



ANNUAL REPORT 1 9 9 5



Corporate Information

Legal Form

Public Limited Liability Company

Directors

Mr W T Jayasinghe Chairman/Managing Director

Mr K Balapatabendi PC

Mr A.S Jayawardena

Mr E Jayasinghe

Mr Nihal Jayamanne PC

Mr H Rajapakshe

Company Secretary

Mrs M R Peries

Registered Office

37, York Street,

Colombo 1.

Sri Lanka

Auditors

Ernst & Young

Chartered Accountants,

P.O. Box 101

Colombo 10.

Principal Bankers

Bank of Ceylon

Sri Lanka's national



carrier which



is a profitable and

contemporary business

enterprise that serves the

national interest and is

known for it's high quality

of personalised and

efficient service...



Now in its 16th year of operation Air Lanka has grown into an international airline with an admirable record of performance in an increasingly competitive field.

From inception we placed the highest emphasis on the quality of inflight service, in which our standards have today become a benchmark of excellence in the airline industry.

A Network of Superiority

As a result of the recent re-fleeting operation, more than 50 percent of the current Air Lanka fleet is made up of new aircraft. The search for the aircraft best suited for our routes and passenger needs, led to our purchase of the Airbus series, particularly the Airbus A340-300, the most modern aircraft in its class. In the year under review, Air Lanka became the first Asian airline to fly the A340-300.

Air Lanka now flies to 29 destinations in Asia, the Middle East and Europe. Our initial staff strength of over a thousand now exceeds four thousand, with regular training and refresher programmes to maintain the highest levels of service.

The quality and warmth of our in-flight service, which comes both from the Sri Lankan national tradition of hospitality combined with consistent training in the assurance of passenger comfort, have made many another airline to often look in this direction for the hiring of their own in-flight crews. A clear acknowledgement of superior quality by our peers in the airline industry.

The quality of our service is further enhanced by the in-flight catering services of Air Lanka Catering Services Ltd., which is a joint operation by Air Lanka and Thai Airways. Air Lanka Catering Services is also the supplier of catering services to many other airlines operating to Colombo.

The use of sophisticated aircraft, a wide route network, a high level of training, and consistently high standards of in-flight service, have combined to establish the recognition of Air Lanka among modern airlines committed to unchallenged excellence in service.



flies to 29

destinations in 21 countries.

Contents

CHAIRMAN'S STATEMENT	6
HIGHLIGHTS	8
REVIEW OF OPERATIONS	9
DIRECTORS' REPORT	20
REPORT OF THE AUDITORS	22
PROFIT AND LOSS ACCOUNT	24
BALANCE SHEET	25
ACCOUNTING POLICIES	26
NOTES TO THE ACCOUNTS	30
STATEMENT OF CHANGES -IN FINANCIAL POSITION	43
STATEMENT OF VALUE ADDED	45
TEN YEAR REVIEW	46
GRAPHICAL REVIEW	48
AIRLANKA OFFICES & GENERAL SALES AGENTS	



Chairman's Statement

The year under review 1994/95 represents a period of three singular achievements.

Net profit after tax for the 1994/95 stands at Rs.431.74 million, the highest level of profit recorded by the company since its inception.

During the year under review Air Lanka carried 1,081 million passengers and 28,748 tonnes of cargo which too is the highest carriage on record.

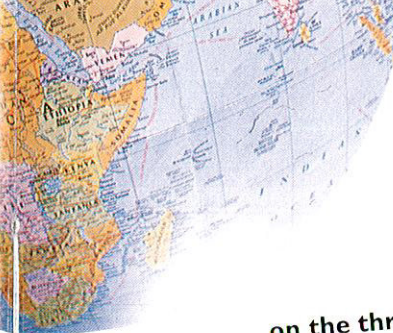
In addition, Air Lanka successfully inducted the three new A340 - 300 aircraft to its fleet.

These achievements have to be considered in the context of the global aviation industry which is still in a state of turmoil with escalating costs and ever declining yields.

I take this opportunity to place on record that the achievements enumerated were reached under the stewardship of the previous Board of Directors headed by the then Chairman General D S Attygalle.

Today we find ourselves on the threshold of yet another important exercise which is bound to have far reaching implications on the future of Air Lanka. Under the guidance of the Public Enterprise Reform Commission a team of consultants are now in the process of evolving a plan to restructure the airline with the objective of attracting equity participation in the airline upto 40% of its shareholding.

This exercise when successfully completed will ensure the long term viability of Air Lanka and its rightful place in Asia's civil aviation industry.



of yet another important exercise...

on the threshold



Another pertinent issue that I wish to address at this point is the need to develop a rational aviation policy that does not constrain the commercial interest of the nations flag carrier. Detractors may interpret this remark as a plea for protectionism.

On the contrary, we need to look at the more successful airlines both in Europe and Asia. In every such instance the governments concerned have ensured reciprocity and equal opportunity.

Whilst we are totally committed to free and fair competition we must guard ourselves against unbridled access to our skies which will certainly entice the predators of the industry to exploit the market.

A small country such as ours cannot offer the luxury of open skies. At best we could afford a managed sky policy that is now a common feature in most countries including the developed nations.

As in the past year we commit ourselves again to reduce our costs and improve upon the performance of the year under review.

On behalf of the Board of Directors, I thank the management and all staff for their dedication and pursuit of excellence in whatever assignment they are engaged in.

W T Jayasinghe
W T Jayasinghe

		GROUP		COMPANY	
		1995	1994	1995	1994
		Rs.M	Rs.M	Rs.M	Rs.M
FINANCIAL					
Revenue	Rs.M	14,037.17	12,800.43	13,651.28	12,456.05
Expenditure	Rs.M	12,337.99	11,929.25	12,154.46	11,747.81
Operating profit	Rs.M	1,699.18	871.18	1,496.82	708.24
Net profit	Rs.M	476.10	193.03	431.74	188.60
TRAFFIC					
Capacity offered	ASK millions			5,404.55	5,145.36
	ATK millions			672.27	632.15
Passengers carried	Thousands			1,081	994
Cargo carried	Tonnes			28,748	25,957
Passenger load factor	%			70.06	69.51
Overall load factor	%			67.56	66.34
Break -even load factor	%			63.10	65.60
STAFF AND PRODUCTIVITY					
Average number of staff	Nos.	5,285	5,055	4,584	4,442
Revenue per employee	Rs.	2,656,040	2,532,231	2,978,029	2,804,153

Operational Highlights

AIRCRAFT FLEET AS AT 31 MARCH 1995

AIRCRAFT TYPE	OWNED	FINANCE LEASES	OPERATING LEASES	ON ORDER
Lockheed Tristar L 1011 - 500	2	-	-	-
Lockheed Tristar L 1011 - 200	-	-	-	-
Lockheed Tristar L 1011 - 100	1	-	-	-
Lockheed Tristar L 1011 - 50	1	-	-	-
Airbus A 320 - 200	-	2	-	-
Airbus A 340 - 300	-	3	-	-
TOTAL	4	5	-	-

NET EARNINGS

The Company registered a net profit of Rs.431.74 million during the year 1994/95, compared with a net profit of Rs.188.60 million recorded in 1993/94. An increase of Rs.243.14 million or 128.9% from 1993/94.

The Group net profit for the year ended 31st March 1995 amounted to Rs.476.10 million, an increase of Rs.283.07 million or 146.65% from the previous year.

At the Company level, earnings per share was up by 129.2% to Rs.8.39 per share. Return on shareholders' funds was 12.2%, compared to 7.1% achieved in 1993/94.

Review of Operations

REVENUE

Total operating revenue amounted to Rs.13,651.28 million, up by Rs.1,195.23 million or 9.6% from 1993/94.

The revenue of the group in 1994/95 was Rs.14,037.17 million, an increase of Rs.1,236.74 million or 9.7% from the previous year.

Revenue from airline operations increased by Rs.1,040 million or 9.0% to Rs.12,630.45 million.

Passenger revenue excluding charter revenue totalled Rs.10,939.22 million an increase of 8.7% from 1993/94. Revenue from cargo carriage increased by 9.0% to Rs.1,257.91 million.

Revenue from charter operations increased Rs.19.49 million or 31.0% to 82.38 million, while ground handling revenue increased by 19.8% or Rs.931.59.

Duty Free Sales increased Rs.1.27 million or 1.4% to Rs.89.24 million.



Air Lanka

flew 22 million



kilometers



worldwide last year.



The European routes continued to be the largest contributor to revenue from airline operations, with 44.4% of the total. Middle East routes came second with 22.0%, while South East Asian and Regional routes contributed 20.8% and 12.8% respectively.

EXPENDITURE

In 1994/95 the Company's operating expenditure totalled Rs.12,154.46 million reflecting an increase of 3.5% from 1993/94.

Increase in costs were mainly due to Aircraft Standing Charges (Rs.342.4 million or 44.3%), Aircraft Maintenance and Overhaul (Rs.170.4 million or 9.9%), Stations and Traffic (Rs.159.1 million or 7.0%).

Increase in other costs were Advertising and Promotions costs (Rs.36.8 million or 25.9%), Passenger Services (Rs.82.2 million or 6.4%), Marketing (Rs.96.0 million or 8.2%) and Administration (Rs.14.4 million or 3.5%).

Savings on Aircraft Lease Charges were substantial, amounting to Rs.430.1 million or 51.0%. Termination of the lease of two L1011-200 aircraft during the year under review contributed to this saving.

Other cost saving were from Aviation Fuel and Oil costs (Rs.113.6 million or 4.9%) and Flight Operation costs (Rs 13.7 million or 2.7%). Savings in Aviation Fuel and Oil costs could be attributed to low fuel prices and the fuel efficiency of the Airbus aircraft.

Aircraft Standing charges were increased with the addition of three Airbus A340 - 300 aircraft to the fleet.

Increase in Aircraft Maintenance costs could be attributed to the rising cost of maintaining the Lockheed Tristar fleet.

Stations and Traffic Costs increased with the increase in the number of aircraft movements (250 flights or 8%).



CAPACITY AND TRAFFIC GROWTH

1994/95 saw a 6.4% increase in total capacity production from 632.15 million tonne kilometers to 672.27 million tonne kilometers.

Traffic rose by 8.3% against a 6.4% increase in capacity. This resulted in an increase in the overall load factor by 1.22 percentage points to 67.56%.

The number of passengers carried increased by 8.8% to reach 1.08 million in 1994/95 compared to 0.99 million in the previous year, while cargo carriage increased from 25,957 to 28,748 tonnes.

Passenger seat factor rose 0.55 percentage points to 70.6% despite a 5.04% increase in seat kilometers offered during the year.

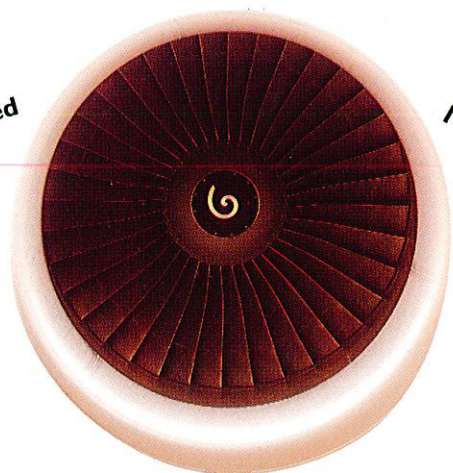
YIELD/UNIT COST/BREAK - EVEN LOAD FACTOR:

Compared to 1993/94, unit yield increased marginally by 0.72% to Rs.27.8 per load tonne - kilometer.

Unit cost decreased 3.04% to Rs.17.55 per capacity tonne kilometer, mainly on account of the 6.3% increase in capacity offered during the year.

Break-even load factor improved 2.5 percentage points to 63.1%. As a result, the load factor gap - the difference between the overall and break-even load factors improved by 3.72 points to 4.46 percentage points.

has carried



11,070,000 passengers systemwide since inception.

FINANCIAL POSITION

Shareholders' funds grew by 877.86 million or 33.02% to Rs.3,536.34 million as at 31 March 1995.

The Company's Liquid Assets rose by Rs.1,789.37 million to Rs.3,241.66 million.

The Group Liquid Assets as at 31st March 1995 was Rs.3,421.04 million, an increase of Rs.1,819.16 million from the previous year.

Total assets of the Company rose by Rs.13,610.6 million or 86.0% to Rs.29,437.30 million.

The total assets of the Group were Rs.29,792.84 as at 31st March 1995, an increase of Rs.13,665.33 million or 84.7% from 1993/4.

Return on total assets was 1.5% compared with 1.2% in the previous year.

Return on total assets for the Group was 1.6%.

VALUE ADDED

Total value added by the Company during the year under review amounted to Rs.3,888.75 million, an increase of Rs.997.94 million or 34.5% over the previous year.

Contribution to value added came chiefly from operating revenue of Rs.13,651.28 million, Investment income of Rs.181.82 million and non - operating revenue of Rs.271.43 million.

Of the total value added, 32.47% was distributed to employees in the form of salaries and allowances, Provident Fund contributions and other staff related expenses, whilst 41.0% was

Last year we



served 1,350,000 meals,



retained in the company for re-investment and future growth. 25.4% of the value added was paid to suppliers of capital in the form of interest charges and 1.13% was paid as taxes.

Total value added by the Group was Rs.4,162.01 million, an increase of Rs.1,062.67 million or 34.3% over the previous year.

PERSONNEL

The total number of personnel employed by the company as at 31 March 1995 stood at 4584, compared to 4442 at 31 March 1994.

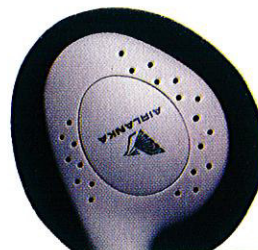
Given below are the number of employees employed, by department, as at 31 March 1995.

FUNCTIONAL ANALYSIS	NO. OF EMPLOYEES
Engineering & Maintenance	1152
Flying Operations	204
In-flight Services	570
Stations & Traffic	690
Marketing	438
Advertising & Publicity	13
Overseas offices	294
Administration & Security	1223
TOTAL	4584

65,000 bottles



of (rare) wine, and 110,000 litres of the finest Ceylon tea.



AIRCRAFT FLEET

Air Lanka's fleet strength as at 31 March 1995 stood at nine, - 04 Lockheed Tristar L-1011 aircraft, 02 Airbus A320-200 aircraft and 03 Airbus A340-300 aircraft.

ROUTE DEVELOPMENT

Air Lanka's route network covers 29 cities in 21 countries. The airline offer 69 flights a week, with convenient connections between many destinations.

The induction of the A340 long haul aircraft has enabled Air Lanka to introduce non-stop flights to continental Europe and the United Kingdom. Air Lanka's operating schedule has also greatly benefited after the arrival of the Airbus fleet.

RESERVATIONS SYSTEMS AND DISTRIBUTION

Air Lanka is presently multihosted in SABRE which is considered to be the worlds most advanced reservation system. This year all Air Lanka Sales offices system-wide, as well as all Air Lanka appointed Travel Agents in Colombo were brought on-line on SABRE. The system provides Air Lanka with upto-date and detailed Reservations and Ticketing Services. An innovation this year is the access to Air Lanka, of weekly data on all auto ticketing, sales and revenue generated throughout the network - in the past, this data took much longer to source, due to the manual reporting formats in use at the time, at the stations concerned.

An airline's distribution system is the heartline of its operations - the passengers need for information and easy access to same, all depends on how efficiently and widely the airline projects its services. This task is handled through GDS - or a Global Distribution System.

Air Lanka is a participating carrier in SABRE, Galileo International, Abacus Amadeus, Worldspan, Axess, System One,



KMARS and GETS, where Air Lanka's product is displayed in all these systems enabling passengers and agents to book on Air Lanka's services.

Air Lanka's product now appears on the screens of 400,000 terminals worldwide.

AIRPORT OPERATIONS

Air Lanka's Ground Handling facility provided services to 25 airlines at Colombo Airport, Katunayake - up from 22 last year. During the year, the airline handled 1,098,838 passenger arrivals and 1,039,977 departures.

Through check-in facilities were introduced from 8 destinations viz - London, Frankfurt, Amsterdam, Bahrain, Muscat, Abu Dhabi, Dhahran and Hongkong. As a result, passengers transferring to another aircraft in Colombo do not need to go through check-in formalities at the Airport Transfer Desk.

Air Lanka has also introduced a new, improved baggage tracking and management system called Worldtracer. The new system provides enhanced baggage tracking and management over a longer duration which in turn helps the airline locate missing baggage with greater accuracy and success levels.

Ramp Services have also been improved this year, with 185 new containers coming into service to replace old ones, facilitating loading/unloading activities.

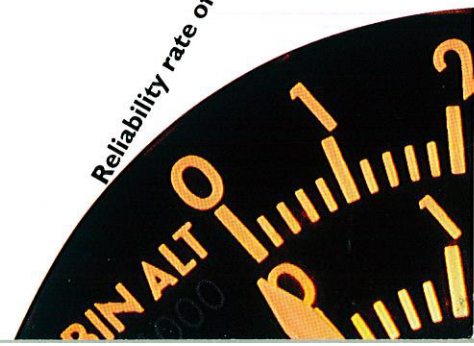
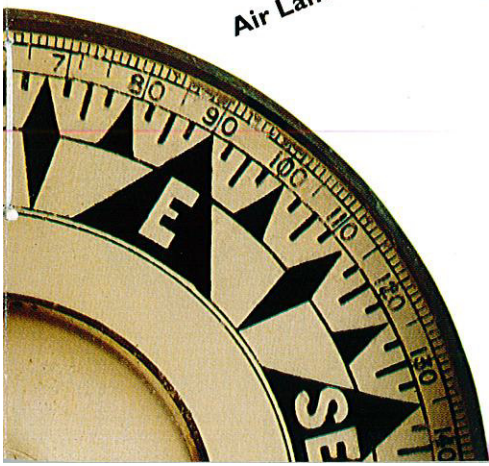
Air Lanka has a



Technical Despatch



Reliability rate of 97.1%



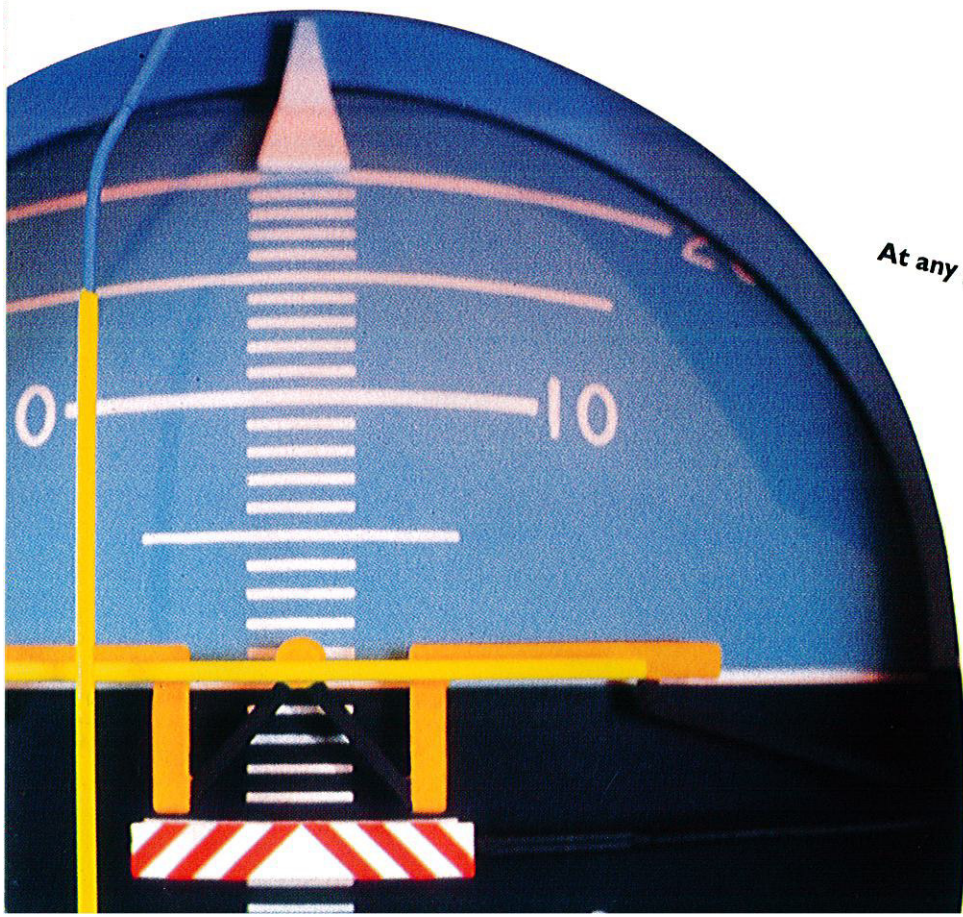
CARGO OPERATIONS

Air Lanka's Cargo Automation Project was fully operational, this year. The system is proving to be a boon to customers as cargo handling is now a speedier and more efficient process.

Along with the Cargo Automation Project, the increased cargo capacity on offer as a result of the arrival of the A340, has helped Air Lanka to offer a stable product to the industry.

COMMUNICATION SERVICES

Air Lanka's total voice communication requirement is now met by the communication system commissioned last year. The extra digital radio capacity is presently being used for computerised airline applications with better response time. This will also facilitate accommodation of the Company's Information Technology requirements. The Departure Control Data Network is in the process of being upgraded to accommodate Bag Tag Printers and through check-in as value added services.



At any given moment,



FLIGHT OPERATIONS

The Flight Operations Department continues to provide comprehensive Flight Operations handling to an increasing number of scheduled and non-scheduled airlines. The enhanced demand for Flight Operations handling from Air Lanka reflects the confidence placed by other carriers in our Flight Dispatchers all of whom are licensed professionals.

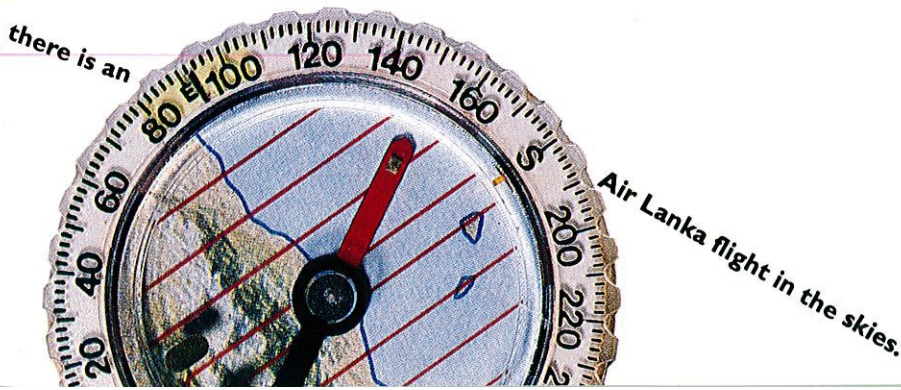
Air Lanka's Flight Operations Department in collaboration with the Director General of Civil Aviation, also conducted the ICAO 201 Flight Operations Officer Course. Twenty one successful participants at this Course were awarded the Flight Operations Officer Licence by the Director General of Civil Aviation.

SERENDIB CLUB

Air Lanka's frequent flyer programme recorded significant growth during the year, registering a 100% increase in membership. A sought after trend begins to emerge, as members begin to select Air Lanka as their airline of choice, and arrange their level itineraries to include an Air Lanka sector, if not a whole segment.

A significant new development that occurred during the year under review was the introduction of Corporate membership. Corporate membership is open to organisations having over fifteen regular passengers. This scheme is now available in Sri Lanka, United Kingdom, Germany, Japan, Hongkong and the United Arab Emirates.

This financial year also saw the concept development of a frequent flyer programme to facilitate and meet the needs of a growing segment of regular travellers, on our regional routes. This programme, to be named "Air Lanka Plus", is scheduled to be launched in the second quarter of the ensuing year and will be designed to meet the unique needs of this important customer group.



INTERNATIONAL RELATIONS

The operational year 1994-1995 saw a lot of activity in the area of bilateral agreements. During this period, the Aeronautical Authorities of Sri Lanka negotiated air services rights with 11 countries, which will open up new areas in the field of tourism, business and investment. These included enhanced rights with tourism-generating countries such as Switzerland, Germany, United Kingdom and the Netherlands where there has been a growing demand for tourism to Sri Lanka.

Increasing traffic to labour markets in the Middle East prompted the negotiation of updated bilateral arrangements with Oman and Bahrain as well as a new agreement with Lebanon.

Negotiations were also held with new partners such as Brunei, Uzbekistan and Russia. Finally, the growing demand for air travel to India resulted in a greater quota of seats being made available between that country and Sri Lanka.

HUMAN RESOURCE DEVELOPMENT

Air Lanka's Centre for Training continues to go from strength to strength. With many of its courses of study backed by IATA accreditation, the Centre continued to provide both Air Lanka staff, as well as other airline staff and the general public, training in numerous fields - from Secretarial and Administrative disciplines, to the more operationally oriented areas such as Cargo, Ticketing and Marketing. We are proud to have been able to provide a good initial grounding to the staff of the fledgeling Air Maldives in Service Excellence, Introductory Airline, Ramp Handling, Cargo and Basic Cabin Crew Training.

The Centre for Training has become the pivotal body, playing a major role in harnessing all training opportunities available with airlines of the SAARC region, with a view to offering such training opportunities systematically within the region.

Air Lanka's Inflight Department continues to provide specialised training to equip Cabin Crew in all aspects of service including Personality Development, Foreign Language skills, etc. Refresher courses and additional training designed to help crew acquire greater proficiency, are also conducted.

A healthy workforce can produce the goods! To this end, Air Lanka employees have shown again this year, that talent abounds in every sport they have participated in. The flagship of sports at Air Lanka, the Sports Council, has guided the destinies of sportsmen and women in 15 disciplines this year.

Financial Accounts & Reports

DIRECTORS'S REPORT	20
REPORT OF THE AUDITORS	22
PROFIT & LOSS ACCOUNT	24
BALANCE SHEET	25
ACCOUNTING POLICIES	26 - 29
NOTES TO THE ACCOUNTS	30 - 42
STATEMENT OF CHANGES IN FINANCIAL POSITION	43
NOTES TO THE STATEMENT OF CHANGES IN FINANCIAL POSITION	44
STATEMENT OF VALUE ADDED	45
10 YEAR REVIEW	46 - 47
GRAPHICAL REVIEW	48 - 51

In 1995,



Air Lanka



revenues rose



by 9.6%, while



profits grew 128.9%.



Directors' Report

The Directors have pleasure in submitting their Report and audited Accounts for the year ended 31 March 1995.

The Accounts are set out on pages 24 to 44.

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.5,146.35 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 60 % of the issued share capital of its subsidiary company, Air Lanka Catering Services Limited, which is the sole caterer to 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. W T Jayasinghe

Chairman/Managing Director

Mr K Balapatabendi PC

Mr A S Jayawardena

Mr E Jayasinghe

Mr Nihal Jayamanne PC

Executive Director

Mr H Rajapaksha

Messrs. W T Jayasinghe, E Jayasinghe and H Rajapaksha were appointed to the Board on 22 June 1995. Messrs. K Balapatabendi, A S Jayawardena and Nihal Jayamanne resigned from the board on 21 June 1995 and were re-appointed on 22 June 1995.

Deshamanya Gen. D S Attygalle and Air Chief Marshal A W Fernando served throughout the Financial Year 1994/95 as Chairman/MD and Executive Director respectively until they resigned on 21 June 1995.

Mr. K H J Wijayadasa who was re-appointed to the Board on 01 September 1994 resigned on 01 December 1994. Mr L Fernando was appointed to the board on 01 September 1994 and resigned on 13 January 1995. Air Vice Marshall W D H S W Goonathilake was appointed to the board on 05 October 1994 and resigned on 21 June 1995.

Particulars of interests of Directors in contracts and proposed contracts having been declared by the Directors are in note 24 to the accounts.

ACCOUNTS

The Consolidated profit for the year ended 31 March 1995, before interest and other similar charges was Rs 2,081.02 million.

Consolidated net profit for the year, after interest and similar charges, deferred expenditure, extraordinary items, taxation and minority interests amounted to Rs 476.10 million.

RESERVES

There were no material transfers to or from reserves or provisions during the year ended 31 March 1995, 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 26 to 29.

FIXED ASSETS

Movements of fixed assets are shown in note 9 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 18 and 19 to the accounts.

AUDITORS

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

By order of the Board

Mrs. M R Peries
Company Secretary.
22 September 1995

Registered Office:
37 York Street
Colombo 1.

Report of the Auditors

We have examined the Balance Sheet of Air Lanka Limited as at 31st March 1995, the Consolidated Balance Sheet of the Company and of its Subsidiary and the related Statements of Profit and Loss Account and the Changes in Financial Position for the year then ended, read together with the accounting policies and notes, exhibited on pages 24 to 44 of the Annual Report.

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 purposes of our audit. In auditing the returns submitted by overseas stations, we have relied on management representation as to the accuracy and completeness of these returns.

The Company embarked on a re-fleeting programme consisting of two A320 - 200 and three A340 - 300 aircraft at a cost of US\$ 387.90 M (Rs.18,871.39 M). This was funded substantially by borrowings from a consortium of financial institutions. The amount outstanding on such borrowings as at date is US\$ 366 M (Rs.18,062 M)

The financial projections for the next 5 year period prepared by the Company indicate that the internally generated cash flows are sufficient to service such borrowings. High financial gearing of the Company due to increased external borrowings can result in a substantial impact on its cash flows & its ability to service the debts, in the event there is a decline in profitability.

The Government of Sri Lanka as the principal shareholder of the Company has initiated a programme leading to the restructuring and privatisation of the company.

In our opinion, except for Accounting Policy H (iii) to the Financial Statements of Air Lanka Limited, 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 Financial Statements which are in agreement therewith, read together with the accounting policies and notes referred to therein;

1. provide the information required by the Companies Act No. 17 of 1982; and
2. give a true and fair view of the state of the Company's affairs as at 31st March 1995 and of its Profit and Changes in Financial Position 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 24 to the accounts.

In our opinion, except for Accounting Policy H (iii) to the Consolidated Financial Statements, so far as it appears from our examination, the Consolidated Balance Sheet, Statements of Profit and Loss Account and Changes in Financial Position which are properly drawn up in accordance with the audited accounts of the Company and its Subsidiary included in consolidation -

1. provide the information required by the Companies Act No. 17 of 1982; and
2. give a true and fair view of the state of affairs of the Group as at 31st March 1995 and of its Profit and Changes in Financial Position for the year then ended.

Ernst & Young
Chartered Accountants
Colombo
25 September 1995.

Profit and Loss Account

for the year ended 31 March

	Note	GROUP		COMPANY	
		1995 Rs. M	1994 Rs. M	1995 Rs. M	1994 Rs. M
REVENUE	1	14,037.17	12,800.43	13,651.28	12,456.05
OPERATING PROFIT	2	1,699.18	871.18	1,496.82	708.24
Other income	3	381.84	275.30	454.16	363.67
		2,081.02	1,146.48	1,950.98	1,071.91
Interest and similar charges	4	(1,486.50)	(788.25)	(1,486.50)	(788.25)
		594.52	358.23	464.48	283.66
Deferred expenditure written off	5	(13.58)	(50.24)	(13.58)	(50.24)
Profit before taxation		580.94	307.99	450.90	233.42
Taxation	6	(19.16)	(69.21)	(19.16)	(69.21)
Profit after taxation		561.78	238.78	431.74	164.21
Extraordinary items	7	-	24.39	-	24.39
Profit after taxation and extraordinary items		561.78	263.17	431.74	188.60
Minority interests		(85.68)	(70.14)	-	-
PROFIT FOR THE YEAR		476.10	193.03	431.74	188.60
PROFIT/(LOSS) BROUGHT FORWARD		(1,945.34)	(2,138.37)	(2,094.47)	(2,283.07)
PROFIT/(LOSS) AVAILABLE FOR APPROPRIATION	13	(1,469.24)	(1,945.34)	(1,662.73)	(2,094.47)
APPROPRIATIONS					
Dividends					
Interim		-	-	-	-
Proposed		-	-	-	-
		-	-	-	-
UNAPPROPRIATED PROFIT/(LOSS) CARRIED FORWARD		(1,469.24)	(1,945.34)	(1,662.73)	(2,094.47)

The accounting policies and notes on pages 26 to 44 form part of these accounts.

Balance Sheet

as at 31 March

	Note	GROUP		COMPANY	
		1995 Rs. M	1994 Rs. M	1995 Rs. M	1994 Rs. M
Fixed assets	9	22,395.04	10,821.31	22,318.81	10,742.20
Work in progress		0.09	0.09		
Investment in subsidiary	10	-	-	30.40	30.40
Net current assets/(liabilities)	11	(1,353.24)	(1,837.10)	(1,682.88)	(2,088.07)
		21,041.89	8,984.30	20,666.33	8,684.53
Financed by:					
Issued share capital	12	5,146.35	5,146.35	5,146.35	5,146.35
Profit and loss account	13	(1,469.24)	(1,945.34)	(1,662.73)	(2,094.47)
Capital reserve	14	275.56	275.56	267.56	267.56
Revenue reserve	15	0.63	0.63	-	-
Other reserves	16	34.68	23.76	34.68	23.76
		3,987.98	3,500.96	3,785.86	3,343.20
Less: Deferred items	17	(249.52)	(684.72)	(249.52)	(684.72)
Shareholder's funds		3,738.46	2,816.24	3,536.34	2,658.48
Minority Interests		155.20	125.64	-	-
Long term loans	18	1,881.10	2,817.86	1,881.10	2,817.86
Obligations under finance leases	19	15,086.74	3,095.82	15,086.74	3,095.82
Deferred Liabilities	20	180.39	128.74	162.15	112.37
		21,041.89	8,984.30	20,666.33	8,684.53

For and on behalf of the Board

W T Jayasinghe

W T Jayasinghe

Chairman/Managing Director

Colombo, 22 September 1995

Nihal Jayamanne

Nihal Jayamanne P.C.

Director

The accounting policies and notes on pages 26 to 44 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 and the Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka except as stated in the Accounting Policy H (iii). No adjustments have been made for the effects of inflation other than for revaluation and restatement of certain assets as stated below.

B) CHANGES IN ACCOUNTING POLICIES

Airframe Overhaul ('C' Check)

Effective financial year 1994/95, the method of accounting for airframe overhaul ('C' check) cost has been changed from deferment and amortisation to a provision based on actual hours flown, at an estimated cost per flying hour. The adoption of this accounting policy has resulted in an increase in the profit for the year by Rs.10.06 million (1994: increase of Rs.9.96 million.)

C) CONSOLIDATION

The Consolidated Financial Statements include the accounts of the Company and its subsidiary, Air Lanka Catering Services Limited.

The Company and its subsidiary have a common financial year which ends on 31 March. The consolidated profit and loss account includes the total profits and losses of the Company and of its subsidiary, Air Lanka Catering Services Limited. The proportion of the profit or loss applicable to outside shareholders is shown under the heading "Minority Interest".

All assets and liabilities of the Company and of its subsidiary, Air Lanka Catering Services Limited are included in the consolidated balance sheet. The interests of the outside shareholders are shown in the consolidated balance sheet under the heading "Minority interest".

The consolidated profit and loss account does not include unrealised profits from inter-company transactions involving inventory and turnover from intra-group transactions.

D) 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.

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 prior to 31 March 1989 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 was 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.

Accounting Policies CONTD.

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.

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

E) DEPRECIATION

Depreciation is provided on all fixed assets (freehold and leasehold) other than freehold land at rates calculated to write off the cost or valuation 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.

F) SUBSIDIARY COMPANY

A subsidiary company is an enterprise in which the Company has a controlling interest and in which the Company has more than 50 percent investment in equity.

The profit and loss account of the Company includes the dividends declared and paid by the subsidiary company.

The investment in the subsidiary company is stated at cost.

G) STOCKS AND 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.

Aircraft consumable spares and ground support equipment consumable spares are valued on the basis of weighted average cost.

Other consumable stocks are valued on first-in-first-out basis.

H) 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 monetary assets and liabilities denominated in foreign currencies as at balance sheet date are translated at the exchange rates ruling as at 31 March 1995.

(iii) Gains and losses arising from the translation of long-term foreign currency borrowings as at balance sheet

Accounting Policies CONTD.

date which finance specific fixed assets are recorded in an exchange equalisation account and amortised as currency gains/losses over the period during which the foreign currency liability is outstanding. Unamortised balance of such gains and losses are carried forward in the exchange equalisation account.

In the previous years, gains and losses arising from the translation of long-term foreign currency borrowings as at Balance Sheet date have been amortised over the remaining life of the related assets. The profits for the year has decreased by Rs.358.85 M as a result of this change in accounting estimate.

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 01 April 1990.

The accounting standard requires such exchange differences to be dealt with in the Profit and Loss Account in the year in which they arise. Adoption of the provisions of the Sri Lanka Accounting Standard No. 21 would result in an increase in the profit for the year by Rs.14.89 million.

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

- a) The 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.
- b) The related assets, mainly aircraft; which are financed by foreign currency loans and finance leases are saleable in foreign currency.
and
- c) It is an industry practice to defer exchange differences arising on translation of long-term foreign currency borrowings.

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 in the Profit and Loss Account as exchange differences.

I) DEBTORS

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

J) 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 Employee 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.

Accounting Policies CONTD.

K) 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.

L) DEFERRED EXPENDITURE

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

M) BORROWING COSTS

Borrowing costs amounting to Rs.588.50 million incurred on long term loans obtained to meet pre-delivery payments in respect of new aircraft are capitalised as part of the cost of such aircraft.

Amount capitalised during the year as permitted by Sri Lanka Accounting Standard No. 20 is Rs.111.24 million.

Exchange losses which are regarded as an adjustment to borrowing costs, amounting to Rs.258.66 million on long-term loans obtained to meet pre-delivery payments in respect of new aircraft are capitalised as part of the cost of such aircraft, as permitted by Sri Lanka Accounting Standard No.20.

Amount capitalised during the year is Rs.27.57 million.

N) INCOME FROM INVESTMENTS

Dividend income and interest income are accounted for on a cash basis.

Notes to the Accounts

1. Revenue

	GROUP		COMPANY	
	1995 Rs. M	1994 Rs. M	1995 Rs. M	1994 Rs. M
Airline operations - Note 1 (a)	12,617.27	11,581.15	12,630.45	11,590.45
Ground handling	931.59	777.63	931.59	777.63
Duty free sales	89.24	87.97	89.24	87.97
Flight catering	399.07	353.68	-	-
	14,037.17	12,800.43	13,651.28	12,456.05

1 (a) Revenue from airline operations comprises :

	COMPANY	
	1995 Rs. M	1994 Rs. M
Scheduled services :		
Passenger	10,939.22	10,067.73
Excess baggage	255.57	225.29
Cargo	1,257.91	1,153.98
Mail	95.37	80.56
	12,548.07	11,527.56
Non scheduled services :	82.38	62.89
	12,630.45	11,590.45

2. Operating profit /(loss)

	GROUP		COMPANY	
	1995 Rs. M	1994 Rs. M	1995 Rs. M	1994 Rs. M
Airline operations	833.84	147.72	833.84	147.72
Ground handling	637.32	528.60	637.32	528.60
Duty free sales	25.66	31.92	25.66	31.92
Flight catering	202.36	162.94	-	-
	1,699.18	871.18	1,496.82	708.24

	GROUP		COMPANY	
	1995 Rs. M	1994 Rs. M	1995 Rs. M	1994 Rs. M
Operating profit has been arrived at after charging :				
Depreciation on owned fixed assets	673.56	446.95	649.88	423.65
Depreciation on leased fixed assets	512.93	444.06	512.93	444.06
	1,186.49	891.01	1,162.81	867.71
Operating lease charges	412.88	842.96	412.88	842.96
Auditor's remuneration	0.85	0.83	0.61	0.60
Director's emoluments	7.92	6.69	1.99	1.17
Bad and doubtful debts	3.40	11.50	3.39	11.44

Notes to the Accounts CONTD.

3. Other income

	GROUP		COMPANY	
	1995 Rs. M	1994 Rs. M	1995 Rs. M	1994 Rs. M
Profit/(loss) on disposal of fixed assets	1.62	5.75	0.91	5.73
Exchange differences	73.29	(28.34)	76.20	(28.49)
Interest	108.32	178.94	97.66	168.10
Dividend from subsidiary/associate company	-	-	84.16	100.49
Other items	198.61	118.95	195.23	117.84
	381.84	275.30	454.16	363.67

4. Interest & similar charges

	GROUP		COMPANY	
	1995 Rs. M	1994 Rs. M	1995 Rs. M	1994 Rs. M
Interest charges :				
On bank loans	(67.43)	(67.51)	(67.43)	(67.51)
On other loans and lease finances	(919.73)	(498.18)	(919.73)	(498.18)
	(987.16)	(565.69)	(987.16)	(565.69)
Currency losses :				
On bank loans	(33.83)	(46.94)	(33.83)	(46.94)
On other loans and lease finances (See note below)	(465.51)	(175.62)	(465.51)	(175.62)
	(499.34)	(222.56)	(499.34)	(222.56)
	(1,486.50)	(788.25)	(1,486.50)	(788.25)

Accumulated exchange differences amounting to Rs.414.43 million arising from the financing of 2 Lockheed Tristar aircraft were charged in full during the year with the termination of the finance lease arrangement.

5. Deferred expenditure written off

	GROUP		COMPANY	
	1995 Rs. M	1994 Rs. M	1995 Rs. M	1994 Rs. M
Crew training and conversion	(5.68)	(3.80)	(5.68)	(3.80)
Computer systems development	(7.90)	(7.90)	(7.90)	(7.90)
Aircraft refurbishing expenses	-	(38.54)	-	(38.54)
	(13.58)	(50.24)	(13.58)	(50.24)

Notes to the Accounts CONTD.

6. Taxation

	GROUP		COMPANY	
	1995 Rs. M	1994 Rs. M	1995 Rs. M	1994 Rs. M
Taxes on interest income on deposits	19.16	69.21	19.16	69.21
	19.16	69.21	19.16	69.21

7. Extraordinary items

	GROUP		COMPANY	
	1995 Rs. M	1994 Rs. M	1995 Rs. M	1994 Rs. M
Profit on sale of aircraft B-737	-	24.39	-	24.39
	-	24.39	-	24.39

8. Prior year Adjustments

	GROUP		COMPANY	
	1995 Rs. M	1994 Rs. M	1995 Rs. M	1994 Rs. M
Maintenance checks (See Accounting policy B)	20.30	30.26	20.30	30.26
Taxes on prior year interest income pending appeal	167.30	98.09	167.30	98.09
	187.60	128.35	187.60	128.35

9. Fixed assets – GROUP

	Aircraft and Related equipment					Total Rs. M
	Own Rs. M	Leased Rs. M	Property Rs. M	Equipment Rs. M	Projects Rs. M	
Cost						
At 01 April 1994	2,764.33	8,037.23	772.64	1,655.04	3,728.90	16,958.14
Additions	207.82	150.06	0.08	143.08	14,822.74	15,323.78
Disposals	(12.31)	-	-	(27.54)	-	(39.85)
Adjustments & transfers	1,276.97	14,670.65	2.04	3.18	(18,516.07)	(2,563.23)
At 31 March 1995	4,236.81	22,857.94	774.76	1,773.76	35.57	29,678.84
Depreciation						
At 01 April 1994	1,817.03	2,833.19	344.66	1,141.95	-	6,136.83
Charge for the year	372.63	512.93	41.54	259.39	-	1,186.49
Disposals	(12.01)	-	-	(27.38)	-	(39.39)
Adjustments & transfers	-	-	(0.03)	(0.10)	-	(0.13)
At 31 March 1995	2,177.65	3,346.12	386.17	1,373.86	-	7,283.80
Net book value						
At 31 March 1995	2,059.16	19,511.82	388.59	399.90	35.57	22,395.04
At 01 April 1994	947.30	5,204.04	427.98	513.09	3,728.90	10,821.31

The amounts reflected under property includes land at a valuation of Rs. 31.25 million as referred to in Accounting policy (D) 2.

Notes to the Accounts CONTD.

9 (a). Fixed assets – COMPANY

	Aircraft and Related equipment					Total Rs. M
	Own Rs. M	Leased Rs. M	Property Rs. M	Equipment Rs. M	Projects Rs. M	
Cost						
At 01 April 1994	2764.33	8037.23	675.13	1411.78	3,728.90	16,617.37
Additions	207.82	150.06	0.08	122.28	14,822.74	15,302.98
Disposals	(12.31)	–	–	(23.27)	–	(35.58)
Adjustments & transfers	1,276.97	14,670.65	2.04	3.18	(18,516.07)	(2,563.23)
At 31 March 1995	4,236.81	22,857.94	677.25	1,513.97	35.57	29,321.54
Depreciation						
At 01 April 1994	1,817.03	2,833.19	293.06	931.89	–	5,875.17
Charge for the year	372.63	512.93	36.56	240.69	–	1,162.81
Disposals	(12.01)	–	–	(23.11)	–	(35.12)
Adjustments & transfers	–	–	(0.03)	(0.10)	–	(0.13)
At 31 March 1995	2,177.65	3,346.12	329.59	1,149.37	–	7,002.73
Net book value						
At 31 March 1995	2,059.16	19,511.82	347.66	364.60	35.57	22,318.81
At 01 April 1994	947.30	5,204.04	382.07	479.89	3,728.90	10,742.20

The amounts reflected under property includes land at a valuation of Rs. 31.25 million as referred to in Accounting Policy (D) 2.

10. Investment in subsidiary company

	COMPANY	
	1995 Rs. M	1994 Rs. M
Investment in Air Lanka Catering Services Ltd.		
At 01 April	30.40	30.40
Acquired in the year	–	–
At 31 March (384,000 shares of Rs. 100 each)	30.40	30.40

The Company holds 60% of the issued share capital of Air Lanka Catering Service Limited (ALCS). The Company's shareholding in ALCS as at 31 March 1995 is included in these accounts at cost.

Notes to the Accounts CONTD.

11. Net current assets / (liabilities)

	GROUP		COMPANY	
	1995 Rs. M	1994 Rs. M	1995 Rs. M	1994 Rs. M
Current assets :				
Stocks	1,400.75	1,124.98	1,365.94	1,091.25
Debtors – trade	1,352.59	1,221.16	1,273.59	1,168.56
Debtors – other	400.47	220.32	400.47	220.32
Debtors – staff	16.14	81.37	9.95	74.80
Advances and deposits	475.20	480.66	464.96	472.94
Cash and bank balances	3,752.56	2,177.62	3,573.18	2,026.22
Total current assets	7,397.71	5,306.11	7,088.09	5,054.09
Current liabilities				
Bank overdraft (Secured)	331.52	575.74	331.52	573.93
Bank and other loans	1,112.94	546.31	1,112.94	546.31
Finance leases (Secured)	844.21	620.43	844.21	620.43
	2,288.67	1,742.48	2,288.67	1,740.67
Trade creditors	3,452.53	2,882.08	3,428.93	2,848.43
Amounts due to subsidiary company	–	–	64.05	56.11
Income tax payable	183.98	167.30	183.98	167.30
Other creditors	119.92	131.61	99.49	109.91
Sales in advance of carriage	2,705.85	2,219.74	2,705.85	2,219.74
Total current liabilities	8,750.95	7,143.21	8,770.97	7,142.16
Net current assets / (liabilities)	(1,353.24)	(1,837.10)	(1,682.88)	(2,088.07)

The balance shown under Sales in advance of carriage represents approximately 11.2 weeks of average sales (10.0 in 1994). This balance includes a provision for revenue adjustments which the managements considers adequate based on past experience.

The balances shown under Debtors (trade, other and staff) are net of provisions for bad and doubtful debts amounting to Rs. 265.71 million, (Rs.265.71 million in 1994)

Other creditors in respect of 1994, includes prior year adjustments of Rs.8.45 m.

Notes to the Accounts CONTD.

12. Share capital

	COMPANY	
	1995 Rs. M	1994 Rs. M
Authorised		
Ordinary Shares of Rs.100 each (141,250,000 Shares)	14,125.00	14,125.00
Preference Shares of Rs.100 each (8,750,000 Shares)	875.00	875.00
	15,000.00	15,000.00
Issued and fully paid		
<u>Ordinary Shares of Rs.100 each</u>		
At 01 April (42,713,463 Shares)	4,271.35	7,369.47
Allotment of shares on 15 April 93 for which advances were received during 1992-93 (4,378,750 Shares)	-	437.88
Written off against accumulated losses in accordance with the capital restructuring programme undertaken by the company for which sanction by the court has been obtained (35,360,000 Shares)	-	(3,536.00)
At 31 March (42,713,463 Shares)	4,271.35	4,271.35
<u>Cumulative Preference Shares of Rs.100 each (Coupon rate not specified)</u>		
At 01 April	875.00	-
Allotment of shares on 15 April 93 for which advances were received during 1992-93 (8,750,000 Shares)	-	875.00
At 31 March	875.00	875.00
	5,146.35	5,146.35

At an Extraordinary General Meeting of the Shareholders of the Company held on 09 June 1994, a special resolution was passed unanimously, in terms of the provisions of article 10 (iv) of the Articles of Association of the company, for the issued and fully paid share Capital to be reduced from Rs. 5,146,346,300 divided into 52,463,463 shares of Rs. 100/= each to Rs.2,991,346,300 divided into 29,913,463 shares of Rs.100/= fully paid.

This capital reduction will be effective, after sanction by the court and would be applied against accumulated losses to enable the Company to complete the capital restructuring programme which was undertaken earlier.

13. Profit and loss account

	GROUP		COMPANY	
	1995 Rs. M	1994 Rs. M	1995 Rs. M	1994 Rs. M
Profit / (loss) for the year	476.10	193.03	431.74	188.60
Profit and loss account at 01 April				
As previously reported	(1,757.74)	(5,546.02)	(1,906.87)	(5,690.72)
Accumulated losses written off in accordance with the capital restructuring programme undertaken by the company	-	3,536.00	-	3,536.00
Prior year adjustments (See note 8)	(187.60)	(128.35)	(187.60)	(128.35)
As restated	(1,945.34)	(2,138.37)	(2,094.47)	(2,283.07)
Profit and loss account at 31 March	(1,469.24)	(1,945.34)	(1,662.73)	(2,094.47)

Notes to the Accounts CONTD.

14. Capital reserve

	GROUP		COMPANY	
	1995 Rs. M	1994 Rs. M	1995 Rs. M	1994 Rs. M
At 01 April	275.56*	275.56	267.56	267.56
Additions	-	-	-	-
At 31 March	275.56	275.56	267.56	267.56

* Includes a reserve on consolidation of Rs. 8M

15. Revenue reserve

	GROUP		COMPANY	
	1995 Rs. M	1994 Rs. M	1995 Rs. M	1994 Rs. M
At 01 April	0.63	0.63	-	-
Additions/transfers during the year	-	-	-	-
At 31 March	0.63	0.63	-	-

16. Other reserves

	GROUP		COMPANY	
	1995 Rs. M	1994 Rs. M	1995 Rs. M	1994 Rs. M
At 01 April	23.76	22.43	23.76	22.43
Additions during the year	13.07	4.27	13.07	4.27
Charge for the year	(2.15)	(2.94)	(2.15)	(2.94)
At 31 March	34.68	23.76	34.68	23.76

Notes to the Accounts CONTD.

17. Deferred items

	GROUP		COMPANY	
	1995 Rs. M	1994 Rs. M	1995 Rs. M	1994 Rs. M
Exchange equalisation (Note a)	218.31	647.63	218.31	647.63
Deferred expenditure (Note b)	31.21	37.09	31.21	37.09
	249.52	684.72	249.52	684.72

(a) Exchange equalisation

	GROUP		COMPANY	
	1995 Rs. M	1994 Rs. M	1995 Rs. M	1994 Rs. M
At 01 April	647.63	653.27	647.63	653.27
Exchange loss on translation of foreign currency borrowings – see Accounting Policy H(iii)	44.02	131.67	44.02	131.67
Charge for the year – See Accounting policy H(iii) – On current basis of estimation	(58.91)	(137.31)	(58.91)	(137.31)
– Accumulated exchange losses – (See note 4)	(414.43)	–	(414.43)	–
At 31 March	218.31	647.63	218.31	647.63

(b) Deferred expenditure

	GROUP		COMPANY	
	1995 Rs. M	1994 Rs. M	1995 Rs. M	1994 Rs. M
At 01 April	48.94	71.61	48.94	71.61
Less: Adjustment in respect of prior year	(11.85)	–	(11.85)	–
	37.09	–	37.09	–
Additions during the year	16.15	45.98	16.15	45.98
Charge for the year	(13.58)	(80.50)	(13.58)	(80.50)
Adjustment in respect of prior year in other creditors –(See note 11)	(8.45)	–	(8.45)	–
At 31 March	31.21	37.09	31.21	37.09

Notes to the Accounts CONTD.

18. Long-term loans

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

	GROUP		COMPANY	
	US\$ M	Rs. M	US\$ M	Rs. M
At 01 April 1994	68.90	3,364.17	68.90	3,364.17
Additions during the year	20.93	1,037.98	20.93	1,037.98
Repayments during the year	(30.53)	(1,461.68)	(30.53)	(1,461.68)
Restatements	1.27	53.57	1.27	53.57
At 31 March 1995	60.57	2,994.04	60.57	2,994.04

The future payments under these loans are as follows:

	1995		1994	
	US\$ M	Rs. M	US\$ M	Rs. M
Bank loans payable				
Within one year	18.01	890.33	4.69	228.88
Between :				
– One and two years	6.25	308.97	10.60	517.54
– two and three years	6.25	308.97	12.71	620.72
– three and four years	1.57	77.24	12.71	620.72
– four and five years			8.03	391.84
– after five years			2.11	103.18
	32.08	1,585.51	50.85	2,482.88
Other loans payable				
Within one year	4.50	222.61	6.50	317.43
Between :				
– One and two years	4.50	222.61	3.69	180.04
– two and three years	4.50	222.61	0.87	42.65
– three and four years	4.50	222.61	0.87	42.65
– four and five years	3.71	183.06	0.87	42.65
– after five years	6.78	335.03	5.25	255.87
	28.49	1,408.53	18.05	881.29
Total long term loans	60.57	2,994.04	68.90	3,364.17
Amount due within one year included under current liabilities	(22.51)	(1,112.94)	(11.19)	(546.31)
	38.06	1,881.10	57.71	2,817.86

Loans are repayable on various dates upto the year 2007. The outstanding balance of USD 60.57 M (Rs.2,994.04 M) is guaranteed by the Government of Sri Lanka.

Notes to the Accounts CONTD.

19. Obligations under finance leases (Secured)

The Company has commitments under finance lease agreements expiring from 2004 to 2007 in respect of Airbus A320 and A340 Aircraft.

	GROUP		COMPANY	
	US\$ M	Rs. M	US\$ M	Rs. M
At 01 April 1994	76.11	3,716.25	76.11	3,716.25
Additions during the year	263.11	13,007.69	263.11	13,007.69
Repayments during the year	(16.96)	(837.01)	(16.96)	(837.01)
Restatements	-	44.02	-	44.02
At 31 March 1995	322.26	15,930.95	322.26	15,930.95

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

	1995		1994	
	US\$ M	Rs. M	US\$ M	Rs. M
Within one year	17.08	844.21	12.71	620.43
Between :				
- One and two years	18.68	923.53	3.96	193.70
- two and three years	20.45	1,010.73	4.33	211.47
- three and four years	22.37	1,106.02	4.74	231.31
- four and five years	24.48	1,210.10	5.18	252.87
- after five years	219.20	10,836.36	45.19	2,206.47
	322.26	15,930.95	76.11	3,716.25
Amount due within one year included under current liabilities	(17.08)	(844.21)	(12.71)	(620.43)
	305.18	15,086.74	63.40	3,095.82

The future payments of interest charges relating to these finance leases are as follows.

	US\$ M	Rs. M
Within one year	25.08	1,239.85
Between :		
- One and two years	23.01	1,137.64
- two and three years	21.53	1,064.36
- three and four years	19.92	984.94
- four and five years	18.17	898.06
- after five years	61.94	3,061.93
	169.65	8,386.78

The Government of Sri Lanka has guaranteed the obligations of the Company under the finance lease agreement up to a limit of US Dollars 87.53 million (Rs. 4,327.04 million).

Notes to the Accounts CONTD.

20. Deferred liabilities

	GROUP		COMPANY	
	1995 Rs. M	1994 Rs. M	1995 Rs. M	1994 Rs. M
At 01 April	128.74	109.72	112.37	95.23
Payments during the year	(11.34)	(4.41)	(10.90)	(4.04)
Charge for the year	62.99	23.43	60.68	21.18
At 31 March	180.39	128.74	162.15	112.37

Deferred liabilities represent provision for gratuity payable to qualified employees based in Sri Lanka and at overseas stations. – (See Accounting policy , Note J)

21. Commitments

(a) Outstanding commitments for capital expenditure at 31 March 1995 are as follows:

	GROUP Rs.M	COMPANY Rs.M
– Contracts placed	472.60	472.60
– Authorised but not contracted for	35.80	23.40
	508.40	496.00

Amount shown under contracts placed includes the cost of a 'D' check including rear spar modification of two Lockheed Tristar aircraft.

Outstanding commitments for capital expenditure as at 31 March 1995 are expected to be crystallised during the year 1995/96.

22. Loans granted to employees

Staff debts outstanding as at 31 March 1995 amounting to Rs.14.36 M include loans granted to employees in excess of Rs.20,000. Particulars of such loans are as follows;

	No. of employees	Amount in Rs.
GROUP		
Balance as at 01 April 1994	42	2,401,702
Loans granted during the year	26	1,169,432
Loans recovered during the year		(1,760,797)
Balance as at 31 March 1995	46	1,810,337
COMPANY		
Balance as at 01 April 1994	24	1,778,993
Loans granted during the year	7	527,172
Loans recovered during the year	–	(1,153,320)
Balance as at 31 March 1995	26	1,152,845

Notes to the Accounts CONTD.

23. 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, and thereafter a period of five years from 01 August 1989. In August 1994 the Board of Investment of Sri Lanka granted flagship status to the Company extending the tax exemption period to end in the year of assessment 1997/1998.

The subsidiary, Air Lanka Catering Services Limited 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 five years from 01 April 1980, subsequently extended for a period of two years and thereafter for another three years. This exemption has been further extended for a period of five years from 01 April 1991.

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, except as stated in Note 30 (b).

24. Director's 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 31 March 1995 were:

Desamanya Gen. D S Attygalle
Mr. K Balapatabendi PC
Mr. A S Jayawardena
Mr. Nihal Jayamanne PC

The nominee Directors as at date are:

Mr. W T Jayasinghe
Mr. K Balapatabendi PC
Mr. A S Jayawardena
Mr. Nihal Jayamanne PC

25. Post balance sheet events

- (a) The Government of Sri Lanka as the principal shareholder of the Company has initiated a programme leading to the restructuring and privatisation of the Company.

Towards this end the Government of Sri Lanka has retained the services of Messrs. Simat Helliesen & Eichner, Chase Manhattan Bank and the People's Merchant Bank to provide advisory services.

The programme intends to broaden the capital base of the company and to sell upto 40% of the capital to a strategic partner. The Government also intends issuing 9% of the equity to the employees of the Company, while retaining a 51% controlling interest.

- (b) The Company has undertaken a programme to perform a D check including rear spar modification on two of its L1011 aircraft (4R-ULC and 4R-ULE) at cost of approximately USD 7 million.

Since the Balance Sheet date there have been no other events which could materially affect the state of affairs of the Company as shown by the accounts at that date, the profit for the year then ended or any of the figures in the Accounts or notes thereto.

Notes to the Accounts CONTD.

26. Comparative amounts

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

Certain comparative amounts have been restated to reflect prior year adjustments.

27. Aircraft rotatable spares

(Rs.1,648.33 million - Book value)

Aircraft rotatable spares were physically verified at the year end. These spares were valued as follows:

(i) Purchases prior to 01 April 1991 - using the cross rate arrived at by dividing the Sri Lanka Rupee book value of rotatable spares as at 31 March 1991 by the aggregate US Dollar value of individual rotatable spares as at that date.

(ii) Purchases after 01 April 1991 - at cost.

The method of valuing rotatable spares purchased prior to 01 April 1991 is a departure from Sri Lanka Accounting Standard No. 18 which requires fixed assets to be valued at historical rupee values. This method was nevertheless adopted, in order to establish individual rupee costs which were previously not available.

28. Aircraft non-rotatable spares

(Rs.1,017.46 million)

Aircraft non-rotatable spares were physically verified during the year under a continuous verification programme. These spares were valued as follows:

(i) Purchases prior to 01 April 1992 - using the weighted average US Dollar rates available in the perpetual inventory records and converted into Sri Lanka Rupees by using a cross rate.

The cross rate was arrived at by dividing the Sri Lanka Rupee book value of the non-rotatable spares as at 31 March 1992 by the aforesaid US Dollar value.

(ii) Purchases after 01 April 1992 at cost.

The method of valuing non-rotatable spares purchased prior to 01 April 1992 is a departure from Sri Lanka Accounting Standard No. 5 which requires inventories to be valued at cost or net realisable value whichever is lower.

The Directors, however, consider this appropriate in order to establish individual rupee costs which were previously not available.

29. Airframe and aircraft engine overhaul

Airframe and aircraft engine overhaul 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.

30. 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 actions or other claims being undertaken against the Company. This contingent liability is estimated by the management at Rs.186.38 M.

(b) No provision has been made in the Accounts in respect of a potential tax liability of OMR 319,547 (Rs.39.95 M) and SAR 6,011,109 (Rs.77.54 M) in respect of income arising in Oman and Saudi Arabia respectively. Once the double tax treaties are brought into force, it is anticipated that this matter will be resolved in favour of the Company.

Statement of Changes in Financial Position

Source of funds:	Note	GROUP		COMPANY	
		1995 Rs. M	1994 Rs. M	1995 Rs. M	1994 Rs. M
Profit / (loss)	A	475.97	193.03	347.45	88.11
Adjustment for items not involving the movement of funds	B	1,854.90	1,238.67	1,743.95	1,143.01
Funds generated from operations		2,330.57	1,431.70	2,091.40	1,231.12
Long term loans		1,037.98	621.39	1,037.98	621.39
Finance leases		13,007.69	1,611.84	13,007.69	1,611.84
Duty Free Product Support reserve		13.07	4.27	13.07	4.27
Proceeds from disposal of fixed assets		2.08	32.62	1.37	32.59
Income from investments		-	-	84.16	100.49
		16,391.69	3,701.62	16,235.67	3,601.70
Application of funds					
Purchase of fixed assets		12,697.41	193.84	12,676.61	185.94
Investment in projects		35.57	2,358.94	35.57	2,358.94
Investment		-	-	-	-
Deferred expenditure		16.15	45.98	16.15	45.98
Duty Free Product Support reserve		2.15	2.94	2.15	2.94
Long term loans		1,461.68	209.31	1,461.68	209.31
Short term loans		-	233.57	-	233.57
Dividend payment to minority interests		56.11	67.19	-	-
Deferred liabilities		11.34	4.40	10.90	4.04
Finance leases		837.01	916.13	837.01	916.13
		15,117.42	4,032.30	15,040.07	3,956.85
Working capital					
Net increase	C	1,274.27	(330.48)	1,195.60	(355.15)

Notes to the Statement of Changes in Financial Position

Notes	GROUP		COMPANY	
	1995 Rs. M	1994 Rs. M	1995 Rs. M	1994 Rs. M
A) Profit / (loss) per accounts	476.10	193.03	431.74	188.60
Prior year non-cash adjustments	(0.13)	-	(0.13)	-
Income from associate company	-	-	(84.16)	(100.49)
	475.97	193.03	347.45	88.11
B) Adjustments for items not involving - the movement of funds				
Depreciation	1,186.49	891.00	1,162.81	867.71
Amortisation of deferred items	521.37	272.80	521.37	272.80
Profit on disposal of fixed assets	(1.62)	(30.14)	(0.91)	(30.12)
Minority interest	85.68	70.14	-	-
Aircraft rotatable spares	-	-	-	-
General provisions	62.98	34.87	60.68	32.62
	1,854.90	1,238.67	1,743.95	1,143.01
C) Increase/ (decrease) in components of working capital				
Stocks	275.77	332.28	274.69	325.66
Debtors	190.63	13.86	220.33	26.70
Advance payments and deposits	31.17	93.28	(7.98)	(20.92)
Creditors and accruals	(1,005.44)	(610.56)	(1,080.81)	(589.55)
Net liquid funds	1,782.14	(159.34)	1,789.37	(97.04)
	1,274.27	(330.48)	1,195.60	(355.15)

Statement of Value Added

Value added	GROUP		COMPANY	
	1995 Rs. M	1994 Rs. M	1995 Rs. M	1994 Rs. M
Total revenue	14,037.17	12,800.43	13,651.28	12,456.05
Less: Purchases of goods and services	10,257.01	10,000.78	10,216.70	9,953.30
Value added by the Company	3,780.16	2,799.65	3,434.58	2,502.75
Add: Surplus on sale of fixed assets	1.62	30.14	0.91	30.12
Investment income	108.32	178.94	181.82	268.59
Non operating revenue	271.90	90.61	271.43	89.35
Total value added	4,162.01	3,099.34	3,888.75	2,890.81
Distribution of value added :				
To employees – as remuneration	1,382.28	1,280.61	1,262.74	1,169.95
To government – as corporation and other taxes	44.30	98.86	44.30	98.86
To suppliers of capital – as interest	987.16	565.69	987.16	565.69
Minority Interest	85.68	70.14	–	–
Retained for re-investment and future growth				
Depreciation	1,186.49	891.01	1,162.81	867.71
Retained profits	476.10	193.03	431.74	188.60
Total value added	4,162.01	3,099.34	3,888.75	2,890.81

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

Ten Year Review - Company

1986 1987 1988

PROFIT AND LOSS ACCOUNT

Total revenue	Rs. Million	4,247.25	3,746.93	4,190.34
Total expenditure	Rs. Million	4,495.23	3,658.76	4,139.44
Net profit/(loss)	Rs. Million	(1,042.16)	(642.72)	(374.64)

BALANCE SHEET

Share capital	Rs. Million	3,265.00	5,898.47	6,510.47
Fixed assets	Rs. Million	4,867.62	5,456.47	4,063.57
Current assets	Rs. Million	1,376.58	1,246.67	1,383.21
Total assets	Rs. Million	6,244.21	6,774.15	5,520.95
Current liabilities	Rs. Million	1,825.14	1,722.74	1,886.51

YIELD/UNIT COST

Overall yield	Rs. tkm	12.2	13.9	15.6
Unit cost	Rs. tkm	8.6	8.9	10.3
Breakeven load factor	%	70.5	64.0	66.0
Revenue per RPK	Rs./RPK	1.2	1.4	1.5

PRODUCTION

Passenger capacity	ASK Millions	3,959.97	3,062.21	2,930.09
Overall capacity	ATK Millions	490.40	374.80	366.70

TRAFFIC

Passengers carried	Nos. Thousands	713	583	591
Passengers carried	RPK Millions	2,573.25	1,927.28	1,974.00
Passenger load factor	%	65.00	62.90	67.40
Cargo carried	Tonnes	14,959	11,045	11,462
Cargo load carried	RTK Millions	66.95	46.50	47.39
Overall load carried	RTK Millions	303.00	223.10	228.90
Cargo load factor	%	49.63	45.14	45.58
Overall load factor	%	61.80	59.50	62.40

STAFF

Average strength	Nos.	3,885	3,796	3,638
Revenue per employee	Rs.	1,093,243	987,073	1,151,825
Capacity per employee	Tonne-km	126,229	98,736	100,797
Load carried per employee	Tonne-km	77,992	58,772	62,919

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.

Ten Year Review - Company

1989	1990	1991	1992	1993	1994	1995
5,144.31	6,704.95	9,226.19	10,936.03	12,945.44	12,456.05	13,651.28
4,713.94	6,405.91	8,821.99	10,571.89	12,390.28	11,747.81	12,154.46
(128.43)	163.17	201.06	218.36	127.61	188.60	431.74
7,369.47	7,369.47	7,369.47	7,369.47	7,369.47	5,146.35	5,146.35
3,979.55	3,497.75	3,231.25	5,723.71	9,019.84	10,742.20	22,318.81
1,962.62	2,666.08	3,354.33	2,554.93	5,323.45	5,054.09	7,088.09
6,035.80	6,246.56	6,609.58	8,309.04	14,373.69	15,826.69	29,437.30
2,158.64	2,945.89	3,710.71	4,614.17	7,005.56	7,142.16	8,770.97
16.4	18.8	20.9	22.8	24.9	27.6	27.8
10.2	11.9	14.4	15.14	15.45	18.10	17.55
62.4	63.1	68.7	66.4	62.1	65.6	63.1
1.6	2.0	2.1	2.4	2.5	2.8	2.9
3,401.17	3,945.39	4,539.59	5,307.55	6,137.90	5,145.36	5,404.55
446.20	524.53	600.66	698.37	782.71	632.15	672.27
720	775	878	958	1,067	994	1,081
2,510.06	2,769.50	3,445.91	3,772.02	4,203.25	3,576.75	3,786.56
73.80	70.20	75.91	71.07	68.48	69.51	70.06
14,995	17,177	22,090	25,819	26,518	25,957	28,748
64.35	77.06	92.13	105.49	108.63	107.38	119.77
294.60	332.8	414.8	453.44	492.20	419.37	454.19
51.43	47.13	53.05	51.95	48.28	50.81	52.15
66.00	63.45	69.05	64.93	62.88	66.34	67.56
3,535	3,603	3,678	4,181	4,531	4,442	4,584
1,455,250	1,860,935	2,508,480	2,615,649	2,857,082	2,804,153	2,978,029
126,223	145,581	163,312	167,034	172,746	142,312	146,656
83,338	92,367	112,768	108,453	108,629	94,410	99,082

Revenue Tonne Kilometres (RTK)

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

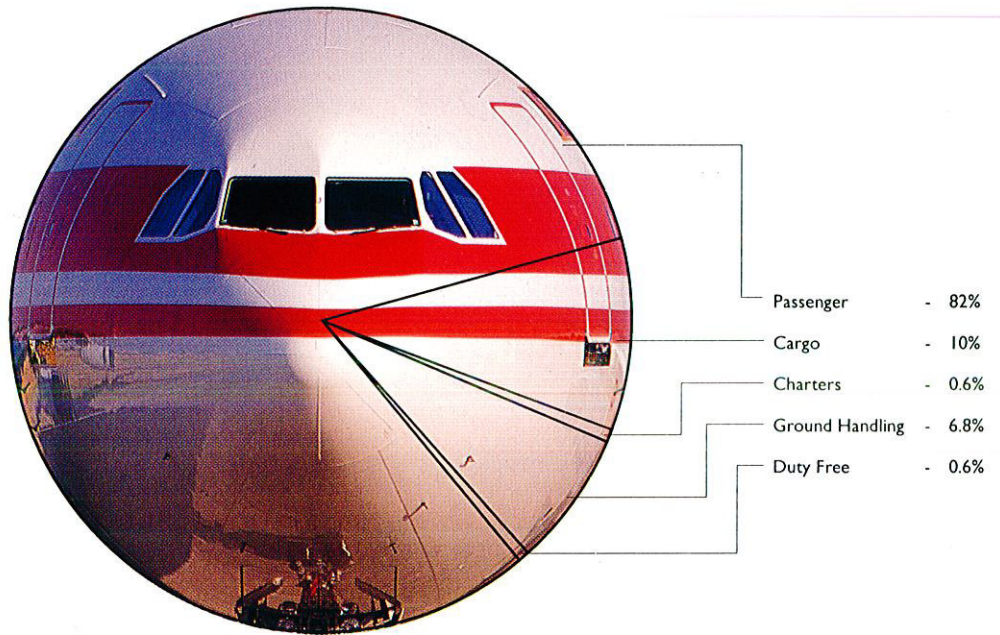
Load Factor

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

Break-even Load Factor

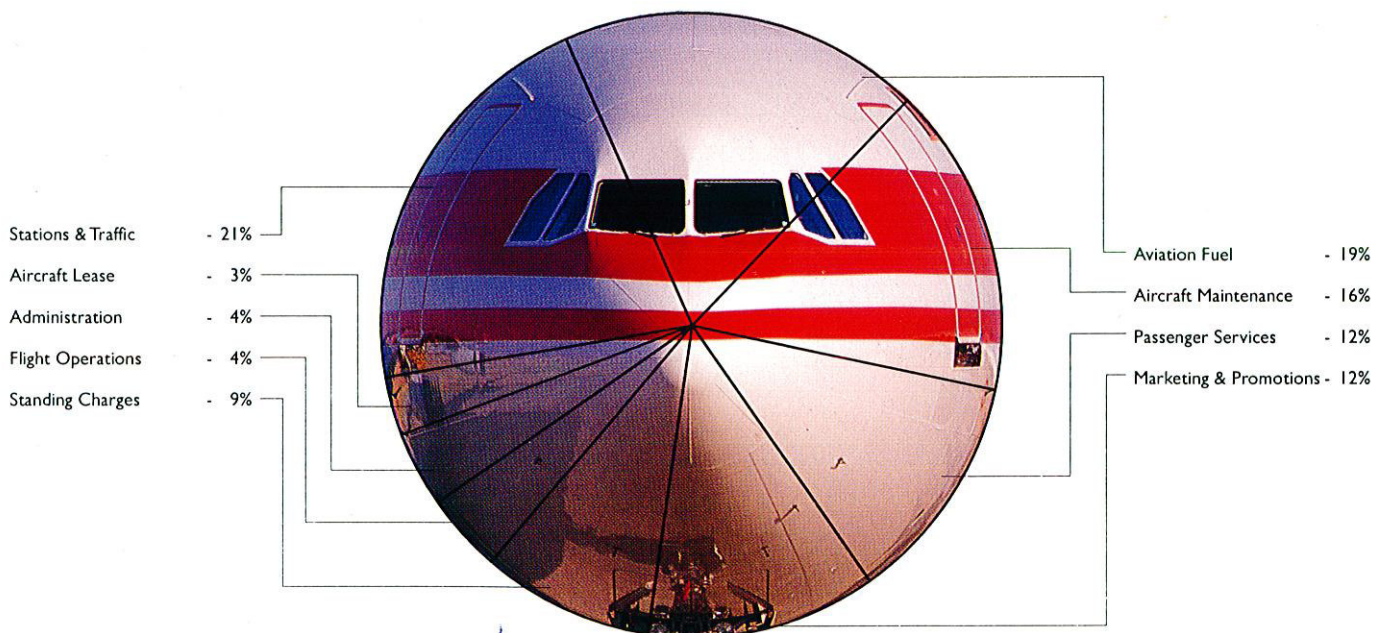
The load factor required to equate revenue from scheduled airline operations with operating costs.

Composition of Revenue



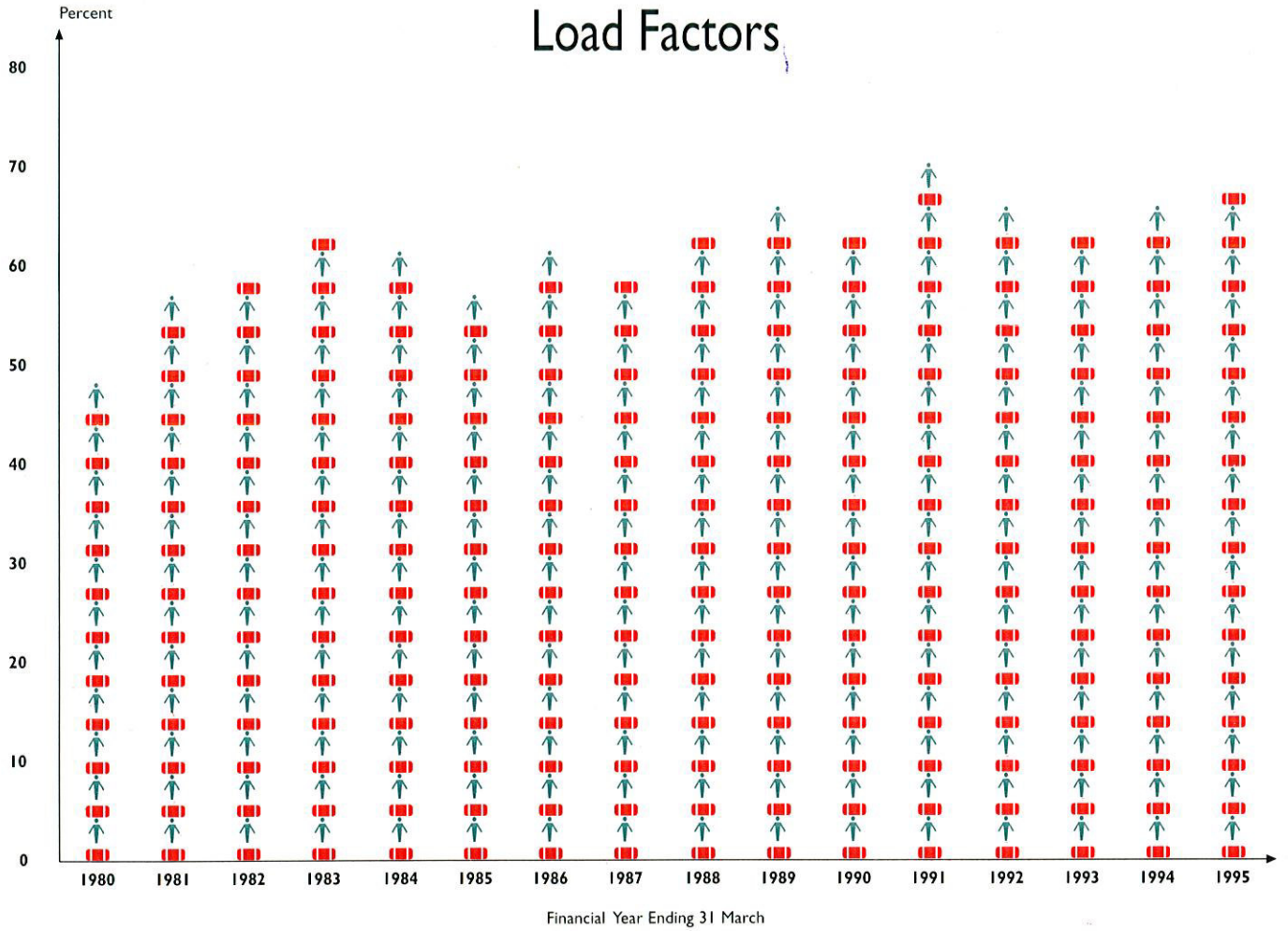
Financial Year Ending 31 March 1995

Composition of Expenditure

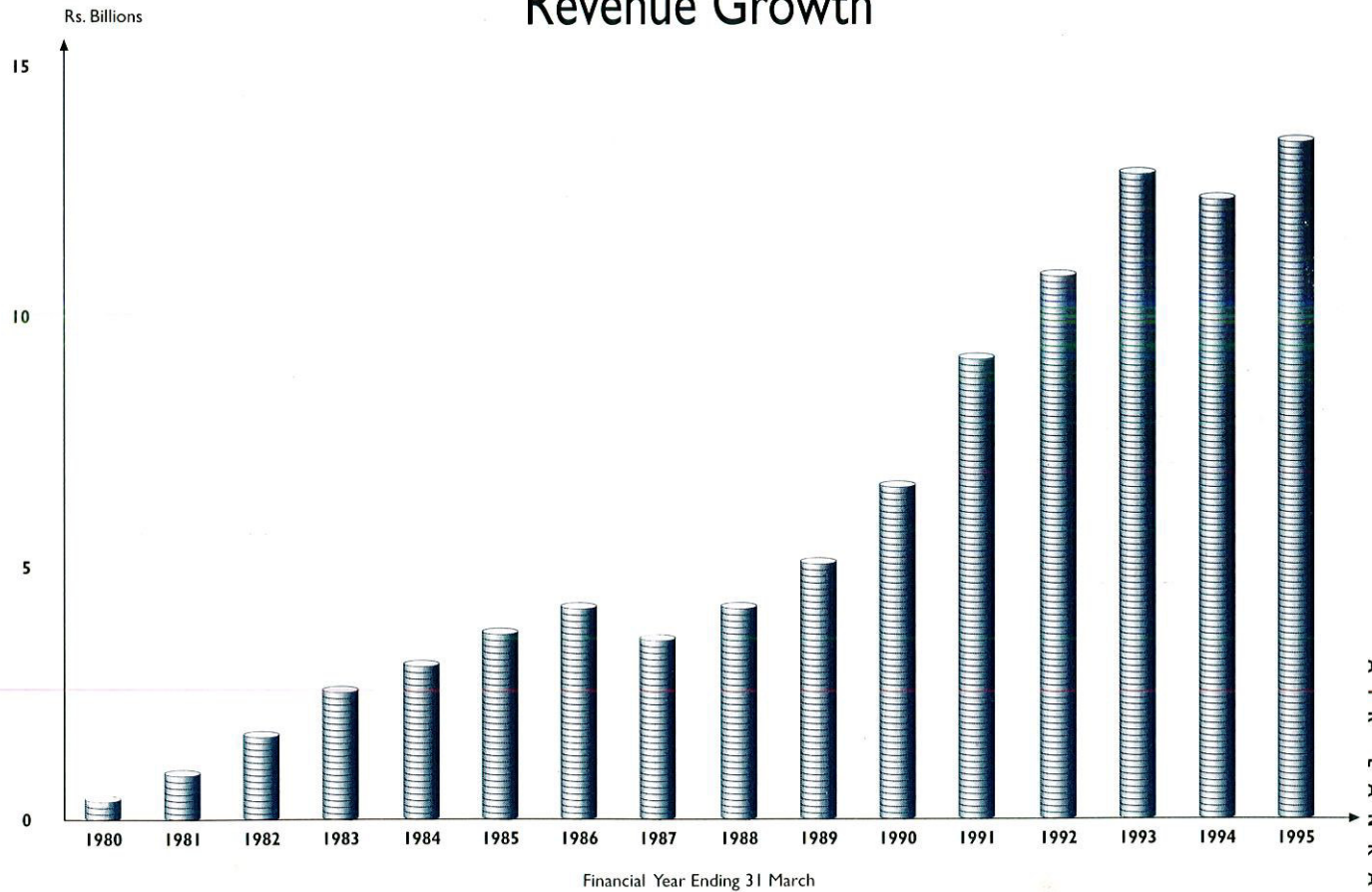


Financial Year Ending 31 March 1995

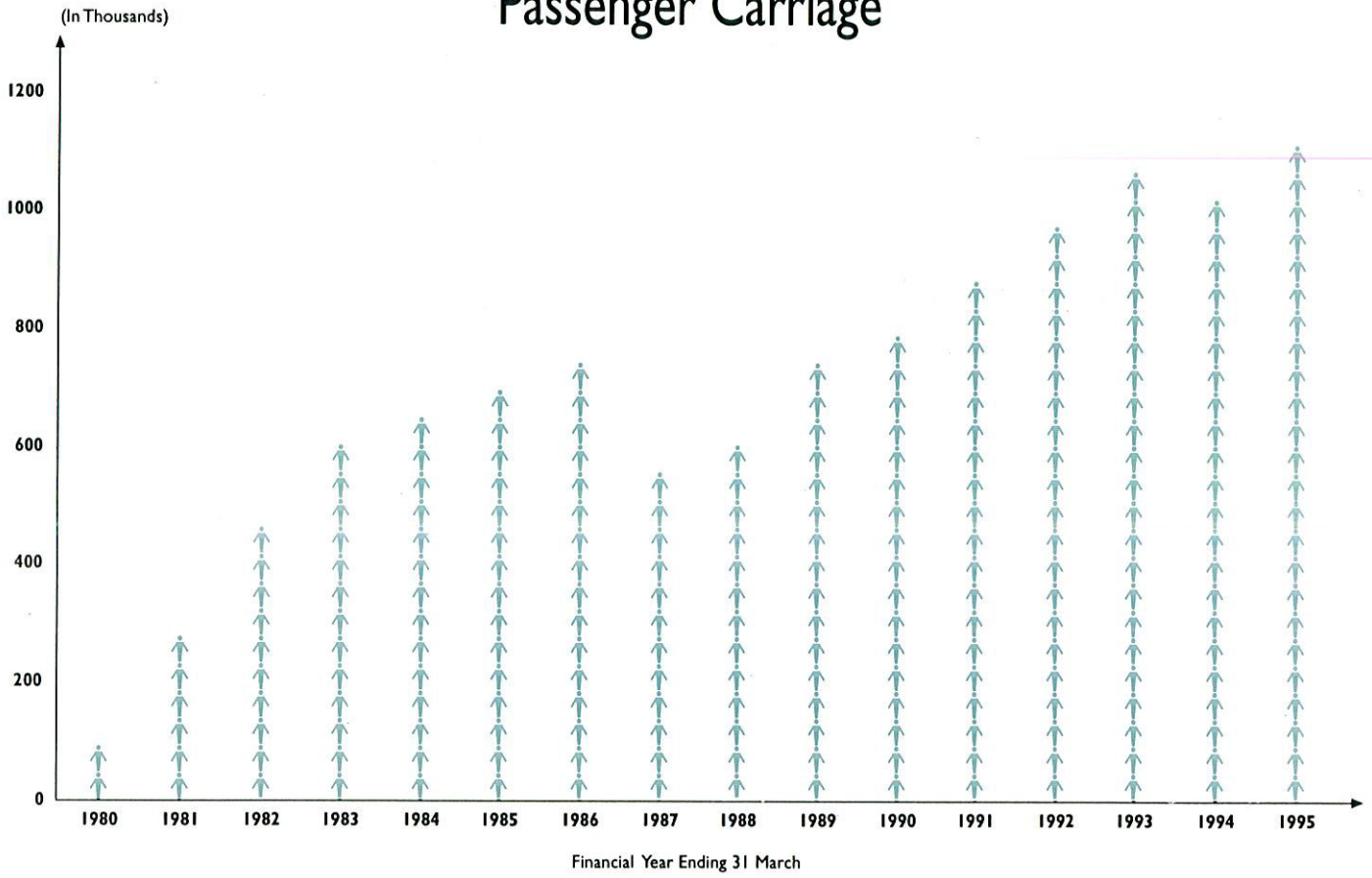
Load Factors



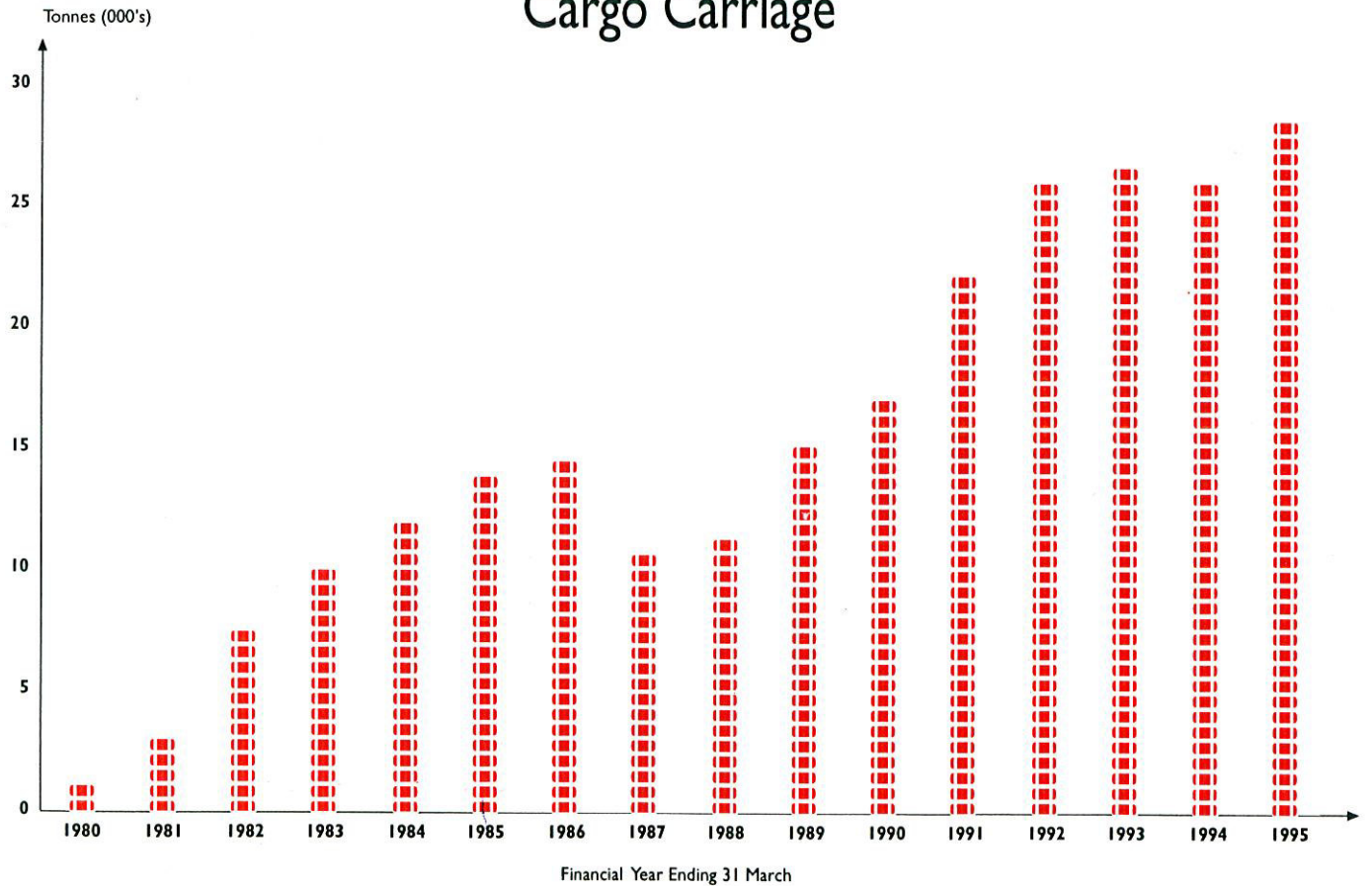
Revenue Growth



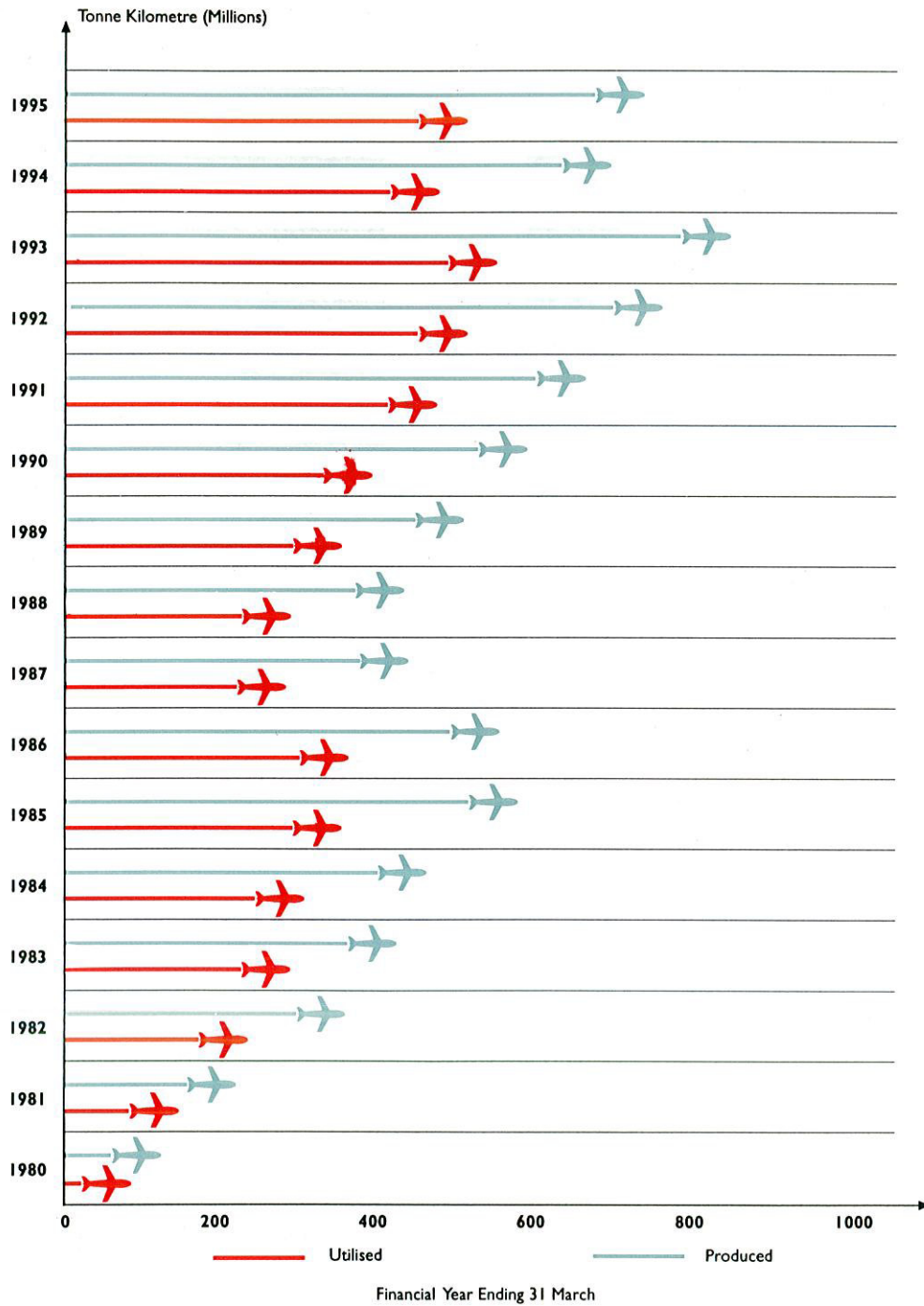
Passenger Carriage



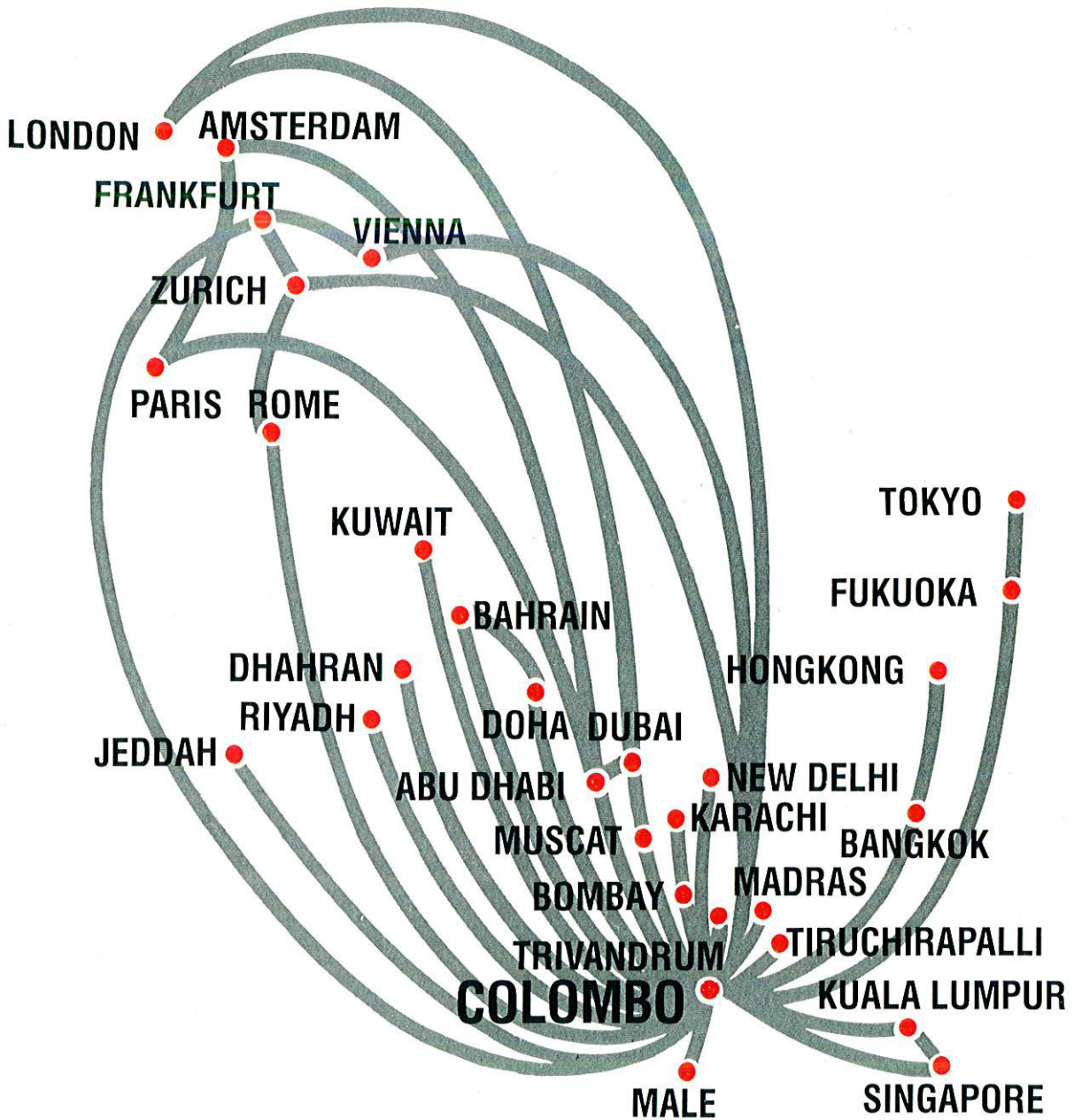
Cargo Carriage



Capacity



AIRLANKA ROUTE NETWORK



It's a taste of Paradise

AIR LANKA OFFICES & GENERAL SALES AGENTS

Head Office: 37, York Street, Colombo 1, Sri Lanka. Telephone : 94-1 Gen Admin - 073-5555,
Passenger Reservations & Re-confirmation - 421161/073 5555, Telex: 21401 LANKAIR CE, Fax: 0735122 Cargo Sales - 073 3276/073 3281

AUSTRALIA

Adelaide World Aviation Systems (Aust) Pty Ltd.,
Avion House, 249-251 Pulteney Street, Adelaide 5000,
South Australia.
Tel: (G) 08-2321411, Tlx: AA88302 CONIT,
Fax: 08-224-0439

Brisbane World Aviation Systems (Aust) Pty Ltd.,
Level 6, Concorde House,
217 George Street, Brisbane QLD 4000, Australia.
Tel: 07 867-7134, Fax: 221-3049

Canberra World Aviation Systems (Aust) Pty Ltd.,
32 Lonsdale St., Braddon A.C.T. 2601, Australia.
Tel: (G) 06-257 1055, Fax: 06-257-4891

Darwin Inwatts: 008-221651

Melbourne World Aviation Systems (Aust) Pty Ltd.,
310, King Street, West Melbourne, Victoria 3000,
Australia. Tel: (G/R/T) 613679 6882, Tlx: AA33508 CONIT,
Fax: 613679 6880 (UL Sales/Admin Asst) 03-321 6850 (D)

Sydney Admin: World Aviation Systems (Aust) Pty Ltd.,
10th Level, 403, George Street, Sydney,
New South Wales 2000, Australia.
Tel: (G) 612 321911, Fax: 612 2903641

TKTG & RES World Aviation Systems (Aust) Pty Ltd.,
64, York Street, Sydney, New South Wales 2000,
Australia. Tel: (T) 61-2-3219234, INWATTS: 612 2903306

AUSTRIA

Vienna Air Lanka Ltd. 1040, Wien,
Mattiellistrasse 2-4, Vienna, Austria.
Tel: (D) 5133776-14, (G) 5133776,
(R) 5133776/8, (T) 5133776, Tlx: 113254, Fax: 5139552

BAHRAIN

Manama Air Lanka Ltd. C/o Bahrain International Travel,
Chamber of Commerce Bldg., Ground Floor, King Faizal
Highway, P.O. Box 1142, Manama, Bahrain.
Tel: (D) 211405 (G), 253315,
(R) 233819, 253315, (T) 233819, 253315,
Tlx: 9242 BIT BN (GSA'S), Fax: 210175 (GSA'S), Postal
Address: P O Box 1142, Manama, Bahrain.

BANGLADESH

Bengal Airlift Ltd. Elite House / 54, Motighell Commercial
Area, Dhaka 1002, Bangladesh. Tel: (D) 243050, 251900,
25472, Com. Tlx: 642881 AIRGO BJ, Fax: 8802 863945

BELGIUM

Brussels Air Lanka Ltd. Brucargo Admin Bldg, 706, Room
7121, 1931, Zaventem, Belgium. Tel: (G) 32-2-7534544,
Fax: 02-7534545

BRAZIL

Rio de Janeiro Varig Airlines. Av. Almirante Silvio De
Noronha, 365 Room 391, CEP 20021-010 Rio de Janeiro,
Brazil. Tel: (G) 262-5881, 272-5416, Tlx: 21-22363,
Fax: 272-5720 272-5700

BULGARIA

Sofia Balkan Bulgarian Airlines.
12, Narodno Subranie Square,
Sofia, People's Republic of Bulgaria.
Tel: 884433, 884493, 881180

CANADA

Ontario D & N Travel Services Inc.,
2235, Kennedy Road, Suite 101,
Scarborough Ontario MIT 3G8, Canada.
Tel: (G) 416 291 5331, (R) 1800 668 5224,
(Toll Free across Canada),
Tlx: 06-217847, Fax: 416 2915336

CYPRUS

Nicosia Louis Aviation Ltd.,
52, Evagoras Avenue, P.O. Box 1301, Nicosia, Cyprus.
Tel: (D) (02) 442114, (R) (02) 464764,
Tlx: 2123, Fax: 02-461894

EGYPT

Cairo Five Continents Travel, 15, Ismail Mohamed Street,
Jeddah Tower, Zamalek, Cairo, Egypt.
Tel: 3401948, 3409770, 3409488, Tlx: 23268 MASA UN,
Fax: (202) 34 19626

FRANCE

Paris Sales: Air Lanka Ltd., 2, Rue des Moulins, 75001,
Paris, France.
Tel: (G) (1) 42-969022, (R) (1) 42-974344,
(T) (1) 44-778223, Fax: 42-868320

GERMANY

Frankfurt Air Lanka Ltd., Schwindstr, 3, 60325,
Frankfurt a Main, Germany.
Tel: (D) (069) 97573911, (G) (069) 9757390,
(R) (069) 740941, Fax: (069) 748432

GREECE

Athens Intermodal Air Sa, 25 Filellinon Street,
Second Floor, 10557 Athens, Greece.
Tel: (R) 3249098, (T) 3249650, Tlx: 221530, Fax: 3249152

HONG KONG

Hong Kong Air Lanka Ltd.,
Room 2703, 27/F, Lippo Tower, Lippo Centre,
89, Queensway, Hong Kong. Tel: (D) 521 0870,
(G) 521 0708, (R/T) 521 0708, (P/S) 521 0812,
(C/S) 521 0830, (A/C) 801 5180, Fax: 801 5600

INDIA

Amritsar Stic Travel Pvt. Ltd., Amritsar International
Hotel City Centre, Amritsar, India. Tel: (G) 31991, 31992

Andhra Pradesh Nagarjuna Travels & Hotels Pvt Ltd.,
36 356/358, Basheer Bagh, Hyderabad 500029 India.
Tel: (D) 240914, (G) 091 40 237201, Com.
Tlx: 0425 6260, Fax: 091 40 236789

Bangalore Stic Travels Pvt. Ltd., G-5 Imperial Court,
33/1 Cunningham Road, Bangalore - 560052, India.
Tel: 2262814/2267613, Tlx: 845-8633 STIC IN

Bombay Air Lanka Ltd., C/o Anusha Air Travels Pvt. Ltd.,
Mittal Tower "C", Ground Floor, Nariman Point, Bombay
400 021, India. Tel: (D) 2836065, (G) 244148, 223599,
(R) 223299, 244156, (T) 223288, Fax: 2833864

Calcutta East Anglia House, 3C, Camac Street,
Calcutta - 700 016, India. Tel: 0091 33 292092,
0091 33 294464, 0091 33 295734, Fax: 033 295989,
Comm, Tlx: 021 2611

Chandigarh Stic Travels Pvt. Ltd.,
SC 40-41, Sector 17-A, Chandigarh, India. Tel: (D) 21770

Faridabad Stic Travels Pvt. Ltd., Magpie Tourist Complex,
Mathura Road, Faridabad, India. Tel: (G) 3473, 5864

Goa Stic Travel Pvt. Ltd. Room No. 3, Hotel Fidalogo,
18, June Rd., Panaji, Goa. Tel: (082) 227512, (082) 227513,
Fax: (082) 223331

Hyderabad Nagarjuna Travels & Hotels Pvt. Ltd.,
3-6-356/358, Basheer Bagh, Hyderabad 500029, India.
Tel: 091-40-237201, Tlx: 0425-06260 HONAIN,
Fax: 091-40-236789

Jalandhar Stic Travels Pvt. Ltd., 2nd Floor, Alfa Estate,
G T Rd., Opp. General Bus Stand, Jalandhar - 144001.
Tel: (0181) 230961, (0181) 232056, (0181) 232058

Jullundur Stic Travels Pvt. Ltd., "Hotel International",
GT Road, Jullundur, India.
Tel: (G) 2975, Tlx: 56540 STIC IN

Karnataka Stic Travels Pvt. Ltd.,
G-5 Imperial Court, 33/1, Cunningham Rd., Bangalore -
560052, India. Tel: (D) 2267613, (G) 2262814, Com.
Tlx: 845 8633

Madras Air Lanka Ltd., Mount Chambers,
758, Anna Salai Madras 600 002, India.
Tel: (D) 8522682, (G) 8520737, (R) 4993074,
Tlx: 416317 ALKIN, Fax: 8522682

Translanka Air Travels (Pvt) Limited
Nagabramha Towers, 76, Cathedral Road,
Madras - 600086. Tel: (D) 8261154,
(S) 8261537, (R) 8261535/6

New Delhi Air Lanka Ltd., C/o Stic Travels Pvt. Ltd.,
Room No 4, Janpath Hotel, New Delhi - 110001, India.
Tel: (D) 3326840, (G) 3326843/45, 3320070,
(R) 3326843/45, (T) 3326843/45, (S) 3311668,
Fax: 3712710 (GSA)

Patna STIC Travels Pvt. Ltd., "Hotel Ashok", Patliputra,
Patna, India. Tel: (G) 26270

Salem Translanka Air Travels (Pvt) Ltd.,
47, Divya Towers, Fort Main Road, Salem 636001. India.
Tel: 91 427 51542

Tiruchirapalli Air Lanka Ltd., C/o Translanka Air Travels
(Pvt) Ltd., Hotel Femina Complex, I-4-C Williams Road,
Tiruchirapalli 620 001, India.
Tel: (D) 464076, (R) 460844/460852/40844, (T) 40844

Translanka Air Travels (Pvt) Ltd., 66X Vijay Buildings,
Aryaas Hotel Complex, Madurai Road, Tirunelveli 627001.
Tel: 91 462 23361 PP

Trivandrum Air Lanka Ltd., C/o Anusha Air Travels (Pvt)
Limited, Geethanjali Building, Vazhuthacaud, Trivandrum
695 023, Kerala, South India. Tel: (D) 64480, (G) 62309,
(R/T) 68767/64495, (GSA) 62527

INDONESIA

Jakarta P T Dharma Buana, Experindo, JLN. JEND
Sudirman KAY.28, Jakarta 12920, Indonesia.
Tel: (G) 62215212340, Fax: 62215212344

IRELAND

Belfast Aer Lingus., 46-48 Castle Street, Belfast, BT1
1HB, Northern Ireland.
Tel: (D) 0232/244224, (R) 0232/245151

Cork Aer Lingus. 38, Patrick Street, Cork, Ireland.
Tel: (021) 27431, Tlx: 76176

Dublin Aer Lingus., 40, Upper O' Connell Street, Dublin,
Ireland. Tel: (01) 377747, (01) 377777

Branch Office

(1) Aer Lingus, 42, Grafton Street, Dublin, Ireland.

(2) Aer Lingus, 12, Upper George Street, Dublin, Ireland.

(3) Aer Lingus, Teoranta, Dublin Airport, Dublin, Ireland.
Tel: 370011

Limerick Aer Lingus, 136, O' Connell Street, Limerick,
Ireland. Tel: (061) 45556

Shannon Aer Lingus. Limerick Office, Shannon, Ireland.
Tel: (061) 45556

ITALY

Milan Air Lanka Ltd., Via Gonzaga 5, 3rd Floor, 20123,
Milan, Italy. Tel: (S) 02 86461209, (T/R) 02 86464513,
02 86465021, Fax: 02 86461852

Rome: Air Lanka Ltd., Via Barberini, No. 3, Second Floor,
00187 Rome, Italy. Tel: (D) 06 4746936, (G) 06 484858,
06 4741084, (R) 06 483830, 06 484428
Admin Office: 06 483732, Tlx: 620430, Fax: 06 4746385

JAPAN

Fukuoka: Air Lanka Ltd., 1 FL, Kyukan Recruit Bldg,
2-19-27, Hakataeki Mae, Hakata-ku, Fukuoka City, Fukuoka
Pref, Japan 812. Tel: (D) 092-451-2856, (G) 092-451-2856,
(R) 092-481-2855, (T) 092-451-2855, Fax: 092-451-2857

Osaka: Overseas Travel Agency Co. Ltd.,
22 Floor, Osaka Kokusai Bldg., 3-13, Azuchi-Machi,
02-Chome, Chuo-Ku, Osaka 541 Japan.
Tel: (S) 06 2630424, (R) 06 2630601, Fax: 06 2630425

Tokyo: Air Lanka Ltd., 2nd Floor, "Dowa Building"
7-2-22, Chuo-Ku, Tokyo 104, Japan.
Tel: (D) 03 3573-4170, (G) 03 3573-4263,
(G) 03 3573-4264, (R) 03 3573-4261, (T) 03 3573-4262,
(Cargo) 03 3573-4265, Fax: 03 3574 0780

JORDAN

Amman: Grand Travel & Tourism Co.,
Shmeisani Behind Housing Complex,
P O Box 2152, Amman, Jordan. Tel: (G) 96-26(682140),
Tlx: 21194 Grand JO, Fax: 682140

KOREA (SOUTH)

Seoul: Dongil Express Co. Ltd., Room 705, Namgang Bldg.,
32-2 Mukyo-Dong Chung-Ku, Seoul, South Korea.
Tel: (R) 82-2-756-2161, (R) 82-2-756-2162,
Fax: (02) 756-2163

KUWAIT

Safat: Air Lanka Ltd., C/o Delta Travel Company,
P.O. Box 26347, Alsour Street, Safat 13124, Kuwait.
Tel: (D) (965) 2425239, (G/T/R) (965) 2424444,
Fax: 965 2461437 (GSA), Com. Tlx: KT 44544 OZARK

LEBANON

World International Lines
Gefinor Center, Block C, Beirut, Lebanon.
Tel: 365867/363443/364177

Bauchrieh Sin-El-Fil Blvd
Beirut, Lebanon, Tel: 892878/894575/892788, Fax: 888620

MALAYSIA

Kuala Lumpur: Air Lanka Ltd., UG4 Wisma Kwsg,
Lot 999 Jalan Kampong Attap, 50460, Kuala Lumpur,
Malaysia. Tel: (D) 03-2740212, (G/T/R) 03-2740211,
Fax: 03 2740897

MALDIVES

Male: Air Lanka Ltd., No. 20, Athireege Annex 2,
Ameeru Ahmed Magu, Rep. of Maldives.
Tel: (D) 328329, (G) 320189, 323459, (T/R) 314804-10,
Fax: 313169

Air Maldives Ltd., Henveiru, Male 20-05, Rep. of Maldives.
Tel: (G) (960) 322438, (T) 314803-08, (R) (960) 325676,
Tlx: 77058 AIRMALE MF, Fax: 325056

Air Maldives Ltd., Metropolis Bldg., Ibrahim Hossan Didi,
Male 20-05, Rep. of Maldives.

MALTA

Malta: World Aviation Systems Ltd., 20/2, Republic Street,
Valletta, VLT 04, Malta. Tel: (G) 238744, (R) 242233,
242234, 242235/6, Tlx: 1574 WASMLA, Fax: 0356 223887

NEPAL

Zenith Travels (Pvt) Ltd., Durbar Marg P.O. Box 4163,
Kathmandu, Nepal. Tel: 223162/223502,
Tlx: 2414 ZENITH NP, Fax: 977-1-227132

NETHERLANDS

Amsterdam: Air Lanka Limited., Assumburg 150,
1081 GC Amsterdam, Netherlands.
Tel: (D) 020-6428566, (G) 020-6448989, (R) 020-6442929,
(T) 020-6442929, Tlx: 12820 UL AMS,
Fax: 020 6428899, 020 6428181

NEW ZEALAND

Auckland: Astjet Air Services Ltd., Jetset Center, Level 6,
44, Emily Place, Auckland, New Zealand.
Tel: (09) 302 2695, Fax: (09) 309 2425

New Zealand Postal Address, Level 3, 250 Collins Street,
Melbourne Australia. Tel: 3654 3233, Fax: 3654 3366,
Tlx: AA 31838

PAKISTAN

Islamabad: Crown Travels Ltd., No. 02, Block 1/A,
Shahid Plaza, Blue Area, Islamabad, Pakistan.
Tel: (G) 92-51-210947, 218253 Tlx: 54669 AKBAR PK,
Fax: 92-51-218250

Karachi: Air Lanka Ltd., 2nd Floor, Services Club Bldg.,
Mereweather Road, Karachi, Pakistan.
Tel: (D) 021-5680382, (G) 021-528286,
(R) 021-526480, 021-522679, (T) 021-526480, 021-522679,
Tlx: 21368 AKBAR PK, Fax: 021 5684522 UL

Lahore: Crown Travels., Ali Complex,
23, Empress Road, Lahore, Pakistan.
Tel: (G) 304265/303265, Tlx: 44162 AKBAR PK

QATAR

Doha: Air Lanka Ltd., c/o Ali Bin Ali Travel Bureau,
P.O. Box 2197, Doha, Qatar.
Tel: (D) 446345, (G) 441161, (R) 441161 (8 Lines),
(T) 441161 (8 Lines), Tlx: 4243 ABATRVDH,
Fax: 0974-441241

SAUDI ARABIA

Dhahran (Eastern Province): Air Lanka Ltd., Kanoo
Airline Centre, P.O. Box 122, King Abdul Aziz Street,
Dhahran International Airport, 31932, Saudi Arabia.
Tel: (D) (3) 8946503, (R) (3) 8951153, (3) 8952180,
(T) (3) 8952196, Tlx: 871298 KANOO SJ,
Fax: (3) 8984942-UL

Dhahran: Yusuf Bin Ahmed kanoo,
P.O. Box 37, Damman 3141, Saudi Arabia.
Tel: (G) 02 6696933, Com.: 801011 YAKST, 871298
KANOOSJ, Fax: 02 6609347

Jeddah (Western Province): Air Lanka Ltd.,
C/o Y.B.A.Kanoo, P.O. Box 812, Jeddah 21421,
Kingdom of Saudi Arabia. Tel: (D) 026696933 Ext 184,
(G) 026696933 Ext 185, Tlx: 601039 YBAK SJ,
Fax: 6695801

Riyadh (Central Province): Air Lanka Ltd.,
C/o Kanoo Travel Agency P.O. Box 753, Kanoo Tower,
King Abdul Aziz Street, Riyadh 11421, Saudi Arabia.
Tel: (D) 01-4788935, (G/T/R) 01 4772228, Ext: 291-4,
Tlx: 401038 KANOO SJ, Fax: 01 4786869

SINGAPORE

Air Lanka Ltd., 133, Cecil Street, Unit
13-01A/B, Keck Seng Tower, Singapore 0106,
Tel: (D) 224 3507, (G) 225 7233, (R/T) 2236026/7,
Fax: 2219425

SPAIN

Sociedad Anonima International, Hotel Corporation
(INTELCO), Gran Via N 86, Group I - Planta 14,
Edificio Espana, 28013 Madrid, Spain. Tel: (91) 5425775
Tlx: Com.:41681, Fax: 91 5417954

SRI LANKA

Colombo:
Head Office: Air Lanka Ltd., Grindlays Bank Bldg.,
37 York Street, Colombo 01, Sri Lanka. Tel: 073 5555,
Tlx: 21401 LANKAIR CE, Fax: 073 5122

Colombo:

(1) Cargo Office: Air Lanka Ltd.,
660, Galle Road, Colombo 04, Sri Lanka.
Tel: (G) 073 5555, Cargo Sales: (C/R)
073 3255, 073 3281, Fax: 073 5311

(2) Tktg. Office: Air Lanka Ltd.,
660, Galle Road, Colombo 04, Sri Lanka.
Tel: (G) 073 5555, (D) 073 3294, 073 3296

(3) Tktg. Office: Air Lanka Ltd., Mercantile
Building, 55, Janadhipathi Mawatha, Colombo 01,
Sri Lanka. Tel: (G) 073 5555, (D) 073 3450,
(T) 073 3450, 073 3474, (R) RECON 421161,

(4) PTA & Regional Tktg. Office: Air Lanka Ltd.,
No. 12, Sir Baron Jayathilake Mawatha, Colombo 1,
Sri Lanka. Tel: (D) 073-3677/3685, (G) 073-5555,
(R) 421161, (T) 073-3667, 073-3685, (T) 073-3671,
Tlx: 21401 LANKAIR CE, Fax: 073 5511

Kandy: Tktg. Office: Air Lanka Ltd.,
(Opp. The Queens Hotel), No. 19, Temple Street, Kandy,
Tel: (08) 32494, (08) 32495, Fax: (08) 32494

SOLOMON ISLANDS

Guadalcanal:
Solomon Airlines, Solar House, P.O. Box 23, Honiara,
Solomon Islands, Tel: (G) 20031,
(T) 20152, Tlx: HQ 66312, Fax: 67723992

SULTANATE OF OMAN

Muscat: Air Lanka Ltd., c/o Meزون Travel LLC,
P.O. Box 629, Postal Code 113, Muscat, Sultanate of Oman,
Tel: (D) 707547, (G) 796695, Res: (G) 796680-84,
(D) 796694, (T) 796680-84, Tlx: 3601 MEZMCT ON,
Fax: 707547

Branch Office: Air Lanka Ltd., c/o Meزون Travel L L C,
P.O. Box 1076, Salalah - 211 (Postal Code)
Sultanate of Oman. Tel: (G) 297846, 297847

SWITZERLAND

Zurich: Air Lanka Ltd., Reitergasse 6,
P.O. Box 313, CH-8021 Zurich, Switzerland.
Tel: (G) 01-241 5100, (T/R) 01-241 5100, (S) 01-241 3335,
Tlx: 812 517, Fax: 01 2417378

TAIWAN

Taipei: Overseas Travel Services Ltd., 2F No 129
Change-Chun Rd., Taipei, Taiwan,
Rep. Of China. Tel: (G) 88625116188, Fax: 886 25230626

THAILAND

Bangkok: Air Lanka Ltd., 942/34-35, Charn Issara Tower,
Rama IV Road, Bangkok 10500, Thailand. Tel: (D) 236 7618
(G) 236-0159, (R) 236-9292, (T) 236-4981/2, Fax: 236-7618

UNITED ARAB EMIRATES.

Abu Dhabi: Air Lanka Ltd., C/o Atlas Travel Tourism &
Transport, Zayed the 2nd Street, Al Dharmaki Bldg.,
P.O. Box 2086, Abu Dhabi, U.A.E., Tel: (D) 212057,
(R) 337125, (T) 337125, Fax: 340391-UL

Ajman: Ajman National Travel Agency,
Sh. Mohd Bin Ali Al Nuaimi Building, Flat No. 2,
Ground Floor, Sh. Rashid Bin Humaid Street, Ajman,
P.O. Box 641, U.A.E. Tel: (R) 06/422300, (G) 06/422300,
Tlx: 69625 ANTA EM, Fax: 427537

Al Ain: Atlas Travel Tourism & Transport,
Al Ain Street, Al Dhaheri Building, P. O. Box 16060, Al Ain,
U.A.E. Tel: 643344

Dubai: Air Lanka Ltd. Dubai Airline Center, (DNATA),
"C" Entrance, 3rd Floor, P.O. Box 12889, Dubai, U.A.E.
Tel: (G) 225951, 287781, (R) 236755, 223243,
Fax: 234245-UL

Dubai National Air Travel Agency, P.O. Box 1515, Dubai,
U.A.E. Tel: (G) & (R) 222151, Tlx: 45728 DNATA EM,
Fax: 009714, 270599

Fujairah: Fujairah National Air Travel Agency,
P.O. Box 96, Fujairah, U.A.E. Tel: (G) 222524, (R) 222316,
(T) 222316, Fax: 09-222555

Ras Al Khaimah: Rak National Travel Agency,
Al Seer Bldg., P.O. Box 5214, Oman Street,
Ras Al Khaimah, U.A.E. Tel: (R) 971-07-221536,
(R) 971-07-221531, Fax: 221255

Sharjah: Sharjah National Travel & Tourist Agency (Pvt)
Ltd., Al Arooba Street, Sharjah Tower, P O Box 17, Sharjah,
U.A.E. Tel: (R) (06) 544066, (T) (06) 351411,
Tlx: 68021 SNTTA EM, Fax: 009716, 374968

Umm Al Qiwain: Umm Al Qiwain National Travel
Agency, P.O. Box 601, King Faizal Street, Umm Al Qiwain,
U.A.E. Tel: (G) 656615, Fax: 655549

UNITED KINGDOM

London: Air Lanka Ltd., 22, Regent Street, London
SW1Y 4QD, Tel: (R/T) (G) 071-930-4688,
(M/S/A) 071-930-2099, (R/T)
(A) 071-930-1448, (R) 071-930-0901, Fax: 071 930 5626,

UNITED STATES OF AMERICA

Los Angeles: C/o Pyramid Travel Inc.
8127, San Fernando Road, Sun Valley, CA 91352 U.S.A.
Tel: (R) 818 767 4132, (G) 818 767 3827,
Fax: 818 771 0238, Toll Free 800 2475265

Branch Offices:

(1) Pyramid Travel Inc., New York Branch,
767 Fifth Avenue, G.M. Plaza, New York, NY 10153,
U.S.A. Tel: (212) 838 5120, Tlx: 710 5812297

(2) Pyramid Travel Inc., Houston Branch,
3050 Post Oak Blvd, Suite 1320, Houston,
Texas 77056, U.S.A. Tel: (713) 626 8028,
Toll Free Line 247 5265, Fax: 713 626-1905

Chicago

(3) Pyramid Travel Inc., Chicago Branch, 551,
North Michigan Av., Suite 212, Chicago, Illinois 60611,
USA. Tel: (312) 8289814, Fax: 312 822 0048

(4) Pyramid Travel Inc., Macomb Branch,
50, Charleston Road, Macomb,
IL 61455, U.S.A. Tel: 312 578-0100, Fax: 312 822-0048

Florida

(5) Pyramid Travel Inc., Fort Lauderdale, 1160
North Federal Highway, Suite 1013, Fort Lauderdale,
FL 33304, U.S.A. Tel: 305 779-7444

CIS

Moscow: Aeroflot Russian International Airlines,
Leningradsky Prospekt, 37 Moscow 124167

TERRITORIES OF CROATIA, SLOVENIA, BOSNIA, HERZEGOVINA AND THE REPUBLIC OF YUGOSLAVIA.

Croatia: Ceylon House, Trg Burze No 1, 4100 Zagreb,
Croatia. Tel: (D) 041 275965, Sita: Zagtoul,
Tlx: 21506 LANKA RH, Fax: 041 435846

Branch Office: Ceylon House, Sanje Zivanovic 15A,
11000 Belgrade, Federal Republic of Yugoslavia,
Tel: 381-11-653443 Fax: 381-11-647060,
Tlx: 12475 LAKBEL YU

Air Lanka Is GSA For: Aer Lingus,
Aeroflot Russian International Airlines, Balkan Bulgarian
Airlines, Australian Airlines.

Abbreviations used for Telephone Numbers

- (D) - Direct
- (G) - General
- (R) - Reservations
- (T) - Ticketing
- (S) - Sales Office
- (P/S) - Passenger Sales
- (C/S) - Cargo Sales
- (A/C) - Accounts Department

