

Our Vision

To be the friendliest and best airport service provider in the Asia region.

Our Mission

To create competitively advantageous airport & aviation facilities and services to all users, and ensure stakeholder satisfaction.



Year Ended 31 December

In Rs. Mn.	AASL			AMALGAMATED**		
	2008	2007	+/- % *	2008	2007	+/- %*
Turnover	5,832	5,340	9%	6,860	6,300	9%
Operating expenses before depreciation	4,034	2,828	43%	4,047	2,874	41%
EBITDA	1,798	2,512	-28%	2,813	3,427	-18%
Dividends	-	100	-100%	-	100	-100%
Depreciation of fixed assets	56	43	31%	2,075	2,022	3%
Finance costs	-	-	-	318	249	28%
Profit Before Taxation	1,742	2,469	-29%	420	1,156	-64%
Income Tax	573	961	-40%	-	-	-
Profit After Taxation	1,169	1,508	-23%	420	1,156	-64%
Profit attributable to equity shareholders	1,169	1,508	-23%	420	1,156	-64%
Net Cash Flows	382	1,323	-71%	599	1,359	-56%
Key Financial Ratios						
Return on equity	22.6%	36.0%		2.3%	6.8%	

* Subject to rounding differences

** AASL results combined with Retained Revenue Fund Accounts (Pages 74-83) & Voted Fund Accounts (Pages 86-97)

Financial Highlights



		2008	2007	2006	2005	2004	2003
		Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.
Financial Highlights							
Net Profit Before Tax		1,742	2,469	2,120	669	555	224
Total AASL Revenue		5,832	5,340	4,454	2,619	2,401	1,885
Shareholders Fund as at Dec. 31st		5,167	4,190	2,772	1,097	954	690
Total Fixed Assets (WDV) as at Dec. 31st		377	160	109	128	162	160
Total Current Assets as at Dec. 31st		6,934	5,838	4,282	2,480	2,045	1,463
Total Current Liabilities as at Dec. 31st		939	1,041	1,053	711	477	403
Total Capital Expenditure For The Year		296	84	22	17	59	35
Cash & Cash Equivalents at The Yr. End		4,999	4,617	3,294	1,544	1,342	883
Operational Highlights							
International Flight Movements	Nos.	31,638	33,395	33,189	33,080	30,709	22,525
Passengers Movements *	Nos.	4,642,831	4,898,891	4,798,274	4,325,710	4,069,721	3,232,762
Cargo Movements **	MT	151,952	163,570	170,907	160,122	146,892	124,528
Total No. of Employees as at Dec. 31st	Nos.	3,132	3,001	3,005	3,037	2,908	2,985
Highlights In Ratios							
Net Profit Before Tax to Sh. Holders Funds	%	33.7	58.9	76.5	61.0	58.2	32.5
Net Profit Before Tax to Total Revenue	%	29.9	46.2	47.6	25.5	23.1	11.9
Total Revenue to Total Assets	Times	0.8	0.9	1.0	1.0	1.1	1.2
Current Assets to Current Liabilities	Times	7.4	5.6	4.1	3.5	4.3	3.6
Total Assets per Employee	Rs'000	2,334	2,138	1,584	859	759	544
Total Cost of Employment per Employee	Rs'000	937.0	661.3	524.5	436.4	442.0	358.2
Aircraft Handled per Employee		10	11	11	11	11	8
No. of Passengers per Aircraft		147	147	145	131	133	144
No. of Passengers per Employee		1,482	1,632	1,597	1,424	1,399	1,083
Freight (MT) per Employee		48.5	54.5	56.9	52.7	50.5	41.7
Net Operational Cost per Flight Handled	Rs'000	129.3	86.0	70.3	58.9	60.1	72.5

* Passenger movements include arrival, departure, transfer and transit passengers. Transfer and transit passengers are counted twice.

** Cargo movements include export, import and transshipment (counted twice) cargo. Air mail is excluded.

Performance

Highlights



Growth through travel

TRAVEL

"The Colombo airport holds a vibrant mix of people, from tourists, business travellers and transit passengers to expatriate Sri Lankans. In 2008, a total of 4.6 million travellers passed through the BIA and this is expected to grow in the years ahead."

Total Number of
Passengers '08

4.6 Mn





**9 million
passengers
by 2013**

Sri Lanka's civil aviation industry was born in the 1930's with the construction of an aerodrome in Ratmalana and it served a largely administrative function.

The slow growth experienced by the industry in the early years is a reflection of the historical and social conditions the country faced at that time. Since then, the industry has come a long way to be what it is today.

The outbreak of World War 2 in the 1940's, saw the development and expansion of runway facilities as a consequence of Sri Lanka (then Ceylon) being under British rule. Once hostilities ceased and with independence dawning on the horizon, airline operations became a symbol of nationhood and there was the growing realization that the development of the aviation industry could be a catalyst for national development. In 1947, the country's first national carrier – Air Ceylon - inaugurated international flights from Colombo to Madras via Jaffna and since then the number of international flights out of Sri Lanka has grown considerably.

During the 1960's and 70's the Royal Air Force and Air Ceylon offered domestic flights from the Ratmalana Airport to destinations such as Jaffna, China Bay in Trincomalee, Batticaloa, Ampara and Weerawila to name a few. These destinations with their fascinating tourist attractions, proved to be popular among government employees. Domestic air travel was subsequently taken over by the Sri Lanka Air Force and Upali Aviation while Air Taxis of the Maharajah Organization operated charter flights to most of the local airports in the country. Passengers requesting flights ranged from local and overseas

tourists to businessmen. Aviation was not restricted to domestic flights and international travel on Air Lanka, which was inaugurated in 1979, also began to increase in popularity. International flights were eventually shifted to the new airport at Katunayake. With the onset of civil riots in July 1983 however, domestic aviation operations came to a sudden halt and although attempts were made to resume local flights, it did not meet with much success until several years later.

Following the signing of the Ceasefire Agreement with LTTE rebels in 2002, which heralded a period of temporary peace, several local airlines commenced domestic operations to destinations such as Jaffna, Trincomalee and Ampara. Sri Lankan Airlines (former Air Lanka) also began domestic operations using amphibian aircraft to and from the Bandaranaike International Airport in Katunayake to a number of tourist destinations around the country. Gregory Lake in Nuwara Eliya, Victoria and Randenigala reservoirs, Koggala and Weerawila were among those that became increasingly popular destinations for both local and overseas passengers. These flights were unique, because they were not restricted to precise straight-line air routes but were allowed to circle around the areas of interest enabling the passengers to enjoy the landscape and its scenic beauty. This proved to be a success, winning over people who had never previously considered exploring the country beyond the familiar suburbs. However, these operations were suspended once again with the re-commencement of hostilities in the North and East of the country.

A significant event in Sri Lanka's aviation history was the partial privatization of Sri Lankan Airlines

(then Air Lanka) in 1998 under a ten year management contract with the Emirates Group, ending in 2008. This significantly changed the course of the airline's development and fashioned it into what it is today. Sri Lankan Airlines is a highly recognised global carrier, serving 45 destinations in 25 countries across Europe, the Middle East, South Asia, South East Asia and the Far East. It is also one of the largest foreign carriers operating to India, with 90 weekly flights to 11 destinations and the largest carrier to Maldives with direct flights from Europe.

The advent of peace in the country now offers numerous opportunities for the development of Sri Lanka's domestic and international aviation sectors in the years ahead.

History of Aviation in Sri Lanka





First flight to Ceylon in 1912.



Fire vehicle imported to be on alert for the first Non-Alliance Conference held in Sri Lanka in 1975.



1932

Governor of Ceylon negotiates to extend the airmail service between the United Kingdom and India via Ceylon.

1934

State Council of Ceylon makes a decision to construct an aerodrome at Ratmalana.

1936

Aerodrome at Ratmalana is completed and Aero Club of Ceylon provides the public with flight opportunities.

Timeline of events

1937

First Air Navigation Regulations are published. The first three aircraft bearing the Ceylon registration mark are entered into the aircraft register.

1938

The Ratmalana Airport is inaugurated on the 28th of February. The Director of Public Works is appointed Director of Civil Aviation.

1939

An emergency landing is conducted in Puttalam.

1947

Air Ceylon - the National Carrier is set up under the Ministry of Communication and Works and inaugurates international flights from Colombo to Madras via Jaffna.

1948

Sri Lanka is appointed member of the International Civil Aviation Organization (ICAO).

1950

The Navigation Act No. 15 of 1950 is promulgated.
An Academy to train pilots is established.

1968

Construction takes place of a larger terminal building, apron and taxiway.

1979

Inauguration of the National Carrier – Air Lanka.
Airports Authority Act of 1979 promulgated and the Airport Authority is established.

1980

The Airports Authority takes over civil airport operations from the Department of Civil Aviation.

1984

Development program launched to construct a new runway, Passenger Terminal Building, Cargo Complex, Control Tower and Navigation Services and Maintenance Complex.

1987/88

Development program is completed and the new runway and passenger terminal building commissioned with an annual handling capacity of 3.5 Mn passengers.

1992

The Air Cargo Village inaugurated.

Timeline of
events ...Contd.

1942

With the outbreak of World War 2, the Royal Air Force takes control of functions at the Ratmalana Airport.

1945

The United Kingdom-Australia - 'LANCASTRIAN' service commences operations via Ceylon.

1946

The Department of Civil Aviation is established under the Ministry of Transport. The Ratmalana aerodrome is taken over from the Royal Air Force for civil flying.

1955

Air Ceylon enters into an agreement with KLM Royal Dutch Airlines.

1959

International flights shift operations to Katunayake.

1963

Development program of Katunayake Airport commences.

The RAF Runway is extended from 1,840 to 3,350 meters with assistance from the Government of Canada. Terminal Building is constructed to hold 150,000 passengers per year.

1981

The Government decides to establish a government owned company to handle civil aviation in Sri Lanka.

1982

Amendments are made to the Air Navigation Act.

1983

Establishment of the Airport and Aviation Services (Sri Lanka) Ltd. (AASL) to oversee the overall development, maintenance, administration and service delivery of the airports.

2005

A completely new outlook is commissioned for the Airport in November with the construction of a finger pier with eight Aero Bridges, expanded terminal, lounges and other facilities.

2008

AASL celebrated 25 years service to aviation.



March

- Celebrated the 25th anniversary of AASL with various social and religious events lined up with the participation of airport partners and the public at large.
- To ensure that the Corporate Plan is implemented with greater commitment from the planning and design stage of the action plans, a new division was formed with the appointment of key management personnel with a clear focus on the Project Life Cycles of major and ongoing development projects.

The departure public concourse was ceremonially declared open by His Excellency the President Mahinda Rajapaksa on April 3, 2008. Enhanced seating capacity, a variety of food outlets and newly refurbished banking, travel and retail counters now provide a spacious and relaxed atmosphere for both travellers and visitors alike.



April

January

The waiting period at the check-in counters was reduced to a minimum with the increase of counters from 41 to 50. Two more passenger information counters were also opened to facilitate quick access to information.

February

Development of a comprehensive Safety Management System was initiated in 2008 as prescribed by International Civil Aviation Organization (ICAO) as a proactive measure to enhance the safety of the BIA and Colombo Flight Information Region.

Events Calendar





May

With the introduction of 25 computer terminals in the pier area, boarding gates and transit area, international passengers passing through the BIA now have access to 24 hour free internet and e-mail facilities using Wi-Fi (wireless) technology.

June

During the year, the Organisation initiated ISO 9001-2000 Certification process to establish a quality management system at AASL.



July

Ceremonial red carpet receptions were accorded to Heads of States attending the 15th South Asian Association for Regional Cooperation (SAARC), Presidents of the Islamic Republic of Iran and the Republic of Maldives and for the visit of his Royal Highness the Duke of Gloucester with a Guard of Honour by the armed forces. Accolades by these honoured guests are a reflection of the extremely high standards and efficiency of AASL in managing such significant events.

August

The capacity of the transformers at the airport was increased to 10,000 KVA to ensure that the airport does not experience power blackouts under any circumstances. The increased capacity will also meet the increased demand for power as a result of the recent expansion of airport facilities.

September

With a view to increasing the overall productivity across AASL, a Counseling Unit was introduced with the support of consultants with special emphasis on emotional stability, conflict resolution of employees and change management.

October

AASL signed a 350 million rupee contract with Japan Airport Consultants to carry out the detailed designs and to prepare tender documents for the next phase of BIA's Development Stage II of Phase II Project.

November

Two new bi-directional connecting routes were introduced and eight more flex tracks were offered through the Civil Aviation Authority of Sri Lanka to the International Civil Aviation Organisation, improving the expeditiousness in handling air traffic.

A new shuttle service between the BIA and the close by Averiwatta public Bus Terminal with 10 minute time intervals was introduced as a free service for passengers. This provides a hassle free and secure mode of transportation connecting airline passengers with the low cost public transport system.



December



Growth through services

SERVICES

"Our vision is to transform the BIA into one of the friendliest in the region and all our physical and human resources are aligned to meet this goal, delighting users of the airport with our wide range of services."

Key system
availability '08

>95%





**BIA serves over
40 airlines,
making us a
hub airport
in Asia**



Chairman's Review



It is my pleasure to review the performance of Airport and Aviation Services (Sri Lanka) Ltd. and present to you the annual report and financial statements for 2008, a historic year in which AASL celebrated 25 years in civil aviation, in Sri Lanka.

While the past year has been one of upheaval on both the global and local fronts, the prospect of peace in Sri Lanka with the end of thirty years of conflict, offers numerous opportunities for the development of the country and for the growth of civil aviation in the years ahead.

The year under review however saw several changes that affected the fortunes of the global aviation industry including this company. Skyrocketing oil prices dominated the first half of the year, while the global recession affected the second half. Globally, consumers cut back on spending, foreign travel and business traffic declined with nine of the top ten international airports seeing a drop in passenger traffic during 2008. Traffic through the BIA declined at a slower pace of 5%. The airline industry globally lost US\$ 10.4 Bn. according to the International Air Transport Association (IATA). Airlines have reacted by cutting capacity, eliminating routes and services, reducing staff, merging and even closing down. Airlines can also increasingly go 'airport shopping', picking and choosing routes as they wish. In Sri Lanka, an escalation in the civil war saw tourism decline sharply amidst heightened security in the country and foreign advisories on travel to the Island.

All of these saw a 22% decline in net profitability of AASL in 2008 to Rs. 1,169 Mn. although turnover was up by 9% to Rs. 5,832 Mn. Commercial aircraft movements and cargo movements also declined. However,

there were several initiatives that were taken during the year that have laid the platform for future growth. We invested in our staff, in order to retain talent and attract the necessary skills that will drive this company forward. We improved the quality of services at the airport, especially the restaurant facilities and janitorial services and strengthened the security at the airport. The area of security is one in which we hope to make changes this year, relaxing entry to visitors to the airport in the context of a more peaceful environment that is expected with the end to terrorism.

Bilateral agreements were signed with five countries during the year and two new airlines, Maldiviana Aviation and Bangladesh's Island Aviation began operations to and from Colombo. We hope to negotiate with other airlines including European carriers to commence operations with the BIA as we can now assure them of a safe climate. Our long term objective is to make the BIA a passenger hub airport in the region, doubling passenger handling capacity to 12 million by 2013 along with a steep increase in passenger number and increase the volume of cargo airlifted through Colombo.

With this in mind, there are several development projects that are on the cards. The second phase of the BIA expansion project is to begin, expanding the terminal, roadways and increasing the cargo handling capacity of the airport from 250,000 MT. to 500,000 MT. A project to develop a second international airport in Mattala, Hambantota Sri Lanka will also gain momentum this year. We will seek to develop this on a public-private partnership basis at an estimated cost of US\$ 190 Mn. The entire project will cover an area of 2,000 hectares and out of which stage 1 will be built on

in an area of 800 hectares and will take an estimated three years to build. There is also a growing need for a second runway in addition to widening the existing runway to cater to the anticipated growth in traffic and the larger A380 Airbus aircraft.

We will also gradually expand the duty free area offering travellers with more options that are on par with world class standards. A transit hotel is also planned in addition to internal changes such as strengthening the business development unit and IT network of the company. AASL is also keen on driving the development of a network of domestic airports to encourage local civil aviation as in the years before the onset of the war three decades ago.

Sri Lanka has immense potential and the country is optimistic of a return to vibrant economic growth. The government has announced that it will revise the island's economic forecast for 2009 to 4% - 5% from the 2.5% - 3% announced earlier this year. Tourists are also likely to flock to the Island with 450,000 tourists expected in 2009. Sri Lanka is poised for growth and I am optimistic that we will assist this industry to grow and take the AASL to unprecedented heights of success.

In conclusion, I would like to thank the Honourable Minister and the Ministry, Board of Directors and Senior Management for their support and guidance and to all the staff of the AASL for their hard work and unwavering loyalty in taking this company forward.



Prasanna J. Wickramasuriya
Chairman

8 April 2009

“I am confident that we will assist the civil aviation industry to grow and take the AASL to unprecedented heights of success.”



Board of Directors





Left to Right:

M. C. G. Mahipala (Mrs.) - *Secretary to the Board*, R. P. L. Weerasinghe - *Director*, Yohan Jayaratne - *Executive Director*, Chandima P. Rasaputra - *Chairman* (Resigned w.e.f. March 29, 2009), Prasanna J. Wickramasuriya - *Chairman*, Kosala Wickramanayaka - *Director*, S. S. Niriella - *Director*, Ananda Goonatileke - *Director*

Not in the Picture:

Palitha Gamage - *Director*, Aelian Nanayakkara - *Director*

Year ended December 31, 2008

The Board of Directors have pleasure in presenting their report, for the year ended December 31, 2008 together with the audited Financial Statements of the Company, as a Fully Owned Government Company incorporated on February 23, 1982 under the Companies Act No. 17 of 1982.

Activities of the Company

The main activities of the Company which remains unchanged since the previous year were the provision of Air Navigational Support Services, including Fire Services and Security which ensure safety of aircraft and passengers in the air within the Sri Lankan FIR (Flight Information Region) as well as on ground and the provision and maintenance of terminal and associated passenger facilities. As in the past, the Company continued the development of airport infrastructure facilities, utilising Government Grants and Revenue retained for the purpose. The Company also maintains separate sets of accounts of Government Grants for Airport Development Projects and Retained Revenue Funds.

Operating Results

The Company recorded a pre-tax profit of Rs. 1.7 Bn. compared to Rs. 2.5 Bn. in the year 2007. A negative growth of 29% has been recorded for the year under review, over the profit before tax of 2007.

A detailed review of the Company's performance during the year, with

comments on the financial results and future developments is contained in the Financial Review (Page 34 to 35) and Business Review (Page 26 to 33). These reports form an integral part of the Directors' Report.

The Company derived 29% of its revenue from Aeronautical sources, 11% from other sources (which comprise of short term investments on government securities, interest income from fixed deposits and foreign currency account) while the balance 60% was from Non-Aeronautical sources.

Operating Expenditure

Total Operating Expenditure increased by Rs. 1,219 Mn. representing a rise of 42% over the previous year's expenditure of Rs. 2,871 Mn. This is mainly due to the increase in personnel expenses by Rs. 950 Mn. (48%), repair and maintenance expenses by Rs.92 Mn. (75%) and establishment expenses including electricity charges by Rs. 176 Mn. (23%).

Dividends

No dividend was declared by the Board during the year.

Corporate Governance

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

The Corporate Governance framework and its adoption is detailed on Pages 44 to 47 of this report.

System of Internal Controls

The Directors are responsible for the Company's system of internal controls covering financial and risk management activities and reviewing its effectiveness in accordance with the provisions of the Corporate Governance framework. A detailed account of the system of internal controls is set out on pages 44 to 49.

Donations

The total amount of donations made by AASL during the year amounted to Rs. 10.2 Mn.

Property, Plant and Equipment

The book value of property, plant and equipment of the company as at the Balance Sheet date amounted to Rs. 1,026.2 Mn. (2007 – Rs. 758.8 Mn.)

Capital Expenditure for the company amounted to Rs. 296 Mn.

The movements in property, plant and equipment during the year are set out in Note 3 of the Financial Statements on pages 63 to 64.

Market Value of Properties

The revaluation process covering all the assets of the airport done by the Valuation Department is in progress as at the Balance Sheet Date. The valuations will be made on the basis of

Report of the Directors



the market value for existing use. The book value of the properties will be adjusted to the revalued amount.

Reserves

The reserves as at December 31, 2008 for the company amounted to Rs 5,147 Mn (2007 – Rs 4,170 Mn). The movement in Reserves is shown in the Statement of Changes in Equity on page 56.

Shareholding as at December 31, 2008

No. of Shares	Value (Rs.)	Held By
200,000	20,000,000	Secretary to the Treasury
1	100	Secretary, Ministry of Ports & Aviation
1	100	Director General of Civil Aviation
<u>200,002</u>	<u>20,000,200</u>	

Directors

The Board of Directors of the Company are appointed by the Hon. Minister of Ports & Aviation.

Mr. Chandima P. Rasaputra *Chairman resigned March 29, 2009*

Appointed to the Board as Vice Chairman on January 3, 2006 and resigned on February 12, 2007 and also was re-appointed as the Chairman on February 20, 2007 and resigned from the post on March 29, 2009.

Mr. Prasanna Wickramasuriya *Chairman since March 30, 2009*

Appointed to the Board as Vice Chairman on April 3, 2008 and resigned on March 29, 2009 and re-appointed as Chairman on March 30, 2009.

Mr. Nalaka P. Bamunusinghe *Executive Director*

Appointed to the Board as a Director on February 26, 2007 and as an Executive Director on April 26, 2007 and passed away on September 22, 2008.

Mr. Yohan Jayaratne *Executive Director*

Appointed as a Director on November 1, 2008 and as an Executive Director on November 28, 2008.

Mr. Aelian Nanayakkara *Director*

Appointed as a Director on August 31, 2004 and resigned from the post on April 18, 2007 and re-appointed as a Director on April 19, 2007.

Mr. Kosala R. Wickramanayake *Director*

Appointed on April 4, 2007.

Mr. Palitha Gamage *Director*

Appointed on April 4, 2007.

Mr. R. P. L. Weerasinghe *Director*

Appointed to the Board as a Director on February 23, 2006 and resigned from the post on February 12, 2007 and re-appointed as a Director on April 27, 2007.

Mr. A. T. K. Chandradasa *Director*

Appointed to the Board as a Director on October 23, 2007 and resigned on September 30, 2008.

Mr. S. S. Niriella *Director*

Appointed on December 16, 2007.

Mr. Ananda Goonatileke *Director*

Appointed on October 1, 2008.

Directors' Interest in Contracts and Proposed Contracts

During and at the end of the 2008 financial year, none of the Directors were directly or indirectly interested in contracts or proposed contracts connected with the Company's business.

Directors' Responsibility for the Financial Statements

The responsibility of the Directors as per the provisions of the Company's Act No.07 of 2007, in relation to the Financial Statements, is to prepare such statements for each financial



year and to place it before the Annual General Meeting. The Responsibility of the Auditors is set out in the Report of the Auditors on page 53 of the Annual Report.

The Directors confirmed their responsibility for maintaining adequate accounting records in accordance with all applicable Accounting Standards sufficient to prepare the Financial Statements of the Company.

The Board of Directors approved the three sets of Financial Statements on following dates:

- Voted Fund Accounts -
February 27, 2009
- Company Accounts -
April 8, 2009
- Retained Revenue Accounts -
April 8, 2009

The Directors are also responsible for taking reasonable steps to safeguard the Assets of the Company and to give adequate consideration to the establishment of appropriate internal control systems, with a view to preventing and detecting fraud and other irregularities.

Board Committees

The composition of the Board Audit & Management Committee is as follows:

- Mr. Aelian Nanayakkara
- Mr. R. P. L. Weerasinghe
- Mr. Palitha Gamage

Statutory Payments

Directors, to the best of their knowledge and belief are satisfied that all statutory payments due to the Government, other Regulatory Institutions and in relation to the employees have been made on time or have been provided for.

Events After the Balance Sheet Date

No material events that require adjustments to the Financial Statements have taken place, subsequent to the date of the Balance Sheet other than those disclosed if any, in Note 18 to the Financial Statements on page 70.

Going Concern

The Board of Directors has reviewed the Company's Business Plans and is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the Financial Statements are prepared on this basis.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

Human Resources

The Company implements appropriate Human Resource Management policies to train, retain employees and optimise their contribution towards the achievement of corporate objectives. This is further illustrated under Human Resources. At the beginning of the year, 3,001 employees were on the

permanent payroll. As at December 31, 2008 the total employee strength increased to 3,132.

Future Developments

Expansion of the BIA's passenger and cargo handling capacities, construction of the second International Airport and development of the island's existing network of 13 domestic airports are high priority in order to improve the civil aviation industry, whilst exploiting the numerous opportunities which are expected to offer with renewed climate of peace.

Environmental Protection

The Organisation takes initiatives in pursuing sustainable development in all our activities, thereby creating integral balance between the society, economy and environment.

The organisation seizes the opportunity to minimise harmful emissions/effects arising out of the airport services it operates in, as well as when handling air traffic.

Auditors

Company and Retained Revenue Fund Accounts

M/s Ernst & Young
Chartered Accountants
201, De Saram Place
Colombo 10.

M/s Ernst & Young are available for re-appointment.

Voted Fund Accounts

Auditor General
Auditor General's Department
Independence Square
Colombo 07.

Annual Report

The appropriate number of copies of this report will be submitted to the Parliament, Ministry, Auditor General, Department of Public Enterprises, Sri Lanka Accounting and Auditing Standards Monitoring Board and other stakeholders.

Annual General Meeting

The Annual General Meeting will be held on June 29, 2009.

Acknowledgement

The Board wishes to take this opportunity to place on record the valuable contribution and the support extended by the employees at all levels of the Company, towards achieving its objectives. They also wish to express their gratitude towards the Government of Sri Lanka, Ministry of Ports & Aviation and other institutions that continued to assist the Company in its endeavours.

BY ORDER OF THE BOARD



Prasanna J. Wickramasuriya
Chairman

8 April 2009



Senior Management





Left to Right:

G. Withanage - Acting Head of Civil Engineering (P & D), **C. Wannigama** - Head of Internal Audit & Quality Assurance, **Wg. Cdr. D. Wijesooriya** - Safety Manager/ Acting Deputy Head of Security Services, **W. A. C. L. Saram** - Head of Electrical & Mechanical Engineering, **Geeth Karunaratne** - Head of Commercial & Properties, **Wipula Wimalshanthi** - Head of Electronics and Air Navigation Engineering, **Lalith Fernando** - Head of Finance, **H. S. Hettiarachchi** - Head of Airport Management, **Srilal Subasinghe** - Acting Deputy Head of Air Navigation Services, **M. C. G. Mahipala (Mrs.)** - Head of Human Resources & Legal / Company Secretary, **S. M. R. Rafeek** - Head of Projects, **Athula Seneviratne** - Head of Civil Aviation Training, **D. N. A. Jayamaha** - Head of Civil Engineering (Maintenance), **A. K. Yapa** - Chief Fire Officer



Growth through technology

TECHNOLOGY

"From a wartime airstrip to a modern airport, the BIA has been through several transformations over the years. Today, Sri Lanka boasts of a world-class airport with superior technology ensuring the safety and comfort for all visiting aircraft and passengers."

Int'l Flights
Handled in '08

32,000





**Improved
aircraft
handling, air
traffic control
and safety**

AASL is a fully government owned company with statutory powers to manage and develop all civil airports in Sri Lanka. The company is among Sri Lanka's leading businesses, contributing to the growth of the national economy. Through various internal changes, AASL is being transformed into a marketing oriented blue-chip public company capable of withstanding competition and changes in the global air transportation industry.

Industry and Economic Overview

The year under review saw several global changes that negatively affected the fortunes of the air transport industry, including that of the Bandaranaike International Airport. High oil prices affected airline operations in the first half of the year, while the global recession in the second half, has changed the dynamics of air travel. Consumers are spending less due to economic difficulties or more recently, pandemic fears, budgets for business travel by corporations have been slashed as they look to alternatives such as video-conferencing. Cargo volumes also have dropped due to reduced or restricted international trade in this negative economic climate.

According to the International Air Transport Association that represents 230 airlines and 93% of scheduled international air traffic, the air transport industry as a whole lost

an estimated US\$ 10.4 Bn in 2008. Airlines took several measures to face the situation, such as re-shuffling routes, reducing on-board services offered and even by retrenching staff. Some airlines that could not survive financially, were forced to close down or explore merger options. Airlines can now increasingly pick and choose routes and airports to serve as they wish, increasing competition between airports. Nine of the top ten international airports reported a two digit decline in passenger traffic during 2008. However, the Bandaranaike International Airport reported a comparatively lesser passenger decline of only 5% in 2008.

At home, the Government of Sri Lanka was compelled to engage in intensified military operations in a humanitarian mission of liberating the northern part of the county and the people of the north from the clutches of LTTE. The consequent travel advisories issued by some countries had a considerable negative effect on tourism and the tourist traffic.

The end of the conflict in the early part of 2009 and the prospect of peace after three decades, offers numerous opportunities for the growth of civil aviation in the Island with several development projects already planned. The government is expected to revise the Island's economic growth forecast for 2009 to 4% - 5% from the original 2.5% - 3% announced earlier this year, with the war-risk rating of the country being revised downwards and the 'air-

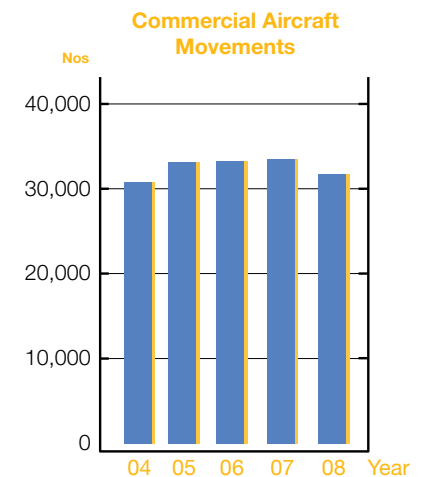
war' risk removed by the Joint Cargo Committee of London. The tourist industry is also expected to thrive, growing from the 438,475 tourist arrivals reported in 2008.

Detailed information on tourist arrivals to Sri Lanka by country of residence and purpose of visit is available at the end of this review.

Operational Review of Performance

In the light of global and local conditions the industry faced in 2008, commercial aircraft movements fell by 5% to 31,638 while passenger movements also dropped by 5% to 4,642,831 in 2008. Cargo movements declined by 7% to 151,952 which includes export, import and trans-shipment cargo.

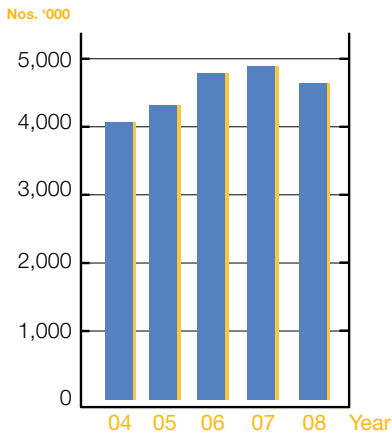
AASL posted a moderate growth in Turnover of 9% to Rs. 5,832 Mn, although profitability declined,



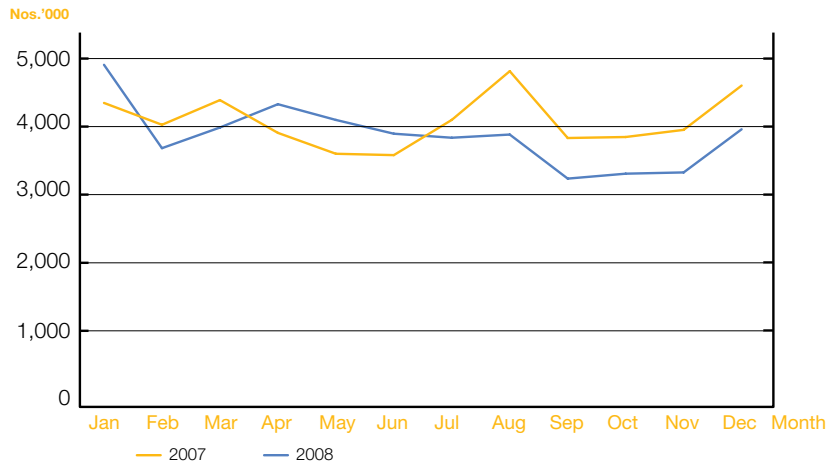
Business Review



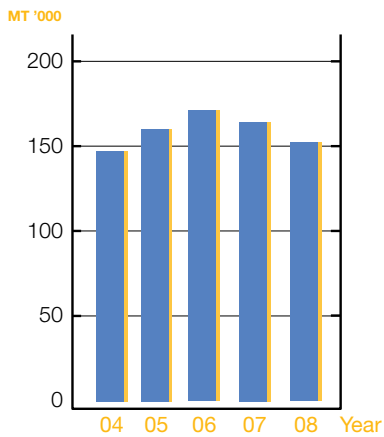
Passenger Movements



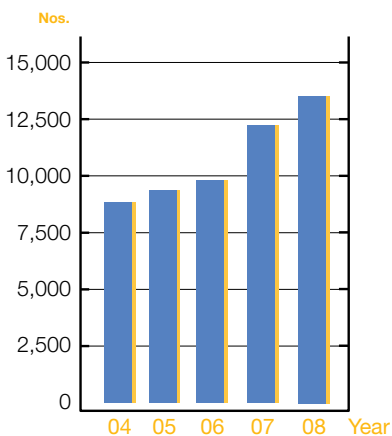
Passenger Movements - Monthly Comparison



Cargo Movements



Overflights Navigated



with Profit After Tax down by 22% to Rs. 1,169 Mn. A detailed review of financial performance follows this report.

Several initiatives were taken during the year to strengthen the internal operations of the BIA on the one hand and to initiate development projects on the other.

Expansion of BIA's Route Network

Sri Lanka's status as the gateway to the Indian subcontinent depends largely on our ability to offer a wide range of carriers and destinations, as well as frequent flights with timely onward connections.

To this end, AASL supports Government's efforts to progressively liberalise Sri Lanka's air services and move towards an 'open skies' policy. Regular meetings are held between

the Ministry of Ports & Aviation and other relevant Government departments, Ministries and the national carrier SriLankan Airlines and also Mihin Lanka to review strategic route development plans and market intelligence.

AASL representatives in collaboration with the Ministry of Ports and Aviation worked tirelessly to further strengthen the BIA's network by promoting additional destinations and airlines with higher frequencies, while also entering into new bilateral air service agreements with five countries; Kenya, Madagascar, Turkey, Bangladesh and Mauritius. As a result of these efforts, Island Aviation of Bangladesh commenced operations during the year and Maldiviana Aviation of Maldives resumed operations through the BIA in 2008.

Colombo Flight Information Region: the choice of airlines

Modification of Route structure

The introduction of Connecting Routes and Flex Tracks catering to additional air traffic within the Colombo FIR has improved our efficiency in this area. During the year two new 'Bi-directional Connecting Routes' were introduced and eight Flex Tracks were offered through the Civil Aviation Authority of Sri Lanka to the International Civil Aviation Organization. This has brought with it several direct benefits that have been welcomed by the airlines.

The reduction of Longitudinal Separation between aircraft from 15 to 10 minutes along a number of selected air routes within Sri Lanka's airspace was another step towards making Colombo FIR more economical in terms of overflying options and fuel consumption. It additionally harmonises the separation standards with adjacent countries such as Australia and Indonesia.

Performance Based Navigation (PBN)

The BIA elevated itself into the implementation of Performance Based Navigation (PBN) systems. PBN is a method of Navigation that enables aircraft to fly on any desired flight path within the coverage of Navigational aids (Nav aids) or within the limits of the capabilities of self-contained

systems such as Flight Management System (FMS) and Global Positioning System (GPS) which is based on the Global Navigation Satellite System (GNSS).

PBN provides routes and procedures with improved access and flexibility for aircraft to fly from point to point without getting restricted by the location of ground based Navigational aids, resulting in the saving of fuel and environmental protection. Airspace safety will be enhanced by the implementation of continuous and stabilised descent procedures that avoid controlled flight into terrain. Precise approaches, departure and arrival paths will also reduce delays and streamline traffic flows.

Improvements within the AASL

The quality of services at the airport was improved during the year, with

additional restaurant facilities and janitorial services. The new Departure Public Concourse now has expanded seating capacity, a variety of food outlets and newly refurbished banking, travel and retail counters in a spacious and relaxed environment.

The company continuously invests in new technological infrastructure to maintain safety and security standards. A disaster recovery system is in place covering the entire premises of the BIA and its offices in case of any event affecting the vital operational control systems. The capacity of the transformers at the airport was increased to 10,000 KVA to ensure that the airport does not experience blackouts and to also meet the anticipated demand for power with the expansion of the airport.

The number of check-in counters was increased from 41 to 50, considerably reducing the waiting



Business Review ...Contd.





The annual emergency drill.

time for passengers. The ISO 9001-2000 certification process to establish a quality management system at AASL was initiated. During the year under review, measures were also taken to retain skilled talent within the workforce to ensure that the company has the necessary skill base going forward.

Retail Operations at the BIA

The duty free shopping complex at the BIA has made shopping a simple and pleasant experience for arriving passengers, offering many reputed international brands. Prices are competitive with high quality and after-sales services offered. The main attractions here include the electronics and electrical household appliances as well as liquor, confectionary and perfumes, with a wide variety of promotions also on offer. Retail operations in the Departure and

Transit areas also provide a mix of local and international products such as tea, handicrafts and spices among others in addition to a wide variety of restaurants and food chains. The airport also has several lounges for passengers who wish to rest and relax while waiting for their flights.

Strengthening Linkages with Airport Partners

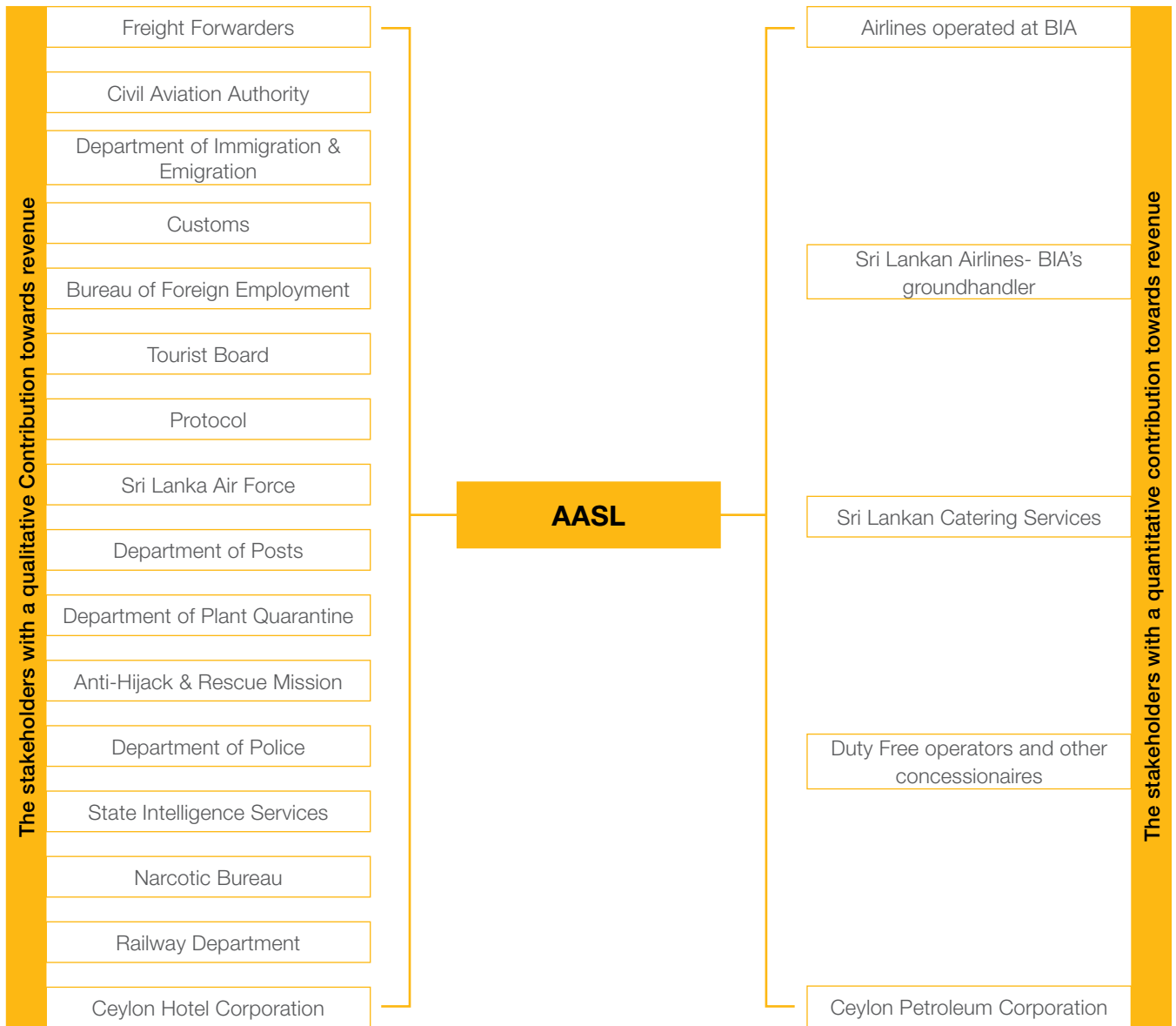
From humble beginnings in 1983 of serving less than 10 airlines, the BIA has evolved into being ranked as the 11th busiest airport in the Asian Region within a period of 25 years.

These achievements would not have been possible if not for the outstanding relationship with partner airlines. At AASL we are committed to promote our core values across the wider airport community. Quality, Safety, Security, Efficiency, Social

Responsibility and Corporate Governance are the underlying values of our business and the focus of everything we do. We understand that the airport's success is not solely determined by its infrastructure or technical excellence. Rather, it is the quality of an airport's relationship with its partners that will enable sustainability in the future.

This relationship was strengthened through regular dialogue between AASL and its aviation partners at a monthly facilitation meeting presided over by the Chairman of the AASL. Any issues hindering the progress of the airport and its services were addressed at the forum, while offering a space for generation of ideas and suggestions for improvement.

Key stakeholders driven by shared goals may be broadly categorized based on their contribution towards our core business objective of 'Maximization of Stakeholder Value' as shown in next page.



Business Review ...Contd.



Service Performance in 2008

Departure passenger processing

% of passengers completing security screening, Check-in, Emigration formalities within 40 minutes.

95%

Arrival passenger processing

% of passengers cleared by Immigration, claim baggage and cleared by the Customs within 40 minutes from disembarkation.

97%

Baggage Delivery (First Bag)

% of the first bag delivered at the baggage reclaim within 20 minutes of chocks on.

97%

Baggage Delivery (Last Bag)

% of the last bag delivered at the baggage reclaim within 30 minutes of chocks on.

97%

Avoidance of Aircraft incidents in the Colombo FIR

Maintain No. of aircraft incidents in Colombo FIR per 100,000 aircraft movements below 40.

100%

Control of delays in Landing or Take off due to congestion

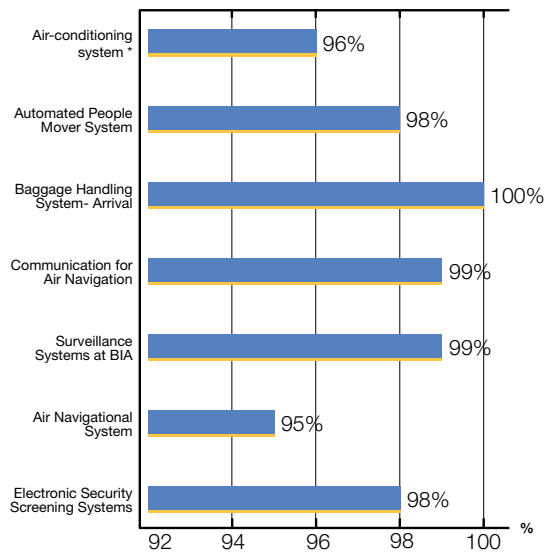
% of aircraft having experienced delays on Ground or in the Air due to congestion less than 6% of the total movements.

100%



The immigration clearance in passenger processing.

High System Availability in 2008



* Maintain 95% of the system to provide average temperature not more than 26°C within passenger terminal building



Automated People Mover System.

Future Plans and Outlook

In order to align AASL's strategic direction with Sri Lanka's national aviation master plan, the organisation will utilise its resources to ensure the successful completion of three major expansion projects. These projects would cover not only the BIA, but also the whole network of civil airports in Sri Lanka.

These plans have been developed to meet the anticipated demand in air traffic and the first milestone was achieved when AASL signed a contract with Japan Airport Consultants which is estimated to cost Rs. 350 Mn. in October 2008 to carry out the detailed designs and to prepare tender documents of the project. Once complete, the airport will have a new passenger terminal and the total passenger and cargo handling capacities will be doubled to 12 Million and 500,000 MT per annum respectively. The project scheduled to be completed by 2013, will include, elevated roadway and roads as well as a remote apron and taxiways. Public utilities such as power, water and sewage systems are to also be built and, negotiations are underway to obtain a loan facility from Japan Bank for International Cooperation (JBIC) to finance construction. This will take Sri Lanka a step closer to making BIA a passenger hub in the region. The expansion of the existing runway also will be carried out as a

priority project under the action plan of 2010 - 2011, to meet the pressing need to accommodate New Large Aircraft (NLA). The internal functional configurations are kept in congruence with the planned infrastructure development. The IT and the Business Development Units which have been newly formed with a broader scope of work, will redefine the dimensions of the business.

The company will also accelerate plans to develop a second International Airport in Sri Lanka, at an estimated cost of US\$ 190 Mn, taking approximately three years to build. This is part of the Southern Development initiative of the Government's Manifesto contained in the "Mahinda Chintana". The new airport will serve as an alternate aerodrome to BIA with forecast aircraft and cargo volumes of 6,250 movements and 50,000 MT per annum respectively. It will also serve as a gateway for trade and new investments into the country.

The company is also planning to promote domestic aviation using the existing infrastructure at civil aerodromes scattered around the country, which is now feasible with the end of the civil war. The domestic network consist of 12 airports namely; Ampara, Anuradhapura, Batticaloa, Palali, Katukurunda, Koggala, Rathmalana, Sigiriya, China Bay, Vavuniya, Weerawila and

Hingurakgoda proved to be popular among locals and foreigners with its fascinating tourist attractions, before domestic fights were stopped because of the outbreak of civil war.

Business
Review ...Contd.



Tourist Arrivals* by Country of Residence & Purpose of Visit – 2008
As Per The Statistics of Sri Lanka Tourist Board

Country of Residence	Total	Pleasure	Private & Official Business	Convention & Meetings	Visiting Friends & Relations	Religious & Cultural	Others
North America	24,311	15,145	2,016	224	4,968	623	1,335
Canada	10,258	6,202	518	75	2,681	154	628
U.S.A. & Latin America	14,053	8,943	1,498	149	2,287	469	707
The Caribbean	3,739	3,073	190	19	202	48	207
Western Europe	167,187	143,360	7,922	682	9,649	1,498	4,076
Austria	2,651	2,426	81	4	78	6	56
Belgium	2,378	2,031	171	25	97	14	40
Denmark	1,320	1,045	125	1	77	8	64
Finland	468	380	37	2	25	6	18
France	10,594	9,127	473	69	488	139	298
Germany	30,625	26,729	1,384	105	1,184	318	905
Italy	9,116	7,886	551	49	262	88	280
Netherlands	13,030	11,695	394	53	620	71	197
Norway	1,613	1,094	153	12	220	17	117
Spain	2,282	1,878	137	20	143	19	85
Sweden	3,711	2,859	299	39	325	43	146
Switzerland	5,326	4,597	211	11	296	40	171
U.K.	81,331	69,332	3,670	282	5,706	706	1,635
Others	2,742	2,281	236	10	128	23	64
Eastern Europe	29,443	27,085	821	94	376	346	721
Russia	15,797	14,706	348	39	147	205	352
Others	13,646	12,379	473	55	229	141	369
Africa	2,141	988	276	49	138	500	190
Middle East	16,776	13,368	1,065	66	417	72	1,788
Asia	173,039	105,568	23,927	4,529	13,731	8,241	17,043
China (PR)	9,812	6,380	2,251	159	379	68	575
Hong Kong, China	537	407	91	10	8	3	18
India	85,238	51,795	12,495	2,129	6,404	6,181	6,234
Indonesia	1,157	771	146	41	96	9	94
Japan	10,075	7,048	1,806	119	553	103	446
Korea (South)	4,300	2,681	812	50	318	77	362
Malaysia	5,185	3,109	1,050	117	462	135	312
Maldives	31,564	17,824	1,799	1,014	3,442	449	7,036
Pakistan	7,885	4,543	921	297	705	892	527
Philippines	1,693	930	305	54	171	12	221
Singapore	5,802	3,868	1,007	93	559	102	173
Thailand	3,583	2,622	323	61	115	52	410
Taiwan (P.C.)	1,907	1,345	283	71	65	47	96
Others	4,301	2,245	638	314	454	111	539
Australasia	21,839	12,492	1,044	204	6,823	195	1,081
Australia	19,536	11,114	898	164	6,256	177	927
New Zealand	2,240	1,357	141	33	561	18	130
Others	63	21	5	7	6	0	24
Total	438,475	321,079	37,261	5,867	36,304	11,523	26,441

* The tourists who stay in Sri Lanka for a period of 1-365 days are analysed above. Sri Lankans, transfer and transit, tourist who come for employment and residence are excluded.

As the Agent of the Government under Air Navigation (Special Provisions) Act No. 11 of 1983, Company presently maintains three sets of Accounts.

1. Company Accounts
2. Retained Revenue Fund Accounts on Funds retained for on going Capital Projects
3. Voted Fund Accounts on contributions for Airport Development through the National Budget

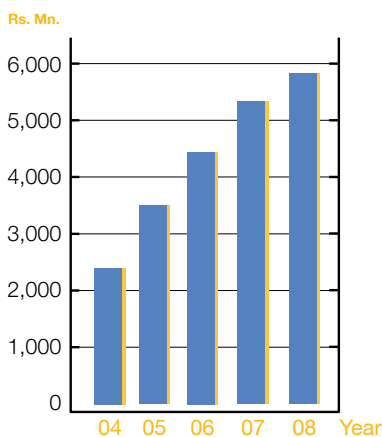
The accounts would be amalgamated once the formalities under the Cabinet Decision of August, 2005 are completed.

The following review has been done based on the financial statements of the company.

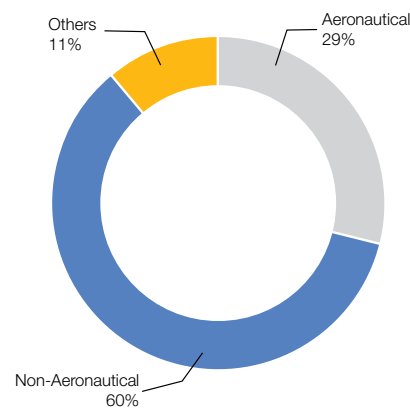
Turnover

Turnover rose by 9% during the year 2008 to Rs. 5,832 Mn. compared to Rs. 5,340 Mn. achieved in the previous year. The drop in aeronautical income due to the decline in key traffic indicators – commercial aircraft movements, passenger and cargo movements, was compensated by an increase in non-aeronautical revenue earned from new business initiatives. Revenue from rental and concessions made up 44% of total turnover or Rs. 2,325 Mn. which was a 15% increase over last year.

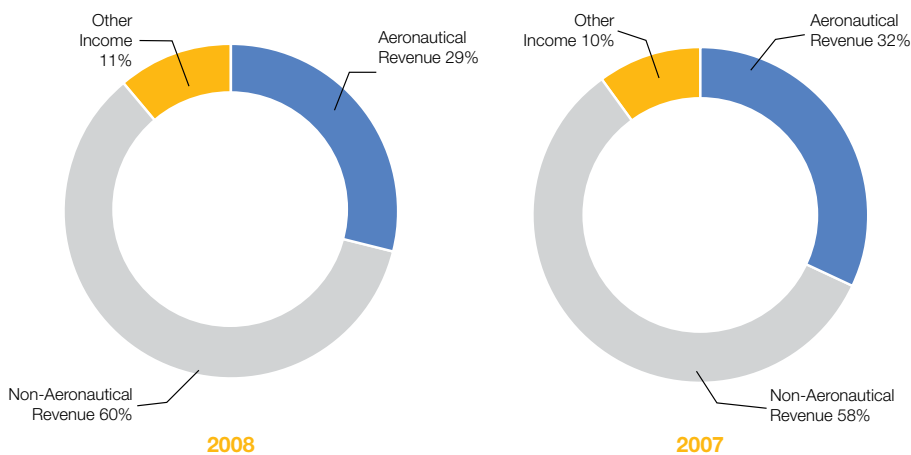
Total Revenue



Sources of Revenue



Revenue - Category wise 2008 vs 2007



Financial Review



Operating Expenses

Operating expenses before depreciation increased by 43% to Rs. 4,033 Mn. largely due to the increase in personnel costs due to revision of the remuneration structure. This was aimed at attracting external talent and minimising the risk of losing experienced & qualified personnel. A marginal increase in staff especially in the area of aviation security was another contributing factor to the increased staff costs and related expenses. Electricity expenses rose by 18% due to the rate revision imposed by the government during the year. However, there was a marginal decrease of 1% in consumption resulting from lower air traffic. All other expenses apart from the above mentioned expenditure on personnel and electricity rose by 44% as a result of costs incurred to uplift the quality of services at the BIA. Extra costs were also incurred to maintain the high security standards demanded by the war situation that prevailed in the country, the introduction of a shuttle bus service connecting airline passengers with the public transport system, perimeter replacement,

clearance and de-silting of land. High fuel costs in the first half of the year together with exchange rate fluctuation - both factors that are outside of our control - also resulted in pressure on the company bottom line.

However, all the business and service units are heavily focused on cutting down on extra costs in 2009. Further, AASL also aims to improve its efficiency and service standards through ISO quality procedures and process improvements, together with continuous monitoring of performance indicators and innovative use of existing resources.

Profitability

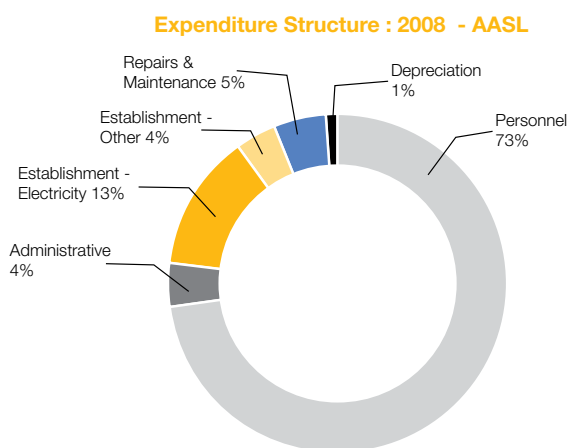
The company recorded a profit before tax of Rs. 1,742 Mn. for the financial year ended December 31, 2008 which is a decrease of 29% compared to the profit before tax of Rs. 2,469 Mn. in 2007 due to the reasons explained above.

Changes in Accounting Standards

AASL has made the relevant changes in the Accounting Policies and presentation of financial statements to comply with the revised Sri Lanka Accounting Standard (SLAS) 16 (Revised 2006) issued by The Institute of Chartered Accountants of Sri Lanka. A detailed account of the implications resulting from adopting the relevant SLAS is provided in Statement of Changes in Equity on the Financial Statements. Major implications of this change are as follows:

Adoption of the previous standard vs SLAS 16

Until 2007, the calculation of gratuity liability as per the relevant statute was based on one month's salary of the last month of the financial year, for each completed year of service commencing from the first year of joining the company, for all employees. The resulting difference between brought forward provisions at the beginning of a year and the carried forward provision at the end of a year is dealt with in the income statement. The company now performs the computation based on Gratuity Formula in Appendix E of SLAS 16 (Revised 2006). This formula measures the liability using the Projected Unit Credit Method. The Transitional liability as at the first date of adoption 1 January 2008, being Rs. 191,793,123/- was adjusted to the opening balance of the retained earnings as at that date.



Dividend

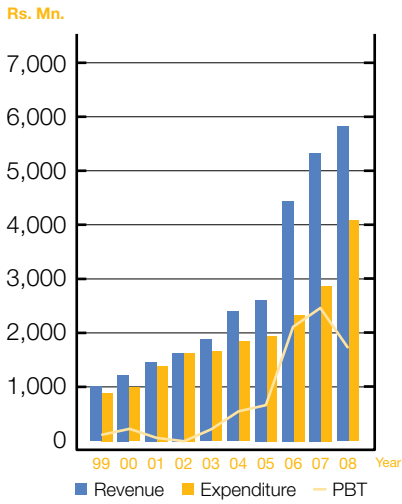
No dividend was declared by the Board during the year.

	2008 (Rs. Mn.)	2007 (Rs. Mn.)	2006 (Rs. Mn.)	2005 (Rs. Mn.)	2004 (Rs. Mn.)	2003 (Rs. Mn.)	2002 (Rs. Mn.)	2001 (Rs. Mn.)	2000 (Rs. Mn.)	1999 (Rs. Mn.)
INCOME STATEMENT										
Total Revenue	5,832	5,340	4,454	2,619	2,402	1,885	1,633	1,463	1,229	1,017
Staff Cost	(2,935)	(1,985)	(1,576)	(1,325)	(1,285)	(1,069)	(980)	(915)	(716)	(651)
Other Cost	(1,155)	(886)	(758)	(624)	(561)	(592)	(652)	(485)	(282)	(243)
Operating Profit before Tax	1,742	2,469	2,120	670	555	224	1	63	231	123
Taxation	(573)	(961)	(747)	(246)	(290)	(93)	(41)	(84)	(113)	(52)
Profit / (Loss) after Tax	1,169	1,508	1,373	423	265	131	(40)	(21)	118	71
Earnings per Share Rs.	5,843	7,542	6,865	2,115	1,324	654	(202)	(107)	590	355
BALANCE SHEET										
Non Current Assets										
Property, Plant & Equipment	377	160	109	128	162	160	183	199	186	113
Diferred Income Tax Assets	677	416	368	-	-	-	-	-	-	-
Total Non Current Assets	1,054	576	477	128	162	160	183	199	186	113
Current Assets										
Inventories	183	148	148	153	146	122	109	106	108	123
Trade & Other Receivables	1,687	1,058	840	576	555	455	272	286	178	100
Amounts due from Related Parties	65	14	-	-	-	-	76	16	12	15
Short Term Investments	4,583	4,069	2,764	1,418	1,335	886	481	460	410	360
Cash & Bank Balances	416	548	530	14	9	-	1	-	22	29
Total Current Assets	6,934	5,838	4,282	2,160	2,045	1,463	939	868	730	627
TOTAL ASSETS	7,989	6,415	4,759	2,289	2,207	1,623	1,122	1,067	916	740
Liabilities & Share Holders Equity										
Share Capital	20	20	20	20	20	20	20	20	20	20
Reserves	92	92	92	92	92	92	92	92	92	92
Dividend Proposed	-	-	-	-	120	-	-	-	-	-
Accumulated Profit / (Loss)	5,055	4,079	2,660	986	723	578	338	378	366	280
Total Shareholders Equity	5,167	4,190	2,772	1,098	955	690	450	490	478	392
Non-Current Liabilities										
Govt. Grants & Deferred Liabilities	1,883	1,184	933	799	772	530	401	323	219	170
Interest Bearing Borrowings	-	-	-	1	3	-	-	-	-	-
Total Non Current Liabilities	1,883	1,184	933	800	775	530	401	323	219	170
Current Liabilities										
Trade & Other Payables	632	536	409	305	301	267	257	211	180	168
Amounts Due to related Parties	43	37	34	15	7	9	-	-	-	-
Income Tax Liability	264	468	609	19	167	124	7	37	38	2
Interest Bearing Borrowings	-	1	1	1	-	-	-	-	-	-
Bank Overdrafts	-	-	52	1	3	7	6	1	8	-
Total Current Liabilities	939	1,041	1,053	391	477	403	271	254	219	178
TOTAL EQUITY & LIABILITIES	7,989	6,415	4,759	2,289	2,207	1,623	1,122	1,067	916	740
Return on Net Assets	%	23	36	50	39	28	19	(9)	(4)	25
Net Profit Ratio	%	20	28	31	16	11	7	(2)	(1)	10
Earning Per Share	Rs.	5,843	7,542	6,865	2,115	1,324	654	(202)	(107)	590
Current Ratio	Times	7.4	5.6	4.1	5.5	4.3	3.6	3.5	3.4	3.3
Quick Assets Ratio	Times	7.2	5.5	3.9	5.1	4.0	3.3	3.1	3.0	2.8
Total Income to Total Expenditure	Times	1.4	1.9	1.9	1.3	1.3	1.1	1.0	1.0	1.1

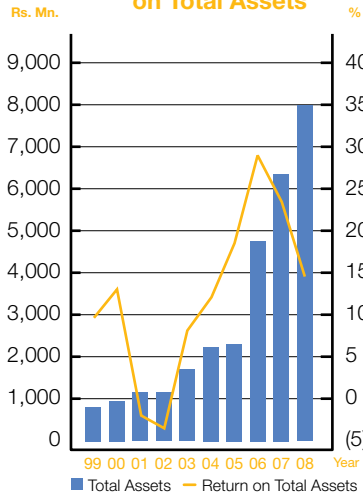
Ten Year Summary



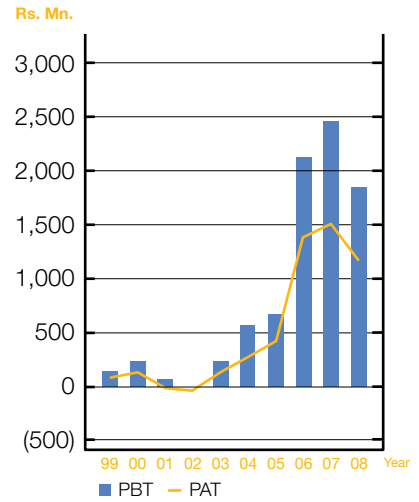
Profitability



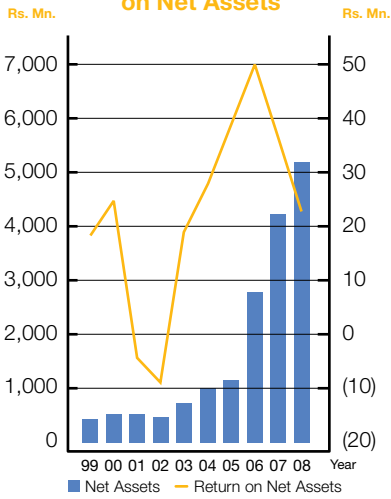
Total Assets & Return on Total Assets



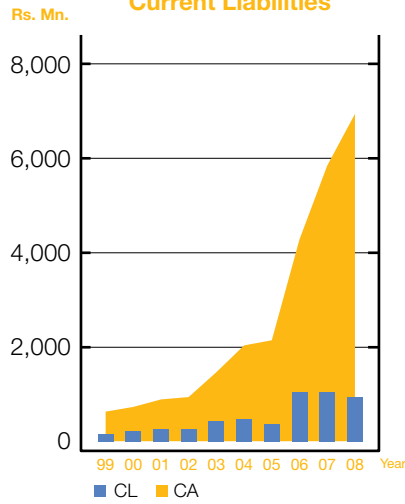
Profit After & Before Tax



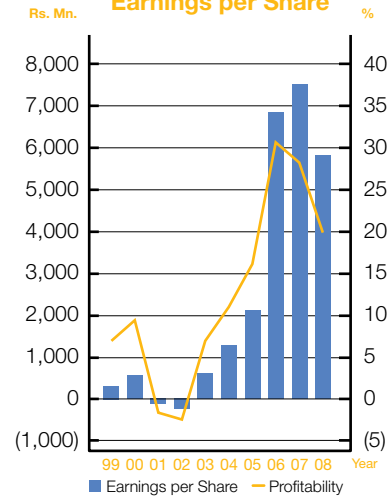
Net Assets & Return on Net Assets



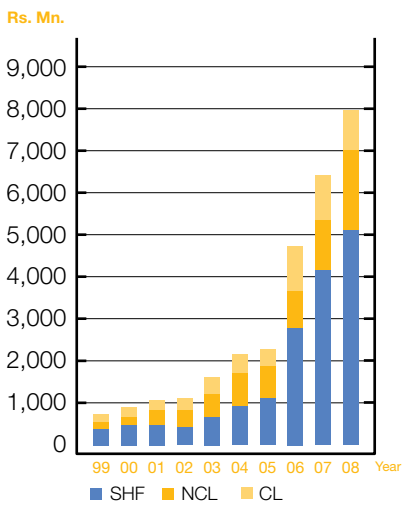
Current Assets vs. Current Liabilities



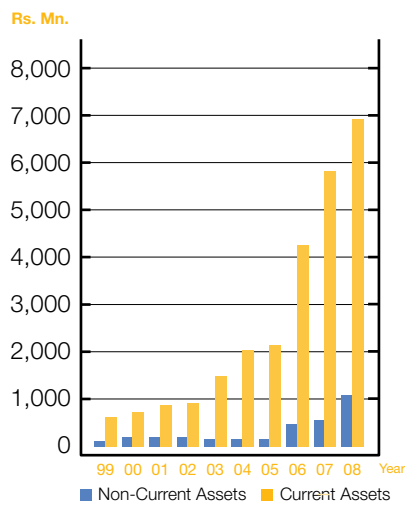
Profitability & Earnings per Share



Capital Employed



Assets Employed





Growth through cargo

CARGO

"Facilitating international trade, the BIA provides cargo handling services with a capacity of 250,000 MT and a dedicated, well-trained team. With the expansion that is underway, the air cargo terminal will undoubtedly play a key role in supporting the needs and demands of industry."

Freight handled
in '08

150k MT





**The BIA has
grown its
cargo handling
capacity to
250,000 MT**

We strive to recruit candidates with multi-faceted skills and assist them in their professional growth and continuous improvement to ensure that the skills required to deliver long term value is available within the organisation. When the achievement of the organisation's objectives are considered in the context of specific quantitative measures and divisional level targets, training and development is considered the catalyst that bridges the gap between targeted achievement and current performance.

The training records of each employee is maintained, updated regularly and analysed to ensure that the necessary skills and knowledge is monitored at appropriate intervals and action taken to improve skills as required. This is implemented by way of planned training schedules that are within Board approved budgetary allocations. The number of trainee hours completed in 2008 are as follows:

Type of Training	2008 (In Hours)	2007 (In Hours)
Local - External	10,016	6,600
Local - In-house	3,556	2,384
Foreign	10,104	15,440
Training Hours per Employee		
- Foreign	22	33
- Local	13	09

The number of overseas trainee hours decreased after the Civil Aviation Training Centre (CATC) successfully obtained TRAINAIR membership in 2007. This has resulted in a significant cost reduction while achieving the expected training outcome, as trainees also have access to the vast pool of courses available to

TRAINAIR members. Advanced Project Management, Performance Based Navigation, Risk and Safety Management and Ground Accident Prevention are some of the key areas covered by overseas training in the period under review.

During the year a team of Air Traffic Controllers accredited to conduct one of the standard training courses of

employee turnover level stood at 3.6% in 2008 (4.1% in 2007) which is a considerably lower rate within and across local industries. The exit interviews are carried out as a component of the employee satisfaction identification process, while plans are designed to carry out attitude and climate surveys. A "Suggestion Box" scheme is used to implement employees' innovative ideas



The AASL Cricket team - The Bronze medallists of the first SAPOG (South Asian Ports Games) held in Colombo.

ICAO, held training sessions for staff of the Maldivian Airports Authority. Local training hours have also increased as a result of special emphasis given to improving external customer satisfaction and to achieving an overall cost reduction through training. Qualified senior officials also trained frontline staff of concessionaires operating at BIA during the year.

The remuneration structure was revised during the year so as to retain employees and reduce turnover of highly qualified and technically competent employees. AASL's

and to undertake corrective action regarding complaints and/or criticism wherever deemed appropriate. Due consideration is given to promotional opportunities at AASL, which is an important component of career development plans. During the year, 93 of our staff were promoted to positions that involved greater responsibility.

CATC: Evolving to Greater Heights

The Civil Aviation Training Centre (CATC) is continuously engaged in

Human Resources



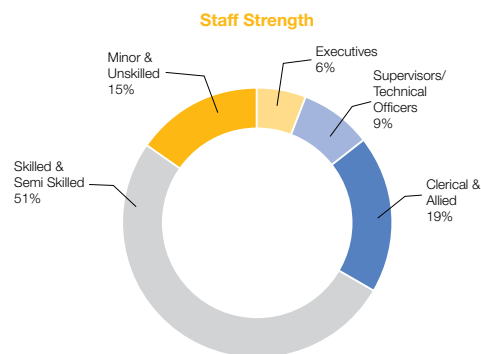
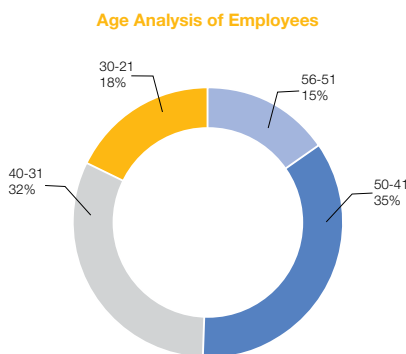
CATC Sri Lanka was represented at the 4th Regional TRAINAIR Co-ordination Conference in Cairo.

knowledge sharing with TRAINAIR member countries under the ICAO-UNDP project, TRAINAIR Sri Lanka. The goal of the TRAINAIR program is to improve the safety and efficiency of air transport through the establishment and maintenance of high standards in training for aviation personnel globally. The effectiveness of the TRAINAIR training policy can only be achieved through the global participation of the civil aviation training centres and the aviation training industry. This training policy states that “mutual assistance among contracting states in the training of aviation personnel should be encouraged and facilitated, particularly in those matters where the lack of adequate training may adversely affect the safety or regularity of international air navigation.” Accordingly, CATC representatives attended regional conferences and course developers’ workshops, during the year.

The prestigious Basic Aviation Security Course (AVSEC BASIC 123) developed by the Aviation Security Bureau of

the ICAO in Montreal, Canada was imported and successfully adapted at the TRAINAIR Course Development Unit during 2008. The aviation security personnel are the direct beneficiaries of this program. The CATC has also begun developing new standardized training packages linked to Aeronautical Information Services, Electronics Engineering and General Civil Aviation.

The ability to develop new programmes in keeping with TRAINAIR standards and the capability to adapt training courses from the existing pool has given CATC a competitive edge in its quest to become a leading regional aviation training centre.



A monthly hot fire exercise at the fire mock-up to improve the fire fighting and rescue capabilities of the Fire and Rescue Unit.

Our Responsibility towards Society

We believe that AASL as an enterprise owned by the Government of Sri Lanka has an important role to play in the public service delivery system. We also consider Corporate Social Responsibility (CSR) to be an integral component of our business strategy. With that in mind, our corporate goals and performance is aligned with the broader expectations of the society we live in.

Our core business activities extend beyond the sphere of providing airport and air navigational facilities to passengers and aircraft to contributing in the following ways:

- Our ability to detect and track any unidentified aircraft entry into the FIR has always been one of the key competencies in the country's air defence. Our air traffic controllers



- while attending to their regular air traffic control functions are vigilant at all times and notify the relevant authorities of any intruders.
- AASL security personnel work both independently as well as jointly with Customs and Immigration

in carrying out duties to prevent unlawful movement to and from Sri Lanka's international airport. The detection of such unlawful incidents have a direct impact on the well being of society in terms of national security and Civil Law in our country and the countries connected by the BIA's network.



The AASL representing first SAPOG in Colombo.

- With state-of-the-art fire fighting equipment available at all times and the capacity to handle hazardous material, the AASL Fire and Rescue Unit is renowned for its community service and is an advantage to the surrounding areas as a result of its fire fighting capacity. This is an additional service rendered by the AASL Fire and Rescue Unit apart from its core activity of ensuring airport and aircraft safety.

Corporate Social Responsibility





AASL Seva Vanitha Unit donated medicine and dry rations to the Thalassaemia Unit at the Ragama Teaching Hospital

In addition to the above, every year we allocate a certain percentage of our bottom-line towards corporate social responsibility activities.

During the year, AASL spent Rs. 13.5 Mn to implement its CSR activities. Of this, a significant amount was spent on donations to the Rehabilitation Fund of the armed forces – ‘Api Wenuwen Api’ and a contribution towards the first South Asian Ports Games (SAPOG) held in Colombo parallel to the 15th SAARC Summit.

We believe that tourism is a key contributor to passenger arrivals and that our rich cultural heritage is one of the best attractions in promoting Sri Lanka as a tourist destination. AASL therefore functioned as the main sponsor for prominent cultural pageants such as the Kandy Dalada Perahara and the Esala Festival of the Ruhunu Maha Kataragama Devalaya.

The organisation is committed to supporting the education of children, giving them the opportunity for a brighter future and contributing to the overall development of the nation.

Accordingly, AASL supported children within and outside the peripheries of the airport. Knowledge building programs were organised for students engaged in secondary and tertiary education. These programmes were conducted by AASL’s qualified trainers in our state-of-the-art Media Unit, for the eighth consecutive year. These provide exposure tours in the field of aviation together with awareness on safety systems at the airport. The aviation stall, organized by AASL at school and national level exhibitions which drew large crowds, helped in building knowledge and awareness while supporting fund raising efforts to meet specific objectives.

Our Approach and Commitment

Airport and Aviation Services is committed to achieving and maintaining the highest standards of Corporate Governance in order to meet our core objective of 'maximizing value for our stakeholders,' including our key stakeholder - the government and ensuring 'value for money.' We are conscious of the need for effectiveness and efficiency in our operations as our activities have a direct impact on the macro economic stability of the country.

All our corporate governance practices are tested to ensure that it leads to good performance, economic development and an enhanced standard of quality and service to our customers and the public.

The company is guided by the Corporate Governance Regulatory framework recommended by the Department of Public Enterprises and the Ministry of Finance. This governance framework is underpinned by five core principles within which the Company conducts its affairs:

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

5. Timely and balanced disclosure

Principle 1: Leadership and Direction

The Company's business and operations are managed under the supervision of the Board, which consists of members appointed by the Minister of Ports & Aviation in line with the Articles of Association. The Chairman, who leads the corporate governance initiatives of the organization, is also appointed by the Minister. The Vice Chairman and Executive Director(s) are appointed among by the Board.

The Board of Directors executes a statutory responsibility in the stewardship of the company on behalf of the Government and its stakeholders. Its principle functions are:

1. To lead the company towards achieving its vision.
2. To oversee the management, operations and development of the company.

Matters reserved for the leadership of the Board include:

- a. Providing the vision and the direction for the company based on its specific mission as spelt out in the Air Navigation Special Provisions Act No. 11 of 1983 and how best it could serve the interests of the Government and other stakeholders.

- b. Ensuring that legal requirements are fulfilled and the company operates in accordance with the provisions of the Companies Act No. 7 of 2007 / Memorandum and Articles of Association.
- c. Framing policies for implementation by the Management, in order to achieve optimum returns and benefits to the government and other key stakeholders.
- d. Reviewing public policy objectives periodically and providing strategic direction to formulate long-term goals and objectives for future growth.
- e. Ensuring financial discipline and productive use of all resources.
- f. Guaranteeing adequate accountability by maintaining sufficient records and books of accounts.
- g. Asserting that an effective risk management system is in place, to insulate the company against disruptions, setbacks etc.

The Board is responsible for the overall management of the company through established effective systems of control, the implementation of which is shared amongst Senior Managers.

Corporate Governance



Matters reserved for the Board in this capacity include:

- a. Ensuring that Board policies are executed in the same spirit as it was framed and in the best interests of the institution and the public at large.
- b. Monitoring the activities of the Management by means of Management Information reports and evaluating performance to ensure that the company is on track in its operations.
- c. Taking remedial action without delays to ensure that goals are met, if results are not matched with desired expectations.
- d. Appointing competent personnel as Managers and ensuring that there is adequate delegation and team spirit amongst the Senior Management, by providing an environment that is conducive to carry out respective functions independently and responsibly.
- e. Attending Committee on Public Enterprises (COPE) meetings and Parliamentary Consultative Committee (PCC) meetings.

The Role of the Audit and Management Committee (AMC) as a Board Committee

The board is assisted by the Audit and Management Committee (AMC) which has been set up according to the Treasury Circular No PF/PE

3 of 19/11/1999. This committee is made up of Non-Executive Directors delegated with specific responsibilities cited in the Terms of Reference (TOR) which defines its scope of authority. This includes determination of the responsibilities of the Internal Audit Unit and reviewing of the annual audit plans, monitoring and evaluating internal control systems for all activities of the entity and assessing performance at regular intervals for cost effectiveness and to eliminate wasteful expenditure. Others include liaising with external auditors and reporting on Management Letters issued by the Auditor General and external auditors, asserting compliance with statutes, regulations, rules and circulars, reviewing financial statements to ensure conformity with Accounting Standards and assessing implementation of recommendations and directives of the Committee On Public Enterprises.

The Audit and Management Committee (AMC) comprises of three Non-Executive Directors, Chief

Accountant of the Ministry of Ports & Aviation, Head of Human Resources & Legal and the Head of Internal Audit and Quality Assurance (H/IA & QA). The members are Mr. Aelian Nanayakkara (Chairman), Mr. R. P. L. Weerasinghe and Mr. Palitha Gamage who have been appointed by the Board.

The Board receives a report of the Committee's proceedings and deliberations, in which it has no authority to make decisions on matters reserved specifically for the Board and recommendations are highlighted for approval by the Board of Directors. Mr. Aelian Nanayakkara – Non Executive Director, as the Chairman of this committee, reports the outcome of the committee meetings to the Board and the relevant decisions are incorporated into the minutes of the Board of Directors' meetings.

The AMC held four meetings during the year 2008. Details of the directors' attendance along with the other members are as follows:

Name of the Member	Position held		Att.	%
	AASL	AMC		
Mr. Aelian Nanayakkara	Non-Executive Director	Chairman	3/4	75
Mr. R. P. L. Weerasinghe	- do -	Member	4/4	100
Mr. Palitha Gamage	- do -	Member	2/4	50
Mr. S. M. Chandrapala	Chief Accountant- (Ministry of Ports & Aviation)	Member	3/4	75
Mrs. M. C. G. Mahipala	H/HR & Legal	Member	2/4	50
Mr. C. Wannigama	H/IA & QA	Member/ Convener	4/4	100

The activities conducted by the Audit Committee are set out under Principle 2: Transparency, Integrity and Risk Management

Principle 2: Transparency, Integrity and Risk Management

Independent verification to safeguard the integrity of the company's financial reporting, which demands enhanced governance, accountability and transparency is assured by the AMC.

Internal Audit

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

The main focus of the IA & QA is to provide independent assurance on the overall system of internal control, risk management and governance process by evaluating the adequacy, integrity and effectiveness of internal controls, while ensuring that standards of quality for certain areas of the airport services are satisfactorily met. The audit activities include:

- Reviewing strategic plans, business processes and improving initiatives.
- The Head of IA & QA ensure that major decisions undertaken by the Board of Directors are implemented effectively.
- Evaluating and making recommendations on risk assessment over management decisions and activities under

the purview of each Division of the AASL, to the AMC and the Chairman of the AASL.

- Making observations on risk assessment by external auditors in respect of systems and controls.
- Adhoc and periodic financial reviews with respect to income and expenditure and its recognition as well as reporting.
- Undertaking quality audits regarding selected airport facilities and airport services.
- Review of procurement procedures in compliance with the National Procurement Agency guidelines.

The IA & QA undertook many assignments during the year under review covering the aforementioned areas.

Principle 3: Accountability to the Government as the Key Shareholder

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

Parliament

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

COPE

The Parliamentary Committee on Public Enterprises (COPE) is empowered to review the performance of the company, to assess the extent to which the company achieves performance targets and fulfills social responsibilities. When summoned by the COPE, the Chairman, Directors and Senior Managers together with the Secretary to the Ministry - the Chief Accounting Officer - should be present at the reviews, to respond to any queries and matters of concern regarding the activities of the company.

PCC

The Parliamentary Consultative Committee on Aviation (PCC) has the power to request the Chairman, Board of Directors and Senior Managers of the company to be present at meetings of the Committee, to clarify queries raised on any matters of interest or concern regarding the operations of the company. During the year, three meetings of the PCC were held.

Minister of Finance / General Treasury

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

Mr. R. P. L. Weerasinghe, the Treasury representative performed this function during the year under review.

The ultimate responsibility for monitoring the financial management and control of Public Enterprises lies in the hands of the Department of Public Enterprises (DPE), General Treasury. The DPE issued seven circulars on various issues during the year.

Ministry of Ports & Aviation

The Secretary of the Ministry of Ports & Aviation, as the Chief Accounting Officer is accountable to the Government for the financial administration and management of the company and in this capacity regularly reviews the following matters with the Board:

1. Corporate Plan and Budgets.
2. Physical and financial performance of the current year.
3. Auditor General's Report (on Voted Fund accounts) and Management Letter (on Company and Retained Revenue accounts)
4. Development activities undertaken during the year.
5. Matters arising from meetings of the COPE.

Principle 4: Recognise the legitimate interests of stakeholders

The company recognises legal and other obligations to all legitimate stakeholders including the Government as the key shareholder, non-shareholder stakeholders such as employees, users of the airport (including airlines, passengers and the business community who run their businesses inside the airport), suppliers and other service providers and the community as a whole. It demonstrates its commitment to appropriate corporate practices, which comprise of the following areas:

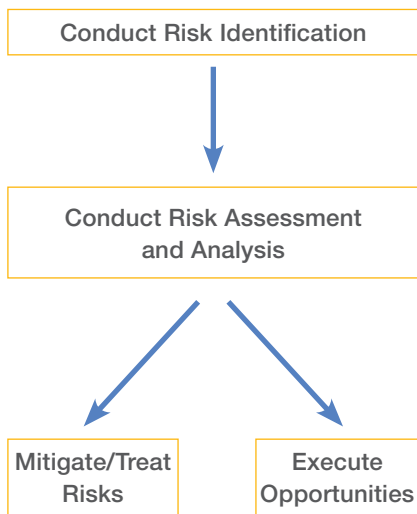
1. Due diligence by the Board and Management to the regulatory framework.
2. Fulfilling the responsibilities of the Government, acting as the agent of airport operations.
3. Promptly meeting obligations to creditors and financial institutions.
4. Consistently meeting obligations in relation to fair trading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

7. Non – discriminatory treatment of all airport users.

Principle 5: Timely and Balanced Disclosure

The company's established policies and procedures ensure compliance with the disclosure requirements of all laws and regulations, including the circulars stipulated in the Department of Public Enterprises of the General Treasury while providing timely information for prudent decision making. The Department of IA & QA monitors and makes recommendations on any deviations.

The Risk Management processes of the AASL encompasses the entire organisation and recognises risks as opportunities to be exploited as much as hazards to be dealt with caution. Therefore, our Organisational Risk Management is aligned with our business strategy and a risk management culture is embedded into all our operations. The process may be summarised in four steps:



Risk of Capital Projects

The capital intensive airport business demands the sound management of heavy investments required for infrastructure projects. There are also fixed running costs tied to the operation and maintenance of airport facilities. All projects funded by AASL or those for which AASL provides consultancy services with its technical expertise, are screened through the said four step process.

The most common risk factors hindering the progress of a project as against the Proposed Project Life Cycle (PPLC) emerge from the external environment: insolvency of the contractor, significant decrease in demand, unforeseen economic and urban conditions, changes in legislative authority, stakeholder objections (environmental, labour etc.) or pressure group reactions to name a few. In order to mitigate the said external risks, AASL takes proactive measures by developing a greater understanding of project challenges and opportunities and structures deals accordingly, implementing timely mitigation of constraints and exploiting suitable business prospects.

Assessing the project in the context of its strategic plan, developing goals and revising them when needed, designing a feasibility study and along with creating a value and risk management plan are steps taken to mitigate the internal risks associated with projects.

Legal Risks

The Legal Division of AASL provides guidance, review and direction to safeguard the organisation against exposure to unexpected material loss; monetary or non-monetary, tangible or intangible arising from the legal consequences of transactions entered into. The legal professionals serving on the board additionally guide the organisation to ensure that the policies made by the Board are within the framework of the country's legislative structure and laws applicable to the industry.

Business Risks

The BIA like any other airport is dependent on the number of airline passengers. Except for business travel, all other types, especially leisure travel, depends on the disposable income of potential passengers.

Therefore, at a time of recession when airlines react by cutting capacity, eliminating routes and services, reducing staff, merging and even closing down, the company needs to take appropriate measures to mitigate the risk of reduced business. AASL continuously explores ways and means of making the BIA more attractive to airlines and passengers under such circumstances.

Technology Risks

The company continuously invests in new technological infrastructure to maintain safety and security standards at accepted international levels as per the regulations prescribed in the ICAO document 8973 and to meet our dual Critical Success Factors of Safety and External Customer Satisfaction.

AASL handles extremely sensitive and often confidential air traffic statistics. Therefore, organisational and technical measures needed to protect the confidentiality, availability and integrity of these systems and data becomes increasingly important. An effective firewall mechanism is in place to combat information technology risks such as breakdowns and disruptions due to hackers and viruses.

Risk Management

A disaster recovery system is in place covering the entire premises of the BIA and its offices in case of any event affecting the vital operational control systems.

Human Resource Risks

One of the key risks is the turnover of technical expertise and qualified, experienced personnel mainly due to retirement and brain drain. The company attempts to mitigate this through knowledge management, continuous training and development, enhanced motivational techniques and appropriate perks. AASL made a salary revision after two decades to bring the remuneration structure on par with market averages. The company is also in the process of finalizing its succession plan based on a needs assessment for the next ten years.

Financial Risks

The Company's objective is to maximise stakeholder value through an effective financial strategy.

The company deals mostly with recognised, creditworthy customers and suppliers. The payment default risks are minimized by obtaining bank guarantees from potential debtors based on predetermined limits of credit which adequately cover the risk of default. AASL has further legal provisions in place to terminate the contract for the provision of services

or commercial space at the airport if there is a risk of a debtor moving beyond the stage of non-recovery. The company annually reviews the credit worthiness of registered suppliers and blacklists defaulters based on their performance with AASL.

AASL's exposure to exchange rates is minimal as we deal in import credit terms with defined credit periods. The liquidity risk arising out of default payment is mitigated by charging a default interest income at a rate over and above the lending rate offered by Government securities.

arrivals

time	from / via	flight	remarks
10:10	TRICHY	UL 132	10:37
10:45	TRIVANDRUM	UL 162	ARRIVED 10:10
11:40	LONDON MALE	UL 506	ARRIVED 10:25
11:50	CHENNAI	UL 122	EXPECTED AT 11:35
12:00	TRICHY	MJ 302	
12:30	MALE	Q2 940	
13:25	DUBAI	Emirates EK 348	
13:35	CHENNAI	JET AIRWAYS 9W 252	EXPECTED AT 13:20
13:50	CHENNAI	IC 573	
14:30	BANGALORE	IT 063	
16:00	DOHA	QR 302	
17:45	SINGAPORE K/LUMPUR	UL 318	

arrivals

time	from / via
22:35	CHENNAI
22:40	MALE
22:55	BANGKOK
23:00	DUBAI
23:10	DELHI
0:00	BANGKOK
0:15	HONG KONG BANGK
1:55	SINGAPORE
1:55	CHENNAI
3:15	SHARJAH

Financial Information

Company Accounts

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Cash Flow Statement **P57**, Notes to the Financial Statements **P58**

GGSM/CDW/DSA/JJ

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
AIRPORT AND AVIATION SERVICES
(SRI LANKA) LIMITED****Report on the Financial Statements**

We have audited the accompanying financial statements of Airport and Aviation Services (Sri Lanka) Limited which comprise the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Management's Responsibility for the
Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

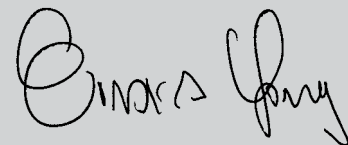
In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 December 2008

and the financial statements give a true and fair view of the Company's state of affairs as at 31 December 2008 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Without qualifying our opinion, we draw attention to Note 2.1.1 to these financial statements, whereby the Company has initiated the process to implement the cabinet approval granted in 2005 to amalgamate the assets and liabilities of the Airport and the Company.

**Report on Other Legal and
Regulatory Requirements**

In our opinion, these financial statements also comply with the requirements of Section 151(2) of the Companies Act No. 07 of 2007.

8 April 2009
Colombo.

Partners: A D B Talwatte FCA FCMA M P D Cooray FCA FCMA Ms. Y A De Silva ACA W R H Fernando FCA FCMA W K B S P Fernando FCA ACMA
A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) A S M Ismail FCA FCMA
H M A Jayasinghe FCA FCMA Ms. G G S Manatunga ACA Ms. L C G Nanayakkara FCA FCMA B E Wijesuriya ACA ACMA

	Note	2008 Rs.	2007 Rs.
Revenue	11	5,176,842,748	4,829,034,750
Other Income	12	654,836,119	511,069,388
		<u>5,831,678,867</u>	<u>5,340,104,138</u>
Staff Cost		(2,934,843,564)	(1,984,657,452)
Repairs and Maintenance Expenses		(216,005,030)	(123,496,357)
Administration and Establishment Expenses		(939,111,516)	(762,720,440)
Finance Cost		-	(70,840)
Profit Before Tax	13	1,741,718,757	2,469,159,049
Income Tax Expenses	14	(573,071,725)	(960,731,359)
Profit for the year		<u>1,168,647,032</u>	<u>1,508,427,690</u>
Earnings Per Share - Basic	15	5,843.18	7,542.06

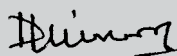
The accounting policies and notes on pages 58 through 71 form an integral part of the financial statements.

Income Statement

Year Ended 31 December 2008

	Note	2008 Rs.	2007 Rs.
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	3	377,338,982	160,357,891
Deferred Tax Asset	14	676,984,586	416,014,077
		<u>1,054,323,568</u>	<u>576,371,968</u>
Current Assets			
Inventories	4	182,964,114	148,411,593
Trade and Other Receivables	5	1,752,220,239	1,072,684,394
Investments in Treasury Bills /Bonds Repurchase Agreements and Fixed Deposits	16	4,583,401,518	4,068,999,916
Cash and Bank Balances		415,904,695	548,257,283
		<u>6,934,490,566</u>	<u>5,838,353,186</u>
Total Assets		<u>7,988,814,134</u>	<u>6,414,725,154</u>
EQUITY AND LIABILITIES			
Equity Attributable to Equity Holders			
Stated Capital	6	20,000,200	20,000,200
Reserves	7	91,624,459	91,624,459
Retained Earnings		5,055,417,607	4,078,563,698
Total Equity		<u>5,167,042,266</u>	<u>4,190,188,357</u>
Non-Current Liabilities and Deferred Income			
Retirement Benefit Liability	8	1,880,482,400	1,181,184,567
Deferred Government Grants	9	2,468,828	2,701,396
		<u>1,882,951,228</u>	<u>1,183,885,963</u>
Current Liabilities			
Trade and Other Payables	10	674,401,991	572,612,141
Income Tax Liabilities		264,418,649	468,038,693
		<u>938,820,640</u>	<u>1,040,650,834</u>
Total Equity and Liabilities		<u>7,988,814,134</u>	<u>6,414,725,154</u>

These Financial Statements are in compliance with the requirements of the Companies Act No :07 of 2007.



Finance Officer

The Board of Directors is responsible for the preparation and presentation of these financial statements. Signed for and on behalf of the Board by,



Director



Director

The accounting policies and notes on pages 58 through 71 form an integral part of the financial statements.

Colombo
8 April 2009

Balance Sheet

As at 31 December 2008

	Note	Stated Capital Rs.	Other Reserves Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 31 December 2006		20,000,200	91,624,459	2,670,136,008	2,761,760,467
Dividend Paid		-	-	(100,000,000)	(100,000,000)
Profit for the year		-	-	1,508,427,690	1,508,427,690
Balance as at 31 December 2007		<u>20,000,200</u>	<u>91,624,459</u>	<u>4,078,563,698</u>	<u>4,190,188,357</u>
Effect on adoption of - SLAS 16 (Revised)	8	-	-	(191,793,123)	(191,793,123)
Profit for the year		-	-	1,168,647,032	1,168,647,032
Balance as at 31 December 2008		<u>20,000,200</u>	<u>91,624,459</u>	<u>5,055,417,607</u>	<u>5,167,042,266</u>

The accounting policies and notes on pages 58 through 71 form an integral part of the financial statements.

Statement of Changes in Equity

Year Ended 31 December 2008

	Note	2008 Rs.	2007 Rs.
Cash Flows From / (Used in) Operating Activities			
Profit before Income Tax Expense		1,741,718,757	2,469,159,049
Adjustments for			
Depreciation	3	56,274,551	42,944,179
Capital Expenditure Written Off		22,302,682	-
Provision for Non Moving Stock		3,501,870	3,194,985
Provision/(Reversal) for Doubtful Debts		72,106,012	(12,155,582)
Income from Investments		(647,294,979)	(504,709,864)
(Profit)/Loss on sales of Property, Plant and Equipment		(1,126,643)	(399,999)
Amortization of deferred government grants	9	(232,568)	(500,000)
Finance Cost		-	70,840
Provision for Defined Benefit Plan	8	597,152,053	303,024,486
Operating Profit before Working Capital Changes		1,844,401,735	2,300,628,094
(Increase)/ Decrease in Inventories		(38,054,391)	(3,772,565)
(Increase)/ Decrease in Trade and Other Receivables		(714,968,252)	(220,309,124)
Increase /(Decrease) in Trade and Other Payables		101,789,850	129,909,177
Cash Generated from Operations		1,193,168,942	2,206,455,582
Dividend Paid		-	(100,000,000)
Finance Cost Paid		-	(70,840)
Defined Benefit Plan Costs paid	8	(89,647,343)	(52,085,500)
Income Tax Paid		(1,037,662,278)	(1,150,490,737)
Net Cash From Operating Activities		65,859,321	903,808,505
Cash Flows from / (Used in) Investing Activities			
Acquisition of Property, Plant and Equipment		(295,762,685)	(84,410,742)
Proceeds from Sale of Property, Plant and Equipment		1,331,004	399,999
Interest Received		610,621,374	504,709,864
Net Cash Flows from Investing Activities		316,189,693	420,699,121
Cash Flows from /(Used in) Financing Activities			
Principal Payments under Finance Leases		-	(1,343,900)
Net Cash Flow from/(used in) finance activities		-	(1,343,900)
Net Increase/(Decrease) in Cash and Cash Equivalents		382,049,014	1,323,163,726
Cash and Cash Equivalents at the beginning of the year	16	4,617,257,199	3,294,093,473
Cash and Cash Equivalents at the end of the year	16	4,999,306,213	4,617,257,199

The accounting policies and notes on pages 58 through 71 form an integral part of the financial statements.

Cash Flow Statement

Year Ended 31 December 2008

1. CORPORATE INFORMATION

1.1 General

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

1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the Company were Management of Airports at internationally accepted standards, provision of Air Navigational Services for inbound Aircraft and Aircraft flying through the Sri Lanka Flight Information Region (FIR) and providing other necessary facilities to the uses of the Airports.

1.3 Date of Authorisation for Issue

The Financial Statements of Airport and Aviation Services (Sri Lanka) Limited for the year ended 31 December 2008 were authorised for issue in accordance with a resolution of the Board of Directors on 08 April 2009.

2. GENERAL POLICIES

2.1 Basis of Preparation

These financial statements presented in Sri Lanka Rupees have been prepared on a historical cost basis. The preparation and presentation of these Financial Statements is in compliance with the Companies Act. No. 07 of 2007.

2.1.1 According to the Cabinet Approval dated August 17, 2005 the process for amalgamation of assets and liabilities of the Airport with those of the Company has already been initiated, with the revaluation of Airport assets being in progress. According to the conditions of the cabinet approval entire Airport Revenue with the exception of 1/3rd of Embarkation levy accrues to the Company, while the funding for Airport Debts servicing is provided to the Treasury out of this revenue until the completion of the aforementioned amalgamation at which point all airport assets and the associated liabilities would be reflected in the books of the Company.

2.1.2 Statement of Compliance

The balance sheet, statements of income, changes in equity and cash flows, together with accounting policies and notes, ("Financial Statements") of the Company as at 31 December 2008 and for the year then ended, comply with the Sri Lanka Accounting Standards, except for the effects on the financial statements of the matter referred to in Note 2.1.1 to these financial statements.

2.1.3 Comparative Information

The accounting policies have been consistently applied by the Company with those used in the previous year, except for changes made as disclosed under Note 2.1.4. Certain prior year figures and phases have been re-arrange whenever necessary to conform to the current years presentation.

2.1.4 Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except where the Company has made changes to be compliant with Sri Lanka Accounting Standards No. 16 Employee Benefits (Revised 2006), which is discussed below.

Notes to the Financial Statements

Year Ended 31 December 2008

Measurement of Defined Benefits Plans

During the year ended 31 December 2008 the Company changes its accounting policy for the measurement of Retirement Gratuities (Defined Benefit Plan). The Company now performs the computation based on Gratuity Formula in Appendix E of SLAS 16 (Revised 2006). This formula measures the liability, using the Projected Unit Credit Method.

The Transitional liability as at the first date of adoption 1 January 2008, being Rs.191,793,123/- was adjusted to the opening balance of the retained earnings as at that date.

2.2 Summary of Significant Accounting Policies

2.2.1 Foreign Currency Translation

The Financial Statements are presented in Sri Lanka Rupees, which is the Company'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 re-translated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to 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. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.2.2 Taxation

Current Taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Commissioner General of Inland Revenue. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act.

Deferred Taxation

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

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognised directly in equity and not in the income statement.

Sales Tax

Revenues, expenses and assets are recognised net of the amount of sales tax except where the sales tax incurred on a purchase of assets or service is not recoverable from the taxation authorities in which case the sales tax is recognised as a part of the cost of the asset or part of the expense items as applicable and receivable and payable that are stated with the amount of sales tax included. The amount of sales tax recoverable and payable in respect of taxation authorities is included as a part of receivables and payables in the Balance Sheet.

2.2.3 Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

2.2.4 Inventories

Inventories are valued at cost after making due allowances for obsolete and slow moving items.

Spare parts and consumables for fire equipment brought before 31.12.2003 are valued based on a valuation and thereafter on weighted average basis.

The cost incurred in bringing inventories to its present location and condition are accounted using the weighted average basis other than fuel which is valued at FIFO basis.

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

2.2.5 Trade and Other Receivables

Trade receivables are stated at the amounts they are estimated to realise net of allowances for bad and doubtful receivables.

Other receivables and dues from Related Parties are recognised at cost less allowances for bad and doubtful receivables.

2.2.6 Cash and Cash Equivalents

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

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

2.2.7 Property, Plant and Equipment

Plant and equipment is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met.

Depreciation is calculated on a straight line basis over the useful life of the assets.

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

Notes to the Financial Statements *contd.*

Year Ended 31 December 2008

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

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

2.2.8 Provisions

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

2.2.9 Retirement Benefit Obligations

a) Defined Benefit Plan – Gratuity

The Company annually measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan using the Gratuity Formula in Appendix E of Sri Lanka Accounting Standard No 16, Employee Benefits (Revised 2006) which is based on the Projected Unit Credit Method as discussed in the said Standard.

The item is stated under retirement benefit liability in the Balance Sheet.

b) Defined Contribution Plans – Employees' Provident Fund & Employees' Trust Fund

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

2.2.10 Grants & Subsidies

Grants and subsidies related to assets, including non-monetary grants at fair value are deferred in the balance sheet and credited to the income statement over the useful life of the asset.

2.2.11 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 for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

2.3 Revenue Recognition

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

a) Rendering of Services

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

b) Interest

Interest Income is recognised as the interest accrues unless collectibility is in doubt.

c) Rental income

Rental income is recognised on an accrual basis.

d) Franchise Fee and Concessions

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

e) Others

Other income is recognised on an accrual basis.

Notes to the Financial Statements *contd.*

Year Ended 31 December 2008

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Gross Carrying Amounts

	Balance As at 01.01.2008 Rs.	Additions/ Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.12.2008 Rs.
At Cost				
Buildings	-	15,691,166	-	15,691,166
Plant and Machinery	81,142,504	75,521,100	(2,978,978)	153,684,626
Motor Vehicles	231,973,120	9,348,759	-	241,321,879
Furniture and Fittings	62,256,463	16,569,384	(682,115)	78,143,732
Office Equipment	109,113,004	9,354,420	(1,109,529)	117,357,895
Communication Equipment	66,128,740	71,773,224	(199,645)	137,702,319
Fire and Safety Equipment	30,247,958	3,930,804	(504,901)	33,673,861
Training Equipment	6,852,057	-	-	6,852,057
Other Equipment	113,704,347	11,559,541	(582,402)	124,681,486
Fencing and Gates	1,043,838	1,229,004	-	2,272,842
Cargo Village Equipment Installation Cost	14,894,420	-	-	14,894,420
Roads and Roadways	-	38,337,830	-	38,337,830
Structures	-	2,817,156	-	2,817,156
Total Value of Depreciable Assets	<u>717,356,451</u>	<u>256,132,388</u>	<u>(6,057,570)</u>	<u>967,431,269</u>

3.2 In the Course of Construction

	Balance As At 01.01.2008 Rs.	Incurred During the Year Rs.	Transfers Rs.	Written Off Rs.	Balance As At 31.12.2008 Rs.
Capital Work in Progress	41,396,309	119,589,395	(79,959,098)	(22,302,682)	58,723,924
Total Gross Carrying Amount	<u>758,752,760</u>	<u>375,721,783</u>	<u>(86,016,668)</u>	<u>(22,302,682)</u>	<u>1,026,155,193</u>

3.3 Depreciation

	Balance As At 01.01.2008 Rs.	Charge for the Year Rs.	Disposals/ Transfers Rs.	Balance As at 31.12.2008 Rs.
At Cost				
Buildings	-	413,070	-	413,070
Plant and Machinery	62,446,446	14,594,810	(2,978,944)	74,062,312
Motor Vehicles	219,587,938	9,303,917	-	228,891,855
Furniture and Fittings	45,934,044	4,364,003	(667,627)	49,630,420
Office Equipment	91,174,581	7,333,709	(1,109,500)	97,398,790
Communication Equipment	49,999,932	7,558,933	(175,711)	57,383,154
Fire and Safety Equipment	24,523,260	1,512,453	(504,877)	25,530,836
Training Equipment	6,801,932	-	-	6,801,932
Other Equipment	87,454,257	8,578,634	(416,550)	95,616,341
Fencing and Gates	-	399,454	-	399,454
Cargo Village Equipment Installation Cost	10,472,479	884,388	-	11,356,867
Roads and Roadways	-	1,163,857	-	1,163,857
Structures	-	167,323	-	167,323
Total Depreciation	<u>598,394,869</u>	<u>56,274,551</u>	<u>(5,853,209)</u>	<u>648,816,211</u>

	2008 Rs.	2007 Rs.
3. PROPERTY, PLANT AND EQUIPMENT <i>contd.</i>		
3.4 Net Book Values		
At Cost		
Buildings	15,278,096	-
Plant and Machinery	79,622,314	18,696,058
Motor Vehicles	12,430,024	12,385,182
Furniture and Fittings	28,513,312	16,322,419
Office Equipment	19,959,105	17,938,423
Communication Equipment	80,319,165	16,128,808
Fire and Safety Equipment	8,143,025	5,724,698
Training Equipment	50,125	50,125
Other Equipment	29,065,145	26,250,090
Fencing and Gates	1,873,388	1,043,838
Cargo Village Equipment Installation Cost	3,537,553	4,421,941
Roads and Roadways	37,173,973	-
Structures	2,649,833	-
	<u>318,615,058</u>	<u>118,961,582</u>
In the Course of Construction		
Capital Work in Progress	58,723,924	41,396,309
	<u>58,723,924</u>	<u>41,396,309</u>
Total Carrying Amount of Property, Plant and Equipment	<u>377,338,982</u>	<u>160,357,891</u>

3.5 The useful lives of the assets is estimated as follows

Buildings	Over 20 Years	Over 20 Years
Plant and Machinery	Over 04 Years	Over 04 Years
Motor Vehicles	Over 04 Years	Over 04 Years
Furniture and Fittings	Over 08 Years	Over 08 Years
Office Equipment	Over 04 Years	Over 04 Years
Communication Equipment	Over 08 Years	Over 08 Years
Fire & Safety Equipment	Over 08 Years	Over 08 Years
Training Equipment	Over 04 Years	Over 04 Years
Other Equipment	Over 08 Years	Over 08 Years
Fencing and Gates	Over 08 Years	Over 08 Years
Cargo Village Equipment Installation Cost	Over 20 Years	Over 20 Years
Roads and Roadways	Over 20 Years	Over 20 Years
Structures	Over 08 Years	Over 08 Years

3.6 During the financial year, the Company acquired Property, Plant & Equipment to the aggregate value of Rs. 295,762,685/-, (2007 - Rs. 84,410,742/-) for cash.

3.7 Property, Plant & Equipment includes fully depreciated assets having a gross carrying amount of Rs. 553,546,452/-, (2007 Rs. 479,762,045/-)

Notes to the Financial Statements *contd.*

Year Ended 31 December 2008

		2008 Rs.	2007 Rs.
4.	INVENTORIES		
	General	40,210,120	25,810,337
	Electronics	65,202,801	64,146,410
	Engineering	88,489,658	77,091,461
	Fuel	4,605,542	5,540,033
	Fire	15,597,013	13,305,034
	Goods in Transit	12,023,145	2,180,613
	Less : Allowance for Slow moving Stock	(43,164,165)	(39,662,295)
		<u>182,964,114</u>	<u>148,411,593</u>
5.	TRADE AND OTHER RECEIVABLES		
	Trade Debtors - Other	978,701,020	932,357,654
	Less: Provision for Doubtful Debts	(170,891,088)	(108,072,950)
		<u>807,809,932</u>	<u>824,284,704</u>
	Other Debtors - Related Parties (5.1)	65,023,937	14,319,965
	- Other (5.2)	756,941,009	118,664,121
	Advances and Prepayments	63,497,109	66,324,839
	Less: Provision for Doubtful Debts	(19,269,819)	(9,981,945)
	Loans to Company Officers	78,218,071	59,072,710
		<u>1,752,220,239</u>	<u>1,072,684,394</u>
5.1	Other dues receivable from Related Parties	Relationship	
	Retained Revenue Fund	Common Management	2,917,621
	Voted Fund	Common Management	2,626,029
			<u>62,106,316</u>
			<u>65,023,937</u>
			<u>14,319,965</u>

5.2 This balance includes a loan of Rs. 500 Mn granted during the year 2008 to Mihin Lanka (Pvt) Limited, which remains outstanding as at 31 December 2008. Deputy Secretary to the Treasury has confirmed that the funds required to settle all dues by Mihin Lanka (Pvt) Ltd to Government Institutions have already been included in to the 2009 Budget and Treasury would take action to settle such dues.

	2008		2007	
	Number	Rs.	Number	Rs.
6.	STATED CAPITAL			
	Fully Paid Ordinary Shares	<u>200,002</u>	<u>20,000,200</u>	<u>200,002</u>
		<u>20,000,200</u>	<u>20,000,200</u>	<u>20,000,200</u>

		2008 Rs.	2007 Rs.
7.	RESERVES		
	Net Assets taken over from Airports Authority	<u>91,624,459</u>	<u>91,624,459</u>

This reserve represents the net assets transferred to the Company from the Airports Authority which was dissolved upon the incorporation of the Company.

	2008 Rs.	2007 Rs.
8. RETIREMENT BENEFIT LIABILITY		
Retirement Benefits Obligation-Gratuity		
As at beginning of the year	1,181,184,567	930,245,581
Effect on adoption of - SLAS 16 (Revised)	191,793,123	-
Gratuity Charge	135,618,732	303,024,486
Payments made during the year	(89,647,343)	(52,085,500)
(Gain)/ Loss arising from changes in the Assumptions	461,533,321	-
As at end of the year	<u>1,880,482,400</u>	<u>1,181,184,567</u>

The employee benefits liability of the Company is based on the Gratuity Formula method in appendix E of SLAS 16 - Employee Benefits. The principle assumptions used in determining the cost of employee benefits were:

	2008	2007
Discount Rate	11%	11%
Future Salary Increases	12%	11.79%
Staff Turnover	4%	4%
Retirement Age	57 years	57 years

	2008 Rs.	2007 Rs.
9. DEFERRED GOVERNMENT GRANTS		
Treasury Grant		
At the beginning of the year	2,701,396	3,201,396
Less : Amortized during the year	(232,568)	(500,000)
At the end of the year	<u>2,468,828</u>	<u>2,701,396</u>

9.1 The Company received this grant in 1992 for an expansion in Cargo Village. This grant has been deferred over the useful life of the Cargo Village Equipments, which is estimated as 20 years.

	2008 Rs.	2007 Rs.
10. TRADE AND OTHER PAYABLES		
Trade Payable - Others	3,192,578	3,917,402
Other Payables - Related Parties (10.1)	42,767,394	36,922,178
Refundable Deposits	136,867,459	136,597,772
Sundry Creditors including Accrued Expenses	491,574,560	395,174,789
	<u>674,401,991</u>	<u>572,612,141</u>
10.1 Other dues Payable to Related Parties		
	Relationship	
Retained Revenue Fund	Common Management	33,768,178
Voted Fund	Common Management	8,999,216
		<u>33,768,178</u>
		<u>3,154,000</u>
		<u>42,767,394</u>
		<u>36,922,178</u>

Notes to the Financial Statements *contd.*

Year Ended 31 December 2008

	2008 Rs.	2007 Rs.
11. REVENUE		
Aeronautical	1,698,491,363	1,720,380,267
Non-Aeronautical	<u>3,472,287,567</u>	<u>3,104,528,633</u>
	5,170,778,930	4,824,908,900
Miscellaneous Revenue	6,063,818	4,125,850
	<u>5,176,842,748</u>	<u>4,829,034,750</u>
11.1 Aeronautical & Non-Aeronautical Revenue		
Government Revenue		
Landing Charges	1,113,389,956	1,157,301,013
Landing Charges - Domestic	7,752,157	6,938,255
Over Flying Charges	309,582,477	292,922,319
Entry Permits	105,986,860	82,747,042
Parking Fees - vehicles	51,187,136	53,326,588
Total	<u>1,587,898,586</u>	<u>1,593,235,217</u>
Company Revenue		
Embarkation Levy	1,477,410,025	1,432,566,000
Less: Amount paid to Treasury (2.1.1)	<u>(883,866,744)</u>	<u>(858,491,794)</u>
	593,543,281	574,074,206
Rental	1,169,802,726	1,009,013,771
Concession	1,155,656,581	1,008,899,559
Aerobridge Charges	267,766,773	263,218,680
Turnover Payment - SLCS 10%	16,493,548	35,165,369
Franchise Fee on Ground Handling - SLA	103,063,419	108,588,295
Ground Handling - Domestic - RMA/BIA	57,523,070	34,032,762
Franchise Fee - SLCS 4%	110,521,933	116,386,222
Other Aeronautical Income	108,509,013	82,294,819
Total	<u>3,582,880,344</u>	<u>3,231,673,683</u>
Total Aeronautical and Non-Aeronautical Revenue	<u>5,170,778,930</u>	<u>4,824,908,900</u>

11.2 Aeronautical Revenue comprises of Landing, Landing - Domestic, Over Flying and Aerobridge Charges.

	2008 Rs.	2007 Rs.
12. OTHER INCOME		
Interest on Treasury Bills/Bonds Under Repurchase Agreements	426,953,549	408,840,533
Interest on USD Fixed Deposits	113,334,627	88,924,887
Interest on Rupee Fixed Deposits	107,006,803	6,944,444
Interest on Staff Loans	2,690,604	2,118,060
Amortisation of Government Grant	232,568	500,000
Operating Profit on Fuel Filling Station (Note 12.1)	4,617,968	3,741,464
	<u>654,836,119</u>	<u>511,069,388</u>

	2008 Rs.	2007 Rs.
12. OTHER INCOME <i>contd.</i>		
12.1 Operating Profit on Fuel Filling Station		
Sales	834,894,284	644,337,215
Less: Turnover Tax	(80,855)	(76,373)
	<u>834,813,429</u>	<u>644,260,842</u>
Less: Cost of Sales	(818,482,617)	(631,924,832)
Gross Profit	16,330,812	12,336,010
Less : Personnel & Administration Expenses	(11,750,844)	(8,630,146)
Sundry Income	38,000	35,600
Operating Profit	<u>4,617,968</u>	<u>3,741,464</u>
13. PROFIT/(LOSS) BEFORE TAX		
Stated after Charging /(Crediting)		
Allowance/(Reversal) for Doubtful Debts	6,924,966	3,604,844
Depreciation	56,274,551	42,944,179
Personnel Costs includes		
- Directors' Emoluments	7,288,160	3,665,929
- Defined Benefit Plan Costs -Gratuity	597,152,053	303,024,485
- Defined Contribution Plan Costs - EPF & ETF	220,862,632	152,060,773
Legal Fees	2,303,236	1,913,453
(Profit)/Loss on Disposal of Property, Plant and Equipment	(1,126,643)	(399,999)
Donations	7,547,718	2,695,604
Work in Progress Written off	22,302,682	-
	<u>69,014,241</u>	<u>53,938,644</u>
14. INCOME TAX EXPENSE		
The major components of income tax expense for the years ended 31 December are as follows :		
Income Statement	2008 Rs.	2007 Rs.
Current Income Tax		
Current Tax Charge (14.1)	786,808,185	946,681,778
Under/(Over) Provision of current taxes in respect of prior years	(13,312,006)	(3,179,784)
	<u>773,496,179</u>	<u>943,501,994</u>
Deferred Income Tax		
Reversal in Respect of Deferred Taxation (Note 14.2)	(260,970,509)	(48,490,713)
Deemed Dividend Tax	60,546,055	65,720,078
	<u>573,071,725</u>	<u>960,731,359</u>
14.1 Reconciliation between Current Tax Expense/ (Income) and the product of Accounting Profit		
Accounting Profit (Profit before Tax)	1,741,718,757	2,469,159,049
Aggregate Disallowed items	727,798,315	393,438,509
Aggregate Allowable Expenses	(141,332,927)	(176,962,357)
Aggregate Allowable Income	-	(6,944,444)
Income not subject to Tax	(113,382,780)	(655,925)
Taxable Profit	<u>2,214,801,365</u>	<u>2,678,034,832</u>
Statutory Tax Rate %	35%	35%
Current Income Tax Expense	775,180,478	937,308,691
SRL	11,627,707	9,373,087
	<u>786,808,185</u>	<u>946,681,778</u>

Notes to the Financial Statements *contd.*

Year Ended 31 December 2008

14. INCOME TAX EXPENSE *contd*

14.2 Deferred Tax and Income tax related to the following

	Balance Sheet		Income Statement	
	2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.
Deferred Tax Liability				
Capital allowance for the tax purpose	9,675,247	10,425,189	(749,945)	(6,121,129)
	<u>9,675,247</u>	<u>10,425,189</u>		
Deferred Tax Assets				
Defined Benefit Plan	658,168,840	413,414,598	(244,754,242)	(87,828,645)
Provision for Doubtful Stocks and Debtors	28,490,990	13,024,668	(15,466,322)	45,459,061
	<u>686,659,830</u>	<u>426,439,266</u>		
Deferred income tax reversal			<u>(260,970,509)</u>	<u>(48,490,713)</u>
Reflected in the Balance Sheet as follows:				
Deferred Tax Assets	686,659,830	426,439,266		
Deferred Tax Liability	9,675,244	10,425,189		
	<u>676,984,586</u>	<u>416,014,077</u>		

15. EARNINGS PER SHARE

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

15.2 The following reflects the income and share data used in the basic Earnings Per Share computation.

Amount Used as the Numerator:	2008 Rs.	2007 Rs.
Profit Attributable to Ordinary Shareholders	<u>1,168,647,032</u>	<u>1,508,427,690</u>
Number of Ordinary Shares Used as the Denominator:	2008 Number	2007 Number
Weighted Average number of Ordinary Shares in issue	<u>200,002</u>	<u>200,002</u>

16. CASH AND CASH EQUIVALENTS IN CASH FLOW STATEMENT

Components of Cash and Cash Equivalents

	2008 Rs.	2007 Rs.
Favourable Cash & Cash Equivalents balance		
Fixed Deposits	3,053,539,763	2,420,255,287
Investments in Treasury Bills /Bonds Under Repurchase Agreements	1,529,861,755	1,648,744,629
	<u>4,583,401,518</u>	<u>4,068,999,916</u>
Cash and Bank Balances	415,904,695	548,257,283
Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement	<u>4,999,306,213</u>	<u>4,617,257,199</u>

17. COMMITMENTS AND CONTINGENCIES

17.1 Capital Expenditure Commitments

The Company has purchase commitments for acquisition of Property, Plant and Equipment incidental to ordinary course of business as at 31 December, as follows.

Contracted but not Provided for
Authorised by the Board, but not Contracted for

2008 Rs.	2007 Rs.
10.39 Mn	27.36 Mn
<u>3,688.71 Mn</u>	<u>3,662.73 Mn</u>
<u>3,699.10 Mn</u>	<u>3,690.09Mn</u>

17.2 Contingencies

- i) The Company has been issued with an assessment under the Inland Revenue Act No. 10 of 2006 in relation to the amount paid to the Treasury for the loan obtained for development of Airport. This has been deducted by the Company in ascertaining the taxable income for the taxable period of 2006/07 amounting to Rs. 165,891,327/- (without penalties) against which an appeal has been filed.

The Board of Directors are confident that the ultimate resolution of the above contingency is unlikely to have a material adverse effect on the financial position of the Company.

- ii) The Company is the defendant in the following lawsuits filed against the Company. Although there can be no assurance, the directors believe, based on the information currently available, that the ultimate resolution of such legal procedures would not likely to have a material adverse effect on the results of operations, financial position or liquidity. Accordingly no provision for any liability has been made in these financial statements.
- a) Members of the United Taxi Services Ltd. have filed 133 cases against the Company demanding Rs. 62 Mn. for breach of contract. Court order which directed AASL to pay Rs. 40,000/- each to the plaintiffs of two cases in district court order. Court Negombo appeals filed by AASL against the district court order.
- b) Arbitration in progress, as a result of matters raised by Buildmart Lanka (Pvt) Ltd. and Vasiri Construction Co. against the Company demanding Rs. 13 Mn., for termination of Contract. The ruling has been made against the Company and ordered to pay Rs. 5,622,112/-. Presently the Company is in the process of appealing.
- c) Several cases filed by ex-employees against the Company demanding re-instatement with back wages for termination of employment are being heard at the Labour Tribunal.
- d) The family of a deceased passenger has filed a case against the Company and three other defendants claiming Rs.50 Mn. as compensation.
- e) Arbitration in progress, as a result of a matter raised by Vasiri Construction Co. against the Company demanding Rs. 1.4 Mn. respectively, for termination of Contract.
- f) Arbitration in progress, filed by Sri Lanka Nidahas Sevaka Sangamaya, asking special allowance for employees who are so far not entitled for an allowance.
- g) An appeal filed against a district Court Judgment regarding a bond violation case. If the appeal is not decided in favour of AASL, Company will not be able to recover Rs. 2,758,000/-
- h) An appeal filed against a Court Judgment regarding a bond violation case. If the appeal is not decided in favour of AASL, Company will not be able to recover Rs. 1,000,000/-.

18. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no material events occurring after the Balance Sheet date that require adjustments to or disclosure in the financial statements.

Notes to the Financial Statements *contd.*

Year Ended 31 December 2008

19. RELATED PARTY TRANSACTIONS

The Company manages the Retained Revenue Fund and Voted Fund on behalf of the government. Expenses incurred by the company in respect of those are reimbursed on an actual basis. The balances from and due to related parties are disclosed in note 5 and 10 respectively.

	Entities in which significant influence is held by the Company*		Entities either controlled or in which significant influence is held by the State**	
	2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.
Balance Sheet				
Assets				
Investments	-	-	4,583,401,520	4,068,999,916
Trade & Other Receivables - Deposits Received	-	-	10,618,917	11,036,314
Loans Granted	-	-	500,000,000	-
Liabilities				
Trade & Other Payables - Advances Received	-	-	28,507,982	2,638,063
Income Statement				
Revenue				
Aeronautical	-	-	812,581,443	908,252,857
Non-Aeronautical	-	-	701,817,335	677,896,679
Embarkation Levy	-	-	1,477,410,025	1,432,566,000
Payments made to the Treasury	-	-	883,886,744	858,491,794
Supply of Goods & Services	140,917	31,142,144	2,007,514,086	1,391,423,607
Interest Income	-	-	647,294,979	504,709,869
Taxes	-	-	1,350,107,456	1,488,643,149
Reimbursement of Expenses and Claims	55,638,335	71,890,498	-	-
Reimbursement of Taxes	1,608,898	5,882,265	-	-

* Entities in which significant influence is held by the Company includes the Voted Fund & the Retained Revenue Fund. The management of these funds are performed by Airport & Aviation Services (Sri Lanka) Ltd.

** In carrying out normal operations, the Company has entered in to transactions including the supply and purchase of various goods and services, the receipt entitled of Embarkation Levy with entities which is either controlled or in which significant influence is held by the State. This includes Bank of Ceylon, Ceylon Petroleum Corporation, Ceylon Electricity Board, Employees Provident Fund, Employee Trust Fund, National Water Supply and Drainage Board, Provincial Councils, Sri Lanka Telecom, Department of Inland Revenue, Sri Lanka Handicraft Board, Department of Government Printing, Sri Lanka Land Reclamation and Development Corporation, Board of Investment, Civil Aviation Authority, Sri Lanka National Arbitration, University of Moratuwa, Sri Lanka Postal Department, Government Publication Bureau, District Secretariats, National Paper Company, Sri Lanka Ports Authority, Sri Lanka Tea Board, Sri Lankan Airlines Ltd, Sri Lankan Airlines Catering Services (Pvt) Ltd, People's Bank, Department of Immigration & Emigration, Sri Lanka Customs, National Lotteries Board, Public Narcotic Bureau, National Gem & Jewellery Authority, National Plant Quarantine Service, Industrial Development Board, Ceylon Hotels Corporation, Sri Lanka Tourists Board, Sri Lanka Bureau of Foreign Employment and Sri Lanka Handicraft Board.

19.1 Transactions with Key Management Personnel*

	2008 Rs.	2007 Rs.
Short-term employee benefits	6,924,966	3,604,844
	<u>6,924,966</u>	<u>3,604,844</u>

* The key management personnel of the Company are the members of its Board of Directors.



Retained Revenue Fund Accounts

CONTENTS

Auditors' Report **P74**, Income Statement **P75**, Balance Sheet **P76**, Cash Flow Statement **P77**,
Notes to the Financial Statements **P78**

GSM/CDW/DSA/JJ

**AUDITORS' REPORT TO THE
MEMBERS OF AIRPORT AND
AVIATION SERVICES (SRI LANKA)
LIMITED RETAINED REVENUE FUND****Report on the Financial Statements**

We have audited the accompanying financial statements of Retained Revenue Fund, which comprise the balance sheet as at 31 December 2008, the income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Management's Responsibility for the
Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

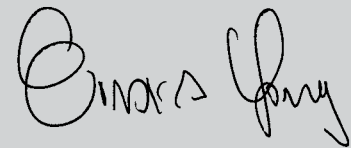
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Fund maintained proper accounting records for the year ended 31 December 2008 and the financial statements give a true and fair view of the Fund's state of affairs as at 31 December 2008 and its surplus and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards except as described in Notes 1.1, 1.3, 3.1 and 5, and give a true and fair view of the Fund's state of affairs at 31 December 2008 and its surplus and cash flows for the year then ended.

Colombo
08 April 2009

Partners: A D B Talwatte FCA FCMA M P D Cooray FCA FCMA Ms. Y A De Silva ACA W R H Fernando FCA FCMA W K B S P Fernando FCA ACMA
A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) A S M Ismail FCA FCMA
H M A Jayasinghe FCA FCMA Ms. G G S Manatunga ACA Ms. L C G Nanayakkara FCA FCMA B E Wijesuriya ACA ACMA

Auditors' Report

	2008 Rs.	2007 Rs.
Interest Income from Treasury Bills /Bonds under Repurchase Agreements	141,648,380	101,733,988
Administrative Expenses	(10,684,535)	(44,490,276)
Surplus for the year	<u>130,963,845</u>	<u>57,243,712</u>

The accounting policies and notes on pages 78 through 83 form an integral part of the financial statements.

Income Statement

Year Ended 31 December 2008

	Note	2008 Rs.	2007 Rs.
ASSETS			
Non-Current Assets			
Projects Completed	2	2,680,722,866	2,636,851,778
Projects in Progress	2	171,862,727	215,683,148
		<u>2,852,585,593</u>	<u>2,852,534,926</u>
Current Assets			
Receivables	3	58,717,915	57,534,690
Investment in Treasury Bills / Bonds under Repurchase Agreements	7	907,532,314	786,885,872
Cash and Bank Balances	7	10,454,939	1,473,145
		<u>976,705,168</u>	<u>845,893,707</u>
Total Assets		<u>3,829,290,761</u>	<u>3,698,428,633</u>
ACCUMULATED FUND AND LIABILITIES			
Accumulated Fund	4	3,752,383,272	3,621,419,427
Contributions from Other Sources	5	62,323,991	62,323,991
Total		<u>3,814,707,263</u>	<u>3,683,743,418</u>
Current Liabilities			
Trade and Other Payables	6	14,583,498	13,947,469
Bank Overdraft	7	-	737,746
		<u>14,583,498</u>	<u>14,685,215</u>
Total Accumulated Fund and Liabilities		<u>3,829,290,761</u>	<u>3,698,428,633</u>

The Board of Directors of Airport and Aviation Services (Sri Lanka) Limited is responsible for the preparation and presentation of these financial statements. Signed for and on behalf of the Board by.



.....
Director



.....
Director

On behalf of the Retained Revenue Fund

The accounting policies and notes on pages 78 through 83 form an integral part of the financial statements.

Colombo
08 April 2009

Balance Sheet

As at 31 December 2008

	Note	2008 Rs.	2007 Rs.
Cash Flows From / (Used in) Operating Activities			
Surplus for the Year		130,963,845	57,243,712
Adjustments for			
Capital Expenditure written off	2	12,651,996	44,309,262
(Profit)/Loss on disposal of Property, Plant and Equipment		26,830	-
Interest Income from Treasury Bills /Bonds under Repurchase Agreements		(141,648,380)	(101,733,988)
Operating Profit / (Loss) before Working Capital Changes		<u>1,994,291</u>	<u>(181,014)</u>
(Increase) / Decrease in Receivables		2,628,682	(6,180,017)
Increase / (Decrease) in Trade and Other Payables		636,029	2,356,836
Net Cash From / (Used in) Operating Activities		<u>5,259,002</u>	<u>(4,004,195)</u>
Cash Flows from / (Used in) Investing Activities			
Interest Income Received		137,836,473	101,733,988
Acquisition of Property, Plant and Equipment Incurred on Projects	2	-	(2,211,962)
Proceeds from Disposal of Assets		(12,732,693)	(58,241,178)
		3,200	-
Net Cash Flows from / (Used in) Investing Activities		<u>125,106,980</u>	<u>41,280,848</u>
Net Increase / (Decrease) in Cash and Cash Equivalents		130,365,982	37,276,653
Cash and Cash Equivalents at the beginning of the year	6	787,621,271	750,344,618
Cash and Cash Equivalents at the end of the year	6	<u>917,987,253</u>	<u>787,621,271</u>

The accounting policies and notes on pages 78 through 83 form an integral part of the financial statements.

Cash Flow Statement

Year Ended 31 December 2008

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of Preparation

The balance sheet, statements of income and cash flows, together with accounting policies and notes, ("Financial Statements") of the Fund as at 31 December 2008 and for the year then ended comply with the Sri Lanka Accounting Standards other than as described below.

- a) Under the Air Navigation Act, the management of capital assets has been entrusted to Airport and Aviation Services (Sri Lanka) Limited (AASL), but the ownership of the Assets remains with the Government of Sri Lanka. In the absence of income generated by utilising such assets employed in these financial statements, an Income Statement fully compliant with SLAS, cannot be prepared.

According to a cabinet approval dated May 4, 2005, the Government Revenue and Embarkation Levy, part of which was previously recognized under Retained Revenue Funds is, with effect from January 01, 2006, accounted for as revenue of Airport & Aviation Services (Sri Lanka) Limited (AASL).

- b) According to a Cabinet approval dated August 17, 2005 a process for amalgamation of the Assets and Liabilities of the Airports with those of the Airport and Aviation Services (Sri Lanka) Limited has already been initiated, with the revaluation of Airport Assets being in progress as at December 31, 2008. On completion of the aforementioned amalgamation all airport assets and the associated liabilities would be reflected in the books of Airport and Aviation Services (Sri Lanka) Limited.

- c) Grants received have not been amortised as more fully described in Note 5.

1.2 Projects in Progress

The Fund Capitalises the costs of developing projects under "project in progress". These costs are transferred to property, plant and equipment when significant development activity is completed, or expensed at the time the Company determines that the particular project will no longer be viable/developed.

1.3 Projects Completed

a) Cost

Projects completed are recorded at cost. Accounting for depreciation on Projects Completed has not been effected in the financial statements due to the same reason given under 1.1 above.

b) Depreciation

A statement showing the notional depreciation charge for the year, the cumulative depreciation and written down value of assets as at 31/12/2008 has been prepared and shown in Note 2.

1.4 Income Statement

1.4.1 Interest

Interest Income is recognised as the interest accrues (taking into account the effective yield on the asset) unless collectibility is in doubt.

Notes to the Financial Statements

Year Ended 31 December 2008

2. PROPERTY, PLANT AND EQUIPMENT

2.1 Gross Carrying Amounts

	Balance As at 01.01.2008 Rs.	Additions Rs.	Disposals Rs.	Balance As at 31.12.2008 Rs.
Buildings	1,012,106,081	23,502,482	-	1,035,608,563
Communication Equipment	173,884,599	-	-	173,884,599
Plant and Machinery Structures	204,971,814	2,066,297	-	207,038,111
Equipment	84,908,014	-	-	84,908,014
Furniture	59,190,631	1,820,926	-	61,011,557
Hangars	25,170,279	763,901	(30,030)	25,904,150
Fixtures and Fittings	1,215,392	-	-	1,215,392
Fencing and Gates	5,843,233	871,000	-	6,714,233
Miscellaneous Capital Items	100,559,613	1,201,218	-	101,760,831
Electrical Installation	122,245,716	-	-	122,245,716
Apron Expansion	23,654,107	-	-	23,654,107
Fire and Rescue Vehicles	237,338,300	-	-	237,338,300
Motor Vehicles	47,909,963	-	-	47,909,963
Road and Roadways	16,789,531	-	-	16,789,531
Training Equipment	8,225,274	-	-	8,225,274
Navigational Equipment	63,518,766	-	-	63,518,766
Fire and Safety Equipment	407,963,417	-	-	407,963,417
Water Supply System	4,968,264	-	-	4,968,264
Total Value of Depreciable Assets	36,388,784	13,675,294	-	50,064,078
	<u>2,636,851,778</u>	<u>43,901,118</u>	<u>(30,030)</u>	<u>2,680,722,866</u>

2.2 In the Course of Construction

	Balance As at 01.01.2008 Rs.	Incurred during the Year Rs.	Transfers Rs.	Written Off Rs.	Balance As at 31.12.2008 Rs.
Projects in Progress	221,881,002	12,732,693	(43,901,118)	(12,651,996)	178,060,581
Provision for Doubtful Projects (Note 2.6)	(6,197,854)	-	-	-	(6,197,854)
	<u>215,683,148</u>	<u>12,732,693</u>	<u>(43,901,118)</u>	<u>(12,651,996)</u>	<u>171,862,727</u>
Total Gross Carrying Amount	<u>2,852,534,926</u>	<u>12,732,693</u>	<u>-</u>	<u>(12,682,026)</u>	<u>2,852,585,593</u>

2. PROPERTY, PLANT AND EQUIPMENT *contd.*

2.3 Depreciation (Memorandum only) At Cost

	Balance As At 01.01.2008 Rs.	Charge for the year Rs.	Disposals Rs.	Balance As at 31.12.2008 Rs.
Buildings	307,209,620	51,335,226	-	358,544,846
Communication Equipment	96,311,214	18,740,513	-	115,051,727
Plant and Machinery	163,657,174	32,992,039	-	196,649,213
Structures	75,217,903	2,085,935	-	77,303,838
Equipment	28,706,376	5,635,184	-	34,341,560
Furniture	16,851,698	2,546,028	(30,030)	19,367,696
Hangars	750,722	60,769	-	811,491
Fixtures and Fittings	5,807,876	128,510	-	5,936,386
Fencing and Gates	47,235,150	8,100,586	-	55,335,736
Miscellaneous Capital Items	113,240,859	5,121,024	-	118,361,883
Electrical Installation	10,750,279	2,558,359	-	13,308,638
Apron Expansion	229,577,758	2,938,046	-	232,515,804
Fire and Rescue Vehicle	47,909,959	-	-	47,909,959
Motor Vehicles	16,789,519	-	-	16,789,519
Road and Roadways	1,629,303	411,263	-	2,040,566
Training Equipment	47,608,167	7,939,845	-	55,548,012
Navigational Equipment	132,165,870	50,995,426	-	183,161,296
Fire and Safety Equipment	1,320,326	621,033	-	1,941,359
Water Supply System	10,149,575	5,688,206	-	15,837,781
Total Depreciation	<u>1,352,889,348</u>	<u>197,897,992</u>	<u>(30,030)</u>	<u>1,550,757,310</u>

2.4 Net Book Values (Memorandum only)

	2008 Rs.	2007 Rs.
At Cost	1,129,965,556	1,283,962,430
Total Carrying Amount of Property, Plant and Equipment	<u>1,129,965,556</u>	<u>1,283,962,430</u>

2.5 Depreciation (Memorandum only)

The provision for depreciation is calculated for memorandum disclosure by using the straight line method on the cost of all property, plant and equipment in order to write off such amounts over the estimated useful lives. The principal annual rates used were:

	2008	2007
Buildings	Over 20 Years	Over 20 Years
Communication Equipment	Over 08 Years	Over 08 Years
Plant and Machinery	Over 04 Years	Over 04 Years
Structures	Over 08 Years	Over 08 Years
Equipment	Over 08 Years	Over 08 Years
Furniture	Over 08 Years	Over 08 Years
Hangars	Over 20 Years	Over 20 Years
Fixtures and Fittings	Over 08 Years	Over 08 Years
Fencing and Gates	Over 08 Years	Over 08 Years
Miscellaneous Capital Items	Over 08 Years	Over 08 Years
Electrical Installation	Over 08 Years	Over 08 Years
Apron Expansion	Over 20 Years	Over 20 Years
Fire and Rescue Vehicle	Over 04 Years	Over 04 Years
Motor Vehicles	Over 04 Years	Over 04 Years
Road and Roadways	Over 20 Years	Over 20 Years
Training Equipment	Over 08 Years	Over 08 Years
Navigational Equipment	Over 08 Years	Over 08 Years
Fire and Safety Equipment	Over 08 Years	Over 08 Years
Water Supply System	Over 08 Years	Over 08 Years

Notes to the Financial Statements *contd.*

Year Ended 31 December 2008

2. PROPERTY, PLANT AND EQUIPMENT *contd.*

2.6 Included under Projects in Progress is an amount of Rs. 6,197,854/- in respect of a partially built holiday bungalow at Anuradhapura, which has been constructed without the approval of the local authority. A provision has been made in respect of this expenditure.

	2008 Rs.	2007 Rs.
3. RECEIVABLES		
VAT Receivable	42,675	735
Advances on Projects (3.1)	9,175,221	12,511,798
Refundable Deposits	359,846	359,846
Interest Income Receivable	15,371,995	11,560,088
Amount Due From Related Parties (3.2)	33,768,178	33,102,223
	<u>58,717,915</u>	<u>57,534,690</u>

3.1 Advances on projects includes an amount of Rs. 7,003,000/- (2007 - Rs. 7,003,000/-) paid for the purchase of a land in Kataragama, of which the title to the land has not been transferred yet.

Kataragama Divisional Secretary has sent the relevant documents to the Land Commissioner through Provincial Land Commissioner in order to take action to award the land to Airport and Aviation Services (Sri Lanka) Ltd. under the License of a long term lease.

A circuit bungalow is being constructed on this land for which, Rs. 17,500,765/- has been incurred upto 31.12.2008 and is shown under Property, Plant and Equipment (2007 - Rs. 17,292,692/-).

	2008 Rs.	2007 Rs.
3.2 Amounts Due from Related Parties		
Airport and Aviation Services (Sri Lanka) Limited	33,768,178	33,768,178
Provision for Doubtful Debts	-	(2,126,542)
Voted Fund	-	1,460,587
	<u>33,768,178</u>	<u>33,102,223</u>

4. ACCUMULATED FUND

As at beginning of the year	3,621,419,427	3,564,175,715
Surplus for the year	130,963,845	57,243,712
As at end of the year	<u>3,752,383,272</u>	<u>3,621,419,427</u>

5. CONTRIBUTIONS FROM OTHER SOURCES

5.1 Contribution from Other Sources	<u>62,323,991</u>	<u>62,323,991</u>
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5.2 These represent grants received to finance expenditure of a capital nature. Out of the sum, an amount of Rs. 56,243,991/- refers to assets having limited economic lives, but such grants are not being amortised over such periods in accordance with SLAS 24-Accounting for Government Grants and Disclosure of Government Assistance, for reasons explained in Note 1.1.

Had this procedure been followed the amount to be amortised in 2008 would be Rs. 2,800,000/- (2007 - Rs. 2,800,000/-) whilst the cumulative amortisation as at 31/12/2008 would have amounted to Rs.12,543,991/- (2007 - Rs.9,743,991/-).

	2008 Rs.	2007 Rs.
6. TRADE AND OTHER PAYABLES		
Retention	10,783,499	11,408,919
Withholding Tax	5,589	121,171
Audit Fees	114,081	125,000
VAT Payable	-	-
Amounts Due to Related Parties (6.1)	3,680,329	2,292,379
	<u>14,583,498</u>	<u>13,947,469</u>
6.1 Amounts Due to Related Parties		
Airport Aviation Services (Sri Lanka) Ltd	140,916	2,292,379
Voted Fund	3,539,413	-
	<u>3,680,329</u>	<u>2,292,379</u>
7. CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT		
Bank Overdraft	-	(737,746)
Bank Balances	10,454,939	1,473,145
Investment in Treasury Bills / Bonds under Repurchase Agreements	907,532,314	786,885,872
Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement	<u>917,987,253</u>	<u>787,621,271</u>

7.1 These deposits are placed in the name of Airport and Aviation Services (Sri Lanka) Limited on behalf of the Retained Revenue Fund.

8. COMMITMENT AND CONTINGENCIES

8.1 Contingent Liabilities

The Fund is the defendant in following lawsuits filed against the Fund. Although there can be no assurance, the directors believe, based on the information currently available, that the ultimate resolution of such legal procedures would not likely to have a material adverse effect on the results of operations, financial position or liquidity. Accordingly no provision for any liability has been made in these financial statements.

Arbitration in progress, as a result of matters raised by Buildmart Lanka (Pvt) Ltd. and Vasiri Construction Co. against the Company demanding Rs. 13 Mn., for termination of Contract. The ruling has been made against the Company and ordered to pay Rs. 7,886,037/-. Presently the Company is in the process of appealing.

Arbitration in progress, as a result of a matter raised by Vasiri Construction Company against Airport and Aviation Services (Sri Lanka) Limited as the managers of the fund for a sum of Rs. 1,453,904/- for termination of Contract.

Though the cases are against Airport and Aviation Services (Sri Lanka) Limited all transactions are recorded under the Retained Revenue Fund.

9. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Cabinet approval has been granted to restructure Airport & Aviation Services (Sri Lanka) Ltd (AASL) by transferring all assets and liabilities of Voted Fund and Retained Revenue Fund to the AASL and to issue Ordinary Shares to the Government of Sri Lanka to cover the net assets thus transferred.

Notes to the Financial Statements *contd.*

Year Ended 31 December 2008

10. RELATED PARTY DISCLOSURES

Expenses incurred by the fund are reimbursed on an actual basis. The balances from and due to related parties are disclosed in note 3 and 6 respectively.

The Fund has made the following payments to the Government owned institutions in relation to the supply of goods & services during the year. The fund also has short term investments with Government owned institutions.

	Entities either controlled or in which significant influence is held by the state.*	
	2008 Rs.	2007 Rs.
Balance Sheet		
Assets		
Project in Progress	1,797,657	10,807,825
Receivables	1,338,346	1,344,355
Amounts Due from Related Parties	35,228,765	35,228,765
Treasury Bills	907,532,314	786,885,872
Liabilities		
Amounts Due to Related Parties	1,058,703	14,158,248
Income Statement		
Interest Income net of taxes withheld	141,648,380	101,733,988

* In carrying out normal operations, the Fund has entered in to transactions including the supply and purchase of various goods and services with entities which is either controlled or in which significant influence is held by the state. This includes Ceylon Electricity Board, Department of Inland Revenue, Sri Lanka Ports Authority, Central Environmental Authority, Central Engineering Consultancy Bureau, State Engineering Consultancy Bureau, Road Development Authority, Irrigation Department, Urban Development Authority, Divisional Secretary Katana, National Water Supply & Drainage Board, Sri Lankan Airlines Ltd and Airport & Aviation Services (SL) Limited.



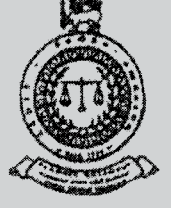
Development Projects (Voted Fund)

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Summary of Significant Accounting Policies **P93**, Notes to the Accounts **P94**, Explanatory Notes on The Report of The
Auditor General **P98**



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கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல
My No

SC/A/AASL/FA/08

ඔබේ අංකය
உமது இல
Your No.

දිනය
திகதி
Date

12 June 2009

The Chairman,
Airport and Aviation Services (Sri Lanka) Ltd.

Report of the Auditor General on the Financial Statements of the Airport and Aviation Services (Sri Lanka) Ltd relating to the Government Grants for capital expenditure for the year ended 31 December 2008 in terms of Section 14(2)(c) of the Finance Act, No.38 of 1971.

The audit of Financial Statements of the Airport and Aviation Services (Sri Lanka) Ltd (AASL) relating to the Government Grants for capital expenditure for the year ended 31 December 2008 was carried out under my direction in pursuance of provisions in Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No.38 of 1971. My commence and observations which I consider should be published with the annual report of the Company in terms of Section 14(2)(c) of the Finance Act appear in this report.

1.2 Audit of Accounts of the AASL

The Financial Statements of the AASL had been audited by a firm of Chartered Accountants in public practice appointed by the AASL in terms of Section 151(2) of the Companies Act, No.7 of 2007.

1.3 Responsibility of the Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with Generally Accepted Accounting Principles. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Financial Statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

1.4 Scope of Audit and Basis of Opinion

My responsibility is to express and opinion on these Financial Statements based on my audit. Audit comments and findings in this report are based on a review of the Financial Statements presented to audit and substantive tests of samples of transactions. The scope and the extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me. The audit was carried out in accordance with Sri Lanka Auditing Standards, to obtain reasonable assurance as to whether the Financial Statements are free from material misstatements. The audit includes the examination on a test basis of evidence supporting the amounts and disclosures in the Financial Statements and assessment of accounting principles used and significant estimates made by the management in the preparation of Financial Statements as well as evaluating their overall presentation. I have obtained sufficient information and explanations which to the best of my knowledge and belief were necessary for the propose of the audit. I therefore believe that my audit provides a reasonable basis for my opinion. Sub - sections (3) and (4) of Section 13 of the Finance Act, No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

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කොළඹ 07, ශ්‍රී ලංකාව

දුරකථනය
தொலைபேசி
Telephone. } 2691151

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#- மெயில்
E-mail. } oaggov@slt.net.lk

Auditor General's Report

2. Financial Statements

2.1 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Airport and Aviation Services (Sri Lanka) Ltd. had maintained proper accounting records for the year ended 31 December 2008 relating to the Government Grants for capital expenditure and except for the effects on the financial statements of the matters referred to in paragraph 2.2 of this report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles, give a true and fair view of the state of affairs of the Airport and Aviation Services (Sri Lanka) Ltd. as at 31 December 2008 and the financial results of its operation and cash flows for the year then ended, relating to Government Grants for capital expenditure.

2.2 Comments on Financial Statements

2.2.1 Non compliance with Laws, Rules, Regulations and Management Decisions

Following instances of non - compliance were observed in audit.

Reference to Laws, Rules, Regulations and Management Decisions etc.	Particulars
(a) Letter No. PE/GOCO/1/2 dated 10.10.2003 of the Department of Public Enterprises	Although prior approval of the Treasury should be obtained for the investment of temporary surplus in Treasury bills or in bank the Company had not obtained the Treasury approval as required.
(b) National Environment Act . No. 47 of 1980	Environmental Protection license had not been obtained for package 'A' Civil utility work Incinerator
(c) Sub - section 4(5) of Article III of the Loan Agreement entered into between the Japan Bank For International Co-operation and Government of Sri Lanka on 04 August 1999.	Although completion report for the whole project should be issued after the completion of construction, such report had been issued by the foreign consultants before the work completed.
(d) Article 62.1 of the construction agreements in respect of all packages.	Eventhough the Defects Liability Certificate had to be issued by the Engineer, within 28 days after the expiration of the Defect Liability period, out of 42 defect liability Certificates only 09 certificates had been issued up to 25 March 2009.

3. Financial and Operating Review

3.1 Financial Results

According to the Financial Statements presented, the operations of the Company relating to the Government Grants for capital expenditure during the year under review had resulted in a net deficit of Rs.184,952/- as against with the corresponding net deficit of Rs.1,695,589/- for the preceding year, thus indicating an improvement of Rs. 1,510,637/- in the Financial Results.

3.2 Utilization of Funds

As the loan period had been expired on 01 December 2006 no funds received from General Treasury as Government Grant for capital expenditure during the year under review. The Company had Utilized Company funds and Retained Revenue Funds amounting to Rs.45,407,454/- for the project expenses.

3.3 Transactions of Contentious Nature

Although the construction of the New passenger Terminal Building (Package B 1) had not been completed as scheduled, the final payments and retention money had been fully released to the foreign contractor after obtaining a bank guarantee. According to the AASL, this had been done due to termination of the loan agreement on 01.12.2006 of the Japan Bank for International Co - operation. The unsettled amount of Rs.150,376,179/- has been settled on 24.10.2008.

3.4 Rectification of Defects

(a) Package C - Air Navigation System

Eventhough two Taking Over Certificates (TOC) had been issued in respect of package C and Defects Liability Period of above TOC's also had been expired, the following defects were observed by the company engineer.

- Micro wave link BIA - Attidiya receive signal levels of main channels in equal or lower than that of the diversity channel.
- Voice Communication Recorder (VCR)

This had been returned to the manufacturer for repairs.

3.5 Ten Years Warranties

According to the engineers project completion report ten year warranties has to be furnished by the contractors for the following items of the each package. However, no such Certificates had been furnished by the contractors up to 31 December 2008. Details are given below.

Package C - Section 71000 Radar Control System Works
Section 72000 Aeronautical Communication System Works
Section 73000 Meteorological Observation System Works

3.6 Acquisitions of Land

Following amounts had been shown in the accounts under advance and deposits as at 31 December 2008 made to various Divisional Secretaries for the acquisition of lands for various development activities of the AASL.

Date of Payment	Divisional Secretary	Amount (Rs.)
31.12.1997	Katana	2,083,648
16.12.1998	Gampaha	4,718,000
18.07.2000	Mt.Lavenia	834,118
22.02.2008	Katana	2,000,000
12.02.2008	Mt.Lavenia	41,000,000

Due to delay in the acquisition process, an interest amounting to Rs.3,807,568/- had to be paid to the owners of those lands.

3.7 Under Utilization of loan

A provision of JP Yen 12,384 million had been made by the Japan Bank for International Co-operation (JBIC) as loan for the Phase I Stage II of the Project under loan agreement No.SLP 62 on 04 August 1999.

The Japan Bank for International Co-operation had confirmed that JP Yen 12,067 million had been released up to the loan closing date of 01 December 2006 thus showing an underutilized amount of JP Yen 317 million.

Auditor General's Report *contd.*

3.8 Phase II Stage II

Eventhough the Cabinet approval had been granted to carry out phase II stage II of Airport Development Project and according to the action plan of the AASL, the company had planned to appoint and mobilize consultant in first quarter and design of the Project in second quarter. However, the contract agreement for the design consultancy services for BIADP phase II stage II had been signed only on 16.10.2008.

3.9 Uneconomic Transaction

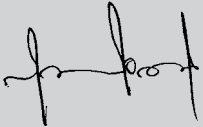
It had been decided to develop the second International Airport by the Sri Lanka Government and Weerawila had been chosen for the above purpose. Following observations are made in this regard.

Even though no imprest had been received from the Treasury, The Company had spent Rs.47,425,600/- for the preliminary works of the development of second International Airport at Weerawila from 2006, without obtaining approval of the Central Environment Authority (CEA). Latter, it had been decided to abandon Weerawila as the second International Airport and the expenditure of Rs.47,425,600/- incurred had been considered as uneconomic transaction.

4. Systems and Controls

Special attention is needed in respect of the following areas of control.

- (a) Acquisition of Lands
- (b) Contract Administration
- (c) Reimbursement of duties and taxes
- (d) Maintenance of Accounting records



.....
S. Swarnajothi
Auditor General

	Note	2008 Rs.	2007 Rs.
Income			
Interest on Treasury Bills		2,426,052	-
Total Income		<u>2,426,052</u>	<u>-</u>
Less : Expenditure			
Loss on Disposal of Fixed Assets	Sch 11	2,091,236	67,303
Bank Charges		9,550	7,200
Debit Tax		65,426	1,352
Capital expenses Written off	Sch 12	-	1,619,734
Repair & Maintenance of Project Office	Sch 13	444,791	-
Total Expenditure		<u>2,611,004</u>	<u>1,695,589</u>
Surplus / (Deficit) for the year		(184,952)	(1,695,589)
Deficit B/F		(132,684,602)	(130,989,013)
Deficit C/F to Balance Sheet		<u>(132,869,554)</u>	<u>(132,684,602)</u>

Income & Expenditure Statement

For The Year Ended 31st December 2008

	Note	2008 Rs.	2007 Rs.
ASSETS			
Non Current Assets			
Property Plant & Equipments	Sch 01	23,254,388,218	22,407,975,786
Capital Work in Progress	Sch 02	-	789,385,346
Total Non Current Assets		23,254,388,218	23,197,361,132
Current Assets			
Advances	Sch 03	43,000,000	143,562,185
Deposits	Sch 04	7,635,766	12,355,766
Amounts due from Related Parties	Sch 05	12,538,629	-
Other Receivables	Sch 06	2,500,000	2,500,000
Investment in Treasury Bills		75,869,136	-
Bank Accounts	Sch 07	19,431,653	7,907,770
Total Current Assets		160,975,184	166,325,721
Total Assets		23,415,363,402	23,363,686,853
EQUITY & LIABILITIES			
Treasury Contribution - (Local)		8,235,977,361	8,180,757,887
Treasury Contribution - (Foreign)		14,075,646,120	14,075,646,120
Defence Ministry Contribution		109,661,415	109,661,415
Ministry of Tourism & Civil Aviation Contribution		40,000,000	40,000,000
Retained Revenue Contribution		32,000,000	32,000,000
Net Assets Taken Over From Airport Authority		801,102,309	801,102,309
AASL Contribution		57,101,390	11,693,936
Total Treasury & Other Contributions		23,351,488,594	23,250,861,667
Income & Expenditure Account		(132,869,554)	(132,684,602)
Accumulated Fund		23,218,619,040	23,118,177,065
Current Liabilities			
Retention	Sch 08	-	16,158,153
Creditors	Sch 09	191,744,362	175,825,574
Amounts due to Related Parties	Sch 10	5,000,000	53,526,061
Total Current Liabilities		196,744,362	245,509,788
Total Equity & Liabilities		23,415,363,402	23,363,686,853

Chandima P. Rasaputra
Chairman

Lalith Fernando
Head of Finance

27 February 2009

Balance Sheet

As At 31st December 2008

	2008 Rs.	2007 Rs.
Cash Flow From Operating Activities		
Net Surplus / (Deficits) for the year	(184,952)	(1,695,589)
(Profit)/ Loss on Sale of Fixed Assets	2,091,236	67,303
	<u>1,906,284</u>	<u>(1,628,286)</u>
Adjustments for		
(Increase)/Decrease in Advances & Deposits	105,282,185	554,244,539
(Increase)/Decrease in Receivables	(12,538,629)	325,734
Increase/(Decrease) in current account payables	(48,526,061)	53,526,061
Increase/(Decrease) in Creditors & Payables	(239,365)	119,269,011
Cash Generated from Operations	<u>43,978,130</u>	<u>727,365,345</u>
Net Cash Flow from Operating Activities	45,884,414	725,737,059
Cash Flow From Investing Activities		
Purchase of Property, Plant & Equipment Etc	-	-
Sale of Fixed Assets	120,000	3,154,000
Projects in Progress	(59,238,322)	(741,385,649)
Net Cash flow from Investing Activities	<u>(59,118,322)</u>	<u>(738,231,649)</u>
Cash Flow From Financing Activities		
Treasury Contribution	55,219,474	-
Other Contributions	45,407,453	11,693,936
Net Cash flow from Financing Activities	<u>100,626,927</u>	<u>11,693,936</u>
Net Increase/(Decrease) in Cash & Cash Equivalents	87,393,020	(800,654)
Cash & Cash Equivalents at the beginning of the year	7,907,770	8,708,424
Cash & Cash Equivalents at the end of the year	<u>95,300,790</u>	<u>7,907,770</u>
Cash and Cash Equivalents		
Cash at Bank and in Hand	19,431,653	7,907,770
Investment in Treasury Bills	75,869,136	-
	<u>95,300,790</u>	<u>7,907,770</u>

Cash Flow Statement

For The Year Ended 31st December 2008

1. Under the Air Navigational Act, the management of Capital Assets has been entrusted to Airport & Aviation Services (SL) Ltd. (AASL), but the ownership of the Assets remains with the Government of Sri Lanka. Since the Income generated by utilizing the assets employed is shown in a separate set of accounts, an Income Statement fully compliant to SLAS 3 cannot be prepared logically.

However, an Income & Expenditure Statement has been prepared, without charging the annual depreciation for the year under reference in the same format as per the last years accounts.

2. Financial Statements have been prepared on the historical cost basis with generally accepted accounting principles. No adjustments have been made for inflationary factors affecting the Financial Statements.
3. Capital Work in progress represents all expenditure relating to incomplete projects.
4. All known liabilities have been accounted for, in preparing financial statements.

5. **Depreciation**

Depreciation has not been provided in the Income Statement, however a statement showing a depreciation charge for the year and the cumulative & written down value of assets as at 31/12/2008 has been prepared on memorandum basis and given as a notes to accounts (Refer Schedule – 01)

The provision for depreciation is calculated in the schedule attached by using the straight-line method on the cost of all property, plant and equipment, in order to write off such amounts over the estimated useful lives by equal installments. The annual depreciation of Assets for the current year is Rs. 1,820,810,773/-

The revenue generated with the Fixed Assets of this Fund accrue to AASL and dealt with in a separate set of books (i.e.) the books of AASL, as the agent. Hence there is no revenue source against which depreciation be charged in the Income Statement. If the depreciation is charged would result in the depletion of Government capital contribution.

Property, plant and equipment acquired prior to 1st January 2006 were fully depreciated in the year of disposal but none in the year of purchase. Property, plant and equipment acquired after 1st January 2006 are depreciated from the month the assets are available for use over their estimated useful lives.

Therefore, as advised by the Director General of Public Enterprises letter dated 10th October 2003 and previously agreed with the Auditor General, depreciation has not been charged to the account and instead disclosed as a note to the Accounts. This has been disclosed under Item No 1 of the Accounting Policies and also under Notes to the Accounts – 1. “ Fixed Assets”, which was accepted by the Auditor General in the Accounts for the year ended 31st December 2005.

Cabinet approval has now been granted to amalgamate all airport assets. Once the related legal formalities are complete, depreciation could be charged to the Income & Expenditure Account.

Summary of Significant Accounting Policies

1. Fixed Assets

Fixed Assets Master Summary is enclosed as Schedule - 01

The Fixed Assets are stated at cost. Depreciation has not been provided in the Accounts and is shown as a note wherein the relevant depreciation rates have also been stated (Ref. Accounting Policies).

2. Treasury Contribution – Local

Payment of local taxes and duties in respect of the Phase II Development project of the Bandaranaike International Airport has been recognized under Treasury Contribution Local.

3. Treasury Contribution – Foreign

Direct Foreign Aids Payments and Reimbursable Foreign Aids in respect of BIA Development Project have been recognized under Treasury Contribution Foreign.

4. Income & Expenditure Account

As per Treasury Directive an Income & Expenditure Account for the Development Project has been prepared taking into account the Insurance claim receipts, Finance Charges, Bank Charges and Debit Tax. This results in Accumulative loss of Rs. 132,869,554/- up to year 2008.

5. Directors' Interest in Contracts with Airport & Aviation Services (SL) Ltd.

No Director of the Company was directly or indirectly involved in any contract with the Company during the year ended 31.12.2008.

Notes to the Accounts

Schedule 01

Fixed Assets & Depreciation Summary as at 31st December 2008

DESCRIPTION	Dep. Rate	COST (Rs.)			DEPRECIATION (Rs.)			Net Book Value	
		Balance as at 01/01/08	Additions / Transfers	Disposal / Transfers	Balance as at 31/12/08	Charge for the Year	Additions / Transfers		Balance as at 31/12/08
Land	0.0%	727,933,064	14,307,569	-	742,240,632	-	-	742,240,632	
Road & Roadways	5.0%	190,420,428	1,799,756	-	192,220,184	32,168,970	8,773,394	40,942,364	
Buildings	5.0%	4,330,426,744	214,707,666	-	4,545,134,410	510,001,015	217,684,398	727,685,413	
Communication Equipment	12.5%	970,901,891	23,011,496	-	993,913,387	255,295,797	116,081,881	371,377,678	
Plant & Machinery	25.0%	2,755,631,667	476,405,460	2,211,236	3,229,825,891	1,324,489,315	680,326,567	2,002,604,645	
Motor Vehicles	25.0%	84,450,777	-	-	84,450,777	49,252,962	12,008,068	61,261,030	
Fire Rescue Vehicles	25.0%	167,477,115	-	-	167,477,115	167,477,111	-	167,477,111	
Structures	12.5%	56,340,251	-	-	56,340,251	56,327,155	4,359	56,331,514	
Navigational Equipment	12.5%	3,187,415,196	4,978,211	-	3,192,393,406	1,755,857,077	247,612,168	2,003,469,245	
Equipment	12.5%	113,375,278	-	-	113,375,278	92,511,437	12,836,787	105,348,223	
Furniture	12.5%	359,043,371	2,179,783	-	361,223,154	308,290,599	7,551,924	315,842,523	
Hangars	12.5%	7,188,779	-	-	7,188,779	7,188,775	-	7,188,775	
Fixtures & Fittings	12.5%	151,764,344	53,991,030	-	205,755,374	37,269,877	23,153,512	60,423,390	
Fencing & Gates	12.5%	41,317,580	1,171,414	-	42,488,994	19,724,775	3,689,945	23,414,719	
Apron	5.0%	1,319,254,201	132,193	-	1,319,386,394	405,284,445	56,722,326	462,006,771	
Taxiways	5.0%	411,311,373	-	-	411,311,373	88,382,893	20,565,569	108,948,462	
Electrical Installation	12.5%	435,816,421	38,483,246	-	474,299,666	189,156,441	40,988,122	230,144,564	
Aero Bridges	12.5%	1,011,414,025	-	-	1,011,414,025	205,159,519	126,426,753	331,586,272	
Sewage Disposal System	12.5%	280,690,397	-	-	280,690,397	119,299,894	70,172,599	189,472,494	
Water Supply & Drainage System	12.5%	243,631,869	1,934,158	-	245,566,027	59,044,467	30,695,753	89,740,221	
Equipment - Office	25.0%	39,589,987	10,167,933	-	49,757,920	37,012,870	3,446,883	40,459,753	
Equipment - Other	12.5%	364,208,698	4,887,399	-	369,096,097	266,229,752	14,779,725	281,009,477	
Equipment - Fire & Safety	12.5%	94,306,445	466,355	-	94,772,800	20,995,706	11,241,676	32,237,382	
Runway	5.0%	1,779,315,364	-	-	1,779,315,364	1,449,000,181	39,643,690	1,488,643,871	
Terminal Building	5.0%	2,449,441,310	-	-	2,449,441,310	2,359,736,047	68,410,027	2,428,146,074	
Ancillary Buildings	5.0%	835,309,213	-	-	835,309,213	780,945,587	7,994,646	788,940,233	
		22,407,975,786	848,623,668	2,211,236	23,254,388,218	10,596,102,665	1,820,810,773	2,211,236	12,414,702,202

CAPITAL WORK IN PROGRESS

Interest During Construction	18,829,208	-	18,829,208	-
Projects in Progress	770,556,138	59,833,763	830,389,902	-
	789,385,346	59,833,763	849,219,110	-

Net Book Values

	12,601,258,467	10,839,686,016
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			2008 Rs.	2007 Rs.
Schedule 02				
Projects in Progress				
Passenger Building Works			-	770,556,138
Interest During Construction			-	18,829,208
			<u>-</u>	<u>789,385,346</u>
Schedule 03				
Advances				
Date	Vr. No.	Party		
		Passenger Building Works	-	143,562,185
22.02.08	107769 / JV 03	Divisional Secretary, Katana	2,000,000	-
12.02.08	107483 / JV 03	Divisional Secretary Mt. Lavinia	41,000,000	-
			<u>43,000,000</u>	<u>143,562,185</u>
Schedule 04				
Deposits				
Date	Vr. No.	Party		
31.12.97	1751	Divisional Secretary, Katana	2,083,648	2,083,648
16.12.98	1861	District Secretary, Gampaha	4,718,000	4,718,000
28.12.98	1863	District Secretary, Gampaha	-	4,720,000
		Divisional Secretary, Mt. Lavinia	834,118	834,118
			<u>7,635,766</u>	<u>12,355,766</u>
Schedule 05				
Amounts due from Related Parties				
Insurance Claim Receivable			3,154,000	-
Allowable Input VAT Portion			5,725,216	-
Sale Proceeds From Disposal of Fixed Assets			120,000	-
			<u>8,999,216</u>	<u>-</u>
Current Account With Retained Revenue			3,539,413	-
			<u>12,538,629</u>	<u>-</u>
Schedule 06				
Other Receivables				
Debtors (Sri Lankan Airline)			2,500,000	2,500,000
			<u>2,500,000</u>	<u>2,500,000</u>
Schedule 07				
Bank Accounts				
Bank of Ceylon Corporate Branch C/A 0000000451			16,459,294	6,487,926
Bank of Ceylon Corporate Branch C/A 0000001600			2,972,359	1,419,844
			<u>19,431,653</u>	<u>7,907,770</u>
Schedule 08				
Retentions				
Taisei Mitsubishi Joint Venture (Civil & Utility Works)			-	16,158,153
			<u>-</u>	<u>16,158,153</u>
Schedule 09				
Creditors				
Taisei Mitsubishi Joint Venture			186,913,630	175,825,574
VAT Control Account			4,830,732	-
			<u>191,744,362</u>	<u>175,825,574</u>

Notes to the Accounts *contd.*

	2008 Rs.	2007 Rs.
Schedule 10		
Amounts due to Related Parties		
Current Account with Company		
Loan Interest Payment	-	55,219,474
Insurance Claim Receivable	-	(3,154,000)
	-	52,065,474
Current Account with Retained Revenue	-	1,460,587
Current Account with Government Revenue	5,000,000	-
	5,000,000	53,526,061
Schedule 11		
Profit & Loss on Disposal of Fixed Assets		
Sale Proceeds / Insurance Claim	120,000	3,154,000
Less - Costs		
Motor Vehicle	-	3,221,303
Escalator "OTIS"	2,211,236	-
	2,211,236	3,221,303
Profit / (Loss) on Disposal	(2,091,236)	(67,303)
Schedule 12		
Capital Expenses Written Off		
Deposits & Advances		
Date	Vr. No.	Party
19.06.84	335	Ceylon Electricity Board
		-
08.03.86	65	Ceylon Electricity Board
		-
08.03.86	67	Ceylon Electricity Board
		-
30.07.86	294	Ceylon Electricity Board
		-
08.11.88	54	Ceylon Electricity Board
		-
16.05.89	991	Ceylon Electricity Board
		-
08.10.96	1646	Mersk Lanka Pvt Ltd
		-
03.08.98	1804	P & O Nedlloyd Pvt Ltd
		-
01.06.99	1924/1929	Sri Lanka Ports Authority
		-
12.05.00	2191	CMA CGM Lanka Pvt Ltd
		-
15.05.00	2192	Sri Lanka Ports Authority
		-
18.07.00	2254	Sri Lanka Ports Authority
		-
2004		CMA CGM Lanka Pvt Ltd
		-
		7,046
		750,158
Retention		
2000	737	New Interiors Pvt Ltd
		-
2001	784	Auto & Metal Craft Pvt Ltd
		-
2003	784	Widac Marketing Pvt Ltd
		-
		(32,348)
Projects		
17.02.89		Hingurakgoda Airport Surveying & Soil Investigation Expenses
		-
24.04.89		Hingurakgoda Airport Surveying Expenses
		-
26.09.89		Hingurakgoda Airport Soil Investigation Expenses
		-
		196,275
		901,923
		1,619,734
Schedule 13		
Repair & Maintenance of Project Office		
Cost of Carpeting & Vertical Blinds	180,574	-
Other Repair & Maintenance Expenses	264,217	-
	444,791	-

Voted Fund Account (Grants provided by the Parliament to AASL) For the Year Ended 31 December 2008

2.2. Comments on Financial Statements

2.2.1 Non-compliance with Laws, Rules, Regulations and Management decisions

- (a) The temporary surplus referred to in the Report is due to refund of excess funds of Package B-1, by the Contractor of the BIA Development Project amounting to Rs. 150,376,179/- . This amount has been temporary invested in Treasury Bills and will be utilized on the repayment of loan due in August 2009.
- (b) The application for the “Environmental Protection Licence” was submitted to the Central Environmental Authority (CEA) on 9th October 2008 and officials of CEA inspected the Incinerator, on a payment of Rs. 11,500/- being the charges for inspection.

As advised by CEA, arrangements were made for officials from Industrial Technology Institute (ITI) to inspect the incinerator and to submit a proposal for the collection and disposal of bottom ash in compliance with the regulations. The contractor, Tasei Mitsubishi Joint Venture was advised to make a payment of Rs. 56,000/- being the charges for services of ITI.

A letter was addressed to CEA on 1st April 2009 requesting the issue of the Environmental Protection Licence for the operation of the incinerator pending action for items listed in their letter dated 3rd March 2007.

- (c) Project Completion Report was not submitted as works were not completed within 6 months of the expiry date of the loan disbursement period (1st December 2006).

The Project Completion Report for the whole project in accordance with the para (5), Section 4 of the Article III of Loan Agreement SL-P62 would be submitted to JICA in due course.

- (d) Defect Liability Certificate would be issued on finalization of outstanding issues of contract packages (rectification of defects).

3. Financial and Operating Review

3.1 Financial Results

Net loss for the year has declined to Rs. 184,952/- compared to the previous year net loss of Rs. 1,695,589/- due to the interest income of Rs 2.5 Mn. received in the year under review.

3.2 Utilization of Funds

Budgetary allocation of Rs. 139.5 Mn. had been provided in Budget 2008 for the Weerawila Airport Project. The funds had not been released by the Treasury despite several requests made. Therefore, AASL had to utilize company funds to meet the project expenses.

3.3 Transactions of contentious nature

In view of the Loan Agreement entered into with Japan Bank for International Cooperation expiring on 1st December 2006, the final payments and retention money had to be released to the Package B-1 Contractor after obtaining Bank Guarantees. If this course of action had not been taken, the Government of Sri Lanka would have to bear the total commitment on this contract and also this would have resulted in the loan being under-utilized to the extent Sri Lanka Rs. 2.6 Bn.

Explanatory Notes on The Report of The Auditor General

3.4 Rectification of Defects

(a) Package "C" – Air Navigation System

- **Microwave Link BIA – Attidiya**
NEC Italy (The Sub-contractor of Package "C") agreed to rectify the defects and NEC, Italy is now working with local agent of NEC, Japan for rectification.
- **Voice Communication Recorder (VCR)**
The recorder had been sent back to the manufacturer in Norway (Sub-contractor of VCR) in December 2008. The recorder was returned after repairs in last week of March 2009 and cleared from Customs in last week of April 2009. Testing of the equipment will commence soon and on successful completion of testing, the matter could be closed.

3.5 Ten Year Warranties

• Package "C" – Air Navigation System

Contractor informed that 10 year warranty will be furnished after issuing of completion certificate by AASL. The completion certificate will be issued by AASL after rectification of remaining defects noted under the above Section 3.5.

3.6 Acquisition of Land

Payment of compensation is handled by the Acquisition Officer concerned as per the procedures laid down in the Land Acquisition Act which is beyond the control of AASL.

The interest mentioned in Section 3.7 of the Auditor General's Report was paid accordingly on 28th November 2008 to the owners acquired land of Plan No. 3406 as confirmed by the Acquisition Officers, Divisional Secretary, Katana.

I. Divisional Secretary -Katana – Rs. 2,083,648/-

This amount represent the balance to be paid by the Acquisition Officer having paid Rs. 6,393,845/70 previously to certain land owners. According to the Acquisition officer, there are issues connected with the balance payment such as court cases, appeals made by land owners to the compensation review board and difficulties in identifying land owners.

The subject of land acquisition which is presently handled by the Divisional Secretary, Katana, was initially handled by the District Secretariat, Gampaha. With the re-structuring and decentralizing, large numbers of files had been transferred to the Divisional Secretariat, Katana from the District Secretariat, Gampaha. According to the Divisional Secretary, Katana, some files had got misplaced in the process of files being transferred to his office.

The Acquisition Officer had informed that he would arrange to refund the unsettled funds back to AASL.

II. District Secretary, Gampaha – Rs. 4,718,000/-

According to the Acquisition Officer, there are issues connected with the payment of compensation such as court cases, appeals made by land owners to the compensation review board and difficulties in identifying the land owners thus delaying the settlement.

Acquisition Officers agreed to refund the unsettled funds to AASL on condition that it would be released back to him when needed.

III. Divisional Secretary, Katana – Rs. 2,000,000/-

On a directive made by the Ministry of Ports & Aviation, this amount had been deposited with the Acquisition Officer for initiating land acquisition procedure of the land in close proximity to BIA runway due to urgent security reasons.

Accordingly Section 38 (a) has been gazetted on 10th February 2009 by the Acquisition Officer.

IV. Divisional Secretary, Dehiwala/Mt. Lavinia - Rs. 834,118/- and Rs. 41,000,000/-

Awaiting confirmation of settlements from the Acquisition Officer/Divisional Secretary, Dehiwala. These lands had been acquired for the extension of the Runway at Ratmalana Airport.

3.7 Under-utilization of Loan

The loan agreement SLP-62 dated 4th August 1999 was effective from 15th December 1999 to 1st December 2006.

There was a considerable delay in obtaining final approval to proceed with works in respect of contract packages "A" & "B1".

Due to competitiveness of tenders, there was a substantial saving of the loan, which was subsequently utilized to carry out additional works at an additional cost of JP Yen 3,644,439,911/-. Amount returned to JBIC could not be utilized due to non-availability of sufficient time to carry out further additional works.

The original scope of the works as given below were completed on schedule. However, some of the additional works were completed after the loan disbursement period.

Package A	-	Civil & Utility works
Package B1	-	Passenger Terminal Building Works
Package B2	-	New Cargo Building Works
Package C	-	Air Navigation Systems

Additional Works

Package A - Incinerator Plant

Package B1 - Supplementary Agreement A

- Departure Public Concourse
- Arrival Public Concourse
- New Check-in area
- Refurbishment of existing Terminal Building Air Conditioning System
- Removal and replacement of existing Terminal Building roof water proofing system
- Expansion of existing Terminal Building, Immigration and Transit areas

- Supplementary Agreement B

- Terminal Building refurbishment including cladding of all walls and columns, ceiling replacement and floor tile replacement
- Refurbishment of VIP area
- Provision of CCTV System
- Provision of FIDS System
- Installation of four additional Passenger Boarding Bridges

Package B2 - New Permit Office and Access Road for Cargo area
Airsides building
Stores Hangar

Explanatory Notes *contd.*

- Package C - Electronic Strip System
- Package D - Remaining Southern Section of Apron C
ELV duct line around existing apron and new Apron C
Designated access road lighting
Resurfacing of Terminal Building roadway including drainage system
Access Road to CPC area
- Package E - Visual Docking Guidance System

3.8 Phase II Stage II

Cabinet approval for the appointment of the CAPC and the TEC was granted on 19th December 2007 and accordingly CAPC and TEC was appointed on 11th February 2008.

The Cabinet approval for the award of above works was obtained on 2nd February 2008 and the contract agreement for consultancy services was signed on 16th October 2008

3.9 Uneconomic Transaction

The allocation of the above project for the year 2008 was only Rs. 139.5 Mn. Several requests were made through the Ministry from the Treasury to reimburse a sum of Rs. 47.8 Mn. from the allocation of Rs. 139.5 Mn. available for the above project in Government Estimates 2008. However, this amount has not been reimbursed to AASL.

Development of a Greenfield Airport requires a substantial capital investment. It also requires investigations and studies in relation to weather, geology, geography, ecology etc. that forms basic requirements for planning prior to construction of an airport.

At the early stage of the project, it requires to carry out a feasibility study and an environmental impact assessment study to prove sustainability of the project in terms of economy and environmentally.

In relation to above, any airport development project has to be carried out with an initial investigation prior to environmental impact assessment. Some of the areas critically examined are as follows:-

1. Geo Technical investigations of candidate sites
2. Surveying and leveling of candidate sites
3. Hydrology of candidate sites
4. Proper access system to carry out above investigations

Prior to obtaining environmental clearance from Central Environmental Authority, project proponents require spending time and money for any Greenfield Airport Development Project like the Southern International Airport.

With a view to expediting the said project as expected by the Government, following works have been carried out by the project proponent pending EIA clearance.

Nature of Works		Expenditure (Rs)
1	Surveying, Soil investigation and Preparation of Land	7,427,929.57
2	Road Construction	6,064,652.65
3	Site Office (Building Construction)	1,013,491.82
4	Water supply to the Site	662,280.10
5	An Awareness Programme was carried out for public in Weerawila area	3,190,284.26
6	Expenses incurred on the Opening Ceremony (Held in November 2007)	9,476,563.81
7	Expenses incurred for the Assessment of Environmental Impact	9,052,612.75
8	Administrative expenses	5,546,005.06
9	Expenses incurred on Plant & Equipment for preliminary works (Supplying of electricity etc)	2,920,020.84
10	Expenses on Office Equipment (These equipment can be used for the present site office work)	296,951.88
11	Expenses incurred for furniture (These furniture too can be used for the present site office)	201,337.85
12	Expenses incurred on Advertising for execution of the project	1,573,470.00
Total expenditure		47,425,600.59

Even though this project was abandoned, a sum of Rs. 12.5 Mn. out of Rs. 47.4 Mn could be transferred to the new location.

Environmental Impact Assessment was carried out for the identified site at a cost of Rs. 9,052,612.75 which was an essential item of any project.

Hence, the above expenditure incurred on the Airport Project at Weerawila Site could not be avoided although clearance from the Central Environmental Authority (CEA) was denied for the project after a prolonged period of assessment.

4. Systems and Controls

a. Acquisitions of Lands

Relevant systems and controls are adopted under the provision of Land Acquisition Act. Regarding the payment of compensation, a report on disbursement of funds for payment of compensation for land owners is obtained from the respective Acquisition Officer, who makes the payment based on procedures as per the Land Acquisition Act.

b. Contract Administration

Contract Administration carried out in accordance with administration manuals issued and updated by the Consultants.

c. Reimbursement of Duties & Taxes

Reimbursements are done on the production of relevant cusdecs which have been certified by the Engineer as well as the Project Director. In certifying the claims submitted by the Contractors for reimbursements of duties and taxes, it is the Engineer's responsibility to ensure that the claimed amount is in accordance with the items imported specifically for the BIA Development

d. Maintenance of Accounting records

We are maintaining proper books and records in accordance with SLAS and generally accepted accounting principles.

Explanatory Notes *contd.*

Name	: BANDARANAIKE INTERNATIONAL AIRPORT
Location	: 32 km North of Colombo City
Elevation	: 9 m above mean sea level
Aerodrome Ref. Temp	: 32.30 °C
Total Airport Area	: 500 Hectares
Runway	: Single Runway, 3,340 m long and 45 m wide, 7.5 m shoulder either side. Flexible Pavement Surface-Asphalt Porus Friction Course
Runway Designation	: 04 and 22
Taxi Way	: Full Parallel to Runway width of 30 m. 7.5 m shoulders either side and 90° exist Taxiways 5 Nos. Surface Asphalt
Aircraft Parking Aprons	: Four Parking Aprons – A, B, C & D Total Parking Positions – 29 Total Area – 320 m wide, 190 m long
Road Ways	: Access to City & West of the Country via Colombo – Negombo Road Access to Central, North & East of the Country via Katunayake – Minuwangoda Road Super Highway to City envisaged in the near future
Car Parking Slots	: Terminal Car Park – 350 Slots Remote Car Park – 320 Slots Coach Park – 34 Slots Special Enclosure for Tourist Coaches, Airlines and Authorized Tour Operators
Passenger Terminal Building	: Total Floor Area – 82,600 m ² with 330 m Long Finger - Pier Building. Gate Lounges – 8 Contact Gates at Pier with 14 Nos. of Aerobridges – 4 Bus Gates Emigration – 16 Nos. of Passport Control Desks Immigration – 27 Nos. of Passport Control Desks Pax. Check-In Facilities – 54 Nos. of Check-In Desks
Terminal Equipment	: Flight Information Displays Security Screening & Surveillance Systems Baggage Handling Systems Escalators & Lifts Automated People Mover System
Cargo Terminal	: Handling Capacity – 250,000 MT/Year Ground – 7,500 Sq. m First Floor – 2,000 Sq. m Freezer & Cold Room – 133 Cu. m
Cargo Village Terminal I	: Floor Area - 2,787 Sq. m Freight Forwarders Warehouses Airline Offices Banks Courier Service Gem & Diamond Exchange Customs

Principal Data

Cargo Village Terminal II	:	Floor Area - 1,858 Sq. m Facilities for Refrigerated & Frozen Cargo Airmail Sorting Centre Off Shore Avionics Workshop – Aircraft Spare Stores
Cargo Terminal III	:	Total Area – 2,320 Sq. m
Maintenance & Stores Complex	:	Total Floor Area - 4,850 Sq. m Main Stores, Tool Stores & Workshop – 2,500 Sq. m Vehicle Maintenance – 1,500 Sq.m Administration – Technical - 750 Sq. m Central Fault Detection & Reporting System GEM 80 Central fault detection & reporting system
Control Systems & Services	:	Terminal Area & Aerodrome Control Services by Control Tower Approach Control Service up to 60 NM with Primary Surveillance Radar & Secondary Surveillance Radar Fire & Rescue Services - Category 09 Aeronautical Information Service Metrological Information Service DVOR / DME for Navigation & Homing ILS Cat. 1 with Cat. 2 capability on Runway 04 & 22 PAPI both sides of the Runway Runway Lighting – Cat. 1 & Cat. 2 on 22 end – Cat.1 on 04 end Visual Docking Guidance System for 8 Contact Gates Automated Terminal Information Service (ATIS) Broadcast
Other Facilities	:	VIP, WVIP Facilities & On-Line Reservation Facility for CIP Lounge 1 st Class and Business Class Lounges Special Facilities for Welcoming Tourists Taxi Service Local Transport Tour Operators Rent-A-Car Hotel Booking Counters Mobile Phone Connections Bond Baggage & Left Luggage Passenger Assistance Passenger Meeting Day Room & Showers Flight Kitchen Police Station Post Office Restaurants
Medical Facilities	:	Medical Centre with Doctor on Duty on 24 Hour basis (With Ambulance)
Fuel Farm Facilities	:	24 Hour Refuelling Services Jet A-1 Fuel Hydrant Fuelling System

Principal Data *contd.*