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

#### **2.4.7 Impairment of Non-Financial Assets**

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

Following the outbreak of COVID-19, Groups has performed an analysis to consider whether any material impairment of non-financial assets (including right-of-use assets) existed at the reporting date. Based on this analysis, no impairment was identified as at 31 March 2020.

#### **2.4.8 Fair Value Measurement**

The Group measures its land and buildings and flight kitchen equipment at fair value. Fair value related disclosures are disclosed in the Note 04.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly

## NOTES TO THE FINANCIAL STATEMENTS CONT'D.

transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

- ✔ Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- ✔ Level 2 - Valuation techniques for which the lowest level input

that is significant to the fair value measurement is directly or indirectly observable

- ✔ Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

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

### 2.4.9 Financial Instruments

#### 2.4.9.1 Financial Assets

##### Initial Recognition and Measurement

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

Financial assets (including assets designated at fair value through profit or loss) are initially recognised on the trade

date at which the Group becomes a party to the contractual provisions of the instrument.

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

##### Subsequent Measurement

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

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

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

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

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

##### De-recognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to

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

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

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

#### Impairment of Financial Assets

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

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

The Group measures expected credit losses of a financial instrument in a way that reflects:

- a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- b) the time value of money; and
- c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Loss allowances for financial assets measured at amortised cost are

deducted from the gross carrying amount of the assets.

The impact of COVID-19 on the global economy and how governments, businesses and consumers respond is uncertain. This uncertainty is reflected in the Group's assessment of expected credit losses from its credit portfolio which are subject to a number of management judgements and estimates.

The judgements and associated assumptions have been made within the context of the impact of COVID-19 and reflect historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances.

#### 2.4.9.2 Financial Liabilities

##### Initial Recognition and Measurement

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

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

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

##### Subsequent Measurement

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

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

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

##### De-recognition

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

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

##### 2.4.9.3 Offsetting of Financial Instruments

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

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

##### 2.4.9.4 Cash Flow Hedge Reserve

The Company designated its identified foreign currency loans as a hedging instrument against its highly probable, specifically identified future revenue in foreign currency, through which the

## NOTES TO THE FINANCIAL STATEMENTS CONT'D.

Company hedged the risk of changes in value of the identified foreign currency loans, caused by the fluctuations in foreign exchange rates.

The effective portion of the gain or loss on the hedging instrument is recognised directly in Other Comprehensive Income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the Statement of Profit or Loss as other operating expenses. Amounts recognised as Other Comprehensive Income are transferred to Statement of Profit or Loss when the hedged transaction occurs (when the forecast revenue realises).

If the forecast transaction is no longer expected to occur, the cumulative gain or loss previously recognised in Other Comprehensive Income is transferred to the Statement of Profit or Loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in Other Comprehensive Income remains in equity until the forecast transaction occurs as per the hedge agreement.

The impact of COVID-19 has impacted both the future revenue in foreign currency due to curtailed operations and the foreign currency loans that have been rescheduled accordingly the ineffective portion of the Hedge has been recognised in the Statement of Profit or Loss.

### 2.4.10 Aircraft Maintenance Reserve

Aircraft maintenance reserve consists of payments made to lessors on a monthly basis for the future overhaul of engines, airframes and aircraft components in terms of operating lease agreements. Company recovers the cost incurred on overhauls of engines, airframes and aircraft components (up to the amount

already paid to the reserve) from lessors against such reserve on completion of the maintenance event.

Based on the nature Aircraft maintenance reserve has been classified under loans and receivables and the relevant accounting policy for this category of financial assets is stated in note 2.4.9.1 above.

### 2.4.11 Trade and Other Receivables

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

### 2.4.12 Investments

#### Investment in Subsidiary

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

### 2.4.13 Short term Investments

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

### 2.4.14 Cash and Cash Equivalents

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

In the statement of cash flows, cash and cash equivalents consist of cash at bank, cash in hand and call deposits in banks net of outstanding bank overdrafts and restricted cash.

Investments with short maturities (i.e. three months or less from date of acquisition) are also treated as cash equivalents. Bank overdrafts are disclosed under Interest bearing liabilities in the statement of financial position.

### 2.4.15 Provisions

#### (i) General

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

#### (ii) Aircraft Maintenance and Overhaul Costs

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

### 2.4.16 Retirement Benefit Obligation

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

Gratuity is a defined benefit plan, the company and its subsidiary are liable to pay in terms of the relevant statute. The

Group measures the present value of the defined benefit plan with the advice of an Actuary every year using the Projected Unit Credit method except for overseas stations where the same is estimated based on the applicable legislation.

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

The gratuity liability is not externally funded. This item is grouped under "Other Long Term Liabilities" in the statement of financial position. Overseas-based employees are covered under social security schemes applicable in their host countries.

#### **(b) Defined Contribution Plans – Employees' Provident Fund and Employees' Trust Fund.**

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

#### **2.4.17 Frequent Flyer Programme**

Company operates a frequent flyer programme 'FlySmiLes' that provides travel awards to members of the program based on accumulated mileage. A portion of passenger revenue attributable to the award of frequent flyer benefits is deferred until they are utilised. The deferral of the revenue is estimated based on historical trends of redemption, which is then used to project the expected utilisation of these benefits. The fair value of credits awarded is estimated by reference to the weighted average value of the

services for which the award credits may be redeemed. These estimates are reviewed at each reporting date and the liability is adjusted accordingly. Miles accrued through utilising the services of programme partners and paid for by the participating partners are also accounted for as deferred revenue until they are utilised. A liability is not recognised for miles that are expected to expire.

#### **2.4.18 Revenue Recognition**

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

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

##### **(a) Airline Revenue**

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

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

- (v) Revenue from the provision of flight operation services is recognised upon rendering of services.

##### **(b) Revenue from Airline catering services**

##### **Sale of Goods**

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

##### **(c) Dividend income**

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

##### **(d) Rental income**

Rental income is recognised on an accrual basis.

##### **(e) Interest income**

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

##### **(f) Other income**

Other income is recognised on an accrual basis.

#### **2.4.19 Expenditure Recognition**

Expenses are recognised in the statement of profit or loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the statement

## NOTES TO THE FINANCIAL STATEMENTS CONT'D.

of profit or loss. For the purpose of presentation of the statement of profit or loss, the “nature of expenses” method has been adopted, on the basis that it presents fairly the elements of the Group’s performance.

### 2.4.20 Borrowing Costs

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

### 2.4.21 Segment Reporting

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

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

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

The secondary reporting by business segment is based on the nature of services provided by the Group. The Group is engaged in two main business

segments - Air transportation and in-flight catering services through its subsidiary.

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

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards (LKASs/SLFRSs) which will become applicable for future financial periods beginning after 1 January 2020. Accordingly, the Group has not applied the following new standards in preparing these Financial Statements.

The following amended standards are not expected to have a significant impact on the Group’s Financial Statements.

- ✔ Amendments to references to conceptual framework in Sri Lanka Financial Reporting Standards
- ✔ Amendments to Sri Lanka Accounting Standard – LKAS 1 “Presentation to Financial Statements” and Sri Lanka Accounting Standard - LKAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”
- ✔ Amendments to Sri Lanka Accounting Standard - SLFRS 3 Business Combinations
- ✔ Amendments to SLFRS 9, LKAS 39, and SLFRS 7 – Interest rate benchmark reforms.

### 3. Going Concern

During the current year the Company recorded a loss of LKR. 47,197.86 Mn (2019 - LKR. 44,022.67 Mn) with an accumulated loss of LKR. 326,341.48 Mn (2019 - LKR. 230,590.07 Mn) as at 31 March 2020. Further, the Company’s current liabilities exceeded its current assets by LKR. 211,645.13 Mn (2019 - LKR. 186,339.26 Mn) and the total equity of the Company as at reporting date has declined to a negative LKR.

273,369.08 Mn (2019 - negative LKR. 177,556.23 Mn).

The Group recorded a loss of LKR. 44,139.40 Mn (2019 - LKR. 41,700.33 Mn) with an accumulated loss of LKR. 316,477.65 Mn (2019 - LKR. 223,488.73 Mn) as at 31 March 2020. Further, the Group’s current liabilities exceeded its current assets by LKR. 200,878.32 Mn (2019 - LKR. 177,725.40 Mn) and the total equity of the Group as at reporting date has declined to a negative LKR. 261,173.54 Mn (2019 - negative LKR. 168,111.70 Mn).

The Company’s net assets are less than half of its stated capital and face a serious loss of capital. Therefore, the Company conducted an Extraordinary General Meeting (EGM) on 25 June 2019 (in addition to two previous EGM’s held for the same purpose) and discussed the proposals presented by the Directors in accordance with Companies Act. No.07 of 2007 Section 220.

With the outbreak of COVID 19 the operating environment has become uncertain and challenging. The airline industry globally faces its gravest crisis in the modern times due to COVID-19 pandemic. The management of SriLankan Airlines has already taken measures to preserve the liquidity by negotiating deferred payment plans and concessions with the Airline’s key suppliers. Whilst doing so, the Airline is continuously looking at creating new business opportunities whilst focusing on cost saving measures to improve liquidity.

The Budget 2020/21 is prepared after incorporating several initiatives in the areas of leases, staff cost, cost optimisations and new revenue streams including enhancing the cargo operation. Management is continuously

pursuing further opportunities. Further, the plan considers steps to renegotiate with Airbus on the pre delivery payments made for four Airbus A350-900 aircraft as detailed in Note 6 to the financial statements. Other measures include mandatory salary reductions from the staff starting from 2.5% to 25% freezing all the salary increments to be implemented in the year 2020. Further a special no pay leave scheme was introduced to all staff from March 2020 till 30 October 2020.

The GOSL continued to support the Company and during the year under review, has approved the re-issuance of all Letters of Comfort that expired during the period amounting to USD 205.4 Mn and LKR 27.6 Bn, in favour of two state banks in order to continue with the provision of short-term loan facilities. The GOSL also re-issued a sovereign guarantee of USD 175 Mn in June 2019 which enabled the company to refinance an international bond that matured on 27 June 2019. Also, subsequent to the reporting date, based on Cabinet approval to provide Treasury guarantees, two state banks have approved new facilities of USD 75 Mn for working capital purposes. Further, the GOSL by way of a Cabinet approval dated 17 June 2020 and the letter issued by the Secretary to the Treasury on 29 June 2020 has confirmed that the GOSL will continue to extend the required financial support to the Company to continue its operations as "Going Concern" until the implementation of the proposed restructuring process is completed.

## NOTES TO THE FINANCIAL STATEMENTS CONT'D.

### 4. PROPERTY, PLANT AND EQUIPMENT

#### 4.1 Group

	Land and Buildings	Plant & Equipment	Improvements to Aircraft on Leases	Aircraft Related Equipment	Leasehold Plant & Equipment	Advances/ Capital Work- in-Progress	Total
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
<b>Cost/ Revaluation</b>							
<b>Balance as at 01 April 2019</b>	4,555.84	9,261.14	2,218.83	9,449.73	2,582.94	11.82	28,080.30
Acquisitions/Modifications/ Improvements	14.75	450.82	-	171.06	-	25.36	661.99
Transferred from WIP	31.41	-	-	-	-	(31.41)	-
Adjustments	-	1.04	-	(8.50)	-	-	(7.46)
Transfer to Right of Use Assets	-	-	-	-	(2,500.45)	-	(2,500.45)
Reclassifications	-	82.49	-	-	(82.49)	-	-
Disposals/Retirements	-	(53.95)	(135.23)	(28.15)	-	-	(217.33)
<b>Balance as at 31 March 2020</b>	<b>4,602.00</b>	<b>9,741.54</b>	<b>2,083.60</b>	<b>9,584.14</b>	<b>-</b>	<b>5.77</b>	<b>26,017.05</b>
<b>Accumulated Depreciation</b>							
Balance as at 01 April 2019	313.40	6,452.39	1,993.62	7,444.31	1,654.68	-	17,858.40
Charge for the Year	309.86	666.58	54.24	483.80	-	-	1,514.48
Transfer to Right of Use Assets	-	-	-	-	(1,601.82)	-	(1,601.82)
Reclassifications	-	52.86	-	-	(52.86)	-	-
Disposals/Retirements	-	(40.50)	(135.23)	(27.79)	-	-	(203.52)
<b>Balance as at 31 March 2020</b>	<b>623.26</b>	<b>7,131.33</b>	<b>1,912.63</b>	<b>7,900.32</b>	<b>-</b>	<b>-</b>	<b>17,567.54</b>
<b>Net Book Value as at 31 March 2020</b>	<b>3,978.74</b>	<b>2,610.22</b>	<b>170.97</b>	<b>1,683.82</b>	<b>-</b>	<b>5.77</b>	<b>8,449.51</b>
<b>Net Book Value as at 31 March 2019</b>	<b>4,242.44</b>	<b>2,808.75</b>	<b>225.21</b>	<b>2,005.42</b>	<b>928.26</b>	<b>11.82</b>	<b>10,221.90</b>

#### 4. PROPERTY, PLANT AND EQUIPMENT (Contd.)

4.2 (a) The Fair Value of the land and buildings of the Company were determined by means of a revaluation carried out respectively by Ranjan J Samarakone (A.I.V Sri Lanka – Corporate Valuer) during the financial year ended 31 March 2018 and the Fair Value of the land and buildings and the flight kitchen equipment of the Subsidiary were determined by Mr. G H A P K Fernando, incorporated valuer of the Institute of Valuers (Sri Lanka) as at 31 March 2019.

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

Asset	Method of Valuation	Effective date of valuation	Significant unobservable inputs	Sensitivity of fair value to unobservable inputs	Level of Fair value Hierarchy
Land - Colombo	Open Market value method	31-Mar-18	Estimated price per perch LKR.18 Mn	Positively correlated sensitivity	Level 3
Buildings - Colombo / Katunayake	Depreciated Replacement Cost	31-Mar-18	Estimated price per square foot LKR. 643.47- LKR. 8,092.50		
<b>Subsidiary</b>					
Buildings - Katunayake	Income Approach	31-Mar-19	Estimated price per square foot LKR 4,000 - LKR 16,000		
Flight Kitchen Equipment included under Plant and Equipment - Katunayake	Depreciated Replacement Cost	31-Mar-19	Fair value was derived using the Net Replacement Cost (NRC) approach for each equipment		

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

Class of Asset	Cost	Cumulative Depreciation If assets were carried at cost	Net Carrying Amount 2020	Net Carrying Amount 2019
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Land and Buildings	3,032.00	1,990.88	1,041.12	1,100.25
Plant and Equipment	2,288.72	2,076.62	212.10	264.51

(b) During the year, the Group acquired property, plant and equipment to the aggregate value of LKR. 661.99 Mn (2019 - LKR. 1,069.85 Mn ). Cash payments amounting to LKR. 735.56 Mn (2019 -LKR.1,040.34 Mn) were made during the year to acquire property, plant and equipment.

(c) Group Property, plant and equipment includes fully depreciated assets having a gross carrying amount of LKR. 12,029.11 Mn (2019- LKR. 11,951.10 Mn).

## NOTES TO THE FINANCIAL STATEMENTS CONT'D.

### 4. PROPERTY, PLANT AND EQUIPMENT (Contd.)

#### 4.3 COMPANY

	Land and Buildings	Plant & Equipment	Improvements to Aircraft on Leases	Aircraft Related Equipment	Leasehold Plant & Equipment	Advances/ Capital Work-in-Progress	Total
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
<b>Cost/Revaluation</b>							
<b>Balance as at 01 April 2019</b>	2,990.35	8,121.47	2,218.83	9,449.73	2,582.94	-	25,363.32
Acquisitions/Modifications/Improvements	0.45	133.36	-	171.06	-	20.84	325.71
Transferred from WIP	15.76	-	-	-	-	(15.76)	-
Adjustments	-	1.04	-	(8.50)	-	-	(7.46)
Reclassifications	-	82.49	-	-	(82.49)	-	-
Transfer to Right of Use Assets	-	-	-	-	(2,500.45)	-	(2,500.45)
Disposals/Retirements	-	(35.87)	(135.23)	(28.15)	-	-	(199.25)
<b>Balance as at 31 March 2020</b>	<b>3,006.56</b>	<b>8,302.49</b>	<b>2,083.60</b>	<b>9,584.14</b>	<b>-</b>	<b>5.08</b>	<b>22,981.87</b>
<b>Accumulated Depreciation</b>							
<b>Balance as at 01 April 2019</b>	313.41	6,415.11	1,993.62	7,444.31	1,654.68	-	17,821.13
Charge for the Year	226.62	429.51	54.24	483.80	-	-	1,194.17
Reclassifications	-	52.86	-	-	(52.86)	-	-
Transfer to Right of Use Assets	-	-	-	-	(1,601.82)	-	(1,601.82)
Disposals/Retirements	-	(35.87)	(135.23)	(27.79)	-	-	(198.89)
<b>Balance as at 31 March 2020</b>	<b>540.03</b>	<b>6,861.60</b>	<b>1,912.63</b>	<b>7,900.32</b>	<b>-</b>	<b>-</b>	<b>17,214.59</b>
<b>Net Book Value as at 31 March 2020</b>	<b>2,466.53</b>	<b>1,440.88</b>	<b>170.97</b>	<b>1,683.82</b>	<b>-</b>	<b>5.08</b>	<b>5,767.28</b>
<b>Net Book Value as at 31 March 2019</b>	<b>2,676.94</b>	<b>1,706.36</b>	<b>225.21</b>	<b>2,005.42</b>	<b>928.26</b>	<b>-</b>	<b>7,542.19</b>

4.4 a) The fair value of the Company's land and buildings was determined by means of a revaluation by Mr. Ranjan. J Samarakone (A.I.V.Sri Lanka – Corporate Valuer ) an independent valuer during the financial year ended 31 March 2018. The results of such revaluation were incorporated in the Financial Statements effective from 31 March 2018.

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

Asset	Method of Valuation	Effective date of valuation	Significant unobservable inputs	Sensitivity of fair value to unobservable inputs	Level of fair value hierarchy
Land - Colombo	Open Market	31-Mar-18	Estimated price per perch LKR. 18 Mn	Positively correlated	Level 3
Buildings - Colombo / Katunayake	Depreciated replacement cost	31-Mar-18	Estimated price per square foot LKR. 643.47- LKR. 8,092.50	sensitivity	

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

Class of Asset	Cost	Cumulative Depreciation if assets were carried at cost	Net Carrying Amount 2020	Net Carrying Amount 2019
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Land and buildings	1,239.49	907.34	332.15	371.09

- c) During the year, the Company acquired property, plant and equipment to the aggregate value of LKR.325.71 Mn (2019 - LKR. 890.18 Mn). Cash payments amounting to LKR. 399.28 Mn (2019 - LKR. 940.02 Mn) were made during the year to acquire property, plant and equipment.
- d) Property, plant and equipment of the Company includes fully depreciated assets having a gross carrying amount of LKR. 12,029.11 Mn (2019 - LKR. 11,576.10 Mn ).

## 5. RIGHT OF USE ASSETS

### 5.1 Right of Use Asset/Movement

	Group					Company				
	Aircraft and Spare Engines	Land & Building	Vehicles	Aircraft Simulator	Total	Aircraft and Spare Engines	Land & Building	Vehicles	Aircraft Simulator	Total
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
<b>Transition SLFRS 16</b>	134,439.71	1,384.24	66.99	-	135,890.94	134,439.71	1,005.08	66.99	-	135,511.78
Transferred from PPE	-	-	-	898.63	898.63	-	-	-	898.63	898.63
<b>Balance as at 01 April 2019</b>	134,439.71	1,384.24	66.99	898.63	136,789.57	134,439.71	1,005.08	66.99	898.63	136,410.41
Additions	-	104.81	19.80	-	124.61	-	104.81	19.80	-	124.61
Depreciation	(17,304.95)	(228.54)	(41.05)	(255.90)	(17,830.44)	(17,304.95)	(181.37)	(41.05)	(255.90)	(17,783.27)
<b>Balance as at 31 March 2020</b>	117,134.76	1,260.51	45.74	642.73	119,083.74	117,134.76	928.52	45.74	642.73	118,751.75

- Group has adopted SLFRS 16 - Leases effective from 1 April 2019. All the lease agreements previously classified as operating lease were remeasured and recognised the Right of Use Asset and the related liability except for the lease agreements which the lease periods end within 12 months from the transition and the assets with low value.

#### Short Term Leases

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

	Group 2020 LKR. Mn	Company 2020 LKR. Mn
Rentals on Leased Aircraft	1,393.67	1,393.67
Rentals on Land & Buildings	291.08	282.20
Rentals on Vehicles	11.37	9.38

#### Low Value Assets

The Group has elected not to recognise Right-of-Use Assets and lease liabilities of low-value assets, including IT equipment and photocopy machines. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

## NOTES TO THE FINANCIAL STATEMENTS CONT'D.

### 6. AIRCRAFT PREDELIVERY PAYMENTS

Predelivery payments as at the reporting date consists of predelivery payments made for four Airbus A350-900 aircraft to be delivered in 2020 and 2021 amounting to LKR 2,528.12 Mn (USD 19.21 Mn). The Company has informed Airbus on the requirement to revisit the Purchase Agreement for the four A350-900 aircraft and as at the reporting date there is an amount of USD 207.89 Mn as unpaid predelivery payments to Airbus. The Company has been in discussion with Airbus and subsequent to the discussion, Airbus has submitted their proposal for amending the said Purchase Agreement with A321neo and/or A330neo aircraft which is under discussion at present. Accordingly, the Board does not anticipate a loss of the predelivery payments or penalties arising from the renegotiation.

### 7. AIRCRAFT MAINTENANCE RESERVE

Group / Company	2020 LKR. Mn	2019 LKR. Mn
Balance as at 01 April	44,507.42	34,517.81
Payments	12,901.46	11,819.73
Write off	(6,035.89)	(1,844.10)
Recoveries	(6,534.07)	(4,625.72)
Exchange Gain	3,622.30	4,639.70
	48,461.22	44,507.42
Less: Provision for impairment ( Note 7.2)	(13,567.56)	(10,779.18)
<b>Net Recoverable Balance as at 31 March (Note 7.1)</b>	<b>34,893.66</b>	<b>33,728.24</b>

#### 7.1 Current/ Non Current Classification

	Gross LKR. Mn	Provision for impairment LKR. Mn	Net LKR. Mn	Amount Recoverable within one year LKR. Mn	Amount Recoverable after one year LKR. Mn
Balance as at 31 March 2020	48,461.22	(13,567.56)	34,893.66	16,290.06	18,603.60
Balance as at 31 March 2019	44,507.42	(10,779.18)	33,728.24	13,747.07	19,981.17

#### 7.2 Movement of Provision for impairment

	2020 LKR. Mn	2019 LKR. Mn
Balance as at 1 April	10,779.18	7,567.00
Charged during the year	4,349.64	4,797.17
Write off	(6,035.89)	(1,844.09)
Adjustments*	3,397.80	(907.42)
Exchange Loss	1,076.83	1,166.52
Balance as at 31 March	13,567.56	10,779.18

\*Adjustments for the year ended 31 March 2020 represents transfer of provisions from Maintenance Reserve to Future Aircraft Maintenance and Overhaul cost due to the early return of a Aircraft and the changes in certain scheduled Overhaul events. (Adjustments for the year ended 31 March 2019 represents the reversal of provision for impairment in Maintenance Reserves due to changes in certain scheduled Overhaul events). The related provision for the same is reflected in provision for future Aircraft Maintenance and Overhaul cost given under Note 17.

## 8. INTANGIBLE ASSETS

Computer Software	Group			Company		
	Software	Capital work-in-progress	Total	Software	Capital work-in-progress	Total
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
<b>Cost</b>						
<b>Balance as at 31 March 2019</b>	1,387.02	27.74	1,414.76	1,301.20	27.74	1,328.94
Acquisitions/Modifications/ Improvements	6.53	19.53	26.06	3.35	19.53	22.88
Transferred from WIP	20.94	(20.94)	-	20.94	(20.94)	-
Transfers/Adjustments	1.09	(8.62)	(7.53)	1.09	(8.62)	(7.53)
Disposals	(5.34)	-	(5.34)	(5.34)	-	(5.34)
<b>Balance as at 31 March 2020</b>	1,410.24	17.71	1,427.95	1,321.24	17.71	1,338.95
<b>Accumulated Amortisation</b>						
<b>Balance as at 31 March 2019</b>	1,282.78	-	1,282.78	1,229.43	-	1,229.43
Charge for the Year	46.59	-	46.59	36.36	-	36.36
Disposals	(5.34)	-	(5.34)	(5.34)	-	(5.34)
<b>Balance as at 31 March 2020</b>	1,324.03	-	1,324.03	1,260.45	-	1,260.45
<b>Net Book Value as at 31 March 2020</b>	86.21	17.71	103.92	60.79	17.71	78.50
<b>Net Book Value as at 31 March 2019</b>	104.24	27.74	131.98	71.77	27.74	99.51

As at the reporting date Intangible Assets of the Group and Company include fully amortised assets having a gross carrying amount of LKR. 1,231.53 Mn and LKR.1,196.46 Mn (2019 - LKR. 1,122.69 Mn and LKR.1,087.83 Mn) respectively.

## 9. INVESTMENTS

Non- Current Investments	Group		Company	
	2020 LKR. Mn	2019 LKR. Mn	2020 LKR. Mn	2019 LKR. Mn
<b>Investments in Subsidiary in Sri Lanka</b>				
- SriLankan Catering Limited (940,268,456 shares, 100% holding) (Directors' Valuation based on Net Asset Value LKR. 12.24 Bn (2019 -LKR.9.49 Bn )	-	-	42.24	42.24
- Air Lanka (Private) Limited (40,000 Shares) *	0.40	0.40	0.20	0.20
	0.40	0.40	42.44	42.44

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

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

## NOTES TO THE FINANCIAL STATEMENTS CONT'D.

### 9. INVESTMENTS (CONTD.)

#### 9.1. Current Investments

	Group		Company	
	2020 LKR. Mn	2019 LKR. Mn	2020 LKR. Mn	2019 LKR. Mn
Fixed Deposits at Bank	1,039.24	922.45	613.64	590.45

### 10. INVENTORIES

	Group		Company	
	2020 LKR. Mn	2019 LKR. Mn	2020 LKR. Mn	2019 LKR. Mn
Engineering related stock	6,172.67	6,179.33	6,172.67	6,179.33
Ground Service related stock	497.50	493.56	497.50	493.56
Raw materials and Consumables	894.85	890.63	548.41	539.56
	7,565.02	7,563.52	7,218.58	7,212.45
Less: Provision for Slow moving stock (Note 10.1)	(2,436.39)	(2,371.97)	(2,405.17)	(2,362.58)
	5,128.63	5,191.55	4,813.41	4,849.87

#### 10.1 Provision for Slow Moving Stock

	Group		Company	
	2020 LKR. Mn	2019 LKR. Mn	2020 LKR. Mn	2019 LKR. Mn
Balance as at 01 April	(2,371.97)	(2,195.66)	(2,362.58)	(2,177.42)
Provision made during the year	(113.58)	(214.47)	(91.75)	(223.32)
Written off during the year	49.16	38.16	49.16	38.16
Balance as at 31 March	(2,436.39)	(2,371.97)	(2,405.17)	(2,362.58)

### 11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020 LKR. Mn	2019 LKR. Mn	2020 LKR. Mn	2019 LKR. Mn
Trade Receivables	8,291.73	17,999.61	7,365.46	17,208.05
Less: Provision for Impairment of Receivables (Note 11.2)	(1,623.40)	(1,646.55)	(1,558.10)	(1,585.23)
	6,668.33	16,353.06	5,807.36	15,622.82
Deposits, Advances, Prepayments and other receivables	2,084.93	4,188.66	1,836.37	3,913.77
	8,753.26	20,541.72	7,643.73	19,536.59
Loans and Advances to Company Officers	67.07	62.59	39.86	33.80
	8,820.33	20,604.31	7,683.59	19,570.39

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

### 11.1 As at 31 March the Ageing Analysis of Trade Receivables is as follows :

As at 31 March 2020, Trade receivables amounting to LKR. 1,623.40 Mn. related to Group and LKR. 1,558.10 Mn. related to Company were impaired and fully provided for. Refer below Note 11.2 for the movement in provision for impairment of trade receivables.

Balances as at 31 March 2020	Total LKR. Mn	Neither Past due nor impaired LKR. Mn	Past Due and impaired				
			30-60 LKR. Mn	61-90 LKR. Mn	91-180 LKR. Mn	181-365 LKR. Mn	>365 LKR. Mn
<b>Company</b>							
Trade Receivables	7,365.46	3,721.38	1,854.75	319.21	64.71	71.36	1,334.05
Less: Provision for Impairment of Receivables (Note 11.2)	(1,558.10)	(2.04)	(11.06)	(74.88)	(64.71)	(71.36)	(1,334.05)
	5,807.36	3,719.34	1,843.69	244.33	-	-	-
<b>Group</b>							
Trade Receivables	8,291.73	4,451.69	1,971.02	333.61	76.97	71.36	1,387.09
Less: Provision for Impairment of Receivables (Note 11.2)	(1,623.40)	(2.04)	(11.06)	(74.88)	(76.97)	(71.36)	(1,387.09)
	6,668.33	4,449.65	1,959.97	258.72	-	-	-

### 11.2 Movement for Provision for Impairment of Receivables

	Group LKR. Mn 2020	Company LKR. Mn 2020
Balance as at 1 April	1,646.55	1,585.23
Provision for the year	37.35	32.94
Write off	(60.50)	(60.07)
Balance as at 31 March	1,623.40	1,558.10

As at the reporting date provision for impairment relating to related parties amounted to LKR 1,018.10 Mn (2019- LKR 1,018.10 Mn).

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

Components of Cash and Cash Equivalents

	Group		Company	
	2020 LKR. Mn	2019 LKR. Mn	2020 LKR. Mn	2019 LKR. Mn

### 12.1 Favourable Cash and Cash Equivalent Balances

Cash and Bank Balances	1,596.98	2,212.02	1,233.18	1,681.03
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### 12.2 Unfavourable Cash and Cash Equivalent Balances

Bank Overdrafts (Note 16)	(11,681.41)	(9,132.24)	(11,681.41)	(9,132.24)
<b>Total Cash and Cash Equivalents for the purpose of statement of cash flows</b>	<b>(10,084.43)</b>	<b>(6,920.22)</b>	<b>(10,448.23)</b>	<b>(7,451.21)</b>

## NOTES TO THE FINANCIAL STATEMENTS CONT'D.

### 13. STATED CAPITAL

#### 13.1 Issued capital

	Group		Company	
	2020 LKR. Mn	2019 LKR. Mn	2020 LKR. Mn	2019 LKR. Mn
516,174,355 Number of Ordinary shares issued and fully paid	51,617.44	51,617.44	51,617.44	51,617.44
As at 31 March	51,617.44	51,617.44	51,617.44	51,617.44

### 14. RESERVES

	Group		Company	
	2020 LKR. Mn	2019 LKR. Mn	2020 LKR. Mn	2019 LKR. Mn
Revaluation Reserve	5,447.53	5,459.01	3,115.82	3,115.82
Cash flow hedge reserve (Note 14.1)	(1,760.86)	(1,699.42)	(1,760.86)	(1,699.42)
Balance as at 31 March	3,686.67	3,759.59	1,354.96	1,416.40

#### 14.1 Movement in Cash Flow Hedge Reserve

	Group		Company	
	2020 LKR. Mn	2019 LKR. Mn	2020 LKR. Mn	2019 LKR. Mn
Balance as at 1 April	(1,699.42)	(333.10)	(1,699.42)	(333.10)
Net Movement of Cash flow Hedge Reserve	(61.44)	(1,366.32)	(61.44)	(1,366.32)
Balance as at 31 March	(1,760.86)	(1,699.42)	(1,760.86)	(1,699.42)

### 15. PREFERENCE SHARES

#### Subsidiary

##### Preference shares - Employee Provident Fund

Non Voting Redeemable Cumulative Preference shares held by Employee Provident Fund are mandatorily redeemable on the date of maturity (16 May 2020). The holder is entitled to a fixed preference dividend of 13.01% per annum. This was redeemed subsequent to the reporting date.

### 16. INTEREST BEARING LIABILITIES

	Group		Company	
	2020 LKR. Mn	2019 LKR. Mn	2020 LKR. Mn	2019 LKR. Mn
<b>Current Liabilities</b>				
Long-term Loans / Bonds (Note 16.1)	6,331.09	39,843.07	6,237.69	39,719.87
Lease Liability (Note 16.3)	22,265.57	311.71	22,221.22	311.71
Short Term Loan	66,583.51	63,749.23	66,583.51	63,749.23
Bank Overdraft	11,681.41	9,132.24	11,681.41	9,132.24
	106,861.58	113,036.25	106,723.84	112,913.05
<b>Non-Current Liabilities</b>				
Long-term Loans / Bonds (Note 16.1)	37,253.81	9,555.83	37,253.81	9,469.23
Lease Liability (Note 16.3)	154,061.62	765.19	153,226.36	765.19
	191,315.43	10,321.02	190,480.17	10,234.42

## 16.1 Long-term Loans / Bonds

### (a) Current /Non Current Classification

	Group		Company	
	2020 LKR. Mn	2019 LKR. Mn	2020 LKR. Mn	2019 LKR. Mn
Payable within one year included under Current Liabilities	6,331.09	39,843.07	6,237.69	39,719.87
After one year but not more than five years	37,253.81	9,555.83	37,253.81	9,469.23
	43,584.90	49,398.90	43,491.50	49,189.10

### (b) Long-term Loans / Bonds denominated in foreign currencies

Long - term Loans / Bonds - USD denominated	231.05	281.46	230.56	280.27
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### (c) Movement in Long-term Loans / Bonds

	Group		Company	
	2020 LKR. Mn	2019 LKR. Mn	2020 LKR. Mn	2019 LKR. Mn
Balance as at 01 April	49,398.90	51,834.35	49,189.10	51,666.39
Additions during the year	30,556.46	146.01	30,556.46	-
Payments during the year	(39,704.62)	(8,940.53)	(39,579.34)	(8,823.21)
Unrealised Exchange Loss	3,334.16	6,359.07	3,325.28	6,345.92
Balance as at 31 March	43,584.90	49,398.90	43,491.50	49,189.10

## 16.2 Company

### (a) Bank Loans Interest linked to LIBOR

Lender	Balance as at 31 March 2020 LKR. Mn	Balance as at 31 March 2019 LKR. Mn	Repayment Term	Security
Credit Suisse Bank AG	7,381.11	12,590.62	Monthly instalments ending October, 2021.	Ticket Sales collected by IATA from UAE, Kuwait and Saudi Arabia
Commercial Bank of Ceylon PLC	-	57.18	Monthly instalments ending September, 2019.	US\$ 246,318 /- Fixed Deposit
Amana Bank Limited	15.82	63.36	Monthly instalments ending December, 2020.	Restriction on SLA to sell, lease, alienate or mortgage A320 hanger and simulator building excluding land
Bank of Ceylon	6,168.50	5,720.00	Payment on maturity December, 2020.	Letter of Comfort from Ministry of Finance
Bank of Ceylon	8,066.50	7,480.00	Payment on maturity October, 2020.	Letter of Comfort from Ministry of Finance
Bank of Ceylon	4,745.00	4,400.00	Payment on maturity February, 2021.	Letter of Comfort from Ministry of Finance

## NOTES TO THE FINANCIAL STATEMENTS CONT'D.

### 16.2 Company (contd.)

Lender	Balance as at 31 March 2020 LKR. Mn	Balance as at 31 March 2019 LKR. Mn	Repayment Term	Security
People's Bank	6,168.50	5,720.00	Payment on maturity December, 2020.	Letter of Comfort from Ministry of Finance
People's Bank	8,066.50	7,480.00	Payment on maturity October, 2020.	Letter of Comfort from Ministry of Finance
People's Bank	4,745.00	4,400.00	Payment on maturity February, 2021.	Letter of Comfort from Ministry of Finance
People's Bank	1,021.61	947.33	Payment on maturity November, 2020.	Letter of Comfort from Ministry of Finance
<b>Interest linked to AWPLR</b>				
Bank of Ceylon	12,900.00	12,900.00	Payment on maturity June, 2020.	Letter of Comfort from Ministry of Finance
People's Bank	13,350.00	13,350.00	Payment on maturity June, 2020.	Letter of Comfort from Ministry of Finance
People's Bank	1,351.90	1,351.90	Payment on maturity November, 2020.	Letter of Comfort from Ministry of Finance

#### (b) International Bond

##### Fixed Interest Rate

International Bond	33,215.00	30,782.00	Payment on maturity in June 2024	Government Guarantee for USD 175 Mn.
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#### (c) Overdraft Facility

##### Interest linked to LIBOR

Bank of Ceylon	11,681.41	9,132.24	Revolving	Mortgage over the shares of Subsidiary - SriLankan Catering Limited
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#### (d) Loans from other institutions

##### Fixed Interest Rate

Deferred payment arrangement from a supplier	3,148.50	5,695.94	Monthly instalments ending January, 2021.	None
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### SUBSIDIARY

#### (e) Bank Loans

##### Interest Linked to LIBOR

Bank of Ceylon	93.40	209.81	Monthly installments ending December 2020	None
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\* Interest bearing liabilities denominated in USD were converted to Sri Lankan Rupees at the exchange rate of LKR. 189.8 (2019 LKR. 176) as at 31 March 2020.

### 16.3 Lease Liability

#### (a) Current /Non Current Classification

	Group		Company	
	2020 LKR. Mn	2019 LKR. Mn	2020 LKR. Mn	2019 LKR. Mn
Payable within one year included under Current Liabilities	22,265.57	311.71	22,221.22	311.71
After one year but not more than five years included under Non-Current Liabilities	89,269.44	765.19	88,901.03	765.19
More than 5 Years included under Non-Current Liabilities	64,792.18	-	64,325.33	-
Total lease liabilities as at 31 March 2020	176,327.19	1,076.90	175,447.58	1,076.90

#### (b) Lease Liability denominated in Foreign Currencies

(In Mn)	Group/ Company	
	2020	2019
Finance Leases - EUR denominated	4.03	5.31
Finance Leases - USD denominated	910.81	0.12

#### (c) Movement in Lease Liability

	Gross Payable LKR. Mn	Finance Charges for future periods LKR. Mn	Net Payable 2020 LKR. Mn	Net Payable 2019 LKR. Mn
<b>Group</b>				
Balance as at 01 April	1,266.97	(190.07)	1,076.90	1,338.92
Recognition of Lease liability- Transition	234,167.49	(52,549.80)	181,617.69	-
Additions during the year	140.96	(16.35)	124.61	-
Payments during the year	(30,135.05)	10,682.49	(19,452.56)	(320.57)
Adjustments	-	-	-	0.44
Exchange (Gain)/Loss	16,143.06	(3,182.51)	12,960.55	58.11
Balance as at 31 March	221,583.43	(45,256.24)	176,327.19	1,076.90
<b>Company</b>				
Balance as at 01 April	1,266.97	(190.07)	1,076.90	1,338.92
Recognition of lease liability- Transition	230,238.92	(49,531.50)	180,707.42	-
Additions during the year	140.96	(16.35)	124.61	-
Payments during the year	(29,975.69)	10,553.79	(19,421.90)	(320.57)
Adjustments	-	-	-	0.44
Exchange (Gain)/Loss	16,143.06	(3,182.51)	12,960.55	58.11
Balance as at 31 March	217,814.22	(42,366.64)	175,447.58	1,076.90

## NOTES TO THE FINANCIAL STATEMENTS CONT'D.

### 17. OTHER LONG-TERM LIABILITIES

	Group		Company	
	2020 LKR. Mn	2019 LKR. Mn	2020 LKR. Mn	2019 LKR. Mn
Provision for Aircraft Maintenance and Overhaul Cost (Note 17.1) (b)	15,441.51	12,260.05	15,441.51	12,260.05
Retirement Benefit Obligation (Note 17.2)	6,416.29	5,856.16	5,815.77	5,319.09
Deferred Tax Liability	133.09	215.80	-	-
	<b>21,990.89</b>	18,332.01	<b>21,257.28</b>	17,579.14

#### 17.1 Provision for Future Aircraft Maintenance and Overhaul cost

##### (a) Movement

	Group		Company	
	2020 LKR. Mn	2019 LKR. Mn	2020 LKR. Mn	2019 LKR. Mn
As at 1 April	37,350.21	26,997.44	37,350.21	26,997.44
Transferred to Lease Liability	(1,989.45)	-	(1,989.45)	-
Provisions during the year	7,160.69	10,160.56	7,160.69	10,160.56
Adjustments (Note 7)	(3,397.80)	907.42	(3,397.80)	907.42
Utilisation	(7,776.63)	(4,926.66)	(7,776.63)	(4,926.66)
Exchange Loss	2,679.36	4,211.45	2,679.36	4,211.45
As at 31 March	<b>34,026.38</b>	37,350.21	<b>34,026.38</b>	37,350.21

##### (b) Current/ Non current classification

Payable within one year included under Trade payables (Note 19)	18,584.87	25,090.16	18,584.87	25,090.16
After one year included under Other Long Term Liabilities	15,441.51	12,260.05	15,441.51	12,260.05
	<b>34,026.38</b>	37,350.21	<b>34,026.38</b>	37,350.21

### 17.2 Retirement Benefit Obligation - Gratuity

	Group		Company	
	2020 LKR. Mn	2019 LKR. Mn	2020 LKR. Mn	2019 LKR. Mn
Balance as at 01 April	5,856.16	5,711.34	5,319.09	5,205.37
Current service cost and interest cost	1,126.34	891.80	1,031.33	807.74
Actuarial Loss / (Gain)	20.86	(25.92)	8.87	(29.10)
Payments during the year	(587.07)	(721.06)	(543.52)	(664.92)
Balance as at 31 March	<b>6,416.29</b>	5,856.16	<b>5,815.77</b>	5,319.09

## 17. OTHER LONG-TERM LIABILITIES (CONTD.)

### 17.2 Retirement Benefit Obligation - Gratuity (Contd.)

The Actuarial Valuation was carried out by professionally qualified actuary, Mr. M.Poopalanathan of Actuarial & Management Consultants (Pvt) Ltd for the years ended 31 March based on the following key assumptions;

	Company		Subsidiary	
	2020	2019	2020	2019
(i) Rate of Interest			10%	11%
- LKR	9.7%	11.5%	-	-
- USD	7.6%	7.1%	-	-
(ii) Rate of Salary Increase			10%	11%
- LKR	4.5%	7.5%		
- USD	3%	3%	-	-
(iii) Retirement Age - Years	60	60	55	55
(iv) The entity will continue as a going concern				
(v) Average Expected Remaining Service Life	10.4 Years	13.8 Years	9.4 Years	9.3 Years

#### Sensitivity of assumptions employed in actuarial valuation

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

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

Increase/ (Decrease) in Discount Rate	Increase / (Decrease) in salary escalation Rate	Effect on Retirement Benefit Obligation			
		2020		2019	
		Company LKR. Mn	Subsidiary LKR. Mn	Company LKR. Mn	Subsidiary LKR. Mn
1%	-	(278.61)	(34.51)	(321.41)	(31.18)
-1%	-	308.83	38.40	364.09	34.71
-	1%	302.98	408.17	374.82	36.89
-	-1%	(277.11)	(37.29)	(334.81)	(33.68)

## 18. SALES IN ADVANCE OF CARRIAGE

Sales in advance of carriage represents the value of unutilised tickets up to 12 months.

## 19. TRADE AND OTHER PAYABLES

	Group		Company	
	2020 LKR. Mn	2019 LKR. Mn	2020 LKR. Mn	2019 LKR. Mn
Trade and Other Payables	89,801.58	57,061.99	99,501.89	63,586.25
Provision for Future Aircraft Maintenance and Overhaul Cost (Note 17.1) (b)	18,584.87	25,090.16	18,584.87	25,090.16
	108,386.45	82,152.15	118,086.76	88,676.41

## NOTES TO THE FINANCIAL STATEMENTS CONT'D.

### 20. FINANCIAL INSTRUMENTS

#### 20.1 Classification of Financial Instruments

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

Group	2020 LKR. Mn	2019 LKR. Mn
<b>Financial Instruments measured at amortised cost</b>		
<b>Financial Assets</b>		
Trade and Other Receivables	7,591.38	16,900.34
Aircraft Maintenance Reserve	34,893.66	33,728.24
Aircraft and Spare Engine Deposits	4,784.03	6,706.76
Investments	1,039.24	922.45
Cash and Bank Balances	1,596.98	2,212.02
	<b>49,905.28</b>	60,469.81
<b>Financial Liabilities</b>		
Interest Bearing Loans and Borrowings	298,177.01	123,357.27
Preference Shares	1,000.00	1,000.00
Provision for Aircraft Maintenance and Overhaul Cost	34,026.38	37,350.21
Trade and Other Payables	69,485.42	51,589.43
<b>Total</b>	<b>402,688.81</b>	213,296.91
<b>Company</b>		
<b>Financial Instruments measured at amortised cost</b>		
<b>Financial Assets</b>		
Trade and Other Receivables	6,703.19	16,208.06
Aircraft Maintenance Reserve	34,893.66	33,728.24
Aircraft and Spare Engine Deposits	4,784.03	6,706.76
Investments	613.64	590.45
Cash and Bank balances	1,233.18	1,681.03
	<b>48,227.70</b>	58,914.55
<b>Financial Liabilities</b>		
Interest Bearing Loans and Borrowings	297,204.01	123,147.47
Provision for Aircraft Maintenance and Overhaul Cost	34,026.38	37,350.21
Trade and Other Payables	79,185.71	58,178.53
<b>Total</b>	<b>410,416.10</b>	218,676.21

#### The following methods and assumptions were used to estimate the fair values:

The Management assessed that the fair value of cash and bank balances, trade and other receivables, trade and other payables approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Management assessed that the fair value of long term variable-rate borrowings approximate their carrying amounts largely due to the market based interest rates. Hence the carrying amounts of Group /Company financial instruments are reasonable approximation of their fair values.

## 21. REVENUE AND SEGMENT INFORMATION

### 21.1 Revenue

	Group		Company	
	2020 LKR. Mn	2019 LKR. Mn	2020 LKR. Mn	2019 LKR. Mn
Scheduled services - Passenger	147,672.60	147,899.87	147,672.60	147,899.87
- Cargo	15,745.49	15,828.38	15,745.49	15,828.38
- Excess Baggage	1,166.31	1,074.22	1,166.31	1,074.22
- Mail	159.45	126.27	159.45	126.27
	<b>164,743.85</b>	164,928.74	<b>164,743.85</b>	164,928.74
Air Terminal and Other Services	14,193.59	14,319.73	14,354.37	14,480.91
Duty Free	969.98	882.48	969.98	882.48
Non-Scheduled Services	82.82	48.19	82.82	48.19
Flight Catering	3,541.58	3,917.90	-	-
<b>Total</b>	<b>183,531.82</b>	184,097.04	<b>180,151.02</b>	180,340.32

### 21.2 Segment Information

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

Revenue 2020	Sri Lanka	Asia (excluding Sri Lanka)	Europe & Africa	Middle East	North & South America	South West Pacific	Total 2020
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Scheduled services - Passenger	25,253.87	55,984.71	17,127.92	34,399.53	4,464.27	10,442.30	147,672.60
- Cargo	5,214.34	6,627.60	1,382.91	1,616.67	6.97	897.00	15,745.49
- Excess Baggage	151.42	422.41	50.42	491.02	19.72	31.32	1,166.31
- Mail	40.54	60.02	57.08	-	-	1.81	159.45
	30,660.17	63,094.74	18,618.33	36,507.22	4,490.96	11,372.43	164,743.85
Air Terminal and Other Services	14,193.59	-	-	-	-	-	14,193.59
Duty Free	-	223.10	97.00	349.19	-	300.69	969.98
Non-Scheduled Services	82.82	-	-	-	-	-	82.82
Flight Catering	3,541.58	-	-	-	-	-	3,541.58
Segment Revenue	48,478.16	63,317.84	18,715.33	36,856.41	4,490.96	11,673.12	183,531.82
Revenue 2019	Sri Lanka	Asia (excluding Sri Lanka)	Europe & Africa	Middle East	North & South America	South West Pacific	Total 2019
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Scheduled services - Passenger	25,173.39	59,614.82	19,308.40	30,618.88	4,628.58	8,555.80	147,899.87
- Cargo	4,766.89	7,033.06	1,623.66	1,493.28	8.99	902.50	15,828.38
- Excess Baggage	147.89	384.12	40.62	478.89	4.52	18.18	1,074.22
- Mail	38.27	31.62	51.48	0.01	-	4.89	126.27
	30,126.44	67,063.62	21,024.16	32,591.06	4,642.09	9,481.37	164,928.74
Air Terminal and Other Services	14,319.73	-	-	-	-	-	14,319.73
Duty Free	-	202.97	88.25	317.69	-	273.57	882.48
Non-Scheduled Services	48.19	-	-	-	-	-	48.19
Flight Catering	3,917.90	-	-	-	-	-	3,917.90
Segment Revenue	48,412.27	67,266.59	21,112.41	32,908.75	4,642.09	9,754.94	184,097.04

## NOTES TO THE FINANCIAL STATEMENTS CONT'D.

### 21. REVENUE AND SEGMENT INFORMATION (CONTD.)

#### (b) Secondary Reporting by Business Segment

	Business Segment 2020				Business Segment 2019			
	Airline	Flight	Inter-segment	Group	Airline	Flight	Inter-segment	Group
	LKR. Mn	Catering LKR. Mn	eliminations LKR. Mn	LKR. Mn	LKR. Mn	Catering LKR. Mn	eliminations LKR. Mn	LKR. Mn
<b>Revenue</b>								
Sales to external customers	180,151.02	9,026.15	(5,645.35)	183,531.82	180,340.32	9,749.66	(5,992.94)	184,097.04
<b>Results</b>								
Profit / (Loss) After Tax	(47,197.86)	4,759.51	(1,701.05)	(44,139.40)	(44,022.67)	5,602.51	(3,280.17)	(41,700.33)
<b>Other Segment Information</b>								
Assets	181,189.60	15,892.08	(10,653.12)	186,428.56	77,339.00	12,589.67	(7,680.94)	82,247.73
Liabilities	454,558.68	3,654.50	(10,611.08)	447,602.10	254,895.23	3,102.90	(7,638.70)	250,359.43
Acquisition of Property, Plant and Equipment	325.71	336.28	-	661.99	890.18	179.67	-	1,069.85
Acquisition of Intangible Assets	22.88	3.18	-	26.06	29.84	1.06	-	30.90
Depreciation and Amortisation	19,013.81	377.71	-	19,391.52	1,643.67	218.33	-	1,862.00
Finance Cost	40,390.59	276.28	-	40,666.87	19,330.79	152.43	-	19,483.22
Finance Income	317.28	60.60	-	377.88	89.72	38.89	-	128.61
Tax	-	34.68	-	34.68	-	73.42	-	73.42
Operating Expenses	190,321.69	4,026.43	(5,649.06)	188,699.06	209,344.66	3,969.81	(5,992.94)	207,321.53
Inventory written off	49.16	-	-	49.16	38.16	-	-	38.16

### 22. OTHER INCOME AND GAINS

	Group		Company	
	2020 LKR. Mn	2019 LKR. Mn	2020 LKR. Mn	2019 LKR. Mn
Profit on Disposal of Property, Plant and Equipment	-	2.29	3.49	3.41
Miscellaneous	1,351.51	949.90	1,341.39	939.15
Dividends from SriLankan Catering Ltd.	-	-	1,701.25	3,280.18
	1,351.51	952.19	3,046.13	4,222.74

## 23. OPERATING LOSS

### Stated after charging:

	Group		Company	
	2020 LKR. Mn	2019 LKR. Mn	2020 LKR. Mn	2019 LKR. Mn
Aircraft Insurance	648.88	565.72	648.88	565.72
Franchise Fees	456.70	504.97	456.70	504.97
Provision for Slow Moving Inventory	113.58	214.47	91.75	223.32
Loss on Disposal of Property, Plant and Equipment	8.71	-	-	-
<b>Auditor's Remuneration</b>				
Other Services	7.00	3.50	6.58	3.50
Audit	8.16	11.73	6.78	7.30
Provision for Impairment of Receivables	37.35	327.83	32.94	319.79
Withholding Tax expense (included in other operating expenses) (Note 23.1)	8,062.11	6,972.27	8,062.11	6,972.27
Provision for Impairment of Property, Plant and Equipment	-	6.40	-	-

**23.1** With the enactment of the Inland Revenue Act No 24 of 2017, the Company is required to withhold the respective withholding tax (WHT) amount due from liable foreign supplier payments based on the rate applicable and remit the same to Inland Revenue Department (IRD). As at 31 March 2020, the Company has made a provision for a WHT liability of LKR 16,433.45 Mn. The Company has received Cabinet approval for exempting withholding taxes due in relation to foreign supplier payments with retrospective effect from 1 April 2018. The provision for WHT will be maintained until such time, the same is formalised by the Ministry of Finance and Inland Revenue Department by taking the necessary administrative measure.

## 24. FINANCE INCOME AND COST

### 24.1 Finance Income

	Group		Company	
	2020 LKR. Mn	2019 LKR. Mn	2020 LKR. Mn	2019 LKR. Mn
Interest Income	377.88	128.61	317.28	89.72

### 24.2 Finance Cost

	Group		Company	
	2020 LKR. Mn	2019 LKR. Mn	2020 LKR. Mn	2019 LKR. Mn
Interest on Loans and Bond	9,407.80	9,713.42	9,399.19	9,704.25
Exchange Loss on Loans / Bond	4,845.39	8,346.01	4,836.52	8,332.85
Interest Cost on Bank Overdrafts and Overdue Supplier Balances	2,640.50	1,128.78	2,640.50	1,128.78
Preference Share Dividend	130.10	130.10	-	-
	17,023.79	19,318.31	16,876.21	19,165.88
Finance Charges on Lease Liabilities	10,682.53	106.80	10,553.83	106.80
Exchange Loss on Lease Liabilities	12,960.55	58.11	12,960.55	58.11
	23,643.08	164.91	23,514.38	164.91
	40,666.87	19,483.22	40,390.59	19,330.79

## NOTES TO THE FINANCIAL STATEMENTS CONT'D.

### 25. Earnings before interest, taxes, depreciation, amortisation, and rent costs (EBITDAR)

Management has presented the performance measure EBITDAR because it monitors this performance measure at a consolidated level, and it believes that this measure is relevant to an understanding of Group's financial performance. EBITDAR is calculated by adjusting profit to exclude the impact of taxation, net finance cost, depreciation, amortisation and rent.

EBITDAR is not a defined performance measure in Sri Lanka Accounting Standards. The Group's definition of EBITDAR may not be comparable with similarly titled performance measures and disclosures by other entities.

	Group		Company	
	2020 LKR. Mn	2019 LKR. Mn	2020 LKR. Mn	2019 LKR. Mn
<b>Reconciliation of EBITDAR to Profit</b>				
Loss after Tax	(44,139.40)	(41,700.33)	(47,197.86)	(44,022.67)
Income Tax	34.68	73.42	-	-
	(44,104.72)	(41,626.91)	(47,197.86)	(44,022.67)
Adjusted for;				
Net Finance Cost	40,288.99	19,354.61	40,073.30	19,241.07
Depreciation / Amortisation / Impairment	19,391.52	1,868.40	19,013.81	1,643.67
Rent	1,696.12	30,016.59	1,685.25	29,854.12
Maintenance Cost - Return Cost	-	620.19	-	620.19
Other Income and Gains	(1,351.51)	(952.19)	(3,046.13)	(4,222.74)
EBITDAR	15,920.39	9,280.69	10,528.37	3,113.64

The Group has used the modified retrospective approach when initially adopting SLFRS 16. Under this approach comparative information is not restated. Comparative information has been reclassified (Note 32).

### 26. TAXATION

	Group	
	2020 LKR. Mn	2019 LKR. Mn
<b>Tax Expense</b>		
The major components of income tax expense are as follows:		
<b>Current income tax</b>		
Current Tax Expense on Ordinary Activities for the Year (Note 26.1)	37.12	25.80
Deferred tax expense	(3.04)	47.77
Under/(Over) Provision of current taxes in respect of prior years	0.60	(0.15)
	34.68	73.42

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

	Group		Company	
	2020 LKR. Mn	2019 LKR. Mn	2020 LKR. Mn	2019 LKR. Mn
Accounting Loss before Tax	(44,104.72)	(41,626.91)	(47,197.86)	(44,022.66)
Less: Profit/(Loss) exempt from income tax	(6,316.82)	(5,640.14)	(1,701.25)	(3,280.18)
Profit / (Loss) liable for income tax	(50,421.54)	(47,267.05)	(48,899.11)	(47,302.83)
Non deductible expenses	22,751.88	15,208.06	22,751.88	22,244.85
Tax Losses incurred	(27,669.66)	(32,058.99)	(26,147.23)	(25,057.99)
Taxable Profit arising from the subsidiary	74.21	44.30	-	-
Statutory Tax Charge at Tax Rate 28%	20.78	12.41	-	-
Tax on other income	16.34	13.40	-	-
Current Income Tax Expense	37.12	25.80	-	-

## 26.2 Deferred Tax Liability

	Group	
	2020 LKR. Mn	2019 LKR. Mn
Deferred Tax Liability (Subsidiary)	133.09	215.80

Movement in Deferred Tax Liability	Balance as at 31 March 2018	Movement during the year	Balance as at 31 March 2019	Movement during the year	Balance as at 31 March 2020
Deferred Tax Liability (Subsidiary)	77.13	138.67	215.80	(82.71)	133.09

### Subsidiary

SriLankan Catering Limited has recognised deferred tax on the revaluation gains on buildings and plant and equipment.

### Company

Deferred tax assets attributable to the following items has not been recognised.

	2020	2019	2020	2019	2020	2019
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
	Assets		Liability		Net asset/ (liability)	
Property, Plant & Equipment	-	-	(697.98)	(616.61)	(697.98)	(616.61)
Revaluation of Land - Colombo	-	-	(171.67)	(171.67)	(171.67)	(171.67)
Revaluation of Buildings	-	-	(700.76)	(700.76)	(700.76)	(700.76)
Right of Use Assets	15,874.83	-	-	-	15,874.83	-
Retirement Benefit Obligation	1,628.42	1,489.35	-	-	1,628.42	1,489.35
Provision for Slow Moving Stocks	673.45	657.18	-	-	673.45	657.18
Provision for Impairment of Receivables	436.27	443.85	-	-	436.27	443.85
Provision for Aircraft Maintenance and Overhaul Cost	9,527.39	10,460.71	-	-	9,527.39	10,460.71
	28,140.36	13,051.09	(1,570.41)	(1,489.04)	26,569.95	11,562.05

## NOTES TO THE FINANCIAL STATEMENTS CONT'D.

### 26.2 Deferred Tax (Contd.)

Movement in Deferred Tax during the year

	Balance as at 31 March 2018 LKR. Mn	Movement during the year LKR. Mn	Balance as at 31 March 2019 LKR. Mn	Movement during the year LKR. Mn	Balance as at 31 March 2020 LKR. Mn
Property, Plant & Equipment	(1,029.53)	412.92	(616.61)	(81.37)	<b>(697.98)</b>
Revaluation of Land - Colombo	(171.67)	-	(171.67)	-	<b>(171.67)</b>
Revaluation of Buildings	(700.76)	-	(700.76)	-	<b>(700.76)</b>
Right of Use Assets	-	-	-	15,874.83	<b>15,874.83</b>
Retirement Benefit Obligation	1,457.50	31.85	1,489.35	139.07	<b>1,628.42</b>
Provision for Slow Moving Stocks	609.68	47.50	657.18	16.27	<b>673.45</b>
Provision for Impairment of Receivables	307.65	136.20	443.85	-	<b>436.27</b>
Provision for Aircraft Maintenance and Overhaul Cost	7,559.28	2,901.43	10,460.71	(933.32)	<b>9,527.39</b>
	8,032.15	3,529.90	11,562.05	15,015.48	<b>26,569.95</b>

#### Company

The rate of tax used is 28% which is the tax rate that is expected to be applied to the temporary differences when they reverse, based on the tax laws enacted as at the reporting date. As such net deferred tax asset amounting to LKR.26,569.95 Mn as at 31 March 2020 was not recognised in the financial statements as it is not probable that the future taxable profits will be adequate to utilise the available deferred tax assets in the foreseeable future.

Deferred tax asset is not computed on tax loss carried forward for the year of LKR 51,460.96 Mn.

#### Subsidiary

Deferred tax liability has been calculated based on the future tax rates applicable for each segments which are 15% and 28%.

## 27. COMMITMENTS AND CONTINGENCIES

### 27.1 Capital Expenditure Commitments

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

	Group		Company	
	2020 LKR. Mn	2019 LKR. Mn	2020 LKR. Mn	2019 LKR. Mn
Authorised and contracted but not provided for				
Tangible *	<b>206,952.68</b>	189,464.21	<b>206,925.08</b>	189,460.18
Intangible	<b>10.12</b>	4.56	<b>10.12</b>	4.56
	<b>206,962.80</b>	189,468.77	<b>206,935.20</b>	189,464.74
Authorised but not contracted for				
Tangible	<b>745.68</b>	484.49	<b>745.68</b>	484.49
Intangible	<b>161.88</b>	2.29	<b>161.88</b>	2.29
	<b>907.56</b>	486.78	<b>907.56</b>	486.78
	<b>207,870.36</b>	189,955.55	<b>207,842.76</b>	189,951.52

\*As of 31 March 2020, an amount of LKR 204,224.80 Mn (USD 1,076 Mn) (2019 - LKR 189,422.46 Mn (USD 1,076 Mn)) representing the list price, excluding cost of any additional features and credits available for the purchase of four A350-900 Aircraft have been considered under capital commitment. Further refer Note 6 in relation to the same.

## 27. COMMITMENTS AND CONTINGENCIES (Contd.)

### 27.2 Contingencies

#### Company

The Contingent liabilities are based on claims made of LKR. 6,328.10 Mn as at 31 March 2020 (2019: LKR. 16,444.50 Mn). The Contingent Liability includes claims made by several suppliers of aircraft parts as a result of cancellation of aircraft lease agreements amounting to LKR 2,299.90 Mn (USD 11.11 Mn and EUR 0.91 Mn), a penalty levied by an overseas tax authority pertaining to payment of airport taxes amounting to LKR 477.87 Mn, a claim of LKR 1,563.29 Mn (USD 8.24 Mn) made by a supplier pursuant to the discontinuation of a contract, Service Tax disputes with an overseas tax authority amounting to LKR 1,532.43 Mn and employee related claims of LKR . 239.15 Mn.

No provision has been made in these financial statements as the Directors do not anticipate any significant liability in respect of any contingent liabilities arising in the course of business of the Company in respect of legal actions, other claims and potential claims being made against the Company by customers, suppliers and employees.

#### Subsidiary

In the opinion of the company's lawyers , there are no pending litigations against the Company other than the following case that will have an impact on the reported financial results of the future operations of the Company.

The Labour Tribunal Case ( LT Case No.21/337/2015 ) - K.D.L.J. Kamalpem Vs SriLankan Catering Ltd is being heard. Further, there are 4 cases which had been appealed by the Company as at the reporting date. A deposit of LKR. 5.2 Mn has been deposited for those appealed cases.

## 28. ASSETS PLEDGED

#### Company /Group

Refer Note 16.2 for details of the assets pledged against facilities obtained.

## 29. EVENTS OCCURRING AFTER THE REPORTING DATE

### 29.1 Company

- ✔ Based on Cabinet approval to provide Treasury guarantees, two state banks have approved new facilities of USD 75 Mn for working capital purpose, from which USD 28.10 Mn has been utilised up to the date of signing these Financial Statements.
- ✔ Company received Cabinet approval for exempting withholding taxes for all foreign payments backdated from 1 April 2018. (Refer Note 23.1)

#### Subsidiary

There are no events occurring after the reporting date that require adjustments to or disclosure in the financial statements.

## 30. RELATED PARTY DISCLOSURES

### 30.1 GROUP & COMPANY

#### 30.1.1 Transactions with Key Management Personnel (KMP)

Related parties include KMPs defined as those persons having authority and responsibility for planning, directing and operating the activities of the Company and it's Subsidiary. Such KMPs include the Board of Directors, Chief Executive Officer and Other Senior Management Executives of the Group who meet the criteria described above.

## NOTES TO THE FINANCIAL STATEMENTS CONT'D.

### 30. RELATED PARTY DISCLOSURES (Contd.)

#### 30.1.1 Transactions with Key Management Personnel (KMP) (contd.)

In line with the Group/ Company policy which stipulate that any transaction between the Company and the related party (where the affiliates of the Company, the Directors, Employees or their close family members have an interest) shall be disclosed, the associated declarations made by the KMPs have been considered.

(a) The significant transactions carried out by the KMP in the ordinary course of business during the reporting period are as follows;

	2020 LKR. Mn	2019 LKR. Mn
Short Term Benefits	361.88	276.33
Post Employment Benefits	53.81	41.84
Termination Benefits	4.30	16.35

Above short term benefits includes director fees paid amounting to LKR 3.49 Mn. No privilege and other firm air tickets have been provided to directors during the year 2019/2020 except for one upgrade. (In 2019, Director fee LKR 0.85 Mn). Key Management Personnel and their spouses and dependent children are also entitled for free of charge air ticket on seat availability basis.

(b) KMPs of the Group holds positions in other companies, which had trading transactions with the Group during the year and which are identified below;

- ✓ Mr. Asoka Pathirage, Chairman of the Group serves in Softlogic Holding PLC and its Subsidiaries, Asiri Hospital Holding PLC and its Subsidiaries and Odel PLC and its Subsidiaries in the capacity of Chairman / Managing Director/ Director respectively. During the year Group had transactions amounting to LKR 16.75 Mn with Softlogic Holding PLC and its Subsidiaries and LKR 5.05 Mn with Asiri Hospital Holding PLC.
- ✓ Mr. Malik Fernando, a Director of the Company also serves in the Board MJF Teas (Pvt) Ltd and its subsidiaries in the capacity of a Director. During the year Group has transaction amounting to LKR 0.36 Mn with M.J.F Exports (Pvt) Ltd.
- ✓ Dr. Hansa Wijayasuriya a Director of the Company also serves Axiata group of companies in the Capacity of Director/ Managing Director / CEO. During the year Company had transactions amounting to LKR 1.13 Mn with Dialog Axiata PLC, Dialog Broadband Network (Pvt) Ltd and Dialog Television (Pvt) Ltd.
- ✓ Mr. Mohamed Ashroff Omar, a director of the Company also serve the Board of Brandix group of Companies and Phoenix group of companies. During the year Company had transactions amounting to LKR 0.14 Mn with Phoenix Industries Limited.

#### 30.2 Group

The Government of Sri Lanka (GOSL) being the Major Shareholder of the Company has the controlling power over the Group.

The following significant transactions have been carried out with entities controlled by the GOSL in the ordinary course of business.

Name of the Company	Relationship	Nature of Transactions	Transaction Amount		Receivable/ (Payable) Balance	Receivable/ (Payable) Balance
			2020 LKR. Mn	2019 LKR. Mn	2020 LKR. Mn	2019 LKR. Mn
Ceylon Petroleum Corporation	Government owned	Fuel	(30,362.20)	(34,033.36)	(51,437.52)	(26,826.20)
		Deferred Supplier Payments	-	-	(3,148.50)	(5,695.94)
		Finance Cost on Overdue Payments	(2,174.30)	(1,007.55)	(2,332.04)	(551.50)

Name of the Company	Relationship	Nature of Transactions	Transaction Amount		Receivable/ (Payable) Balance	Receivable/ (Payable) Balance
			2020	2019	2020	2019
			LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Airport and Aviation Services Ltd.	Government owned	Landing, Parking, Aero Bridge, Lounge, Rent, Franchise fees & Garbage Incineration charges	(2,498.19)	(3,689.48)	(2,114.69)	(1,214.16)
Civil Aviation Authority	Government controlled	Licenses, permits and Levies	(10,593.35)	(11,771.42)	(943.68)	(0.01)
Mihin Lanka (Pvt) Ltd	Government owned	Warehouse Rent	2.01	23.36	835.64	768.79
Sri Lanka Insurance Corporation	Government owned	Insurance Services	(365.36)	(511.38)	-	-
Bank of Ceylon	Government owned	Loan Repayments	(125.29)	(117.32)	-	-
		Loan Received	-	146.01	-	-
		Loan	-	-	(31,973.40)	(30,290.19)
		Short term Deposits	-	-	599.96	811.47
		Interest	(3,087.13)	(3,148.06)	-	-
		Bank Overdraft	-	-	(11,681.41)	(9,132.24)
		Rent	(0.66)	(1.99)	-	-
Peoples Bank	Government owned	Loan Received/ Interest capitalisation	-	2,299.23	-	-
		Loan	-	-	(34,703.51)	(33,249.23)
		Interest	(3,476.75)	(3,442.88)	-	-
Employees Provident Fund	Shareholder of the Subsidiary	Preference Share Dividend	130.10	130.10	(64.87)	(64.87)
		13.01% Non-Voting Redeemable Cumulative (5 years) Preference Shares	-	-	(1,000.00)	(1,000.00)

As of the reporting date the Group has utilised Bank Guarantee facility of LKR 2,079.18 Mn ( 2019 - LKR 2,333.14 Mn) from Bank of Ceylon.

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

As of the reporting date provision for impairment relating to related parties amounted to LKR 959.02 Mn (2019-LKR 932.57 Mn).

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

## NOTES TO THE FINANCIAL STATEMENTS CONT'D.

### 30. RELATED PARTY DISCLOSURES (Contd.)

#### 30.2 Group (contd.)

Following are some of such other Government controlled/related entities with whom the Group has transacted with, during the year :

- Ceylon Electricity Board - Sri Lankan Army
- Department of Inland Revenue - Sri Lankan Navy
- State Pharmaceutical Corporation - Sri Lanka Postal Authority
- Ministry of Foreign Affairs - Sri Lanka Tourism Promotion Bureau
- Sri Lanka Air Force

Further transactions relating to contributions for employee retirement benefits are made in line with the respective statutes and regulations to Employees Provident Fund (EPF) and Employees Trust Fund (ETF).

Transactions with the related parties took place at commercial terms.

#### 30.3 Company

Significant Transactions including the following have been carried out with subsidiary and entities controlled by the Government of Sri Lanka (GOSL) in the ordinary course of business.

Name of the Company	Relationship	Nature of Transactions	Transaction Amount		Receivable/(Payable) Balance	
			2020 LKR. Mn	2019 LKR. Mn	2020 LKR. Mn	2019 LKR. Mn
SriLankan Catering Limited	Subsidiary	Freight Services	16.85	25.48	-	-
		Flight Catering and Other Services	(5,340.65)	(5,696.05)	(9,459.41)	(7,638.70)
		Dividend	1,701.25	3,280.18	-	-
Ceylon Petroleum Corporation	Government owned	Fuel	(30,463.50)	(33,909.42)	(51,437.52)	(26,826.20)
		Deferred Supplier Payments	-	-	(3,148.50)	(5,695.94)
		Finance Cost on Overdue Payments	(2,174.30)	(1,007.55)	(2,332.04)	(551.50)
Airport and Aviation Services Ltd.	Government owned	Landing, Parking, Aero Bridge, Lounge, Rent, Franchise fees & Garbage Incineration charges	(3,027.54)	(3,069.72)	(2,239.95)	(1,823.57)
Civil Aviation Authority	Government controlled	Licences, permits and Levies	(10,593.35)	(11,771.42)	(943.68)	(0.01)
Mihin Lanka (Pvt) Ltd	Government owned	Warehouse Rent	2.01	23.36	770.79	768.79
Sri Lanka Insurance Corporation	Government owned	Insurance Services	(365.36)	(511.38)	-	-
Bank of Ceylon	Government owned	Loan	-	-	(31,880.00)	(30,500.00)
		Short term Deposits	-	-	599.96	491.47
		Net Interest	(3,087.13)	(3,148.06)	-	-
		Bank Overdraft	-	-	(11,681.41)	(9,132.24)
		Rent	(0.66)	(1.99)	-	-

Name of the Company	Relationship	Nature of Transactions	Transaction Amount		Receivable/(Payable) Balance	
			2020	2019	2020	2019
			LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Peoples Bank	Government owned	Loan Received/ Interest capitalisation	-	2,299.23	-	-
		Loan	-	-	(34,703.51)	(33,249.23)
		Interest	(3,476.75)	(3,442.88)	-	-

As of the Reporting date the Company has utilised Bank Guarantee facility of LKR 2,059.64 Mn ( 2019 - LKR 2,313.60 Mn ) from Bank of Ceylon.

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

As of the Reporting date provision for impairment relating to related parties amounted to LKR 894.16 Mn (2019- LKR 872.12 Mn).

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

Following are some of such Other Government controlled/related entities with whom the Company has transacted with, during the year :

- Ceylon Electricity Board
- Department of Inland Revenue
- State Pharmaceutical Corporation
- Ministry of Foreign Affairs
- Sri Lanka Air Force
- Sri Lankan Army
- Sri Lankan Navy
- Sri Lanka Postal Authority
- Sri Lanka Tourism Promotion Bureau

Further transactions relating to contributions for employment retirement benefits are made in line with the respective statutes and regulations to Employees Provident Fund (EPF) and Employees Trust Fund (ETF).

Transactions with the related parties took place at commercial terms.

### 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise loans and borrowings, trade and other payables and other financial liabilities. The main purpose of these financial liabilities is to finance the Group's operations. The Group's financial assets comprise of trade and other receivables and cash and short-term deposits that are derived directly from its operations.

The corporate management periodically reviews and updates a comprehensive risk management matrix and has identified the following financial risks that have a significant impact.

- (i) Market Risk
  - Interest rate risk
  - Currency risk
- (ii) Liquidity risk
- (iii) Credit Risk

## NOTES TO THE FINANCIAL STATEMENTS CONT'D.

### 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTD.

The Group reviews its risk management policies and procedures on regular basis to reflect changes in markets and other financial risk taking activities and these are governed by appropriate policies and procedures to ensure that risks are identified, measured and managed in accordance with set policies and procedures.

#### (i) Market Risk

##### Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group's policy is to maintain an appropriate balance between fixed and variable rate borrowings including aircraft leasing in order to mitigate the effect of interest rate fluctuations.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on loans and borrowings. With all other variables held constant, the Group/Company loss before tax would have been affected through the impact on floating rate borrowings as follows.

	2020		2019	
	Effect on Loss before Tax		Effect on Loss before Tax	
	Group LKR. Mn	Company LKR. Mn	Group LKR. Mn	Company LKR. Mn
Increase/(Decrease) in Interest Rate				
+1%	773.61	772.01	779.53	777.53
-1%	(773.61)	(772.01)	(779.53)	(777.53)

\* Increase in interest rates result in an increase in losses

##### Foreign Currency Risk

Foreign Currency Risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates. The Group is exposed to the effect of foreign exchange rate fluctuations because of its foreign currency denominated revenue, expenses, borrowings and other financial instruments.

Group manages its foreign exchange exposure by a policy of matching as far as possible, receipts and payments in each individually significant currency and hedging highly probable, specifically identified future revenue in foreign currency against identified foreign currency loans.

The following table demonstrates the sensitivity to a reasonably possible change in Sri Lankan Rupee (LKR) against US dollar (USD), with all other variables held constant, of the Group /Company loss before tax (due to changes in the fair value of outstanding monetary assets and liabilities recorded in statement of financial position as of the reporting date). The Group's exposure to foreign currency changes for all other currencies is not material.

	2020				2019			
	Effect on OCI		Effect on Loss before Tax		Effect on OCI		Effect on Loss before Tax	
	Group LKR. Mn	Company LKR. Mn	Group LKR. Mn	Company LKR. Mn	Group LKR. Mn	Company LKR. Mn	Group LKR. Mn	Company LKR. Mn
Appreciation/(Depreciation) of USD against LKR								
+3%	273.54	273.54	8,439.40	8,791.32	553.93	553.93	2,701.83	2,726.15
-3%	(273.54)	(273.54)	(8,439.40)	(8,791.32)	(553.93)	(553.93)	(2,701.83)	(2,726.15)

\* Appreciation of USD results in an increase in losses.

## (ii) Liquidity Risk

The Liquidity Risk is the risk that the Group may not be able to meet its present and future cash obligations when they fall due. The Group monitors its risk of shortage of funds using a daily/ weekly / monthly and annual cash management and budgeting process. Group obtains multiple sources of funding from financial institutions including long term and short term loans, bank overdraft facilities and leases in order to mitigate the risk.

The table below summarises the maturity profile of the Group's/Company's financial liabilities based on contractual undiscounted payments.

Group	2020					
	On demand	Less than three months	3 to 12 Months	1 to 5 year	More than 5 years	Total
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Interest Bearing Liabilities	11,681.41	4,031.93	74,760.35	42,416.77	-	132,890.46
Lease Liability	299.52	8,006.92	23,960.43	115,565.39	73,751.16	221,583.42
Aircraft Maintenance and Overhaul Cost	5,227.08	513.63	12,844.16	13,743.50	1,698.01	34,026.38
Trade and Other Payables	-	69,485.42	-	-	-	69,485.42
Preference Shares	-	65.05	1,065.05	-	-	1,130.10
	17,208.01	82,102.95	112,629.99	171,725.66	75,449.17	459,115.78
<b>Company</b>						
Interest Bearing Liabilities	11,681.41	3,998.33	74,700.56	42,416.77	-	132,797.07
Lease Liability	299.52	7,965.47	23,834.15	114,805.09	70,909.99	217,814.22
Aircraft Maintenance and Overhaul Cost	5,227.08	513.63	12,844.16	13,743.50	1,698.01	34,026.38
Trade and Other Payables	-	79,185.71	-	-	-	79,185.71
	17,208.01	91,663.14	111,378.87	170,965.36	72,608.00	463,823.38

## NOTES TO THE FINANCIAL STATEMENTS CONT'D.

### 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd.)

2019

Group	On demand	Less than three months	3 to 12 Months	1 to 5 year	More than 5 years	Total
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Interest Bearing Liabilities	9,132.24	34,212.30	71,517.72	10,777.73	-	125,639.99
Aircraft Maintenance and Overhaul Cost	1,512.34	3,338.83	20,085.52	9,217.61	3,195.90	37,350.20
Trade and Other Payables	-	51,589.43	-	-	-	51,589.43
Preference Shares	-	65.05	65.05	1,195.15	-	1,325.25
	10,644.58	89,205.62	91,668.29	21,190.49	3,195.90	215,904.88
<b>Company</b>						
Interest Bearing Liabilities	9,132.24	34,180.45	71,423.13	10,690.42	-	125,426.24
Aircraft Maintenance and Overhaul Cost	1,512.34	3,338.83	20,085.52	9,217.61	3,195.90	37,350.20
Trade and Other Payables	-	58,178.53	-	-	-	58,178.53
	10,644.58	95,697.82	91,508.65	19,908.03	3,195.90	220,954.97

#### (iii) Credit Risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk mainly from its operating activities (primarily for trade receivables).

The sale of passenger and cargo transportation is primarily through IATA accredited sales agents. The credit risk of such sales is relatively small owing to a broad diversification. Settlements from these agents are collected by IATA through their passenger and cargo settlement schemes. The funds collected are settled directly to the airline by IATA which gives further assurance of the credit worthiness of such agents.

Receivables and payables among major airlines are primarily settled via the IATA Clearing House. Receivables and payables are generally netted and settled on weekly intervals, which lead to a clear reduction in the risk of default.

For other service relationships, collateral is required depending on the nature and scope of the services rendered. Such collaterals from debtors include bank guarantees, security deposits and other mechanisms.

Impairment is made for doubtful accounts receivable whenever risks are identified.

#### Capital Management

Based on the business plan as more fully described in Note 3 to these Financial Statements, the Government of Sri Lanka has demonstrated its commitment to infuse the required funding by way of sovereign guarantee/ letters of comfort to raise debt financing.

### 32. Comparative information

The following items in the Statement of Profit or Loss and Statement of Financial Position have been reclassified in order to achieve better presentation.

	Group 2019			Company 2019		
	Reported LKR. Mn	Reclassifications LKR. Mn	Reclassified LKR. Mn	Reported LKR. Mn	Reclassifications LKR. Mn	Reclassified LKR. Mn
<b>STATEMENT OF PROFIT OR LOSS</b>						
Rentals on Leased Aircraft	(29,099.13)	29,099.13	-	(29,099.13)	29,099.13	-
Aircraft Maintenance and Overhaul Costs	(26,953.28)	620.19	(26,333.09)	(26,953.28)	620.19	(26,333.09)
Depreciation/Amortisation	(1,862.00)	294.39	(1,567.61)	(1,643.67)	294.39	(1,349.28)
Other Operating Expenses	(16,298.17)	917.46	(15,380.71)	(15,056.56)	755.00	(14,301.56)
Impact of adopting SLFRS 16	-	(30,931.17)	(30,931.17)	-	(30,768.70)	(30,768.70)
		-			-	
Exchange loss	(10,732.40)	8,404.12	(2,328.28)	(11,805.18)	8,390.96	(3,414.22)
Finance Cost	(11,079.10)	(8,404.12)	(19,483.22)	(10,939.83)	(8,390.96)	(19,330.79)
		-			-	
<b>STATEMENT OF CASH FLOWS</b>						
Finance Cost	11,079.10	8,404.12	19,483.22	10,939.83	8,390.96	19,330.79
Effect on Unrealised Exchange Loss	11,223.41	(8,404.12)	2,819.29	12,009.62	(8,390.96)	3,618.66
		-			-	

Lease rentals were adjusted due to the first time adoption of SLFRS 16. Along with this, exchange loss relating to financing activities was reclassified to be comparable with the current year's presentation of lease finance cost and the effect of exchange translation of lease liabilities on the Statement of Profit or Loss.

## GLOSSARY

### **AVAILABLE SEAT KILOMETRES (ASK)**

The product of seats offered for sale and distance over which they are carried.

### **AVAILABLE TONNE KILOMETRES (ATK)**

This is the measure of transport production.

The ATK produced by a flight is the capacity for payload of the aircraft measured in tonnes multiplied by the distance flown.

### **REVENUE PASSENGER KILOMETRES (RPK)**

The product of passengers carried and the distance over which they are carried.

### **REVENUE TONNE KILOMETRES (RTK)**

The product of passenger and cargo carried in tonnes and the distance over which they are carried.

### **LOAD FACTOR**

The percentage relationship of revenue loads to capacity provided.

The passenger load factor relates RPK to ASK while the overall load factor relates RTK to ATK.

### **REVENUE PER RPK**

The revenue per RPK relates the passenger revenue to RPK.

### **UNIT COST**

The unit cost relates the total operating costs from airline operations excluding finance charges and withholding tax to ATK.

### **OVERALL YIELD**

overall yield relates the net traffic revenue to RTK.

The net traffic revenue being the sum of the passenger, excess baggage, cargo and mail revenue from scheduled and non-scheduled services.

### **BREAKEVEN LOAD FACTOR**

The load factor required to equate revenue from airline operations with operating costs.



## TEN YEAR REVIEW

		2011	2012	2013	2014
<b>STATEMENT OF PROFIT OR LOSS</b>					
Revenue	LKR. Mn	77,125.45	92,867.93	119,570.90	121,585.83
Operating Expenditure	LKR. Mn	81,334.34	111,775.88	146,700.24	150,389.46
Net Profit/(Loss)	LKR. Mn	(381.61)	(19,778.03)	(26,088.57)	(32,408.34)
<b>STATEMENT OF FINANCIAL POSITION</b>					
Share Capital / Stated Capital	LKR. Mn	5,146.35	19,432.67	32,032.75	51,617.44
Non Current Assets	LKR. Mn	19,862.87	37,591.58	23,338.28	25,212.47
Current Assets	LKR. Mn	18,276.59	22,072.71	54,905.22	37,154.23
Total Assets	LKR. Mn	38,139.46	59,664.29	78,243.50	62,366.70
Current Liabilities	LKR. Mn	28,017.97	64,235.43	71,346.64	88,609.07
<b>YIELD/UNIT COST</b>					
Overall Yield	LKR. tkm	60.27	64.47	74.31	77.26
Unit Cost	LKR. tkm	44.59	53.26	63.15	65.00
Breakeven Load Factor	%	73.99	82.61	84.98	84.13
Revenue per RPK	LKR./RPK	6.31	6.63	7.60	7.78
<b>PRODUCTION</b>					
Passenger Capacity	ASK Mn	12,481.41	14,248.94	15,944.31	15,780.54
Overall Capacity	ATK Mn	1,755.23	1,978.33	2,186.96	2,187.18
<b>TRAFFIC</b>					
Passengers carried	Nos. Thousands	2,867	3,459	4,255	4,175
Passengers carried	RPK Mn	9,584.02	11,270.23	12,968.74	12,810.95
Passenger Load Factor	%	76.79	79.10	81.34	81.18
Cargo carried	Tonnes	86,053	87,750	101,100	94,410
Cargo Load carried	RTK Mn	332.98	345.67	377.75	355.59
Overall Load carried	RTK Mn	1,184.13	1,338.30	1,513.70	1,466.74
Overall Load Factor	%	67.46	67.65	69.22	67.06
<b>STAFF</b>					
Average strength	Nos.	4,998	5,594	6,359	6,578
Revenue per employee	LKR.	15,431,263	16,601,346	18,803,412	18,483,708
Capacity per employee	Tonne-km	351,186	353,652	343,916	332,499
Load carried per employee	Tonne-km	236,922	239,238	238,041	222,976
<b>FLEET</b>					
A320-200	Nos.	4	7	8	8
A321-200	Nos.	-	-	-	-
A320neo	Nos.	-	-	-	-
A321neo	Nos.	-	-	-	-
A330-200	Nos.	5	7	7	7
A330-300	Nos.	-	-	-	-
A340-300	Nos.	5	6	6	6
Turbo Otter	Nos.	2	2	1	-
Aircraft in service at year end	Nos.	16	22	22	21
Aircraft Utilisation	Blk. Hrs. per day	14.05	13.48	12.82	12.76

2015	2016	2017	2018	2019	2020
131,922.13	129,480.41	135,491.19	161,433.87	180,340.32	<b>180,151.02</b>
145,983.35	137,311.44	146,760.80	175,883.85	209,344.66	<b>190,321.69</b>
(16,494.66)	(12,621.69)	(28,929.99)	(17,213.57)	(44,022.67)	<b>(47,197.86)</b>
51,617.44	51,617.44	51,617.44	51,617.44	51,617.44	<b>51,617.44</b>
22,836.77	23,548.01	24,660.56	37,476.46	36,596.59	<b>150,013.50</b>
49,721.49	26,901.02	26,973.07	30,090.50	40,742.41	<b>31,176.10</b>
72,558.26	50,449.03	51,633.63	67,566.96	77,338.99	<b>181,189.60</b>
103,414.31	100,334.44	126,302.55	130,358.61	227,081.67	<b>242,821.23</b>
80.32	79.06	80.08	84.24	91.32	<b>99.03</b>
62.00	58.72	61.61	65.74	74.31	<b>74.22</b>
77.18	74.27	76.94	78.04	81.37	<b>74.95</b>
8.22	8.17	8.45	8.62	9.43	<b>10.15</b>
16,180.27	15,790.28	15,608.10	18,487.54	18,925.40	<b>18,041.41</b>
2,224.87	2,165.21	2,167.92	2,549.88	2,577.53	<b>2,454.30</b>
4,348	4,328	4,446	5,839	5,663	<b>5,256</b>
12,963.71	12,727.66	12,455.05	15,280.78	15,689.19	<b>14,547.97</b>
80.12	80.60	79.80	82.65	82.90	<b>80.64</b>
101,878	102,082	116,221	132,958	125,753	<b>113,971</b>
373.32	356.76	374.46	401.66	408.71	<b>363.31</b>
1,519.93	1,484.77	1,475.29	1,749.14	1,806.58	<b>1,664.49</b>
68.32	68.57	68.05	68.60	70.09	<b>67.82</b>
6,987	6,959	7,021	7,019	6,794	<b>6,693</b>
18,881,084	18,606,181	19,297,991	22,999,555	26,544,057	<b>26,916,333</b>
318,430	311,139	308,776	363,283	379,383	<b>366,697</b>
217,537	213,359	210,126	249,201	265,908	<b>248,691</b>
6	6	6	5	5	<b>5</b>
2	2	3	3	2	<b>2</b>
-	-	2	2	2	<b>2</b>
-	-	-	3	4	<b>4</b>
7	6	6	6	7	<b>5</b>
2	7	7	7	7	<b>7</b>
4	-	-	-	-	<b>-</b>
-	-	-	-	-	<b>-</b>
21	21	24	26	27	<b>25</b>
12.90	12.02	12.44	13.25	12.60	<b>12.18</b>

# ROUTE MAP



SriLankan Airlines now serves 116 destinations in 51 countries in Europe, the Middle East, South Asia, South East Asia, the Far East and North America



## MILESTONES

2009/2010



The Company took delivery of two Airbus A320 aircraft under an operating lease agreement.

2010/2011



The Company took delivery of one Airbus A320 aircraft and one Airbus A330 wide-body aircraft under an operating lease agreement.

In July 2010 the Government of Sri Lanka facilitated the purchase of the 42.63% equity stake held by Emirates in the Company.

2011/2012



The Company took delivery of four Airbus A320 aircraft, two Airbus A330 wide-body aircraft and one Airbus A340 wide-body aircraft under an operating lease agreement.

The Cabinet approved an equity investment of USD 500 Mn by the GOSL in order to recapitalise the Airline.

2012/2013



Commissioning of First Flight A320 Simulator in Sri Lanka for training of Airbus A320 pilots.

The Company took delivery of one Airbus A320 aircraft under an operating lease agreement.

Commencing international flights from Mattala International Airport.

In May 2012, the Company entered into a financing arrangement with a syndicate of foreign banks to secure financing amounting to USD 175 Mn.

2013/2014



Commissioning of Flight Simulator for Airbus A330 pilot training.

In December 2013, the Company cutover the passenger services system to Amadeus Altea.

In March 2014, the Company entered into financing arrangement with a syndicate of banks to secure a USD 150 Mn medium-term loan.

2014/2015



The Company entered into oneworld alliances in May 2014. In June 2014, the Company for the first time issued a five-year International Bond.

The Company took delivery of three brand new Airbus A330-300 aircraft in October 2014 and March 2015 respectively as part of a wide body aircraft re-fleeting programme.

2015/2016



The Airline was shortlisted for four prestigious titles: Best in the Region Asia and Australasia, Best inflight Publication, 'Best inflight Video' and Best Ground Experience at APEX Passenger Choice Awards 2015. This is the first time the Airline has been nominated for four categories. The Airline won superior Achievement Award for Passenger Experience in the Asia and Australasia – September 2015 APEX Portland Oregon and best full service airline, Central and South Asia – Future Travel Experience Awards Asia 2015 – Singapore.

The Company took delivery of four Brand New Airbus A330-300 aircraft in August and November and two aircraft in December 2015, as part of the wide-body aircraft re-fleeting programme.

2016/2017



Induction of two Airbus A320neo aircraft in February 2017 and March 2017 – the first two Airbus A320/A321 Family New Engine Option Aircraft joined the fleet.

SriLankan launched services to eleven exciting new destinations.  
– Lahore, Jakarta, Dhaka, Calcutta, Madurai, Varanasi, Bodhgaya, Muscat, Bahrain, Seychelles and Gan Islands.

The Company was awarded top travel award, “Best Airline in South Asia”, “Best Full Services Airline in Central and South Asia” for the second consecutive year at the Future Travel Experience Asia 2016.

The Airline claimed the “Training Excellence Award” and “Best HR Strategy in line with Business” at the 7th Asia Employer Brand Awards.

2017/2018



The Company took the delivery of three brand new Airbus A321neo aircraft in June, October and December 2017.

SriLankan Airlines, launched services to four new destinations- Melbourne, Hyderabad, Coimbatore and Visakhapatnam.

The Airline received a four star rating of excellence from Airline Passenger Experiences Association (APEX) and at Future Travel Experiences Award 2017- Singapore the Airline walked away with an award for outstanding services for the third consecutive year. The Company also won the “Innovation in Commercial Airlines Cabins” award at the In-flight Asia Pacific Awards in Singapore -2017.

2018/2019



The Company took delivery of another brand new Airbus A321neo aircraft in July 2018, which completed the induction of the neo fleet.

SriLankan Airlines became the world’s most punctual airline in the month of September 2018 in the key categories of ‘Global Airlines’ and ‘Major Airlines’, rated by the flight data analysis company Flightstats.com.

SriLankan Airlines maintained the Airline Passenger Experiences Association (APEX) four star rating for the second consecutive year and also received several prestigious international awards. These include the World’s Leading Airline to the Indian Ocean for the third consecutive year and three Golden City Gate Awards at ITB Berlin.

2019/2020



SriLankan Airlines celebrated 40 years of service in September 2019. National Carrier received the global ‘Best Marketing Innovation’ award from the Airline Passenger Experience Association (APEX). SriLankan secured a four - star rating in the major airlines category for the 3rd consecutive year.

SriLankan Airlines won PATA Gold award for ‘Two Cities, One Spirit’ campaign and another three awards in Golden City Gate awards, ITB Berlin 2019.

The Company received the First Star awards in 3 categories (“Airline International”, “Music International” and “Campaign”) at Golden City Gate Awards ITB - Berlin 2020.

SriLankan Airlines won the prestigious ‘World’s Leading Airline’ and ‘Asia’s Leading Airline to the Indian Ocean’ title at World Travel Awards Asia & Oceania.

## CORPORATE INFORMATION

### NAME OF THE COMPANY

SriLankan Airlines Limited

### COMPANY REGISTRATION NUMBER

PB 67

### LEGAL FORM

Limited Liability Company

### BOARD OF DIRECTORS

Mr. Asoka Kariyawasam Pathirage (Chairman)  
 Mr. Mohamed Ashroff Omar  
 Mr. Malik Fernando  
 Mr. Manohara Ratnavibhushana De Silva PC  
 Mr. Samantha Ratwatte PC  
 Dr. Shridhir Sariputta Hansa Wijayasuriya  
 Mr. Sanjaya Mohottala

### BOARD AUDIT COMMITTEE

Mr. Sanjaya Mohottala (Pro-tem Chairman)  
 Mr. Malik Fernando  
 Mr. Manohara De Silva PC  
 Mr. Samantha Ratwatte PC  
 Dr. Hansa Wijayasuriya

### BOARD HUMAN RESOURCE AND REMUNERATION COMMITTEE

Mr. Mohamed Ashroff Omar (Chairman)  
 Mr. Malik Fernando  
 Mr. Manohara De Silva PC  
 Mr. Samantha Ratwatte PC  
 Mr. Sanjaya Mohottala

### COMPANY SECRETARY / HEAD OF CORPORATE SECRETARIAL SERVICES

Mrs. Dalrene Thirukumar (ACIS)

### BANKERS

Bank of Ceylon  
 People's Bank  
 Standard Chartered Bank  
 Citibank NA  
 Sampath Bank PLC  
 Nations Trust Bank PLC  
 Hatton National Bank PLC  
 Commercial Bank of Ceylon PLC  
 Amana Bank PLC  
 Credit Suisse AG

### AUDITORS

Auditor General  
 National Audit Office  
 306/72  
 Polduwa Road  
 Battaramulla

### REGISTERED OFFICE

SriLankan Airlines Limited  
 Airline Centre  
 Bandaranaike International Airport  
 Katunayake  
 Sri Lanka

### CORPORATE WEBSITE

[www.srilankan.com](http://www.srilankan.com)

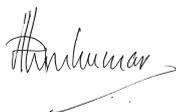
## NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Forty Second Annual General Meeting of the Shareholders of SriLankan Airlines Limited will be held on Friday, 25th September 2020 at 10.00 a.m. at 'Lotus Hall' Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 7, Sri Lanka, for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors and the Financial Statements for the year ended 31st March 2020 together with the Report of the Auditors thereon.

The Auditor General shall audit the Organisation in terms of Article 36 of the 19th amendment to the Constitution of the Democratic Socialist Republic of Sri Lanka.

By Order of the Board



**Dalrene Thirukumar**  
Company Secretary

19 August 2020  
Katunayake

### Notes:

#### 1. Health and Safety

The Meeting will be held in compliance with the Health and Safety guidelines issued by the Ministry of Health and Indigenous Medical Services (Ministry of Health) and standards imposed by the venue to ensure the safety and well-being of all Meeting attendees. Please note that in compliance with such guidelines and standards:

- a). All attendees will have to undergo a temperature check and sign a declaration from including contact details historical and current health status, recent overseas travel and exposure.
  - b). Persons who record temperatures in excess of norms prescribed by the Ministry of Health will not be permitted into the Meeting hall.
  - c). Persons with respiratory infections of any type including a cough, cold, sore throat or exhibiting any other similar symptoms will not be permitted to enter in to the Meeting hall.
  - d). Physical contact such as shaking hands will not be permitted and attendees will not be permitted to linger or remain after the conclusion of the Meeting.
  - e). Any person not adhering to health and safety guidelines and standards, including wearing a mask and maintaining the minimum social distance required to leave the Meeting.
- a). Arrive early in order to register, carry out mandatory health checks and fill in the required forms and avoid crowding;
  - b). Wear a suitable face mask when attending the Meeting; and
  - c). Co-operate with the health and safety measures implemented by the Company, details of which are outlined in section (1) Health and Safety Measures, at the Meeting as they are done in the best interests of all Meeting attendees.

Members and/or their Proxies are requested not to attend the Meeting if they are feeling unwell, exhibiting any signs or symptoms of COVID-19 or have been placed on quarantine or stay-at-home notices.

In the event the Company is required to take any further action in relation to the Meeting, in the best interests of the Meeting attendees due to the COVID-19 pandemic, and/or any communications, guidelines, directives or orders issued by the Government of Sri Lanka, Notice of such action shall be given by way of publication on the Company website [www.srilankan.com](http://www.srilankan.com) and the Newspapers Daily News, Silumina and Thinakaran.

#### 2. Voting by Proxy

Given that the health and well-being of our Members is paramount to us, Members are encouraged to vote by Proxy through the appointment of a member of the Board of Directors to represent them and the vote on their behalf. Members are advised to complete the Form of Proxy and their voting preferences on the specified resolutions to be taken up at the Meeting and submit the same to the Company in accordance with the instructions given on the reverse of the Form of Proxy.

#### 3. Attending the Meeting

Should a Member wish to attend the Meeting in person or through a Proxy (who is not a Director of the Company), such Member on their Proxy is requested to:

## FORM OF PROXY

SRILANKAN AIRLINES LIMITED

\*I/We, ..... of

being a Member / Members of SRILANKAN AIRLINES LIMITED hereby appoint:.....

..... of

..... or failing \*him/her,  
one of the following Directors;

Mr. Asoka Kariyawasam Pathirage  
Mr. Mohamed Ashroff Omar  
Mr. Malik Fernando  
Mr. Manohara De Silva PC  
Mr. Samantha Ratwatte PC  
Dr. Shridhir Sariputta Hansa Wijayasuriya  
Mr. Sanjaya Mohottala

as \*my/our Proxy to represent \*me/us and vote for \*my/our behalf at the Forty Second Annual General Meeting of the Shareholders of SriLankan Airlines Limited to be held on Friday, 25th September 2020, at 10.00 a.m. at 'Lotus Hall' Bandaranaike Memorial International Conference Hall (BMICH), Baudhaloka Mawatha, Colombo 7, Sri Lanka., and at any adjournment thereof.

1. To receive and consider the Annual Report of the Board of Directors and the Financial Statements for the year ended 31st March 2020 together with the Report of the Auditors thereon.

The Auditor General shall audit the Organisation in terms of Article 36 of the 19th amendment to the Constitution of the Democratic Socialist Republic of Sri Lanka.

Signed this ..... day of ..... Two Thousand and Twenty.

..... Signature/s

### Note:

- (a) \* Please delete the inappropriate word

If no words are deleted or there is in the view of the Proxy holder doubt (by reason of the way in which the instructions contained in the Proxy have been completed) as to the way in which the Proxy holder should vote, the Proxy holder will vote as he/she thinks fit.

### Instructions as to Completion:

1. A member is entitled to appoint a Proxy to attend and vote instead of him/herself. A Proxy need not be a member of the Company.
2. The completed Form of Proxy must be deposited at the Registered Office, 'Airline Centre', Bandaranaike International Airport, Katunayake not later than 10.00 a.m. on the 23rd September 2020 being 48 hours before the time appointed for holding of the meeting.
3. A person representing a Corporation is required to carry a certified copy of the resolution authorising him/her to act as the representative of the Corporation. A representative need not be a member.









Airline Centre, Bandaranaike International Airport, Katunayake, Sri Lanka.

**[www.srilankan.com](http://www.srilankan.com)**