



AIRLANKA

ANNUAL REPORT 1990-1991

CORPORATE INFORMATION

NAME OF COMPANY	Air Lanka Limited
LEGAL FORM	Public Limited Liability Company
DIRECTORS	Mr M G D Jayawardena Chairman/MD Mr R Paskaralingam Mr R A Jayakody Mr S K H Wijayatilake PC Mr S Dhanabala
COMPANY SECRETARY	Mrs P A Abeyasekera
REGISTERED OFFICE	37, York Street Colombo 1 Sri Lanka
AUDITORS	Ernst & Young Chartered Accountants P O Box 101 Colombo
PRINCIPAL BANKERS	Bank of Ceylon



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HIGHLIGHTS



		1991	1990
FINANCIAL			
Revenue	Rs M	9,226.19	6,704.95
Expenditure	Rs M	8,821.99	6,405.91
Operating Profit	Rs M	404.20	299.04
Net Profit	Rs M	201.06	163.17
TRAFFIC			
Capacity offered	ASK millions	4,539.59	3,945.39
	ATK millions	600.66	524.53
Passengers carried	Thousands	878	775
Cargo carried	Tonnes	22,090	17,177
Revenue Tonne Kilometres	Millions	414.76	332.80
Passenger Load Factor	%	75.91	70.20
Overall Load Factor	%	69.05	63.45
Break-even Load Factor	%	68.66	63.12
STAFF AND PRODUCTIVITY			
Average number of staff	Nos.	3,678	3,603
Revenue per employee	Rs.	2,508,480	1,860,935
Value added per employee	Rs.	478,709	463,312
Capacity per employee	Ton. Km.	163,312	145,581
FLEET AT 31ST MARCH 1991			
	Owned and on Finance Leases	Operating Leases	On order
L1011-500	2	1	
L1011-100	1		
L1011-50	1		
B737-200*		1	
Airbus A320-200	—	—	1

* Excludes one B737-200 Aircraft which was grounded in February 1990.



The year under review was one of the most challenging years in Airlanka's history. During the first quarter of the year, the airline was cruising happily with an unprecedented net profit. The gulf crisis then descended on the world like a holocaust. Airlanka lost her most lucrative markets temporarily and had to re-think strategies at very short notice. The fact that we were able to come out of the gulf crisis relatively unscathed to make a modest net profit of US\$ 5 million at the end of the year, shows that the airline has matured in every respect and gained the necessary strength and stability to withstand temporary setbacks and grow steadily.

Despite the modest performance in profits, the airline was able to implement far reaching changes to pave the way for rapid expansion. After two years of exhaustive studies and evaluation, the Company was able to finalise its reflecting plans. The decision to refleet Airlanka with a combination of ultra long range and short and medium range Airbus aircraft

would definitely enhance the competitiveness of the airline in the 1990s.

During the year 1990/91 Airlanka also contracted to install the Sabre Reservations System in place of the old Astral System, which would give the airline an unprecedented global display. The purchase of ground handling equipment to the value of approximately US\$ 12 million to improve handling facilities at the Katunayake International Airport also marked our ascendancy to a fully fledged international airline with modern facilities to back the home base operations.

All graded and managerial staff of the Company were also given a substantial pay rise during the year under review. It was indeed fair compensation for the dedicated and determined effort that the vast majority of employees of Airlanka contributed during the gulf crisis. The high level of employee morale and motivation augurs well for the future of the airline.

The airline is now on the threshold of expansion and growth. The future will undoubtedly be more challenging than the past.

The time is now right for Airlanka to forge ahead with boldness, daring and enterprise and gain its place as a strong international airline.

It is my pleasant duty to thank all the employees of Airlanka for their dedicated service and the members of the Board of Directors for the excellent co-operation extended to me during the year under review.

Dunstan Jayawardena
CHAIRMAN/MANAGING DIRECTOR



NET EARNINGS

The Company registered a net profit of Rs. 201.06 million during the year 1990/91, compared with a net profit of Rs. 163.17 million recorded in 1989/90.

REVENUE

Total operating revenue amounted to Rs. 9,226.19 million, up by Rs. 2,521.24 million or 37.6% from 1989/90.

Revenue from airline operations increased by Rs. 2,440.89 million or 38.8%.

Passenger revenue excluding charter revenue totalled Rs. 7,235.35 million, an increase of 33.8% from 1989/90. Revenue from cargo carriage increased by 32% to Rs. 868.62 million. Passenger and cargo revenue constituted 95% of the Company's total revenue for the year.

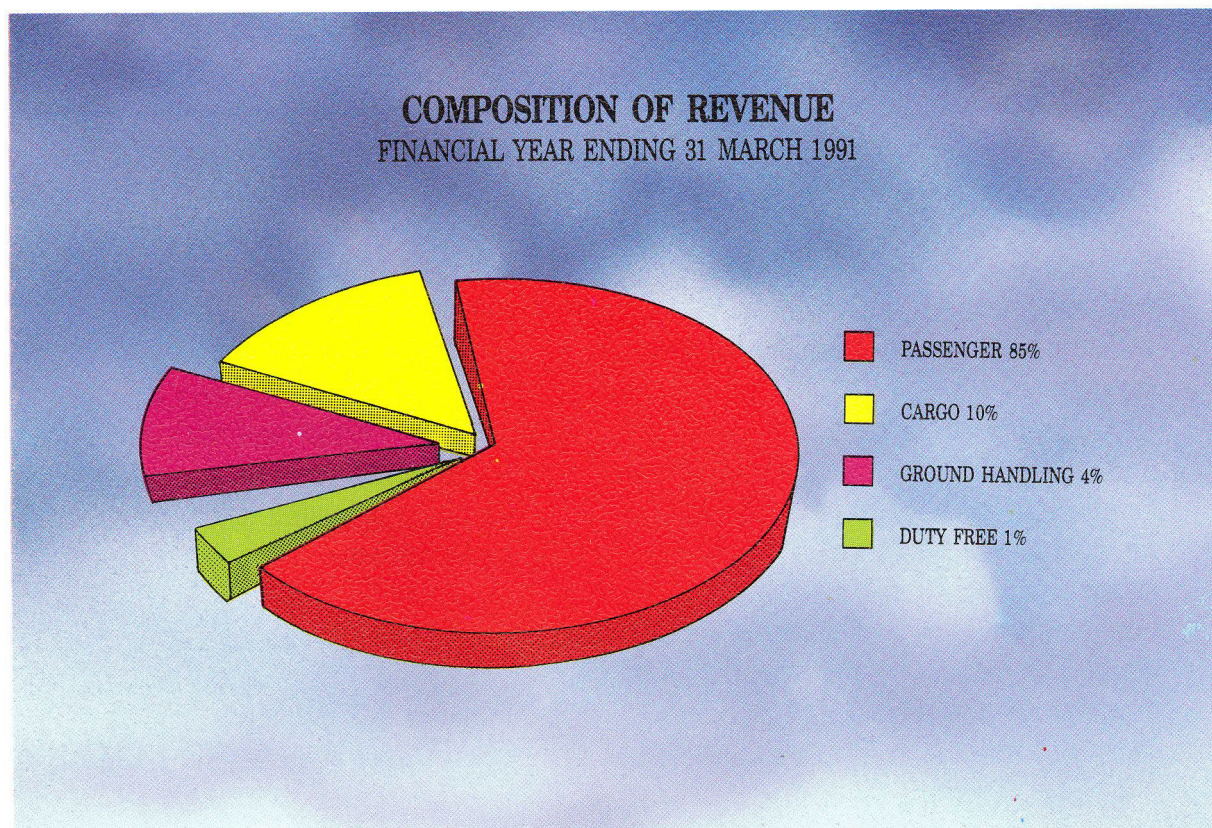
Revenue from charter operations amounted to Rs. 422.66 million during the

year while ground handling and duty free sales showed increases of Rs. 66.09 million and Rs. 14.26 million respectively.

EXPENDITURE

In 1990/91, the Company's operating expenditure totalled Rs. 8,822 million, reflecting an increase of 37.7% from 1989/90. Major increases were registered in Aircraft Lease charges (+ Rs. 445.3 million or 98.6%), Fuel costs (+ Rs. 980.0 million or 66.6%), Flight Operations (+ Rs. 69.0 million or 36.9%) and Stations and Traffic (+ Rs. 439.2 million or 38.4%).

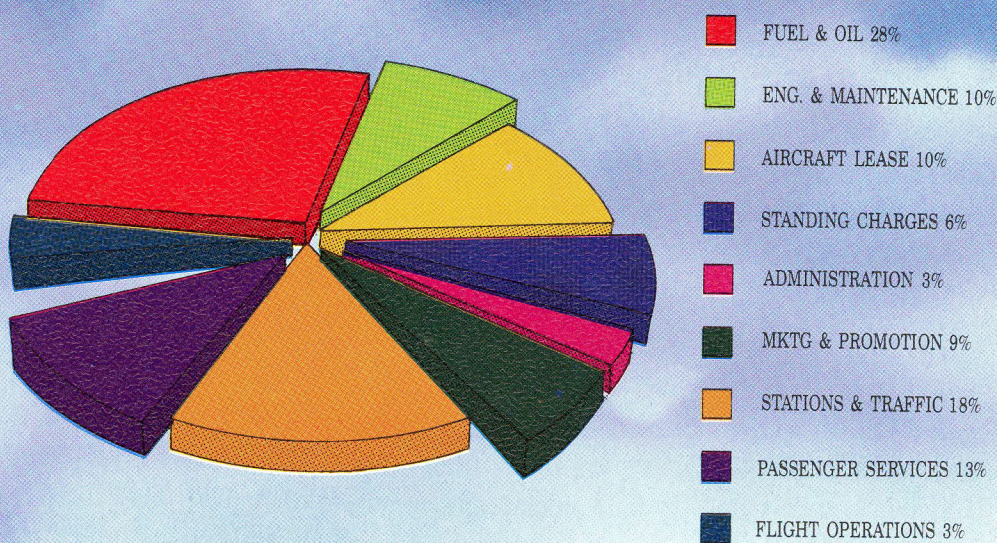
The Company had to charter several aircraft from other airlines during the year under review to evacuate Sri Lankan nationals who were displaced due to the outbreak of hostilities in the Middle East, resulting in increased costs on account of aircraft lease charges.





COMPOSITION OF OPERATING EXPENDITURE

FINANCIAL YEAR ENDING 31 MARCH 1991



The invasion of Kuwait and the outbreak of war caused aviation fuel prices to escalate to unprecedented levels. The average price paid for aviation fuel during the year under review registered an increase of 39.7% compared with the previous year, contributing to the high fuel cost reported.

Cost increases in Flight Operations and Stations and Traffic can be attributed to the increased level of operations undertaken during the year and worldwide increases in navigation and landing fees and ground handling charges.

CAPACITY AND TRAFFIC GROWTH

1990/91 saw a 14.5% growth in total capacity production from 524.53 million tonne kilometres to 600.66 million tonne kilometres.

The expansion came principally from frequency increases to Europe and to India and the Middle East and with the introduction of flights to Australia from May 1990.

Passenger traffic rose during the year by 24.4% in revenue passenger kilometres and total traffic by 24.6% in revenue tonne kilometres.

The overall load factor was 69.05% and the passenger load factor was 75.91%. The figures for the previous year were 63.45% and 70.20% respectively.

The number of passengers carried increased by 13.3% to reach 0.878 million in 1990/91 compared to 0.775 million previous year while cargo carriage increased from 17,177 tonnes in 1989/90 to 22,090 tonnes in 1990/91.



YIELD, UNIT COST AND BREAK - EVEN LOAD FACTOR

Compared to 1989/90, unit yield increased by 12% to Rs. 20.93/tkm. Favourable movements in exchange rates and increased fare levels enabled the Company to achieve this improvement.

Unit cost increased by 21.1% to Rs. 14.37/tkm from Rs. 11.87/tkm. Aircraft lease charges and fuel and oil costs were the main contributors to this increase.

With the increase in unit costs, the break-even load factor deteriorated by 5.54 points to 68.66%. However, the load factor gap – the difference between the overall and break even load factors improved from 0.33 percentage points to 0.39 percentage points in 1990/91.

FINANCIAL POSITION

Shareholders' funds grew by Rs. 175.92 million or 17.1% to Rs. 1,203.25 million as at 31 March 1991.

The Company's liquid assets improved, rising by Rs. 398.94 million or 32.3% to Rs. 1,633.47 million.

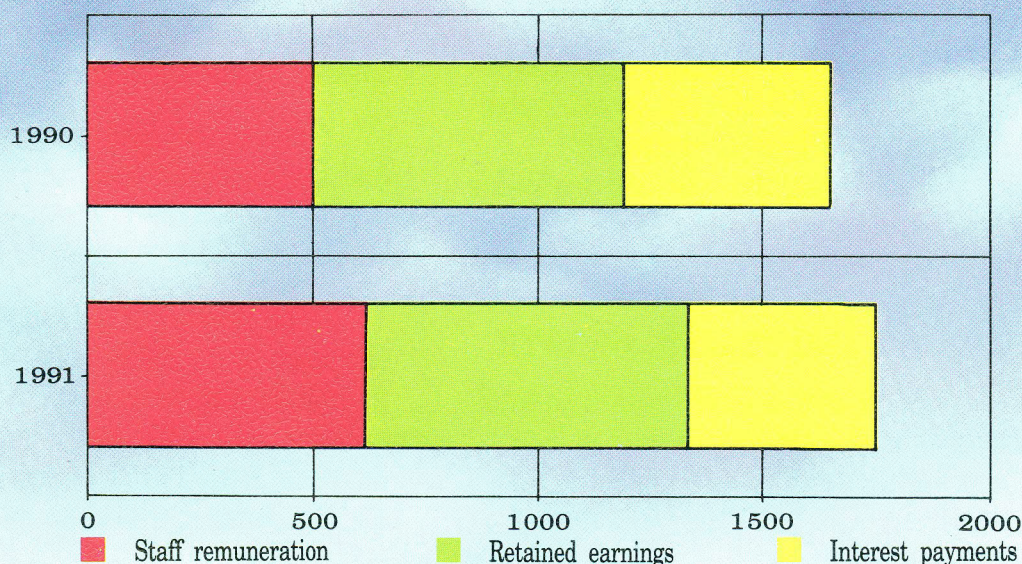
Total assets of the Company rose by Rs. 361.75 million or 5.7% to Rs. 6,684.41 million on 31 March 1991.

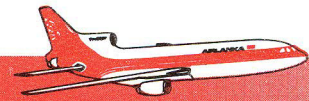
VALUE ADDED

Total value added by the Company during the year under review amounted to Rs. 1,760.69 million, an increase of Rs. 91.38 million or 5.5% over the previous year.

Of the total value added, 35.8% was distributed to employees in the form of salaries and allowances, provident fund contribution and other staff related expenses, whilst 40.7% was retained in the Company for re-investment and future growth. 23.4% of the value added was paid to suppliers of capital in the form of interest charges and 0.10% went to overseas governments as taxes.

DISTRIBUTION OF VALUE ADDED





PERSONNEL

The total number of personnel employed by the Company at 31 March 1991 numbered 3,678 compared to 3,603 at 31 March 1990.

Employee productivity in terms of capacity per employee and revenue per employee improved by 12.2% and 34.8% respectively.

Value added per employee increased from Rs. 463,312 in 1989/90 to Rs. 478,709 in 1990/91.

Employee statistics as at 31 March 1991 are given below:

Functional Analysis

Engineering & Maintenance	884
Flying Operations	152
In-flight Services	452
Stations and Traffic	848
Marketing	503
Advertising and Publicity	19
Administration	820
Total	3,678

AIRCRAFT FLEET

Airlanka's fleet strength on 31 March 1991 stood at 6 aircraft, comprising 5 Lockheed Tristar L1011 aircraft and 1 Boeing 737 aircraft.

The current fleet will be strengthened during the third quarter of this year with the addition of 2 more Lockheed Tristar L1011 aircraft on lease.

1 Airbus A320 - 200 aircraft, which was contracted for during the year under

review, will enter service in December 1992 and replace the Boeing 737 aircraft which is on lease.

In August 1991, the Company entered into an agreement with Airbus Industrie for the purchase of 5 Airbus A340 - 300 aircraft and 1 Airbus A320 - 200 aircraft with an option for another Airbus A320 - 200 aircraft. Delivery of these aircraft will commence in 1993 and continue till 1995.

During the interim period, the existing Lockheed Tristar fleet will be subjected to a major interior refurbishment programme to enhance passenger comfort and appeal.

ROUTE DEVELOPMENT

A weekly frequency to Sydney and Melbourne was added in May 1990 providing a non stop service between Sri Lanka and Australia.

A weekly frequency to Brussels will be introduced during the forthcoming financial year. A series of charter flights to Helsinki is also planned for the Winter 1991.

Airlanka's route network now covers 28 cities in 22 countries and offers 51 flights a week providing convenient connections to many destinations.

Like most airlines, Airlanka had to curtail most of its services to Middle East destinations during the Gulf conflict. Flights to European destinations were re-routed via Pakistani and Soviet airspace to avoid the zone of conflict during that time.

All services to the Middle East destinations, with the exception of Kuwait were restored from 1 March 1991.



SUPPORT SERVICES

In step with the airline's drive towards enhanced passenger service, agreement was reached with AMR Information Services Inc. (AMRIS) and Speedwing Air Systems, enabling Airlanka to be co-hosted on SABRE for its world wide reservations and to upgrade departure control systems at the Colombo International Airport respectively. Equipment upgrading and training of staff has commenced and cut over to these systems is planned for October 1991.

During the year under review the Company acquired a non-exclusive licence to use the On-line Accounting and Sales Information System (OASIS), developed by Singapore Airlines. This is an application system designed specially for airline station accounting functions. The system is presently in operation at the Sri Lanka Sales Office and the Company plans to introduce OASIS to all on-line offices within the next two years.

A new ticket counter was opened at the Colombo International Airport premises to serve all passengers using the Airport and a programme of refurbishing the First Class and the Business Class Lounges was initiated during the year.

STAFF TRAINING

Recognizing that quality of service is a reflection of the quality and orientation of its employees, the Company has placed much emphasis in developing its Technical Training School and its Centre for Training. During the year under review, Airlanka's Centre for Training was officially recognized by IATA as an approved Training Centre in Dangerous Goods Handling.

OTHER IMPORTANT EVENTS

Airlanka became a member of the International Air Transport Association (IATA) in July 1990. IATA Now has over 200 member airlines which carry the bulk of the world's scheduled passenger and cargo traffic.

Special flights were operated during the period August to October 1990 to the Middle East, to evacuate Sri Lankan nationals who were displaced from Kuwait due to the sudden outbreak of hostilities in the region. In addition to its own fleet of aircraft, Airlanka chartered aircraft from other international airlines to operate these missions of mercy.



The Directors have pleasure in submitting their Report and Audited Accounts for the year ended 31 March 1991.

The Accounts are set out on pages 12 to 32

FINANCIAL STRUCTURE

Air Lanka Limited is a Company substantially owned by the Government of Sri Lanka.

The issued share capital of the Company as at balance sheet date was Rs. 7,369.47 million.

PRINCIPAL ACTIVITIES

Air Lanka's principal activity is the operation of international scheduled and non scheduled air services for the carriage of passengers, freight and mail, as the designated carrier of Sri Lanka.

Providing Air Terminal services at the Colombo International Airport and the sale of duty free goods on-board, constitute other main activities of the Company.

Air Lanka owns 50% of the issued share capital of its associated company, Air Lanka Catering Services Limited, which is the sole caterer to all airlines operating through Colombo International Airport.

There was no significant change in the nature of the activities of the Company during the year.

DIRECTORS IN OFFICE

The names of the present Directors of Air Lanka Limited are listed below :-

Mr. M. G. D. Jayawardena
Chairman/Managing Director

Mr. R. Paskaralingam

Mr. R. A. Jayakody

Mr. S. K. H. Wijayatilake PC

Mr. S. Dhanabala

Particulars of interests of Directors in contracts and proposed contracts having been declared by the Directors are stated on page 28.

ACCOUNTS

Profit for the year ended 31 March 1991, before interest and other similar charges, was Rs. 681.99 million.

Net profit for the year, after interest and similar charges and deferred expenditure, amounted to Rs. 201.06 million.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the year ended 31 March 1991, other than those stated in the accounts and the notes thereto.



ACCOUNTING POLICIES

The principal accounting policies of the Company are set out on pages 14 to 16

FIXED ASSETS

Movement of fixed assets are shown in note 6 to the accounts.

BANK AND OTHER BORROWINGS

The net bank loans and other borrowings, including obligations under finance leases of the Company are shown under notes 13 and 14 to the accounts.

AUDITORS

A resolution for the re-appointment of Ernst & Young as the auditors of the Company and determining their remuneration will be proposed at the Annual General Meeting.

By order of the Board

Secretary
16 September 1991

Registered Office:
37, York Street,
Colombo 1.

**TO THE MEMBERS OF
AIR LANKA LIMITED**

We have examined the Balance Sheet of Air Lanka Limited as at 31st March 1991, the Profit and Loss Account and the Statement of Changes in Financial position for the year then ended and the related notes exhibited on pages 12 to 32

Our examination was made in accordance with the Sri Lanka Auditing Standards. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for purpose of our audit. In auditing the returns submitted by overseas stations, we have relied on management representations as to the accuracy and completeness of these returns.

We were unable to satisfactorily verify the balance of Aircraft Non-Kotable Spares and the consumption charged to maintenance cost (see Note 22).
In our opinion, subject to any adjustments to the financial statements resulting from the above, Accounting Policy F(iii) and Note 23, so far as it appears from our examination, proper books of account have been maintained by the

- Company and to the best of our information and according to explanations given to us, the said Balance Sheet, Profit and Loss Account and the Statement of Changes in Financial Position which are in agreement therewith, read together with notes referred to therein;
- a) provide the information required by the Companies Act No. 17 of 1982; and
 - b) respectively, give a true and fair view of the state of the Company's affairs as at 31st March 1991 and of its profit for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We further report that according to information available to us no director of the Company is directly or indirectly interested in a contract with the Company other than those disclosed in Note 20 to the accounts.

Ernst & Young
Chartered Accountants
Colombo
16 September 1991

AUDITORS' REPORT

TO THE MEMBERS OF AIR LANKA LIMITED

We have examined the Balance Sheet of Air Lanka Limited as at 31st March 1991, the Profit and Loss Account and the Statement of Changes in Financial position for the year then ended and the related notes exhibited on pages 12 to 32

Our examination was made in accordance with the Sri Lanka Auditing Standards. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for purpose of our audit. In auditing the returns submitted by overseas stations, we have relied on management representations as to the accuracy and completeness of these returns.

We were unable to satisfactorily verify the balance of Aircraft Non-Rotable Spares and the consumption charged to maintenance cost (see Note 22).

In our opinion, subject to any adjustments to the financial statements resulting from the above, Accounting Policy F(iii) and Note 23, so far as it appears from our examination, proper books of account have been maintained by the

Company and to the best of our information and according to explanations given to us, the said Balance Sheet, Profit and Loss Account and the Statement of Changes in Financial Position which are in agreement therewith, read together with notes referred to therein;

- a) provide the information required by the Companies Act No. 17 of 1982; and
- b) respectively, give a true and fair view of the state of the Company's affairs as at 31st March 1991 and of its profit for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We further report that according to information available to us no director of the Company is directly or indirectly interested in a contract with the Company other than those disclosed in Note 20 to the accounts.

Ernst & Young
Chartered Accountants
Colombo
16 September 1991

PROFIT AND LOSS ACCOUNT

for the year ended 31 March 1991

	Note	1991 Rs. M	1990 Rs. M
Revenue	1	9,226.19	6,704.95
Operating Profit	1 & 2	404.20	299.04
Dividend from associated company		60.00	40.00
		464.20	339.04
Other Income	3	217.79	359.00
		681.99	698.04
Interest and similar charges	4	(472.36)	(525.08)
Profit/(loss) for the year		209.63	172.96
Deferred Expenditure written off	5	(8.57)	(9.79)
Profit/(loss) after deferred expenditure		201.06	163.17

The accounting policies and notes on pages 14 to 30 form part of these accounts.

BALANCE SHEET

as at 31 March 1991

1990 Rs. M		Note	1991 Rs. M	1990 Rs. M
6,704.95	Fixed Assets	6	3,231.25	3,497.75
299.04	Investments	7	99.88	82.73
40.00	Net Current Liabilities	8	(425.77)	(279.81)
			<u>2,905.36</u>	<u>3,300.67</u>
	Financed by:			
698.04	Issued Share Capital	9	7,369.47	7,369.47
(525.08)	Profit and Loss Account	10	(6,036.69)	(6,164.51)
172.96	Capital Reserve	11	343.44	326.29
(9.79)			<u>1,676.22</u>	<u>1,531.25</u>
163.17	Less: Deferred Items	12	(472.97)	(503.92)
	Shareholders' Funds		<u>1,203.25</u>	<u>1,027.33</u>
	Long-term Loans	13	85.59	194.00
	Obligations under finance leases	14	1,616.52	2,079.34
			<u>2,905.36</u>	<u>3,300.67</u>

M. G. D. Jayawardena
Chairman/Managing Director
Colombo, 16 September 1991

R. Paskaralingam
Director

The accounting policies and notes on pages 14 to 30 form part of these accounts.

ACCOUNTING POLICIES

A) ACCOUNTING CONVENTION

The Financial Statements have been prepared under the historical cost convention in accordance with accepted accounting principles. No adjustments have been made for the effects of inflation other than for revaluation and restatement of certain assets as stated below.

B) FIXED ASSETS

Fixed assets are stated at cost of acquisition or construction except for certain properties which are included at valuation or are restated.

Major overhauls and modifications which result in an increase in the earning capacity or the useful life of assets are capitalised.

Depreciation is calculated to write off the cost or valuation, less residual value if any, over the anticipated useful lives of the fixed assets on a straight line basis.

Cost of fixed assets which have been financed by foreign currency loans/leases were restated in 1987/88 and in 1988/89 at year end exchange rates. These are carried at their restated value as at 31 March 1989.

1. Fleet

Aircraft and aircraft engines owned by the Company are stated in the accounts at their restated value as at 31 March 1989. Subsequent additions are reflected at cost.

2. Property and Equipment

Property owned by the Company and situated at No.12, Sir Baron Jayatilaka Mawatha, Colombo 1 was valued by Mr. D.S.A. Senaratne, Chartered Valuer on 25 December 1988 and the Air Lanka Administration and Training

Building situated at Katunayake valued by Mr. S. Fernando, Chartered Valuer, on 20 January 1989.

These properties are included in the accounts on the basis of that valuation.

All other property and equipment have been included in these accounts at cost.

3. Aircraft Rotable Spares

Aircraft rotatable spares, which are treated as tangible fixed assets are recorded in the balance sheet at cost.

4. Leased Assets

Where assets are financed by lease arrangements under which all the risks and rewards of ownership are substantially transferred to the lessee, such assets are treated as fixed assets and recorded at the present value of the minimum lease payments payable over the lease period, derived by discounting them at the rate of interest implicit in the lease.

The corresponding liability is recorded as an obligation under finance leases.

The value of leased assets capitalised are depreciated on the basis described below.

Amounts payable in respect of finance leases are apportioned between reduction of lease obligations and interest charges based on the rate of interest implicit in the relevant leases.

Amounts payable under operating lease agreements are charged to profit and loss account as they arise.

C) DEPRECIATION

Depreciation is provided on all fixed assets other than freehold land, at rates calculated to write off the cost or valuation

ACCOUNTING POLICIES - CONTINUED

of fixed assets less residual value if any, over their estimated useful lives on a straight-line basis.

New aircraft and spare engines – over 16 years after making a 10 percent allowance for residual value.

Used aircraft and spare engines – over the estimated remaining useful life which currently ranges from 4 to 8 years.

Buildings – over the expected useful life subject to a maximum of 20 years.

Equipment – over periods ranging from 3 to 10 years according to the type of equipment.

Aircraft rotatable spares – over 8 years.

D) ASSOCIATED COMPANIES

An associated company is a company, not being a subsidiary, in which the Company has a long-term interest of not less than 20 percent of the equity and in the management of which the Company is in a position to exercise significant influence.

The profit and loss account includes the dividends declared by the associated company.

The investment in the associated company is stated at a valuation, based on the net assets of the associated company as reported in their latest available audited financial statements, which are as at 31 March 1990.

E) STOCKS AND GENERAL CONSUMABLE STORES

Stocks are stated at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items.

Consumable aircraft and other spares and other stocks are valued on the basis of weighted average cost.

F) CONVERSION OF FOREIGN CURRENCIES

(i) Foreign currency transactions are converted into Sri Lanka Rupees at the rates of exchange prescribed by the International Air Transport Association where applicable, and at exchange rates ruling on transaction dates in all other cases.

(ii) All assets and liabilities denominated in foreign currency outstanding as at balance sheet date are translated at the exchange rates ruling as at 31 March 1991.

(iii) Gains and losses arising from the translation of long term liabilities (term loans and leases denominated in foreign currencies) as at balance sheet date, which finance specific fixed assets, are recorded in an Exchange equalisation account and amortised as currency gains/losses over the remaining life of the related assets.

Unamortised balances of such gains and losses are carried forward in the exchange equalisation account.

This policy is a departure from the provisions of the Sri Lanka Accounting Standard No. 21, issued by the Institute of Chartered Accountants of Sri Lanka which is effective from 1st April 1990. This requires such exchange differences to be dealt with in the Profit and Loss Account in the year in which they arise.

The directors consider that the policy adopted presents a fair view since;

ACCOUNTING POLICIES - CONTINUED

a) The net foreign exchange earnings of the Company are adequate to meet the foreign currency commitments on long-term loans and finance leases without the need to convert Sri Lanka Rupees into the relevant currencies,
and

b) The related assets, mainly aircraft, which are financed by foreign currency loans and finance leases are saleable in foreign currency.

In these circumstances, if the entire unrealised exchange difference is taken into the Profit and Loss Account of a given year, it would distort that particular year's result.

(iv) All other gains and losses arising on translation are dealt with through the profit and loss account as exchange differences.

G) DEBTORS

Debtors are stated at the amounts they are estimated to realise. Provision has been made in the accounts for bad and doubtful debts.

H) LIABILITIES AND PROVISIONS

All known liabilities as at the balance sheet date have been provided for in the financial statements.

All employees based in Sri Lanka are covered under the Employees Provident Fund and Employees Trust Fund.

All employees based in Sri Lanka with 5 or more years service with the Company are entitled to the payment of gratuity, under the Payment of Gratuity Act No. 12 of 1983.

Overseas based employees are covered under social security schemes applicable in their home country.

I) AIRLINE REVENUE RECOGNITION

Passenger and cargo sales are initially recorded as a liability in the Sales in advance of carriage account and subsequently recognised as air transport revenue when the service is utilised through carriage by the Company.

Passenger and cargo sales made by the Company and utilised on the services of other airlines are billed by them and offset against Sales in advance of carriage when paid.

Provision is made in the accounts for anticipated revenue adjustments, which the management considers necessary.

J) DEFERRED PROFITS

Profits and losses on sale of fixed assets in the ordinary course of business are included in the Profit and Loss account as they arise.

Profits and losses which arise from sale and lease back transactions involving fleet and spare engines and which result in finance leases, are deferred and amortised over the shorter of the lease term and the estimated useful life of the asset.

K) DEFERRED EXPENDITURE

Airframe overhaul ("C" check) costs are deferred and amortised over prescribe flying hours.

Computer systems development and crew conversion costs are deferred and amortised over periods ranging from three to five years.

NOTES TO THE ACCOUNTS

1. Analysis of revenue and operating profit

	Revenue		Operating Profit/(Loss)	
	1991 Rs. M	1990 Rs. M	1991 Rs. M	1990 Rs. M
Airline operations	8,732.97	6,292.08	101.68	67.36
Ground handling	409.45	343.36	270.96	208.63
Duty free sales	83.77	69.51	31.56	23.05
	<u>9,226.19</u>	<u>6,704.95</u>	<u>404.20</u>	<u>299.04</u>

Revenue from airline operations comprises:

	1991 Rs. M	1990 Rs. M
Scheduled services:		
Passenger	7,235.35	5,407.13
Excess baggage	145.78	151.07
Cargo	868.62	656.63
Mail	60.56	45.58
	<u>8,310.31</u>	<u>6,260.41</u>
Non Scheduled services	422.66	31.67
	<u>8,732.97</u>	<u>6,292.08</u>

NOTES TO THE ACCOUNTS - CONTINUED

2. Operating profit

	1991	1990
	Rs. M	Rs. M
<hr/>		
Operating profit has been arrived at after charging:		
Depreciation on owned fixed assets	291.41	306.56
Depreciation on leased fixed assets	224.35	224.35
	<hr/> 515.76	<hr/> 530.91
Operating lease charges	896.74	451.44
Auditors' remuneration	0.45	0.26
Directors' emoluments	0.65	0.60
Bad and doubtful debts	46.88	25.00
Deferred maintenance checks	38.82	26.44
<hr/>		

3. Other income

	1991	1990
	Rs. M	Rs. M
<hr/>		
Profit/(loss) on disposal of fixed assets	3.85	0.18
Exchange differences	(24.12)	222.13
Interest	155.82	95.57
Other items	82.24	41.12
	<hr/> 217.79	<hr/> 359.00
<hr/>		

NOTES TO THE ACCOUNTS - CONTINUED

4. Interest & similar charges

	1991	1990
	Rs. M	Rs. M
<hr/>		
Interest payable:		
On bank loans	(31.63)	(58.81)
On other loans and lease finances	(380.14)	(425.80)
	<u>(411.77)</u>	<u>(484.61)</u>
Currency losses:		
On bank loans	(60.59)	(40.47)
On other loans and lease finances	—	—
	<u>(60.59)</u>	<u>(40.47)</u>
	<u>(472.36)</u>	<u>(525.08)</u>

5. Deferred expenditure written off

	1991	1990
	Rs. M	Rs. M
<hr/>		
Maintenance checks	(38.82)	(26.44)
Crew training and conversion	(0.36)	(0.28)
Computer systems development	(5.46)	(5.46)
Other items	(2.75)	(4.05)
	<u>(47.39)</u>	<u>(36.23)</u>
Less: Deferred maintenance checks included in operating expenditure	<u>38.82</u>	<u>26.44</u>
	<u>(8.57)</u>	<u>(9.79)</u>

NOTES TO THE ACCOUNTS - CONTINUED

6. Fixed assets	Aircraft and Related Equipment					
	Own Rs. M	Leased Rs. M	Property Rs. M	Equipment Rs. M	Projects Rs. M	Total Rs. M
Cost						
At 01 April 1990	2,043.99	3,986.56	645.55	507.15	2.35	7,185.60
Additions	9.59	—	0.32	56.78	189.68	256.37
Disposals	(8.00)	—	—	(22.61)	—	(30.61)
Restatements & revaluations	—	—	—	—	—	0.00
Adjustments & transfers	—	—	(1.52)	1.52	(1.05)	(1.05)
At 31 March 1991	2,045.58	3,986.56	644.35	542.84	190.98	7,410.31
Depreciation						
At 01 April 1990	1,441.67	1,691.78	149.87	404.53	—	3,687.85
Charge for the year	206.29	224.35	35.44	49.68	—	515.76
Disposals	(2.00)	—	—	(22.55)	—	(24.55)
Restatements & revaluations	—	—	—	—	—	0.00
Adjustments & transfers	—	—	(0.42)	0.42	—	(0.00)
At 31 March 1991	1,645.96	1,916.13	184.89	432.08	0.00	4,179.06
Net Book Value						
At 31 March 1991	399.62	2,070.43	459.46	110.76	190.98	3,231.25
At 01 April 1990	602.32	2,294.78	495.68	102.62	2.35	3,497.75

Note: Aircraft and related equipment includes the net book value of the B737-200 4R-ULH aircraft, which was grounded in February 1990 pending disposal.

NOTES TO THE ACCOUNTS - CONTINUED

7. Investments in associated companies

	1991 Rs. M	1990 Rs. M
Investment in Air Lanka Catering Services Ltd.		
At 01 April	82.73	93.63
Acquired in the year	—	—
Revaluation of share holding	17.15	(10.90)
At 31 March	<u>99.88</u>	<u>82.73</u>

The Company holds 50% of the issued share capital of Air Lanka Catering Services Limited.

The Company's shareholding in Air Lanka Catering Services Limited as at 31 March 1990 has been revalued on a net assets basis and included in these accounts on the basis of that valuation.

NOTES TO THE ACCOUNTS - CONTINUED

8. Net current assets/(liabilities)

	1991 Rs. M	1990 Rs. M
Current assets:		
Stocks	380.71	397.53
Debtors – trade	873.07	693.52
other	116.42	114.89
staff	21.53	31.22
Advances and deposits	328.08	270.49
Cash and bank balances	1,633.47	1,234.53
Total Current assets	3,353.28	2,742.18
Current liabilities		
Creditors – repayable within one year		
Bank and other loans	112.09	272.77
Finance leases	502.33	426.59
	614.42	699.36
Trade creditors	1,673.84	1,342.98
Other creditors	89.61	67.08
Sales in advance of carriage	1,401.18	912.57
Total current liabilities	3,779.05	3,021.99
Net current assets/(liabilities)	(425.77)	(279.81)

The balance shown under Sales in advance of carriage represents approximately 8.8 weeks of average sales (7.6 in 1990).

This balance includes a provision for revenue adjustments which the management considers adequate based on past experience.

NOTES TO THE ACCOUNTS - CONTINUED

9. Share capital

	1991 Rs. M	1990 Rs. M
Authorised		
150,000,000 shares of Rs. 100 each	15,000.00	15,000.00
Issued and fully paid 73,694,713 shares of Rs. 100 each (1990 – 73,694,713 shares of Rs. 100 each)	7,369.47	7,369.47
Movement in share capital account:		
At 01 April	7,369.47	7,369.47
Shares issued during the year	—	—
At 31 March	7,369.47	7,369.47

10. Profit and loss account

	1991 Rs. M	1990 Rs. M
Profit/(loss) for the year	201.06	163.17
Profit and loss account at 01 April		
As previously reported	(6,164.51)	(6,248.13)
Prior year adjustments	(73.24)	(79.55)
As restated	(6,237.75)	(6,327.68)
Profit and loss account at 31 March	(6,036.69)	(6,164.51)

NOTES TO THE ACCOUNTS - CONTINUED

11. Capital reserve

	1991	1990
	Rs. M	Rs. M
At 01 April	326.29	349.03
Revaluation of fixed assets	0.00	0.00
Restatement of fixed assets	0.00	(11.84)
Revaluation of investments	17.15	(10.90)
At 31 March	343.44	326.29

12. Deferred items

	1991	1990
	Rs. M	Rs. M
Exchange equalisation	456.58	472.52
Deferred expenditure	16.39	31.40
	472.97	503.92

Notes (a) and (b)

(a) Exchange equalisation

	1991	1990
	Rs. M	Rs. M
At 01 April	472.52	74.36
Restatement of liabilities	44.65	512.99
Restatement of fixed assets	0.00	0.00
Charge for prior years	0.00	(74.36)
Charge for the year	(60.59)	(40.47)
At 31 March	456.58	472.52

(b) Deferred expenditure

	1991	1990
	Rs. M	Rs. M
At 01 April	31.40	35.14
Additions during the year	32.38	32.49
Charge for the year	(47.39)	(36.23)
At 31 March	16.39	31.40

NOTES TO THE ACCOUNTS - CONTINUED

11. Capital reserve

	1991 Rs. M	1990 Rs. M
At 01 April	326.29	349.03
Revaluation of fixed assets	0.00	0.00
Restatement of fixed assets	0.00	(11.84)
Revaluation of investments	17.15	(10.90)
At 31 March	343.44	326.29

12. Deferred items

	1991 Rs. M	1990 Rs. M
Exchange equalisation	456.58	472.52
Deferred expenditure	16.39	31.40
	472.97	503.92

Notes (a) and (b)

(a) Exchange equalisation

	1991 Rs. M	1990 Rs. M
At 01 April	472.52	74.36
Restatement of liabilities	44.65	512.99
Restatement of fixed assets	0.00	0.00
Charge for prior years	0.00	(74.36)
Charge for the year	(60.59)	(40.47)
At 31 March	456.58	472.52

(b) Deferred expenditure

	1991 Rs. M	1990 Rs. M
At 01 April	31.40	35.14
Additions during the year	32.38	32.49
Charge for the year	(47.39)	(36.23)
At 31 March	16.39	31.40

NOTES TO THE ACCOUNTS - CONTINUED

13. Long - term loans

The Company has loan obligations to banks and other institutions which are denominated in US dollars.

	In \$ M	Equivalent Rs. M
At 01 April 1990	11.67	466.77
Additions during the year	—	—
Repayments during the year	(6.82)	(273.82)
Restatements	—	4.73
At 31 March 1991	4.85	197.68

The future payments under these loans are as follows.

	1991		1990	
	\$ M	Rs. M	\$ M	Rs. M
Bank loans				
– within one year	1.74	71.03	5.81	232.48
– between one and two years	1.20	48.91	1.74	69.71
– between two and five years	0.90	36.68	2.10	84.00
	3.84	156.62	9.65	386.19
Other loans				
– within one year	1.01	41.06	1.01	40.29
– between one and two years	—	—	1.01	40.29
– between two and five years	—	—	—	—
– over five years	—	—	—	—
	1.01	41.06	2.02	80.58
Total long-term loans	4.85	197.68	11.67	466.77
Amount due within one year included				
– under current liabilities	2.75	112.09	6.82	272.77
	2.10	85.59	4.85	194.00

Loans are repayable on various dates upto the year 1993 at varying interest rates which range from 9 percent to 11.5 percent per annum during the year.

Obligations to bank and other loans, stated above are secured on fixed assets owned by the Company to the extent of US \$ 3.3 M (Rs. 134.5 M). The balance of US \$ 1.55 M (Rs. 63.18 M) is guaranteed by the Government of Sri Lanka.

NOTES TO THE ACCOUNTS - CONTINUED

14. Obligations under finance leases

The Company has commitments under finance lease agreements in respect of aircraft and spare engines expiring in 1994.

	In \$ M	Equivalent Rs. M
At 01 April 1990	62.65	2,505.93
Additions during the year	—	0.31
Repayments during the year	(10.66)	(427.33)
Restatements	—	39.92
Adjustments & transfers	—	0.02
At 31 March 1991	51.99	2,118.85

The future capital payments under these finance leases, which are US Dollar denominated, are as follows:

	1991		1990	
	\$ M	Rs. M	\$ M	Rs. M
Within one year	12.32	502.33	10.67	426.59
Between:				
– one and two years	14.22	579.45	12.32	492.93
– two and three years	16.37	667.06	14.22	568.64
– three and four years	9.08	370.01	16.36	654.67
– four and five years	—	—	9.08	363.10
Over five years	—	—	—	—
	51.99	2,118.85	62.65	2,505.93
Amount due within one year included –				
– under current liabilities	12.32	502.33	10.66	426.59
	39.67	1,616.52	51.99	2,079.34

The future finance charges on the above finance leases amounts to Rs 550.94M (USD 13.52M)

The Government of Sri Lanka has guaranteed the above obligations of the Company under the finance lease agreement.

NOTES TO THE ACCOUNTS - CONTINUED

15. Aircraft engine overhaul

Aircraft engine maintenance cost is provided for in these accounts on the basis of actual hours flown, at an estimated cost per flying hour established at the commencement of the financial year.

16. Commitments

- (a) Outstanding commitments for capital expenditure at 31 March 1991 are as follows:

	Rs. M
Contracts placed	1,896.94
Authorised but not contracted for	1.56

Amount shown against contracts placed includes the price of the Airbus A320-200 aircraft ordered in August 1990.

- (b) At 31 March 1991, the Company has commitments under operating leases to make payments as follows:

	In US\$ M	In Rs. M
- Within one year	9.15	372.94
- After one year but within 5 years	14.66	597.62
- After 5 years	—	—
	23.81	970.56

17. Contingencies

- (a) No provision has been made in the accounts in respect of contingent liabilities arising in the normal course of business of the Company, in respect of legal action or other claims being undertaken against the Company.

This contingent liability is estimated by the management at Rs. 58 M.

- (b) The L 1011 — 100 4 R ULD aircraft which was destroyed on 03 May 1986 was insured for third party liability up to US Dollars 550 million.

The insurers are liable to settle all claims up to this amount.

The claims submitted do not exceed this sum.

- (c) No provision has been made in the Accounts in respect of a potential tax liability of OMR 319,547 (Rs. 33.8 M) in respect of income arising in Oman. However, with the impending signing of a double tax treaty between the two Governments, it is anticipated that this matter will be resolved in favour of the Company.

NOTES TO THE ACCOUNTS - CONTINUED

18. Retirement gratuity

A provision of Rs. 18.10 million has been made in the accounts in respect of retirement gratuities which may fall due under the Payment of Gratuity Act No. 12 of 1983

Mr. M G D Jayawardena
Mr. R Paskaralingam
Mr. S K H Wijayatillake PC
Mr. R Jayakody

19. Taxation

Sri Lanka taxation

The Company has signed an agreement under Section 17 of the Greater Colombo Economic Commission Law No. 4 of 1978 which exempts it from the payment of income tax, corporate tax and tax on dividends and royalties for an initial period of seven years from 01 September 1979, subsequently extended for a period of three years from 01 August 1986.

This exemption has been further extended for a period of five years commencing from 01 August 1989.

Overseas taxation

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

However, there is no liability in the current year due to the carry forward tax losses available to the Company.

20. Directors' interest

Air Lanka has the right to nominate four Directors to the Board of Air Lanka Catering Services Limited, with whom the company has a contract for catering. The nominee Directors as at date are:

21. Charge on assets

Assets shown as own in the financial statements of the Company at 31 March 1991 belonged to the Company and were free from any charge except for:

Lockheed Tristar L 1011-50 4R ULE (airframe)

Nine Rolls Royce RB 211 aircraft engines

22. Aircraft non-rotatable spares (Rs. 233 M)

Historical values as per the books of accounts were used in the preparation of the financial statements, as the perpetual inventory records could not be relied upon and as a complete physical verification as at year end was not carried out.

23. Aircraft rotatable spares (Rs. 210 M- Book value)

Aircraft rotatable spares were identified and physically verified during the year. These spares were valued based on weighted average US \$ rates available in the records and converted into Sri Lanka Rupees by using a cross rate. The cross rate was arrived at by dividing the Rupee book value of rotatable spares by the aforesaid total US \$ value.

NOTES TO THE ACCOUNTS - CONTINUED

This is a departure from Sri Lanka Accounting Standard No. 18, which requires fixed assets to be valued at historical Rupee values. The directors however, consider this as appropriate, in order to establish individual Rupee costs which were previously not available. It is intended that in future, individual Rupee costs will be maintained in addition to the US \$ values.

24. Post balance sheet events

(a) Investment in Air Lanka Catering Services

On 01 June 1991, the Company purchased 64,000 shares of Air Lanka Catering Services from Thai Airways at par value for a total consideration of Rs. 6.4 million. This transfer, which is effective as of 01 June 1991, increases the Company's share holding in Air Lanka Catering Services to 60% from the previous level of 50%.

The Joint Venture Agreement between Air Lanka Limited and Thai Airways has been extended for a further period of five years from 01 June 1991.

(b) Major commitments

Subsequent to the Balance Sheet date, the Company has entered into several major contractual obligations in respect of fleet replacement/expansion/refurbishment, computerised systems enhancement and infrastructure development projects described below:

The total future commitment under these contracts is costed at US \$ 703 million (Rs. 28,800 million).

i. Fleet expansion

The Company entered into an agreement with Airbus Industrie in August 1991 for the purchase of 1 Airbus A320—200 aircraft and 5 Airbus A340—300 aircraft, with an option for an additional Airbus A320—200 aircraft. Delivery of these aircraft will take place in 1993, 1994 and 1995.

The Company also entered into a contract with International Aero Engines for the purchase of one IAE V 2500 spare engine for delivery in November 1992.

ii. Fleet expansion

Agreements were entered into with British Airways for the dry lease of 2, L1011—200 aircraft. One aircraft entered service in August 1991 and the second aircraft will be added to the fleet in September 1991.

iii. Fleet refurbishment

Agreement was entered into with FFV Aerotech for the interior refurbishment of 4R ULA, 4R ULB, 4R ULC and 4R ULE aircraft. This work programme is scheduled to commence on 22 September 1991.

iv. Enhancement of computerised systems

Agreements were entered into with AMR Information Services Inc. (AMRIS), for Air Lanka to use data processing services provided by the

NOTES TO THE ACCOUNTS - CONTINUED

SABRE Reservations System and with Speedwing Air Systems, enabling Air Lanka use their RTB Departure Control System.

Both systems will be operational in October 1991. Contracts have been awarded to Wescan Europe Ltd. and to Memorex Telex Ltd., respectively, to supply and install the required data terminals and the departure control system data network.

v. Infrastructure development

A contract was awarded to C Itoh & Co., to provide ground support equipment and a corporate communications system.

25. Loans granted to Employees

Staff debts outstanding as at 31 March 1991 amounting to Rs. 21.53 M

includes loans granted to employees in excess of Rs. 20,000. Particulars of such loans are as follows:

	No of employees	Amount in Rs.
Balance as at		
01 April 1990	11	1,051,752
Loans granted		
during the year	1	120,000
Loans recovered		
during the year	12	776,779
Balance as at		
31 March 1991	11	394,973

26. Comparative amounts

Certain comparative amounts have been reclassified to conform with the current year's presentation.

STATEMENT OF CHANGES IN FINANCIAL POSITION

Source of funds

	Note	1991 Rs. M	1990 Rs. M
Profit / (loss)	A	67.82	133.49
Adjustment for items not involving the movement of funds	B	684.87	642.07
Funds generated from operations		752.69	775.56
Proceeds from issue of shares		—	—
Increase in long—term liabilities		0.31	—
Maintenance reserve		—	—
Proceeds from disposal of fixed assets		9.91	0.24
Income from investments		60.00	40.00
		822.91	815.80

Application of funds

	Note	1991 Rs. M	1990 Rs. M
Purchase of fixed assets		66.67	67.68
Investment in projects		188.63	8.84
Investment in associate company		—	—
Increase in deferred expenditure		32.38	32.49
Decrease in long—term loans		273.82	272.69
Decrease in finance lease obligations		427.33	343.06
		988.83	724.76

Working capital

Net increase	C	(165.92)	91.04
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STATEMENT OF CHANGES IN FINANCIAL POSITION - CONT.

Notes

		1991 Rs. M	1990 Rs. M
<hr/>			
A	Profit / (loss) per accounts	201.06	163.17
	Prior year adjustments	(73.24)	(79.55)
	Prior year non—cash adjustments	—	89.87
	Income from associated company	(60.00)	(40.00)
		67.82	133.49
<hr/>			
B	Adjustments for items not involving the movement of funds		
	Depreciation	515.76	530.91
	Amortisation of deferred items	107.98	76.70
	Profit on disposal of fixed assets	(3.85)	(0.18)
	General provisions	64.98	34.64
		684.87	642.07
<hr/>			
C	Increase/ (decrease) in components of working capital		
	Stocks	(16.82)	40.59
	Debtors	218.27	205.44
	Advance payments and deposits	57.59	167.77
	Creditors and accruals	(823.90)	(637.42)
	Net liquid funds	398.94	314.66
		(165.92)	91.04
<hr/>			

STATEMENT OF VALUE ADDED



Value added :

	1991 Rs. M	1990 Rs. M
Total revenue	9,226.19	6,704.95
Less: Purchases of goods and services	7,743.29	5,434.64
Value added by the Company	1,482.90	1,270.31
Add: Surplus on sale of fixed assets	3.85	0.18
Investment income	155.82	95.57
Non operating revenue	58.12	263.25
Dividends from associate company	60.00	40.00
Total value added	1,760.69	1,669.31
Distribution of value added:		
To employees – as remuneration	629.90	489.76
To overseas governments – as corporation and other taxes	2.20	0.86
To suppliers of capital – as interest	411.77	484.61
Retained for re-investment and future growth		
Depreciation	515.76	530.91
Retained profits	201.06	163.17
Total value added	1,760.69	1,669.31

Value added is a measure of wealth created. This statement shows the value added by the Company and its distribution by way of payments to employees, governments and to providers of capital. It also indicates the proportion retained for re-investment and future growth.

TEN YEAR REVIEW



		1982	1983	1984
FINANCIAL				
Total revenue	Rs. Million	1,822.53	2,503.79	3,238.84
Total expenditure	Rs. Million	2,164.74	2,509.28	3,082.33
Net profit/(loss)	Rs. Million	(648.40)	(464.19)	(648.15)
Share capital	Rs. Million	405.00	980.00	1,780.00
Fixed assets	Rs. Million	1,001.50	3,797.40	4,209.43
Current assets	Rs. Million	699.85	947.13	974.04
Total assets	Rs. Million	1,701.35	4,744.53	5,183.48
Current liabilities	Rs. Million	1,202.62	1,338.27	1,577.66
Overall yield	Rs. tkm	9.6	10.4	12.5
Unit cost	Rs. tkm	7.4	7.0	7.8
Breakeven load factor	%	77.10	67.30	62.40
Revenue per RPK	Rs./RPK	1.0	1.2	1.4
Revenue per ASK	Rs./ASK	0.7	0.8	1.0
Operating expenditure per ASK	Rs./ASK	0.9	0.9	1.0
Revenue per ATK	Rs./ATK	5.7	6.5	7.7
PRODUCTION				
Passenger capacity	ASK Millions	2,318.74	2,821.97	3,172.91
Overall capacity	ATK Millions	292.80	360.00	397.20
TRAFFIC				
Passengers carried	Nos. Thousands	441	598	622
Passengers carried	RPK Millions	1,604.93	2,036.75	2,142.10
Passenger load factor	%	69.20	72.20	67.50
Cargo carried	Tonnes	7,935	10,415	11,805
Overall load carried	RTK Millions	175.50	227.20	245.20
Overall load factor	%	60.00	63.10	61.70
STAFF				
Average strength	Nos.	2,544	2,731	3,048
Revenue per employee	Rs.	716,403	916,803	1,062,612
Capacity per employee	Tonne-km	115,094	131,820	130,315
Load carried per employee	Tonne-km	68,986	83,193	80,446

GLOSSARY OF TERMS USED

Available Seat Kilometres (ASK)

The product of seats offered for sale and the distance over which they are carried.

Available Tonne Kilometres (ATK)

This is the measure of transport production. The ATK produced by a flight are the capacity for payload of the aircraft measured in tonnes multiplied by the distance flown.

Revenue Passenger Kilometres (RPK)

The product of passengers carried and the distance over which they are carried.



1985	1986	1987	1988	1989	1990	1991
3,778.60	4,247.25	3,746.93	4,190.34	5,144.31	6,704.95	9,226.19
3,963.96	4,495.23	3,658.76	4,139.44	4,713.94	6,405.91	8,821.99
(1,269.06)	(1,042.16)	(642.72)	(374.64)	(128.43)	163.17	201.06
2,868.00	3,265.00	5,898.47	6,510.47	7,369.47	7,369.47	7,369.47
4,280.60	4,867.62	5,456.47	4,063.57	3,979.55	3,497.75	3,231.25
1,109.26	1,376.58	1,246.67	1,383.21	1,962.62	2,742.18	3,353.28
5,389.87	6,244.21	6,774.15	5,520.95	6,035.80	6,322.66	6,684.41
1,693.86	1,825.14	1,722.74	1,886.51	2,158.64	3,021.99	3,779.05
12.0	12.2	13.9	15.6	16.4	18.8	20.9
7.6	8.6	8.9	10.3	10.2	11.9	14.4
63.04	70.50	64.00	66.00	62.41	63.12	68.66
1.4	1.4	1.6	1.8	1.9	2.3	2.5
0.9	0.9	1.0	1.2	1.4	1.6	1.9
1.0	1.1	1.1	1.3	1.3	1.6	1.9
6.9	7.6	8.3	9.7	10.8	12.0	14.5
3,910.94	3,959.97	3,062.21	2,930.09	3,401.17	3,945.39	4,539.59
514.30	490.40	374.80	366.70	446.20	524.53	600.66
687	713	583	591	720	775	878
2,545.52	2,573.25	1,927.28	1,974.00	2,510.06	2,769.50	3,445.91
65.10	65.00	62.90	67.40	73.80	70.20	75.91
13,773	14,959	11,045	11,462	14,995	17,177	22,090
294.50	303.00	223.10	228.90	294.60	332.80	414.80
57.30	61.80	59.50	62.40	66.00	63.45	69.05
3,874	3,885	3,796	3,638	3,535	3,603	3,678
975,374	1,093,243	987,073	1,151,825	1,455,250	1,860,935	2,508,480
132,757	126,229	98,736	100,797	126,223	145,581	163,312
76,020	77,992	58,772	62,919	83,338	92,367	112,768

Revenue Tonne Kilometres (RTK)

The product of passenger and cargo carried in tonnes and the distance over which they are carried.

Load Factor

The percentage relationship of revenue load to capacity provided. The passenger load factor relates RPK to ASK while the overall load factor relates RTK to ATK.

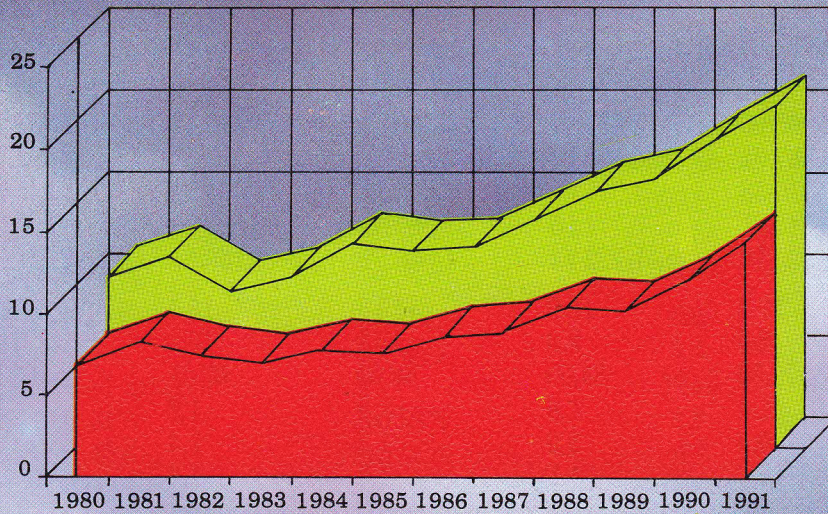
Break-even Load Factor

The load factor required to equate revenue from scheduled airline operations with operating costs.



UNIT COST AND UNIT YIELD

Rs. PER TKM

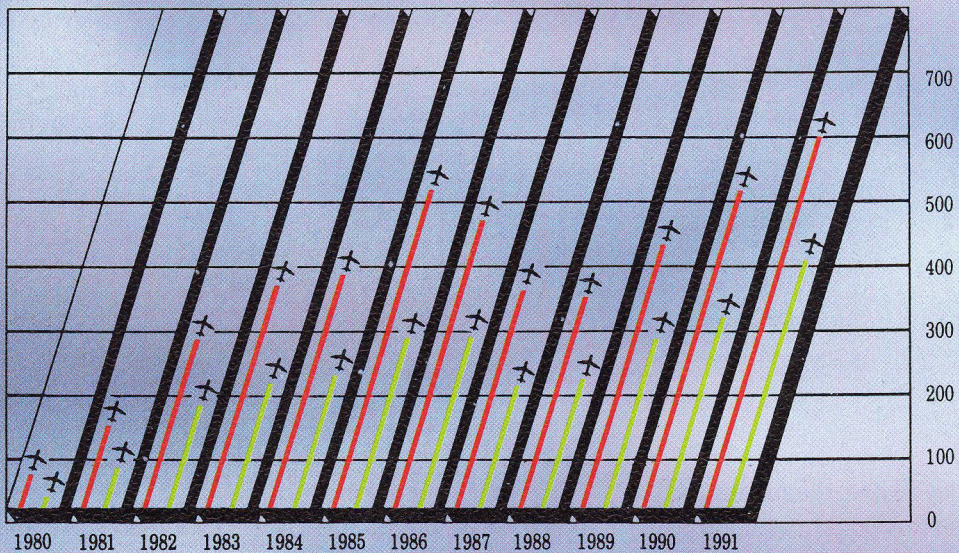


UNIT COST UNIT YIELD

FINANCIAL YEAR ENDING 31 MARCH

CAPACITY GROWTH

TONNE KILOMETRE (MILLIONS)

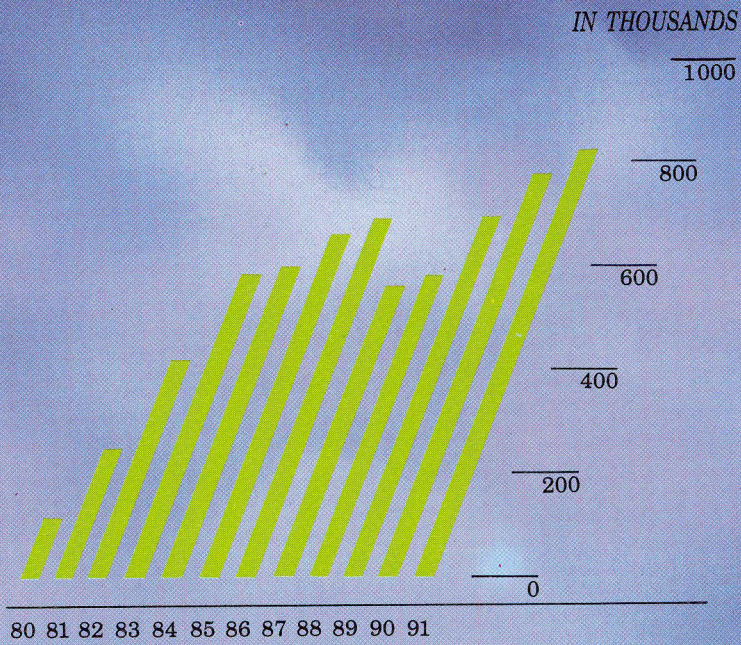


UTILISED AVAILABLE

FINANCIAL YEAR ENDING 31 MARCH



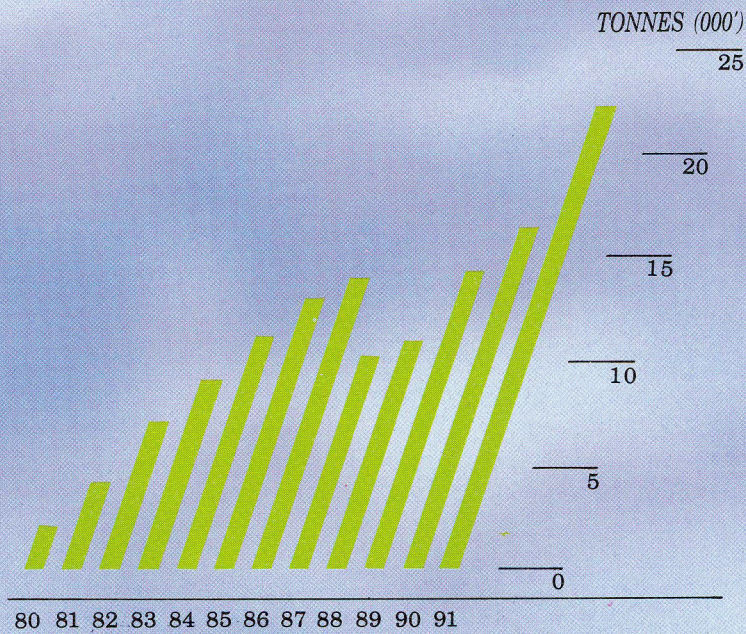
PASSENGER GROWTH



■ PASSENGERS CARRIED

FINANCIAL YEAR ENDING 31 MARCH

CARGO GROWTH

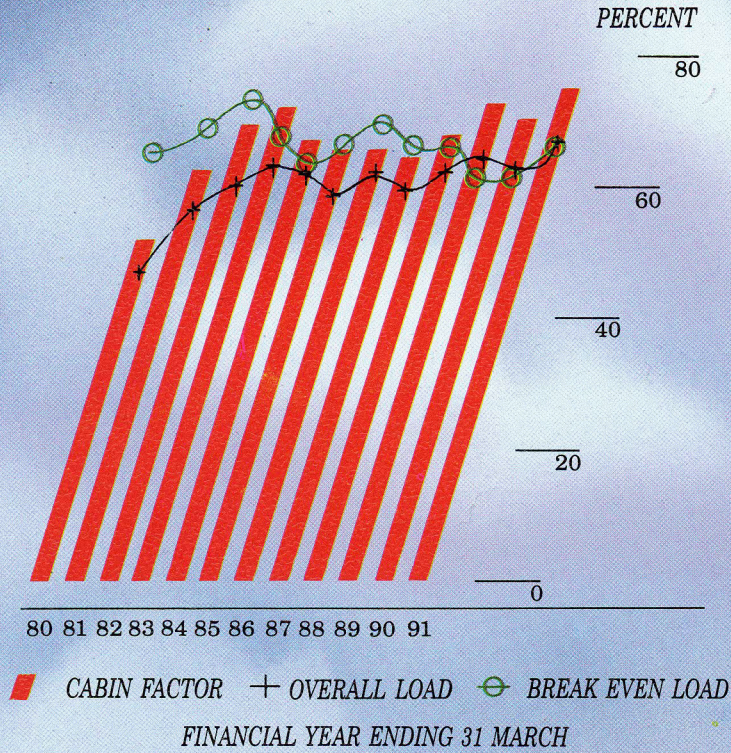


■ CARGO CARRIED

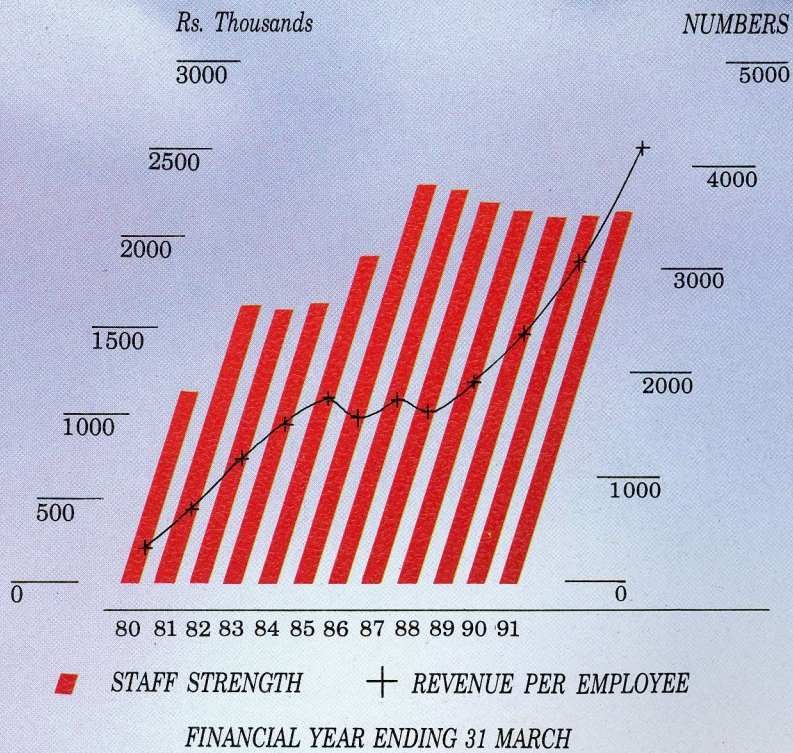
FINANCIAL YEAR ENDING 31 MARCH



LOAD FACTORS AND BREAKEVEN

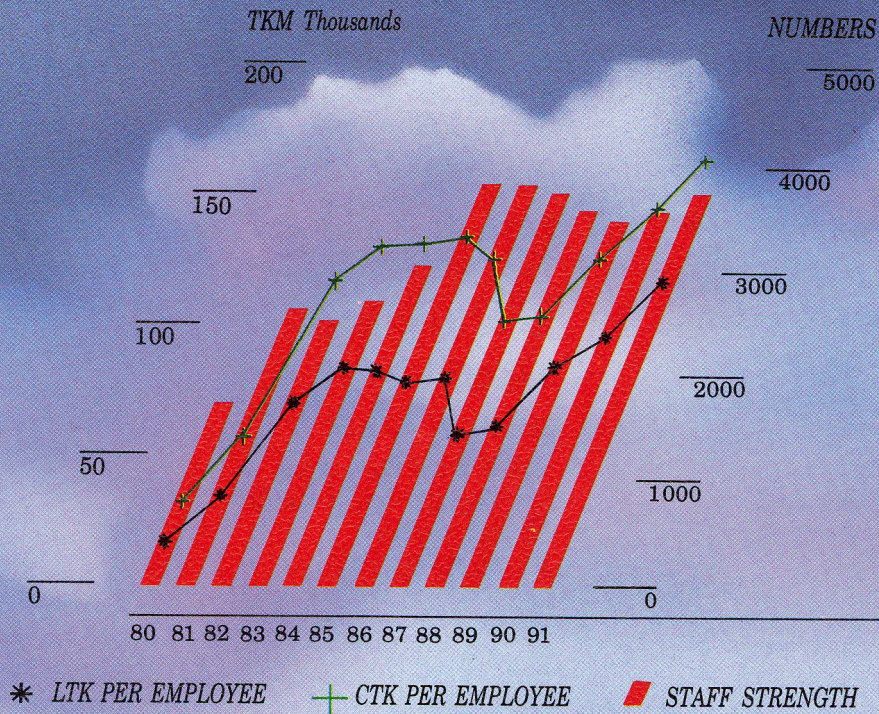


STAFF STRENGTH AND PRODUCTIVITY



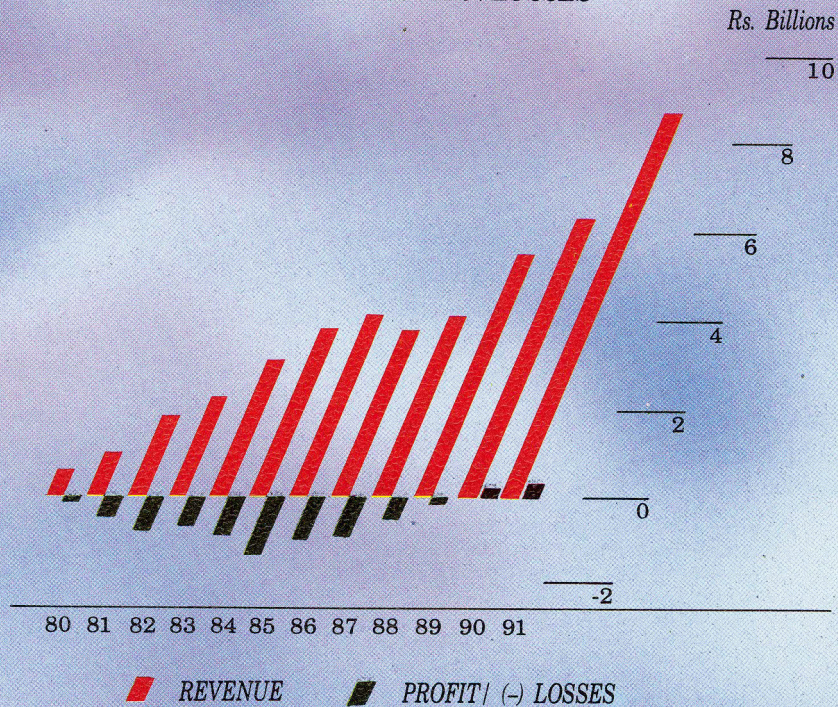


STAFF STRENGTH AND PRODUCTIVITY

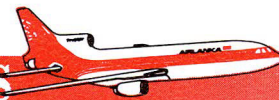


FINANCIAL YEAR ENDING 31 MARCH

REVENUE AND PROFITS / LOSSES



FINANCIAL YEAR ENDING 31 MARCH

**AUSTRALIA**

Adelaide:
World Aviation Systems (Aust)
Pty Ltd
First Floor, Avion House,
249-251 Pulteney St.
Adelaide 5000, South Australia

Brisbane:
World Aviation Systems (Aust)
Pty Ltd.
Perry House, 131 Elizabeth St.
Brisbane 4000, Queensland

Melbourne:
World Aviation Systems (Aust)
Pty Ltd.
543, King St.,
West Melbourne 3003

Perth:
Taprobane Tours (WA) Pty Ltd.
Suite 2/66 Mill Point Road
South Perth W A 6151
Tel: (D) 09-474-2288

Sydney:
World Aviation Systems (Aust)
Pty Ltd.
10th Level 403 George Street,
Sydney 2000, New South Wales
Tel: (G) 61-2-2391722

AUSTRIA

Vienna:
Air Lanka Ltd.
2-4 Mattillstrasse
Vienna 1040
Tel: (G) 5133776-13

BAHRAIN

Bahrain International Travel
Chamber of Commerce Building,
Ground Floor,
P O Box 1044, Manama
Tel: (G) 253315

BRAZIL

Varig Brazilian Airlines
365, Av Almirante,
Sylvio Noronha,
Rio De Janeiro, GB 20000
Brazil ZC-00
Tel: (D) 473971

BULGARIA

Balkan Bulgarian Airlines
12, Narodno Subranie, Square
Sofia
Tel: (D) 884433, 884493

CANADA

Ontario:
D & N Travel Services Inc
789, Donmills Road, Suite 700
Donmills Ontario
Tel: (G) 416 696 1224

CYPRUS

Signal Travel Ltd
52, Evagoras Avenue,
P O Box 1301
Nicosia
Tel: (G) 02 464764

FEDERAL REPUBLIC OF GERMANY

Frankfurt:
Air Lanka Ltd.
Schwindstrasse 3
6000, Frankfurt/Main 1
Tel: (G) 069-740616-19

FRANCE

Air Lanka Ltd.
9, Rue du 4 Septembere
75002 Paris
Tel: (G) (1) 42 96 90 22

GREECE

M/s Intermodal Air S A
31-33 Voulis Str,
105-57 Athens
Tel: (G) 3249089

HONG KONG

Air Lanka Ltd.
52/53 2/F1 Admiralty Centre
Tower 02, 18 Harcourt Rd.
Queensway
Tel: 5299708

INDIA

Amritsar:
Stic Travels & Tours,
Amritsar International Hotel
City Centre, Amritsar (Punjab)

Bombay:
Air Lanka Ltd.
Mittal Tower 'C'
Ground Floor,
Nariman Point,
Bombay 400 021
Tel: (G) 223599/244148

Faridabad:
Stic Travels & Tours,
Magpie Tourist Complex,
Mathura Road,
Faridabad (Haryana)

Jullundur:
Stic Travels & Tours
Hotel International
GT Road, Jullundur (Punjab)

Madras:
Translanka Travels (Pvt) Ltd
Mount Chambers 758,
Mount Rd. Madras 600002
Tel: (G) 861777

New Delhi:
Stic Travels & Tours
Hotel Imperial, Janapath
New Delhi - 110001
Tel: (G) 3327909

Patna:
Stic Travels & Tours
Hotel Ashok,
Patliputra,
Patna (Bihar)

**Tiruchirapalli:**

Translanka Air Travels (Pvt) Ltd.
Hotel Femina
14-C Williams Rd.
Contonment
Tiruchirapalli 620001
Tel: (G) 40852

Trivandrum:

Air Lanka Ltd.
T.C. 15/1897, Geethanjali Bldg.
Vazhuthacaud
Trivandrum 695014.,
Kerala S India
Tel: (G) 68767 (Plan103)

IRELAND**Belfast:**

Aer Lingus
46-48 Castle St, Belfast
Northern Ireland
Tel: (D) 084-45151

Dublin:

Aer Lingus,
40, Upper O'Connell St.,
Dublin

Limerick:

Aer Lingus,
136 O'Connell St.,
Limerick

Shannon:

Aer Lingus,
Limerick Office,
Shannon

ITALY**Milan:**

Air Lanka Ltd.
Piazza Diaz,
1 20123 Milan
Tel: 02/807832

Rome:

Air Lanka Ltd.
Via Barberini No 3
00187 Rome
Tel: (G) 484858

JAPAN**Fukuoka:**

Air Lanka Ltd.
1 Floor Kyukan Recruit
Hakata Bldg. 2-19-27
Hakata Ekimae Hakata-ku
Fukuoka 812
Tel: 092-451-2855

Tokyo:

Air Lanka Ltd.
2nd Floor Dowa Bldg.
Ginza 7-2-22 Chuoku,
Tokyo 104
Tel: (G) 03-573-4263/4

KOREA**Seoul:**

Dongil Express Co Ltd.
Room 705,
Nangang Bldg
32-2, Mukyo-Dong
Chung-ku, Seoul
Tel: (G) (02) 756-2162

KUWAIT**Safat:**

Delta Travel Company
P O Box 26347
Safat 13124
Tel: (G) 2424443

LEBANON**Beirut:**

World International Lines Ltd
P O Box 70775, Beirut
Autostrade
Jal-El-Dib, Doueihi Bldg
Tel: (G) 403515

MALAYSIA**Kuala Lumpur:**

Air Lanka Ltd.
UG4 Banguna Perangsang
Segmal, Jalan Kampong
Attap 50460
Tel: (G) 2740211

MALDIVES**Male:**

Air Lanka Ltd.
No. 20 Athireege Annex 2
Amir Ahmed Magu
Male
Tel: (G) 323459

Maldives Air Travel Services Ltd
Marine Drive
Male 20-05

MALTA

M/s World Aviation Systems Ltd
20 Republic Street
Valetta
Tel: 238744 - 242848

NETHERLANDS**Amsterdam:**

Air Lanka Ltd.
Parnassusweg 210,
1076 Av. Amsterdam
Tel: (G) 020-6760977

PAKISTAN**Karachi:**

Crown Travels
01st Floor, Services Club,
Extn Building
Mereweather Road,
Karachi 75520
Tel: (G) 525129

Islamabad:

Crown Travels,
Office No. 3-A,
33 Buland Markaz,
Blue Area, Islamabad

Lahore:

Crown Travels,
No. 3, Pearl Continental Hotel
Shahrah-Quaid-e-Azam, Lahore



QATAR

Doha:
Ali Bin Ali Travel Bureau
P O Box 2197,
Doha
Tel: (G) 441161 (5 lines)

SAUDI ARABIA

Air Lanka Ltd.
P O Box 122
King Abdul Aziz St.
Alkhobar 31932
Dhahran
Tel: (G) 8946503

Yusuf Bin Ahmed Kanoo
P O Box 37,
Damman 3141
Tel: (G) 03-8348880

Jeddah : (Western Province)

Air Lanka Ltd.
c/o Kanoo Travel Agency
P O Box 812
Kanoo Centre, Medina Road,
Kilo 7, Jeddah 21421

Riyadh : (Central Province)

Air Lanka Ltd.
c/o Kanoo Travel Agency,
P O Box 753
Al Hassa Road,
Riyadh 11421

SINGAPORE

Air Lanka Ltd
Unit 02-00/B
Pil Bldg., 140 Cecil Street,
Singapore 0106
Tel: (G) 2257233

SOLOMAN ISLANDS

Soloman Islands Airlines
Solar House,
P O Box 23,
Honiara
Tel: (D) 20031

SRI LANKA

Colombo:
Air Lanka Ltd. (Head Office)
37, York Street,
Colombo 01
Tel: (G) 421291

Air Lanka Ltd.
14, Sir Baron Jayatilake
Mawatha,
Colombo 01

Air Lanka Ltd.
55 Janadhipathi Mawatha,
Colombo 01
Tel: 28331/2/3

Air Lanka Ltd.
660, Galle Road,
Colombo 03
Tel: 581131

SULTANATE OF OMAN

Muscat:
Mezoon Travel LLC
P O Box 629
Muscat
Tel: (G) 796680/5

SWITZERLAND

Zurich:
Air Lanka Ltd.
Reitergasse 6
P O Box 313
8021 Switzerland
Tel: (D) 01/241 20 90

TAIWAN

Taipei:
Overseas Travel Services Ltd
3F1, No: 156, Fuhsin N. Road
Taipei, Taiwan
Republic of China
Tel: (G) 5144652

THAILAND

Bangkok:
Air Lanka Ltd.
942/34-35 Charn Issara Tower,
Rama IV Road,
Bangkok 10500
Tel: (D) 236-7618

U A E

Abu Dhabi:
Atlas Travel Tourism & Transport
P O Box 2086
Abu Dhabi
Tel: (G) 337927

Ajman:
Ajman National Travel Agency
P O Box 641
Ajman
Tel: (G) 422300 (8 lines)

Al Ain:
Atlas Tourism and Transport,
Al Ain St.,
Al Dhaheri Building,
P O Box 16060,
Al Ain

Dubai:
Air Lanka Ltd.
Dubai Airline Centre,
(DNATA) Flame Roundabout,
C Entrance, 3rd Floor,
P O Box 12889, Dubai
Tel: (G) 225951

Dubai National Air Travel
P O Box 1515
Dubai
Tel: (G) 228151

Fujairah:
Fujairah National Air Travel
Agency
P O Box 96
Fujairah
Tel: (G) 09-222524

Ras Al Khaimah:
Rak National Travel Agency
P O Box 5214
Ras Al Khaimah
Tel: (G) 221536

Sharjah:
Sharjah National Travel &
Tourist Agency (P) Ltd.
P O Box 17
Sharjah
Tel: (G) 351411

AIRLANKA OFFICES & GENERAL SALES AGENTS



Umm Al Quwain:
Umm Al Quwain National Travel
Agency
P O Box 601
King Faizal Street
Umm Al Quwain
Tel: (G) 656615

UNITED KINGDOM

London:
Air Lanka Ltd.
6/10 Bruton Street,
London W1X 7AG
Tel: (D) 071-491-1053

Manchester:
Avion Lanka Travels Ltd.
36 King Street,
Manchester MZ 6 AB
Tel: 06-83-6891

Birmingham:
Aer Lingus,
6/8 Temple Row,
Birmingham,

Bristol:
Aer Lingus,
Aylward House,
Wind St.,
Bristol

Edinburgh:
Aer Lingus,
3 Shandwick Place,
West Princess St.,
Edinburgh
Scotland

Glasgow:
Aer Lingus,
19 Dixon St.,
St. Enoch Square,
Glasgow, Scotland

Leeds:
Aer Lingus,
83 Albion St.,
Leeds

Liverpool:
Aer Lingus,
1st Floor,
66 Lord St.,
Liverpool

USA

Los Angeles:
Pyramid Travels
8135 San Fernando Road,
Sun Valley CA 91352
Tel: (G) 818 767 3827 SLS

New York:
Air Lanka Ltd
767 5th Ave.,
New York N.Y. 10153

USSR

Moscow:
Aeroflot Soviet Airlines
Leningraosky Prospekt,
37 Moscow 125167

YUGOSLAVIA

Belgrade
YugoLanka
Dusana Brankovica 15
11030 Belgrade
Tel: 011/542 - 313

ROUTE NETWORK

