

SriLankan Airlines
Annual Report 2020/21



CONTENTS

Overview

- Our Vision & Our Mission 2
- Financial Highlights 4

Management Reports

- Chairman's Message 5
- Chief Executive Officer's Message 7
- Board of Directors 11
- Senior Management Team 14
- Enterprise Risk Management 18
- Corporate Governance Report 19
- Management Discussion & Analysis 21

Financial Reports

- Annual Report of the Board of Directors 42
- Board Audit Committee Report 2020/21 46
- Statement of Directors' Responsibilities 47
- Independent Auditor's Report 48
- Statement of Financial Position 52
- Statement of Profit or Loss 53
- Statement of Comprehensive Income 54
- Statement of Changes in Equity 55
- Statement of Cash Flows 56
- Notes to the Financial Statements 57

Annexes

- Glossary 108
- Ten Year Review 110
- Route Map 112
- Milestones 114
- Corporate Information 116

- Notice of Meeting 117
- Form of Proxy 119



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.



FINANCIAL HIGHLIGHTS

		Group		Company	
		2021	2020	2021	2020
Financial					
Revenue	LKR. Mn	50,928.92	183,531.82	50,693.85	180,151.02
Operating Expenditure	LKR. Mn	82,450.50	188,699.06	81,405.99	190,321.69
Loss Before Tax	LKR. Mn	(49,761.57)	(44,104.72)	(45,231.46)	(47,197.86)
Net Loss for the Year	LKR. Mn	(49,704.51)	(44,139.40)	(45,231.46)	(47,197.86)
Total Assets	LKR. Mn	157,882.79	186,428.56	154,381.41	181,189.60
Shareholders' Funds	LKR. Mn	(281,490.87)	(261,173.54)	(289,265.27)	(273,369.08)
Traffic					
Passenger Capacity	ASK Mn			3,816.40	18,041.41
Overall Capacity	ATK Mn			794.52	2,454.30
Passengers Carried	RPK Mn			748.13	14,547.97
Overall Load Carried	RTK Mn			312.26	1,664.49
Passenger Load Factor	%			19.60	80.64
Overall Load Factor	%			39.30	67.82
Breakeven Load Factor	%			71.65	74.95
Staff Productivity					
Average Strength	Nos.	6,981	7,709	5,965	6,693
Revenue per Employee	LKR. Mn	7.30	23.81	8.50	26.92
Aircraft Fleet					
A320-200	Nos.			5	5
A321-200	Nos.			1	2
A320 NEO	Nos.			2	2
A321 NEO	Nos.			4	4
A330-200	Nos.			5	5
A330-300	Nos.			7	7
Aircraft in Service at Year End	Nos.			24	25

CHAIRMAN'S MESSAGE

“Despite the significant challenges induced by the pandemic, the members of SriLankan family have done an impressive duty on behalf of the Company and the nation - delivering safe and reliable essential air transportation services.”



The 2020/21 financial year has been one of the most challenging in the history of SriLankan Airlines, as the industry battled against the COVID-19 pandemic.

The impact of the pandemic on travel demand has been severe, with a near cessation of international travel for several months in many markets especially during the early part of the year under review. The unprecedented levels of border closures and travel limitations compelled a 79% reduction in SriLankan's passenger capacity during the year. However, rising to the challenge and serving Sri Lanka's export requirements, SriLankan promptly launched a dedicated cargo network utilising the capacity of its passenger aircraft. This move increased the Airline's cargo revenue during the year by 74%, to LKR 27.3 Bn. Several new routes were launched to cater to cargo demand and these routes are now being transitioned to serve passenger traffic.

The increase in cargo revenue alone was not sufficient to offset the significant loss of passenger business and the Group revenue decreased 72% compared to the pre-COVID year of 2019/20. The revenue losses incurred by the airline industry are ongoing, even though there has been a significant recovery in air travel commencing from the end of 2021 as a result of travel restrictions easing in some of the markets where SriLankan has a presence.

The negative market conditions impacted all our business units - which are directly linked to aviation, including our subsidiary, SriLankan Catering Ltd, resulting in the Group Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) being a negative LKR 14.8 Bn compared to a positive LKR 14.2 Bn during the previous year. The net loss for the financial year was LKR 49.7 Bn, which included a write back

of Withholding Tax (WHT) provided in previous years amounting to LKR 16.4 Bn as SriLankan has been exempted from WHT.

SriLankan developed contingency plans with extensive input of the Board, with a view to overcoming the challenges of the pandemic and achieving sustainable growth. Based on these plans, the Airline made significant efforts to improve its cost base during the year to steer itself out of the challenges faced by the pandemic and undertook a major review of all its contracts and processes. Steps were taken to renegotiate all costs, including supplier contracts and aircraft lease agreements. The lease restructuring undertaken by the Company has delivered a significant permanent reduction in the aircraft ownership cost in addition to payment deferrals to help cash flow. The efficiency improvements behind the strategic initiatives have delivered significant benefits to improve the underlying unit cost. The efforts undertaken included many tough but timely decisions which were essential for the recovery of SriLankan. I am pleased that these initiatives have now begun delivering results, with both the Company and Group reaching profitability for a couple of months from end 2021. I am confident that the path which SriLankan has embarked on will help the Company reach financial stability soon.

Despite the significant challenges induced by the pandemic, the members of SriLankan family have done an impressive duty on behalf of the Company and the nation - delivering safe and reliable essential air transportation services. During the year SriLankan operated 259 flights to repatriate Sri Lankan nationals stranded overseas and operated flights to safely deliver important COVID vaccination consignments and other essential medical items to the

CHAIRMAN'S MESSAGE

country. Historically, during times of crisis, SriLankan has always delivered the essential services expected from the national carrier. The period of the pandemic was another example of this capability, overcoming all the adversities posed by health and safety challenges. I would like to make this an opportunity to recognise the amazing resilience shown by our valued employees, amidst possibly the most difficult time faced in their careers to date.

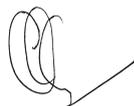
The pandemic has caused the commercial airline industry with the biggest challenge faced in its long history. Following this crisis, the global vaccination rollouts and the gradual easing of travel restrictions provide confidence that the demand recovery will continue. SriLankan Airlines plays a major role in Sri Lanka's tourism industry and is fully committed to support the resurgence of the sector as well as the national economy.

I take this opportunity to thank the fellow members of the Board of Directors, and the former Chief Executive Officer Mr. Vipula Gunatilleka, for their dedication and support to an entity that passed a year facing perhaps the most daunting challenges in its history. I also take this opportunity to welcome the Acting Chief Executive Officer Mr. Richard Nuttall who brings with him a wealth of experience in the airline industry.

I am thankful to the Government of Sri Lanka for its continued support and confidence placed in SriLankan Airlines-despite very challenging circumstances. The support received by way of equity funding amounting to LKR 27.7 Bn during the year under review and a further LKR 18 Bn in the current financial year not only helped the Company to continue operations during this difficult period, more essentially it provided the necessary confidence for all other stakeholders to continue doing business with the Company.

I take this opportunity to extend my sincere gratitude to His Excellency the President, the Hon. Minister of Tourism, the Hon. State Minister of Aviation and Export Zones Development, the Secretaries of the two Ministries and all other government officials for their support. I would also like to extend my appreciation to our valued and loyal customers who have always trusted our Airline.

Finally, I extend my sincere appreciation to the Board of Directors for their valuable guidance, management teams and all employees of SriLankan Airlines and its subsidiary for their continued support and dedication and the Trade Unions for acting responsibly during this challenging time.



Asoka Pathirage
Chairman

CHIEF EXECUTIVE OFFICER'S MESSAGE

“2020 has been the most challenging year for the Airline during its 41-year history due to the COVID-19 pandemic. Our main objective during the past one and half years has been to navigate the business through the pandemic.”



Industry Outlook

The global airline industry encountered its biggest shock after World War II as the unprecedented impact of the COVID-19 pandemic decimated world air connectivity to a historical low in 2020. The overall Revenue Passenger Kilometres (RPKs) declined by over 66% and much of the industry remained grounded for passenger traffic. As countries tightened their border restrictions to control the spread of COVID-19 via international travellers, the contraction in international traffic remained throughout the year. This resulted in a 98% drop in International RPKs against the previous year at the height of the global crisis in the month of April 2020. With a surge in positive cases and delays in inoculations, recovery of international air travel continued to be sluggish and as a result, the average annual international RPKs in 2020 was only 24% of 2019. However, some of the bigger domestic markets such as China and the US showed early signs of recovery and continued to improve throughout the year and domestic RPKs are expected to improve to 96% of the comparative pre-crisis 2019 levels by the second half of 2021.

In contrast to passenger traffic, the COVID-19 impact on the world air cargo industry was significantly less due to the essentiality of cargo traffic flows to sustain global supply chains and to transport critical medical equipment and pharmaceuticals. Cargo Tonne Kilometres (CTKs) declined by 66% by April 2020 and managed to reach a near full recovery level at the end of the year.

Given the continued uncertainties of the extent of the COVID-19 impact on air traffic in 2021, IATA forecasts Global RPKs to reach only 43% of the pre-crisis levels in 2019. Cargo is expected to remain stronger for the airlines with elevated yield levels and expected to generate one-third of the industry's revenues in comparison to pre-crisis cargo contribution of 10%-

15%. Led by the upward trend of fuel prices due to the gradual recovery of demand, managing costs will continue to challenge the global airlines further and additional measures would be required to reduce the cash burn to avoid imminent bankruptcies in 2021.

Airline Performance

2020 has been the most challenging year for the Airline during its 41-year history due to the COVID-19 pandemic. Our main objective during the past one and half years has been to navigate the business through the pandemic. Despite ongoing border restrictions and airport closures, SLA continued to fulfill our obligations as the National Carrier by sustaining global trade and bringing back home, stranded Sri Lankans through increased repatriation flights and by operating scheduled cargo operations.

Financial Results for the year recorded a negative EBITDA (Earnings before Interest, Taxes, Depreciation, and Amortisation) of LKR 14.8 Bn, against a positive EBITDA of LKR 14.2 Bn in the previous year. After finance cost and withholding tax, the Group loss at the end of the year was LKR 49.7 Bn against LKR 44.1 Bn in the previous year. The Group spent LKR 35.9 Bn as finance costs and the unfavourable currency movement in the latter half resulted in an exchange loss of LKR 19.7 Bn, mainly arising from the translation of foreign currency liabilities including loans and leases, which adversely impacted the bottom line of the Group by making up 40% of its net loss for the year.

Airline's market capacity in the year under review contracted by 79% over the previous year due to the COVID-19 related restrictions imposed on air travel while overall passenger cabin factor reduced by 61%. The decline in revenue was mainly attributable to the COVID-19 outbreak.

The Group's total expenses stood at LKR 118.3 Bn, reflecting a significant

CHIEF EXECUTIVE OFFICER'S MESSAGE

cost reduction of 48% against last year which was mainly due to reduced operations. The Group recorded an income of LKR 50.9 Bn which is a reduction of 72% over last year. The decline in income was offset by the many management initiatives which reduced its operating expenses by 56%. The fuel cost of the Airline was reduced by LKR 44.8 Bn, of which 11% was due to fuel price reduction (including exchange rate impact) and 89% was due to reduced operations. Further savings were achieved through cost-saving initiatives and a lower level of operations due to COVID-19, from engineering, passenger services, and station traffic. Reduction in operations reflected in engineering related expenses where a reduction of LKR 9.1 Bn was seen. The savings achieved from initiatives implemented relating to employee cost was LKR 5.8 Bn. Moreover, Airport Enroute and Passenger expenses and Selling, Marketing, and Advertising Expenses were reduced by 71% and 86% respectively due to the decrease in flight numbers and passenger numbers.

Expansion of cargo operations is another initiative taken by the Airline to reduce the adverse effect of COVID-19 on passenger travel. The current cargo network consists of 18 destinations with the addition of several new destinations such as Hong Kong, Milan, Frankfurt, Paris, and Sydney. Over 70% of the uplift capacity was allocated to Sri Lankan exports to ensure a continuous foreign currency inflow to Sri Lanka and to strengthen the Sri Lankan exporters even amidst the global pandemic. From May 2020, a flight schedule dedicated to cargo was introduced so that exporters of perishable products could manage their businesses effectively.

Further, an A330-200 aircraft was converted to a freighter and is currently being used exclusively for cargo operations. The SriLankan

Cargo division aims to re-strategise the existing business model through the inclusion of a freighter initiative through a wet/ dry lease model based on availability and commercial feasibility to capture the benefits of the significant cargo potential. Functioning in an environment with a limited wide-body fleet, this initiative is expected to expand the SriLankan Cargo contribution significantly towards the bottom-line by allowing SriLankan Airlines to participate in the upside of Sri Lanka's growing international trade as well as trans-shipment and global opportunities.

In the quest of bringing its official online sales platform on par with the industry's leading airlines, SriLankan Airlines relaunched its website, www.srilankan.com, with a modern outlook and improved functionality to enhance its user experience. The website features an intuitive design ensuring better performance across all devices keeping in line with industry standards and best practices. [Srilankan.com](http://www.srilankan.com) has upgraded performance tracking capabilities with Google Analytics enhancing e-commerce functions, allowing further insight into website user experience and its performance. With the introduction of the new payment options WeChat Pay, Alipay (China), and POLi (Australia and New Zealand), the redesigned version of our website "[srilankan.com](http://www.srilankan.com)" now offers greater choice and flexibility to purchase tickets online. In addition to this, a new internet payment gateway for SriLankan Airlines online channels was initiated giving preference to local banks. During the past year, due to the pandemic situation, the passenger reach in the online sphere decreased to 4.2% from the previous year's 15.5% of the Airline's total passenger revenue, bringing the revenue to USD 2.94 Mn. With further enhancements in the pipeline, SriLankan Airlines aims to strengthen the customer experience of its online channel by bringing the world one step closer right to their fingertips.

In the effort to minimising costs, SriLankan completed the development work of Agency Booking Engine on the New Distribution Capability (NDC) platform. This will allow SriLankan Airlines to reach travel agents bypassing the intermediary Global Distribution Systems (GDS), thus reducing the sales cost. The NDC platform enables SriLankan with more effective merchandising, competitive propositions, and time-to-market product differentiation. SriLankan was also awarded the Level 4 Certification for NDC by IATA for this platform. Which is the highest level for NDC. SriLankan also renegotiated the contracts with Travelport and Amadeus Global Distribution Systems to obtain cost savings for the coming years and re-launched the GDS Booking Policy in-line with the industry practices.

The Management of SLA achieved a significant reduction in the leasing cost and engaged with all maintenance service providers to achieve an improvement of payment terms resulting from rigorous and some of the most intense discussions with the Aircraft lessors and service providers. Steps have been taken to enhance its third-party customer maintenance revenue and the engagement division embarked on a new strategy of partnering with leading industry players to enhance its suite of services offered. This includes recently entered partnerships with Boeing on knowledge sharing, maintenance services, and training. Negotiations are ongoing with a number of airlines and Maintenance Repair and Overhaul (MRO) providers for partnerships and Joint Ventures that would see significant developments in line maintenance, base maintenance, and workshop support in the region.

With the aim of opening up avenues for Sri Lankan students to achieve world-class education in aviation, Sri Lankan Aviation College (SLAC) is currently working towards receiving

approval as a degree-awarding higher education institute (non-state). SLAC is also working towards finalising the academic organisational chart of the university along with the legal structure and is in discussion with the Ministry of Tourism & Aviation and the Ministry of Higher Education to enhance this venture further. Degree programmes will be registered with the Ministry of Higher Education “Interest-Free Student Loan” scheme, which will increase the affordability of this programme to the aspirant youth in the country.

SLA introduced a Voluntary Retirement Scheme (VRS 2020) to disengage employees with high cost to the Company and “right-size” the Airline to be in line with the scale of operations in the post-COVID era. Accordingly, the VRS 2020 was introduced with the approval of the Board of Directors of SriLankan Airlines along with the approval of the Cabinet. A total of 286 applications were received from employees requesting voluntary retirement and following the application review, a total of 240 applications were approved to be disengaged through VRS 2020. The cost for the payment of compensation was LKR 546 Mn.

Moreover, Collective Bargaining Agreements (CBAs) with all 5 trade unions with whom the Company had valid CBAs have been repudiated as of March 2021. This decision was primarily taken since the Company was severely restricted in making operational decisions based on the existing environment and market conditions due to CBA obligations. In addition, the CBAs contain outdated and counter-productive remuneration policies which needed to be updated and revised. An annual cost saving of approximately USD 10 Mn can be attained through identified changes to the remuneration policies indicated in the CBAs based on the operational level in 2019/20. However, a part of these savings is to be re-invested to be paid back to staff through

performance-based incentives and allowances which are in line with Company’s business objectives.

The CSR arm of SriLankan Airlines have 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.

Management has taken this period as an opportunity to improve the processes in terms of effectiveness and efficiency. Accordingly, 5 projects have been identified, focusing on the transformation of SriLankan Airlines which would look into areas such as performance-based organisation, customer centricity, revenue and margin constructs, digital transformation, and process enhancement.

In order to achieve our vision of being Asia’s most Customer-Centric Airline, Product Development led the “Customer Centricity” project within the Company focused around better profiling of our passenger segments, collation of data for holistic understanding, and thereby personalised passenger recognition. In a multi-discipline approach, the project saw the first internal pool of customer service trainers providing their know-how on best practices to all front-line staff, saving costs and providing insights on first-hand experience of service delivery.

We also undertook the first assessment of brand loyalty, a study on the Net Promoter Score (NPS) with a segment of our passengers, and reached an above industry average of 47%. Tracking on a continuous basis and continued initiatives to increase this score is in place with multiple stakeholders.

With COVID-19 services limiting innovation to the product, the focus shifted to multiple audits on food and beverages, airport experience, and seat comfort, obtaining a fresh perspective on passenger requirements. The findings have been incorporated into projects currently being worked upon with multiple departments.

With the aim of regaining passenger confidence that air travel was safe and establishing a global standard, the Airline Passenger Experience Association (APEX) together with SimpliFlying undertook an independent audit of airlines, focused around Health and Safety. SriLankan’s meticulous efforts for our health and safety procedures across the passenger journey, enabled our ranking of Platinum Standard - the second-highest level and the first Airline in South Asia to hold this status and established ourselves as a global leader in Health and Safety. The Airline, continuing to prove the global appeal of its marketing communication endeavours, won an esteemed PATA Gold Award in the category ‘Marketing-Carrier’. 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. SriLankan Airlines also received First Star awards in 3 categories (“Airline International”, “Music International” and “Campaign”) at Golden City Gate Awards ITB - Berlin 2020, restoring much pride to the National Carrier. SriLankan placed sixth among the world’s top international airlines at the prestigious and influential CondeNast Traveler ‘2020 Readers Choice Awards’ having competed with other top international airlines

Measures implemented across the customer journey in coordination with IATA, the Civil Aviation Authority, and Medical Center of the Airline resulted in risk assessment teams being

CHIEF EXECUTIVE OFFICER'S MESSAGE

formed which enabled the product offering to be customised according to risk category. Priority vaccination of front liners in coordination with the Sri Lankan Government, resulted in more than 95% of our front-line staff receiving both doses of the vaccine.

As demand for passenger air travel diminished, global air cargo operation flourished in 2020 with high yields and consistent growth of volume-driven markets. Like most other passenger airlines, SLA too explored opportunities for cargo operations with the objective of utilising its wide-bodied aircraft capacity which was largely redundant due to nearly non-existent passenger demand. Due to heavy competition among the carriers, SLA had to act swiftly and deploy capacity in markets with potential, which included both existing and new destinations. Accordingly, destinations that were newly commenced included Sydney, Saigon, Frankfurt, Hong Kong, Milan, Paris, and Nairobi. Seoul was introduced to facilitate the regular repatriation of the Sri Lankan labour force who were ending their labour contracts. Although most of these destinations had been identified in SLA's route expansion plan as passenger markets, the advancement of their introduction in 2020 and 2021 was purely to capitalise on cargo business opportunities. Some of these markets were discontinued based on the actual financial results and the weak growth potential as the routes became unviable due to subsequent drops in cargo demand and yields. The Airline's entire wide-bodied aircraft fleet was utilised for cargo operations to a greater extent. Cargo flights did offer limited capacity for passenger traffic which was utilised as and when demand materialised. In addition to Cargo flights, SLA operated a number of ad-hoc repatriation flights to bring the stranded Sri Lankan nationals back to the Country and as well as charter operations on behalf of international clients.

As uncertainties on post-COVID recovery of passenger demand

continued, in the absence of reliable market forecasts, SLA adopted IATA (The International Air Transport Association) forecast of global demand recovery of passenger traffic to make a reasonable assumption on the outlook for 2021/22. For the year 2021, IATA forecasts an overall (international & domestic) regional passenger demand recovery of 45% - 55% of 2019 pre-COVID levels. Accordingly, assuming only a 40% recovery of international traffic considering the substantial domestic traffic in the region, SLA's network flight schedule for 2021/22 was developed. As per this schedule, the summer season from April to October was predominantly based on cargo demand projection and limited capacity on narrow-bodied aircraft capacity was to be deployed for selected markets in Indian Subcontinent, Middle East, and the Far East. It was assumed that a major portion of 40% demand recovery would occur during the winter 2021/22 season and therefore most of the cargo-dominated flights in summer were expected to be operated as passenger flights from winter. In addition to existing flights, it is planned to introduce direct operations to Moscow, Russia as a passenger flight from winter 2021/22 due to its potential to generate tourist traffic.

However, as the recovery of passenger demand got affected due to the worsening of the pandemic conditions in 2021, SLA decided to continue with the current cargo-based schedule to optimise revenue generation and continuously review the market behaviour of passenger markets in order to consider the resumption of passenger flights. It is expected that the current Cargo based flight schedule would continue until passenger demand recovers to a level that can be financially justifiable. Accordingly, SLA's introduction of new routes in 2020/21 and 2021/22 financial years was entirely based on cargo business opportunities requiring a swift market response.

I have been entrusted as the Acting Chief Executive Officer from 1 January 2022 to take this Airline to greater heights and rebuild a profitable business as we emerge from COVID-19. The industry started to recover in some of our major markets towards the end of 2021, and building on many of the initiatives undertaken during the crisis, the Airline results picked up strongly. This was clearly reflected when the Airline made a Company profit of USD 9.25 Mn and a Group profit of USD 10.66 Mn for December 2021. This was the first profitable month for the Airline since the onset of the Pandemic in early 2020. The revenues are up by almost 200% compared with the same period last year and reached 80% of the pre-pandemic level. Further, the Airline reported a profit of USD 11.43 Mn for December 2021 at Air Transportation level, which is the highest recorded profit from Air Transportation in over 20 years.

Going forward, I have some concerns about the next 2 to 3 months depending on the spread of the new Omicron COVID variant within the region. However, as we get through this I am optimistic that travel will return strongly and we will be able to continue our recovery.

While thanking my predecessor, the departing Chief Executive Officer for his relentless efforts, I sincerely thank the Chairman, Board of Directors, Management team, employees, business partners, GoSL and our shareholders for their continued support and patronage. I am confident that we will continue to be resilient and relentless in our efforts to reach the vision of becoming Asia's most customer-centric airline. We as an Airline will continue to serve the nation.



Richard Nuttall
*Acting Chief Executive Officer and
Chief Commercial Officer*

BOARD OF DIRECTORS

Mr. Asoka Pathirage

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

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

Mr. Malik J. Fernando

Mr. Malik Fernando was appointed to the Board of SriLankan Airlines Limited on 8 January 2020 and was subsequently appointed to the Board of SriLankan Catering Limited.

He 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.

Mr. Manohara Ratnavibhushana De Silva PC

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

He 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.

BOARD OF DIRECTORS

Mr. Samantha Ratwatte PC

Mr. Samantha Ratwatte PC was appointed as a Member of the Board of Directors of SriLankan Airlines on 8 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 practice 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.

Dr. Shridhir Sariputta Hansa Wijayasuriya

Dr. Hansa Wijayasuriya was appointed to the Board of SriLankan Airlines Limited on 23 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 the immediate past chair of the Ceylon Chamber of Commerce, Sri Lanka's premier business chamber.

Mr. Sanjaya Mohottala

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

In addition to serving as a Board member at SriLankan, Mr. Mohottala was the Chairman BOI, Board Member at Export Development Board and Sahasya. He also was a member of the Presidential Task Force for Economic Revival & Poverty Eradication.

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

He has extensive experience in strategy, mergers & acquisitions and investments, restructuring, operational improvement, sales and marketing, advance analytics and organisation redesign. Mr. Mohottala has led multiple merger discussions and post-merger integration efforts. He has also worked on large scale global transformation efforts.

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.

Mr. Joseph Jayanth Micheal Perera

The Ministry of Finance has nominated renowned banker Mr. J.M. Jayanth Perera to the Board of Directors of SriLankan Airlines, effective 27 March 2021 and was appointed to the Board of SriLankan Catering Limited w.e.f. 21 May 2021.

Mr. Perera has over 40 years of experience in the financial sector with the majority of those years being at senior management and board levels.

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

Currently, Mr. Perera serves as an Independent Non-Executive Director of the McLarens Group of Companies and Inter Ocean Energy (Pvt) Ltd and a Director of Premier Physicians Medical Group (PVT) Ltd. He also holds the position of Senior Director of Singer Finance PLC where he is Chairman of the Risk Management Committee and also functions as a member of the Audit Committee. He is Director of Qwest Destinations, a well-known establishment in the leisure sector which represents many cruise Companies and Tourism Bodies in Europe and the USA.

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

SENIOR MANAGEMENT TEAM

Mr. Richard Nuttall

Acting Chief Executive Officer and Chief Commercial Officer

Mr. Richard Nuttall joined the airline as Chief Commercial Officer from the start of November 2021 and became Acting Chief Executive Officer from 1 January 2022.

He has 25 years experience in the aviation industry and has held a variety of senior roles in multiple carriers covering different operating models around the world. These include:

- ✦ Various roles at Saudia Airlines. Initially appointed as VP Commercial Transformation, he later progressed to VP Sales and took on additional responsibilities for Product & Marketing. He had shared ownership of the commercial strategy for an airline with \$6 Bn in annual revenues and led 2,700 staff globally. Delivered international passenger growth of 30% over 3 years, well above regional averages, achieved a 25% reduction in distribution costs, and played a leading role in a service initiative that raised the Airline's NPS score in line with the best in the industry.
- ✦ Chief Commercial & Strategy Officer at Royal Jordanian where he led a team of business leaders and internationally renowned consultants to deliver a turnaround strategy, identifying 70 initiatives and creating a framework to track and measure performance. Returned the Airline to profitability with an \$80 Mn improvement in the bottom line and 12% margin growth.
- ✦ Representative of Saudia Airlines to the Skyteam Supervisory Board where he later joined the Executive Board under a new governance model.
- ✦ Other positions include CEO of Bahrain Air, Commercial Director at Kenya Airways, Senior Commercial Advisor with Philippine Airlines, VP Sales & Marketing – Americas for Polar Air Cargo, and a range

of Management roles at Cathay Pacific Airways.

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

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. 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. Chamara Perera

Group Head of Information Technology

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

Mr. Chamara Perera entered the Airline industry in 1999 counting two decades with the National Carrier. He has served in several management and senior management positions in the Airline and in 2012 he was appointed as the Head of Information Technology and then was made responsible to overlook Sri Lankan Group Information Technology in 2021.

He overlooks the Aviation ICT and Digital Eco Systems of SriLankan Group spanning from worldwide operations of mission critical aviation systems to business IT solutions driving digital transformation strategy of the Airline Group. Mr. Perera spearheaded many pioneering implementations of technology innovation to establish passenger centric e-business solutions and services across multiple touch points in air transportation processes to uplift the technology use in aviation. IATA Simplifying the Business (StB) programme for fast travel technology

adaptation, implementation of data driven Aviation platform to enable business operations, compliance in aviation sub systems to meet air transportation standards are some of the key initiatives under his leadership. He also steered achieving IT governance standards for the Airline Group. 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 given the leadership to transform and replace expensive legacy airline systems with cost effective and innovative suite of applications to rationalise the overall technology spend of the National Carrier. Furthermore, SriLankan developed applications and solutions have won national and international accolades under his guidance making marketable products and solutions for the Airline community.

Mr. Perera holds a masters degree in Business Administration, (MBA) 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. He also holds professional qualifications and certifications in IT specialisations 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. Dimuthu Tennakoon

Head of Worldwide Sales & Distribution

Mr. Dimuthu Tennakoon is the Head of Worldwide Sales and Distribution at SriLankan Airlines, spearheading the Worldwide Passenger Sales, Network-Wide Sales Channel Management and Sales Operations of the Airline. Appointed at the current role in April 2017, Mr Tennakoon possesses over 25 years of experience in Airline Sales, Financial Management, Revenue Management and Commercial Planning.

Mr Tennakoon joined the SriLankan family in 1992 and has served in revenue planning, schedules planning, route management and pricing departments in the early days. His overseas assignments include the roles of Country Manager in Dubai, Canada and India, and Regional Manager for Asia Pacific and Middle East regions. Further, he has served as the Country Manager- North India for Oman Air.

Prior to heading the Worldwide Sales function, Mr. Tennakoon contributed as General Manager Commercial Operations where he overlooked Regional Sales, Sales Development, Product Development, Customer Affairs, Industry Affairs, SriLankan Holidays, E-Commerce, Channel Management and Customer Loyalty departments, showcasing his vast spectrum of knowledge and experience in the international airline business and marketing structures.

Mr. Tennakoon is well recognised for his futuristic sales strategies to successfully overcome the fierce industry competition, which showcases his expertise in the pricing, route management, schedules planning and revenue planning subject spheres.

An advocate of proactive and result oriented commercial practices, Mr. Tennakoon is well known for his strategic planning and innovative

process improvement proposals. He is a dedicated leader who envisions organisational growth and long term sustainable market practices.

A graduate of the University of Colombo- Faculty of Law, Mr. Tennakoon also serves as the Chairman of Sri Lanka Board of Airline Representatives and as a Board Member of Sri Lanka Conventions Bureau.

Mrs. Buddhika Manage

Group Head of Human Resources and Cabin Services

Mrs. Buddhika Manage joined the Airline in 2003 as a Management Trainee and started her career as an Executive in Commercial Procurement Department in 2004. She has 17 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 was permanently appointed as the Head for both the divisions Human resources and Cabin Services and retitled as "Head of Human Resources and Cabin Services" effective July 2020.

In September 2020, she was appointed as the Group Head of Human Resources and Cabin Services to overlook the SriLankan Catering HR function in addition to her duties in the Airline.

The whole Human Resources function of the Airline and SriLankan Catering and the Cabin Crew administration and operation of the Airline are under her purview.

SENIOR MANAGEMENT TEAM

She also performs as the Secretary to the Human Resource and Remuneration Committee (HRRC) of the Board for both SriLankan Airlines and SriLankan Catering .

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. Patrick Fernando

*Head of Flight Operations
(Flight Crew)*

Joined Sri Lankan in 1992 when it was formerly known as Air Lanka as a cadet pilot on the L1011 fleet. Has flown the L1011, A320, 330 and A340 aircraft. Been a Captain for over 20 years and an instructor for over 15 years. Joined the management in 2011 as Deputy Chief Pilot Training and Standards and Chief pilot Training and standards subsequently.

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

Mr. Saminda Perera

Head of Marketing

Mr. Saminda Perera spearheads SriLankan's Marketing and Corporate Communications Strategy since June 2015. He counts over two decades in the air transport industry, specialised in strategic marketing and global sales.

Mr. Perera joined SriLankan as a Commercial Executive during the Emirates era, and went on to hold many of the Airlines' prominent positions such as Director- Crisis

Communications, Manager- Corporate Events and Promotions, Acting Head of Corporate Communications, Commercial Manager –France, Regional Manager- Sri Lanka and Maldives, General Manager Worldwide Sales and General Manager Corporate Communications of SriLankan Airlines. He has also held the positions of Snr. Manager Marketing Communications of Oman Air and Consultant/ Evaluator of UNESCO in France.

During his tenure at Airlines' Sales, he has been instrumental in developing a global sales strategy with emphasis on the Airline's cross boarder market position and leading the Regional Managers and Country Managers across the SriLankan network on reorganising sales teams with the usage of business intelligence, whilst building an internal culture that could utilise business intelligence and analytics to drive sales. The key milestone during his tenure at Sales is recording an overall network passenger revenue target of USD 780 mn and expanding the market share in Sri Lanka from 23% to 33%.

Mr. Perera has noteworthy track record of airline image building and increasing passenger yield through innovative sales and marketing methods built on solid fundamentals of airline marketing. His expertise also extends to the areas such as stabilising the brand in newly established markets/destinations, marketing innovation and customer-centric, holistic communication. He has led the Airlines' Marketing team in many globally acclaimed marketing communication endeavours that have been recognised at international forums.

He is a dynamic and exemplary leader with interest to explore innovative methods and overcome challenges in the world of commercial aviation. His accountable, proactive and assertive approach and exceptional

inter-personal skills have resulted in elevating SriLankan Airlines' image to a higher level.

He is trilingual, being fluent in English, French and Sinhala.

Mr. Sanjeeva Jayatileke

Senior Manager Airport and Ground Services

Ravi Sanjeeva Jayatileke was appointed to lead the Airport & Ground Services Division in December 2020 has been with SriLankan Airlines for last 15 years. At SriLankan he started as Manager Human Resource Development and thereafter moved onto manage the Product Development Department prior to moving to Worldwide sales division where he served as Country Manager in Sri Lanka and Australia. Before joining SriLankan he has served in the Apparel Manufacturing Industry and Semi Government Authority.

He holds a Master's degree in Human Resources from the University of Southern Queensland and a Bachelors Degree in Business Administration from Washington College, USA.

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 Post Graduate Institute of Management (PIM) University of Sri Jaywardenepura and a National Diploma in Training and Development from the Sri Lanka Institute of Training and Development. He is currently reading for the Masters in Labour Relations and Human Resources Management – Faculty of Graduate Studies at the University Colombo.

Lt. Col. Bandula Weragama

General Manager Group Security

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. Bandula now leads the Division of Group Security an appointment he took over in April 2020.

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

Mr. Arjuna Kapugeekiyana

Senior Manager Aircraft Maintenance

Mr. Arjuna Kapugeekiyana joined the Engineering Division of SriLankan Airlines then known as AirLanka in 1984 as an Apprentice, In May 2018 he was appointed as Senior manager Aircraft Maintenance and is currently overlooking aircraft Engineering Division of the company.

He is a Licensed Aircraft Maintenance Engineer with certifying privileges for Airbus A320/330/340 Aircraft. He held many managerial positions at

Engineering & Maintenance Division. He had a brief stint at Gulf Aircraft maintenance Company from 1988 to 1991 in a multi-cultural environment.

Mr Kapugeekiyana has an Aircraft Maintenance license from Civil Aviation Authority of Sri Lanka, and holds Master's in Business Administration from university of Cumbria (UK).

Mr. Kshanaka Saparamadu

Senior Manager Revenue Management

Having joined the Airline in 2000 as a management trainee, Mr Kshanaka Saparamadu started his career at the Commercial Division in 2001. He possess over 20 years of industry experience with over 15 years at managerial level. Currently overlooking Revenue management, Network Planning and International relations functions of the Airline.

He is holding a Bachelor's degree specialised in Commerce from the University of Colombo and IATA Diploma in Airline Studies (Montreal). He is also a passed finalist of Chartered Institute of Management Accountants (UK).

Mrs. Thushari Perera

Manager Group Legal Affairs

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

local litigation, intellectual property, industrial and labour relations and notarial work of the Group.

Mrs. Perera is an Attorney-at-Law by profession. She possesses Notary Licenses in English and Sinhala languages. She has also successfully completed National Diploma in Human Resources Management at Institute of Personnel Management in addition to her legal education.

Mr. Sudath Madapatha

Senior Manager Group Safety

Capt. Sudath Madapatha counts 27 years in the Aviation field since he first joined the company in 1995 as a Load Controller attached to Ground Handling. In 1998 he moved on to the Flight Operations Department as a licensed Flight Dispatcher having been selected as a Cadet Pilot in 2001, and advanced to First Officer in the A330/A340 fleet. In 2006, he joined Etihad Airways and received his command in 2010 and as a Captain he has flown most of the Airbus aircraft types including the A380. He was also attached to the Safety and Quality department at Etihad as Lead Auditor conducted internal and external audits across most of the operational disciplines.

In 2019 he rejoined SriLankan as a Captain, and was contracted as a Consultant IOSA Auditor in preparation for the IOSA certification audit in 2020. In 2021 he joined the management as Senior Manager Group Safety.

Capt. Madapatha has had extensive training in Safety Management System and Quality Management System from EASA, IATA, Airbus and Boeing, including airline internal training. He is currently reading for a MBA.

ENTERPRISE RISK MANAGEMENT

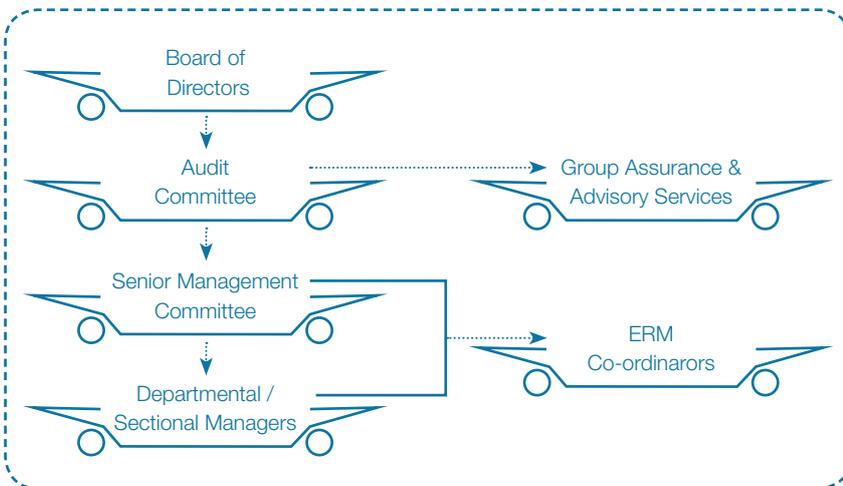
Risk Governance

SriLankan Airlines has established a framework for Enterprise Risk Management process based on the risk management standards and industry requirements. The Board of Directors has approved the Enterprise Risk Management framework of SriLankan Airlines and it is implemented across all divisions of SriLankan Airlines.

The Audit Committee assists the Board in their oversight responsibilities by reviewing procedures that are established at Board and management level for identification, evaluation & management of business risks and reviewing management performance in establishing and maintaining an effective risk management system.

The Senior Management Committee reviews the potential risks and formulates strategies to effectively manage strategic level risks. Departmental / Sectional Managers are responsible in identifying risks in their area of responsibility and devising action plans to manage them.

The SriLankan Airlines ERM implementation is facilitated by Group Assurance & Advisory Services.



Risk Management Process

SriLankan Airlines has implemented a structured framework of risk management policies to ensure that standardised procedures are used across all divisions for the identification, assessment, management, reporting and monitoring of risks.

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

SriLankan Airlines anticipates internal and external factors and identify potential risks that may cause any hindrance in achieving functional and corporate objectives. 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.

The Senior Management Committee and Departmental/Sectional Managers are responsible in formulating action plans based on the risk ratings and the risk score. The significant risk treatment actions are reviewed by the CEO/respective Senior Management Committee member.

All risk profiles are maintained in a central database and risk owners can directly update the ERM System to ensure that risks are up to date and reflects the current operating environment.

CORPORATE GOVERNANCE REPORT

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

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

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

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

The Board of Directors

Composition of the Board

In terms of the Articles of Association of the Company, the Government of Sri Lanka acting through the Secretary to the Treasury appoints the Board of Directors as long as the Government holds more than 50 percent of the shares of the

Company. The Government appoints the Directors to the Board through a selection committee to ensure that the Board consists of qualified, and talented personnel with the ability to make the State-Owned Enterprises successful ventures. As the public ownership of enterprises is vested in the government, the Board of Directors is directly accountable to the Government.

The role of the Board

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

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

Board's core responsibilities are to;

- ✘ ensure that adequate delegation of authority to the Management especially in making operational decisions facilitating the effective implementation of the strategic directives.
- ✘ ensure that the Company is in possession of a sound and reliable Management information system which facilitates decision making and accountability.
- ✘ ensure the integrity of the accounting and financial reporting systems, control systems such as risk management and operational control, uphold compliance with the laws, regulations, and relevant standards.
- ✘ ensure that the key processes and procedures including the operational, administrative and financial processes are properly documented and updated periodically.

- ✘ Ensure disclosure of maximum information of both financial and non-financial nature to its stakeholders without compromising any statutory or operational requirements through the Company's website.

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

- ✘ All Directors receive accurate, relevant, timely, clear and balanced information
- ✘ The Company Secretary acts as the point of contact for the flow of information between Committees, the Board and Directors, and other key Management.
- ✘ The CEO along with the respective Heads of Divisions present their submissions to the Board and provide the necessary clarifications requested by the Board.
- ✘ In addition, all Board Papers are made available in electronic format, in line with the Company's sustainability initiatives

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

Delegation to Board Subcommittees

The Airline has in place Board subcommittees to fulfil better governance and best practices. These committees comprise directors

CORPORATE GOVERNANCE REPORT

who can bring their expertise and experience to the assigned committees. The duties are set out in formal Terms of Reference. The Secretary to the Board subcommittees is the Company Secretary.

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

Indemnities to Directors

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

Role of the Chairman and Chief Executive Officer

Distinction between strategic and operational matters is clearly established in terms of division of responsibility of the Chairman and the Chief Executive Officer. The Chairman of the Board of Directors is a non-executive appointment and focuses on strategic issues and monitor the business and Senior Management Team. He ensures Board procedures are followed and all Board Members effectively participate during meetings.

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

Internal Control and Risk Management

Internal control framework currently in place is set by the risk management framework, financial control, internal audit and supporting policies. The

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

Statutory Compliance

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



MANAGEMENT
DISCUSSION &
ANALYSIS

MANAGEMENT DISCUSSION & ANALYSIS

Financial Review

The ongoing COVID-19 pandemic has resulted in a catastrophic impact on the airline industry, bringing it into survival mode and SLA has not been spared. Although, the recovery of the passenger traffic commenced with the return of domestic air travel in many parts of the world, SLA does not have any upside from this market due to Sri Lanka being a small country with a negligible domestic market. In this context, the financial year 2020/21 has been one of the toughest ever in the history of the Airline.

Amidst the dramatic decline in air traffic demand coupled with international border closures driven by the first, second and now the third wave of rising COVID-19 cases, the recovery for the Airline has been slower than expected. Nevertheless, SLA managed to navigate through a period of suppressed revenues by concentrating on the cost saving measures, cash burn reductions, selective flying mainly concentrating on cargo where revenue opportunities prevailed and support from the Government of Sri Lanka (GoSL).

Cargo revenue offered a lifeline to the Airline by exploiting the heavily reduced passenger flight schedule resulting from the significant reduction in passenger numbers. Consequently, a substantial portion of air freight was carried in the bellies of idling passenger aircraft during the year in review, making cargo revenue surpass passenger revenue for the first time ever.

Although, the year in review commenced with a relatively benign macro-economic conditions such as drastically declined jet fuel prices and favourable currency movements, the benefits derived from such gains were negligible in the face of decline in air traffic.

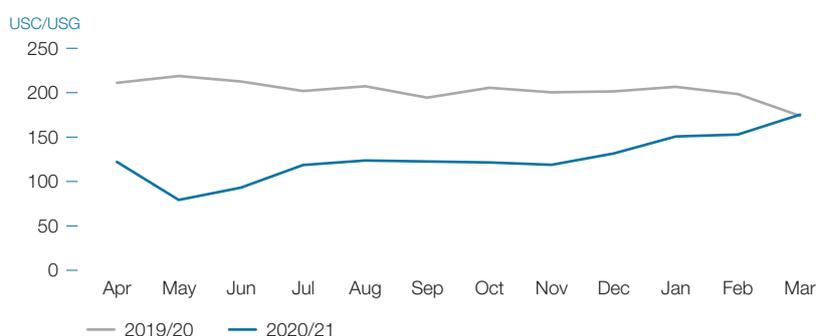
As a result, the Group recorded a net loss of LKR 49,705 Mn for the financial year 2020/21, which was 12.6% higher compared to the previous financial year.

The main non-operating items contributed to the aforementioned Group loss are as follows.

	LKR Mn
Finance Cost	-35,864
Exchange Loss (Operating)	-6,339
Withholding Tax (WHT) written-back	+16,433

With the enactment of Inland Revenue (amendment) Act No 10 of 2021, the provision made for WHT tax liabilities on foreign supplier payments retrospectively from 01 April 2018 to 31 March 2020 was written-back during the financial year in review.

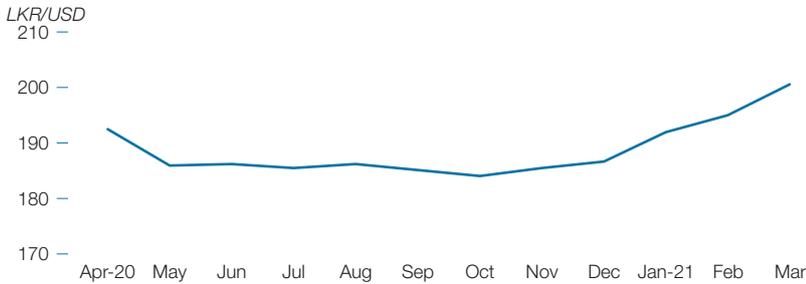
Impact of the Jet Fuel Price movement



Movement: Jet fuel prices bottomed out at the beginning of the financial year when it reached USC 61 per gallon amid lackluster air travel demand. However, the supply disruptions drove up the jet fuel prices, which trended upwards during the year with a steep increment of 172%. At the end of the year 2020/21, jet fuel prices almost reached pre-COVID levels and stood at USC 166 per gallon (Source: IndexMundi).

Impact: The Group could not gain the benefit of low jet fuel prices in the early stages of the pandemic, due to fuel being reducing from 29.3% of the operating cost in the previous year to 12.8% during the year under review, driven by significantly low fuel consumption, which saw a year-on-year reduction of 72%. The escalating jet fuel prices towards the end of the year further burdened the Airline.

Impact of the Exchange Rate movement



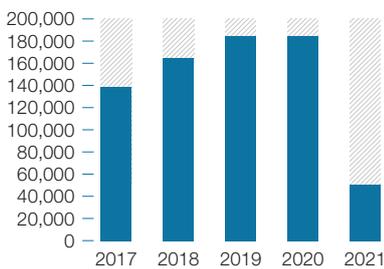
Movement: The Sri Lanka Rupee, which appreciated against the US Dollar during the first half of the financial year 2020/21, recorded an accelerated depreciation in the second half due to the decline in foreign exchange earnings from the export and tourism sectors hit by the COVID-19 pandemic. The resultant depreciation for the year was 6% in comparison to an 8% depreciation during the previous year.

Impact: The unfavourable currency movement in the latter half resulted in an exchange loss of LKR 19,673 Mn, mainly arising from translation of foreign currency liabilities including loans and leases, which adversely impacted the bottom line of the Group by making up 40% of its net loss for the year.

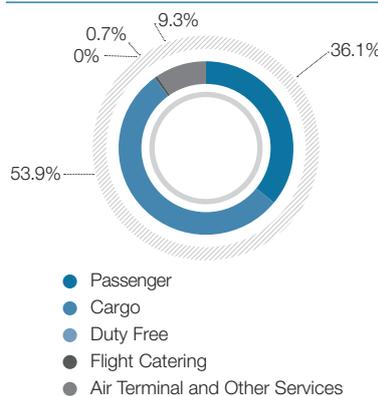
Group Earnings

Following a year that saw most of its narrow-body fleet grounded whilst wide-body fleet operated with the lowest ever passenger load factor, the Group recorded a revenue of LKR 50,929 Mn, reflecting a drastic year-on-year decrease of 72.3%. Cargo revenue, which constituted 53.9% of the Group revenue, marked history by being the main contributor to the Group earnings.

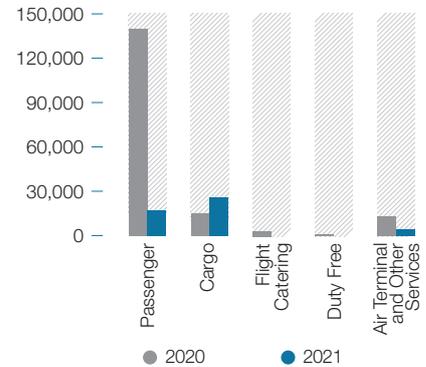
Revenue trend in LKR Mn



Composition



Change in Revenue in LKR Mn

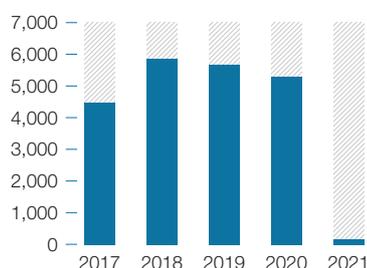


The overall number of passengers carried fell by 96.8% from 2020 levels, despite the numerous strategies introduced to counteract the dramatic drop in demand for passenger air transportation.

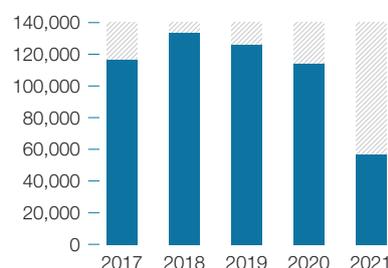
Although, a year-on-year reduction of 50.5% was reflected in the cargo tonnes carried mainly due to lower capacity amidst reduced number of flights, the contribution from cargo to the total payload carried stood at 78% when compared to 22% in the previous financial year, whilst the average cargo tonnes carried per aircraft has seen a significant improvement of 23.3% in 2020/21 compared to 7.2% in 2019/20 owing to the heightened focus on air freight. As a result, cargo revenue reached a record high of LKR 27,454 Mn from LKR 15,905 Mn of the previous financial year.

MANAGEMENT DISCUSSION & ANALYSIS

Passengers carried '000



Cargo carried in tonnes



Expenditure

In 2021, the Group's expenses were LKR 118,314 Mn, reflecting a significant decrease of 48.4% from the Group's expenses of LKR 229,368 Mn for the year 2020, owing to the 68% drop in the level of operation amidst COVID-19 related restrictions imposed on air travel. The breakdown of the Group's expenses is given below;

	2021		2020		Variance/Positive (Negative)	
	Value (LKR Mn)	Contribution %	Value (LKR Mn)	Contribution %	Value (LKR Mn)	%
Aircraft Fuel Cost	10,569	12.8	55,328	29.3	44,759	80.9
Employee Cost	17,112	20.8	22,903	12.1	5,791	25.3
Airport Enroute and Passenger Expenses	7,308	8.9	25,277	13.4	17,969	71.1
Aircraft Maintenance and Overhaul Costs	13,695	16.6	22,820	12.1	9,125	40.0
Depreciation/Amortisation	16,745	20.3	19,392	10.3	2,647	13.6
Rentals on short term leases (Aircraft & Spare Engines)	2,265	2.7	1,394	0.7	(871)	(62.5)
Selling Marketing and Advertising Expenses	2,065	2.5	14,550	7.7	12,485	85.8
Crew Expenses	1,680	2.0	6,557	3.5	4,877	74.4
Exchange Loss - Operating	6,339	7.7	5,270	2.8	(1,069)	(20.3)
Other Operating Expenses	4,671	5.7	15,209	8.1	10,538	69.3
Total Operating Expenses	82,450	100.0	188,700	100.0	106,251	56.3
Finance cost (other)	35,864		40,667		4,803	11.8
Total Expenses	118,314		229,368		111,054	48.4

While the 72% drop in fuel volume driven by the reduced operations resulted in a reduction in fuel cost of LKR 39,859 Mn, the drop in fuel prices from an average of USC 203 in 2019/20 to USC 131 in 2020/21 resulted in a further reduction in fuel cost of LKR 5,814 Mn. However, the adverse impact on fuel caused by the depreciation of Sri Lanka Rupee against the US Dollar was LKR 914 Mn.

In-line with the decreased flight numbers and passenger numbers, the airport enroute and passenger expenses and selling, marketing and advertising expenses reduced by 71.1% and 85.8% respectively.

Crew expenses reduced by 74.4% mainly due to the reduction in operations. Furthermore, aircraft maintenance and overhaul costs decreased to LKR 13,695 Mn in 2021 compared to LKR 22,820 Mn in 2020 mainly due to lower utilisation.

To minimise the loss resulting from the reduced air traffic revenue, SLA has taken steps to reduce aircraft lease rentals by restructuring the lease agreements through extensive negotiations with lessors and the resultant saving for the financial year 2020/21 was LKR 3,454 Mn (USD 18 Mn), whilst the expected annual saving would be USD 27.5 Mn.

Other expenses reduced by 69.3% compared to the preceding financial year, mainly due to the absence of WHT expense of LKR 8 Bn (54%), which was provided in 2019/20. In addition, as a result of re-negotiation of third-party contracts pertaining to IT, product development, properties and logistics, flight operations and revenue management areas, LKR 1,510 Mn (USD 8 Mn) was saved during the financial year 2020/21.

The year in review saw employee cost decreased by 25.3% owing to the reduction in salaries/allowances coupled with the initiatives such as placing contract staff on no-pay leave and discontinuing services of the expatriate staff. The total saving from these exercises accounted for LKR 5,791 Mn (USD 30 Mn). Furthermore, a Voluntary Retirement Scheme (VRS) was introduced, which will yield an approximate annual saving of LKR 432 Mn (USD 2.3 Mn).

Cash Position

In the backdrop of turbulent environment and associated delays in cash inflow, the Group remained cash negative throughout the financial year, where net cashflows from operating activities fell to a negative LKR 30,685 Mn from a positive LKR 26,130 Mn, reflecting a decline of 217.4%.

Negotiations with Aircraft Leasing companies enabled SLA to defer the lease and maintenance reserves payments worth of USD 80.24 Mn with the repayment period ranging from 18–24 months. This, together with deferred payment plans and reductions with other key suppliers during the financial year amounting to USD 35 Mn, provided a certainty on financial planning.

A further cashflow management strategy adopted during the year was the restructuring of the loan obtained

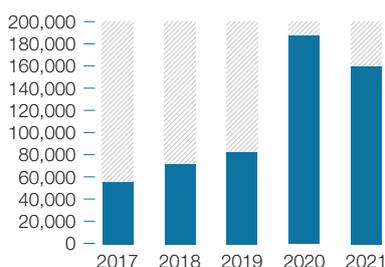
from Credit Suisse Bank AG. Capital amounting to USD 16.67 Mn was deferred over 06 months from April to September 2020.

The overwhelming support provided by the GoSL in the form of credit facilities of USD 75 Mn and an equity investment of LKR 27.73 Bn (equivalent to USD 150 Mn), eased the immediate burden on the Airline during the financial year in review. Furthermore, an equity investment of LKR 18 Bn (equivalent to USD 90.5 Mn) was received in April 2021, as the second tranche from a total approved recapitalisation of SLA by the GoSL of USD 500 Mn.

Financial Position

The Group's total assets stood at LKR 157,883 Mn as of 31 March 2021, mainly attributable to restructuring of leases worth of LKR 11,554 Mn and depreciation and amortisation of LKR 16,745 Mn.

Assets in LKR Mn



Revenue Management

The unprecedented outbreak of the pandemic and the resulting extensive drop in demand for air traffic made the financial year 2020/21 the most challenging phase for the Airline. Due to the heightened impact by the subsequent closure of the country's international borders at the end

of 2019/20 financial year, SLA's total passenger carriage was only 167,000 compared to over 5.5 Mn passengers in financial year 2019/20 and accordingly passenger capacity offered was reduced by as much as 79%.

During 2020/21 SLA strived to capitalise on growing market opportunities for air cargo with the objective of utilising its wide-bodied aircraft capacity, which was largely redundant due to nearly non-existent demand for passenger services. Due to heavy competition among the carriers with similar market objectives, SLA had to act swiftly and deploy capacity into markets where demand for cargo operations materialised. These markets included both existing and new destinations. New operations were introduced to Sydney, Saigon, Frankfurt, Hong Kong, Milan and Paris during 2020/21 based on their potential for cargo business opportunities. Limited capacity for passenger operations was offered in most of the flights operated for cargo purposes, in order to serve the essential passenger movements. In addition, Seoul was introduced to facilitate the regular repatriation of the Sri Lankan labour force.

During the year, the Airline operated number of ad-hoc repatriation flights to bring the stranded Sri Lankan nationals and as well as conducted charter operations on behalf of international clients. In addition, special flights were operated to repatriate foreign nationals to their respective home countries from United Kingdom (Chinese nationals) and Australia (Indian nationals).

Under the circumstances, the Airline reported a passenger revenue of USD 96.6 Mn (LKR 18.4 Bn) for financial year 2020/21, while the total air transportation revenue stood at USD 243.4 Mn (LKR 45.88 Bn) with an overall drop of 74% from 2019/20.

MANAGEMENT DISCUSSION & ANALYSIS

As uncertainties on post-COVID recovery of passenger demand continues and in the absence of reliable market forecasts, SLA intends to closely monitor the ground realities and be guided by independent insights made by trade bodies such as International Air Transport Association (IATA) and International Civil Aviation Organisation (ICAO) to make a reasonable assessment on the outlook of 2021/22 and beyond.

oneworld

SLA has been a member of the oneworld Alliance since the 1 May 2014. As a member of the Alliance, SLA offers passengers the opportunity to travel to over 1,100 oneworld destinations worldwide. SLA is the first airline from the Indian Sub-Continent to be inducted to the prestigious Alliance and shares membership with some of the largest and premium brands in the airline business such as – Alaska Airlines, American Airlines, British Airways, Cathay Pacific, Finnair, Iberia Airlines, Japan Airlines, Malaysia Airlines, Qantas, Qatar Airways, Royal Air Maroc, Royal Jordanian and S7 Airlines. Alaska Airlines is the newest member to join the Alliance in 2021.

As a member of the Alliance, SLA has been able to grow its network, leverage its brand value from a regional carrier to a more global platform, build its loyalty program and be a part of knowledge transfers. Following its entry in to oneworld, SLA has entered into codeshare partnerships with six airlines inclusive of four 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 past financial year was undoubtedly the most challenging year for SLA. As the global pandemic unfolded, the prospective plans on sales operations for the year were completely disrupted due to the continuation of the travel restrictions and health measures imposed by the regulators and countries of all regions with a view to controlling the spread of COVID-19. The inbound tourism market continued to be drastically low and posed a negative impact on all stakeholders, including all affiliated service providers of the travel industry.

Nevertheless, the Airline's ability to adapt was exhibited as it adjusted its strategies in exploring new avenues to acclimatise itself to what seemingly was the start of a new era of travel. While scheduled passenger operations experienced a reduction of 89% against the previous year, the sales focus was navigated towards accommodating non-scheduled passenger charters for repatriation efforts and private businesses, which generated a promising business opportunity for the Airline's revenue portfolio.

With the continued global pandemic, the financial year concluded with a total passenger revenue of USD 96.6 Mn mainly by capitalising on passenger movements on the scheduled cargo flights. The Long-haul flights which provided convenient connections from the East to the West with minimal stops and disruptions to passenger travel ensuring highest levels of safety, made a noteworthy contribution to the network revenue.

Although the calamities of the pandemic on the travel industry are yet to overcome, SLA has already

initiated exploring innovative and futuristic avenues of sustainable revenue generation. With an increased focus on passenger safety and health protocols, the Airline portrays its commitment to sustaining its positioning in providing direct connectivity to Sri Lanka by exploring new markets, which are promising such as South Korea, Kenya and Germany, while generating business opportunities with our key stakeholders and partners. Furthermore, the sales support functions are continuing to drive all key auxiliary sales platforms to connect with the dynamic and evolving passenger needs.

e-commerce

In pursuit of bringing its online sales platform on par with the industry's leading airlines, SLA relaunched its website, www.srilankan.com, with a modern outlook and improved functionality to enhance its user experience. The website features an intuitive design with a better performance across all devices, ensuring parity with industry standards and best practices.



The direct channel also upgraded its performance tracking tool, Google Analytics, from a standard status to enhanced tracking, allowing further insight into its performance, giving the

Airline the opportunity to recognise and remedy any areas of improvement on its direct channel.

To ensure convenience and flexibility of the online booking process for all audiences, the Airline introduced new payment options such as WeChat Pay, Alipay (China) and POLi (Australia and New Zealand).

In addition, a new internet payment gateway for the online platform, giving preference to local banks, was initiated and is due to be launched by November 2021.

Enhancing the convenience of the online platform even further, SLA has also implemented the travel itinerary facility, where passengers are able to obtain a travel itinerary for the purpose of obtaining visa.

With further enhancements in the pipeline, SLA aims to strengthen the customer experience of its online channel by bringing the world one step closer right to their fingertips.

Ancillary Services

While enduring the challenges faced amid the pandemic, SLA continued to strengthen its service offerings during the year by adding new ancillary services such as the Neighbour Free Seats facility. This allowed Economy Class passengers to reserve an adjacent seat or an entire row for a more comfortable, relaxed and socially distanced journey.



In addition, the Airline is also working with its partners to launch a facility known as “Instant Upgrade”, which would allow Economy Class passengers to upgrade themselves to Business Class with just a touch of a button. These new features are keeping in line with the corporate vision of being the most customer centric airline in the region.

Taking into account the importance of ancillary revenue for the airline industry, SLA has laid the foundation to continue in adopting new enhancements to the passenger journey by enhancing ancillaries in the coming years.

Channel Management

The Agency Booking Engine, a direct reservation system is ready to be launched to travel agents once the normal flight schedule resumes. The direct link will enable travel agents to place bookings directly with SLA and will minimise the current costs incurred in respect of Global Distribution Systems. SLA has obtained the Level 4 certification for New Distribution Capability (NDC) by IATA for the Agency Booking platform, which is the highest level on NDC. NDC enhances communication between the Airline and travel agents, which allows

for more effective merchandising, competitive propositions and product personalisation. It will also address the current distribution limitations such as time-to-market and product differentiation.

Customer Loyalty

Offering added rewards and recognition to its most loyal customers, FlySmiLes, the frequent flyer programme of the Airline had its most challenging and uncertain year thus far.

FlySmiLes members can earn and burn miles with the oneworld airline partners and several other local and international non-airline partners in dining, lifestyle, banking and telecommunication. As a member of the oneworld Alliance, Gold and Platinum members of this programme further enjoy lounge facilities at over 600 locations connecting over 1,000 destinations worldwide.

As member activity was curbed due to the on-going pandemic, a few initiatives were undertaken to encourage member engagement and to ensure privileges were not disrupted. Mileage expiry extensions, tier extensions and partner voucher validity extensions were provided to ensure members are able to enjoy their eligible benefits without interruption.

A travel sentiment survey was conducted among the members with the aim of gaining insight into members' eagerness to travel and their post pandemic travel requirements and needs. A feedback survey related to member privileges was also conducted in early 2021.

Amidst the unpredictability on the resumption of regular air travel, SLA is extensively looking at new avenues to further enhance the programme. Several new member benefits and

MANAGEMENT DISCUSSION & ANALYSIS

privileges as well as expansion of the partner portfolio are in the pipeline for the ensuing year. The programme continuously looks to strengthen the bond between the Airline and its valued passengers and is hopeful that the coming year will prove to further enrich the frequent flier experience.

Global Contact Center (GCC)

The GCC provides uninterrupted services to our customers located worldwide, delivering support in English, Sinhala, Tamil and Mandarin. Through the GCC, all customers and FlySmiLes Loyalty members have a one touch point for multiple services, including reservations, ticketing, date changes, travel related inquiries, purchase of ancillary products and other travel related services.

The GCC was operational round the clock even amidst the most crucial periods of the pandemic, providing assistance to passengers, who were in dire need to re-arrange their travel plans. During the initial phase of the COVID-19 outbreak and in the ensuing months, the inbound call volumes increased significantly and the GCC managed to handle our customers by offering alternative travel arrangements.

With the constant travel restrictions that were being imposed, it was indeed challenging to operate a 24x7 call center. However, the Management was committed in its efforts to ensure continuity of the operation to assist our global customers and offer uninterrupted services throughout the year. In extreme circumstances, the GCC contributed significantly when many of the overseas offices and travel agents were closed due to the ongoing pandemic by way of ticket issuances on repatriation flights to and from Colombo.

Currently, customers residing in 12 countries have the ability of reaching the GCC through dedicated local

numbers and plans are underway to extend this service to other online destinations as well.

To be in line with the digital initiatives undertaken by the Airline, GCC is now equipped to handle the Airline's social media such as Facebook, Twitter and LiveChat. A dedicated team is deployed to manage and respond to these social media queries, complaints, and feedback round the clock. Proposed plans are included to expand its services to the other internet-based channels as well in the future.

The GCC acts as a central information hub in providing our valued clients a seamless experience, while ensuring customer satisfaction.

SriLankan Holidays

SriLankan Holidays in partnership with tourism industry experts have joined forces to plan the post-pandemic recovery of the tourism industry in Sri Lanka and to have in place corporate agreements under this objective. With the future of the tourism industry continuing to evolve, SriLankan Holidays would encourage safe tourism as part of its responsibility towards its stakeholders and the country.

With this objective, the Airline's leisure arm introduced many packages to Sri Lanka, based on the concept of "Travel Bubble" introduced by Sri Lanka Tourism that will contribute to the development of inbound tourism, which is of utmost importance to the post-pandemic recovery plan. SriLankan Holidays has also engaged international and local tour operators as well as ground and franchise operators to ensure that the relationships are maintained to ensure business resumption as soon as the pandemic subsides.

SriLankan Holidays facilitated repatriation packages, which were

implemented by the government. In addition, SriLankan Holidays also introduced a Travel Bubble Holiday package to the Maldives with selected ultra-safe resorts. These packages were promoted through the global network, including Sri Lanka. SriLankan Holidays sought to maximise business opportunities through the travel restrictions imposed in the State of Kuwait for arriving passengers from Sri Lanka by introducing Kuwait expat stopover packages to UAE.

SriLankan Holidays further ventured into alternate business opportunities and focused on driving domestic travel packages to corporate employees, families, couples and solo travelers.

SriLankan Holidays MICE arm has partnered with BMICH, the country's premier meeting, events, and function hosting venue to promote MICE tourism in Sri Lanka. This agreement will strengthen business tourism and it will help to reinforce the positioning of Sri Lanka as a key MICE destination in the future.

SriLankan Holidays is planning to revamp its website with a modernised layout and improved functionality to enhance user experience. The website features an intuitive design ensuring better performance in line with industry standards and best practices. Taking into consideration the new trends in the air travel holiday industry, the website has added features such as new filtering mechanisms, variety to choose according to their vacation financial plan, flexible payment options, preferred currency selection, multiple hotel selection and many more. This website will reach a wider audience and cater all the holiday requirements by being an "Absolute Holiday Solution".

Marketing

SLA steered several strategic marketing endeavors to retain the

customer engagement and emotional connection to the brand, during the pandemic. Given the travel restrictions and border closures across countries, opportunity to experience the brand firsthand was limited. Therefore, the Airline's communication channels were compelled to focus on the role of travel inspirators through campaigns to retain traveller anticipation, continuous assurance on safety, destination inspiration and featuring the Airline's staff as wellness and optimism ambassadors. SriLankan promises was one such campaign that received a heartening response from the social media community during the outbreak of the pandemic.

Despite the gloomy operational climate, SLA managed to continue its award-winning streak, by retaining the coveted titles, "Asia's Leading Airline to the Indian Ocean Region" and "World's Leading Airline to the Indian Ocean Region," at the World Travel Awards 2020, for the fifth consecutive year.

The Airline, for the second consecutive year, secured the esteemed title "Marketing-Carrier" at the Pacific Asia Travel Association (PATA) Gold Awards, this time, bestowed upon its record-breaking brand video targeting the Pan India market "Serendipity Next-door", featuring Bollywood superstar Jacqueline Fernandez and cricketing legend Kumar Sangakkara, and the all-encompassing marketing campaign 'Next-door neighbour'.

The Airline's signature sponsorship for the historic Melbourne Marathon Festival's Half Marathon Event continued for the fourth consecutive year. Having recorded back-to-back sellout events during 2018 and 2019, the Airline was looking forward for increased visibility and more spectators attracted to the event. However, under the prevailing conditions, the Marathon was held as a virtual event.

SriLankan Cargo

The COVID-19 pandemic created an unprecedented environment for airline operations in the year 2020/21 with the preventive measures taken by governments globally, resulting in the reduction in global passenger demand by 58.6% in comparison to financial year 2019/20 as reported by IATA. This led to airlines, inclusive of SLA, being compelled to withdraw the deployed passenger capacity, resulting in the recording of a global decline by 70.3% from financial year 2019/20 as reported by IATA. With passenger cargo belly capacities accounting for over 50% of the total air cargo capacity in the market, a significant demand for air freight ensued an exaggerated double-digit growth in air freight rates. This environment allowed airlines with cargo-diversified revenue streams an opportunity to minimise the financial impact due to the disrupted passenger operations, with many airlines operating cargo dedicated operations with passenger aircraft, capitalising on the demand.

SLA operated its first cargo dedicated operations to Shanghai in March 2020 and expanded operations to a network of 18 destinations in May 2020. This resulted in the timely commencement of operations to new destinations Frankfurt (Germany), Milan (Italy), Paris (France), Sydney (Australia), Ho Chi Minh City (Vietnam) and Incheon (South Korea) in the financial year by capitalising on the immediate opportunities and enhancing the SriLankan Cargo competitive advantage. This enhanced per flight capacity 3 to 4 times of that experienced pre-COVID due to the negligible passenger uplift, amounting to a capacity of 25 to 35 tonnes per flight with the largely wide body operated network.

The demand for air freight capacity further provided SriLankan Cargo the

opportunity to capitalise on cargo charter opportunities for Personal Protective Equipment (PPE), raw materials exports and imports, pharmaceuticals and manufacturing goods through the operation of 80 cargo charters and part charters to South Africa, West Africa, Uganda, Nepal, India and Europe largely from China, Hong Kong, Vietnam and Sri Lanka. The cargo charters generated a revenue of USD 11 Mn accounting for 8% of the cargo revenue generated in the financial year. Interline revenues in financial year 2020/21 represented a further key avenue for cargo revenue in maximising the allocated capacity throughout the network and enhancing connectivity options into Europe via the Maldives and the Middle East, with the total interline revenues through partner airlines amounting to USD 8 Mn.

SriLankan Cargo was recognised for its exceptional efforts by the team in the Singapore cargo market in receiving the "Excellence Award" as one of three airlines nominated by cargo industry partners for providing superior service and innovative solutions through the Changi Airport cargo hub as well as being recognised as one of the "Top 5 Airlines by Absolute Cargo Growth" at the "Let's Talk Cargo 2021" conference held by the Changi Airport.

In capitalising on the demand for volumetric cargo, the SriLankan Cargo further pursued the conversion of the A330-200 aircraft for cargo dedicated operations through the removal of seats, allowing main deck bulk loading.

The aforementioned initiatives allowed SriLankan Cargo to achieve revenue of USD 146 Mn (LKR 27.33 Bn) in the financial year 2020/21, a 74% growth from the previous financial year and accounted for 60% of the total air transportation revenue generated for

MANAGEMENT DISCUSSION & ANALYSIS

the financial year. The cargo yields saw an improvement by 167% over financial year 2019/20.

Sri Lanka cargo sales accounted for 37% of the total revenue generated amounting to USD 54 Mn with a 132% enhancement in revenue from financial year 2019/20 through the facilitation of connectivity to Europe, Maldives and the Middle East. The Far Eastern stations generated a revenue of USD 59 Mn, accounting for 40 % of the revenue, an enhancement of 100% from the previous financial year, largely contributed by operations in Singapore, Hong Kong and Shanghai. The European region generated a revenue of USD 10 Mn, a growth by 62% with the enhanced cargo capacity into London and Frankfurt as well as the facilitation of the high yielding movements into Australia through the network. The Middle East region accounting for USD 6 Mn in the financial year, largely accounted for by the Dubai station, which saw a year-on-year increase by 21%. Also, the Indian Subcontinent (excluding Sri Lanka) contributed USD 15 Mn, accounting for 11% of the total cargo revenue.

SLA further intends to re-strategise the existing cargo model through the inclusion of a freighter aircraft to the UL fleet by early 2022, in allowing the Airline to participate in the upside of Sri Lanka's growing international trade as well as trans-shipment and global cargo opportunities in the Far East, Europe, Indian Sub-continent and the Middle East.

Cargo ground handling operations achieved a revenue of USD 15.1 Mn, handling a cargo throughput of 135,549 metric tonnes, a decline from financial year 2019/20 by 84% and 80% respectively owing to the pandemic. SriLankan Cargo maintained a cargo ground handling

reliability rate of 99.95%. The SriLankan Cargo ground handling operations is further pursuing the expansion of the present cargo handling capacity with the incorporation of a new imports cargo terminal through the Airports & Aviation Authority in Sri Lanka (AASL) by 2023. The terminal is designed with the inclusion of the state-of-the-art technology such as an Automated Storage and Retrieval System (ASRS). The enhanced handling capacity would further allow SriLankan Cargo to pursue the development of a perishable center with a temperature-controlled handling area, a courier center and dedicated terminal for general cargo in developing the ground handling operations in Sri Lanka to be on par with regional cargo hubs such as those in Bangalore, Delhi, Dubai and Singapore.

Flight Operations

Safety

Measures taken to ensure an environment of highest safety standards in SLA's operation take precedence above all within which all operational activities are carried out. Towards achieving the best practices of safety culture and thereby ensuring a safe environment for all, periodic mandatory safety training is conducted with a close tab of supervision. Under the broad scope of Safety Management System (SMS) with detailed articulated safety measures, all risk assessments are conducted under a thorough scrutiny; an exercise that frequently happens during this pandemic period, in compliance to all regulatory requirements. SLA successfully completed an online IOSA Audit, retaining the IATA membership, a mandatory requirement for doing business with our partners for seamless travel and for business continuity.

On-Time Performance - OTP

In the face of the pandemic having an adverse impact on aviation industry globally, SLA's scale of operations in terms of number of flights shrunk by 85% on average during this period compared to pre-COVID scale of operation. Amidst imposed stringent travel restrictions locally and globally that were subjected to constant changes and updates, SLA maintained a very satisfactory level of OTP during this period. A punctuality rating of 81% in all arrivals and 78% in all departure flights on average achieved during the period under review within 15 minutes of industry standard.

Airline Operations Control Centre (AOCC)

AOCC played a critically important role during the current pandemic backdrop in running the restricted scale of commercial operation, managing the schedule reliability through a meticulous coordination process with all stakeholders. Despite the variedly imposed restrictions locally and globally, many strategies were adopted with swift changes in-line with full compliance to all regulations, with a view to managing the operation with minimum inconvenience to customers and in the most cost-effective manner.

During the period under review, abiding to quarantine rules along with health guidelines, rostering crew, preparing aircrafts with disinfection as per health requirements and working alongside all other internal and external operational stakeholders were challenging tasks carried out under a 24x7 surveillance with pre-planning. AOCC under Flight Operations collectively enabled the operation of additional repatriation flights to new destinations, working alongside the government initiatives taken for bringing down stranded Sri Lankans amidst many operational

challenges. Accommodating the swift changes of the commercial plan ensured operational readiness for operating additional freighter flights for maximising the revenue through a process of strategic planning of constrained resources and aircrafts.

Training

The number of productive man-days available for Flight Deck crew to operate flights were dropped to 30% due to stringent quarantine procedures. As a measure of countering the difficulty, in-line with the IATA concept of 'Back to Flying', all pilots were reactivated on flying despite the limited number of frequencies for keeping all pilots current and qualified for managing the schedule. Some of the most essential recurrent trainings were conducted online, maximising the mandatory simulator training lapsed due to reduced frequency, keeping all pilots ready and productive for the operation.

Flight Dispatch Centre (FDC)

Planning flights on optimum favourable routes was a challenge encountered during the period under review, amidst the increasing air traffic restrictions driven by trouble-stricken political situations amongst nations and the difficulties brought about by the pandemic. Nevertheless, FDC was able to optimise on best alternate route options for ensuring the uplift of maximum payload capacities.

During the period under review, FDC also earned additional revenue by handling few foreign airlines as a flight planning service provider.

Furthermore, monitoring the consumption of aircraft uplift fuel is a stringent exercise that is carried out to optimise the usage of fuel. The skillful flying acumen of SLA pilots is a key factor in this equation. Moreover, the

year in review saw FDC continuing the 'Tankering' initiative to optimise the fuel cost.

Inflight Services

Inflight Services contributed towards the Airline's vision of being the most customer centric airline in Asia, while operating with the challenges related to the global pandemic.

Many key initiatives were carried out to mitigate the risks associated with the pandemic to ensure smooth operations, whilst ensuring the safety and well-being of passengers and cabin crew members. Inflight operation processes were redesigned by changing the current Standard Operating Procedures (SOPs) as per the guidelines given by World Health Organisation, Ministry of Health and the CAASL. New equipment was introduced to accommodate customer-focused inflight service. Full PPE was provided for the crew on all passenger flights in order to manage the enhanced risk. New initiatives such as providing the Cabin Crew Administration Manual as an e-file to be included in the Electronic Flight Bag, and automation of Cabin Crew Voyage reports were introduced to operate in a paperless environment.

Repatriation flights were scheduled and operated to several offline stations. Due to continuous lockdown and closure of business units, meals were uplifted from Colombo for return sector use on repatriation flights on long-haul operations in hygienical conditions.

Inflight Training dedicated its facilities and services to meet the demands of the frequently changing regulatory requirements and redesigned the onboard services according to international and local COVID-19 guidelines. Joint Safety Risk Assessments were carried out with the Cabin Crew representatives and

their concurrence was obtained to enhance the existing meal services.

With the introduction of the scaled down operations, Inflight Safety performance indicators and Safety Performance targets were re-evaluated by Inflight Training. To cater to trends and demands of onboard services, two new subjects, Customer Centricity - Delight Module and Ergonomics were included into the Inflight Training agenda. Inflight Training ensured continuity of regulatory training requirements by facilitating online training sessions for Cabin Crew.

Inflight Duty Free

Even with the current global pandemic, which has restricted duty-free sales on-board, SLA continued duty-free operations keeping in-line with health guidelines, carrying out limited sales onboard every flight together with seasonal promotions to enhance the sales revenue. An introduction of a Total Sales Solution is being planned, with a greater number of duty-free items on sale and the option of home delivery or airport pick up.



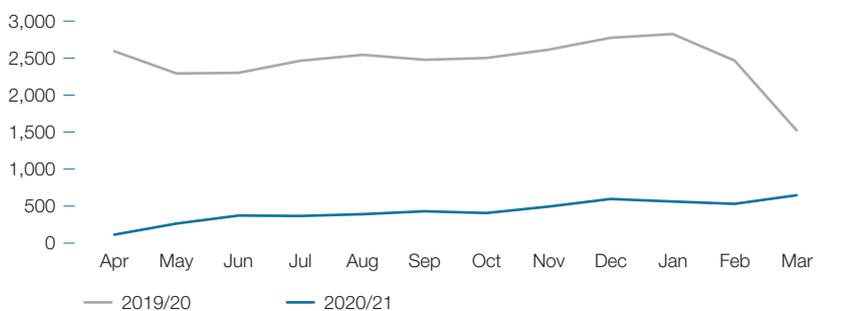
SriLankan Airport and Ground Services

The year 2020/21 was a historically challenging year for Airport and Ground Services (A&GS) with the outbreak of COVID-19, which was an unprecedented blow to the entire airline industry that led to a virtual cessation in ground operations. The customer airlines reducing their frequencies over the course of the year severely impacted ground services operations during the financial year, resulting in the lowest number of flight frequencies being handled.

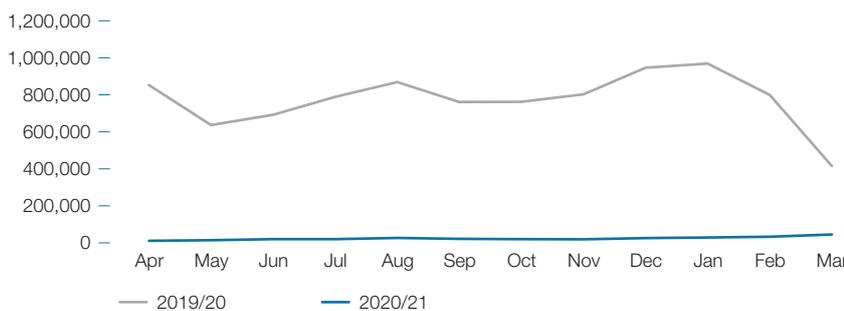
MANAGEMENT DISCUSSION & ANALYSIS

In the first quarter of financial year 2020/21, only 10% of flight movements were handled from pre-COVID operations, where a slow and erratic recovery occurred in the second half of the financial year. SriLankan A&GS encountered a sharp decline of 84% on the flight movements and 97% on passenger numbers compared to previous financial year. As a result, A&GS reported the lowest ever revenue during the financial year 2020/21. Despite the operational constraints, SLA managed to achieve on-time performance indices of 99.66% and mishandled baggage rate of only 0.39 per 1,000 passengers during the year under review. Furthermore, SLA entered into agreement with 04 new airlines during the period, expanding its operations.

Number of flights handled



Number of Passengers Handled



With the pandemic, safety of passengers and employees was the top priority. In addition to the safety measures recommended by respective authorities, passengers were encouraged to perform online checking or to use kiosk machines to reduce human intervention at check-in counters and all operational staff were geared with the necessary PPE, while conducting random spot checks and daily disinfection of common areas.

A&GS also efficiently utilised this period in providing training to staff through online platforms and classroom sessions, maintaining the proper health and safety standards. A customer centricity training programme was introduced to improve the service levels to serve customers. Staff were also trained with the standard

hygiene protocols and procedures to ensure safety.

Contingency plans were executed to manage operations without any interruption during the COVID-19 global pandemic.

With the measures taken to promote Mattala Rajapakse International Airport (MRIA) through discounted Ground Handling rates offered to customer airlines, A&GS managed to serve 15 customer airlines, handling 285 flights including 60 repatriation flights and 32,855 passengers. MRJA will continue to serve as an international and alternative airport.

SLA will continue to review the operational processes to efficiently operate through crisis situations in the future, in order to serve our passengers with the latest health and safety protocols and to build effective partnership with our valued customers by delivering excellent service levels.

A&GS obtained compliance with IATA Safety Audit for Ground Operations (ISAGO) and IATA Operational Safety Audit (IOSA), enabling A&GS to serve all airlines with greater diligence.

SriLankan Engineering (SLE)

SLE acted diligently to support the Airline, expand its service offerings and achieve substantial savings during a turbulent year.

The reduced flying activity required the grounding and preservation of several aircraft in the fleet, and subsequent reactivation of most aircraft, which was successfully carried out by the SLE in full adherence to manufacturer guidelines.

In response to the decline in operations and cash-flow challenges faced by the Airline, SLE engaged with all lessors to facilitate re-

negotiation of all its aircraft and engine lease contracts. With several aircraft grounded, resulting in a major revenue decline and limited visibility on demand recovery, a reduction in its aircraft leasing costs was a necessity for the Airline. Following rigorous discussions, SLE's efforts enabled the Company to secure over USD 100 Mn worth savings in leasing costs, spanning over several years into the future.

Recognising the reduced level of operations, efforts were made to further enhance efficiencies across all areas of the maintenance operation. New policies and processes were implemented to minimise cash-outflow on purchase of materials and to optimise the maintenance programme to suit the level of operation. The available ground time was used to carry out additional maintenance work on the aircraft, including refurbishment of cabins and amenities. SLE also enabled implementation of new health and safety measures aboard all aircraft in response to COVID-19, including carrying out disinfection activities in adherence to international regulations.

SLE facilitated the maintenance and aircraft certification at both newly scheduled and ad-hoc destinations through service providers and own manpower.

The decline in inbound traffic to Colombo and Maldives caused a drop in Engineering Line Maintenance revenue earned from servicing third-party aircraft. In response to this situation and recognising the uncertain scale of customer airline operations in the short-term, SLE acted swiftly to redeploy excess resources in other areas of its operation and has been pursuing a strategy of expanding other revenue streams. As part of this strategy, SLE focused its efforts on expanding its heavy maintenance

business and to expand its portfolio of services to include component maintenance as well as temporary cargo conversions. Marketing efforts were intensified to increase brand exposure in the Maintenance Repair and Operations (MRO) space, through use of print as well as digital mediums.

During the year, the SLE carried out the successful conversion of one SriLankan Airbus A330-200 aircraft from a passenger to temporary-freighter configuration. Subsequent to the year under review, SLE carried out its first similar conversion project for a third-party customer, converting an Airbus A320 aircraft.

All mandatory training programmes have continued, opting for online mediums where possible. The new remote working environment during the pandemic has demonstrated the value of digitalisation projects, which were in progress and steps have been taken to significantly enhance digitalisation of all paperwork aspects wherever possible.

SriLankan Aviation College (SLAC)

SriLankan Aviation College (SLAC), the training arm of the National Carrier, established a notable performance with salient achievements in the year under review. The College, certified by entities such as the International Air Transport Association (IATA), European Aviation Safety Agency (EASA), Royal Aeronautical Society (RAES), European Aviation Maintenance Training Committee (EAMTC), Civil Aviation Authorities of Sri Lanka, Pakistan and Maldives, collaborated with well renowned training and academic institutions and extended comprehensive aviation study options to students as well as working professionals.

SLAC managed to develop a partnership with Airbus Training and

Boeing for Type Training Accreditation and Joint Training Partnerships. This achievement places Sri Lanka at the heart of South Asia as a training hub and establishes SLAC as a forerunner in aviation training opportunities.

SLAC has also successfully developed several new training programmes such as, Finishing School/Corporate Plus, Emotional Intelligence training programme, Drone Pilot training and certification programme, using the ICAO training course development methodology.

SLAC was awarded the title 'IATA Virtual Training Partner' and was licensed to carry out training for specific courses such as IATA-fares and ticketing, Quality Management for airlines, Revenue Management and social media for the travel industry (e-Learning).

Further attesting to the outstanding calibre of SLAC, the college was honoured with the 'IATA Regional Top Performer' award for the 4th consecutive year in 2020. This recognition identifies SLAC as a centre of excellence for training by demonstrating commitment to the success of the students and professionalism in delivering IATA training programmes.

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. The academy has 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

MANAGEMENT DISCUSSION & ANALYSIS

finalising the academic organisational chart of the university along with the legal structure and is in discussion with the Tourism and Aviation Ministry.

Educational Organisations Management Systems (EOMS)

Having obtained the ISO 9001:2015 certification for quality management system and ISO 29990:2010 certification for learning services for non-formal education and training in November 2016, SLAC is currently striving towards achieving the EOMS certification with which SLAC would be able to demonstrate its ability to support the acquisition and development of competence through teaching, learning or research. This is expected to enhance the satisfaction of learners, other beneficiaries and staff through the effective application of its EOMS, which includes the processes for improvement of the system and assurance of conformity to the requirements of learners and other beneficiaries.

ISO 21001:2018 is a certification that can be applied to educational organisations within larger organisations, whose core business is not education such as professional training departments. Since SLAC is moving towards becoming a university, obtaining the ISO 21001:2018 standard will structure SLAC processes and practices to meet the highest industry standards, in turn enhancing its attractiveness to the public and other stakeholders in general.

Continuation of online training

SLAC supported the start of online examinations, namely Dangerous Goods Regulatory Training for operational staff, to keep their approvals current during the pandemic without any additional cost to SLA. SriLankan Technical Training (STT) continues the Aircraft Maintenance

Training course online despite the restrictions imposed by the pandemic.

Airbus training partnership

SLAC is in discussion with Airbus Training for a possible partnership, to further enhance its illustrious training portfolio, with the aim of providing individuals the opportunity to further develop their competencies with one of the world's largest airliner manufacturers. With an innovative approach that regularly introduces the latest technologies and learning concepts, SLAC hopes to bring Airbus training courses closer to home, providing greater convenience of learning for students of the region.

Boeing partnership

SLAC entered a partnership with Boeing, whereby based on the Memorandum of Understanding (MOU) between SLA and Boeing, SLAC continues high level discussions on a joint training partnership. The first programme to be launched under this partnership will be Flight Dispatcher / ICAO 201 programme. This enables SLAC to expand the portfolio of training courses being offered and cements its position as a premier training institution in Sri Lanka and South Asia, while enabling the students to be exposed to training courses on both Boeing and Airbus platforms.

Other training partnerships

STT plans to offer EASA approved engineering training in Pakistan with a possible partnership with a local company, broadening their training scope.

The college continues to support domestic aviation industries by way of offering its newly developed aircraft maintenance related training to domestic operators with the intention of uplifting the local industry.

On the Job Training in Aircraft Maintenance

SLAC will be offering Structured on the Job Training (SOJT), which is carried out for individuals to obtain first Type Endorsement after completion of the respective Type Training course.

SLAC is also planning to offer On the Job Training for individuals to become eligible to obtain basic license in the applicable aircraft maintenance category. The above proposed programmes will be conducted in 'EASA part 145 organisation' (SriLankan Engineering).

Geographical diversification

SLAC is scheduled to establish a franchise training model in the Northern and Eastern Provinces. A pilot training programme, an online programme for Finishing School Plus will be conducted by its esteemed instructors in coalition with the Career Guidance Unit of the Eastern University.

Course Development Unit (CDU)

SLAC launched its own CDU to support its objective of becoming an aviation campus in the near horizon, with the view of executing marketable training courses by reviewing the market analysis and evaluating the effectiveness of implemented training courses for further development. The CDU has adopted the ICAO training course development methodology in developing training content/ programmes, which is based on a process of advanced steps and stages to develop and implement training curricula that results in structured competency-based training programmes. Finishing School/ Corporate Plus, the Emotional Intelligence training programme, Drone Pilot training and certification programme are some of the training programmes developed by CDU, adopting the aforementioned methodology.

SriLankan Catering Limited

Performance

SriLankan Catering Limited is a fully owned subsidiary of SLA and the sole provider of inflight catering at BIA and MRIA. Apart from its main operation of inflight catering, it also operates restaurant cum lounges for transit passengers at BIA and MRIA. As a part of its ancillary business activities, SriLankan Catering also operates the Serenediva Transit Hotel and the industrial laundry.

SriLankan Catering too has been significantly affected by the outbreak of COVID-19. As a result, the subsidiary recorded a significant decline in revenue, recording LKR 694 Mn compared to LKR 9,036 Mn achieved in 2019/20. Furthermore, the recorded net loss before taxation was LKR 960 Mn (2019/20 – Profit of LKR 4,800 Mn), while the subsidiary's key performance indicators declined significantly, which was entirely due to decreased number of airline passengers.

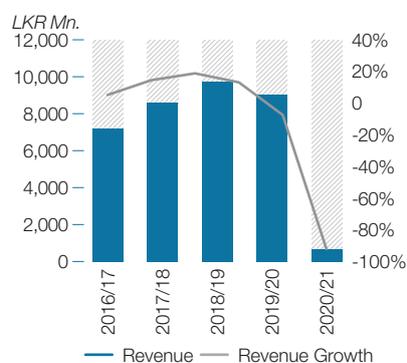
During the year under review, SriLankan Catering actively pursued new revenue streams. Subsequent to a relevant market research, it introduced a range of ready to eat frozen meals, a concept branded 'Cuisine Gastronome', to the local as well as export markets, taking advantage of vast production and operational capabilities. SriLankan Catering is already exporting this range of meals to Australia and USA and presently concluding discussions to export these products to Canada, United Kingdom and the European Union. Moreover, plans are underway to improve the distribution of these products locally and to further develop export market by expanding into Japan and Middle East.

Furthermore, efforts were made by the Management to reduce the operational cost of the subsidiary, while the emphasis was given on optimising resources to drive cost efficiencies. As a result, the subsidiary was able to rationalise and right-size the staff cadre. In addition, increased emphasis was given on reducing the other direct operating expenses in-line with the decreased level of operation. Measures were taken to re-negotiate contracts and agreements to manage costs during the pandemic. As a result, our key service providers including Airport and Aviation Services (Sri Lanka) Ltd. granted concessions on rent, which contributed to improve the liquidity of the subsidiary. SriLankan Catering postponed major capital expenditure projects, while paying attention only on the critical and urgent capital requirements to improve revenue generation activities and cost management initiatives of the subsidiary.

Revenue

There was a major change in the composition of revenue of the subsidiary during the year under review in comparison to the previous financial year due to the pandemic situation.

Revenue Vs. Revenue Growth



The decrease is mainly attributable to the decrease in revenue of Inflight Catering by 93% (LKR 6,736 Mn) and BIA Restaurant by 93% (LKR 1,134 Mn) compared to the previous year.

The number of meals produced at Flight Kitchen during the year significantly decreased by 96% to 0.25 Mn meals per annum compared to the number of meals of 6.5 Mn in the previous financial year. SLA, the main customer of Inflight Catering, represents 68% of the total Inflight turnover and 76% of the total number of meals produced during the year.

The contribution from Airport Restaurant (public and transit) at BIA was 12% to the total revenue of the subsidiary. Nevertheless, the revenue from Airport Restaurant has decreased by 93% to LKR 86 Mn compared to the previous financial year (2019/20 - LKR 1,220 Mn). Furthermore, the turnover from other ancillary business activities decreased by 78%.

Expenditure

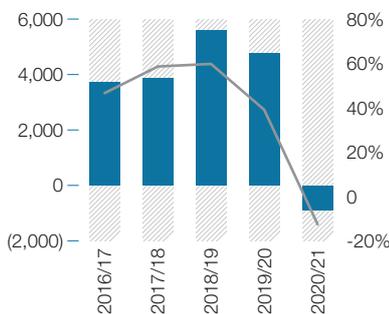
During the year, necessary actions were taken to reduce operating losses due to low business volumes. Direct cost reduced by 81% in-line with revenue drop of 93%. Total overhead costs reduced by 45% from LKR 3,170 Mn to LKR 1,731 Mn, reflecting organisation-wide efforts made by the Management to reduce operational costs, while the emphasis was given on optimising resources. Staff costs decreased by 47% is mainly evidenced by actions taken by Management to reduce overtime and rightsizing the staff cadre. Furthermore, other operating expenses, which are directly linked to activity levels recorded a decline of 44% during the year.

MANAGEMENT DISCUSSION & ANALYSIS

Profitability

Despite the devastating impact of the pandemic, SriLankan Catering managed to minimise losses and maintain its net loss at LKR 903 Mn for the year, as a result of the initiatives in diversification and cost curtailment.

Net Profit Trend



SriLankan IT Systems

SriLankan IT systems governs the Airline's IT and Digital Strategy, aligning with the Airline's business plan and objectives to drive more digital businesses and smart operations with improved passenger experience by adapting the state-of-the-art technologies in the aviation industry.

During the financial year 2020/21, SriLankan IT introduced more passenger-centric technologies through introducing and revamping number of e-business products, implementing contactless travel and timely important system integrations, which will bring the national carrier to the next level with NextGen technologies and innovations as planned.

With the curtailment of operations due to COVID-19 pandemic, SriLankan IT managed to scale-down the

overall IT spend by re-negotiating the technology agreements and aligning IT services with the scaled-down operation. This enabled the reduction of IT Infrastructure cost by 16% and IT Business Systems cost by 23% in comparison to the previous financial year. In addition, negotiations were carried out to obtain payment moratorium to support the cashflow management of the Airline.

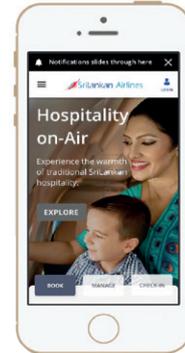
A contactless travel path with improved passenger experience

With the new normal, airline passengers across the world preferred for more hassle-free, contactless and touchless travel with less human intervention during the journey at airports. In order to cater to this requirement, SriLankan IT invested on enabling a hassle-free fast travel path at BIA and across the SriLankan network stations worldwide with touch-less KIOSKs for passenger check-in and bag tagging. In addition, integration of passenger check-in information with the IT systems of Emigration Authorities at BIA directly opened a new avenue to enable Mobile Boarding Pass. A comprehensive blueprint was carried out by carefully assessing the passenger touch points at BIA and bringing in latest technology in the industry, while giving more prominence towards contactless self-services to passengers.

New look and feel to the Corporate Website

SLA's Corporate Website was modernised and improved with a new User Interface, giving a fresh outlook to it. The entire website was revamped, benchmarking the corporate websites of the competitor international carriers. The new website supports 10 languages, enabling an extended reach around the globe. This entailed significant improvements on the UI - User Interface and UX - User

Experience aspects. The new site is enriched with the latest user friendly mobile responsive features, which facilitates customers with a new and a simplified home page.



Furthermore, this enhancement enabled the best integration with the latest SEO (Search Engine Optimisation) trends, incorporating and prioritising many revenue generation components for the Airline. The improved collapsible 'Booking Widget' gives all-in-one access to the customers to make a reservation with just a few clicks, while the new 'Ancillary Ribbon' showcases all ancillary items available for passengers travelling with SLA. It also enables new performance marketing features to display the routes that are most in demand from a specific origin and their dynamic fares. Moreover, the new Search Option gives access to passengers to find exactly what they need on the website within seconds with a 'Latest Deals' section that includes all the latest offers and promotions from any origin at a glance.

The revamped website has shown improved customer satisfaction with simplified user-centric features, while maintaining the consistency within all SLA websites and meeting the required compliance and standards in data protection and aviation regulations.

Sri Lanka's first ever indoor maps implementation

SriLankan IT systems was able to introduce Indoor Google Maps to BIA, becoming the first indoor facility to enable this feature in Sri Lanka. This was launched as a joint project with the IT team of AASL. With this, users can browse through the information available on Indoor Google Maps to see through the places around them and to find their own way inside the airport. The indoor maps at BIA feature gates and check-in counters, amenities and retail outlets across multiple levels to make it easier for passengers to navigate through the terminal. Moreover, this facility enables virtual visibility of B2B establishments located within the airport.

Chatbot 'YAANA' for passenger interactions



Ayubowan

I'm YAANA

The Virtual Passenger Assistant of SriLankan Airlines

By proceeding with chat, you agree to our [Privacy Policy](#) and the terms and condition of using [website](#).

Accept

SLA launched its first ever CHAT BOT (Digital Passenger Assistance) namely "YAANA" during the year under review and since then she has been serving many web visitors. YAANA, was developed to assist COVID-19 related queries and it was a timely initiative to help passengers with their queries related to travel restrictions. She gives information about special measures to be taken on arrival, destination airports, and further gives details on impacted destinations, travel waiver

policies, travel restrictions and the latest news. Moreover, YAANA is intelligent in redirecting passengers to a live agent to support for any queries she cannot handle.

YAANA was designed to be a menu driven chatbot with conversational capabilities and this was placed on the newly revamped corporate website www.srilankan.com. The adaptation to YAANA by web visitors was very fast and it improved customer engagement. YAANA also contributed to handling excessive calls at the Global Contact Centre, responding to repeated and frequent queries during the pandemic.

SriLankan IT systems has planned to take the Chatbot to the next level to help passengers book their tickets, do refunds and log complaints.

Enhanced online passenger experience

SLA in partnering with EveryMundo, implemented performance-based marketing solution for Airline Internet Booking Engine, which helps passengers to decide on their travel dates by looking at the histogram or the promotional banners published based on the lowest air fares. Furthermore, to track the effectiveness of the solution and to assist with accurate business decisions, enhanced e-commerce tracking was enabled with Google Advance Analytics.

New Avenues due to COVID-19

SriLankan IT in partnering with Amadeus, introduced a 'COVID-19 button' and a world map for Reservation Application, to serve passengers on their desired destinations, in relation to COVID-19 risk level, flight bans, national control measures, travel restrictions and test and quarantine requirements on entry.

Boosting Airline ancillary revenue

Ancillary services were promoted during the Booking Engine Page Loading Intervals to make additional services such as excess baggage and order special celebratory cakes. SriLankan IT also facilitated ticket holders of other airlines to purchase ancillaries (Cross Airlines Ancillaries) via any of our ticket offices or through 'Manage My Booking' on the website, enhancing the passenger convenience.

Furthermore, SriLankan IT has now introduced payment assortments at check-in counters and boarding gates itself to improve passenger experience and convenience, avoiding the hassle of stepping into designated cashier locations.

Work From Home (WFH) operations

With the new normal, SriLankan IT enabled WFH through many technologies such as virtual desktops, MS O365 tools, MS Teams virtual teleconferencing, extension mobility through CISCO Jabber, 24x7 remote assistance on IT solutions and supply of additional hardware. These facilities were well acquired by the staff members to discharge their duties without any impact to the operations.

An information driven Airline

"Airline Insight", the Management Information System (MIS) of SLA, now provides its services to Commercial, Finance, Engineering, SriLankan Catering, Airport and Ground Services divisions and helps improve transparency and accuracy of mission critical data across business units. The strategic and tactical decision makers of business units are further empowered with self-service Business Intelligence to analyse and create their own reports and dashboards for quick decisions making on real-time information.

MANAGEMENT DISCUSSION & ANALYSIS

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.

Group data protection, compliance and governance

SriLankan IT continued complying with International Standards and Certifications during the financial year 2020/21 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. In addition, it continuously improved operations 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. In the year in review, SLA expanded its technical controls with the latest technologies in vulnerability management and enhanced its proactive approach to cybersecurity.

Human Resources Management

During the year under review, SriLankan HR was challenged to ensure health and safety of the employees, whilst ensuring business continuity and optimising of human resources in order to sustain the operations of the Airline. This was facilitated by playing a pivotal role in setting up policies and processes to lead and influence in creation and achievement of our strategic goal of partnering the business through a healthier workforce, whilst ensuring that business priorities are met.

The four key areas of strategic prominence were as follows;

Health, Safety and welfare of our employees

SriLankan HR Medical Services (HRMS) has been especially pivotal in the causes of health, safety and welfare of the employees, especially due to this year's unprecedented pandemic related circumstances. Maintaining the strong belief that a healthier workforce is an asset to the organisation, HRMS has played a prominent role during the fluctuating expansion of COVID-19.

SriLankan HRMS has taken all possible measures to safeguard the employees, customers, and stakeholders, strictly contingent with the local and international health and safety regulations, constantly updating the staff with the renewed guidelines. While working across all departments and the staff hierarchy along with the governmental authorities and other medical institutions, HRMS also contributed largely towards ensuring business continuity of the organisation.

SriLankan HRMS has been uniquely dedicated to successfully executing the COVID-19 Prevention Vaccination Programme, covering 4,127 key frontline and operational staff and other second-layer operational staff. HRMS carried out company-wide random PCR and RAT testing with mass PCR testing for operational staff on a weekly basis and Crew PCR testing on a daily basis, ensuring utmost safety of employee teams and contacts. In addition, Intermediate Care Centre (ICC) facilities for COVID-19 positive staff members with regular follow-ups and check-ups on the affected and their families were also facilitated by HRMS.

Furthermore, the COVID-19 Prevention Task Force was also established, with the representation

of staff across the entire organisation, to gauge vigilance, preventive action, and to address related issues with promptness and efficiency.

SLA participated in the "Asian Leadership Awards" and won the category award for "Best in managing health at work".

People Resourcing and Optimisation

Right-sizing to support the scaled-down operation and to optimise the cadre to support the business sustainability was a key priority of SLA and the following key initiatives were taken under this pillar.

- ✈ Several stages of restructuring were carried out to have a leaner structure and eradicate inefficiencies. These included job amalgamation, reallocation of key leadership roles and managerial positions in certain divisions and identifying redundant positions organisation-wide to reach the ideal organisation structure.
- ✈ Replacements for positions were managed within the organisation to a greater degree by freezing external recruitment except for operationally critical positions. Total direct cadre has been reduced by over 10% during the financial year, with continuous mechanisms being placed to internally re-allocate staff and optimise the current human capital.
- ✈ A Voluntary Retirement Scheme (VRS) was introduced based on the need to "right-size" the Company by disengaging the excess workforce to be in-line with the operational realities of the post-COVID era.
- ✈ The deployment of Service Provider (SP) cadre was minimised.

✦ Staff were cross utilised across many divisions by deploying staff who were in excess situationally due to operational downturn to strengthen areas with high operational volume.

With the severe business downturn, the Company was compelled to introduce several payroll cost reduction initiatives to ensure the survival of the Airline and to secure the livelihood of majority of its workforce. These measures included salary reductions, discontinuation and revising of the basis of payments of certain allowances and incentives, non-payment of annual increments, discontinuation of certain categories of employees on fixed term contracts in excess of the operational requirements and introduction of special voluntary no pay scheme.

Capability building and nurturing of talent for business continuity

Even during the pandemic, SLA continued with the Training and Development (T&D) initiatives, whilst adhering to the COVID-19 guidelines and by moving many of the programmes to the virtual platform. Development of an in-house soft skills trainer pool and conducting training programmes such as customer service, competency building for the newly promoted managers, leadership and motivation training for Airport Service Support staff and succession planning to maintain a pipeline of successors for the leadership tier were some of these training initiatives.

Employee Communication and Engagement

The Employee Communication and Engagement Unit (ECEU) of SriLankan HR were committed to serving towards the welfare and communal well-being of the staff throughout the year.

All staff were well-informed with the regularly updated health and safety regulations and related important information. ECEU enabled timely two-way communication to disseminate critical pandemic-related information to restore employee morale and confidence, enhance employee preparedness and alleviate any concerns, using both traditional and alternative communication channels such as electronic and social media.

DELIGHT - the newest communication theme aligned with Company's business strategy was launched, presenting a fresh outlook and highlighting the essence of the Company's vision of being Asia's most customer-centric Airline. DELIGHT denotes the importance of selfless service and honour, which is inherent to us Sri Lankans as a hospitable community.



Focus on the environment

SLA has always been an environmental conscious airline in the region. With its 'Planet Friendly SriLankan' programme embedded in the airline processes, SLA strives to curtail the Airlines' carbon footprint and battle climate change. Although, the Airline is severely affected with the global pandemic, SLA still stands

committed to control the Green House Gas (GHG) emissions, support oneworld's NetZero2050 challenges, support UN Sustainable Development Goals and work to eradicate illegal wildlife trade while voicing and creating awareness on pressing environmental issues, thereby, enabling SLA to be the change that we want to see in the world.

SLA, upholding its environmental policies, engaged in many initiatives, which solely focused on environmental conservation by collaborating with local and international stakeholders. SLA is also conscientious in complying with all applicable environmental laws and regulations at both domestic and global levels.

SLA initiated 'A plant for Wilpattu' a staff engagement project to support the 'Thuruliya Wenuwen Api' reforestation programme established by Sri Lanka Army to replant 2,000 hectares in the forest complex adjoining the Wilpattu National Park that had been previously cleared, which caused damage to the whole ecosystem and wildlife habitats in the area. The employees and the unions generously contributed to this project and with the help of the Airline's 'Green Fund', raised a substantial amount to replant and maintain half an acre of forest patch for 3 years.



A plant for Wilpattu

MANAGEMENT DISCUSSION & ANALYSIS

In September 2020, as part of the oneworld alliance, SLA committed to the netzero2050 initiative, where all the oneworld member airlines committed to net zero carbon emissions by 2050, becoming the first global airline alliance to unite behind a common target to achieve carbon neutrality.

The member airlines plan to achieve this target within the existing environmental framework previously agreed to by governments, including the ICAO. Several initiatives, including the use of more sustainable materials, enhancement in operations and infrastructure, investing in more fuel-efficient aircraft and the development of sustainable aviation fuels, are planned by the alliance members in achieving this milestone.

SriLankan Cares

SriLankan Cares, the Airline's CSR arm, for the first time under the umbrella of SriLankan Marketing, marked the World Children's Day with a donation of a braille writer to a gifted differently abled student at Andiambalama Maha Vidyalaya.

Continuing to rally around the worthy causes of SriLankan Cares, the staff belonging to different departments and divisions joined hands to share with SriLankan Cares the spirit of the Christmas with the occupants of CCC Transit Home at Cancer Institute Maharagama and in-patients of Apeksha Hospital, where SLA donated over 340 packs containing essential items.

The second collaboration with Little Hearts Project, a nation-wide fundraiser to build a cardiac and critical care complex at the Lady Ridgeway Hospital, managed to raise over LKR 1.2 Mn from the generous contributions of the staff members, which translates to saving 120 lives of children in need. This surpassed the amount collected during the first collaboration with the Little Hearts Project and becomes even more meaningful, as the generous contributions came at a time that staff were enduring pay cuts owing to the dire financial situation of the Company due to the prevailing pandemic.



FINANCIAL STATEMENTS

Annual Report of the Board of Directors	42
Board Audit Committee Report 2020/21	46
Statement of Directors' Responsibilities	47
Independent Auditor's Report	48
Statement of Financial Position	52
Statement of Profit or Loss	53
Statement of Comprehensive Income	54
Statement of Changes in Equity	55
Statement of Cash Flows	56
Notes to the Financial Statements	57

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 2021.

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 Head of Financial Management and the two Directors and the Auditor's Report thereon for the year ended 31 March 2021 are attached to this Report.

Accounting Policies

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 57 to 70.

Group Turnover

The turnover of the Group amounted to LKR 50,929 Mn (2019/20: LKR 183,532 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 49,705 Mn (2019/20: LKR 44,139 Mn). Group incurred a taxation expense/reversal of LKR 57 Mn (2019/20 – expense LKR 35 Mn). The Statement of Profit or Loss for the year is given on page 53.

Group Investment

Group capital expenditure during the year on Property, Plant and Equipment amounted to LKR 362 Mn (2019/20: LKR 655 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 7,229 Mn (2019/20: LKR 8,450 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 79,352.43 Mn. (2019/20: LKR 51,617.44 Mn). At the EGM held on 16 July 2021 the stated capital of the Company be increased from LKR 51,617,435,500 to LKR 96,360,665,500 by the allotment of 447,432,300 ordinary share at LKR 100 per share to GoSL.

Reserves

Total Group Reserves as at 31 March 2021 amount to a negative LKR 360,838 Mn (2019/20: negative LKR 312,791 Mn). This consists of

accumulated losses of LKR 366,285 Mn (2019/20: LKR 316,478 Mn),

Capital Reserves of LKR 5,441 Mn (2019/20: LKR 3,687 Mn). Movement in these Reserves is shown in the Statement of Changes in Equity in the Financial Statements.

Corporate Donations

The Group did not make any donations during the year (2019/20: LKR 0.42 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 24%.

Share Information

Share information as at 31 March 2021 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	2,736,509	0.53%
People's Bank	1	

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 2021 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 5,965 (2019/20: 6,693) and by the Subsidiary was 853 (2019/20 – 1,008).

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.

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 11 to 13 of the Annual Report.

Eleven 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 2020/21	No. of Board Meetings Attended for the Period Of Directorship
Mr. Asoka Pathirage (Chairman)	11/11
Mr. Malik Fernando	10/11
Mr. Manohara Ratnavibhushana De Silva PC	11/11
Mr. Samantha Ratwatte PC	11/11
Mr. Sanjaya Mohottala	11/11
Dr. Shridhir Sariputta Hansa Wijayasuriya	11/11
Mr. Ashroff Omar (resigned w.e.f. 1 March 2021)	10/11
Mr. Joseph Jayanth Micheal Perera (appointed w.e.f. 27 March 2021)	Nil

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Members of Audit Committee

Mr. Sanjaya Mohottala was the pro-tem Chairman Audit Committee during the financial year. The following members comprise of the Audit Committee as at date

Committee Members	No. of Meeting Attended
Mr. Sanjaya Mohottala/Pro-tem Chairman	5/5
Mr. Malik Fernando	5/5
Mr. Manohara Ratnavibhushana De Silva PC	5/5
Dr. Shridhir Sariputta Hansa Wijayasuriya	5/5
Mr. Samantha Ratwatte PC- Resigned from the Committee on 23/04/2021	5/5
Mr. Joseph Jayanth Micheal Perera - Appointed to the Committee on 23/04/2021	Nil

The Audit Committee Report is given on page 46 of this Annual Report.

Board Human Resources and Remuneration Committee

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

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

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

Committee Members	No. of Meeting Attended
Dr. Shridhir Sariputta Hansa Wijayasuriya - Chairman (w.e.f. 1 March 2021)	1/1
Mr. Malik Fernando	3/3
Mr. Manohara Ratnavibhushana De Silva PC	3/3
Mr. Samantha Ratwatte PC	3/3
Mr. Mohamed Ashroff Omar (Chairman resigned w.e.f. 1 March 2021)	2/2

Board Risk Committee (BRC)

The Board Risk Committee is required to identify and assess the risks that could have an impact on the business operations of the entity, quantify the impact of such risks both financial and non-financial. The deliberations of the BRC should

facilitate the Board of Directors to address the impact of the risks affecting the operations of the entity and take appropriate actions to mitigate any adverse impact. Board Risk Committee comprises of;

Mr. Joseph Jayanth Micheal Perera – Chairman
Mr. Malik Fernando
Dr. Shridhir Sariputta Hansa Wijayasuriya
Mr. Sanjaya Mohottala
Mr. Manohara Ratnavibhushana De Silva PC

Directorate – SriLankan Catering Limited

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

Mr. Asoka Pathirage (Chairman)
Mr. Malik Fernando
Mr. Manohara Ratnavibhushana De Silva PC
Mr. Samantha Ratwatte PC
Mr. Sanjaya Mohottala
Mr. Joseph Jayanth Michael Perera

Directors' Remuneration

Aggregated remuneration paid to the Non-Executive Directors of the Company is disclosed under Note 30 on page 99 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 Articles of Association, the Government of Sri Lanka Nominee Director Mr. A. K. Pathirage/Chairman holds 03 Ordinary Shares of the Company.

Interests Register

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

Directors' Interests in Contracts

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

Annual General Meeting

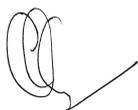
The Forty Third Annual General Meeting of the Company will be held on Friday, 27 May 2022 at 3.00 p.m. at 'Mihilaka Medura' Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha Colombo 7, Sri Lanka.

The notice of the Annual General Meeting is on page 117 of the Annual Report.

Auditors

In accordance with Article 154 (1) of the Constitution Democratic Socialist Republic of Sri Lanka, the Auditor General is hereby appointed Auditors of the Company. Details of audit fees are set out in Note 23 to the Financial Statements. The Auditors, do not have any relationship (other than of an Auditor) with the Company or its Subsidiary.

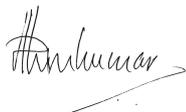
Signed on behalf of the Board,



Asoka Pathirage
Chairman



Sanjaya Mohottala
Director



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

2 March 2022
Katunayake

BOARD AUDIT COMMITTEE REPORT 2020/21

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 oversight responsibilities by providing an independent review of the system of internal controls, the financial reporting system, the risk management process, the governance process, the internal audit and external audit functions and the process for monitoring compliance with laws and regulations.

Committee Composition

The Board members who served on the BAC during the year ended 31 March 2021 were Mr. Sanjaya Mohottala (Pro-tem Chairman), Mr. Malik Fernando (Member), Mr. Manohara de Silva PC (Member), Mr. Jayanth Perera (Member) and Dr. Hans Wijayasuriya (Member). (Mr. Samantha Ratwatte PC resigned from the Committee on the 23rd April 2021).

Ms. A.D. Dilrukshi attended the Audit Committee meetings representing the National Audit Office.

Meetings

The Board Audit Committee held five (5) meetings during the year ended 31 March 2021. The members of the SriLankan Airlines management attended the meetings upon invitation to brief the Board Audit Committee on specific issues.

Group Assurance and Advisory Services Division

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

Key Activities of the BAC during the Financial Year

- ✘ Reviewed the internal audit reports on system of internal controls including Information Technology controls and ensured that follow-up action is taken by Heads of Departments in a timely manner.
- ✘ Reviewed the Year-end Audited Financial Statements and recommended for Board approval. In addition, reviewed the

Management Letter submitted by External Auditor and management responses to the issues highlighted.

- ✘ Reviewed the Company's quarterly compliance dashboards to determine all relevant laws and regulations are complied with.
- ✘ Reviewed and recommended to the Board for approval the GSA Administration Manual, Connecting Point Services Manual, Corporate Management System Manual, Customer Feedback Handling Manual, Revision to Corporate Information Security Manual, SOP on Agents Incentives Scheme and Inventory Disposal Procedure (other than Engineering)
- ✘ Reviewed the Related Party Transaction details submitted on quarterly basis.
- ✘ Reviewed the topmost debtors on a quarterly basis.
- ✘ Reviewed the Internal Audit function carried out by GAAS Division, including the independence and authority of its reporting obligations and the GAAS annual internal audit plan.



Sanjaya Mohottala
Pro-tem Chairman

Board Audit Committee
2 March 2022

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 48.

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

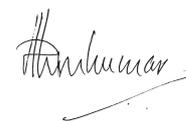
provide the information required by the Companies Act No.7 of 2007. They are also responsible for taking reasonable measures to safeguard the assets of the Group, and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to the prevention and 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 7 February 2022 (and the letter issued by the Secretary to the Treasury on 24 February 2022) 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 of Directors,



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

2 March 2022

INDEPENDENT AUDITOR'S REPORT



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NATIONAL AUDIT OFFICE



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Your No. }

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திகதி }
Date }

29 March 2022

Chairman

Sri Lankan Airlines Limited

**Report of the Auditor General
on the Consolidated Financial
Statements and Other Legal and
Regulatory Requirements of the
Sri Lankan Airlines Limited and its
Subsidiary for the year ended 31
March 2021 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 subsidiary ("Group") for the year ended 31 March 2021 comprising the statement of financial position as at 31 March 2021 and the statement of profit or loss and statements of 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 2021 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 to the financial statements, which indicates that the Company incurred a net loss of Rs.45,231.46 million during the

year ended 31 March 2021 with an accumulated loss of Rs.371,733.52 million and, as of that date, the Company's current liabilities exceeded its current assets by Rs.221,308.99 million and total liabilities exceeded its total assets by Rs.289,265.27 million. Further, the Group incurred a net loss of Rs.49,704.51 million during the year ended 31 March 2021 with an accumulated loss of Rs.366,284.57 million and, as of that date, the Group's current liabilities exceeded its current assets by Rs.214,635.95 million and total liabilities exceeded its total assets by Rs.281,490.87 million.

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

Note 2.1 to the financial statements, describes the impact of COVID-19 outbreak on the Company and the Groups 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 finalizing these financial statements.

Having taken into account the mitigating factors as disclosed





in Note 3 along with the Cabinet approval dated 7 February 2022 and the letter issued by the Secretary to the Treasury on 24 February 2022 obtained for the purpose of the statutory audit for the year ended 31 March 2021, 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 the going concern assumption.

(b) A350-900 Aircrafts Pre-delivery Payments

I draw attention to Note 6 to the financial statements, which indicates that the aircraft pre-delivery payments as at 31 March 2021 amounting to Rs.2,528.12 million (USD 19.21 million) has been reclassified under Note 11-Trade and Other Receivables as at the end of the year under review.

As stated in Note 6, the Company has sent a Letter of Demand to Airbus S.A.S. and Airbus SE claiming the return of the pre-delivery payments with interest. There is no information available to the Management of the Company at this point of time to believe that the outcome of the recovery of pre-delivery payments could be unfavorable to the Company.

However, the recovery is dependent upon the outcome of a possible legal action in the absence of a

settlement, and I have not been made aware of any additional information that contradict with the Company’s assumption on the recoverability of the said pre-delivery payments up to the date of this report.

My opinion is not modified in respect of these matters.

1.4 Other Information included in the Company’s 2020/21 Annual Report

The other information comprises the information included in the company’s annual report, but does not include the financial statements and my auditors’ report thereon which I have obtained prior to the date of this auditor’s report. Management is responsible for the other information.

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

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, on the other information

that I have obtained prior to the date of this auditor’s report. I conclude that there is a material misstatement of this other information; I am required to report that fact. I have nothing to report in this regard.

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal 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 Company’s and 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 Company or Group or to cease the operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT



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NATIONAL AUDIT OFFICE

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 the 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 skepticism 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 management.
- Conclude on the appropriateness of 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.



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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

2. Report on Other Legal and Regulatory Requirements

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

2.1.1 I have obtained all the information and 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 (2) (d) of the Companies Act No. 7 of 2007 and section 12 (a) of the National Audit Act No. 19 of 2018.

2.1.2 The financial statements of the Company comply with the requirement of section 151 of the Companies Act No.07 of 2007.

2.1.3 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.

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

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

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

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

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

2.2.4 to state that the resources of the Company had not been procured and utilized 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	
		2021 LKR. Mn	2020 LKR. Mn	2021 LKR. Mn	2020 LKR. Mn
ASSETS					
Non-current Assets					
Property, Plant and Equipment	4	7,228.51	8,449.51	4,903.20	5,767.28
Right of Use Assets	5	92,455.88	119,083.74	92,171.07	118,751.75
Aircraft Predelivery Payments	6	-	2,528.12	-	2,528.12
Aircraft Maintenance Reserve	7	21,246.37	18,603.60	21,246.37	18,603.60
Aircraft and Spare Engine Deposits		4,038.79	4,241.81	4,038.79	4,241.81
Intangible Assets	8	92.14	103.92	69.55	78.50
Investments	9.1	0.40	0.40	42.44	42.44
		125,062.09	153,011.10	122,471.42	150,013.50
Current Assets					
Inventories	10	4,655.75	5,128.63	4,483.02	4,813.41
Trade and Other Receivables	11	11,111.45	8,820.33	10,810.64	7,683.59
Aircraft Maintenance Reserve	7	13,635.10	16,290.06	13,635.10	16,290.06
Aircraft and Spare Engine Deposits		602.76	542.22	602.76	542.22
Investments	9.2	1,367.82	1,039.24	1,114.66	613.64
Cash and Bank Balances	12	1,447.82	1,596.98	1,263.81	1,233.18
		32,820.70	33,417.46	31,909.99	31,176.10
Total Assets		157,882.79	186,428.56	154,381.41	181,189.60
EQUITY AND LIABILITIES					
Equity					
Stated Capital	13	79,352.43	51,617.44	79,352.43	51,617.44
Reserves	14	5,441.27	3,686.67	3,115.82	1,354.96
Accumulated Losses		(366,284.57)	(316,477.65)	(371,733.52)	(326,341.48)
		(281,490.87)	(261,173.54)	(289,265.27)	(273,369.08)
Non-current Liabilities					
Interest Bearing Liabilities	16	168,070.52	191,315.43	167,297.59	190,480.17
Other Long-term Liabilities	17	23,846.49	22,033.35	23,130.11	21,257.28
		191,917.01	213,348.78	190,427.70	211,737.45
Current Liabilities					
Preference Shares	15	-	1,000.00	-	-
Sales in Advance of Carriage	18	11,196.76	17,835.18	11,196.76	17,835.18
Trade and Other Payables	19	100,350.89	108,343.99	106,176.53	118,086.77
Income Tax Payable		175.45	212.57	175.45	175.45
Interest Bearing Liabilities	16	135,733.55	106,861.58	135,670.24	106,723.83
		247,456.65	234,253.32	253,218.98	242,821.23
Total Liabilities		439,373.66	447,602.10	443,646.68	454,558.68
Total Equity and Liabilities		157,882.79	186,428.56	154,381.41	181,189.60

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

Yasantha Dissanayake
Head of Financial Management

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

Jayanth Perera
Director

The Accounting Policies and Notes on pages 57 through 107 form an integral part of these Financial Statements.

STATEMENT OF PROFIT OR LOSS

Year ended 31 March	Note	Group		Company	
		2021 LKR. Mn	2020 LKR. Mn	2021 LKR. Mn	2020 LKR. Mn
Revenue	21	50,928.92	183,531.82	50,693.85	180,151.02
Expenditure					
Aircraft Fuel Cost		(10,569.38)	(55,327.75)	(10,569.38)	(55,327.75)
Employee Cost		(17,111.81)	(22,903.06)	(16,206.23)	(21,205.44)
Airport, Enroute and Passenger Expenses		(7,308.38)	(25,276.94)	(7,440.31)	(29,217.18)
Aircraft Maintenance and Overhaul Costs		(13,695.34)	(22,820.26)	(13,695.34)	(22,820.26)
Depreciation/Amortisation		(16,745.32)	(19,391.55)	(16,295.62)	(19,013.83)
Rentals on Short Term Leases Aircraft and Spare Engines		(2,265.02)	(1,393.67)	(2,265.02)	(1,393.67)
Selling, Marketing and Advertising Expenses		(2,064.99)	(14,549.74)	(2,033.93)	(14,540.51)
Crew Expenses		(1,680.18)	(6,557.11)	(1,680.18)	(6,557.11)
Other Operating Expenses		(4,670.86)	(15,208.69)	(4,325.38)	(14,127.44)
Exchange Loss		(6,339.22)	(5,270.29)	(6,894.60)	(6,118.51)
Operating Loss	23	(31,521.58)	(5,167.24)	(30,712.14)	(10,170.68)
Other Income and Gains	22	17,062.15	1,351.51	20,628.65	3,046.13
Finance Income	24.1	561.51	377.88	524.86	317.28
Finance cost	24.2	(35,863.65)	(40,666.87)	(35,672.83)	(40,390.59)
Loss Before Taxation		(49,761.57)	(44,104.72)	(45,231.46)	(47,197.86)
Income Tax Expense	26	57.06	(34.68)	-	-
Loss for the Year		(49,704.51)	(44,139.40)	(45,231.46)	(47,197.86)

The Accounting Policies and Notes on pages 57 through 107 form an integral part of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March	Note	Group		Company	
		2021 LKR. Mn	2020 LKR. Mn	2021 LKR. Mn	2020 LKR. Mn
Loss for the Year		(49,704.51)	(44,139.40)	(45,231.46)	(47,197.86)
Other Comprehensive Income / (Loss)					
Other comprehensive income/ (loss) not to be reclassified to profit or loss in subsequent periods:					
Actuarial Gain/(Loss) on Retirement Benefit Obligation	17.2	(92.13)	(20.86)	(160.58)	(8.87)
Actuarial Gain/(Loss) on Leave Encashment		(7.38)	-	-	-
Deferred Tax impact on items recognised in OCI	26.2	(9.16)	-	-	-
		(108.67)	(20.86)	(160.58)	(8.87)
Other comprehensive income / (loss) to be reclassified to profit or loss in subsequent periods (net of tax):					
Net Movement of Cash Flow Hedge	14.1	1,760.86	(61.44)	1,760.86	(61.44)
		1,760.86	(61.44)	1,760.86	(61.44)
Total Other Comprehensive Income/(Loss) for the Year, Net of Tax		1,652.19	(82.30)	1,600.28	(70.31)
Total Comprehensive Income/(Loss) for the Year, Net of Tax		(48,052.32)	(44,221.70)	(43,631.18)	(47,268.17)

The Accounting Policies and Notes on pages 57 through 107 form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

GROUP Year ended 31 March	Stated	Revaluation	Cash Flow	Accumulated	Total
	Capital	Reserve	Hedge Reserve	Losses	
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Balance as at 01 April 2019	51,617.44	5,459.01	(1,699.42)	(223,488.73)	(168,111.70)
Transition impact of SLFRS 16	-	-	-	(48,840.14)	(48,840.14)
Adjusted Balance as at 01 April 2019	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)
Total Comprehensive Income / (Loss)	-	-	(61.44)	(44,160.26)	(44,221.70)
Balance as at 31 March 2020	51,617.44	5,447.53	(1,760.86)	(316,477.65)	(261,173.54)
Advance to Stated Capital	27,734.99	-	-	-	27,734.99
Reversal of surplus on revaluation due to disposal during the year	-	(6.26)	-	6.26	-
Loss for the year	-	-	-	(49,704.51)	(49,704.51)
Other Comprehensive Income/(Loss)	-	-	1,760.86	(108.67)	1,652.19
Total Comprehensive Income / (Loss)	-	-	1,760.86	(49,813.18)	(48,052.32)
Balance as at 31 March 2021	79,352.43	5,441.27	-	(366,284.57)	(281,490.87)

COMPANY	Stated	Revaluation	Cash Flow	Accumulated	Total
	Capital	Reserve	Hedge Reserve	Losses	
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Balance as at 01 April 2019	51,617.44	3,115.82	(1,699.42)	(230,590.07)	(177,556.23)
Transition impact of SLFRS 16	-	-	-	(48,544.68)	(48,544.68)
Adjusted Balance as at 01 April 2019	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)
Total Comprehensive Income / (Loss)	-	-	(61.44)	(47,206.73)	(47,268.17)
Balance as at 31 March 2020	51,617.44	3,115.82	(1,760.86)	(326,341.48)	(273,369.08)
Advance to Stated Capital	27,734.99	-	-	-	27,734.99
Loss for the year	-	-	-	(45,231.46)	(45,231.46)
Other Comprehensive Income/ (Loss)	-	-	1,760.86	(160.58)	1,600.28
Total Comprehensive Income / (Loss)	-	-	1,760.86	(45,392.04)	(43,631.18)
Balance as at 31 March 2021	79,352.43	3,115.82	-	(371,733.52)	(289,265.27)

The Accounting Policies and Notes on pages 57 through 107 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

Year ended 31 March	Note	Group		Company	
		2021 LKR. Mn	2020 LKR. Mn	2021 LKR. Mn	2020 LKR. Mn
Cash Flows From/(Used in) Operating Activities					
Loss before Income Tax Expense		(49,761.57)	(44,104.72)	(45,231.46)	(47,197.86)
Adjustments for:					
Depreciation / Amortisation / Impairment		16,745.32	19,391.55	16,295.62	19,013.83
Finance Cost	24.2	35,592.49	40,666.87	35,401.67	40,390.59
Loss/ (Gain) on Disposal of Property, Plant and Equipment and Intangible Assets		(7.57)	8.71	(4.94)	(3.49)
Finance Income	24.1	(561.51)	(377.88)	(524.86)	(317.28)
Provision for Impairment of Receivables	11.2	129.22	37.35	111.15	32.94
Provision for Slow Moving Inventory	9.1	385.28	113.58	282.74	91.75
Provision for Impairment of Maintenance Reserve	6.2	1,181.44	4,349.64	1,181.44	4,349.64
(Reversal) / Provision for WHT	22	(16,433.45)	8,062.11	(16,433.45)	8,062.11
Rent Concession	16.3	(444.93)	-	(278.63)	-
Loss on disposal of Treasury Bonds		271.16	-	271.16	-
Effect on Unrealised Exchange Loss		3,969.64	4,330.87	4,551.06	5,045.97
Write Back of Sales in Advance		(1,931.97)	(1,818.01)	(1,931.97)	(1,818.01)
Provision for Gratuity	16.2	997.45	1,126.34	903.81	1,031.33
Operating Loss before Working Capital Changes		(9,869.00)	31,786.41	(5,406.66)	28,681.52
Decrease/(Increase) in Inventories		87.60	(50.66)	47.66	(55.29)
(Decrease)/Increase in Sales in Advance of Carriage		(4,706.44)	(5,663.49)	(4,706.44)	(5,663.49)
(Increase)Decrease in Trade and Other Receivables		212.10	10,584.47	(605.76)	10,718.09
Increase/(Decrease) in Trade and Other Payables		4,132.61	18,994.38	(367.71)	21,299.36
(Increase)/Decrease in Maintenance Reserves		246.53	(6,367.39)	246.53	(6,367.39)
Decrease/ (Increase) in Aircraft Security Deposits		633.22	132.68	633.22	132.68
Cash Generated From/(Used in) Operations		(9,263.38)	49,416.40	(10,159.16)	48,745.48
Finance Cost Paid		(20,395.65)	(22,699.41)	(20,204.83)	(22,432.00)
Gratuity Paid	16.2	(988.41)	(587.07)	(941.21)	(543.52)
Income Tax Paid		(37.51)	-	-	-
Net Cash flows (Used in) / from Operating Activities		(30,684.95)	26,129.92	(31,305.20)	25,769.96
Cash Flows From/(Used in) Investing Activities					
Interest Received		300.90	132.57	267.40	88.57
Acquisition of Property, Plant and Equipment		(319.95)	(735.56)	(282.82)	(399.28)
(Investment)/ Realisation of Short Term Investment		(271.21)	(72.08)	(446.81)	4.92
Acquisition of Intangible Assets		(38.60)	(23.44)	(30.00)	(20.26)
Proceeds from Disposal of Property, Plant and Equipment and Intangible Assets		10.52	5.10	4.94	3.84
Net Cash Used in Investing Activities		(318.34)	(693.41)	(487.29)	(322.21)
Cash Flows From / (Used in) Financing Activities					
Proceed from disposal of treasury bond		27,463.82	-	27,463.82	-
Repayment of Interest Bearing Liabilities		(3,189.70)	(39,704.62)	(3,078.78)	(39,579.34)
Repayment of Lease Liability		(6,677.11)	(19,452.56)	(6,799.04)	(19,421.89)
Redemption of preference shares		(1,000.00)	-	-	-
Proceeds from Interest Bearing Loans and Borrowings		2,821.40	30,556.46	2,801.40	30,556.46
Net Cash from/ (used in) Financing Activities		19,418.41	(28,600.72)	20,387.40	(28,444.77)
Net Increase/(Decrease) in Cash and Cash Equivalents		(11,584.88)	(3,164.21)	(11,405.09)	(2,997.02)
Cash and Cash Equivalents at the beginning of the year	12	(10,084.43)	(6,920.22)	(10,448.23)	(7,451.21)
Cash and Cash Equivalents at the end of the year	12	(21,669.31)	(10,084.43)	(21,853.32)	(10,448.23)

The Accounting Policies and Notes on pages 57 through 107 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 2021 were authorised for issue by the Board of Directors on the 02 March 2022.

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.

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 was and 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 be predict with certainty. Due the above reasons, the Subsidiary was unable operate at its full capacity.

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 including the infusion of new equity capital as disclosed in the Note 3 Going Concern.

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

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

2.1.3 Functional and Presentation Currency

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

NOTES TO THE FINANCIAL STATEMENTS

2.2 Basis of Consolidation

The Financial Statements comprise of Financial Statements of the Company and its subsidiaries for the year ended 31 March 2021. Financial Statements of the Company's subsidiaries are prepared for the same reporting year using consistent accounting policies.

2.2.1 Business Combination

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

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

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

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

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

2.2.2 Subsidiaries

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

2.2.3 Non-controlling Interests

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

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

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

2.2.4 Loss of Control

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

2.2.5 Transactions Eliminated on Consolidation

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

2.3 Significant Accounting Policies

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

2.3.1 Changes in Accounting Policies

New standards / interpretations that were effective from 1 April 2020 do not have a material effect on the Group's Financial Statements. The Group has early adopted COVID-19 Related Rent Concessions – Amendment to IFRS 16 issued on 28 May 2020. The amendment introduces an optional practical expedient for leases in which the Group is a lessee – i.e. for leases to which the Group applies the practical expedient, the Group is not required to assess whether eligible rent concessions that are a direct consequence of the COVID-19

coronavirus pandemic are lease modifications. The Group has applied the amendment retrospectively. The amendment has no impact on retained earnings at 1 April 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but not effective.

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 Group in respect of legal actions, other claims and potential claims being made against the Group by customers, suppliers and employees, the amounts concerned are disclosed in Note 27.2.

(iii) Leases

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

(b) Estimates

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

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

(ii) Frequent Flyer Programme

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

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

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

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

(iii) Maintenance Reserve

The Company makes monthly payments to lessors on account of several aircraft and engines which are under leases based on agreed terms towards maintenance. These monthly payments are based on the number of hours or cycles flown or passage of time. Periodically management evaluates the recoverability of such payments based on best estimates of the amounts recoverable. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. (Refer Note 7)

(iv) Provision for Aircraft

Maintenance and Overhaul Costs

The Company is obligated to carry out heavy maintenance checks on the airframe, engines and landing gears, which are under leases based on

NOTES TO THE FINANCIAL STATEMENTS

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

The Group 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 Security cover and any other factors management is aware of that indicates uncertainty in recoverability.

(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 (a))

(ii) Revaluation of Property Plant and Equipment

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

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

(i) Current Income Tax

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

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

Company

(a) Local Taxation

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

(b) Overseas Taxation

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

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

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

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

2.4.3 Property, Plant and Equipment

(a) Cost and Valuation

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

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

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

probable that future economic benefits associated with the item will flow to the Company and the cost can be reliably measured.

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

Property, plant and equipment includes amongst others the following:

(i) Aircraft Rotable Spares

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

(ii) Capital Work-in-Progress

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

(b) Depreciation

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

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

2.4.5.1 Right of Use (ROU) Assets

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the 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) are recognised in the Statement of Profit or Loss on an incurred basis, the respective accounting policy disclosed in Note 2.4.15.

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

The deposit is within the scope of SLFRS 9 and must initially be accounted for at fair value and the excess between the principal amount

of the deposit over its fair value is within the scope of SLFRS 16 Leases. Accounting policy for Deposits is given under Note 2.4.9.

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

(b). Lease of Land and Buildings

The Group leases its land and buildings in Sri Lanka and overseas. The leases of land and building typically run for a period of 2 to 8 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 over 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.

2.4.5.2 Lease Liability

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

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

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, 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.

2.4.5.4 COVID-19 related rent concessions

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

NOTES TO THE FINANCIAL STATEMENTS

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, the Group 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 2021.

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 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 and Spare Engine Deposits, Short Term Investments and Cash and Bank Balances classified as Financial Assets subsequently measured at amortised cost.

De-recognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of

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

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

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

Impairment of Financial Assets

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

The Group uses a 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.

NOTES TO THE FINANCIAL STATEMENTS

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 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. The Company recovers the cost incurred on overhauls of engines, airframes and aircraft components (up to the amount already paid to the reserve) from lessors against such reserve on completion of the maintenance event.

Based on its 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. 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. (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

The Company operates a frequent flyer programme ‘FlySmiles’ that provides travel awards to members of the program based on accumulated mileage. A portion of passenger revenue attributable to the award of frequent flyer benefits is deferred until they are utilised. The deferment of the revenue is estimated based on historical trends of redemption, which is then used to project the expected utilisation of these benefits. The fair value of credits awarded is estimated by reference to the weighted average value of the services for which the award credits may be redeemed. These estimates are reviewed at each reporting date and the liability is adjusted accordingly. Miles accrued through utilising the services of

programme partners and paid for by the participating partners are also accounted for as deferred revenue until they are utilised. A liability is not recognised for miles that are expected to expire.

2.4.18 Revenue Recognition

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

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

(a) Airline Revenue

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

- (i) Passenger, cargo, excess baggage sales and other related fees are recognised as operating revenue when the transportation/facility is provided.
- (ii) The value of unused tickets and airway bills is included in current liabilities as sales in advance of carriage. The value of unused tickets and airway bills are recognised as revenue if they remain unutilised 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.

NOTES TO THE FINANCIAL STATEMENTS

(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 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

A number of new standards are effective for annual periods beginning after 1 April 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these financial statements.

Onerous contracts – Cost of Fulfilling a Contract (Amendments to LKAS 37)

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 April 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The Group does not anticipate this amended to have a significant impact.

Interest Rate Benchmark Reform – Phase 2 (Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16)

The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 relating to:

- ✘ changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; and

✘ hedge accounting.

The amendments will require the Group to disclose additional information about the entity's exposure to risks arising from interest rate benchmark reform and related risk management activities. The Group does not anticipate this amended to have a significant impact. This amendment is effective for annual periods beginning on or after 1 April 2021.

Other Standards

The following new and amended standards are not expected to have a significant impact on the Group's financial statements.

✘ Property, Plant and Equipment: Proceeds before Intended Use (Amendments to LKAS 16).

This amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendment applies to annual reporting periods beginning on or after 1 April 2022

✘ Reference to Conceptual Framework (Amendments to SLFRS 3).

Key amendments are as follow:

✘ add to SLFRS 3 a requirement that, for transactions and other events within the scope of LKAS 37 or IFRIC 21, an acquirer applies LKAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination;

✘ add to SLFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendment applies to annual reporting periods beginning on or after 1 April 2022.

✘ Classification of Liabilities as Current or Non-current (Amendments to LKAS 1).

The amendments in Classification of Liabilities as Current or Non-current (Amendments to LKAS 1) affect only the presentation of liabilities in the statement of financial position not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items.

The Key amendments are as follows:

✘ the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. The classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The standard also clarifies that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendment applies to annual reporting periods beginning on or after 1 April 2023.

✘ Annual Improvements to SLFRS Standards 2018–2020.

As part of its process to make non-urgent but necessary amendments to accounting Standards, the IASB International Accounting Standards Board (the Board) has issued the Annual Improvements to

IFRS Standards 2018–2020. The amendments are effective for annual reporting periods beginning on or after 1 April 2022. Key Aspects covered is as follow:

I. SLFRS 1 First-time Adoption of International Financial Reporting Standards

This amendment simplifies the application of SLFRS 1 for a subsidiary that becomes a first-time adopter of SLFRS Standards later than its parent.

II. SLFRS 9 Financial Instruments
This amendment clarifies that – for the purpose of performing the '10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

3. GOING CONCERN

During the year under review, the Company recorded a loss of LKR 45,231.46 Mn (2020 - LKR 47,197.86 Mn) with an accumulated loss of LKR 371,733.52 Mn (2020 - LKR 326,341.48 Mn) as at 31 March 2021. Further, the Company's current liabilities exceeded its current assets by LKR 221,308.99 Mn (2020 - LKR 211,645.13 Mn) and the total equity of the Company as at reporting date has declined to a negative LKR 289,265.27 Mn (2020 - negative LKR 273,369.08 Mn).

The Group recorded a loss of LKR 49,704.51 Mn (2020 - LKR 44,139.40 Mn) with an accumulated loss of LKR 366,284.57 Mn (2020 - LKR 316,477.65 Mn) as at 31 March 2021. Further, the Group's current liabilities exceeded its current assets by LKR 214,635.95 Mn (2020 - LKR 200,835.86 Mn) and the total equity of the Group as at reporting date

NOTES TO THE FINANCIAL STATEMENTS

has declined to a negative LKR 281,490.87 Mn (2020 - negative LKR 261,173.54 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 September 2020 (in addition to three 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 the COVID-19 pandemic in 2020 the operating environment for the airline industry changed completely. The severity of the pandemic is having a negative impact on passenger travel to Sri Lanka. The pandemic is further affecting the airlines' key markets such as India, Middle East and the Far East with travel restrictions being imposed by many countries.

Therefore, the traditional business of carriage of passengers which came to a virtual standstill due to cross boarder restrictions worldwide last year is now continuing to 2021 and the cargo business has become the main line of operations. A dedicated cargo schedule was introduced during the year under review and one wide-body aircraft was converted to a freighter configuration to enhance cargo capacity. Six new routes have

been introduced date which are primarily driven by cargo demand. Plans are been implemented to further enhance the Cargo business through the introduction of more new routes and aircraft. The airline industry globally faces its gravest crisis in the modern times and in order to mitigate the negative impact, SriLankan Airlines has taken measures to preserve the liquidity by optimisation of its cost structure, 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 contribution.

The main initiatives undertaken in optimising cost include the restructuring of aircraft lease agreements which has resulted in a permanent reduction in lease rentals by USD 27.5 Mn annum as well as deferment of payments during the year under review which helped the liquidity position of the Company. Staff cost optimisations through numerous measures including a Voluntary Resignation Scheme (VRS), restructuring of allowances, mandatory salary reductions ranging from 2.5% to 25% and freezing all the salary increments/ recruitments will continue under the current circumstances. All Collective Bargaining Agreements were repudiated during the year.

The GoSL continued to support the Company with the infusion of new equity capital. This was the first capital infusion to SLA after 2014 and two tranches amounting to LKR 27.7 Bn in November 2020 and LKR 18 Bn in April 2021 has been received to date (refer Note 13 and Note 29 for details). This infusion was part of a USD 500 Mn recapitalisation program approved by the Cabinet on 26 October 2020. Further, the GoSL through the General Treasury approved the re-issue 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. Also, during the year under review, based on Cabinet approval to provide Treasury guarantees, two state banks disbursed new facilities of USD 75 Mn for working capital purposes. Further, the GoSL by way of a Cabinet approval dated 7 February 2022 and the letter issued by the Secretary to the Treasury on 24 February 2022 has confirmed that the GoSL will continue to extend the required financial support to the Company to continue its operations as a "Going Concern" until the implementation of the proposed restructuring process is completed.

4. PROPERTY, PLANT AND EQUIPMENT

4.1 Group

	Land and Buildings	Plant & Equipment	Improvements to Aircraft on Leases	Aircraft Related Equipment	Advances/ Capital Work-in- Progress	Total 2021	Total 2020
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Cost/ Revaluation							
Balance as at 01 April	4,602.00	9,741.54	2,083.60	9,584.14	5.77	26,017.05	28,080.30
Acquisitions/Modifications/ Improvements	43.65	123.82	-	167.28	27.04	361.79	654.53
Transferred from CWIP	9.57	-	-	-	(9.57)	-	-
Transfer to Right of Use Assets	-	-	-	-	-	-	(2,500.45)
Reclassifications	(16.21)	16.21	-	-	-	-	-
Disposals/Retirements	(70.41)	(29.14)	(171.68)	(31.95)	-	(303.18)	(217.33)
Balance as at 31 March	4,568.60	9,852.43	1,911.92	9,719.47	23.24	26,075.66	26,017.05
Accumulated Depreciation							
Balance as at 01 April	623.26	7,131.33	1,912.63	7,900.32	-	17,567.54	17,858.40
Charge for the Year	362.17	700.85	54.24	462.69	-	1,579.95	1,514.48
Transfer to Right of Use Assets	-	-	-	-	-	-	(1,601.82)
Reclassifications	(1.57)	1.57	-	-	-	-	-
Disposals/Retirements	(70.41)	(26.30)	(171.68)	(31.95)	-	(300.34)	(203.52)
Balance as at 31 March	913.45	7,807.45	1,795.19	8,331.06	-	18,847.15	17,567.54
Net Book Value as at 31 March	3,655.15	2,044.98	116.73	1,388.41	23.24	7,228.51	8,449.51

NOTES TO THE FINANCIAL STATEMENTS

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	Revalued Amount LKR Mn.	Sensitivity of fair value to unobservable inputs	Level of Fair value Hierarchy
Land - Colombo	Open Market Value This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for difference in size, nature and location of the property.	31-Mar-18	Estimated price per perch LKR18 Mn	643.50	Positively correlated sensitivity	Level 3
Buildings - Colombo / Katunayake	Depreciated Replacement Cost This method considers the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.	31-Mar-18	Estimated price per square foot LKR 643.47- LKR 8,092.50	2,083.98		
Subsidiary						
Buildings - Katunayake	Income Approach The net income generated by the property is used in conjunction with certain factors is used to calculate its fair value.	31-Mar-19	Estimated price per square foot LKR 4,000 - LKR 16,000	1,565.49		
Flight Kitchen Equipment included under Plant and Equipment - Katunayake	Depreciated Replacement Cost This method considers the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.	31-Mar-19	Fair value was derived using the Net Replacement Cost (NRC) approach for each equipment	1,099.82		

4. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

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

Class of Asset	Cost LKR. Mn	Cumulative Depreciation If assets were carried at cost LKR. Mn	Net Carrying Amount 2021 LKR. Mn	Net Carrying Amount 2020 LKR. Mn
Land and Buildings	3,034.72	2,092.68	942.04	1,041.12
Plant and Equipment	2,482.77	2,123.43	359.34	411.20

(b) During the year, the Group acquired property, plant and equipment to the aggregate value of LKR 361.79 Mn (2020 - LKR 654.53 Mn). Cash payments amounting to LKR 319.95 Mn (2020 -LKR 735.56 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 12,434.05 Mn (2020- LKR 12,029.11 Mn).

(d) Any property, plant and equipment mortgaged for bank facilities are disclosed in Note 16.2.

4.3 Company

	Land and Buildings LKR. Mn	Plant & Equipment LKR. Mn	Improvements to Aircraft on Leases LKR. Mn	Aircraft Related Equipment LKR. Mn	Advances/ Capital Work- in-Progress LKR. Mn	Total 2021 LKR. Mn	Total 2020 LKR. Mn
Cost/Revaluation							
Balance as at 01 April	3,006.56	8,302.49	2,083.60	9,584.14	5.08	22,981.87	25,363.32
Acquisitions/Modifications/ Improvements	43.46	104.62	-	167.28	9.41	324.77	318.25
Transferred from CWIP	6.94	-	-	-	(6.94)	-	-
Reclassifications	(16.21)	16.21	-	-	-	-	-
Transfer to Right of Use Assets	-	-	-	-	-	-	(2,500.45)
Disposals/Retirements	(70.41)	(22.59)	(171.68)	(31.95)	-	(296.63)	(199.25)
Balance as at 31 March	2,970.34	8,400.73	1,911.92	9,719.47	7.55	23,010.01	22,981.87
Accumulated Depreciation							
Balance as at 01 April	540.03	6,861.61	1,912.63	7,900.32	-	17,214.59	17,821.13
Charge for the Year	277.85	394.07	54.24	462.69	-	1,188.85	1,194.17
Reclassifications	(1.57)	1.57	-	-	-	-	-
Transfer to Right of Use Assets	-	-	-	-	-	-	(1,601.82)
Disposals/Retirements	(70.41)	(22.59)	(171.68)	(31.95)	-	(296.63)	(198.89)
Balance as at 31 March	745.90	7,234.66	1,795.19	8,331.06	-	18,106.81	17,214.59
Net Book Value as at 31 March	2,224.44	1,166.07	116.73	1,388.41	7.55	4,903.20	5,767.28

NOTES TO THE FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

- 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	Revalued Amount LKR Mn.	Sensitivity of fair value to unobservable inputs	Level of fair value hierarchy
Land - Colombo	Open Market Value This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for difference in size, nature and location of the property.	31-Mar-18	Estimated price per perch LKR18 Mn	643.50	Positively correlated sensitivity	Level 3
Buildings - Colombo / Katunayake	Depreciated Replacement Cost This method considers the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.	31-Mar-18	Estimated price per square foot LKR 643.47- LKR 8,092.50	2,083.98		

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 2021	Net Carrying Amount 2020
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Land and buildings	1,239.49	932.86	306.63	332.15

- (b) During the year, the Company acquired property, plant and equipment to the aggregate value of LKR 324.77 Mn (2020 - LKR 318.25 Mn). Cash payments amounting to LKR 282.82 Mn (2020 - LKR 399.28 Mn) were made during the year to acquire property, plant and equipment.

- (c) Property, plant and equipment of the Company includes fully depreciated assets having a gross carrying amount of LKR 12,434.05 Mn (2020 - LKR 12,029.11Mn).

- (d) Any property, plant and equipment mortgaged for bank facilities are disclosed in Note 16.2.

5. RIGHT OF USE ASSETS

5.1 Right of Use Asset Movement

Group	Aircraft and Spare Engines LKR. Mn	Land and Building LKR. Mn	Vehicles LKR. Mn	Aircraft Simulator LKR. Mn	Total 2021 LKR. Mn	Total 2020 LKR. Mn
Transition to SLFRS 16	-	-	-	-	-	135,890.94
Transferred from PPE	-	-	-	-	-	898.63
Balance as at 01 April	117,134.76	1,260.51	45.74	642.73	119,083.74	136,789.57
Additions	-	72.49	-	-	72.49	124.61
Disposals	-	-	(16.75)	-	(16.75)	-
Adjustments	(11,558.85)	3.95	0.54	-	(11,554.36)	-
Depreciation	(14,610.30)	(242.99)	(20.05)	(255.90)	(15,129.24)	(17,830.44)
Balance as at 31 March	90,965.61	1,093.96	9.48	386.83	92,455.88	119,083.74

Company	Aircraft and Spare Engines LKR. Mn	Land and Building LKR. Mn	Vehicles LKR. Mn	Aircraft Simulator LKR. Mn	Total 2021 LKR. Mn	Total 2020 LKR. Mn
Transition to SLFRS 16	-	-	-	-	-	135,511.78
Transferred from PPE	-	-	-	-	-	898.63
Balance as at 01 April	117,134.76	928.52	45.74	642.73	118,751.75	136,410.41
Additions	-	72.49	-	-	72.49	124.61
Disposals	-	-	(16.75)	-	(16.75)	-
Adjustments	(11,558.85)	3.95	0.54	-	(11,554.36)	-
Depreciation	(14,610.30)	(195.81)	(20.05)	(255.90)	(15,082.06)	(17,783.27)
Balance as at 31 March	90,965.61	809.15	9.48	386.83	92,171.07	118,751.75

Short Term leases

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

	Group		Company	
	2021 LKR. Mn	2020 LKR. Mn	2021 LKR. Mn	2020 LKR. Mn
Rentals on Leased Aircraft / Spare Engines	2,265.02	1,393.67	2,265.02	1,393.67
Rentals on Land and Buildings	243.86	291.08	242.28	282.20
Rentals on Vehicles	15.68	11.37	13.68	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

6. AIRCRAFT PREDELIVERY PAYMENTS

Predelivery payments as at 31 March 2020 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 Crown Court in the United Kingdom has delivered a judgement approving the Deferred Prosecution Agreement between Airbus S.A.S. and the Serious Fraud Office in the United Kingdom. In the Judgement, Airbus SE has admitted the fact that Airbus SE had agreed to make a payment to a company owned by the wife of a former Chief Executive Officer to influence the purchase of 6 A330-300 and 4 A350-900 aircraft and leasing of 4 A350-900 aircraft by Company.

The Company sought advice of the Hon. Attorney General on the remedies available to Company in view of the admission of Airbus SE that they influenced the purchase of A330-300 and A350-900 aircraft and leasing of A350-900 aircraft by making payments to a company owned by the wife of a former Chief Executive Officer of Company. The Attorney General's Department has advised that there is a possibility to recover the paid pre-delivery payment made with interest under the English law.

Company has sent a Letter of Demand to Airbus S.A.S. and Airbus SE through Company's lawyers in London including the demand of returning the pre-delivery payments paid with interest. Airbus S.A.S has requested for additional information pertaining to the Company's demand which are currently being evaluated by Airbus. Company is awaiting Airbus' response to Company's claim. Company's demand of returning the paid PDPs with interest is a strong claim against Airbus S.A.S purely based on the English law principles. Subject to Company seeing the response of Airbus S.A.S to Company's Letter of Demand and if Company's claim leads to arbitration, subject to seeking the position of Airbus S.A.S at the arbitration against this demand of returning PDPs paid, Company can reasonably assume at this point of time that Company could be able to recover the paid pre-delivery payments as there is no information available to the management of Company at this point of time to believe that the outcome of the recovery of PDPs could be unfavourable to Company. Accordingly, this amount has been reclassified under trade and other receivables as at the reporting date.

7. AIRCRAFT MAINTENANCE RESERVE

Group / Company	2021 LKR. Mn	2020 LKR. Mn
Balance as at 01 April	48,461.22	44,507.42
Payments	4,089.09	12,901.46
Amounts set-off upon redelivery	(504.39)	(6,035.89)
Recoveries	(4,335.62)	(6,534.07)
Exchange gain	2,807.41	3,622.30
	50,517.71	48,461.22
Provision for impairment (Note 7.2)	(15,636.24)	(13,567.56)
Net Recoverable Balance as at 31 March (Note 7.1)	34,881.47	34,893.66

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 2021	50,517.71	(15,636.24)	34,881.47	13,635.10	21,246.37
Balance as at 31 March 2020	48,461.22	(13,567.56)	34,893.66	16,290.06	18,603.60

7.2 Movement of Provision for impairment

	2021 LKR. Mn	2020 LKR. Mn
Balance as at 1 April	13,567.56	10,779.18
Charged during the year	1,181.44	4,349.64
Amounts set-off upon redelivery	(504.39)	(6,035.89)
Adjustments*	541.96	3,397.80
Exchange loss	849.67	1,076.83
Balance as at 31 March	15,636.24	13,567.56

*Adjustments for the year ended 31 March 2021 represents transfer of provisions between Maintenance Reserve and Future Aircraft Maintenance and Overhaul cost as a result of several overhaul events. (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). The corresponding adjustment of the same is reflected in provision for future Aircraft Maintenance and Overhaul cost given under Note 17.

NOTES TO THE FINANCIAL STATEMENTS

8. INTANGIBLE ASSETS

	Group				Company			
	Software	Capital Work-in Progress	Total 2021	Total 2020	Software	Capital Work-in Progress	Total 2021	Total 2020
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Cost								
Balance as at 1 April	1,410.24	17.71	1,427.95	1,414.76	1,321.24	17.71	1,338.95	1,328.94
Acquisitions/ Modifications/ Improvements	20.34	7.23	27.57	26.06	11.74	7.23	18.97	22.88
Transferred from CWIP	7.36	(7.36)	-	-	7.36	(7.36)	-	-
Adjustments	-	(3.22)	(3.22)	(7.53)	-	(3.22)	(3.22)	(7.53)
Disposals	-	-	-	(5.34)	-	-	-	(5.34)
Balance as at 31 March	1,437.94	14.36	1,452.30	1,427.95	1,340.34	14.36	1,354.70	1,338.95
Accumulated Amortisation								
Balance as at 1 April	1,324.03	-	1,324.03	1,282.78	1,260.45	-	1,260.45	1,229.43
Charge for the Year	36.13	-	36.13	46.59	24.70	-	24.70	36.36
Disposals	-	-	-	(5.34)	-	-	-	(5.34)
Balance as at 31 March	1,360.16	-	1,360.16	1,324.03	1,285.15	-	1,285.15	1,260.45
Net Book Value as at 31 March	77.78	14.36	92.14	103.92	55.19	14.36	69.55	78.50

As at the Reporting date Intangible Assets of the Group and Company include fully amortised assets having a gross carrying amount of LKR 1,260.85 Mn and LKR 1,224.05 Mn (2020 - LKR 1,231.53 Mn and LKR 1,196.46 Mn) respectively. Capital work in progress includes software updates under deployment.

9. INVESTMENTS

9.1. Non-current Investments

	Group		Company	
	2021 LKR. Mn	2020 LKR. Mn	2021 LKR. Mn	2020 LKR. Mn
Investments in Subsidiary in Sri Lanka				
- SriLankan Catering Limited (940,268,456 shares, 100% holding) (Directors' Valuation based on Net Asset Value LKR 7.82 Bn (2020 -LKR 12.24 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.

9.2. Current Investments

	Group		Company	
	2021 LKR. Mn	2020 LKR. Mn	2021 LKR. Mn	2020 LKR. Mn
Fixed Deposits at Bank	1,367.82	1,039.24	1,114.66	613.64

10. INVENTORIES

	Group		Company	
	2021 LKR. Mn	2020 LKR. Mn	2021 LKR. Mn	2020 LKR. Mn
Engineering related stock	5,943.96	6,172.67	5,943.96	6,172.67
Ground Service related stock	498.68	497.50	498.68	497.50
Raw materials and Consumables	946.10	894.85	639.61	548.41
	7,388.74	7,565.02	7,082.25	7,218.58
Provision for Slow moving stock (Note 10.1)	(2,732.99)	(2,436.39)	(2,599.23)	(2,405.17)
	4,655.75	5,128.63	4,483.02	4,813.41

NOTES TO THE FINANCIAL STATEMENTS

10.1 Provision for Slow Moving Stock

	Group		Company	
	2021 LKR. Mn	2020 LKR. Mn	2021 LKR. Mn	2020 LKR. Mn
Balance as at 01 April	(2,436.39)	(2,371.97)	(2,405.17)	(2,362.58)
Provision made during the year	(385.28)	(113.58)	(282.74)	(91.75)
Write-offs during the year	88.68	49.16	88.68	49.16
Balance as at 31 March	(2,732.99)	(2,436.39)	(2,599.23)	(2,405.17)

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021 LKR. Mn	2020 LKR. Mn	2021 LKR. Mn	2020 LKR. Mn
Trade Receivables	8,385.30	8,291.73	8,164.76	7,365.46
Provision for Impairment of Receivables (Note 11.2)	(1,617.51)	(1,623.40)	(1,534.14)	(1,558.10)
	6,767.79	6,668.33	6,630.62	5,807.36
Aircraft Predelivery Payments (Note 6)	2,528.12	-	2,528.12	-
Deposits, Advances, Prepayments and other receivables	1,763.65	2,084.93	1,612.21	1,836.37
	11,059.56	8,753.26	10,770.95	7,643.73
Loans and Advances to Company Officers	51.89	67.07	39.69	39.86
	11,111.45	8,820.33	10,810.64	7,683.59

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

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

Balances as at 31 March 2021	Total LKR. Mn	Neither Past Due nor Impaired				Past Due and Impaired	
		<30 LKR. Mn	30-60 LKR. Mn	61-90 LKR. Mn	91-180 LKR. Mn	181-365 LKR. Mn	>365 LKR. Mn
Group							
Trade Receivables	8,385.30	4,900.32	1,660.37	149.15	111.94	44.88	1,518.64
Provision for Impairment of Receivables (Note 11.2)	(1,617.51)	-	-	-	(53.99)	(44.88)	(1,518.64)
	6,767.79	4,900.32	1,660.37	149.15	57.95	-	-
Company							
Trade Receivables	8,164.76	4,793.95	1,653.50	148.46	87.00	44.88	1,436.97
Provision for Impairment of Receivables (Note 11.2)	(1,534.14)	-	-	-	(52.29)	(44.88)	(1,436.97)
	6,630.62	4,793.95	1,653.50	148.46	34.71	-	-

11.2 Movement for Provision for Impairment of Receivables

	Group		Company	
	LKR. Mn 2021	LKR. Mn 2020	LKR. Mn 2021	LKR. Mn 2020
Balance as at 1 April	1,623.40	1,646.55	1,558.10	1,585.23
Provision for the year	129.22	37.35	111.15	32.94
Write off	(135.11)	(60.50)	(135.11)	(60.07)
Balance as at 31 March	1,617.51	1,623.40	1,534.14	1,558.10

As at the Reporting date provision for impairment relating to related parties amounted to LKR 1,062.82 Mn and LKR 994.31 Mn for Group and Company respectively (2020- LKR 1,082.95 Mn for Group and LKR 1,018.10 Mn for Company).

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

Components of Cash and Cash Equivalents	Group		Company	
	2021 LKR. Mn	2020 LKR. Mn	2021 LKR. Mn	2020 LKR. Mn
12.1 Favourable Cash and Cash Equivalent Balances				
Cash and Bank Balances	1,447.82	1,596.98	1,263.81	1,233.18
12.2 Unfavourable Cash and Cash Equivalent Balances				
Bank Overdrafts (Note 16)	(23,117.13)	(11,681.41)	(23,117.13)	(11,681.41)
Total Cash and Cash Equivalents for the purpose of statement of cash flows	(21,669.31)	(10,084.43)	(21,853.32)	(10,448.23)

13. STATED CAPITAL

	Group		Company	
	2021 LKR. Mn	2020 LKR. Mn	2021 LKR. Mn	2020 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
Advance to Stated Capital (Note 13.1)	27,734.99	-	27,734.99	-
As at 31 March	79,352.43	51,617.44	79,352.43	51,617.44

13.1 Advance to Share Capital

During the year Government of Sri Lanka (GoSL) invested in the form of Treasury Bond with the face value of LKR 26.89 Bn. (refer Note 3).

NOTES TO THE FINANCIAL STATEMENTS

14. RESERVES

	Group		Company	
	2021 LKR. Mn	2020 LKR. Mn	2021 LKR. Mn	2020 LKR. Mn
Revaluation Reserve	5,441.27	5,447.53	3,115.82	3,115.82
Cash flow hedge reserve (Note 14.1)	-	(1,760.86)	-	(1,760.86)
Balance as at 31 March	5,441.27	3,686.67	3,115.82	1,354.96

14.1 Movement in Cash Flow Hedge Reserve

	Group		Company	
	2021 LKR. Mn	2020 LKR. Mn	2021 LKR. Mn	2020 LKR. Mn
Balance as at 1 April	(1,760.86)	(1,699.42)	(1,760.86)	(1,699.42)
Net Movement of Cash flow Hedge Reserve	1,760.86	(61.44)	1,760.86	(61.44)
Balance as at 31 March	-	(1,760.86)	-	(1,760.86)

15. PREFERENCE SHARES

Subsidiary

Preference shares - Employees' Provident Fund

Non-voting Redeemable Cumulative Preference shares held by Employees' 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 on the date of maturity.

16. INTEREST BEARING LIABILITIES

	Group		Company	
	2021 LKR. Mn	2020 LKR. Mn	2021 LKR. Mn	2020 LKR. Mn
Current Liabilities				
Long-term Loans / Bonds (Note 16.1)	4,454.53	6,331.09	4,454.53	6,237.69
Lease Liability (Note 16.3)	33,011.54	22,265.57	32,949.23	22,221.22
Short Term Loan	75,150.35	66,583.51	75,149.35	66,583.51
Bank Overdraft (Note 12)	23,117.13	11,681.41	23,117.13	11,681.41
	135,733.55	106,861.58	135,670.24	106,723.83
Non-current Liabilities				
Long-term Loans / Bonds (Note 16.1)	34,909.56	37,253.81	34,909.56	37,253.81
Lease Liability (Note 16.3)	133,160.96	154,061.62	132,388.03	153,226.36
	168,070.52	191,315.43	167,297.59	190,480.17

16.1 Long-term Loans / Bonds

(a) Current / Non-current Classification

	Group		Company	
	2021 LKR. Mn	2020 LKR. Mn	2021 LKR. Mn	2020 LKR. Mn
Payable within one year included under Current Liabilities	4,454.53	6,331.09	4,454.53	6,237.69
Payable after one year but not more than five years	34,909.56	37,253.81	34,909.56	37,253.81
	39,364.09	43,584.90	39,364.09	43,491.50

(b) Long-term Loans / Bonds denominated in foreign currencies

Long - term Loans / Bonds - USD denominated (in Mn.)	197.22	231.05	197.22	230.56
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(c) Movement in Long-term Loans / Bonds

	Group		Company	
	2021 LKR. Mn	2020 LKR. Mn	2021 LKR. Mn	2020 LKR. Mn
Balance as at 01 April	43,584.90	49,398.90	43,491.50	49,189.10
Additions during the year	-	30,556.46	-	30,556.46
Payments/ Transfers during the year	(6,431.10)	(39,704.62)	(6,320.18)	(39,579.34)
Unrealised exchange loss	2,191.29	3,334.16	2,192.77	3,325.28
Balance as at 31 March	39,345.09	43,584.90	39,364.09	43,491.50

NOTES TO THE FINANCIAL STATEMENTS

16. INTEREST BEARING LIABILITIES (CONTD...)

16.2 Interest bearing Borrowings - Terms and Repayment Schedule

Lender	Balance as at 31 March 2021 LKR. Mn	Balance as at 31 March 2020 LKR. Mn	Repayment Term	Security
Company				
(a) Bank Loans				
Interest linked to LIBOR				
Credit Suisse Bank AG	4,454.53	7,345.07	Monthly instalments ending October, 2021.	Ticket Sales collected by IATA from UAE, Kuwait and Saudi Arabia
Amana Bank Limited	-	15.82	Monthly instalments ending December, 2020.	Restriction on SLA to sell, lease, alienate or mortgage A320 hanger and simulator building excluding land
Bank of Ceylon	6,516.25	6,168.50	Payment on maturity December, 2021.	Letter of Comfort from Ministry of Finance
Bank of Ceylon	8,521.25	8,066.50	Payment on maturity October, 2021.	Letter of Comfort from Ministry of Finance
Bank of Ceylon	5,012.50	4,745.00	Payment on maturity February, 2022.	Letter of Comfort from Ministry of Finance
Bank of Ceylon	1,002.50	-	Payment on maturity May, 2021.	Treasury Guarantee
Peoples Bank	6,516.25	6,168.50	Payment on maturity December, 2021.	Letter of Comfort from Ministry of Finance
Peoples Bank	8,521.25	8,066.50	Payment on maturity October, 2021.	Letter of Comfort from Ministry of Finance
Peoples Bank	5,012.50	4,745.00	Payment on maturity February, 2022.	Letter of Comfort from Ministry of Finance
Peoples Bank	1,079.20	1,021.61	Payment on maturity November, 2021.	Treasury Guarantee
Interest linked to AWPLR				
Bank of Ceylon	12,900.00	12,900.00	Payment on maturity June, 2021.	Letter of Comfort from Ministry of Finance
Bank of Ceylon	450.00	-	Payment on maturity May, 2021.	Treasury Guarantee
Peoples Bank	13,350.00	13,350.00	Payment on maturity June, 2021.	Letter of Comfort from Ministry of Finance
Peoples Bank	1,351.90	1,351.90	Payment on maturity November, 2021.	Treasury Guarantee
Peoples Bank	1,387.50	-	Payment on maturity May, 2021.	Treasury Guarantee

Lender	Balance as at 31 March 2021 LKR. Mn	Balance as at 31 March 2020 LKR. Mn	Repayment Term	Security
(b) International Bond				
Fixed Interest Rate				
International Bond	34,909.56	32,982.11	Payment on maturity in June 2024	Government Guarantee for USD 175 Mn.
(c) Overdraft Facility				
Interest linked to LIBOR				
Bank of Ceylon	18,810.02	11,681.41	Revolving	Mortgage over the shares of Subsidiary - Sri Lankan Catering Limited (USD 70 Mn), Treasury Guarantee (USD 30 Mn)
Peoples Bank	4,307.11	-	Payment on maturity July, 2021.	Treasury Guarantee
(d) Loans from other institutions				
Fixed Interest Rate				
Deferred payment arrangement from a supplier	3,528.25	3,148.50	Monthly instalments ending March, 2022.	None
Subsidiary				
(e) Bank Loans				
Interest Linked to LIBOR				
Bank of Ceylon	-	93.40	Monthly instalments ending December 2020	None
Commercial Bank	1.00	-	Payment on maturity July, 2021.	None

* Interest bearing liabilities denominated in USD were converted to Sri Lankan Rupees at the exchange rate of LKR 200.5 (2020 LKR 189.8) as at 31 March 2021.

16.3 Lease Liability

(a) Current / Non-Current Classification	Group		Company	
	2021 LKR. Mn	2020 LKR. Mn	2021 LKR. Mn	2020 LKR. Mn
Payable within one year included under Current Liabilities	33,011.54	22,265.57	32,949.23	22,221.22
After one year but not more than five years included under Non-Current Liabilities	74,479.24	89,269.44	74,020.99	88,901.03
More than 5 Years included under Non-Current Liabilities	58,681.72	64,792.18	58,367.04	64,325.33
Total lease liabilities as at 31 March	166,172.50	176,327.19	165,337.26	175,447.58

NOTES TO THE FINANCIAL STATEMENTS

(b) Lease Liability denominated in Foreign Currencies

(In Mn)	Group/ Company	
	2021	2020
Finance Leases - EUR denominated	2.71	4.03
Finance Leases - USD denominated	813.44	911.96

(c) Movement in Lease Liability

Group	Gross Payable	Finance Charges for future periods	Net Payable	Net Payable
	2021	2021	2021	2020
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Balance as at 01 April	219,726.87	(43,399.68)	176,327.19	1,076.90
Recognition of Lease liability- Transition	-	-	-	181,617.69
Additions during the year	81.85	(9.35)	72.50	124.61
Unwinding effect of Return cost	245.62	-	245.62	247.93
Payments during the year	(16,057.86)	9,362.59	(6,695.27)	(19,700.49)
Concession received on rent	(444.93)	-	(444.93)	-
Adjustments	(8,369.40)	(3,778.73)	(12,148.13)	-
Exchange (gain)/ loss	10,578.48	(1,762.96)	8,815.52	12,960.55
Balance as at 31 March	205,760.63	(39,588.13)	166,172.50	176,327.19

Company	Gross Payable	Finance Charges for future periods	Net Payable	Net Payable
	2021	2021	2021	2020
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Balance as at 01 April	215,957.66	(40,510.08)	175,447.58	1,076.90
Recognition of lease liability- Transition	-	-	-	180,707.42
Additions during the year	81.85	(9.35)	72.50	124.61
Unwinding effect of return cost	245.62	-	245.62	247.93
Payments during the year	(16,056.42)	9,239.22	(6,817.20)	(19,669.83)
Concession received on rent	(278.63)	-	(278.63)	-
Adjustments	(8,369.40)	(3,778.73)	(12,148.13)	-
Exchange (gain)/loss	10,578.48	(1,762.96)	8,815.52	12,960.55
Balance as at 31 March	202,159.16	(36,821.90)	165,337.26	175,447.58

(d) Rent concessions

The Group negotiated rent concessions for certain of its building leases as a result of the severe impact of the COVID-19 pandemic during the year. The Group applied the practical expedient for COVID-19 related rent concessions consistently to eligible rent concessions relating to its building leases. The Group continues to account for rent concessions relating to its aircraft leases under other applicable guidance in SLFRS 16. The amount recognised in profit or loss for the reporting period to reflect changes in lease payments arising from rent concessions to which the Group and Company has applied the practical expedient for COVID-19 related rent concessions are LKR 444.93 Mn and LKR 278.63 Mn respectively (2020: nil).

17. OTHER LONG-TERM LIABILITIES

	Group		Company	
	2021 LKR. Mn	2020 LKR. Mn	2021 LKR. Mn	2020 LKR. Mn
Provision for Aircraft Maintenance and Overhaul Cost (Note 17.1 (b))	17,191.16	15,441.51	17,191.16	15,441.51
Retirement Benefit Obligation (Note 17.2)	6,517.46	6,416.29	5,938.95	5,815.77
Deferred Tax Liability (Note 26.2)	84.81	133.09	-	-
Leave Encashment Liability	53.06	42.46	-	-
	23,846.49	22,033.35	23,130.11	21,257.28

17.1 Provision for Future Aircraft Maintenance and Overhaul Cost

(a) Movement

	Group		Company	
	2021 LKR. Mn	2020 LKR. Mn	2021 LKR. Mn	2020 LKR. Mn
As at 1 April	34,026.38	37,350.21	34,026.38	37,350.21
Transferred to Lease Liability	-	(1,989.45)	-	(1,989.45)
Provisions during the year	3,504.18	7,160.69	3,504.18	7,160.69
Adjustments (Note 7)	(541.96)	(3,397.80)	(541.96)	(3,397.80)
Utilisation	(4,254.67)	(7,776.63)	(4,254.67)	(7,776.63)
Exchange loss	1,796.31	2,679.36	1,796.31	2,679.36
As at 31 March	34,530.24	34,026.38	34,530.24	34,026.38

(b) Current / Non-current Classification

Payable within one year included under Trade payables (Note 19)	17,339.08	18,584.87	17,339.08	18,584.87
After one year included under Other Long Term Liabilities	17,191.16	15,441.51	17,191.16	15,441.51
	34,530.24	34,026.38	34,530.24	34,026.38

NOTES TO THE FINANCIAL STATEMENTS

17.2 Retirement Benefit Obligation - Gratuity

	Group		Company	
	2021 LKR. Mn	2020 LKR. Mn	2021 LKR. Mn	2020 LKR. Mn
Balance as at 01 April	6,416.29	5,856.16	5,815.77	5,319.09
Current service cost and interest cost	997.45	1,126.34	903.81	1,031.33
Actuarial loss / (gain)	92.13	20.86	160.58	8.87
Payments during the year	(988.41)	(587.07)	(941.21)	(543.52)
Balance as at 31 March	6,517.46	6,416.29	5,938.95	5,815.77

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	
	2021	2020	2021	2020
(i) Rate of Interest				
- LKR	8.4%	9.7%	7.5%	10.0%
- USD	-	7.6%	-	-
(ii) Rate of Salary Increase				
- LKR	4.5%	4.5%	7.5%	10.0%
- USD	3%	3.0%	-	-
(iii) LKR depreciation against USD p.a.	5.1%	-	-	-
(iv) Retirement Age - Years	60	60	55	55
(v) The entity will continue as a going concern				
(vi) Average Expected Remaining Service Life	14.62 Years	10.4 Years	6.33 Years	9.4 Years

17.2 Retirement Benefit Obligation - Gratuity contd.

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	Increase/ (Decrease) in Exchange Rate	Effect on Retirement Benefit Obligation			
			Company LKR. Mn	Subsidiary LKR. Mn	Company LKR. Mn	Subsidiary LKR. Mn
1%	-	-	(447.49)	(34.51)	(278.61)	(34.51)
-1%	-	-	517.20	38.40	308.83	38.40
-	1%	-	531.81	40.82	302.98	408.17
-	-1%	-	(464.51)	(37.29)	(277.11)	(37.29)
-	-	1%	280.61	-	-	-
-	-	-1%	(241.42)	-	-	-

18. SALES IN ADVANCE OF CARRIAGE

Sales in advance of carriage generally represents the value of unutilised tickets up to 12 months, however under the current pandemic situation due to passengers not having travel opportunities, ticket validity continues to remain, thus this balance represents in average 12-24 months of unutilised tickets.

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2021 LKR. Mn	2020 LKR. Mn	2021 LKR. Mn	2020 LKR. Mn
Trade and Other Payables	83,011.81	89,759.12	88,837.45	99,501.90
Provision for Future Aircraft Maintenance and Overhaul Cost (Note 17.1 (b))	17,339.08	18,584.87	17,339.08	18,584.87
	100,350.89	108,343.99	106,176.53	118,086.77

NOTES TO THE FINANCIAL STATEMENTS

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.

	2021 LKR. Mn	2020 LKR. Mn
Group		
Financial Instruments measured at amortised cost		
Financial Assets		
Trade and Other Receivables, excluding Advances and Prepayments	7,109.42	7,591.38
Aircraft Maintenance Reserve	34,881.47	34,893.66
Aircraft and Spare Engine Deposits	4,641.55	4,784.03
Investments	1,367.82	1,039.24
Cash and Bank Balances	1,447.82	1,596.98
	49,448.08	49,905.29
Financial Liabilities		
Interest Bearing Loans and Borrowings	137,631.57	121,849.82
Lease Liability	166,172.50	176,327.19
Preference Shares	-	1,000.00
Provision for Aircraft Maintenance and Overhaul Cost	34,530.24	34,026.38
Trade and Other Payables	80,855.81	69,442.96
	419,190.12	402,646.35
Company		
Financial Instruments measured at amortised cost		
Financial Assets		
Trade and Other Receivables, excluding Advances and Prepayments	6,960.77	6,703.19
Aircraft Maintenance Reserve	34,881.47	34,893.66
Aircraft and Spare Engine Deposits	4,641.55	4,784.03
Investments	1,114.66	613.64
Cash and Bank balances	1,263.81	1,233.18
	48,862.26	48,227.70
Financial Liabilities		
Interest Bearing Loans and Borrowings	137,630.57	121,756.42
Lease Liability	165,337.26	175,447.58
Provision for Aircraft Maintenance and Overhaul Cost	34,530.24	34,026.38
Trade and Other Payables	86,682.07	79,185.71
	424,180.14	410,416.09

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

	Group		Company	
	2021 LKR. Mn	2020 LKR. Mn	2021 LKR. Mn	2020 LKR. Mn
21.1 Revenue				
Scheduled services- Passenger	16,327.93	147,672.60	16,327.93	147,672.60
- Cargo	27,328.39	15,745.49	27,328.39	15,745.49
- Excess Baggage	196.72	1,166.31	196.72	1,166.31
- Mail	126.08	159.45	126.08	159.45
	43,979.12	164,743.85	43,979.12	164,743.85
Air Terminal and Other Services	4,719.65	14,193.59	4,816.68	14,354.37
Duty Free	18.36	969.98	18.36	969.98
Non-Scheduled Services	1,879.69	82.82	1,879.69	82.82
Flight Catering	332.10	3,541.58	-	-
Total	50,928.92	183,531.82	50,693.85	180,151.02

21.2 Segment Information

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

Revenue 2021	Sri Lanka	Asia (excluding Sri Lanka)	Europe & Africa	Middle East	North & South America	South West Pacific	Total 2021
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Scheduled services							
- Passenger	5,216.19	4,138.41	865.40	2,834.37	280.76	2,992.80	16,327.93
- Cargo	10,556.25	13,232.92	1,892.83	1,155.36	0.56	490.47	27,328.39
- Excess Baggage	40.49	66.68	15.98	62.25	1.16	10.16	196.72
- Mail	55.95	28.51	41.62	-	-	-	126.08
	15,868.88	17,466.52	2,815.83	4,051.98	282.48	3,493.43	43,979.12
Air Terminal and Other Services	4,719.65	-	-	-	-	-	4,719.65
Duty Free	-	7.17	6.03	3.05	-	2.11	18.36
Non-Scheduled Services	1,879.69	-	-	-	-	-	1,879.69
Flight Catering	332.10	-	-	-	-	-	332.10
Segment Revenue	22,800.32	17,473.69	2,821.86	4,055.03	282.48	3,495.54	50,928.92

NOTES TO THE FINANCIAL STATEMENTS

21. REVENUE AND SEGMENT INFORMATION (CONTD.)

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

(b) Secondary Reporting by Business Segment

	Business Segment				Business Segment			
	Airline	Flight Catering	Inter- segment eliminations	Group	Airline	Flight Catering	Inter- segment eliminations	Group
	2021 LKR. Mn	2021 LKR. Mn	2021 LKR. Mn	2021 LKR. Mn	2020 LKR. Mn	2020 LKR. Mn	2020 LKR. Mn	2020 LKR. Mn
Revenue								
Sales to external customers	50,693.85	690.88	(455.81)	50,928.92	180,151.02	9,026.15	(5,645.35)	183,531.82
Results								
Profit / (Loss) After Tax	(45,231.46)	(903.40)	(3,569.65)	(49,704.51)	(47,197.86)	4,759.51	(1,701.05)	(44,139.40)
Other Segment Information								
Assets	154,381.41	9,675.09	(6,173.71)	157,882.79	181,189.60	15,892.08	(10,653.12)	186,428.56
Liabilities	443,646.68	1,858.67	(6,131.69)	439,373.66	454,558.68	3,654.50	(10,611.08)	447,602.10
Acquisition of Property, Plant and Equipment	324.77	37.02	-	361.79	325.71	336.28	-	661.99
Acquisition of Intangible Assets	18.97	8.60	-	27.57	22.88	3.18	-	26.06
Depreciation and Amortisation	16,295.62	449.70	-	16,745.32	19,013.83	377.72	-	19,391.55
Finance Cost	35,672.83	190.82	-	35,863.65	40,390.59	276.28	-	40,666.87
Finance Income	524.86	36.65	-	561.51	317.28	60.60	-	377.88
Expenses/(Reversal)	-	(57.06)	-	(57.06)	-	34.68	-	34.68
Operating Expenses	81,405.99	1,500.32	(455.81)	82,450.50	190,321.69	4,026.43	(5,649.03)	188,699.09
Inventory written off	88.68	-	-	88.68	49.16	-	-	49.16

22. OTHER INCOME AND GAINS

	Group		Company	
	2021 LKR. Mn	2020 LKR. Mn	2021 LKR. Mn	2020 LKR. Mn
Profit on Disposal of Property, Plant and Equipment	7.57	-	4.94	3.49
Miscellaneous	621.13	1,351.51	620.63	1,341.39
Reversal of Provision for Withholding Tax (Note 23.1)	16,433.45	-	16,433.45	-
Dividends from SriLankan Catering Ltd.	-	-	3,569.63	1,701.25
	17,062.15	1,351.51	20,628.65	3,046.13

23. OPERATING LOSS

Stated after charging:

	Group		Company	
	2021 LKR. Mn	2020 LKR. Mn	2021 LKR. Mn	2020 LKR. Mn
Aircraft Insurance	640.75	648.88	640.75	648.88
Franchise Fees	135.81	456.70	135.81	456.70
Provision for Slow Moving Inventory	385.28	113.58	282.74	91.75
Loss on Disposal of Property, Plant and Equipment	-	8.71	-	-
Auditors' Remuneration				
- Other Services	0.59	7.00	0.20	6.58
- Audit	9.78	10.01	8.63	8.63
Provision for Impairment of Receivables	129.22	37.35	111.15	32.94
Withholding Tax expense (included in other operating expenses) (Note 23.1)	-	8,062.11	-	8,062.11

23.1 With the enactment of the Inland Revenue Act No. 24 of 2017, Company was 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). Inland Revenue (amendment) Act No. 10 of 2021 was enacted on 13 May 2021 exempting the Company in relation to Withholding Tax on foreign supplier payments with retrospective effect from 1 April 2018. Accordingly, LKR 16,433.45 Mn consisting of provision made for WHT payable from 1 April 2018 to 31 March 2020 was written back to Statement of Profit or Loss during the year ended 31 March 2021.

NOTES TO THE FINANCIAL STATEMENTS

24. FINANCE INCOME AND COST

	Group		Company	
	2021 LKR. Mn	2020 LKR. Mn	2021 LKR. Mn	2020 LKR. Mn
24.1 Finance Income				
Interest Income from Treasury Bonds	230.54	-	230.54	-
Interest Income Other	330.97	377.88	294.32	317.28
	561.51	377.88	524.86	317.28
24.2 Finance Cost				
Interest on Loans and International Bond	10,702.95	9,407.80	10,651.89	9,399.19
Exchange loss on Loans / International Bond	4,518.71	4,845.39	4,518.71	4,836.52
Loss on disposal of Treasury Bonds	271.16	-	271.16	-
Interest Cost Bank Overdrafts and Overdue Supplier Balances	1,933.61	2,640.50	1,933.61	2,640.50
Preference Share Dividend	16.40	130.10	-	-
	17,442.83	17,023.79	17,375.37	16,876.21
Finance Charges on Lease Liabilities	9,605.31	10,682.53	9,481.95	10,553.83
Exchange loss Lease Liabilities	8,815.51	12,960.55	8,815.51	12,960.55
	18,420.82	23,643.08	18,297.46	23,514.38
	35,863.65	40,666.87	35,672.83	40,390.59

25. Earnings before Interest, Taxes, Depreciation, Amortisation (EBITDA)

Management has presented the performance measure EBITDA 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. EBITDA is calculated by adjusting profit to exclude the impact of taxation, net finance cost, depreciation and amortisation.

	Group		Company	
	2021 LKR. Mn	2020 LKR. Mn	2021 LKR. Mn	2020 LKR. Mn
Reconciliation of Loss to EBITDA				
Loss after Tax	(49,704.51)	(44,139.40)	(45,231.46)	(47,197.86)
Income Tax	(57.06)	34.68	-	-
	(49,761.57)	(44,104.72)	(45,231.46)	(47,197.86)
Adjusted for;				
Net Finance Cost	35,302.14	40,288.99	35,147.98	40,073.30
Depreciation / Amortisation / Impairment	16,745.32	19,391.55	16,295.62	19,013.83
Other Income and Gains	(17,062.15)	(1,351.51)	(20,628.65)	(3,046.13)
EBITDA	(14,776.26)	14,224.31	(14,416.51)	8,843.14

26. TAXATION

	Group	
	2021	2020
	LKR. Mn	LKR. Mn
Tax Expense		
The major components of income tax expense are as follows:		
Current income tax		
Current tax expense on ordinary activities for the year (Note 26.1)	-	37.12
Deferred tax expense	(57.44)	(3.04)
Under/(Over) provision of current taxes in respect of prior years	0.38	0.60
	(57.06)	34.68

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

	Group		Company	
	2021	2020	2021	2020
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Accounting Loss before Tax	(49,761.57)	(44,104.72)	(45,231.46)	(47,197.86)
Less: (Profit)/ Loss exempt from income tax	(4,506.24)	(6,316.82)	(3,569.63)	(1,701.25)
Profit / (Loss) liable for income tax	(54,267.81)	(50,421.54)	(48,801.09)	(48,899.11)
Non deductible expenses	4,917.03	22,751.88	4,858.11	22,751.88
Tax Losses incurred	(49,350.78)	(27,669.66)	(43,942.98)	(26,147.23)
Taxable Profit arising from the subsidiary	-	137.49	-	-
Statutory Tax Charge at Tax Rate 28%	-	20.78	-	-
Tax on other income	-	16.34	-	-
Current Income Tax Expense	-	37.12	-	-

26.2 Deferred Tax Liability

	Subsidiary	
	2021	2020
	LKR. Mn	LKR. Mn
Balance as at 1 April	133.09	215.80
Deferred tax impact on initial recognition of SLFRS 16	-	(79.67)
Deferred tax (reversal)/charge recognised in profit or loss	(57.44)	(3.04)
Deferred tax charge/(reversal) recognised in other comprehensive income	9.16	-
Balance as at 31 March	84.81	133.09

NOTES TO THE FINANCIAL STATEMENTS

26.2 Deferred Tax (Contd.)

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.

	2021 LKR. Mn	2020 LKR. Mn	2021 LKR. Mn	2020 LKR. Mn	2021 LKR. Mn	2020 LKR. Mn
	Assets		Liability		Net asset/ (liability)	
Property, Plant and Equipment	-	-	(416.52)	(697.98)	(416.52)	(697.98)
Revaluation of Land - Colombo	-	-	(147.15)	(171.67)	(147.15)	(171.67)
Revaluation of Buildings	-	-	(600.65)	(700.76)	(600.65)	(700.76)
Right of Use Assets	17,559.88	15,874.83	-	-	17,559.88	15,874.83
Retirement Benefit Obligation	1,425.35	1,628.42	-	-	1,425.35	1,628.42
Provision for Slow Moving Stocks	623.82	673.45	-	-	623.82	673.45
Provision for Impairment of Receivables	368.19	436.27	-	-	368.19	436.27
Provision for Aircraft Maintenance and Overhaul Cost	8,287.26	9,527.39	-	-	8,287.26	9,527.39
	28,264.50	28,140.36	(1,164.32)	(1,570.41)	27,100.18	26,569.95

Movement in Deferred Tax during the year

	Balance as at 31 March 2019 LKR. Mn	Movement during the year LKR. Mn	Balance as at 31 March 2020 LKR. Mn	Movement during the year LKR. Mn	Balance as at 31 March 2021 LKR. Mn
Property, Plant & Equipment	(616.61)	(81.37)	(697.98)	281.45	(416.52)
Revaluation of Land - Colombo	(171.67)	-	(171.67)	24.52	(147.15)
Revaluation of Buildings	(700.76)	-	(700.76)	100.11	(600.65)
Right of Use assets	-	15,874.83	15,874.83	1,685.05	17,559.88
Retirement Benefit Obligation	1,489.35	139.07	1,628.42	(203.07)	1,425.35
Provision for Slow Moving Stocks	657.18	16.27	673.45	(49.63)	623.82
Provision for Impairment of Receivables	443.85	(7.58)	436.27	(68.08)	368.19
Provision for Aircraft Maintenance and Overhaul Cost	10,460.71	(933.32)	9,527.39	(1,240.12)	8,287.26
	11,562.05	15,007.90	26,569.95	530.23	27,100.18

26.2 Deferred Tax (Contd.)

Company

The rate of tax used is 24% (2020 - 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 27,100.18 Mn as at 31 March 2021 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 at the reporting date amounting to LKR 102,976.04 Mn.

Subsidiary

Deferred tax liability has been calculated based on the future tax rates applicable for each segments which are 15% and 24% (2020 - 15% and 28%).

27. COMMITMENTS AND CONTINGENCIES

27.1 Capital Expenditure Commitments

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

	Group		Company	
	2021 LKR. Mn	2020 LKR. Mn	2021 LKR. Mn	2020 LKR. Mn
Authorised and contracted but not provided for				
Tangible *	133.24	206,952.68	133.24	206,925.08
Intangible	-	10.12	-	10.12
	133.24	206,962.80	133.24	206,935.20
Authorised but not contracted for				
Tangible	778.42	745.68	767.52	745.68
Intangible	609.37	161.88	609.37	161.88
	1,387.79	907.56	1,376.89	907.56
	1,521.03	207,870.36	1,510.13	207,842.76

*As of 31 March 2020, an amount of LKR 204,224.80 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. Refer Note 6 in relation to the same.

NOTES TO THE FINANCIAL STATEMENTS

27. COMMITMENTS AND CONTINGENCIES (CONTD.)

27.2 Contingencies

Company

The Contingent Liabilities are based on claims made of LKR 5,575.97 Mn as at 31 March 2021 (2020: LKR 6,328.10 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 1,200.60 Mn (USD 4.92 Mn and EUR 0.91 Mn), a penalty levied by an overseas tax authority pertaining to payment of airport taxes amounting to LKR 519.94 Mn, a claim of LKR 1,651.42 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 1,659.62 Mn and employee related claims of LKR 38.79 Mn.

No provision has been made in these financial statements as the Directors do not anticipate any significant liability in respect of any contingent liabilities arising in the course of business of the Company in respect of legal actions, other claims and potential claims being made against the Company by customers, suppliers and employees.

Subsidiary

In the opinion of the company's lawyers, there are no pending litigations against the company other than the several pending Labour Tribunal cases that will have an impact on the reported financial results of the future operations of the company.

A deposit of LKR 5.28 Mn has been deposited for those appealed cases.

28. ASSETS PLEDGED

Group / Company

Refer Note 16.2 for details of the assets pledged against facilities obtained.

29. EVENTS OCCURRING AFTER THE REPORTING DATE

Company

The Government of Sri Lanka (GoSL) invested in the equity of the company in the form of Treasury Bonds with a face value of LKR 17.85 Bn. (investment Value LKR 18 Bn) on 7 April 2021.

Issue of shares related to the investment made by GoSL was done on July 2021 subsequent to the shareholder approval at the EGM held on 16 July 2021.

There are no other significant events occurring after the reporting date that require adjustments to or disclosure in the financial statements.

Subsidiary

There are no significant 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 its Subsidiary. Such KMPs include the Board of Directors, Chief Executive Officer and Other Senior Management Executives of the Group who meet the criteria described above.

In line with the Group/ Company policy which stipulate that any transaction between the 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;

	2021 LKR. Mn	2020 LKR. Mn
Short Term Benefits	215.73	361.88
Post-employment Benefits	32.36	53.81
Termination Benefits	22.46	4.30

No privilege and other firm air tickets were provided to Directors during the year 2020/2021. (In 2019/2020 - Above short term benefits includes Director fee paid LKR 3.49 Mn). Key Management Personnel and their spouses and dependent children are also entitled for free of charge air tickets 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 LKR 19.18 Mn with Asiri Hospital Holding PLC. 2019/2020 - 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 had no transactions with related Companies (2019/2020 - Group has transaction amounting to LKR 0.36 Mn with M.J.F Exports (Pvt) Ltd.
- ✘ Dr. Shridhir Sariputta Hansa Wijayasuriya a Director of the Company also serves Axiata group of companies in the Capacity of Director/ Managing Director / CEO. During the year Group had transactions amounting to LKR 2.57 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 serves on the Board of Brandix group of companies and Phoenix group of companies. During the year the Group had no transactions with related Companies (2019/2020- Group had transactions amounting to LKR 0.14 Mn with Phoenix Industries Limited).

NOTES TO THE FINANCIAL STATEMENTS

30. RELATED PARTY DISCLOSURES (CONTD.)

30.1 Group & Company (Contd.)

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	
			2021	2020	2021	2020
			LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Ceylon Petroleum Corporation	Government owned	Fuel	(5,763.52)	(30,362.20)	(52,281.18)	(51,437.52)
		Deferred Supplier Payments	-	-	(3,528.25)	(3,148.50)
		Finance Cost on Overdue Payments	(2,941.68)	(2,174.30)	(5,405.77)	(2,332.04)
Airport and Aviation Services Ltd.	Government owned	Landing, Parking, Aero Bridge, Lounge, Rent, Franchise fees & Garbage Incineration charges	(937.79)	(2,498.19)	(2,170.25)	(2,114.69)
Civil Aviation Authority	Government controlled	Licenses, permits and Levies	(466.60)	(10,593.35)	(150.72)	(943.68)
Mihin Lanka (Pvt) Ltd	Government owned	Warehouse Rent	0.78	2.01	852.18	835.64
Sri Lanka Insurance Corporation	Government owned	Insurance Services	(657.56)	(673.22)	-	-
Bank of Ceylon	Government owned	Loan	1,413.90	-	(34,402.50)	(31,973.40)
		Short term Deposits	-	-	362.76	599.96
		Interest	(3,349.14)	(3,087.13)	-	-
		Bank Overdraft	-	-	(18,810.02)	(11,097.05)
		Rent	-	(0.66)	-	-
Peoples Bank	Government owned	Loan	1,387.50	-	(37,218.60)	(34,703.51)
		Short-term-Deposits	-	-	0.75	-
		Bank Overdraft	-	-	(4,307.11)	-
		Interest	(2,903.90)	(3,476.75)	-	-
Employees' Provident Fund	Shareholder of the Subsidiary	Preference Share Dividend	16.40	130.10	-	(64.87)
		Loan-Interest	49.32	-	-	-
		13.01% Non-Voting Redeemable Cumulative (5 years) Preference Shares Redeemed	(1,000.00)	-	-	(1,000.00)

30. RELATED PARTY DISCLOSURES (CONTD.)

30.1 Group & Company (Contd.)

30.2 Group (Contd.)

As of the Reporting date the Group has utilised Bank Guarantee facility of LKR 2,090.09 Mn (2020 - 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 at the Reporting date provision for impairment relating to related parties amounted to LKR 1,062.82 Mn and LKR 994.31 Mn for Group and Company respectively (2020 - LKR 1,018.10 Mn for Group and LKR 1,082.95 Mn for Company).

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 Group 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 employee retirement benefits are made in line with the respective statutes and regulations to Employees Provident Fund (EPF) and Employees Trust Fund (ETF).

Company

Transactions with the related parties took place on commercial terms.

NOTES TO THE FINANCIAL STATEMENTS

30. RELATED PARTY DISCLOSURES (CONTD.)

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	
			2021 LKR. Mn	2020 LKR. Mn	2021 LKR. Mn	2020 LKR. Mn
SriLankan Catering Limited	Subsidiary	Freight Services	97.03	16.85	-	-
		Flight Catering and Other Services	(358.79)	(5,340.65)	(6,131.68)	(10,611.08)
		Dividend	3,659.63	1,701.25	-	-
Ceylon Petroleum Corporation	Government owned	Fuel	(5,784.17)	(30,463.50)	(52,281.18)	(51,437.52)
		Deferred Supplier Payments	-	-	(3,528.25)	(3,148.50)
		Finance Cost on Overdue Payments	(2,941.68)	(2,174.30)	(5,405.77)	(2,332.04)
Airport and Aviation Services Ltd.	Government owned	Landing, Parking, Aero Bridge, Lounge, Rent, Franchise fees & Garbage Incineration charges	(821.44)	(3,027.54)	(2,175.01)	(2,239.95)
Civil Aviation Authority	Government controlled	Licences, permits and Levies	(466.60)	(10,593.35)	(150.72)	(943.68)
Mihin Lanka (Pvt) Ltd	Government owned	Warehouse Rent	0.78	2.01	852.18	770.79
Sri Lanka Insurance Corporation	Government owned	Insurance Services	(657.56)	(673.22)	-	-
Bank of Ceylon	Government owned	Loan	1,413.90	-	(34,402.50)	(31,880.00)
		Short term Deposits	-	-	362.76	599.96
		Interest	(3,349.14)	(3,087.13)	-	-
		Bank Overdraft	-	-	(18,810.02)	(11,097.05)
		Rent	-	(0.66)	-	-
Peoples Bank	Government owned	Loan	1,387.50	-	(37,218.60)	(34,703.51)
		Short term Deposits	-	-	0.75	-
		Bank Overdraft	-	-	(4,307.11)	-
		Interest	(2,903.90)	(3,476.75)	-	-

30. RELATED PARTY DISCLOSURES (CONTD.)

30.3 Company (Contd.)

As of the Reporting date the Company has utilised Bank Guarantee facility of LKR 2,070.55 Mn (2020 - LKR 2,059.64 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 at the Reporting date provision for impairment relating to related parties amounted to LKR 994.31 Mn (2020- LKR 1,018.10 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

The Group reviews its risk management policies and procedures on regular basis to reflect changes in markets and other financial risk taking activities and these are governed by appropriate policies and procedures to ensure that risks are identified, measured and managed in accordance with set policies and procedures.

NOTES TO THE FINANCIAL STATEMENTS

(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.

	2021		2020	
	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%	772.62	772.13	773.61	772.01
-1%	(772.62)	(772.13)	(773.61)	(772.01)

* 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 the 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.

	2021				2020			
	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%	-	-	10,131.92	10,361.06	273.54	273.54	8,439.40	8,791.32
-3%	-	-	(10,131.92)	(10,361.06)	(273.54)	(273.54)	(8,439.40)	(8,791.32)

* Appreciation of USD results in an increase in losses.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

(ii) Liquidity Risk

The Liquidity Risk is the risk that the Group may not be able to meet its present and future cash obligations when they fall due. The Group monitors its risk of shortage of funds using a daily/ weekly / monthly and annual cash management and budgeting process. Group obtains multiple sources of funding from financial institutions including long term and short term loans, bank overdraft facilities and finance/ operating 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.

2021	Undiscounted Contractual Cash Flows						
	On demand	Less than three months	3 to 12 Months	1 to 5 year	More than 5 years	Total	Carrying Value
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Group							
Interest Bearing Liabilities	23,117.13	4,031.93	74,760.35	35,118.14	-	137,027.55	137,631.57
Lease Liability	12,698.00	7,059.75	22,602.74	96,414.01	67,263.41	206,037.91	166,172.50
Aircraft Maintenance and Overhaul Cost	1,107.30	5,509.11	10,722.67	16,138.28	1,052.88	34,530.24	34,530.24
Trade and Other Payables	-	80,855.81	-	-	-	80,855.81	80,855.81
	36,922.43	97,456.60	108,085.76	147,670.44	68,316.29	458,451.51	419,190.12
Company							
Interest Bearing Liabilities	23,117.13	3,849.13	78,382.09	35,118.14	-	140,466.49	137,630.57
Lease Liability	12,698.00	7,016.37	22,467.88	95,618.50	64,635.70	202,436.45	165,337.26
Aircraft Maintenance and Overhaul Cost	1,107.30	5,509.11	10,722.67	16,138.28	1,052.88	34,530.24	34,530.24
Trade and Other Payables	-	86,682.07	-	-	-	86,682.07	86,682.07
	36,922.43	103,056.68	111,572.64	146,874.92	65,688.58	464,115.25	424,180.14

NOTES TO THE FINANCIAL STATEMENTS

2020	Undiscounted Contractual Cash Flows						Total	Carrying Value
	On demand	Less than three months	3 to 12 Months	1 to 5 year	More than 5 years			
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn		
Group								
Interest Bearing Liabilities	11,681.41	4,031.93	74,760.35	42,416.77	-	132,890.46	121,849.82	
Lease Liability	299.52	8,006.92	23,960.43	115,565.39	73,751.16	221,583.42	176,327.19	
Preference Shares	-	1,000.00	-	-	-	1,000.00	1,000.00	
Aircraft Maintenance and Overhaul Cost	5,227.08	513.63	12,844.16	13,743.50	1,698.01	34,026.38	34,026.38	
Trade and Other Payables	-	69,442.96	-	-	-	69,442.96	69,442.96	
	17,208.01	82,995.44	111,564.94	171,725.66	75,449.17	458,985.68	402,688.81	
Company								
Interest Bearing Liabilities	11,681.41	3,998.33	74,700.56	42,416.77	-	132,797.07	121,756.42	
Lease Liability	299.52	7,965.47	23,834.15	114,805.09	70,909.99	217,814.22	175,447.59	
Aircraft Maintenance and Overhaul Cost	5,227.08	513.63	12,844.16	13,743.50	1,698.01	34,026.38	34,026.38	
Trade and Other Payables	-	79,185.71	-	-	-	79,185.71	79,185.71	
	17,208.01	91,663.14	111,378.87	170,965.36	72,608.00	463,823.38	410,416.10	

(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			Company		
	2020 LKR. Mn	Reclassifications LKR. Mn	2020 Reclassified LKR. Mn	2020 LKR. Mn	Reclassifications LKR. Mn	2020 Reclassified LKR. Mn
STATEMENT OF PROFIT OR LOSS						
Depreciation/Amortisation	(1,544.60)	(17,846.95)	(19,391.55)	(1,214.05)	(17,799.78)	(19,013.83)
Rentals on Short Term Leases Aircraft and Spare Engines	-	(1,393.67)	(1,393.67)	-	(1,393.67)	(1,393.67)
Other Operating Expenses	(14,906.24)	(302.45)	(15,208.69)	(13,835.87)	(291.57)	(14,127.44)
Impact of adopting SLFRS 16	(19,543.07)	19,543.07	-	(19,485.02)	19,485.02	-
		-			-	
Impact of SLFRS 16 First time Adoption on Financing Activities	(23,643.08)	23,643.08	-	(23,514.38)	23,514.38	-
Finance cost other	(17,023.79)	17,023.79	-	(16,876.21)	16,876.21	-
Finance cost	-	(40,666.87)	(40,666.87)	-	(40,390.59)	(40,390.59)
		-			-	
STATEMENT OF FINANCIAL POSITION						
Trade and Other Payables	89,801.58	(42.46)	89,759.12	-	-	-
Other Long Term Liabilities	21,990.89	42.46	22,033.35	-	-	-
	-	-	-	-	-	-

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

		2012	2013	2014	2015
INCOME STATEMENT					
Revenue	LKR. Mn	92,867.93	119,570.90	121,585.83	131,922.13
Operating Expenditure	LKR. Mn	111,775.88	146,700.24	150,389.46	145,983.35
Net Profit/(Loss)	LKR. Mn	(19,778.03)	(26,088.57)	(32,408.34)	(16,494.66)
STATEMENT OF FINANCIAL POSITION					
Share Capital / Stated Capital	LKR. Mn	19,432.67	32,032.75	51,617.44	51,617.44
Non-Current Assets	LKR. Mn	37,591.58	23,338.28	25,212.47	22,836.77
Current Assets	LKR. Mn	22,072.71	54,905.22	37,154.23	49,721.49
Total Assets	LKR. Mn	59,664.29	78,243.50	62,366.70	72,558.26
Current Liabilities	LKR. Mn	64,235.43	71,346.64	88,609.07	103,414.31
YIELD/UNIT COST					
Overall Yield	LKR. tkm	64.47	74.31	77.26	80.32
Unit Cost (exc. Finance cost and WHT)	LKR. tkm	53.26	63.15	65.00	62.00
Breakeven Load Factor	%	82.61	84.98	84.13	77.18
Revenue per RPK	LKR/RPK	6.6	7.6	7.8	8.2
PRODUCTION					
Passenger Capacity	ASK Mn	14,248.94	15,944.31	15,780.54	16,180.27
Overall Capacity	ATK Mn	1,978.33	2,186.96	2,187.18	2,224.87
TRAFFIC					
Passengers carried	Nos. Thousands	3,459	4,255	4,175	4,348
Passengers carried	RPK Mn	11,270.23	12,968.74	12,810.95	12,963.71
Passenger Load Factor	%	79.10	81.34	81.18	80.12
Cargo carried	Tonnes	87,750	101,100	94,410	101,878
Cargo Load carried	RTK Mn	345.67	377.75	355.59	373.32
Overall Load carried	RTK Mn	1,338.30	1,513.70	1,466.74	1,519.93
Overall Load Factor	%	67.65	69.22	67.06	68.32
STAFF					
Average strength	Nos.	5,594	6,359	6,578	6,987
Revenue per employee	LKR.	16,601,346	18,803,412	18,483,708	18,881,084
Capacity per employee	Tonne-km	353,652	343,916	332,499	318,430
Load carried per employee	Tonne-km	239,238	238,041	222,976	217,537
FLEET					
A320-200	Nos.	7	8	8	6
A321-200	Nos.	-	-	-	2
A320 NEO	Nos.	-	-	-	-
A321 NEO	Nos.	-	-	-	-
A330-200	Nos.	7	7	7	7
A330-300	Nos.	-	-	-	2
A340-300	Nos.	6	6	6	4
Turbo Otter	Nos.	2	1	-	-
Aircraft in service at year end	Nos.	22	22	21	21
Aircraft Utilisation					
Fleet	Blk. Hrs. per day	13.48	12.82	12.76	12.90

	2016	2017	2018	2019	2020	2021
	129,480.41	135,491.19	161,433.87	180,340.32	180,151.02	50,693.85
	137,311.44	146,760.80	175,883.85	206,344.66	190,321.69	81,405.99
	(12,621.69)	(28,929.99)	(17,213.57)	(44,022.67)	(47,197.86)	(45,231.46)
	51,617.44	51,617.44	51,617.44	51,617.44	51,617.44	79,352.43
	23,548.01	24,660.56	37,476.46	36,596.59	150,013.50	122,471.42
	26,901.02	26,973.07	30,090.50	40,742.41	31,176.10	31,909.99
	50,449.03	51,633.63	67,566.96	77,338.99	181,189.60	154,381.41
	100,334.44	126,302.55	130,358.61	227,081.67	242,821.23	253,218.98
	79.06	80.08	84.24	91.32	99.03	146.86
	58.72	61.61	65.74	74.31	74.22	105.23
	74.27	76.94	78.04	81.37	74.95	71.65
	8.2	8.4	8.6	9.4	10.2	21.8
	15,790.28	15,608.10	18,487.54	18,925.40	18,041.41	3,816.40
	2,165.21	2,167.92	2,549.88	2,577.53	2,454.30	794.52
	4,328	4,446	5,839	5,663	5,256	167
	12,727.66	12,455.05	15,280.78	15,689.19	14,547.97	748.13
	80.60	79.80	82.65	82.90	80.64	19.60
	102,082	116,221	132,958	125,753	113,971	56,406
	356.76	374.46	401.66	408.71	363.31	244.93
	1,484.77	1,475.29	1,749.14	1,806.58	1,664.49	312.26
	68.57	68.05	68.60	70.09	67.82	39.30
	6,959	7,021	7,019	6,794	6,693	5,965
	18,606,181	19,297,991	22,999,555	26,544,057	26,916,333	8,498,550
	311,139	308,776	363,283	379,383	366,697	133,196
	213,359	210,126	249,201	265,908	248,691	52,349
	6	6	5	5	5	5
	2	3	3	2	2	1
	-	2	2	2	2	2
	-	-	3	4	4	4
	6	6	6	7	5	5
	7	7	7	7	7	7
	-	-	-	-	-	-
	-	-	-	-	-	-
	21	24	26	27	25	24
	12.02	12.44	13.25	12.60	12.18	2.98

ROUTE MAP



SriLankan Airlines now serves 122 destinations in 55 countries in Europe, the Middle East, South Asia, South East Asia, the Far East and North America



MILESTONES

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.

2015/2016



The Airline was shortlisted for four prestigious titles: Best in the Region Asia and Australasia, Best inflight Publication, 'Best inflight Video' and Best Ground Experience at APEX Passenger Choice Awards 2015. This is the first time the Airline has been nominated for four categories. The Airline won superior Achievement Award for Passenger Experience in the Asia and Australasia – September 2015 APEX Portland Oregon and best full service airline, Central and South Asia – Future Travel Experience Awards Asia 2015 – Singapore.

The Company took delivery of four Brand New A330-300 aircraft in August and November and two aircraft in December 2015, as part of the wide-body aircraft re-fleeting programme.



2014/2015



The Company entered into oneworld alliances in May 2014. In June 2014, the Company for the first time issued a five-year International Bond.

The Company took delivery of three brand new A330-300 aircraft in October 2014 and March 2015 respectively as part of a wide body aircraft re-fleeting programme



2016/2017



Induction of two A320neo aircraft in February 2017 and March 2017 – the first two A320/A321 Family New Engine Option Aircraft joined the fleet

SriLankan launched services to eleven exciting new destinations.

– Lahore, Jakarta, Dhaka, Calcutta, Madurai, Varanasi, Bodhgaya, Muscat, Bahrain, Seychelles and Gan Islands. The Company was awarded "top travel award", "Best Airline in South Asia", "Best Full Services Airline in Central and South Asia" for the second consecutive year at the Future Travel Experience Asia 2016. The "Airline claimed the "Training Excellence Award" and "Best HR Strategy in line with Business" at the 7th Asia Employer Brand Awards.

2017/2018



The Company took the delivery of three brand new airbuses A321-200neo aircraft in June 2017, October 2017 and December 2017 accordingly as part of the aircraft fleet.

SriLankan, launched services to four new destinations- Melbourne, Hyderabad, Coimbatore and Visakhapatnam.

The airline received a four star rating of excellence from airline passenger experiences association (APEX) and at Future Travel Experiences Award 2017- Singapore. The Airline walked away with an award for outstanding services for the third consecutive year. The Company also won the "Innovation in commercial airlines cabins " award at the In-flight Asia Pacific Awards in Singapore -2017.

2018/2019



The Company took delivery of another brand new Airbus 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 also secured a Four-Star rating in the major airlines' category for the 3rd consecutive year.

SriLankan Airlines won PATA Gold award for 'Two Cities, One Spirit' campaign and another three awards in Golden City Gate awards, ITB Berlin 2019.

The Company received the First Star awards in 3 categories ("Airline International", "Music International" and "Campaign") at Golden City Gate Awards ITB - Berlin 2020.

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

2020/21



Awarded the Platinum Standard status by APEX Health Safety for passenger safety and wellbeing during air travel, post-COVID.

Awarded "Four Star rating for Major Official Airline" for 2021 by The Airline Passenger Experience Association (APEX), at the Future Travel Experience (FTE) Virtual Expo Award ceremony.

Cargo flights were incorporated into the schedule for the very first time, in order to support Sri Lankan exporters during the global pandemic and with a view to find alternative revenue streams in the face of declining passenger travel.

Operated special passenger flights in order to repatriate Sri Lankans stranded overseas due to border closures arising from the pandemic and special cargo flights were operated to help with the transport of urgent medical supplies

CORPORATE INFORMATION

Name of the Company

SriLankan Airlines Limited

COMPANY REGISTRATION NUMBER

PB 67

LEGAL FORM

Limited Liability Company

BOARD OF DIRECTORS

Mr. Asoka Pathirage (Chairman)
Mr. Malik Fernando
Mr. Manohara Ratnavibhushana De Silva PC
Mr. Samantha Ratwatte PC
Dr. Shridhir Sariputta Hansa Wijayasuriya
Mr. Sanjaya Mohottala
Mr. Joseph Jayanth Micheal Perera

AUDIT COMMITTEE

Mr. Sanjaya Mohottala (Pro-tem Chairman)
Mr. Malik Fernando
Mr. Manohara Ratnavibhushana De Silva PC
Mr. Samantha Ratwatte PC
(resigned from the Committee on 23 April 2021)
Dr. Shridhir Sariputta Hansa Wijayasuriya
Mr. Joseph Jayanth Micheal Perera
(Appointed to the Committee on 23 April 2021)

BOARD HUMAN RESOURCE AND REMUNERATION COMMITTEE

Dr. Shridhir Sariputta Hansa Wijayasuriya (Chairman)
Mr. Malik Fernando
Mr. Manohara Ratnavibhushana De Silva PC
Mr. Samantha Ratwatte PC

BOARD RISK COMMITTEE

Mr. Joseph Jayanth Micheal Perera
(Chairman Risk Committee)
Mr. Malik Fernando
Dr. Shridhir Sariputta Hansa Wijayasuriya
Mr. Sanjaya Mohottala
Mr. Manohara Ratnavibhushana De Silva PC

COMPANY SECRETARY / HEAD OF CORPORATE SECRETARIAL SERVICES

Mrs. Dalrene Thirukumar (ACIS)

BANKERS

Bank of Ceylon
People's Bank
Standard Chartered Bank
Citibank
Sampath Bank
Nations Trust Bank
Hatton National Bank
Commercial Bank of Ceylon
Amana Bank PLC
Cargills Bank
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

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Forty Third Annual General Meeting of the Shareholders of SriLankan Airlines Limited will be held on Friday, 27 May 2022 at 3.00 p.m. at 'Mihilaka Medura' Bandaranaike Memorial International Conference Hall (BMICH), Baudhaloka 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 31 March 2021 together with the Report of the Auditors thereon.

The Auditor General shall audit the Organisation in terms of Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

By Order of the Board of Directors,



Mrs. Dalrene Thirukumar

Head of Corporate Secretarial Services/Company Secretary

2 March 2022
Katunayake

NOTICE OF MEETING

Notes:

1. Health and Safety Measures

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 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.
- 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 would be required to leave the meeting.
- f. Wear a suitable face mask when attending the meeting.

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 or their proxy is requested to:

- a. Arrive early in order to register, carry out mandatory health checks and fill in the required forms and avoid crowding;
- b. Co-operate with the health and safety measures implemented by the Company, 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.

In the event the Company is required to take any further action in relation to the meeting due to any communications, guidelines, directives or orders issued by the Government of Sri Lanka, Notice of such action shall be given by way of publication on the Company website- www.srilankan.com and the National Newspapers.

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 Pathirage
- Mr. Malik Fernando
- Mr. Manohara Ratnavibhushana De Silva PC
- Mr. Samantha Ratwatte PC
- Dr. Shridhir Sariputta Hansa Wijayasuriya
- Mr. Sanjaya Mohottala
- Mr. Joseph Jayanth Micheal Perera

as *my/our proxy to represent *me/us and vote for *my/our behalf at the Forty Third Annual General Meeting of the Shareholders of SriLankan Airlines Limited to be held on Friday, 27 May 2022 at 3.00 p.m. at 'Mihilaka Medura' Bandaranaike Memorial International Conference Hall (BMICH), Baudhaloka Mawatha, Colombo 7, Sri Lanka., and at any adjournment thereof.

1. To receive and consider the Annual Report of the Board of Directors and the Financial Statements for the year ended 31 March 2021 together with the Report of the Auditors thereon.	For	Against
	<input type="checkbox"/>	<input type="checkbox"/>

The Auditor General shall audit the Organisation in terms of Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

Signed this day of Two Thousand and Twenty Two.

..... 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. Perfect the Form of Proxy after filling in legibly your full name and address, by signing in the space provided and filling in the date of signature. The completed Form of Proxy must be deposited at the Registered Office, SriLankan Airlines Limited, 'Airline Centre', Bandaranaike International Airport, Katunayake not later than 3.00 p.m. on 25 May 2022 being 48 hours before the time appointed for holding of the meeting.
2. In the case of resident/non-resident shareholders, the stamping will be attended to on return of the completed Form of Proxy to the Company.

FORM OF PROXY

Notes:

1. Health and Safety Measures

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- b. Co-operate with the health and safety measures implemented by the Company, 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.

In the event the Company is required to take any further action in relation to the meeting due to any communications, guidelines, directives or orders issued by the Government of Sri Lanka, Notice of such action shall be given by way of publication on the Company website- www.srilankan.com and the National Newspapers.



www.srilankan.com

Airline Centre,
Bandaranaike International Airport, Katunayake, Sri Lanka.