



1996

Annual Report

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AIRLANKA

Corporate Information

Legal Form

Public Limited Liability Company

Directors

Mr. W T Jayasinghe Chairman/Managing Director

Mr. K Balapatabendi PC

Mr. B C Perera

Mr. W P S Jayawardena

Mr. Nihal Jayamanne PC

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

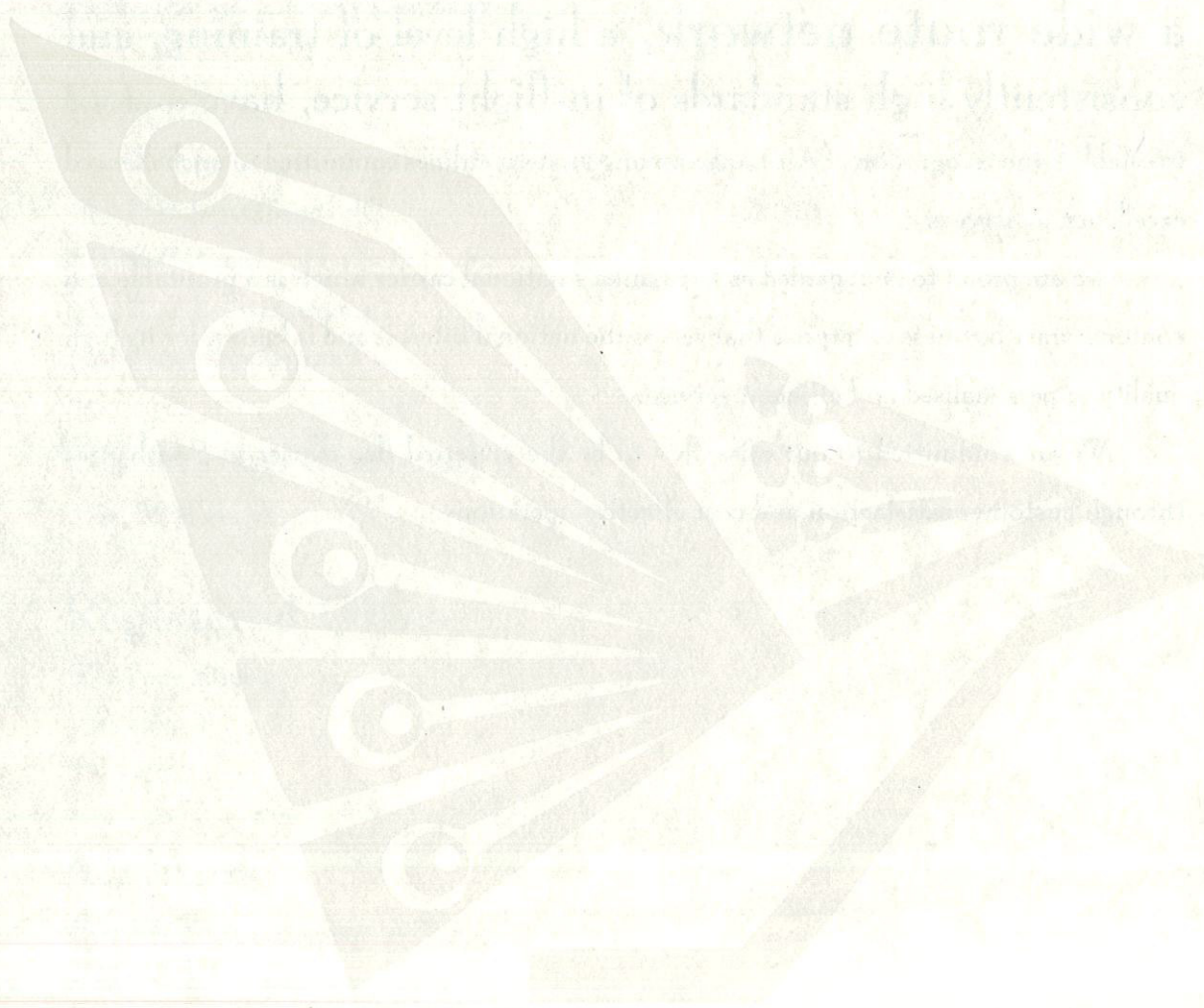
Bank of Ceylon

Our Mission

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.

We are proud to be regarded as Sri Lanka's national carrier which is a profitable and contemporary business enterprise that serves the national interest and is known for its high quality of personalised and efficient service.

We are committed to our mission - to be the preferred flag carrier in South Asia through customer satisfaction and cost effective operations.



AIRLANKA

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The Chairman's Statement

The financial year 1995/96 was a period of

consolidation for Air Lanka. The airline enhanced its delivery of service, utilising its new fleet of Airbus A340-300 aircraft, inducted last year.

Operating non-stop to UK and to certain destinations, in Europe and Japan, the A340 fleet provided Air Lanka's product with a level of sophistication and consistency that served to enhance the airline's image in the eyes of the international traveller.

In the year under review, Air Lanka moved closer to partial privatisation with the Public Enterprise Reform Commission preparing the groundwork for acquiring a strategic partner to invest in the airline. This exercise should bring results by the end of 1996.

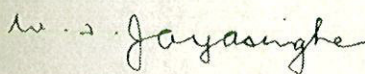
We have also concentrated on positioning Air Lanka as an International carrier with a network of 29 destinations in 21 countries, through strategic advertising and promotions in key markets overseas. This policy, consciously followed throughout the year, stood the airline in good stead, in the aftermath of the tragic events of January 1996, involving the bombing of the Central Bank. As could be expected, Air Lanka suffered dramatic reductions in tourist arrivals to Sri Lanka from key markets, some stations recording a drop of approximately 40%.

However, the airline has held to the strategy adopted, emphasizing its services worldwide, and projections for the next year are encouraging.

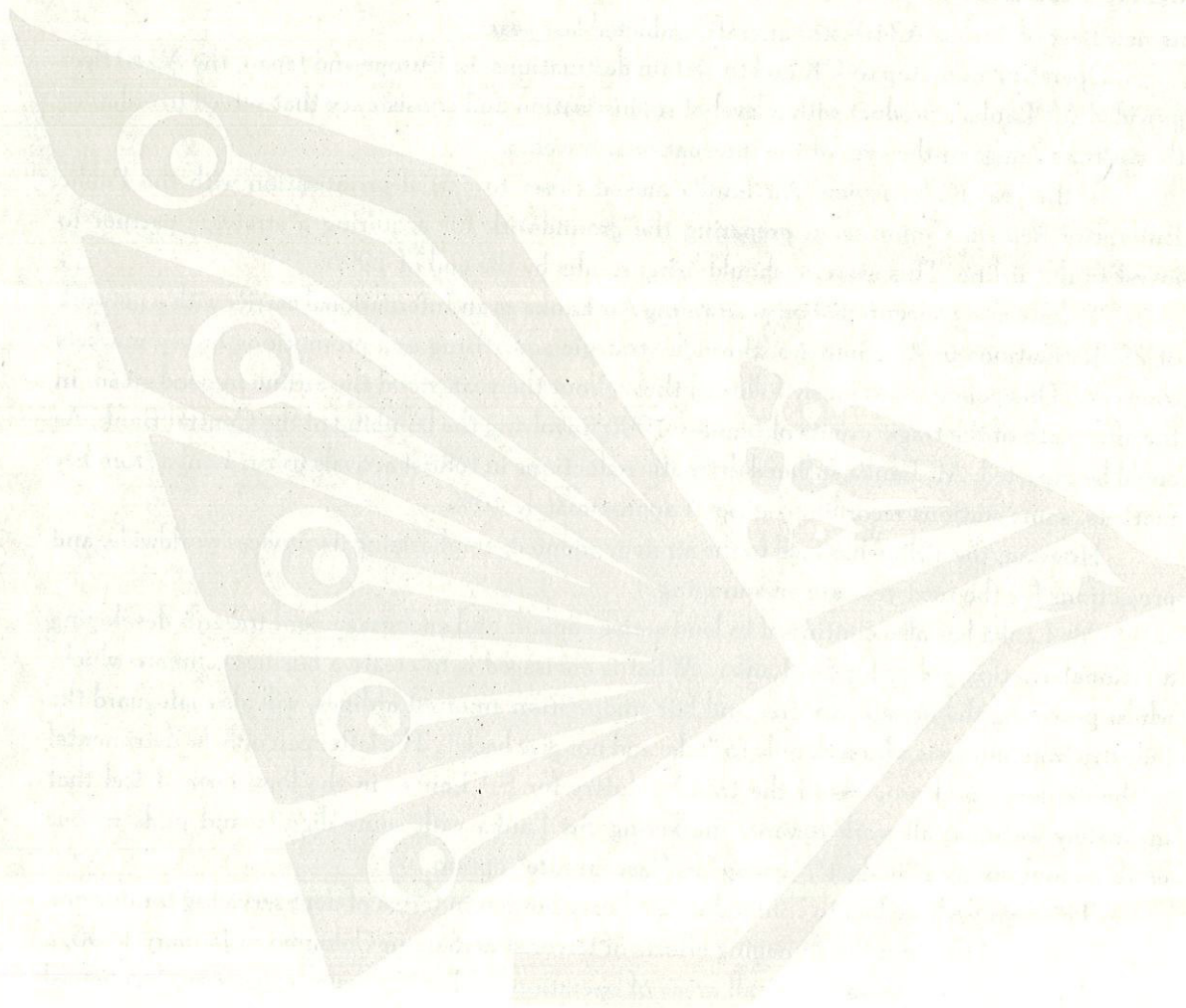
Air Lanka has also continued to lend active support and encouragement towards developing a rational aviation policy for Sri Lanka. What is envisaged is to create a business climate which, whilst providing the impetus for free and fair competition amongst airlines, will also safeguard the industry from interests who seek only to "take and not give back". The latter can only be detrimental to the existence and progress of the travel industry for Sri Lanka, in the long term. I feel that ultimately we must all work towards marketing Sri Lanka with some dignity and pride in our product, and not as a "budget", "cheap" or "last minute" option.

This year we have had to contend with a heavy burden in terms of debt servicing for our new fleet. In spite of this and the damaging effects of terrorist activity in Colombo in January 1996, a rational approach to cost saving in all areas of operation, eschewing major expansion, has helped Air Lanka to perform creditably, financially. The next few years will require even greater efforts to bring Air Lanka through to "sunnier skies".

On behalf of the Board of Directors, I wish to thank the staff and management for their efforts over the past year; we must continue to work together to bring prosperity to Air Lanka in the years ahead.



W T Jayasinghe



Highlights

		GROUP		COMPANY	
		1996	1995	1996	1995
Financial					
Operating revenue	Rs. M	15,072.57	14,037.17	14,704.81	13,651.28
Operating expenditure	Rs. M	13,406.77	12,337.99	13,239.48	12,154.46
Operating profit	Rs. M	1,665.80	1,699.18	1,465.33	1,496.82
Net profit	Rs. M	70.59	476.10	29.58	431.74

Traffic

Capacity offered	ASK millions			5,602.21	5,404.55
	ATK millions			772.27	672.27
Passengers carried	Thousands			1,149	1,081
Cargo carried	Tonnes			35,409	28,748
Passenger load factor	%			70.17	70.06
Overall load factor	%			66.66	67.56
Break-even load factor	%			63.10	63.10

Staff and Productivity

Average number of staff	Nos.	5,593	5,285	4,880	4,584
Revenue per employee	Rs.	2,694,899	2,656,040	3,013,281	2,978,029

Aircraft Fleet as at 31 March 1996

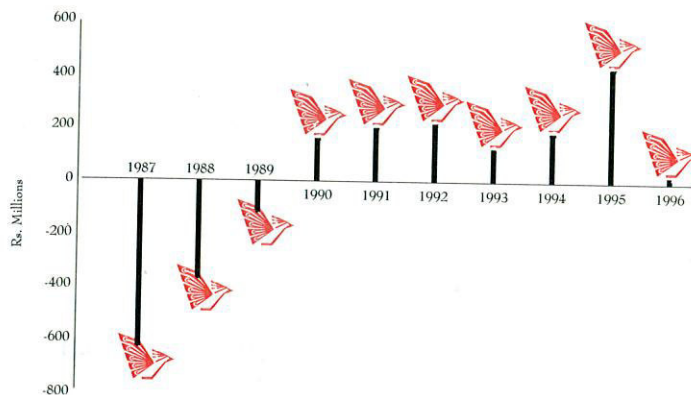
AIRCRAFT TYPE	ON FINANCE LEASES	OWNED
Airbus A340 - 300	3	
Airbus A320 - 200	2	
Lockheed Tristar L 1011 - 500		2
Lockheed Tristar L 1011 - 100		1
Lockheed Tristar L 1011 - 50		1
	5	4

Review Of Operations Profit

The Company registered an operating profit of Rs 1,465.33 million for the year compared to Rs 1,496.82 million in 1994/95, a decrease of Rs 31.49 million or 2.1% from the previous year. However, higher debt service costs which recorded an increase of Rs. 550.06 million during the year caused the Company's net profit to decline substantially by Rs 402.16 million or 93.1% to Rs 29.58 million.

Net Profit

Financial year ending 31 March.



The Group net profit for the year ended 31st March 1996 amounted to Rs. 70.59 million, a decrease of Rs. 405.51 million or 85.17% from the previous year.

At the Company level, earnings per share was down by 93.2% to Rs. 0.57 per share. Return on shareholders' funds was 1.5% compared to 12.2% achieved in 1994/95.

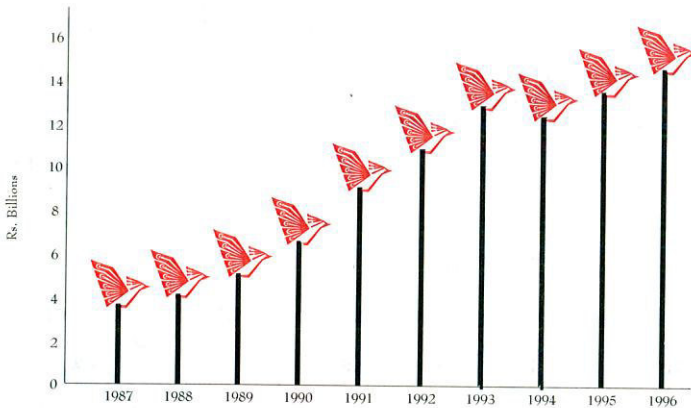
Revenue

Total operating revenue amounted to Rs. 14,704.81 million, up by Rs. 1,053.53 million or 7.7% from 1994/95.

The revenue of the group in 1995/96 was Rs. 15,072.57 million, an increase of Rs. 1,035.40 million or 7.4% from the previous year.

Revenue Growth

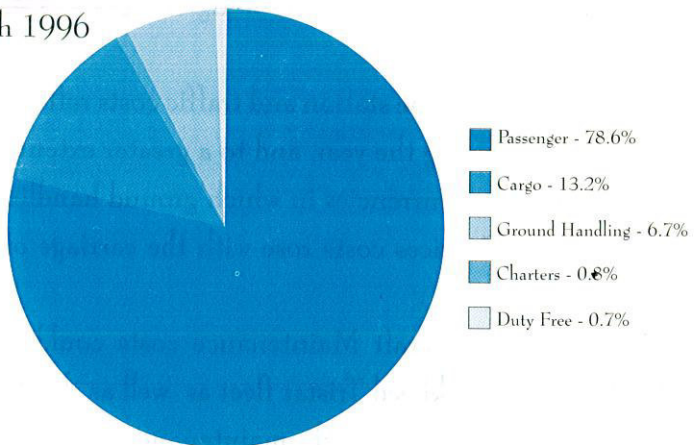
Financial year ending 31 March.



Revenue from airline operations increased by Rs. 992.33 million or 7.9% to Rs. 13,622.78 million. Of this, passenger and excess baggage revenue, excluding charter revenue accounted for Rs. 11,562.48 million - an increase of 3.3% from 1994/95. Revenue from cargo and mail carriage increased by 43.8% to Rs. 1,945.73 million.

Composition of Revenue

Financial year ending 31 March 1996



Revenue from charter operations increased Rs. 32.19 million or 39.1% to Rs. 114.57 million, while ground handling revenue increased by 4.7% or Rs. 44.2 million to Rs. 975.79 million.

Duty Free Sales increased by Rs. 17.0 million or 19.1% to Rs. 106.24 million.

The European routes continued to be the largest contributor to revenue from airline operations with 41.9% of the total. South East Asian and Middle East routes contributed 23.8% and 20.4% respectively while Regional routes contributed 13.9%..

Expenditure

In 1995/96, the Company's operating expenditure totalled Rs. 13,239.48 million reflecting an increase of 8.9% from 1994/95.

Major components of expenditure were - Station and Traffic costs (Rs. 2,705.0 million or 21%), Aviation Fuel and Oil costs (Rs. 2,324.5 million or 18.8%), Aircraft Maintenance and Overhaul costs (Rs. 2,019.6 million or 15.7%) and Aircraft Standing charges (Rs. 1,876.1 million or 14.5%).

Significant cost increases were registered in Aircraft Standing charges (Rs. 761.5 million or 68.3%), Station and Traffic costs (Rs. 270.0 million or 11.1%) and Passenger Services costs (Rs. 178.5 million or 13.2%), Aircraft Maintenance and Overhaul Costs (Rs. 121.0 million or 6.4%), Aviation Fuel and Oil costs (Rs 107.9 million or 4.9%), Advertising and Promotion costs (Rs. 30.6 million or 17.1%), Flight Operations (Rs. 28.6 million or 5.8%) and Marketing costs (Rs. 26.1 million or 2.1%).

No lease charges were incurred during the year compared to Rs. 412.9 million incurred during the previous year, while savings were observed in Administration costs (Rs. 6.4 million or 1.5%).

The increase in Aircraft Standing charges was due to a full year's impact of three Airbus A340-300 aircraft.

The increase in the station and traffic costs reflected a slight growth in the number of flights operated during the year, and to a greater extent, the depreciation of the Sri Lanka Rupee against most currencies in which ground handling and landing fees are paid.

Passenger Services costs rose with the carriage of 68,000 more passengers during the year.

Increase in Aircraft Maintenance costs could be attributed to the rising cost of maintaining the Lockheed Tristar fleet as well as the depreciation of the Sri Lanka Rupee against the US Dollar in which maintenance costs are incurred.

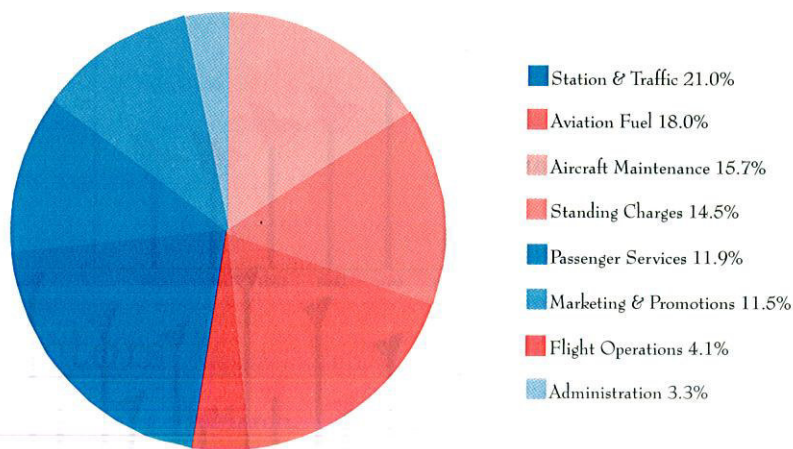
Fuel and oil costs were Rs 107.9 million (4.9%) higher as a result of;

	Rs. M
a 6.4% rise in average fuel prices	(139.7)
a 4.12% depreciation of the Sri Lanka Rupee against the US Dollar	(91.2)
increase in oil costs	(11.4)
	<hr/>
	(242.3)
less: a 5.8% decrease in fuel burn	(134.40)
	<hr/>
	(107.9)

The higher fuel efficiency of the new Airbus fleet is reflected in the reduction in fuel burn.

Composition of Expenditure

Financial year ending 31 March 1996.



Capacity and Traffic Growth

In 1995/96, total capacity production increased from 672.27 million tonne kilometres to 772.27 million tonne kilometres, an increase of 14.9%. Expansion was principally from frequency increases in Regional and Middle East routes, and from the introduction of more Airbus A340 flights to European and South East Asian and Far East routes compared to the previous year.

The number of passengers carried increased by 6.3% to reach 1.15 million in 1995/96 compared to 1.08 million in the previous year.

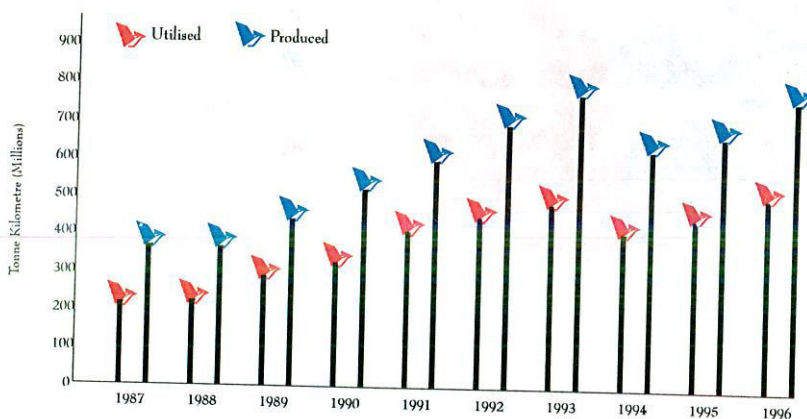
Cargo carriage increased from 28,748 tonnes to 35,409 tonnes.

Passenger seat factor rose 0.11 percentage points to 70.17% despite a 3.7% increase in seat kilometres offered during the year.

Overall traffic rose by 13.3% against the 14.9% increase in capacity. This resulted in a decrease in the overall load factor by 0.90 percentage points to 66.66 %.

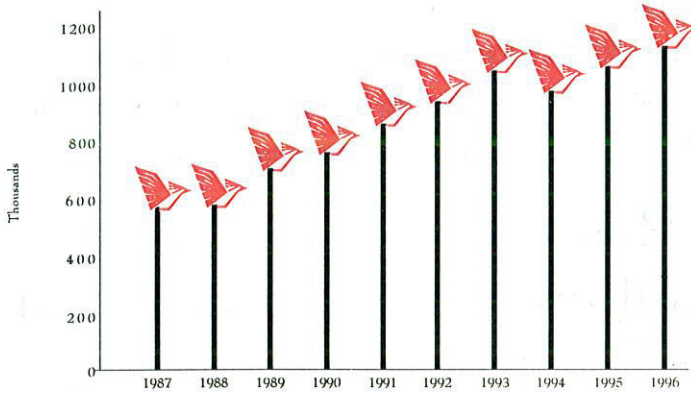
Capacity

Financial year ending 31 March.



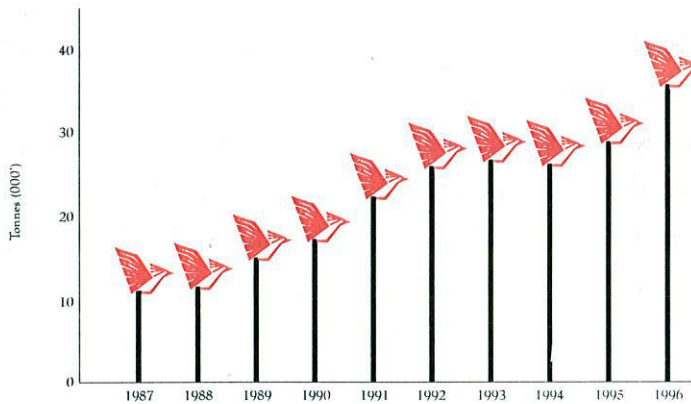
Passenger Carriage

Financial year ending 31 March.



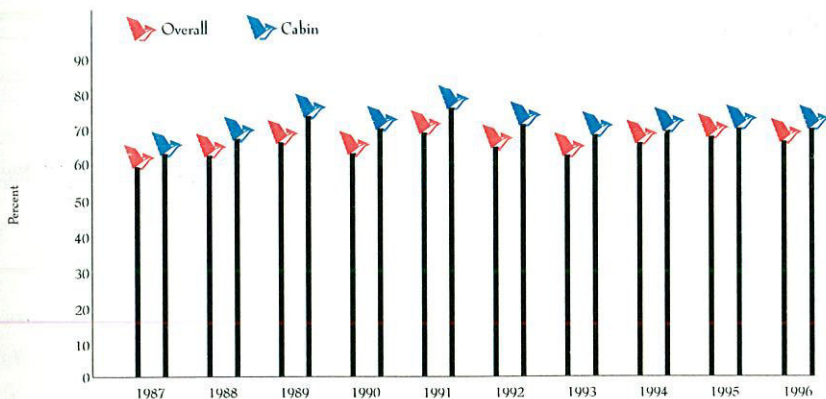
Cargo Carriage

Financial year ending 31 March.



Load Factors

Financial year ending 31 March.



AIRLANKA

Yield/Unit Cost/Break-even Load Factor

Compared to 1994/95, unit yield decreased by 4.7% to Rs. 26.5 per load tonne kilometre, mainly due to competitive pressures on pricing.

Unit cost decreased 5.1% to Rs. 16.7 per capacity tonne kilometre. As a result Break-even load factor remained constant at 63.1%. The gap between overall and Break-even load factors narrowed to 3.56 percentage points from 4.46 percentage points a year ago.

Financial Position

The majority of the Company's liabilities are composed of US Dollar denominated debt and lease obligations which are translated into Sri Lanka Rupees at the appropriate year end rates. The major components of the Company's assets are aircraft and related equipment which are carried at their historical cost in Sri Lanka Rupees. As a result, the Company's reported net worth is significantly exposed to fluctuations in exchange rates, particularly movements in the US Dollar.

With the high level of interest-bearing debt, the negative impact of fluctuations in exchange rates on the Company's reported net worth is greater. During the year under review, the Sri Lanka Rupee depreciated against the US Dollar from Rs. 49.4350 to Rs. 54.2000, exposing the Company to an exchange loss of Rs. 1,732.64 million. This exposure is reflected in the reported decline in shareholder's funds of the Company from Rs. 3,536.34 million as at 31 March 1995, to Rs. 1,986.99 million as at 31 March 1996.

The total assets of the company fell by Rs. 382.13 million or 1.3% to 29,142.51 million, largely on account of depreciation.

The total assets of the Group were Rs. 29,623.64 as at 31st March 1996, a decrease of Rs. 256.54 million or 0.86% from 1994/95.

Return on total assets was 0.1% compared with 1.5% in the previous year. Return on the total assets of the Group was 0.2%.

Cash Flow

In 1996, the Company's net cash generation from operations increased by Rs. 978.6 million or 36.4% to Rs 3,663.79 million. This increase is largely attributed to the higher depreciation charge for 1995/96.

Net cash used in investing activities dropped to Rs 507.41 million compared with Rs 12,642.80 million in the previous year, with the culmination of the refueling programme in March 1995.

An amount of Rs 279.36 million representing the final draw down on the A340 spares financing facility was received during the year, while repayment of long term loans and leases amounted to Rs. 1,883.33 million.

Operating, investing and financing activities contributed to a net cash inflow of Rs. 1,552.41 million during the year, resulting in a year end cash balance of Rs.4,794.07 million as at 31 March 1996.

The group cash balances increased by Rs. 1,695.61 million or 49.5% to Rs. 5,117.46 million

Value Added

The total value added by the Company during the year under review amounted to Rs. 4,859.01 million , an increase of Rs. 970.26 million or 25.0% over the previous year.

Contributions to value added were mainly from operating revenue of Rs. 14,704.81 million, Investment Income of Rs. 354.27 million and Non-operating revenue of Rs. 350.74 million.

Of the total value added , 37.13% was retained in the company for re-investment and future growth, 33.64% was paid to the suppliers of capital in the form of interest charges and 27.84% was distributed to employees in the form of salaries and allowances, Provident Fund contributions and other staff related expenses, whilst 1.39% was paid to the government as taxes.

The total value added by the Group was Rs. 5,145.85 million, an increase of Rs. 983.84 million or 23.6% over the previous year.

Human Resources

The total number of personnel employed by the company as at 31st March 1996 stood at 4,880 compared to 4,584 at 31st March 1995.

Functional Analysis	No of Employees
Engineering & Maintenance	1,272
Flight Operations	207
Inflight & Duty Free Services	592
Stations & Traffic	770
Marketing	653
Advertising & Promotions	13
Overseas Offices	316
Administration & Security	1,057
Total	<u>4,880</u>

Over 1,900 of our employees underwent training at the Air Lanka Centre for Training during the year. External students - mainly staff from passenger and cargo agencies, also participated in several of the courses conducted by the Centre.

The Air Lanka Centre for Training which has IATA accreditation to conduct courses in passenger and cargo handling was entrusted by airlines in the SAARC region to evaluate the training facilities offered by these airlines and undertake a publication entitled 'Training Facilities Shared by Airlines of the SAARC Region'. This publication will be an authoritative source of information on training opportunities offered by airlines within the SAARC region.

Aircraft Fleet

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. Air Lanka's fleet as at 31st March 1996 comprised 3 Airbus A340-300 aircraft, 2 Airbus A320-200 aircraft and 4 Lockheed Tristar aircraft. There were no changes to the fleet during the year.

Route Development

During the year under review, Air Lanka's route network covered 29 cities in 21 countries. The airline continued to deploy its recently acquired long haul Airbus A340-300 aircraft on non-stop services to London, Paris, Amsterdam, Zurich and Tokyo. Operations to Johannesburg and Durban commenced in May 1996.

Reservations Systems and Distribution

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 - Global Distribution Systems.

Air Lanka is a participating carrier in major Global Distribution Systems such as 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.

In 1995, the level of participation was upgraded to Direct Access and Direct Connect Sell level in the case of SABRE, and to Interactive Sell with Numeric Availability in the case of Galileo.

The distribution network was further expanded during the year by contracting with INFINI, one of the two major distribution systems in Japan.

Airport Operations

Air Lanka's Ground Handling facility provided services to 25 airlines at the Bandaranaike International Airport, Katunayake. During the year, the airline handled 1,049,340 arriving passengers and 1,127,226 departing passengers.

All check-in counters at the Bandaranaike International Airport are now equipped with automated baggage tag printers, significantly improving customer service and the management of baggage handling activities at the airport.

Cargo Operations

The increased cargo capacity of the A340 fleet enabled the airline to increase its cargo uplift substantially. Total tonnage carried on scheduled services during the year reached 35,409 tonnes, from 28,748 tonnes in the previous year.

In-flight and Duty Free Services

From inception, we have placed the highest emphasis on inflight service. The quality and warmth of our inflight 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 airlines often look in this direction for the hiring of their own inflight crews. A clear acknowledgment of superior quality by our peers in the airline industry.

Air Lanka's Duty Free Services which in 1988 was placed runner-up at the prestigious Frontier Awards ceremony held in Cannes, once again received international recognition when the Onboard Services magazine awarded Air Lanka its Diamond Award for Outstanding Inflight Duty Free Service Operator in 1995.

Flight Operations

The Flight Operations Department continues to provide comprehensive Flight Operations handling to a number of scheduled and non-scheduled airlines at the Bandaranaike International Airport, Katunayake. The demand for Flight Operations handling from Air Lanka reflects the confidence placed by other carriers in our Flight Despatchers all of whom are licensed professionals.

The ICAO 201 Flight Operations Officer Course was conducted for the fourth time by Air Lanka's Flight Operations Department in collaboration with the Director General of Civil Aviation during the year under review. Twenty one successful participants at this Course were awarded the Flight Operations Officer Licence by the Director General of Civil Aviation.

Flight planning was computerized during the year with software assistance from Jeppesen, providing timely weather reports and notices to airmen (NOTAMS), and contributing to greater operational efficiency.

Engineering and Maintenance

During the year under review, Air Lanka's Engineering and Maintenance Division took a major stride in the field of aircraft maintenance, winning a contract to perform a mandatory annual overhaul ("C" check) of a Boeing 737-200 from the fleet of the Indian domestic carrier, Sahara India Airlines. The Engineering and Maintenance Division also undertook to train engineers of Pakistan's Shaheen Air, on maintenance of Boeing 737 aircraft. We are justifiably proud of these achievements, which symbolise international recognition of the high level of technical skills and maintenance capabilities that we possess.

The Apprentice Aircraft Engineers' course, which is recognized by the International Civil Aviation Organization, was conducted for the fourth time by Air Lanka, in association with the Department of Civil Aviation. Fifty one participants successfully completed the programme in 1996. The training faculty consists of professionally qualified and experienced instructors, who have themselves been trained by the relevant aircraft manufacturers. Training facilities include state-of-the-art audio/visual aids and computer systems providing sophisticated and advanced learning opportunities.

During the year under review, the despatch reliability of our fleet averaged 97.3% for the A340 aircraft, 99.2% for the A320 aircraft and 96.8% for the Lockheed aircraft. These levels are on par with the world average for fleets of similar aircraft.

Frequent Flyer Programme

Serendib Club, Air Lanka's frequent flyer programme launched in 1992, continues to offer its members several special privileges such as upgrades, the use of lounge facilities and faster check-in.

This financial year also saw the launch of a frequent flyer programme to facilitate and meet the needs of a growing segment of regular travellers, on our regional routes. This programme, named "Air Lanka Plus", is designed to meet the unique needs of this important customer group, offering several facilities such as enhanced baggage allowances and priority waitlist clearance.

Communication Services

Action was initiated during the year to commission a Local Area Network (LAN) for the Engineering & Maintenance Division. The LAN, which uses fibre optic links and high speed switching servers, will facilitate the extensive computerisation programmes undertaken in that area.

Capabilities have been developed to carry out in-house maintenance of sophisticated electronic equipment including components of large computer networks, digital microwave links and switching gear, x-ray machines, etc., resulting in significant cost savings to the airline.

During the year, a Network Control Centre was set up at the Bank of Ceylon Tower to provide a round-the-clock Help Desk for all users of communication facilities.

Finance and Information Services

OLAS - a fully integrated On-line, real-time Financial Information System, developed by Quality Software Products of the United Kingdom and currently used by British Airways, Quantas, Thai International, Emirates, Saudia, MAS and several other airlines, was selected by Air Lanka after an exhaustive search to replace the 'Batch Processing' system which was in operation in the past.

The implementation of the OLAS Phase 1 - General Ledger Module was successfully concluded during the financial year under review. The system operates on a dedicated IBM ES9000 main frame computer. Phase 2 of the system, comprising Accounts Receivable and Inter-Airline Settlement Modules, was cut over in April 1996. The final Phase, which includes the Accounts Payable and Fixed Assets Module, will be implemented in January 1997.

Subsidiary Company

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

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Directors' Report

The Directors have pleasure in submitting their Report and audited Accounts for the year ended 31 March 1996. The Accounts are set out on pages 28 to 53.

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 Bandaranaike 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 Bandaranaike 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. B C Perera

Mr. W P S Jayawardena

Mr. Nihal Jayamanne PC

Executive Director

The Company's Chairman/MD as at 01 April 1995 was Deshamanya Gen. D S Attygalle. The following Directors served on the Board with Gen. D S Attygalle from 01 April 1995 until they resigned on 21 June 1995;

Mr. K Balapatabendi PC

Mr. A S Jayawardena

Air Chief Marshal A W Fernando

Air Vice Marshal W D H S W Goonetilleke

Mr. Nihal Jayamanne PC

Executive Director

Replacing Deshamanya Gen. D S Attygalle as Chairman/MD on the Board was Mr. W T Jayasinghe the present Chairman/MD who was appointed with effect from 22 June 1995. The following directors were re-appointed to the Board with the appointment of the new Chairman/MD;

Mr. K Balapatabendi PC

Mr. A S Jayawardena

Mr. Nihal Jayamanne PC

Executive Director

Messrs. Edmond Jayasinghe and H Rajapaksha

were two additional Directors appointed with effect from 22 June 1995. Mr. H Rajapaksha was appointed Executive Director with effect from 01 October 1995. Mr. A S Jayawardena resigned from the Board of Air Lanka on 14 November 1995. Mr. B C Perera was appointed to the Board of Air Lanka on 27 February 1996. Messrs. H Rajapaksha and Edmond Jayasinghe ceased to be Directors of the Company with effect from 24 April 1996 and 12 June 1996 respectively.

Mr. W P S Jayawardena was appointed to the Board on 04 June 1996.

Particulars of interests of Directors in contracts and proposed contracts having been declared by the Directors are in note 23 to the accounts.

Accounts

The Consolidated profit for the year ended 31 March 1996, before interest and other similar charges was Rs 2,311.29 million. Consolidated net profit for the year, after interest and similar charges, deferred expenditure, extraordinary items, taxation and minority interests amounted to Rs 70.59 million.

Reserves

There were no material transfers to or from reserves or provisions during the year ended 31 March 1996, 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 30 to 34.

Property, Plant and Equipment

Movements of property, plant and equipment are shown in note 8 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 17 and 18 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. 28 October 1996 Registered Office: 37 York Street Colombo 01.

Report of the Auditors

We have examined the Balance Sheet of Air Lanka Limited as at 31st March 1996, the Consolidated Balance Sheet of the Company and of its Subsidiary and the related Statements of Profit and Loss Account and Cash Flow for the year then ended, read together with the accounting policies and notes, exhibited on pages 28 to 53 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 acquired five new aircraft 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\$ 333.2 M (Rs. 18,781.4 M)

The financial projections for the next 5 year period prepared by the Company on 30th January 1996 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 liquidity & hence its ability to service the debts, in the event there is a decline in profits & cash flows.

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. (See Note 24)

In our opinion, except for Accounting Policy G (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 1996 and of its Profit and Cash Flow 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 23 to the accounts.

In our opinion, except for Accounting Policy G (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 Cash Flow 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 1996 and of its Profit and Cash Flow for the year then ended.

Ernst & Young, Chartered Accountants, Colombo, 29 October 1996.

AIRLANKA

Profit and Loss Account

for the year ended 31 March

	Note	GROUP		COMPANY	
		1996 Rs. M	1995 Rs. M	1996 Rs. M	1995 Rs. M
REVENUE	1	15,072.57	14,037.17	14,704.81	13,651.28
OPERATING PROFIT	2	1,665.80	1,699.18	1,465.33	1,496.82
Other income	3	645.49	381.84	698.51	454.16
		2,311.29	2,081.02	2,163.84	1,950.98
Interest and similar charges	4	(2,036.56)	(1,486.50)	(2,036.56)	(1,486.50)
		274.73	594.52	127.28	464.48
Deferred expenditure written off	5	(48.87)	(13.58)	(48.87)	(13.58)
Profit before taxation		225.86	580.94	78.41	450.90
Taxation	6	(59.38)	(19.16)	(48.83)	(19.16)
Profit after taxation		166.48	561.78	29.58	431.74
Minority interest		(95.89)	(85.68)	-	-
PROFIT FOR THE YEAR		70.59	476.10	29.58	431.74
PROFIT/(LOSS) BROUGHT FORWARD		(1,469.24)	(1,945.34)	(1,662.73)	(2,094.47)
PROFIT/(LOSS) AVAILABLE FOR APPROPRIATION	12	(1,398.65)	(1,469.24)	(1,633.15)	(1,662.73)
APPROPRIATIONS					
Dividends					
Interim		-	-	-	-
Proposed		-	-	-	-
Bonus issue		(21.60)	-	-	-
		(21.60)	-	-	-
UNAPPROPRIATED PROFIT/(LOSS) CARRIED FORWARD		(1,420.25)	(1,469.24)	(1,633.15)	(1,662.73)

The accounting policies and notes on pages 30 to 53 form part of these accounts.

Balance Sheet

as at 31 March

	Note	GROUP		COMPANY	
		1996 Rs. M	1995 Rs. M	1996 Rs. M	1995 Rs. M
Fixed assets	8	20,906.02	22,395.04	20,836.32	22,318.81
Work in progress		0.30	0.09	-	-
Investment in subsidiary	9	-	-	30.40	30.40
Net current assets/(liabilities)	10	(784.20)	(1,353.24)	(1,218.39)	(1,682.88)
		20,122.12	21,041.89	19,648.33	20,666.33
Financed by:					
Issued share capital	11	5,146.35	5,146.35	5,146.35	5,146.35
Profit and loss account		(1,420.25)	(1,469.24)	(1,633.15)	(1,662.73)
Capital reserve	13	297.16	275.56	267.56	267.56
Revenue reserve	14	0.63	0.63	-	-
Other reserves	15	35.34	34.68	35.34	34.68
		4,059.23	3,987.98	3,816.10	3,785.86
Less: Deferred items	16	(1,829.11)	(249.52)	(1,829.11)	(249.52)
Shareholder's funds		2,230.12	3,738.46	1,986.99	3,536.34
Minority Interests		182.56	155.20	-	-
Long term loans	17	1,803.87	1,881.10	1,803.87	1,881.10
Obligations under finance leases	18	15,666.35	15,086.74	15,666.35	15,086.74
Deferred Liabilities	19	239.22	180.39	191.12	162.15
		20,122.12	21,041.89	19,648.33	20,666.33

For and on behalf of the Board

W T Jayasinghe

W T Jayasinghe
Chairman/Managing Director
Colombo, 28 October 1996

B.C. Perera

B.C. Perera
Director

The accounting policies and notes on pages 30 to 53 form part of these accounts.

AIRLANKA

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 G (iii). No adjustments have been made for the effects of inflation other than for revaluation and restatement of certain assets as stated below.

B) 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.

C) Property Plant and Equipment

Property, plant and equipment 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 property plant & equipment 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.

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.

D) Depreciation

Depreciation is provided on all property plant & equipment (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.

All assets, with the exception of Buildings, Fixtures and Fittings, Engineering Tools and Aircraft rotatable spares, are depreciated from the date of their purchase. Buildings, Fixtures and Fittings, Engineering Tools and Aircraft rotatable spares are depreciated commencing from the financial year immediately following the year of purchase.

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.

E) 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.

F) Stocks and Consumables

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.

G) 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 as at 31 March 1996.
- (iii) Gains and losses arising from the translation of long-term foreign currency borrowings 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 period during which the foreign currency liability is outstanding. Unamortised balance 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 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 a reduction in the profit for the year by Rs. 1,330.75 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.

H) Debtors

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

I) 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.

Airframe and Aircraft engine overhaul costs are 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.

J) 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.

K) Deferred Expenditure

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

L) Borrowing Costs

Borrowing costs amounting to Rs. 588.5 million incurred on long term loans obtained to meet pre-delivery payments in respect of new aircraft have been capitalised as part of the cost of such aircraft.

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 have been capitalised as part of the cost of such aircraft, as permitted by Sri Lanka Accounting Standard No. 20.

M) Income from Investments

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

Notes to the Accounts

1. Revenue

	GROUP		COMPANY	
	1996 Rs. M	1995 Rs. M	1996 Rs. M	1995 Rs. M
Airline operations - Note 1 (a)	13,608.62	12,617.27	13,622.78	12,630.45
Ground handling	975.79	931.59	975.79	931.59
Duty free sales	106.24	89.24	106.24	89.24
Flight catering	381.92	399.07	-	-
	15,072.57	14,037.17	14,704.81	13,651.28

1(a). Revenue from airline operations comprises:

	COMPANY	
	1996 Rs. M	1995 Rs. M
Scheduled services :		
Passenger	11,300.06	10,939.22
Excess baggage	262.42	255.57
Cargo	1,857.59	1,257.91
Mail	88.14	95.37
	13,508.21	12,548.07
Non scheduled services :	114.57	82.38
	13,622.78	12,630.45

Notes to the Accounts

2. Operating profit /(loss)

	GROUP		COMPANY	
	1996 Rs. M	1995 Rs. M	1996 Rs. M	1995 Rs. M
Airline operations	721.25	833.84	721.25	833.84
Ground handling	705.95	637.32	705.95	637.32
Duty free sales	38.13	25.66	38.13	25.66
Flight catering	200.47	202.36	-	-
	1,665.80	1,699.18	1,465.33	1,496.82

	GROUP		COMPANY	
	1996 Rs. M	1995 Rs. M	1996 Rs. M	1995 Rs. M
Operating profit has been arrived at after charging :				
Depreciation on owned fixed assets	735.20	673.56	713.06	649.88
Depreciation on leased fixed assets	1,061.52	512.93	1,061.52	512.93
	1,796.72	1,186.49	1,774.58	1,162.81
Operating lease charges	-	412.88	-	412.88
Auditor's remuneration	0.96	0.93	0.69	0.69
Director's emoluments	8.21	7.92	1.43	1.99
Bad and doubtful debts	-	3.40	-	3.39
Aircraft spares - scrapped	11.01	-	11.01	-

Notes to the Accounts

3. Other income

	GROUP		COMPANY	
	1996 Rs. M	1995 Rs. M	1996 Rs. M	1995 Rs. M
Profit/(loss) on disposal of property, plant and equipment	(6.50)	1.62	(6.50)	0.91
Exchange differences	252.14	73.29	224.70	76.20
Interest	272.21	108.32	251.86	97.66
Dividend from subsidiary/associate company	-	-	102.41	84.16
Other items	127.64	198.61	126.04	195.23
	645.49	381.84	698.51	454.16

4. Interest & similar charges

	GROUP		COMPANY	
	1996 Rs. M	1995 Rs. M	1996 Rs. M	1995 Rs. M
Interest charges :				
On bank and other loans	(218.05)	(281.52)	(218.05)	(281.52)
On lease finances	(1,416.62)	(705.64)	(1,416.62)	(705.64)
	(1,634.67)	(987.16)	(1,634.67)	(987.16)
Currency losses :				
On bank and other loans	(230.58)	(26.00)	(230.58)	(26.00)
On lease finances	(171.31)	(473.34)	(171.31)	(473.34)
	(401.89)	(499.34)	(401.89)	(499.34)
	(2,036.56)	(1,486.50)	(2,036.56)	(1,486.50)

Accumulated exchange differences amounting to Rs. 414.43 million arising from the financing of 2 Lockheed Tristar aircraft were charged in full during 1995, consequent to the termination of the subject finance lease arrangement in that year.

Notes to the Accounts

5. Deferred expenditure written off

	GROUP		COMPANY	
	1996 Rs. M	1995 Rs. M	1996 Rs. M	1995 Rs. M
Crew training and conversion	(7.34)	(5.68)	(7.34)	(5.68)
Computer systems development	(13.36)	(7.90)	(13.36)	(7.90)
Aircraft structural modifications	(28.17)	-	(28.17)	-
	(48.87)	(13.58)	(48.87)	(13.58)

6. Taxation

	GROUP		COMPANY	
	1996 Rs. M	1995 Rs. M	1996 Rs. M	1995 Rs. M
Taxes on income for the year	10.55			
Taxes on interest income on deposits - pending appeal	27.17	19.16	27.17	19.16
Taxes over provided in 1994-95	(1.00)		(1.00)	
Penalty on taxes in 1994-95 and 1995-96 - pending appeal	22.66		22.66	
	59.38	19.16	48.83	19.16

7. Prior year Adjustments

	GROUP		COMPANY	
	1996 Rs. M	1995 Rs. M	1996 Rs. M	1995 Rs. M
Maintenance checks	-	20.30	-	20.30
Taxes on prior year interest income pending appeal	-	167.30	-	167.30
	-	187.60	-	187.60

Notes to the Accounts

8. Property plant & equipment - GROUP

	Aircraft and Related equipment		Property Rs. M	Equipment Rs. M	Projects Rs. M	Total Rs. M
	Own Rs. M	Leased Rs. M				
Cost						
At 01 April 1995	8,223.36	18,871.39	774.76	1,769.83	35.57	29,674.91
Additions	201.91	-	-	124.55	86.50	412.96
Disposals	(19.46)	-	-	(21.96)	-	(41.42)
Adjustments & transfers	31.60	-	(0.45)	(2.29)	(116.32)	(87.46)
At 31 March 1996	8,437.41	18,871.39	774.31	1,870.13	5.75	29,958.99
Depreciation						
At 01 April 1995	4,766.83	756.94	386.17	1,369.93	-	7,279.87
Charge for the year	509.99	1,061.52	41.49	183.72	-	1,796.72
Disposals	(8.45)	-	-	(14.94)	-	(23.39)
Adjustments & transfers	-	-	-	(0.23)	-	(0.23)
At 31 March 1996	5,268.37	1,818.46	427.66	1,538.48	-	9,052.97
Net book value						
At 31 March 1996	3,169.04	17,052.93	346.65	331.65	5.75	20,906.02
At 01 April 1995	3,456.53	18,114.45	388.59	399.90	35.57	22,395.04

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

Notes to the Accounts

8 (a). Property plant & equipment - 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 1995	8,223.36	18,871.39	677.25	1,513.97	35.57	29,321.54
Additions	201.91	-	-	108.94	86.50	397.35
Disposals	(19.46)	-	-	(21.96)	-	(41.42)
Adjustments & transfers	31.60	-	(0.45)	(2.29)	(116.32)	(87.46)
At 31 March 1996	8,437.41	18,871.39	676.80	1,598.66	5.75	29,590.01
Depreciation						
At 01 April 1995	4,766.83	756.94	329.59	1,149.37	-	7,002.73
Charge for the year	509.99	1,061.52	36.50	166.57	-	1,774.58
Disposals	(8.45)	-	-	(14.94)	-	(23.39)
Adjustments & transfers	-	-	-	(0.23)	-	(0.23)
At 31 March 1996	5,268.37	1,818.46	366.09	1,300.77	-	8,753.69
Net book value						
At 31 March 1996	3,169.04	17,052.93	310.71	297.89	5.75	20,836.32
At 01 April 1995	3,456.53	18,114.45	347.66	364.60	35.57	22,318.81

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

Notes to the Accounts

9. Investment in subsidiary company

	COMPANY	
	1996 Rs. M	1995 Rs. M
Investment in Air Lanka Catering Services Ltd.		
At 01 April (384,000 shares of Rs. 100 each)	30.40	30.40
Acquired in the year - (See note below)	-	-
At 31 March (600,000 shares of Rs. 100 each)	30.40	30.40

A bonus issue of 9:16 shares was made by Air Lanka Catering Services Limited (ALCS) during the year. As a consequence, the Company received 216,000 shares of Rs. 100 each, based on its holding of 60% of the issued share capital of ALCS.

The Company's shareholding in ALCS as at 31 March 1996 is included in these accounts at cost. Difference between the nominal value of shareholding and its cost is recognised in the Consolidated Capital Reserve Account - (See note 13).

Notes to the Accounts

10. Net current assets / (liabilities)

	GROUP		COMPANY	
	1996 Rs. M	1995 Rs. M	1996 Rs. M	1995 Rs. M
Current assets :				
Stocks	1,558.13	1,400.75	1,517.19	1,365.94
Debtors - trade	1,073.79	1,440.53	1,007.95	1,361.53
Debtors - other	503.93	399.88	501.10	399.88
Debtors - staff	8.82	16.13	5.07	9.94
Advances and deposits	297.48	474.39	292.70	464.96
Cash and bank balances	5,275.17	3,753.37	4,951.78	3,573.18
Total current assets	8,717.32	7,485.05	8,275.79	7,175.43
Current liabilities				
Bank overdraft (Secured)	157.71	331.52	157.71	331.52
Bank and other loans	582.82	1,112.94	582.82	1,112.94
Finance leases	1,000.62	844.21	1,000.62	844.21
	1,741.15	2,288.67	1,741.15	2,288.67
Trade creditors	3,851.91	2,977.56	3,817.76	2,953.96
Provision for airframe and aircraft engine overhaul	877.21	562.31	877.21	562.31
Amounts due to subsidiary company	-	-	56.42	64.05
Income tax payable	167.41	183.98	167.41	183.98
Other creditors	147.71	119.92	118.10	99.49
Sales in advance of carriage	2,716.13	2,705.85	2,716.13	2,705.85
Total current liabilities	9,501.52	8,838.29	9,494.18	8,858.31
Net current assets / (liabilities)	(784.20)	(1,353.24)	(1,218.39)	(1,682.88)

The balance shown under sales in advance of carriage represents approximately 10.5 weeks of average sales (11.2 in 1995).

A provision of Rs. 120 million (Rs 180 million in 1995) has been made in respect of revenue adjustments, which the management considers adequate based on past experience. The balance in the provision for revenue adjustments account as at 31 March 1996 amounted to Rs. 611.36 million. (Rs.628.72 million in 1995).

The balances shown under Debtors (trade, other and staff) are net of provisions for bad and doubtful debts amounting to Rs. 158.63 million (Rs.265.71 million in 1995). Specific bad debts amounting to Rs. 107.08 million have been written off during the current year against the provision for bad and doubtful debts account.

Notes to the Accounts

11. Share capital

	COMPANY	
	1996 Rs. M	1995 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		
Ordinary Shares of Rs.100 each		
At 01 April (42,713,463 Shares)	4,271.35	4,271.35
At 31 March (42,713,463 Shares)	4,271.35	4,271.35
Cumulative Preference Shares of Rs.100 each (Coupon rate not specified)		
At 01 April (8,750,000 Shares)	875.00	875.00
At 31 March (8,750,000 Shares)	875.00	875.00
	5,146.35	5,146.35

12. Profit and loss account

	GROUP		COMPANY	
	1996 Rs. M	1995 Rs. M	1996 Rs. M	1995 Rs. M
Profit / (loss) for the year	70.59	476.10	29.58	431.74
Profit and loss account at 01 April				
As previously reported	(1,469.24)	(1,757.74)	(1,662.73)	(1,906.87)
Prior year adjustments (See note 7)	-	(187.60)	-	(187.60)
As restated	(1,469.24)	(1,945.34)	(1,662.73)	(2,094.47)
Profit and loss account at 31 March	(1,398.65)	(1,469.24)	(1,633.15)	(1,662.73)

Notes to the Accounts

13. Capital reserve

	GROUP		COMPANY	
	1996 Rs. M	1995 Rs. M	1996 Rs. M	1995 Rs. M
At 01 April	275.56	275.56	267.56	267.56
Additions	21.60	-	-	-
At 31 March	297.16	275.56	267.56	267.56

Capital reserve represents;

The Group:

- The difference between the book value and the restated value of fleet and property - Rs. 267.56 million. (See notes C 1 and C 2).
- Reserve on consolidation - Rs. 8 M (See note 9).
- The nominal value of 216,000 bonus shares received during the year - Rs. 21.60 M (See note 9).

The Company:

- The difference between the book value and the restated value of fleet and property - Rs. 267.56 million. (See notes C 1 and C 2)

14. Revenue reserve

	GROUP		COMPANY	
	1996 Rs. M	1995 Rs. M	1996 Rs. M	1995 Rs. M
At 01 April	0.63	0.63	-	-
Additions/transfers during the year	-	-	-	-
At 31 March	0.63	0.63	-	-

15. Other reserves

	GROUP		COMPANY	
	1996 Rs. M	1995 Rs. M	1996 Rs. M	1995 Rs. M
At 01 April	34.68	23.76	34.68	23.76
Additions during the year	14.81	13.07	14.81	13.07
Charge for the year	(14.15)	(2.15)	(14.15)	(2.15)
At 31 March	35.34	34.68	35.34	34.68

Other reserves represent merchandising support contributions from vendors of duty-free products sold on board. Expenses incurred by the Company to promote such on-board sales are charged against this reserve.

Notes to the Accounts

16. Deferred items

	GROUP		COMPANY	
	1996 Rs. M	1995 Rs. M	1996 Rs. M	1995 Rs. M
Exchange equalisation (Note a)	1,549.06	218.31	1,549.06	218.31
Deferred expenditure (Note b)	280.05	31.21	280.05	31.21
	1,829.11	249.52	1,829.11	249.52

(a) Exchange equalisation

	GROUP		COMPANY	
	1996 Rs. M	1995 Rs. M	1996 Rs. M	1995 Rs. M
At 01 April	218.31	647.63	218.31	647.63
Exchange loss on translation of foreign currency borrowings - see Accounting Policy G(iii)	1,502.06	44.02	1,502.06	44.02
Charge for the year - See Accounting policy G(iii) - On current basis of estimation	(171.31)	(58.91)	(171.31)	(58.91)
- Accumulated exchange losses - (See note 4)	-	(414.43)	-	(414.43)
At 31 March	1,549.06	218.31	1,549.06	218.31

(b) Deferred expenditure

	GROUP		COMPANY	
	1996 Rs. M	1995 Rs. M	1996 Rs. M	1995 Rs. M
At 01 April	31.21	48.94	31.21	48.94
Less: Adjustment in respect of prior year	-	(11.85)	-	(11.85)
	31.21	37.09	31.21	37.09
Additions during the year	297.71	16.15	297.71	16.15
Charge for the year	(48.87)	(13.58)	(48.87)	(13.58)
Adjustment in respect of prior year in other creditors	-	(8.45)	-	(8.45)
At 31 March	280.05	31.21	280.05	31.21

Notes to the Accounts

17. Long-term loans

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

	GROUP		COMPANY	
	USD M	Rs. M	USD M	Rs. M
At 01 April 1995	60.57	2,994.04	60.57	2,994.04
Additions during the year	5.58	279.36	5.58	279.36
Repayments during the year	(22.11)	(1,117.29)	(22.11)	(1,117.29)
Restatements	-	230.58	-	230.58
At 31 March 1996	44.04	2,386.69	44.04	2,386.69

The future payments under these loans are as follows:

	1996		1995	
	USD M	Rs. M	USD M	Rs. M
Bank loans payable within one year	6.25	338.75	18.01	890.33
Between:				
- one and two years	6.25	338.75	6.25	308.97
- two and three years	1.56	84.69	6.25	308.97
- three and four years	-	-	1.57	77.24
- four and five years	-	-	-	-
- after five years	-	-	-	-
	14.06	762.19	32.08	1,585.51
Other loans payable				
Within one year	4.50	244.07	4.50	222.61
Between:				
- one and two years	4.50	244.07	4.50	222.61
- two and three years	4.50	244.07	4.50	222.61
- three and four years	4.10	222.39	4.50	222.61
- four and five years	2.10	113.98	3.71	183.06
- after five years	10.28	555.92	6.78	335.03
	29.98	1,624.50	28.49	1,408.53
Total long term loans	44.04	2,386.69	60.57	2,994.04
Amount due within one year included under current liabilities	(10.75)	(582.82)	(22.51)	(1,112.94)
	33.29	1,803.87	38.06	1,881.10

Loans are repayable on various dates upto the year 2007. The outstanding balance of USD 44.04 M (Rs.2,386.69 M) is guaranteed by the Government of Sri Lanka.

Conversion rate - 1 US Dollar = Rs. 54.2000 (Rs.49.4350 in 1995).

Notes to the Accounts

18. Obligations under finance leases

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

	GROUP		COMPANY	
	USD M	Rs. M	USD M	Rs. M
At 01 April 1995	322.26	15,930.95	322.26	15,930.95
Additions during the year	-	-	-	-
Repayments during the year	(14.75)	(766.04)	(14.75)	(766.04)
Restatements	-	1,502.06	-	1,502.06
At 31 March 1996	307.51	16,666.97	307.51	16,666.97

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

	1996		1995	
	USD M	Rs. M	USD M	Rs. M
Within one year	18.46	1,000.62	17.08	844.21
Between:				
- one and two years	20.20	1,095.10	18.68	923.53
- two and three years	22.11	1,198.34	20.45	1,010.73
- three and four years	24.19	1,311.10	22.37	1,106.02
- four and five years	26.48	1,435.00	24.48	1,210.10
- after five years	196.07	10,626.81	219.20	10,836.36
Amount due within one year included under current liabilities	307.51	16,666.97	322.26	15,930.95
	(18.46)	(1,000.62)	(17.08)	(844.21)
	289.05	15,666.35	305.18	15,086.74

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

	USD M	Rs. M
Within one year	22.84	1,238.18
Between:		
- one and two years	21.88	1,185.63
- two and three years	20.29	1,099.56
- three and four years	18.57	1,006.71
- four and five years	16.65	902.54
- after five years	49.01	2,656.45
	149.24	8,089.07

The Government of Sri Lanka has guaranteed the obligations of the Company under the finance lease agreements up to a limit of US Dollars 87.53 million (Rs. 4,744.13 million.)
Conversion rate - 1 US Dollar = Rs. 54.2000 (Rs. 49.4350 in 1995).

Notes to the Accounts

19. Deferred liabilities

	GROUP		COMPANY	
	1996 Rs. M	1995 Rs. M	1996 Rs. M	1995 Rs. M
At 01 April	180.39	128.74	162.15	112.37
Payments during the year	(7.18)	(11.34)	(6.90)	(10.90)
Charge for the year	66.01	62.99	35.87	60.68
At 31 March	239.22	180.39	191.12	162.15

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

20. Commitments.

Outstanding commitments for capital expenditure at 31 March 1996 are as follows :

	GROUP Rs. M	COMPANY Rs. M
- Contracts placed	34.71	23.19
- Authorised but not contracted for	156.57	156.57
	191.28	179.76

Outstanding commitments for capital expenditure as at 31 March 1996 are expected to be crystallised during the year 1996/97.

Notes to the Accounts

21. Loans granted to employees

Staff debts outstanding as at 31 March 1996 amounting to Rs. 8.82 M for the Group (Rs. 5.07 M for the Company) are included in 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 1995	46	1,810,337
Loans granted during the year	25	1,458,401
Loans recovered during the year	24	(1,564,691)
Balance as at 31 March 1996	47	1,704,047
COMPANY		
Balance as at 01 April 1995	26	1,152,845
Loans granted during the year	12	1,060,701
Loans recovered during the year	7	(902,881)
Balance as at 31 March 1996	31	1,310,665

22 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 upto 31 March 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 which was further extended for a period of five years, ended in August 1995. Effective from 20th August 1995, the Company now pays a tax on turnover at 2% flat. This tax is paid instead of income tax and is applicable until the year 2006.

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 28 (b).

Notes to the Accounts

23. 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 1996 were:

Mr. W T Jayasinghe
Mr. K Balapatabendi PC
Mr. Nihal Jayamanne PC

The nominee Directors as at date are:

Mr. W T Jayasinghe
Mr. K Balapatabendi PC
Mr. B. C. Perera
Mr. Nihal Jayamanne PC

24. Post balance sheet events

During the financial year 1994/95, the Government of Sri Lanka as the principal shareholder of the Company 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.

It is envisaged that the privatisation programme will be concluded during the course of the financial year 1996/97. 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.

25. Comparative amounts

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

26. Aircraft rotatable spares - (Rs. 1,622.40 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.

Notes to the Accounts

27. Aircraft non-rotable spares - (Rs. 1,139.61 million).

Aircraft non-rotable 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-rotable 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-rotable 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.

28. 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. 201.06 M.
- (b) No provision has been made in the Accounts in respect of a potential tax liability of SAR 6,011,109 (Rs. 83.70 M) in respect of income arising in Saudi Arabia. Once the double tax treaty is brought into force, it is anticipated that this matter will be resolved in favour of the Company.

Cash Flow Statement

	Note	GROUP		COMPANY	
		1996 Rs. M	1995 Rs. M	1996 Rs. M	1995 Rs. M
Cash flows from operating activities					
Cash generated from operations	A	5,484.44	3,836.92	5,147.10	3,645.51
Interest paid		(1,411.67)	(957.86)	(1,411.67)	(957.86)
Income taxes paid		(72.50)	(2.48)	(65.40)	(2.48)
Dividends paid		(68.54)	(56.11)	-	-
Duty free product reserve		0.66	10.92	0.66	10.92
Deferred liabilities paid		(7.18)	(11.34)	(6.90)	(10.90)
		(1,559.23)	(1,016.87)	(1,483.31)	(960.32)
Cash flow before extraordinary item		3,925.21	2,820.05	3,663.79	2,685.19
Extraordinary item		-	-	-	-
Net cash from operating activities		3,925.21	2,820.05	3,663.79	2,685.19
Cash flows from investing activities					
Purchase of property, plant and equipment		(328.44)	(12,732.98)	(312.63)	(12,712.18)
Proceeds from disposal of property, plant & equipemnt		0.52	2.07	0.52	1.37
Dividend received		-	-	102.41	84.16
Deferred expenditure		(297.71)	(16.15)	(297.71)	(16.15)
Net cash used in investing activities		(625.63)	(12,747.06)	(507.41)	(12,642.80)
Cash flows from financing activities					
Proceeds from long-term loans		279.36	1,037.98	279.36	1,037.98
Proceeds from finance leases		-	13,007.69	-	13,007.69
Repayment of long-term loans		(1,117.29)	(1,461.68)	(1,117.29)	(1,461.68)
Repayment of finance leases		(766.04)	(837.01)	(766.04)	(837.01)
Net cash used in financing activities		(1,603.97)	11,746.98	(1,603.97)	11,746.98
Net Increase in cash and cash equivalents		1,695.61	1,819.97	1,552.41	1,789.37
Cash and cash equivalents at beginning of period		3,421.85	1,601.88	3,241.66	1,452.29
Cash and cash equivalents at end of period		5,117.46	3,421.85	4,794.07	3,241.66

Notes to the Cash Flow Statement

A) Reconciliation of net profit to cash generated from operating activities

	GROUP		COMPANY	
	1996 Rs. M	1995 Rs. M	1996 Rs. M	1995 Rs. M
Net profit before taxation, extraordinary items and after Minority interest	129.97	495.26	78.41	450.90
Adjustments for:				
Minority interest	95.89	85.68	-	-
Provision for gratuity	66.01	62.99	35.87	60.68
(Profit)/Loss on disposal of property, plant and equipment	17.51	(1.62)	17.51	(0.91)
Depreciation	1,796.72	1,186.49	1,774.58	1,162.81
Foreign exchange loss	401.89	499.34	401.89	499.34
Investment income	-	-	(102.41)	(84.16)
Interest expense	1,634.67	987.16	1,634.67	987.16
Deferred expenses	48.87	13.58	48.87	13.58
Other non cash items	2.51	(0.13)	2.51	(0.13)
Increase in trade and other receivables	446.91	(327.42)	429.49	(299.69)
Increase in inventories	(157.38)	(275.77)	(151.25)	(274.69)
Increase in trade payables	1,000.87	1,111.36	976.96	1,130.62
Cash generated from operations	5,484.44	3,836.92	5,147.10	3,645.51

Statement of Value Added

	GROUP		COMPANY	
	1996 Rs. M	1995 Rs. M	1996 Rs. M	1995 Rs. M
Value added				
Total revenue	15,072.57	14,037.17	14,704.81	13,651.28
Less: Purchases of goods and services	10,572.21	10,257.00	10,544.31	10,216.69
Value added by the Company	4,500.36	3,780.17	4,160.50	3,434.59
Add: Surplus on sale of property, plant & equipment	(6.50)	1.62	(6.50)	0.91
Investment income	272.21	108.32	354.27	181.82
Non operating revenue	379.78	271.90	350.74	271.43
Total value added	5,145.85	4,162.01	4,859.01	3,888.75
Distribution of value added:				
To employees as remuneration	1,469.53	1,382.28	1,352.83	1,262.74
To overseas governments as corporation and other taxes	78.45	44.30	67.35	44.30
To suppliers of capital as interest	1,634.67	987.16	1,634.67	987.16
Minority Interest	95.89	85.68	-	-
Retained for re-investment and future growth				
Depreciation	1,796.72	1,186.49	1,774.58	1,162.81
Retained profits	70.59	476.10	29.58	431.74
Total value added	5,145.85	4,162.01	4,859.01	3,888.75

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



Ten Year Review - Company

		1987	1988	1989
PROFIT AND LOSS ACCOUNT				
Operating revenue	Rs. Million	3,746.93	4,190.34	5,144.31
Operating expenditure	Rs. Million	3,658.76	4,139.44	4,713.94
Net profit/(loss)	Rs. Million	(642.72)	(374.64)	(128.43)
BALANCE SHEET				
Share capital	Rs. Million	5,898.47	6,510.47	7,369.47
Fixed assets	Rs. Million	5,456.47	4,063.57	3,979.55
Current assets	Rs. Million	1,246.67	1,383.21	1,962.62
Total assets	Rs. Million	6,774.15	5,520.95	6,035.80
Current liabilities	Rs. Million	1,722.74	1,886.51	2,158.64
YIELD/UNIT COST.				
Overall yield	Rs. tkm	13.9	15.6	16.4
Unit cost	Rs. tkm	8.9	10.3	10.2
Breakeven load factor	%	64.0	66.0	62.4
Revenue per RPK	Rs./RPK	1.4	1.5	1.6
PRODUCTION				
Passenger capacity	ASK Millions	3,062.21	2,930.09	3,401.17
Overall capacity	ATK Millions	374.80	366.70	446.20
TRAFFIC				
Passengers carried	Nos. Thousands	583	591	720
Passengers carried	RPK Millions	1,927.28	1,974.00	2,510.06
Passenger load factor	%	62.90	67.40	73.80
Cargo carried	Tonnes	11,045	11,462	14,995
Cargo load carried	RTK Millions	46.50	47.39	64.35
Overall load carried	RTK Millions	223.10	228.90	294.60
Cargo load factor	%	45.14	45.58	51.43
Overall load factor	%	59.50	62.40	66.00
STAFF				
Average strength	Nos.	3,796	3,638	3,535
Revenue per employee	Rs.	987,073	1,151,825	1,455,250
Capacity per employee	Tonne-Km	98,736	100,797	126,223
Load carried per employee	Tonne-Km	58,772	62,919	83,338
FLEET				
Aircraft in service at year end	Nos.	9	6	5

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

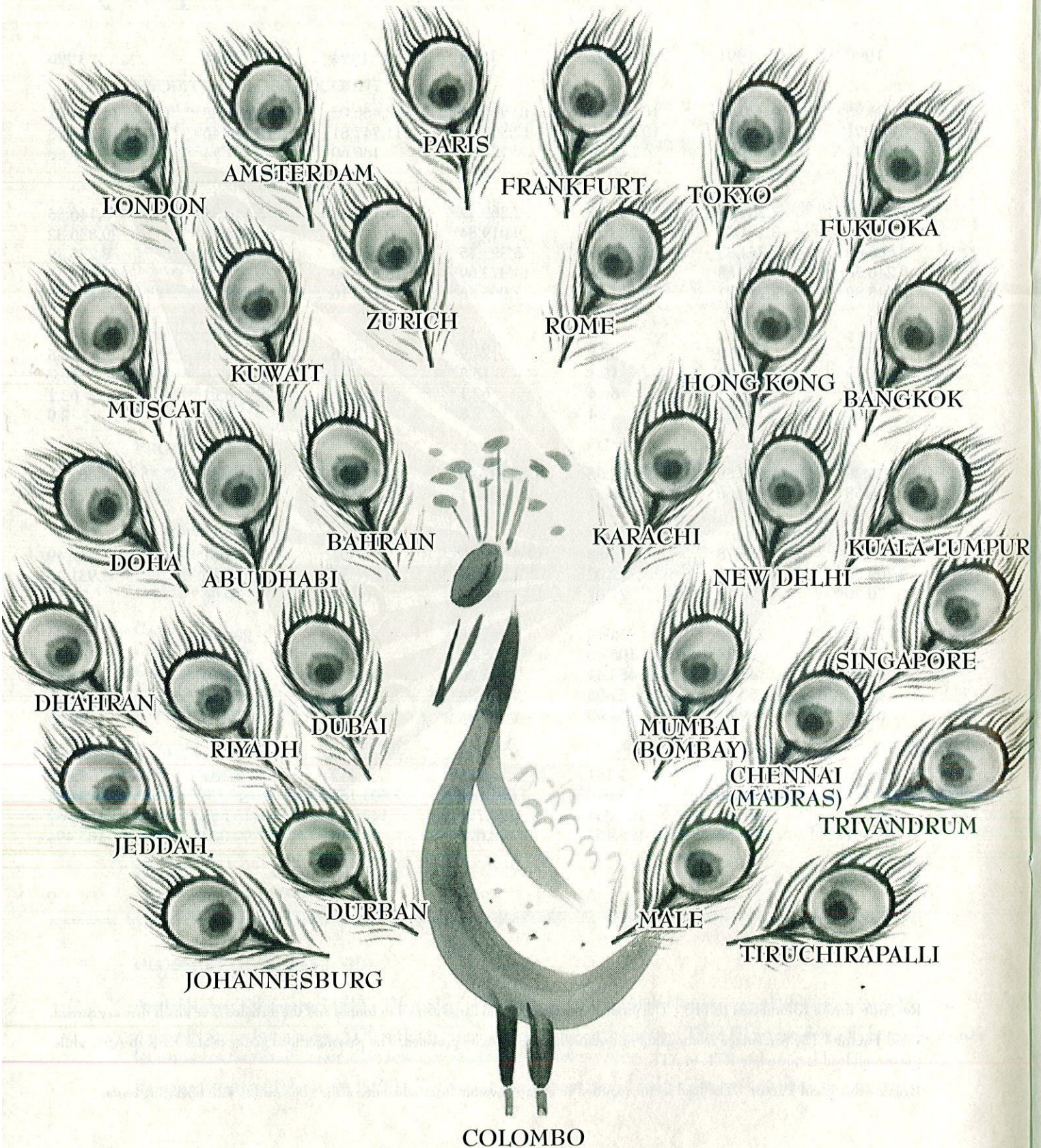
1990	1991	1992	1993	1994	1995	1996
6,704.95	9,226.19	10,936.03	12,945.44	12,456.05	13,651.28	14,704.81
6,405.91	8,821.99	10,571.89	12,390.28	11,747.81	12,154.46	13,239.48
163.17	201.06	218.36	127.61	188.60	431.74	29.58
7,369.47	7,369.47	7,369.47	7,369.47	5,146.35	5,146.35	5,146.35
3,497.75	3,231.25	5,723.71	9,019.84	10,742.20	22,318.81	20,836.32
2,666.08	3,354.33	2,554.93	5,323.45	5,054.09	7,175.43	8,275.79
6,246.56	6,609.58	8,309.04	14,373.69	15,826.69	29,524.64	29,142.51
2,945.89	3,710.71	4,614.17	7,005.56	7,142.16	8,858.31	9,494.18
18.8	20.9	22.8	24.9	27.6	27.8	26.5
11.9	14.4	15.1	15.5	18.1	17.6	16.7
63.1	68.7	66.4	62.1	65.6	63.1	63.1
2.0	2.1	2.4	2.5	2.8	2.9	2.9
3,945.39	4,539.59	5,307.55	6,137.90	5,145.36	5,404.55	5,602.21
524.53	600.66	698.37	782.71	632.15	672.27	772.27
775	878	958	1,067	994	1,081	1,149
2,769.50	3,445.91	3,772.02	4,203.25	3,576.75	3,786.56	3,931.26
70.20	75.91	71.07	68.48	69.51	70.06	70.17
17,177	22,090	25,819	26,518	25,957	28,748	35,409
77.06	92.13	105.49	108.63	107.38	119.77	166.23
332.8	414.8	453.44	492.20	419.37	454.19	514.81
47.13	53.05	51.95	48.28	50.81	52.15	61.56
63.45	69.05	64.93	62.88	66.34	67.56	66.66
3,603	3,678	4,181	4,531	4,442	4,584	4,880
1,860,935	2,508,480	2,615,649	2,857,082	2,804,154	2,978,028	3,013,281
145,581	163,312	167,034	172,746	142,312	146,656	158,252
92,367	112,768	108,453	108,629	94,410	99,082	105,494
6	6	8	9	8	9	9

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.

Air Lanka Route Network



AIRLANKA

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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., 50/52, Evagoras Avenue, P.O. Box 1301, Nicosia, Cyprus.
Tel: (D) 02 442 114, (G) 02 464 764, Tlx: LOUISCY 2123, Fax: NIC 02 461 894

EGYPT

Cairo Five Continents Travel, 17, 2nd Floor, Ismail Mohamed Street, Jeddah Tower, Zamalek, Cairo, Egypt. Tel: 340 9488
Tlx: 23268 MASA UN, Fax: (202) 34 19626

FRANCE

Paris Sales: Air Lanka Ltd., 2, Rue des Moulins, 75001, Paris, France.
Tel: (R) 01 42 97 43 44/1, 01 44778217, (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: (D) 3239000, (R) 3249098, 3249797, Tlx: 221530, Fax: 3249152

HONG KONG

Hong Kong Air Lanka Ltd., Room 2703, 27/F, Lippo Tower, Lippo Centre, 89, Queensway, Hong Kong. Tel: (852) 2521 0708, Fax: (852) 2801 5600

INDIA

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

Bangalore Stic Travels Pvt. Ltd., G-5 Imperial Court, 33/1 Cunningham Road, Bangalore - 560052, India. Tel: D(D) 2202409 (G) 2256194/5, 2267613, Tlx: 845-8633 STIC IN

Bombay Air Lanka Ltd., Mittal Tower "C", Ground Floor, Nariman Point, Mumbai 400 021, India. Tel: (D) 2833864, (T) 2823288/99, 2844156, (S) 2823599, Fax: 2833864

Calcutta Stic Travels Pvt. Ltd, 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

Cochin M/S. Anusha Travel Ltd., 39/4159, 2nd Floor, Heera House, Ravipuram M.G. Road, Cochin 682016, Tel: 370740.

Faridabad Stic Travels Pvt. Ltd., Maggie 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-(D) 240914 (R) 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: (G) 8520737, (R) 8524232, Tlx: 416317 ALKIN, Fax: 8522682

Translanka Air Travels (Pvt) Limited Nagabramha Towers, 76, Cathedral Road, Madras - 600086. Tel: (D) 8261537, (R/T) 8261535/6, 8275348, 8261154, Fax: 044-8261153

New Delhi Air Lanka Ltd., C/o Stic Travels Pvt Ltd., Room No 1, Janpath Hotel, New Delhi - 110001, India. Tel: (D) 3326840, (R) 3326843/45, Fax: 3326840

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, 14-C Williams Road, Tiruchirapalli 620 0021, India. Tel: (G) 460852 (T/R) 460844

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 695 014, Kerala, South India. Tel: (G) 68767, (R/T) 68767/88736/68746, Fax: 64480.

INDONESIA

Jakarta P T Dharma Buana, Experindo, Wisma Bank Dharmala, 7th Floor, JLN. JEND Sudirman KAV.28, Jakarta 12920, Indonesia.
Tel: (G) 5212340, Fax: 5212344

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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

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: (R/T) 92-45-1-2857, (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., 2-3-13, Azuchi-Machi, 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, GINZA 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) 682140, 628596, 628598, Tlx: 21194 Grand JO, Fax: 690402

KOREA (SOUTH)

Pacific Air Agency Ltd: Room 725, Bae Jae Bldg., 55-4, Seosomun - Dong Choong-Ku, Seoul, South Korea. Tel: 02-318-3721/5 Fax: 02-318-3720

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 P.O. Box 2892 Gefinor Center, Block C, Beirut, Lebanon. Tel: 365867/363443/364177

Bauchrieh Sin-EI-Fil Blvd, Beirut, Lebanon, Tel: 892878/894575/892788, Fax: 888620, Tlx: 43301 TRANAFLE.

MALAYSIA

Kuala Lumpur: Air Lanka Ltd., 3rd Floor MUI Plaza, Jalan P Ramlee 50250 Kuala Lumpur. Tel: (D) 03-2322833 (G/T) 03 2325805, 03 23236-33, (R) 03-7948900, Fax: 03-2388233

MALDIVES

Male: Air Lanka Ltd., No. 20, Athireege Annex 2, Ameeru Ahmed Magu, Rep. of Maldives. Tel: 3222/3 Fax: 328 376

Air Maldives Ltd., AMEER AHMED MAGU. Henvairu, Male 20-05, Rep. of Maldives. Tel: (G) 960 322438, Tlx: 77058 AIRMALE MF, Fax: 325056

Air Maldives Ltd., Metropolis Bldg., Ibrahim Hossan Didi, Male 20-05, Rep. of Maldives. Tlx: 314803-08, Fax: 314812.

MALTA

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

NEW ZEALAND

Auckland: JETWORLD, Air Services Ltd., Jetset Center, Level 6, 44, Emily Place, Auckland, New Zealand. Tel: (09) 302 2695, Fax: 64-9-309-2505

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: 051-218250

Karachi: Air Lanka Ltd., 2nd Floor, Services Club Extn Bldg., Mereweather Road, Karachi 75530, Pakistan. Tel: 566 2679/567 6480/514 421/514 428 (GEN) 518 760 (SALES), 568 0382/567 8286 (SALES ADMIN OFFICE). (G) 021-528286, (R) 021-526480, 021-522679, (T) 021-526480, 021-522679, Tlx: 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) 441217 (8 Lines), Fax: 0974-441241 ATTN UL, Tlx: 4243 ABATRV, DH.

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 KANOO SJ, Fax: 02 6609347

Jeddah (Western Province): Air Lanka Ltd., Kanoo Tower, Kilo 7, Madina Road, 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: 4772228, Ext: 294/4786869.

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) 22360267, Fax: 2219425 Cargo 5459243.

SOUTH AFRICA

Johannesburg
Air Lanka Ltd., C/o Travel Directions (Pty) Ltd Holiday House, 158-160 Hendrick Verwoerd Drive P O Box 2140 Randburg 2125 South Africa Tel: (011) 2898061, 2898113, 7871858, Fax: (011) 787-1526

Travel Directions (Pty) Ltd. Suite 810 Musgrave Centre, Musgrave Road, Berea. P.O. Box 51182, Musgrave Road 4062. Tel: (031) 21-6061/2/3/4/5, Fax: (031) 21-7809

Travel Directors (Pty) Ltd., 15th Floor Office 1502 Sanlam Golden Acre, Adderley Street, P.O. Box 3189, Cape Town 8000. Tel: (021) 419 9382/3/4, Fax: (021) 419 5208.

AIRLANKA

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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, Fax: 073 5311

(2) **Tktg. Office:** Air Lanka Ltd., 660, Galle Road, Colombo 04, Sri Lanka. Tel: (G) 073 5555, (D) 073 3294, 3295, 073 3296

(3) **PTA & Regional Tktg. Office:** Air Lanka Ltd., No. 12, Sir Baron Jayathilaka Mawatha, Colombo 1, Sri Lanka. Tel: (D) 073-3677/3685, (G) 073-5555, (R) 421161, (T) 073-3667, (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, 082 33123, 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 L.L.C, P.O. Box 629, Postal Code 113, Muscat, Sultanate of Oman, Tel: (D) 968-707547, (G) 968-796695, Res: (G) 968-796680-84, (D) 968-796694, (T) 968-796680-84, (T) 968-796680-85, 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, 8004 Zurich, Switzerland. Tel: (G) 01-241 5100, (T/R) 01-241 2021, 241 3322, 3334, (S) 01-241 3335, Tlx: 812 517, AIRL CH, Fax: 01 2417738

TAIWAN

Taipei: Overseas Travel Services Ltd., 2F No 129 Change-Chun Rd., Taipei, Taiwan, Rep. Of China. Tel: (G) 88625116188, Fax: 886 25230627, Cargo: 02-5215304.

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: 2367617

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, (G) 337272 (R) 337125, (T) 337125, (3 Lines), Fax: 9712-331313

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) 2033803, 203376, 2033870, Tlx: 45728 DNATA EM, Fax: 274 710

Fujairah: Fujairah National Air Travel Agency, P.O. Box 96, Fujairah, U.A.E. Tel: (G) 222524, (R) 222316, (T) 222316, Fax: 09-222555 Tlx: 89039 FNATA

Ras Al Khaimah: Rak National Travel Agency, Al Seer Bldg., P.O. Box 5214, Oman Street, Ras Al Khaimah, U.A.E. Tel: (R) 971-07-221536/8, (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: (D) 00971 6 544066, (G) 00971 6 351411, (T/R) 00971 6 3020209, 00971 6 3020215, 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) 0171-930-4688, (M/S/A) 0171-930-2099, (R/T) (A) 0171-930-1448, Cargo Tel: 0181 750 9715/6 Fax: 0171 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) 800-247-5265, (D) 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, (T/R) 800-247-5265, Tlx: 710 5812297, Fax: 2127590184

(2) Pyramid Travel Inc., Houston Branch, 1050 Post Oak Blvd, Suite 1320, Houston, Texas 77056, U.S.A. Tel: (713) 626 8028, (T/R) 800-247-5265, Fax: 713 626-1905

Chicago

(3) Pyramid Travel Inc., Chicago Branch, 551, North Michigan Av., Suite 212, Chicago, Illinois 60611, USA. Tel: (D) (312) 8289814, (T/R) 800-247-5265, 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, Tel: 305 7797444

TERRITORIES OF CROATIA, SLOVENIA, BOSNIA HERZEGOVINA AND SERBIA.

Croatia: Ceylon House, Trg Burze No 1, 41000 Zagreb, Croatia. Tel: (D) 041 275965, (G) 041 275965 Sita: Zagtoul, Tlx: 21506 LANKA RH, Fax: 041 435846

Branch Office: Ceylon House, Sanje Zivanovic 15A, 11000 Belgrade, Serbia. 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

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