



A NEW NAME. A BRIGHT FUTURE

A new name



The name SriLankan clearly communicates that we are the flag carrier of a dynamic nation reaching out to a wider world. Changing the name and identity of an established airline, particularly one with a 20-year track record, is an imposing task. But when it became clear that the name Air Lanka no longer reflected the new vitality and vibrance of our present company, the time for change had come. We sought to select a name which represented what we are today and will be in the future. On 13th July 1999 SriLankan was adopted as the new name with a brand-new livery.

Air Lanka came a long way in its twenty years. SriLankan has just begun. Commercial aviation is one of the fastest growing industries, poised for exponential growth. It is also an industry undergoing sweeping changes across the world. We are determined to grow and develop, changing with the new integrated global economic order. The year 1998/99 was a milestone for the Company. We have built a new foundation for our continued operational improvement and we are creating the momentum for our future growth. We have made meaningful and measurable progress towards our commitment to the people of Sri Lanka.



*Charting a new course and
building momentum
for a bright future*

Our Strategic Initiatives



new face

new product

modern airline



New Face

Sri Lanka's national carrier offered a new face to the world when it re-launched itself recently as a modern and international airline. The re-launch consisted of a new name, a new logo, new livery and a new product that will position the airline as a sophisticated carrier offering the modern traveller and shipper a state-of-the-art and caring service.

The re-positioning of the airline extends beyond the symbolism of the new name, logo and colours. In the pipeline is a massive re-equipment programme which will bring the recent advances in air transportation technology to the national carrier. Between November 1999 and December 2000 nine brand-new fly-by-wire Airbus A330-200s will be inaugurated into the airline's fleet. This will be accompanied by a phasing out of the airline's existing aging Tristars and narrow-bodied A320s. By the end of 2000 SriLankan Airlines will have a whole new wide-bodied fleet, consisting of four Airbus A340s and nine Airbus A330s.



New Product

In 20 years Air Lanka developed a reputation for a friendly service of high quality. SriLankan Airlines plans to raise the standard of its inflight product to even more competitive levels. This we will do in three ways:

First, by introducing new aircraft which will offer a two class service: a luxury Business class and an ultra-modern Economy class. Both classes will feature 17-channel personal TVs, a 22- channel audio service and personal telephones in every seat plus air-to-ground fax facilities. Business class travellers will have the luxury of personal video players and a video library giving them an even wider choice of entertainment and information.

Raising cabin service levels is another way in which we will improve the quality of our product. Our inflight cabin crew will be given the opportunity to develop new and more subtle skills to match the standards of care we are aiming for on board. New cabin ware and new uniforms are also some of the other changes we have in mind.

The diversity of our clientele has meant an increasing diversity of demands from both business and leisure travellers. At SriLankan Airlines we are fine-tuning our product so that we can remain sensitive to our customers' needs.

We will improve our inflight product with a fresh look at our cuisine. This will enhance the range and choice of our menus and develop meals appealing to the cultural, social and age profiles of our travellers.



Modern Airline

While we strive to take our inflight product to new levels we will continue to put safety first. Part of our vision for the new dawn is the incorporation of even more rigid safety standards at all levels in the training for our cockpit crew and ground staff. This will be accompanied by constant vigilance over the aircraft itself, detailed routine examinations and maintenance, even if it means increased costs for the airline.

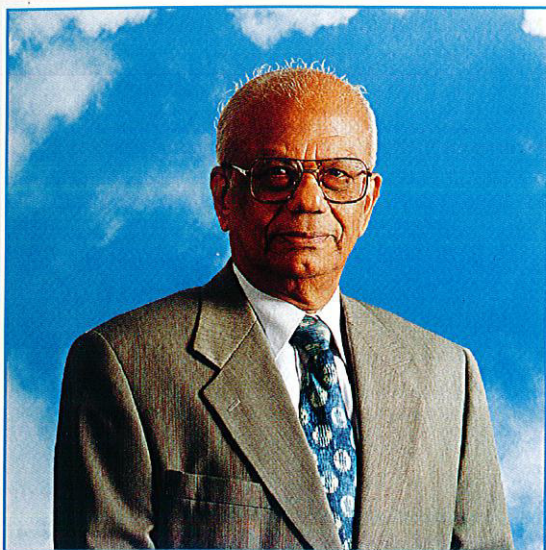
New processes and systems coupled with the latest information technology will be introduced into all our departments. Flight reservations, staff rosters and financial systems are being refined to reflect the precision and professionalism of a modern airline.



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| | | Group | | Company | |
|-------------------------------|--------------|-------------------|-----------|------------------|-----------|
| | | 1999 | 1998 | 1999 | 1998 |
| FINANCIAL | | | | | |
| Operating revenue | Rs. m | 19,487.75 | 18,003.04 | 19,081.96 | 17,592.00 |
| Operating expenditure | Rs. m | 16,354.35 | 14,832.97 | 16,139.50 | 14,657.40 |
| Operating profit | Rs. m | 3,133.40 | 3,170.07 | 2,942.46 | 2,934.60 |
| Net profit/(loss) | Rs. m | 1,451.98 | 1,405.22 | 1,272.93 | 1,641.59 |
| TRAFFIC | | | | | |
| Capacity offered | ASK millions | | | 6,209.80 | 5,672.66 |
| | ATK millions | | | 832.69 | 757.42 |
| Passengers carried | Thousands | | | 1,260 | 1,201 |
| Cargo carried | Tonnes | | | 35,566 | 36,478 |
| Passenger load factor | % | | | 71.14 | 73.24 |
| Overall load factor | % | | | 66.64 | 72.24 |
| Break-even load factor | % | | | 65.19 | 70.88 |
| STAFF AND PRODUCTIVITY | | | | | |
| Average number of staff | Nos. | 5,508 | 5,508 | 4,832 | 4,823 |
| Revenue per employee | Rs. | 3,538,081 | 3,268,526 | 3,949,081 | 3,647,522 |
| ATK per employee | Tonne - Km | | | 172,329 | 157,043 |
| AIRCRAFT FLEET | | | | | |
| Aircraft Type | | On Finance Leases | | Owned | On Order |
| Airbus A340-300 | | 3 | | | |
| Airbus A320-200 | | 2 | | | |
| Airbus A330-200 | | | | | 9 |
| Lockheed Tristar L1011-500 | | | | 2 | |
| Lockheed Tristar L1011-100 | | | | 1 | |
| Lockheed Tristar L1011-50 | | | | 1 | |
| | | <u>5</u> | | <u>4</u> | <u>9</u> |



On behalf of the Board of Directors, I have pleasure in presenting the Annual Report and Audited Accounts of the Company for the financial year ended 31st March 1999.

Much progress has been made by Air Lanka Limited during this period under the able guidance of Mr D H S Jayawardena, Chairman from 15th July 1997 to 7th December 1998, and of Mr. W P S Jayawardena, who was Acting Chairman from 10th December 1998 to 6th June 1999.

While achieving this progress, we have also been able to cement our cordial and productive partnership with Emirates which has resulted in many improvements to our operations. Our performance during the year was on target in terms of both our annual budget and our ten year Business Plan. This is an impressive result considering the difficult economic situation prevailing in many of our key markets and the large increase in our debt service costs due to the devaluation of the Sri Lankan Rupee by 11.5% during the period under review.

In giving effect to the Business Plan, we have acquired a distinguished new identity as SriLankan Airlines Limited in July 1999. We have also finalised plans to embark on a re-fleeting programme to replace the aged Tristars and the Airbus A320s with new wide-bodied Airbus A330-200 aircraft. The programme will be completed by the end of the year 2000 with the delivery of the last of the nine Airbus A330-200s ordered by us. We acquired an Airbus A340 in July 1999 to supplement our long haul fleet. This will meet the needs arising from the route expansion we have undertaken, with the addition of new routes to Sydney,

Stockholm and Beirut. In line with these changes, we will feature two classes of travel - Business and Economy - with enhanced inflight facilities including personal video screens and telephones in both classes.

Numerous bilateral negotiations with other countries have resulted in significantly increased commercial opportunities for the airline. At the same time, substantial investment has been made in Information Technology systems within every area of the Company with the introduction of leading edge IT systems to provide us with the ability to manage the future expansion of our business. Our Y2K compliance programme is to be completed at the end of October 1999.

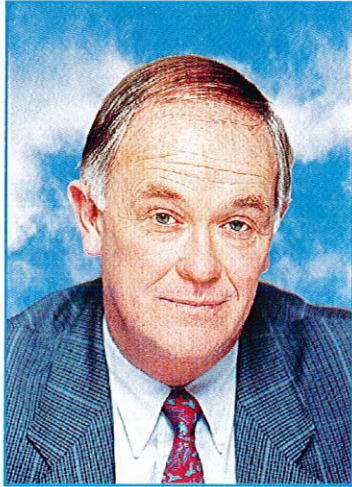
We are still at the early stages of our expansion and development programmes but are looking forward to the future with a great deal of optimism. We are at present engaged in cordial negotiations with Airport & Aviation Services (Sri Lanka) Limited to make sure that the new airport expansion project will be able to cater to our needs in the coming years. This project is due to commence at the end of this year with generous assistance from the Government of Japan. We are already seeing some of the benefits that will accrue from the changes taking place. However, we need to be alert to negative factors such as declining yields and rising fuel prices. In the latter instance, we look forward to the day when we will be able to obtain all our fuel requirements at competitive world market prices.

We have carried out a complete revision of remuneration packages for all the staff of our airline with substantial improvements in pay and allowances for them. We have now signed collective agreements with all of them for the next three years and this should result in a stable and harmonious relationship with our employees.

Finally, it is my pleasant duty to express the Company's sincere thanks to all the employees for their loyalty and hard work during the year and to my colleagues on the Board for their unfailing support.



S K Wickremesinghe
Chairman



The financial year presented considerable challenges to the new management team appointed in April 1998 concurrent with the corporate re-structuring of the airline and the implementation of a 10 year Business Plan developed by Emirates.

The financial result achieved is encouraging particularly in view of the difficult trading conditions that prevailed in the Pacific Rim during the year coupled with the continuing decline of the Sri Lankan Rupee against the U.S. Dollar.

At the outset of the year, the re-structured management team was given the task of commencing the groundwork for the Business Plan. Early success was achieved through significant improvements to the Company's aeropolitical access into overseas markets and associated commercial opportunities, an essential element of the Business Plan's strategy for network expansion and future growth. This has allowed the airline to increase its flights to a daily non-stop service to London, as well as three non-stop services to Tokyo a week. New online destinations planned for this coming November include Stockholm, Beirut and Sydney.

Success in the aeropolitical arena provided an opportunity to review and re-work the original Business Plan and as a result Board approval was gained to purchase a further three A330-200s, in addition to the six on order. Further approval was obtained to lease a fourth A340-300 from Airbus Industrie.

Our profit for the year was a record Rs. 1,451.98 million on operating revenues of Rs. 19,487.75 million. Passengers carried increased to 1,259,604 at a seat factor of 71.14%, whilst Cargo carried was marginally down on the previous year to 35,566 tonnes, reflecting the economic downturn in the Far East markets.

Preparations progressed well through the year for the launch of our new corporate identity programme featuring a new trading name, logo and colour scheme (SriLankan Airlines was officially launched on 13th July 1999 with the arrival of our 4th Airbus A340-300 in Colombo, resplendent in our new colours). The design work was undertaken by the Graphic Design unit of Emirates in Dubai which created an attractive and graceful colour scheme at a fraction of the cost normally associated with such a programme. The new look will be progressively implemented across our network in the months ahead.

Prior to the introduction of our new fleet of Airbus A330-200 aircraft, the inflight product is also being re-defined. We will be introducing a two class passenger cabin, featuring a luxurious Business Class and a comfortable, full service Economy Class. All seats will be fitted with personal video screens and telephones, providing state-of-the-art video and audio entertainment and air-to-ground communications. The cabin interior decor features new colours and designs in seating, carpets and panelling to provide our passengers with a spacious and relaxing environment. A completely revised and enhanced meal service will be introduced with this Winter's schedule, offering all new menus, serviceware and amenities.



MANAGING DIRECTOR'S REVIEW

Much time and effort has been spent by Management in consultations and negotiations with the trade unions and other bodies that represent our employees, seeking ways of improving their remuneration and benefit packages as well as introducing better and more flexible working practices. This has resulted in three-year collective bargaining agreements being signed with all major groups of employees (finalised in October 1999), providing significant benefits to both employees and the Company and laying a firm foundation upon which we can develop our operations in the future.

Much attention around the world has been focussed upon the potential impact of the Y2K bug on international airlines like ourselves. To address this major concern we established our own Y2K working group, headed by a full time project leader, with the task of ensuring the Company was Y2K compliant. This group has addressed all areas of potential problems, both inside the Company and with outside third party suppliers and agencies. We have also worked closely with all of the industry bodies - ICAO, IATA, DGCA, etc., - and we are confident that we shall achieve our compliance deadline of 31st October 1999.

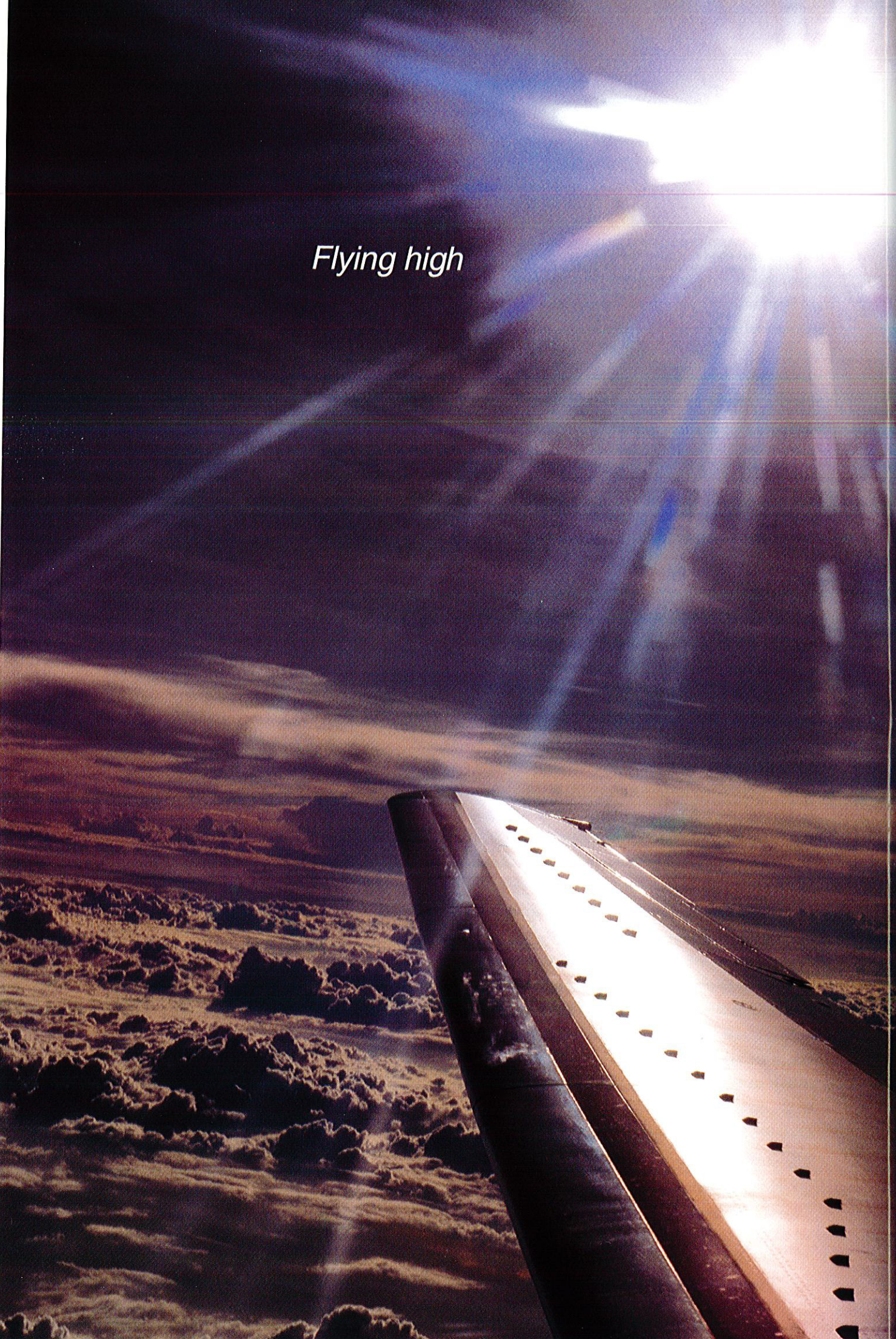
We have conducted a total review of the Company's information technology systems and embarked upon a major investment programme to replace all non-compliant Y2K systems, upgrade existing supportable systems, and introduce new integrated solutions that will provide the platform for future growth. In this field we have benefited greatly from the expertise and support provided by the Mercator Division of Emirates, which is supplying and installing MARS - Reservations, MACS - Departure Control, RAPID - Revenue Accounting systems (all commissioned on time and on budget - July 1999).

In summary, I believe that we have made an excellent start to achieve the objectives and milestones called for in the revised Business Plan. None of this would have been possible without the whole-hearted efforts and co-operation of our staff, who once again have performed magnificently under sometimes very trying conditions.

With our new fleet of wide-bodied Airbus aircraft, new name and logo and new destinations all being progressively introduced during the coming year, I am extremely optimistic about the future profitable growth of SriLankan Airlines.

Tim Clark
Managing Director

Flying high



STRATEGIC ALLIANCE

The financial year has been one of the most eventful in the airline's history. The synergy of our strategic alliance with Emirates has fuelled changes in our vision, our immediate and long term goals, and our strategies. We are now poised to become a significant player in the air transportation market in the region and our corporate plan, identity, and business tactics have been revised accordingly.

We entered into a strategic alliance in March 1998 when Emirates bought a 26% stake in SriLankan Airlines. Emirates will ultimately take a 40% share in the airline by the end of 2000. This alliance has resulted in sweeping changes as we re-position ourselves to meet the challenges of the global airline industry in the new millennium.

MARKETING OVERHAUL

One of the major changes initiated during the year under review was the re-organisation of the Marketing division to reflect the airline's new identity and new corporate goals.

Autonomy for Regional Managers

Overseas operations were decentralised by stationing four managers in the four regions in which we operate:

- Europe and America
- The Middle East
- West Asia
- South East Asia / Pacific Rim

Our regional managers have been given responsibility for developing both online and offline markets with sufficient autonomy to facilitate speedy decision-making.

Product Development

A Product Development Department was created to monitor the airline's products and explore ways of enhancing their quality. The department has already unveiled a new product development plan. The new plan envisages the opening of a 24-hour ticket office at Colombo Airport, ticket offices in more provincial capitals in Sri Lanka, a limousine service for Business Class passengers, a collection point for duty-free goods at Colombo Airport, and a compensation scheme for those confirmed passengers who cannot be accommodated on their booked flights.

Revenue Optimisation

A Revenue Optimisation Department was set up during the year to optimise revenue and yield. Previously we lacked the supporting systems for complete and effective management. This new department will provide strategic support by developing yield management techniques to enhance revenue, using new software and a new database to monitor passenger booking trends. The database will also assist the marketing division in key decisions. A complete computer based yield management system with forecasting and optimisation capabilities will be installed by the end of the year 2000.

The Revenue Optimisation Department will also oversee our participation in the Global Distribution Systems (GDS). New software will be procured to enable the department to analyze GDS billing data and assist in the monitoring and control of distribution costs. An electronic quality control unit has been set up within the Revenue Optimisation Department for this purpose.

SYSTEMS INTEGRATION

We have initiated a process to provide a seamless service to our passengers as well as enhance revenue by integrating Passenger Reservations, Departure Control, Revenue Accounting and Yield Management systems. Last year saw us embrace a new Departure Control System when the MACS (Mercator Airport Control System) was installed at Colombo Airport in November 1998.

A new Passenger Reservations System, MARS (Mercator Airline Reservation System), was introduced in June 1999 to complement MACS. All our reservations offices in all parts of the world and our GSAs in online and offline markets switched over to MARS.

In June 1999 we also moved to a new revenue accounting system called RAPID (Revenue Accounting Proration Interline and Decision support system) supplied by Mercator. RAPID enables a faster and more accurate determination of revenue and other financial and commercial information essential for the airline's profitable operation.

MARS and MACS enable us to provide a seamless service to our passengers from reservation through ticketing to departure. With an electronic interface to MARS, RAPID will provide accurate and timely information to our decision makers.



COLOMBO HUB

Our corporate vision is to make use of the island's strategic location in the Indian Ocean and develop Colombo into an international aviation hub encouraging the flow of transcontinental traffic through our homebase.

Our fleet did not see any change during the year under review. We continued to operate three Airbus A340s, two Airbus A320s and four Lockheed Tristars. However in the winter of 1998 we were able to increase aircraft utilisation from 9.5 hours per day to 12 hours per day as we progressed towards our goal of making Colombo a major international hub.

Increased aircraft utilisation enabled us to offer non-stop flights on almost all services to Europe. It also helped us to increase the frequency of services to London, Frankfurt, Tokyo, Dubai, Muscat and Riyadh. In winter 1998 we began daily flights to Dubai and in summer 1999 daily flights to London commenced. During the year we also added a second weekly flight to Dhahran.

Code-sharing agreements with several airlines were developed last year in our effort to develop Colombo as a hub. In May 1998 we became a partner on Royal Jordanian's twice weekly Amman/ Colombo/ Amman service. In December 1998 we combined with the Italian carrier Eurofly to offer a weekly Milan/ Colombo/ Milan service. In March 1999 we combined with our strategic partner Emirates to offer a twice weekly service to Singapore and Jakarta. This code-sharing agreement with Emirates enabled us to increase our weekly services to Singapore from five to seven.

In 1998 we entered into an agreement with the Channel Tunnel operator Eurostar. Passengers on SriLankan Airlines can now travel to London and connect to Eurostar's express train service to Paris or Brussels. Passengers may travel the other way from Paris or Brussels to London on Eurostar and then link up with our daily non-stop flight to Colombo. This link also enables passengers from Colombo to London to travel to Paris on Eurostar and then return via our regular flight from Paris and vice versa.

We now have the opportunity to have more flexible operations into Hong Kong since the authorities have agreed to remove existing restrictions to our access to third and fourth freedom markets on the Colombo/ Hong Kong/ Colombo route.

OUR ROUTES ...

We now fly to 29 destinations in 22 countries.

In **Europe** to London, Paris, Frankfurt, Zurich, Rome, Milan.

In the **Middle East** to Dubai, Abu Dhabi, Muscat, Bahrain, Kuwait, Doha, Dhahran, Riyadh, Amman.

In the **Far East** to Bangkok, Kuala Lumpur, Singapore, Hong Kong, Tokyo, Jakarta.

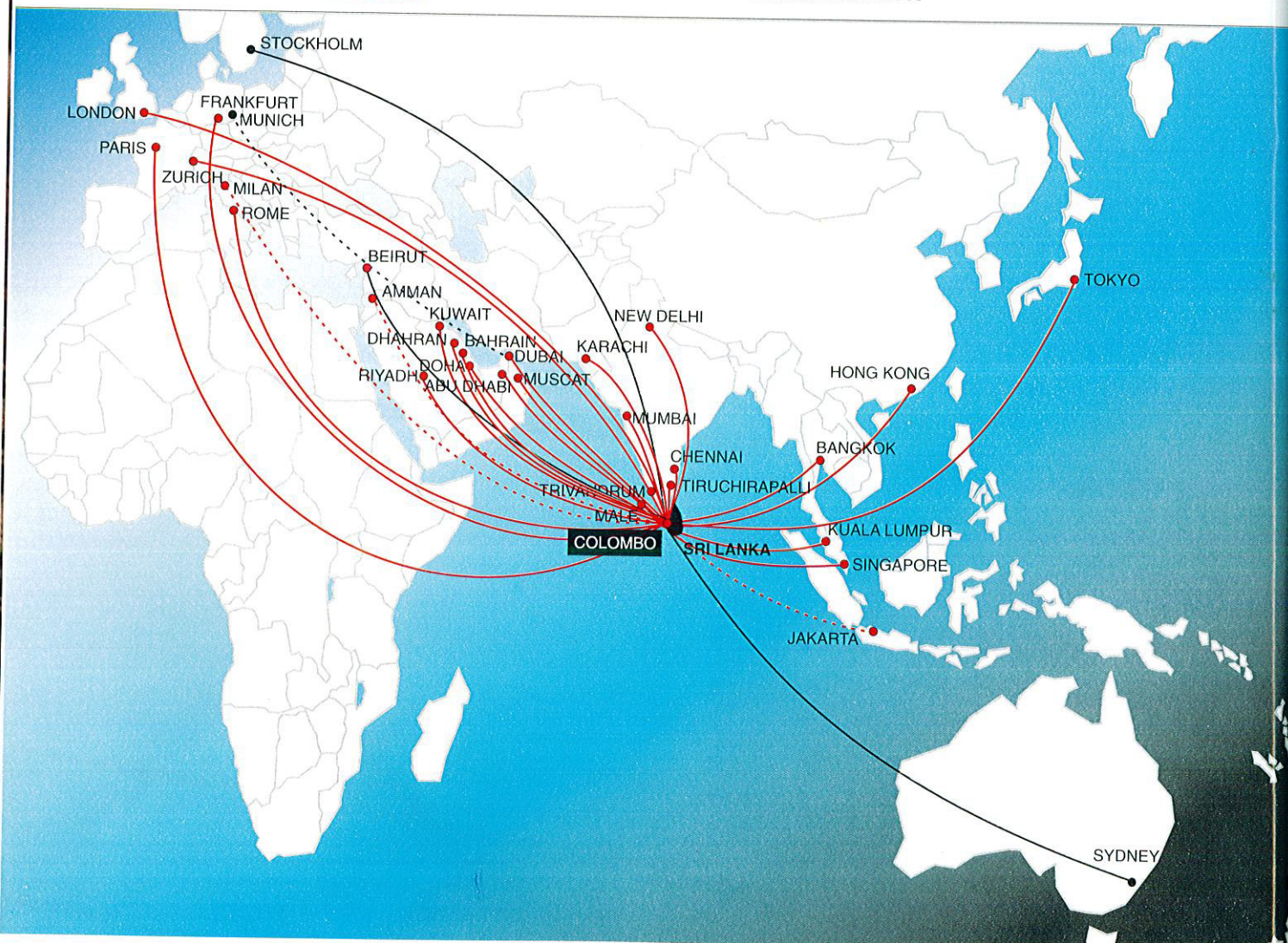
In **South Asia** to Colombo, Mumbai (Bombay), New Delhi, Chennai (Madras), Trivandrum, Tiruchirapalli, Karachi, Maldives.

Routes operated by SriLankan Airlines

New routes to be operated by SriLankan Airlines

Code-share service

New code-share service



New fleet investment



OUR STATE-OF-THE-ART A330-200:

- Range for non-stop flights from Colombo to Europe, North East Asia and Australia
- Unmatched fuel efficiency
- Twin Rolls-Royce Trent 700 engines
- Seats 281 passengers in luxury Business and exceptionally comfortable Economy layout
- Superior inflight comforts include:
 - 17-channel personal TVs, 22-channel personal audio system and personal telephones for all passengers, personal video players and video library in Business Class, air-to-ground fax facilities and all seats fitted with footrests and lumbar adjustment
- Commonality with SriLankan Airlines' A340s facilitates fleet management and technical crew training and conversion

FLEET CARE

We have introduced new engineering and maintenance systems for the induction of the new Airbus A330-200 aircraft. A new unit, Aircraft Appearance and Maintenance, was set up to centralize and streamline the functions relating to the maintenance of aircraft exteriors and interiors. Our objective is to maintain our aircraft in mint condition.

The Aircraft Performance Monitoring section under Flight Operations has been upgraded. This section monitors all data pertaining to every flight with a view to maintaining the best service and safety standards. Our staff have been trained at Airbus Industrie in Toulouse and their training has enabled us to introduce more extensive monitoring of aircraft performance.

The safety section was upgraded and a specialist manager appointed. We intend establishing a comprehensive department to oversee maintenance of safety standards for all operational departments.



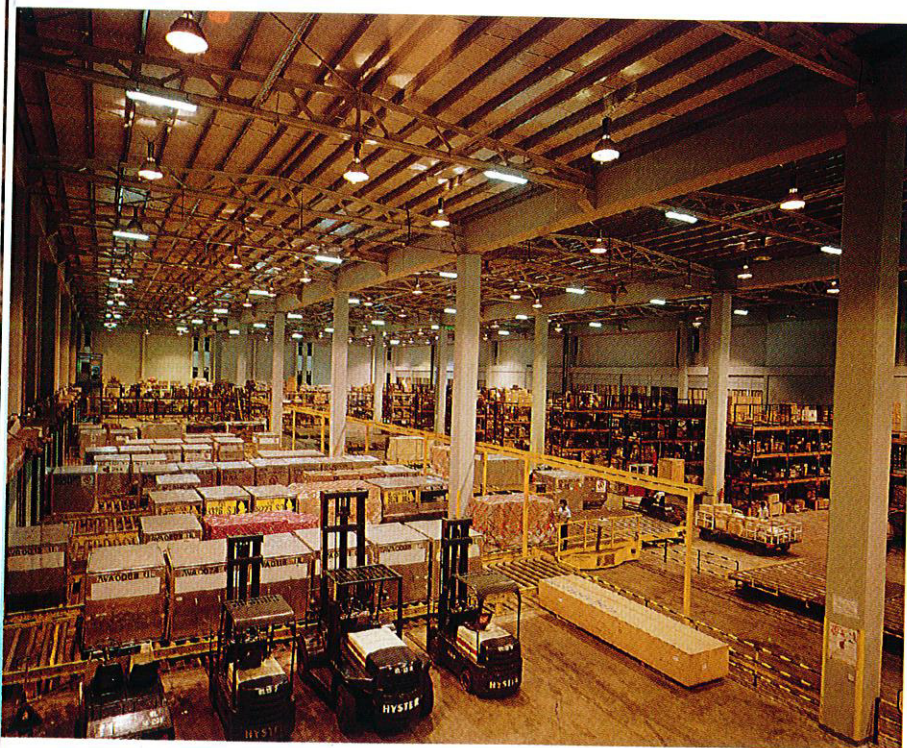
CARGO CONTRIBUTION

We carried 35,566 tonnes of cargo to 26 destinations during the year under review. This was slightly down from the 36,478 tonnes of cargo ferried during the previous year. Revenue from our cargo operations contributed Rs. 2,217.05 million (or 11.4%) to the Group's overall revenue.

Last year we entered into a blocked space agreement with our strategic partner Emirates for the carriage of cargo on its weekly Boeing 747 freighter service which operates Amsterdam/Dubai/Hong Kong/Colombo/Dubai/Amsterdam. We are able to offer shippers space on the Amsterdam/Hong Kong, Hong Kong/Colombo and Colombo/Amsterdam sectors under this agreement.

The introduction of the new Airbus A330-200s, each with a capacity of 15 tonnes, will significantly improve our cargo carrying capacity and help develop Colombo as a cargo hub.

We are the only cargo handling agent in the country and provided services to 24 airlines and six freighters operating weekly through Colombo during the year under review. We handled approximately 93,000 tonnes of import and export cargo during the past year.





GALILEO SRI LANKA: THE NEW IT ASSET

In November 1998, the airline together with Galileo, one of the world's leading providers of electronic distribution services for the travel industry, launched Galileo Sri Lanka to provide travel agents in the country with access to one of the most powerful computer reservations systems available to the travel industry.

In partnership with SriLankan Airlines and Galileo Emirates, a new national distribution centre (NDC) was established to distribute the comprehensive and innovative range of Galileo products in Sri Lanka.

The Galileo Sri Lanka offices are located in central Colombo and are staffed by highly experienced engineering, sales, training and support personnel from SriLankan Airlines, who offer classroom and on-site training as well as full field and after-sales support.

Galileo Sri Lanka installs Galileo PCs in travel agencies and provides classroom and after-sales telephone support. Travel agencies are able to access the Galileo system through FocalPoint, the Windows based PC product which offers tools for selling travel, including third party software integration, on-line help and drop-down menus.

As at 31st March 1999, 14 travel agencies in Sri Lanka had migrated to the Galileo system.

MEET IN SRI LANKA

The MICE (Meetings, Incentives, Conferences and Exhibitions) programme is an important part of our business strategy.

We have actively promoted the country as an attractive destination for MICE tourism. Last year we served as official carrier for 12 international conferences in Sri Lanka as part of this programme.

IMPROVING INFLIGHT SERVICE

On Board Cuisine

We carried out a comprehensive and detailed review of our on-board cuisine, wines, spirits and beverages. Route menus were revamped to improve both the quality and the choice. The airline tapped the expertise of some of the leading chefs from five star hotels in Colombo to achieve this. Menus are being compiled to ensure that the cuisine suits the preferences of the majority of passengers on each route.

The range and quality of wines in our premium classes were enhanced.

Air Lanka Catering

Air Lanka Catering Services was formed in 1980 in collaboration with Thai Airways. It became a wholly owned subsidiary of SriLankan Airlines in June 1998.

During the year under review Air Lanka Catering provided services to 11 airlines operating through Colombo, working three shifts round-the-clock and providing approximately 5,500 meals per day.

Our plan to develop Colombo as a major air transport hub will result in a substantial increase in the demand for catering facilities. We have planned for a new flight kitchen with a capacity of 15,000 meals per day. The new kitchen is scheduled for completion in 2001.



On Board Entertainment

From July 1998 we were able to offer a wider range of music and movies on board. Our new selections include the latest Hollywood action movies, Hindi movies, comedies, classics, world class stage shows and documentaries, cartoons and compilations of music videos from Sri Lankan, Western, Arabic and Indian artistes.

Paradise Boutique

Our inflight duty free service was given a boost last year. We launched a new product range, coupled with a glossy catalogue featuring information on each product category. Our product range currently features 158 items in eight categories. A Paradise Boutique video complements the duty free catalogue.

Last year the airline generated Rs. 145.07 million from duty free sales. This was an increase of Rs. 7.19 million over the previous year. The Middle Eastern and European sectors were the biggest contributors to duty free revenue during the year.

We also offer passengers a pre-order facility which enables them to select their products on their way into Colombo and pick up the goods on their return flight.

GROUND SERVICES: A NEW FOCUS

As part of the organisational re-structuring Ground Handling has been re-designated "Ground Services" to emphasize our commitment to customer care.

Passenger services were provided to the 1,224,930 passengers who departed from Colombo Airport. Similar services were provided to the 1,209,662 passengers who arrived at Colombo's Airport. Of the departing passengers 52% travelled on SriLankan Airlines and of the inbound traffic 53% arrived on SriLankan Airlines. Thirty-two other carriers flew in and out of Colombo and received the support of our Ground Services Department.

We cut over to the Mercator Airport Control System (MACS) in November 1998. With Reservations switching to MARS, we now have fully integrated seamless reservation and departure control systems.



Two new boarding gates were added last year at the Colombo Airport. This has helped ease congestion during peak hours. An ambulift was added to the fleet of ramp equipment. Orders were also placed for four passenger steps, four jumbo container pallet loaders, two passenger coaches, two skyloaders and 20 pallet dollies. In the pipeline is a new baggage reconciliation system and a departure gate control system to facilitate the flow of traffic.

UPGRADING FINANCIAL SYSTEMS

Our alliance with Emirates has enabled us to streamline our financial systems and bring them on par with the world's major airlines. We worked closely with Mercator, the Dubai-based subsidiary of Emirates, to put in place the processes for a switch over to RAPID, a new and sophisticated revenue accounting system.

RAPID runs on an open system environment, replacing the existing mainframe based system. RAPID is now widely recognized in the airline industry as a premier revenue accounting and decision support system.

RAPID facilitates the quick and efficient processing of passenger coupons and air waybills to enable swift revenue determination and protection essential to the airline's profitability. The airline will benefit from an improved cash flow through fast and accurate interline billings. It will reduce the unit cost of revenue accounting through a more efficient automation of the revenue accounting process and the use of automated data sources.

We are also in the process of introducing a new station accounting system known as COMET. This will enable station data to be interfaced with core financial information, providing for a swift and efficient generation of vital financial information.

Staff training to operate RAPID and COMET has already been completed.

Oracle Application-Financials has been chosen as the new core financial information system, replacing the existing mainframe based accounting system. All aspects of the airline's business processes were researched for this purpose. Apart from streamlining the financial process, this solution will enhance productivity. RAPID and COMET will interface with this system providing an integrated view of the airline's financial data.

CUSTOMER CARE: RAPID RESPONSE

We have revamped our customer relations unit and set up a fully fledged Customer Affairs and Service Monitoring Department. The department will give high priority to developing new processes of customer care and provide a speedy response to passenger comments and complaints.



A constant monitoring of the entire service chain, coupled with a careful assessment of complaints and compliments, is part of the new customer care plan. The new department recognizes that both positive and negative feedback are vital tools in discovering the service expectations of customers.

Our new customer care policy will focus on developing quick and effective responses to passengers' needs and expectations with a view to ensuring that the customer remains with the airline. Our new policy will also carefully evaluate compliments with a view to motivating our employees and constantly upgrading our levels of excellence.

This new department will monitor the entire service chain to see that the highest corporate standards and procedures are maintained. It will also identify customer-related processes which may require upgrading and refinement. This pro-active approach to customer care and fault detection will contribute to

maintaining the highest levels of excellence in all areas of operation.

**CORPORATE
COMMUNICATIONS**
Public Relations

SriLankan Airlines continued to actively sponsor a variety of projects that supported the community and the travel and tourism trade in Sri Lanka.

Free and rebated travel was offered to members of the travel and tourism trade to attend the major international travel trade fairs.

Travel facilities were offered to sportsmen and women, artistes and those seeking medical treatment abroad. Free cargo space was offered to key medical institutions and charities.

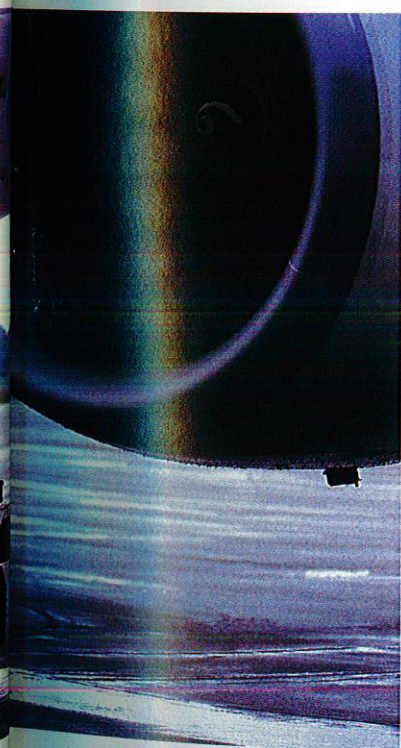
SriLankan Airlines hosted familiarization tours for journalists from Japan, Germany, Dubai, Thailand and Saudi Arabia during the year.

We sponsored the travel of a number of journalists from Sri Lanka to cover major sports events such as the Commonwealth Games, the Asian Games and the Cricket Triangular Tournament in the U.K.

In January 1999, London Weekend Television chose Sri Lanka as its holiday destination for the popular show 'Blind Date' which is telecast every Saturday on ITV. The winners and television crew travelled to Sri Lanka courtesy of SriLankan Airlines.

We sponsored Sri Lankan food festivals abroad, and foreign food festivals in Sri Lanka as part of our destination promotions. We were a key sponsor of 'Focus Lanka', a government initiated trade promotion in Sydney and Melbourne in January 1999.

The airline conducted its 3rd international Golf Classic in November 1998 in its bid to promote Sri Lanka as a golfing destination. The Classic attracted 283 contestants.



Advertising

In 1998 we had appointed Ogilvy & Mather to handle our advertising for a period of one year. The past year's advertising campaign initially focussed on the role the airline plays as the national carrier of the country. We also promoted Sri Lanka as an attractive tourist destination in U.K, France and Germany. The accent of the campaign was on highlighting the diversity of the Sri Lankan experience.

In 1999, after a competitive process of bidding, we selected Grant McCann-Erickson to handle our advertising, and M/s 141 Worldwide and Rowlands respectively to handle our direct marketing and public relations.

DEVELOPING INFORMATION TECHNOLOGY

SriLankan Airlines' new business plan places a great deal of emphasis on information technology to achieve its corporate goals. The airline has developed a three-year plan designed to maximize the benefits of information technology. Our IT plan will bring operational efficiencies, support the growth plans of the airline and provide our staff with new skills to handle modern technology.

Technological improvements in this field will be generated mainly from within the Company with strategic support coming from selected business partners.

The airline's new technical strategy will use Microsoft products through PCs and servers and revolve around a Unix/Oracle platform. The first two years will focus on replacing core legacy systems to provide better solutions based on a modern platform. Year 3 will position the airline on par with the other major airlines in the world with regard to IT.

To support the airline's new IT strategy, existing staff were re-trained and existing responsibilities were re-aligned. New staff were also recruited and trained to implement the new strategy. A massive training programme to involve all the airline's staff in IT has commenced and will continue.

The past year was one of change:

- Changing our Departure Control System to the MACS system developed by Mercator. The transition was made in three phases during October and November 1998.



- Changing our Revenue Accounting system to the RAPID system developed by Mercator. RAPID was fully implemented in June 1999.
- Changing our overseas station accounting system to the COMET system developed by Mercator. The first overseas station began using COMET in September 1999.
- Changing our Payroll and Human resources system to a modern platform.
- Changing our Passenger Reservations system to the MARS system developed by Mercator. This change came into effect in June 1999.
- Work on installing a new and sophisticated IT infrastructure including local area networks, a wide area network, an IT centre and new PCs and servers has commenced.

The IT Department will remain vigilant in identifying modern information technology solutions for enhancing the efficiency of the Company's processes.









Superior technology, ultra-modern aircraft and the latest financial and reservations systems are major elements of our new corporate plan. Yet, it is the vast and multiple talents of our people that will make it a reality. Thus, human resource management, training and motivation play a key role in our efforts.

We will continue to give high priority to the training and motivation of all our staff, from management and accounting, through cockpit, cabin, and kitchen to IT, engineering and support staff. We have designed specially tailored programmes to allow all our employees to grow and learn in the pursuit of their career goals.

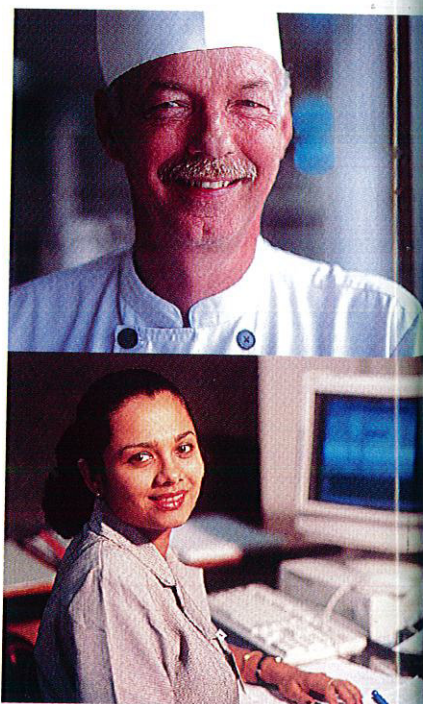
At the end of March 1999 we had 4,832 employees, marginally above the previous year's figure of 4,823.

| | |
|--------------------------------|--------------|
| Flight Deck Crew | 169 |
| Cabin Crew | 499 |
| Engineering and Maintenance | 1,279 |
| Support Staff | 860 |
| Airport Services – Colombo | 772 |
| Airport Services – Overseas | 84 |
| Marketing and Sales – Colombo | 659 |
| Marketing and Sales – Overseas | 165 |
| Security | 345 |
| Total | 4,832 |

Incentive and Motivation

A new remuneration scheme has been introduced and will apply to all staff.

A new human resources programme to support the airline's business plan was drawn up during the year. New organisational charts were created and new job descriptions defined. These will provide a better basis for job evaluation and for a proper identification of training needs. It will also assist in performance management and to ensure that the right person is in the right job.



A new human resource management system is to be introduced soon and will enable the airline to better nurture and care for its most important asset: its staff.

Technical Crew

Plans were made to train technical crew to operate the new Airbus A330-200s. A senior Airbus A340 captain will oversee their training.

The airline will soon have its own Video/Audio Computer Based Instruction (VACBI) equipment. This will enable pilots to remain in Sri Lanka for Airbus A330 ground training, bringing significant cost benefits to the airline.

Eight cadet pilots were recruited during the year under review. Five first officers were upgraded to the rank of captain.



Computerising Crew Rosters

The Information Technology Department is in the process of procuring software for the computerisation of technical and cabin crew rosters. It is planned to interface the crew scheduling package with the flight scheduling package so that all changes will be instantly updated in the crew scheduling roster enhancing the efficiency of the process of rostering flight crews.

The ICAO 201 Flight Operations Officer's Licence

The Fifth ICAO 201 Flight Operations Officer's Licensing Course commenced. This course is conducted in collaboration with the Directorate of Civil Aviation, Sri Lanka. Five students from SriLankan Airlines and fifteen external students are following this programme which includes six months of classroom instruction in 17 subjects and three months' on-the-job training at the Flight Operations Control Room. Each student who successfully completes the course will be eligible for the ICAO 201 Flight Operations Officer's licence.



Cabin Crew

The quality of our cabin crew is intrinsically linked with the quality of our inflight service and we spend considerable effort to ensure that the crew are motivated and maintain international standards at all times. All senior cabin crew are given regular training in leadership and motivation in a bid to ensure the highest quality passenger care during every moment of every flight.

We inducted 36 trainee stewardesses into the cabin crew. Duty free sales incentive schemes for cabin crew, which offer cash and non-cash awards, were enhanced.

SRILANKAN TRAINING:

Investing in people

SriLankan Training has been in operation for 12 years and has provided training both to staff and external students in airline operations and other subjects. It was given IATA accreditation in 1992.

We won a major first in 1998 when SriLankan Training was awarded the contract to provide cabin services

SriLankan Training uses a mix of both inhouse and external trainers for its programmes. Apart from airline operations, its programmes also include secretarial, computer, language, customer service and management training.

HEALTH PROGRAMMES FOR STAFF AND FAMILIES

The airline is committed to the mental and physical well being of its staff and their families.



and safety training for trainee flight attendants from Japan's International Academic Centre in Tokyo. The training was planned for July 1999. The airline's own ticketing, reservations and ground services staff were trained on MARS and MACS, the new reservations and departure control systems of the airline.

A number of health related programmes were conducted for staff:

- Workshops to educate staff on the nutritional benefits and methods of cooking soya.

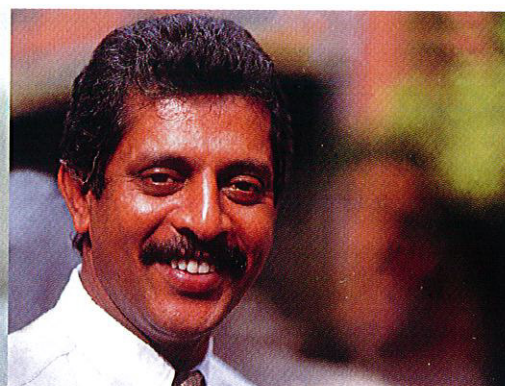


- An awareness programme for mothers on the need to vaccinate their children against infectious diseases, conducted by the Medical Research Institute.
- Special programmes for staff from Ramp Services, Cargo Services and Inflight, whose jobs entail strenuous physical work, on the prevention of injury during work.

SUCCESS IN SPORT

The airline's participation in sports was as enthusiastic as ever. Ground Services won the annual inter-departmental athletic meet and Security and Investigations were runners-up.

A number of our staff successfully participated at national and international level in a variety of sports: chess, badminton, swimming, netball, athletics, pistol shooting, soccer, volleyball, basketball, karate and elle.



- Special child care programmes for selected stewardesses including practical training at a montessori.

Special mention must be made of Ruwani Abeymanna of the Security and Investigations Department, a champion pistol shooter, who won both the UIT (National) and UIT (Open) championships. She is a current Sri Lanka recordholder and has been selected to represent the country at the Sydney Olympics.



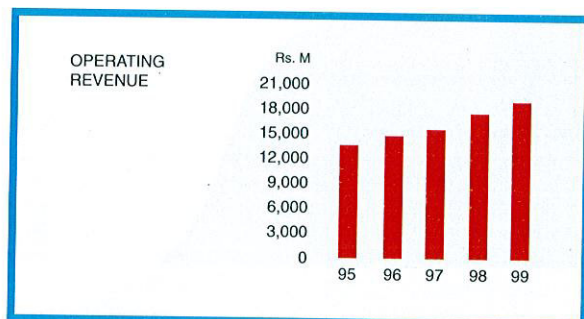
The Company registered a net profit of Rs. 1,272.93 million during the year 1998/99, compared with a net profit of Rs. 1,641.59 million recorded in 1997/98.

The Group net profit for the year ended 31st March 1999 amounted to Rs. 1,451.98 million, a decrease of Rs. 46.76 million from the previous year.

REVENUE

Total operating revenue amounted to Rs. 19,081.96 million, up by Rs. 1,489.96 million or 8.5% from 1997/98.

The revenue of the Group in 1998/99 was Rs. 19,487.75 million, an increase of Rs. 1,484.71 million or 8.2% from the previous year.



Revenue from airline operations increased by Rs. 1,338.09 million or 8.3% to Rs. 17,370.58 million.

Passenger revenue excluding charter revenue totalled Rs. 14,573.95 million an increase of 9.4% from 1997/98. Revenue from cargo carriage increased by 3.4% to Rs. 2,217.05 million.

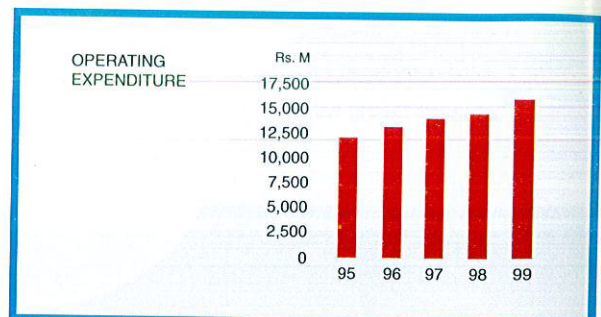
Revenue from charter operations decreased by Rs. 64.28 million or 31% to Rs. 140.06 million, while ground handling revenue increased by 10% or Rs. 144.68 million to Rs. 1,566.31 million.

Duty Free Sales Increased by Rs. 7.19 million or 5.2% to Rs. 145.07 million.

| Composition of Revenue | 1999 | 1998 |
|------------------------|------|------|
| | % | % |
| Passenger | 78 | 77 |
| Cargo | 12 | 13 |
| Charter | 1 | 1 |
| Ground Handling | 8 | 8 |
| Duty Free Sales | 1 | 1 |

EXPENDITURE

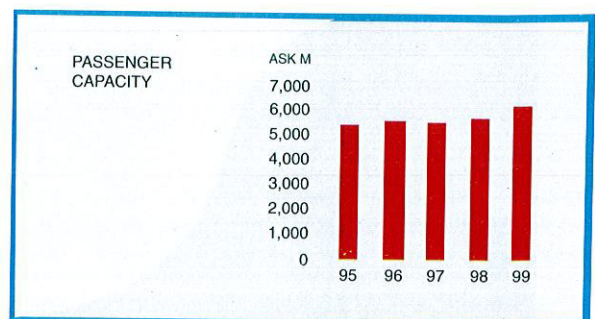
In 1998/99 the Company's operating expenditure totalled Rs. 16,139.50 million reflecting an increase of 10.1% from 1997/98. Cost of Aviation Fuel registered a decline of Rs. 180 million due to favourable prices.

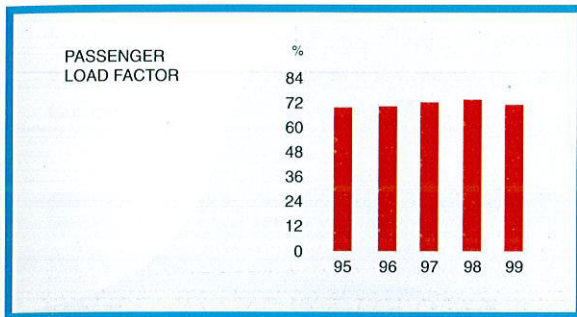


| Composition of Expenditure | 1999 | | 1998 | |
|--|------------------|------------|------------------|------------|
| | Rs. M | % | Rs. M | % |
| Staff | 3,274.38 | 20 | 2,420.46 | 17 |
| Fuel | 2,532.27 | 16 | 2,712.36 | 19 |
| Aircraft Maintenance | 2,398.98 | 15 | 2,467.91 | 17 |
| Route | 4,723.92 | 29 | 4,004.81 | 27 |
| Aircraft & related equip. depreciation | 1,489.55 | 9 | 1,667.67 | 11 |
| Others | 1,720.40 | 11 | 1,384.19 | 9 |
| Total | 16,139.50 | 100 | 14,657.40 | 100 |

CAPACITY AND TRAFFIC GROWTH

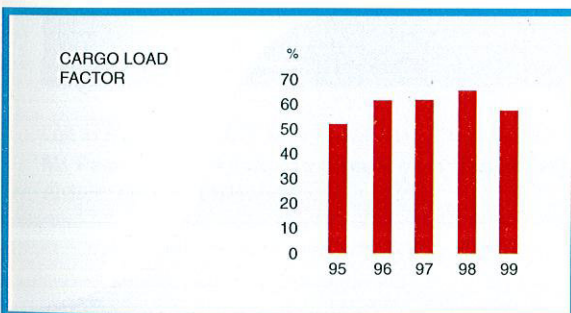
1998/99 saw an increase of 9.9% in total capacity production from 757.42 million tonne kilometres to 832.69 million tonne kilometres.





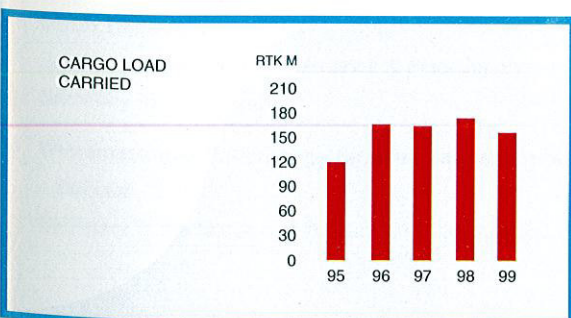
Traffic rose by 1.4% against a 9.9% increase in capacity. This resulted in a decrease in the overall load factor by 5.6 percentage points to 66.64%. The number of passengers carried increased marginally to reach 1,260 thousands in 1998/99 compared to 1,201 thousands in the previous year. Cargo carriage decreased from 36,478 tonnes to 35,566 tonnes.

Passenger seat factor declined 2.1 percentage points to 71.14%. Seat kilometres offered increased 9.5% to 6,209.80.



YIELD / UNIT COST / BREAK-EVEN LOAD FACTOR

Compared to 1997/98 unit yield increased by 6.8% to Rs. 31.3 per load tonne kilometre. Unit cost decreased marginally from Rs. 20.8 to Rs. 20.4 per capacity tonne kilometre. Break-even load factor decreased from 70.9% to 65.2%. The gap between break-even load factor and overall load factor is 1.45 percentage points.



FINANCIAL POSITION

Shareholders' funds increased by Rs. 982.55 million to Rs. 4,307.14 million as at 31st March 1999.

| | |
|--------------------------------|----|
| Total Assets | % |
| Aircraft and Related Equipment | 49 |
| Property and Other Equipment | 2 |
| Current Assets | 49 |

The Company's liquid assets rose by Rs. 2,804.77 million to Rs. 9,090.37 million.

The Group liquid assets as at 31st March 1999 was Rs. 9,358.10 million, an increase of Rs. 2,925.68 million from the previous year.

Total Assets of the Company increased by Rs.3,411.37 million or 11.72% to Rs. 32,520.95 million.

The total assets of the Group were Rs. 33,031.84 as at 31st March 1999, an increase of Rs. 3,518.10 million or 11.9% from 1997/98.

CASH FLOW

In the year 1999 the Company's net cash generation from operations increased by Rs. 231.93 million or 9% to Rs. 2,845.39 million.

Net cash used in investing activities increased by Rs. 634.97 million to Rs. 441.58 in 1998/99.

Repayment of long-term loans and leases amounted to Rs. 1,603.97 million compared to Rs. 1,467.12 million in the previous year.

Operating, investing and financing activities contributed to a net cash inflow of Rs. 2,804.77 million during the year, resulting in a year end cash balance of Rs. 9,090.37 million as at 31st March 1999. Cash balance as at 31st March 1999 increased by 44.6% from Rs. 6,285.60 million as at 31st March 1998.

The Group cash balance increased by Rs. 2,925.68 million or 45.5% to Rs. 9,358.10 million as at 31st March 1999.



MANAGEMENT TEAM

- Peter Hill** - *Chief Executive Officer*
- Neeraj Kumar** - *Chief Financial and Administrative Officer*
- S A Chandrasekera** - *Chief Financial Officer*
- Capt. Richard Hutton** - *Chief Technical Officer*
- Nigel O'Shea** - *Head of Information Technology*
- G T Jeyaseelan** - *Head of Commercial*
- Walter Riggans** - *Head of Service Delivery*
- M H Subasinghe** - *Senior Manager Engineering & Maintenance*
- Naveen Gunawardene** - *Senior Manager Cargo*
- Preethimali Galgamuwa** - *Senior Manager Customer Affairs and Service Monitoring*
- Chandana de Silva** - *Senior Manager Sri Lanka & Maldives*
- Priyani Abeyasekera** - *Senior Manager Legal Affairs*
- Damitha Cooke** - *Senior Manager Internal Audit*
- Sugath Rajapakse** - *Senior Manager Revenue Optimisation*
- Oenone Gunewardena** - *Senior Manager Planning*
- Rienze de Silva** - *Senior Manager Ground Services*
- Mildred Peries** - *Company Secretary*
- Capt. Milinda Ratnayake** - *Manager Flight Operations*
- Menik Dias Amaratunga** - *Manager Human Resources*
- Major Nihal Perera** - *Acting Manager Security & Investigations*

In terms of the Memorandum and Articles of Association of the Company, the Government of Sri Lanka (GOSL) shall appoint four Nominee Directors and Emirates (Investor) shall appoint three Nominee Directors to the Board of the Company.



Left to Right: Mr. Dermot Mannion, Mr. Gary Chapman, Mr. Tim Clark (*Managing Director*), Mr. S K Wickremesinghe (*Chairman*), Mr. Peter Hill (*Chief Executive Officer*), Mr. K Balapatabedi, P.C. and Mr. W P S Jayawardena.
Absent: Mr. Dixon Nilaweera.

GOSL Nominee Directors

Sarath Kusum Wickremesinghe - *Chairman*
Former High Commissioner for Sri Lanka in the United Kingdom and currently Chairman of the National Development Bank.

Kusum Balapatabendi - *Director*
President's Counsel – Secretary to Her Excellency the President.

Dixon Nilaweera - *Director*
Secretary to the Ministry of Finance & Planning and Secretary to the Treasury.

Wickremesinghe Pathirana Jayawardena
- *Director*
Secretary to the Ministry of Tourism and Civil Aviation.

Investor Nominee Directors

Timothy Charles Clark - *Managing Director*
Chief Director (Airline) of Emirates.

Gary William Chapman - *Director*
Chief Director (Group Services) of the Emirates Group.

Dermot Edward Mannion - *Director*
Finance Director of Emirates.

Chief Executive Officer

Peter Murray Hill joined the Company as Chief Commercial Officer in April 1998. He was appointed Chief Executive Officer in February 1999.

The Directors have pleasure in submitting their Report and Audited Accounts for the year ended 31st March 1999. The Accounts are set out on pages 40 to 63.

PRINCIPAL ACTIVITIES

The principal activity of the Company 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.

On 31st May 1998, the Company acquired 40% of the shareholding of Air Lanka Catering Services Limited which was held by Thai Airways International Limited. As at 31st March 1999, the Company owned 100% of the issued share capital of 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.

CHANGE OF COMPANY NAME

The name of the Company was changed from Air Lanka Limited to SriLankan Airlines Limited effective July 1999.

DIRECTORS IN OFFICE

The names of the present Directors of the Company are listed below:

Mr. S K Wickremesinghe - *Chairman*
Mr. K Balapatabendi, PC
Mr. D Nilaweera
Mr. W P S Jayawardena
Mr. T C Clark - *Managing Director*
Mr. G W Chapman
Mr. D E Mannion
Mr. P M Hill - *alternate to Mr. T C Clark*
Mr. M Flanagan - *alternate to Mr. G W Chapman*
Mr. Ghaith Al Ghaith - *alternate to Mr. D E Mannion*

The Company's Chairman as at 01st April 1998 was Mr. D H S Jayawardena who resigned from the Board with effect from 09th December 1998.

Mr. W P S Jayawardena who was appointed as Acting Chairman of the Company on 10th December 1998 resigned from that position on 15th June 1999.

Mr. S K Wickremesinghe was appointed Chairman with effect from 15th June 1999.

Mr. P M Hill was appointed alternate to Mr. T C Clark the Managing Director with the revocation of Mr. A Gray's appointment as alternate with effect from 22nd February 1999.

The names of the present Directors of Air Lanka Catering Services Limited, which is a wholly owned subsidiary of the Company are listed below:

Mr. S K Wickremesinghe - *Chairman*
Mr. K Balapatabendi, PC
Mr. D Nilaweera
Mr. D E Mannion

Particulars of interests of Directors in contracts and proposed contracts having been declared by the Directors are in Notes 23 and 24 to the accounts.

ACCOUNTS

The Consolidated profit for the year ended 31st March 1999, before interest and other similar charges was Rs. 4,476.99 million. Consolidated net profit for the year, after interest and similar charges, deferred expenditure, extraordinary items, taxation and minority interests amounted to Rs. 1,451.98 million.

RESERVES

There were no material transfers to or from reserves or provisions during the year ended 31st March 1999, 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 44 to 47.

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

22nd September 1999

Registered Office:

19-01 to # 22-01

East Tower, World Trade Centre

Echelon Square, Colombo 01

Sri Lanka

TO THE MEMBERS OF SRILANKAN AIRLINES LIMITED
(FORMERLY KNOWN AS AIR LANKA LIMITED)

We have examined the Balance Sheet of SriLankan Airlines Limited as at 31st March 1999, the Consolidated Balance Sheet of the Company and of its Subsidiary as at that date and the related statements of Profit and Loss and Cash Flows for the year then ended, together with the Accounting Policies and Notes as set out on pages 40 to 63 of this Annual Report.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing and presenting these financial statements in accordance with Sri Lanka Accounting Standards. Our responsibility is to express an opinion on these financial statements, based on our audit.

Basis of Opinion

We conducted our audit in accordance with the Sri Lanka Auditing Standards, which require that we plan and perform the audit to obtain reasonable assurance about whether the said financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the said financial statements, assessing the accounting principles used and significant estimates made by the Directors, evaluating the overall presentation of the financial statements, and determining whether the said financial statements are prepared and presented in accordance with the Sri Lanka Accounting 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. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as it appears from our examination, the Company maintained proper books of account for the year ended 31st March 1999 and proper returns adequate for the purpose of our audit have been received from Stations not visited by us, and to the best of our information and according to the explanations given to us, the said Balance Sheet and related statements of Profit and Loss and Cash Flows and Accounting Policies and Notes thereto, which are in agreement with the said books and have been prepared and presented in accordance with the Sri Lanka Accounting Standards, provide the information required by the Companies Act No. 17 of 1982 and give a true and fair view of the Company's state of affairs as at 31st March 1999 and its profit and cash flow for the year then ended.

In our opinion, the Consolidated Balance Sheet, Statements of Profit and Loss and Cash Flow and the Accounting Policies and Notes thereto have been properly prepared and presented in accordance with the Companies Act No. 17 of 1982 and the Sri Lanka Accounting Standards, and give a true and fair view of the state of affairs as at 31st March 1999 and profit and cash flows for the year then ended of the Company and its subsidiary dealt with thereby, so far as concerns the members of the Company.

Directors' Interests in contracts with the Company

According to the information made available to us, the Directors of the Company were not directly or indirectly interested in contracts with the Company during the year ended 31st March 1999, except as stated in Note 23 to these financial statements.



Ernst & Young
Chartered Accountants
Colombo

22nd September 1999

PROFIT AND LOSS ACCOUNT

| <i>For the year ended 31 March</i> | Note | Group | | Company | |
|---|------|-------------------|---------------|-------------------|---------------|
| | | 1999 Rs. M | 1998 Rs. M | 1999 Rs. M | 1998 Rs. M |
| Revenue | 1 | 19,487.75 | 18,003.04 | 19,081.96 | 17,592.00 |
| Operating Profit | 2 | 3,133.40 | 3,170.07 | 2,942.46 | 2,934.60 |
| Other income | 3 | 1,343.59 | 1,235.82 | 1,317.65 | 1,520.83 |
| | | 4,476.99 | 4,405.89 | 4,260.11 | 4,455.43 |
| Interest and similar charges | 4 | (3,450.68) | (2,680.76) | (3,450.68) | (2,680.76) |
| | | 1,026.31 | 1,725.13 | 809.43 | 1,774.67 |
| Profit on sale of investments | 5 | 726.72 | - | 726.72 | - |
| Deferred expenditure written-off | 6 | (65.94) | (114.32) | (65.94) | (114.32) |
| Profit/(Loss) before taxation | | 1,687.09 | 1,610.81 | 1,470.21 | 1,660.35 |
| Taxation | 7 | (218.94) | (97.24) | (197.28) | (18.76) |
| Profit/(Loss) after taxation | | 1,468.15 | 1,513.57 | 1,272.93 | 1,641.59 |
| Minority interest | | (16.17) | (108.35) | - | - |
| Profit/(Loss) for year | | 1,451.98 | 1,405.22 | 1,272.93 | 1,641.59 |
| Profit/(Loss) brought forward | | (1,990.26) | (2,692.87) | (2,023.38) | (2,962.36) |
| Profit/(Loss) available for appropriation | | (538.28) | (1,287.65) | (750.45) | (1,320.77) |
| APPROPRIATIONS | | | | | |
| Dividends | | | | | |
| - Final dividend proposed | | (217.80) | (85.01) | (217.80) | (85.01) |
| - Interim dividend paid | | - | (617.60) | - | (617.60) |
| Unappropriated Profit/(Loss) | | | | | |
| carried forward | 12 | (756.08) | (1,990.26) | (968.25) | (2,023.38) |

The Accounting Policies and Notes on pages 44 to 63 form part of these accounts.

BALANCE SHEET

| As at 31 March | Note | Group | | Company | |
|----------------------------------|------|------------------|------------------|------------------|------------------|
| | | 1999 Rs. M | 1998 Rs. M | 1999 Rs. M | 1998 Rs. M |
| Property, Plant & Equipment | 8 | 16,409.15 | 17,948.02 | 16,359.69 | 17,882.38 |
| Work in progress | | 0.03 | - | - | - |
| Investment in subsidiary | 9 | - | - | 70.40 | 30.40 |
| Net current assets/(liabilities) | 10 | 4,958.48 | 2,302.70 | 4,613.59 | 1,972.43 |
| | | <u>21,367.66</u> | <u>20,250.72</u> | <u>21,043.68</u> | <u>19,885.21</u> |
| FINANCED BY: | | | | | |
| Issued share capital | 11 | 5,146.35 | 5,146.35 | 5,146.35 | 5,146.35 |
| Profit and Loss Account | 12 | (756.08) | (1,990.26) | (968.25) | (2,023.38) |
| Capital reserve | 13 | 105.20 | 297.16 | 75.60 | 267.56 |
| Revenue reserve | 14 | 0.63 | 0.63 | - | - |
| General reserves | 15 | 53.44 | - | 53.44 | - |
| | | <u>4,549.54</u> | <u>3,453.88</u> | <u>4,307.14</u> | <u>3,390.53</u> |
| Less: Deferred items | 16 | - | (65.94) | - | (65.94) |
| Shareholders' funds | | <u>4,549.54</u> | <u>3,387.94</u> | <u>4,307.14</u> | <u>3,324.59</u> |
| Minority Interests | | - | 227.99 | - | - |
| Long term loans | 17 | 858.09 | 900.32 | 858.09 | 900.32 |
| Obligations under finance leases | 18 | 15,450.02 | 15,359.11 | 15,450.02 | 15,359.11 |
| Deferred liabilities | 19 | 510.01 | 375.36 | 428.43 | 301.19 |
| | | <u>21,367.66</u> | <u>20,250.72</u> | <u>21,043.68</u> | <u>19,885.21</u> |

For and on behalf of the Board



S K Wickremesinghe
Chairman

Colombo
22nd September 1999



T C Clark
Managing Director

Colombo
22nd September 1999

The Accounting Policies and Notes on pages 44 to 63 form part of these accounts.

CASH FLOW STATEMENT

| | Note | Group | | Company | |
|---|------|-------------------|-------------------|-------------------|-------------------|
| | | 1999 Rs. M | 1998 Rs. M | 1999 Rs. M | 1998 Rs. M |
| Cash flows from operating activities | | | | | |
| Cash generated from operations | A | 4,706.12 | 5,158.24 | 4,339.29 | 4,742.95 |
| Interest paid | | (1,383.98) | (1,500.67) | (1,383.98) | (1,500.67) |
| Income taxes paid | | (18.72) | (36.06) | - | - |
| Dividends paid | | (273.06) | (696.62) | (85.01) | (617.60) |
| Deferred liabilities paid | | (26.59) | (12.63) | (24.91) | (11.22) |
| | | <u>(1,702.35)</u> | <u>(2,245.98)</u> | <u>(1,493.90)</u> | <u>(2,129.49)</u> |
| Net cash from operating activities | | 3,003.77 | 2,912.26 | 2,845.39 | 2,613.46 |
| Cash flows from investing activities | | | | | |
| Purchase of property, plant and equipment | | (283.76) | (536.29) | (275.92) | (525.74) |
| Proceeds from sale of investment | | 726.72 | - | 726.72 | - |
| Purchase of shares | | (40.00) | - | (40.00) | - |
| Proceeds from disposal of property, plant and equipment | | 1.15 | 2.83 | 0.69 | 1.81 |
| Dividend received | | - | - | 30.09 | 336.27 |
| Deferred expenditure | | - | (5.73) | - | (5.73) |
| | | <u>404.11</u> | <u>(539.19)</u> | <u>441.58</u> | <u>(193.39)</u> |
| Net cash used in investing activities | | 404.11 | (539.19) | 441.58 | (193.39) |
| Cash flows from financing activities | | | | | |
| Proceeds from long-term loans | | 1,121.77 | - | 1,121.77 | - |
| Repayment of long-term loans | | (140.91) | (264.47) | (140.91) | (264.47) |
| Repayment of finance leases | | (1,463.06) | (1,202.65) | (1,463.06) | (1,202.65) |
| | | <u>(482.20)</u> | <u>(1,467.12)</u> | <u>(482.20)</u> | <u>(1,467.12)</u> |
| Net cash used in financing activities | | (482.20) | (1,467.12) | (482.20) | (1,467.12) |
| Net Increase in cash and cash equivalents | | 2,925.68 | 905.95 | 2,804.77 | 952.95 |
| Cash and cash equivalents at beginning of period | | 6,432.42 | 5,526.47 | 6,285.60 | 5,332.65 |
| Cash and cash equivalents at end of period | | 9,358.10 | 6,432.42 | 9,090.37 | 6,285.60 |

NOTES TO THE CASH FLOW STATEMENT

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

| | Group | | Company | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 1999 Rs. M | 1998 Rs. M | 1999 Rs. M | 1998 Rs. M |
| Net profit before taxation, extraordinary items and after Minority interest | 1,670.92 | 1,502.46 | 1,470.21 | 1,660.35 |
| Adjustments for: | | | | |
| Minority interest | 16.17 | 108.35 | - | - |
| Provision for gratuity | 161.25 | 67.79 | 152.15 | 47.77 |
| Proceeds from sale of investment | (726.72) | - | (726.72) | - |
| Profit on disposal of property, plant and equipment | 2.55 | 4.25 | 3.02 | 5.15 |
| Depreciation | 1,680.39 | 1,878.31 | 1,656.36 | 1,854.32 |
| Foreign exchange loss | 2,015.38 | 1,175.71 | 2,015.38 | 1,175.71 |
| Investment income | - | - | (30.09) | (336.27) |
| Interest expense | 1,435.30 | 1,505.05 | 1,435.30 | 1,505.05 |
| Deferred expenses | 65.94 | 114.32 | 65.94 | 114.32 |
| Other non cash items | - | (0.20) | - | (0.20) |
| (Increase)/decrease in trade and other receivables | (2,176.39) | (1,817.41) | (2,134.72) | (1,732.65) |
| (Increase)/decrease in inventories | (136.12) | 379.63 | (125.84) | 366.86 |
| Increase/(decrease) in trade payables | 697.45 | 239.98 | 558.30 | 82.54 |
| Cash generated from operations | 4,706.12 | 5,158.24 | 4,339.29 | 4,742.95 |

A. ACCOUNTING CONVENTION

- (i) 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. No adjustments have been made for the effects of inflation other than for revaluation and restatement of certain assets as stated below.
- (ii) Certain comparative amounts have been reclassified to conform to current year's presentation.

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 31st 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 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 & EQUIPMENT

Property, plant & 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 31st March 1989.

1. Fleet

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

The Company receives credits from manufacturers in connection with the acquisition of certain aircraft and engines. These credits are recorded as a reduction of the cost of the related aircraft and engines except where the aircraft is held under an operating lease, in which case the credits are deferred and reduced from the operating lease rentals on a straight line basis over the period of the related lease as deferred credits.

2. Property & 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 25th December 1988 and the Air Lanka Administration and Training Building situated at Katunayake was valued by Mr. S Fernando, Chartered Valuer, on 20th 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

Property, plant & equipment on finance leases (which effectively transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased items) are capitalised at their cash price and depreciated over the period the Company is expected to benefit from the use of the leased assets. The corresponding principal amount payable to the lessor is shown as a liability.

The interest element of the rental obligations applicable are charged to the Profit & Loss Account.

Rentals paid under operating leases are charged to income as they arise.

5. Capital Projects

Capital projects are stated at cost together with financing costs incurred from the date of commencement of the project to the date on which it is commissioned. When commissioned, capital projects are transferred to the appropriate category under property, plant & equipment and depreciated in accordance with Company policies.

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 property, plants & equipment less residual value if any, over their estimated useful lives, on a straight-line basis.

All assets, with the exception of Buildings, Fixtures & Fittings, Engineering Tools and Aircraft Rotable Spares, are depreciated from the date of their purchase. Buildings, Fixtures & Fittings, Engineering Tools and Aircraft Rotable 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 per cent 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 per cent 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 a first-in-first-out basis.

G. CONVERSION OF FOREIGN CURRENCIES

- (i) Foreign currency transactions are converted into Sri Lankan 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) Gains and losses arising from the translation of long-term foreign currency borrowings as at Balance Sheet date are dealt with in the Profit and Loss Account as currency losses.

- (iii) All monetary assets and other liabilities denominated in foreign currencies as at Balance Sheet date are translated at the exchange rates ruling as at 31st March 1999. Gains and losses arising from the translation are dealt with in the Profit and Loss Account as exchange differences.

H. RECEIVABLES

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

I. LIABILITIES AND PROVISIONS

- (a) All known liabilities as at the Balance Sheet date have been provided for in the Financial Statements.
- (b) All employees based in Sri Lanka are covered under the Employees' Provident Fund and Employees' Trust Fund.

All employees based in Sri Lanka with 5 or more years service with the Company are entitled to the payment of gratuity, under the Payment of Gratuity Act No. 12 of 1983. An actuarial valuation of the gratuity liability of the Company as at 31st March 1999 was undertaken in June 1999 by Watson Wyatt Lanka (Pvt.) Ltd., a firm of professional actuaries. The method used by the actuaries to value the gratuity liability is the 'Projected Unit Cost Method'. The key assumptions used by the actuary include the following:

- a) Rate of Interest: 10%
- b) Rate of Salary Increase: 10%
- c) Retirement Age - Male 55 years
- Female 55 years
- d) The Company will continue as a going concern.

This is the first actuarial valuation of the gratuity liability of the Company. The next actuarial valuation will be conducted as at 31st March 2001.

The amount recognised as an expense for the current year in terms of the actuarial valuation is Rs. 133.10 million.

The actuarial present value of the accrued benefits as at 31st March 1999 is Rs. 372.38 million. This liability is not externally funded but is included under Deferred Liabilities (see Note 19). Overseas-based employees are covered under social security schemes applicable in their home country.

- (c) 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.

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.

Actual revenue adjustments are dealt with in the Profit and Loss Account.

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 during financial years of 1992/93 to 1994/95 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 during financial years of 1992/93 to 1994/95 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.

N. POST BALANCE SHEET EVENTS

All material events occurring after the Balance Sheet date are considered and where necessary adjustments made in these Financial Statements.

O. FREQUENT FLYER PROGRAMME

The Company operates three principal frequent flyer programmes. They are Serendib Club, Serendib Premium and Air Lanka Plus Programme. The obligation to provide travel rewards to members of the frequent flyer programme is progressively accrued as a current liability as points are accumulated. This accrual is based on the incremental direct cost of ultimately providing the travel rewards. As members redeem awards or their entitlements expire, the accrual is reduced accordingly to reflect the acquittal of the outstanding obligation.

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 1999 Rs. M | 1998 Rs. M | 1999 Rs. M | 1998 Rs. M |
| 1. REVENUE | | | | |
| Airline operations - Note 1.1 | 17,344.59 | 16,017.88 | 17,370.58 | 16,032.49 |
| Ground handling | 1,566.31 | 1,421.63 | 1,566.31 | 1,421.63 |
| Duty Free sales | 145.07 | 137.88 | 145.07 | 137.88 |
| Flight catering | 431.78 | 425.65 | - | - |
| | <u>19,487.75</u> | <u>18,003.04</u> | <u>19,081.96</u> | <u>17,592.00</u> |
| 1.1 Revenue from airline operations comprises: | | | | |
| Scheduled services: | | | | |
| Passenger | | | 14,573.95 | 13,315.99 |
| Excess baggage | | | 370.04 | 318.39 |
| Cargo | | | 2,217.05 | 2,145.08 |
| Mail | | | 69.48 | 48.69 |
| | | | <u>17,230.52</u> | <u>15,828.15</u> |
| Non scheduled services | | | 140.06 | 204.34 |
| | | | <u>17,370.58</u> | <u>16,032.49</u> |
| 2. OPERATING PROFIT /(LOSS) | | | | |
| Airline operations | 1,777.76 | 1,773.77 | 1,777.76 | 1,773.77 |
| Ground handling | 1,105.52 | 1,096.04 | 1,105.52 | 1,096.04 |
| Duty Free sales | 59.18 | 64.79 | 59.18 | 64.79 |
| Flight catering | 190.94 | 235.47 | - | - |
| | <u>3,133.40</u> | <u>3,170.07</u> | <u>2,942.46</u> | <u>2,934.60</u> |
| Operating profit has been arrived at after charging: | | | | |
| Depreciation on owned property, plant & equipment | 618.87 | 816.79 | 594.84 | 792.80 |
| Depreciation on leased property, plant & equipment | 1,061.52 | 1,061.52 | 1,061.52 | 1,061.52 |
| | <u>1,680.39</u> | <u>1,878.31</u> | <u>1,656.36</u> | <u>1,854.32</u> |
| Auditors' remuneration | 1.19 | 1.18 | 0.85 | 0.85 |
| Directors' emoluments | 3.53 | 9.45 | - | 0.54 |
| Bad and doubtful debts | - | 28.02 | - | 28.02 |
| Loss on disposal of Property, Plant and Equipment | 2.55 | 4.25 | 3.02 | 5.15 |
| Provision for slow moving stocks | 1.79 | 455.56 | 1.79 | 455.56 |
| | <u>1.79</u> | <u>455.56</u> | <u>1.79</u> | <u>455.56</u> |

| | Group | | Company | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 1999 Rs. M | 1998 Rs. M | 1999 Rs. M | 1998 Rs. M |
| 3. OTHER INCOME | | | | |
| Exchange differences | 684.29 | 513.81 | 644.59 | 480.78 |
| Interest | 459.22 | 429.71 | 444.30 | 412.71 |
| Dividend from subsidiary company | - | - | 30.09 | 336.27 |
| Other items | 200.08 | 292.30 | 198.67 | 291.07 |
| | <u>1,343.59</u> | <u>1,235.82</u> | <u>1,317.65</u> | <u>1,520.83</u> |
| 4. INTEREST & SIMILAR CHARGES | | | | |
| Interest charges: | | | | |
| On bank and other loans | (142.35) | (102.84) | (142.35) | (102.84) |
| On lease finances | (1,292.95) | (1,402.21) | (1,292.95) | (1,402.21) |
| | <u>(1,435.30)</u> | <u>(1,505.05)</u> | <u>(1,435.30)</u> | <u>(1,505.05)</u> |
| Currency losses: | | | | |
| On bank and other loans | (158.33) | (68.85) | (158.33) | (68.85) |
| On lease finances | (1,857.05) | (1,106.86) | (1,857.05) | (1,106.86) |
| | <u>(2,015.38)</u> | <u>(1,175.71)</u> | <u>(2,015.38)</u> | <u>(1,175.71)</u> |
| | <u>(3,450.68)</u> | <u>(2,680.76)</u> | <u>(3,450.68)</u> | <u>(2,680.76)</u> |
| 5. PROFIT ON SALE OF INVESTMENTS | | | | |

As a result of its membership in Societe International de Telecommunications Aeronautiques (SITA), the Company became eligible to receive Depository Certificates representing economic interest in Class A shares of Equant N.V. held by the SITA Foundation, on behalf of the air transport community.

Depository Certificates are not transferable, except in certain restricted circumstances.

In February 1999, a portion of the shares of Equant N.V. held by the SITA Foundation on behalf of the air transport community was sold in a Public Offering. In this process, 149,017 Equant N.V. shares in which the Company held a beneficial interest was sold. Net proceeds of this sale are shown as Profit on sale of investments in these Financial Statements.

As at Balance Sheet date, the Company holds 103,573 Depository Certificates, excluding the Certificates subject to reallocation. Due to the restriction on the transferability of Depository Certificates, the Company's beneficial interest in Equant N.V. shares is not reflected in these Financial Statements.

| | Group | | Company | |
|--|----------------|-----------------|----------------|-----------------|
| | 1999 Rs. M | 1998 Rs. M | 1999 Rs. M | 1998 Rs. M |
| 6. DEFERRED EXPENDITURE WRITTEN-OFF | | | | |
| Crew training and conversion | - | (2.13) | - | (2.13) |
| Computer systems development | (12.12) | (18.16) | (12.12) | (18.16) |
| Aircraft structural modifications | (53.82) | (94.03) | (53.82) | (94.03) |
| | <u>(65.94)</u> | <u>(114.32)</u> | <u>(65.94)</u> | <u>(114.32)</u> |
| 7. TAXATION | | | | |
| Taxes on income for the year | 18.72 | 18.68 | - | - |
| Taxes on interest income | | | | |
| on deposits - pending appeal | 10.40 | 12.51 | 10.40 | 12.51 |
| Penalty on taxes - pending appeal | 5.20 | 6.25 | 5.20 | 6.25 |
| Other taxes | 181.68 | - | 181.68 | - |
| Withholding Tax on Air Lanka Catering | | | | |
| Services dividends | 2.94 | 59.80 | - | - |
| | <u>218.94</u> | <u>97.24</u> | <u>197.28</u> | <u>18.76</u> |

8. PROPERTY PLANT & EQUIPMENT - Group

| | Own Rs. M | Leased Rs. M | Aircraft and Related Equipment | | Projects Rs. M | Total Rs. M |
|---------------------------|-----------------|------------------|-----------------------------------|--------------------|-------------------|------------------|
| | | | Property Rs. M | Equipment Rs. M | | |
| Cost | | | | | | |
| At 01st April 1998 | 8,849.94 | 18,871.39 | 775.21 | 2,091.53 | 0.53 | 30,588.60 |
| Additions | 128.28 | - | 19.58 | 131.49 | 4.41 | 283.76 |
| Disposals | (12.72) | - | - | (26.55) | - | (39.27) |
| Adjustments & transfers | (138.52) | - | - | - | (0.02) | (138.54) |
| At 31st March 1999 | <u>8,826.98</u> | <u>18,871.39</u> | <u>794.79</u> | <u>2,196.47</u> | <u>4.92</u> | <u>30,694.55</u> |
| Depreciation | | | | | | |
| At 01st April 1998 | 6,364.20 | 3,941.50 | 509.47 | 1,825.41 | - | 12,640.58 |
| Charge for the year | 428.04 | 1,061.52 | 40.18 | 150.65 | - | 1,680.39 |
| Disposals | (9.22) | - | - | (26.35) | - | (35.57) |
| At 31st March 1999 | <u>6,783.02</u> | <u>5,003.02</u> | <u>549.65</u> | <u>1,949.71</u> | <u>-</u> | <u>14,285.40</u> |
| Net book value | | | | | | |
| At 31st March 1999 | <u>2,043.96</u> | <u>13,868.37</u> | <u>245.14</u> | <u>246.76</u> | <u>4.92</u> | <u>16,409.15</u> |
| At 01st April 1998 | <u>2,485.74</u> | <u>14,929.89</u> | <u>265.74</u> | <u>266.12</u> | <u>0.53</u> | <u>17,948.02</u> |

- (i) The amounts reflected under property includes land at a valuation of Rs. 31.25 million as referred to in Accounting Policy (C)2.
- (ii) Pursuant to the decision taken by the Company to retire the Lockheed Tristar fleet, a sum of Rs. 138.52 million has been transferred from Capital Reserve, representing the reversal of exchange differences capitalised in 1987/88 and in 1988/89 in respect of the Lockheed Tristar fleet.

8 (a) Property, Plant & Equipment - Company

| | | | Aircraft and Related Equipment | | Projects Rs. M | Total Rs. M |
|---------------------------|------------------------|-------------------------|-----------------------------------|----------------------|--------------------|-------------------------|
| | Own Rs. M | Leased Rs. M | Property Rs. M | Equipment Rs. M | | |
| Cost | | | | | | |
| At 01st April 1998 | 8,849.94 | 18,871.39 | 677.70 | 1,785.48 | 0.53 | 30,185.04 |
| Additions | 128.28 | — | 19.58 | 123.65 | 4.41 | 275.92 |
| Disposals | (12.72) | — | — | (25.93) | — | (38.65) |
| Adjustments & transfers | (138.52) | — | — | — | (0.02) | (138.54) |
| At 31st March 1999 | <u>8,826.98</u> | <u>18,871.39</u> | <u>697.28</u> | <u>1,883.20</u> | <u>4.92</u> | <u>30,283.77</u> |
| Depreciation | | | | | | |
| At 01st April 1998 | 6,364.20 | 3,941.50 | 438.71 | 1,558.25 | — | 12,302.66 |
| Charge for the year | 428.04 | 1,061.52 | 36.26 | 130.54 | — | 1,656.36 |
| Disposals | (9.22) | — | — | (25.72) | — | (34.94) |
| At 31st March 1999 | <u>6,783.02</u> | <u>5,003.02</u> | <u>474.97</u> | <u>1,663.07</u> | <u>—</u> | <u>13,924.08</u> |
| Net book value | | | | | | |
| At 31st March 1999 | <u>2,043.96</u> | <u>13,868.37</u> | <u>222.31</u> | <u>220.13</u> | <u>4.92</u> | <u>16,359.69</u> |
| At 01st April 1998 | <u>2,485.74</u> | <u>14,929.89</u> | <u>238.99</u> | <u>227.23</u> | <u>0.53</u> | <u>17,882.38</u> |

- (i) The amounts reflected under property includes land at a valuation of Rs. 31.25 million as referred to in Accounting Policy (C)2.
- (ii) Pursuant to the decision taken by the Company to retire the Lockheed Tristar fleet, a sum of Rs. 138.52 million has been transferred from Capital Reserve, representing the reversal of exchange differences capitalised in 1987/88 and in 1988/89 in respect of the Lockheed Tristar fleet.

| | Company | |
|--|---------------|---------------|
| | 1999 Rs. M | 1998 Rs. M |
| 9. INVESTMENT IN SUBSIDIARY COMPANY | | |
| Investment in Air Lanka Catering Services Ltd. | | |
| At 01st April | | |
| (600,000 shares of Rs. 100 each) | 30.40 | 30.40 |
| Acquisition during the year | | |
| (400,000 shares of Rs. 100 each) | 40.00 | — |
| At 31st March | | |
| (1,000,000 shares of Rs. 100 each) | 70.40 | 30.40 |

The Company's investment in ALCS as at 31st March 1999 is included in these accounts at cost. The difference between cost of investment and its nominal value is recognised in the Consolidated Capital Reserve - (see Note 13).

On 31st May 1998, the Company acquired the remaining 40% of the shares held by Thai Airways International Limited in ALCS at par value.

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 1999 Rs. M | 1998 Rs. M | 1999 Rs. M | 1998 Rs. M |
| 10. NET CURRENT ASSETS/(LIABILITIES) | | | | |
| Current Assets | | | | |
| Stocks | 1,214.89 | 1,078.77 | 1,174.09 | 1,048.25 |
| Receivables - trade | 1,846.82 | 1,453.88 | 1,762.77 | 1,381.85 |
| Receivables - other | 139.47 | 194.23 | 170.39 | 194.23 |
| Receivables - staff | 12.76 | 12.24 | 10.29 | 8.83 |
| Advances and deposits | 3,882.39 | 2,044.70 | 3,714.70 | 1,938.52 |
| Cash and bank balances | 9,526.36 | 6,781.90 | 9,258.62 | 6,625.12 |
| Total current assets | <u>16,622.69</u> | <u>11,565.72</u> | <u>16,090.86</u> | <u>11,196.80</u> |
| Current Liabilities | | | | |
| Bank overdraft | 168.26 | 349.48 | 168.25 | 339.52 |
| Bank and other loans | 1,312.34 | 130.92 | 1,312.34 | 130.92 |
| Finance leases | 1,679.40 | 1,376.32 | 1,679.40 | 1,376.32 |
| | <u>3,160.00</u> | <u>1,856.72</u> | <u>3,159.99</u> | <u>1,846.76</u> |
| Trade creditors | 2,525.13 | 2,316.39 | 2,488.01 | 2,321.95 |
| Provision for airframe and aircraft engine overhaul | 1,987.87 | 1,916.34 | 1,987.87 | 1,916.34 |
| Amounts due to subsidiary company | - | - | 129.08 | 217.76 |
| Income tax payable | 565.21 | 365.00 | 391.46 | 194.18 |
| Dividends payable | 217.80 | 85.01 | 217.80 | 85.01 |
| Other creditors and provisions | 208.02 | 259.44 | 102.88 | 178.25 |
| Sales in advance of carriage | 3,000.18 | 2,464.12 | 3,000.18 | 2,464.12 |
| Total current liabilities | <u>11,664.21</u> | <u>9,263.02</u> | <u>11,477.27</u> | <u>9,224.37</u> |
| Net current assets/(liabilities) | <u>4,958.48</u> | <u>2,302.70</u> | <u>4,613.59</u> | <u>1,972.43</u> |

Balance shown under sales in advance of carriage represents approximately 9.1 weeks of average sales (8.1 in 1997/98).

Management is committed to the introduction of an automated ticket matching system in order to ascertain, on a coupon by coupon basis, the precise value of unredeemed passenger and cargo revenue. This is expected to result in a future write-back to income in respect of unredeemed revenue.

The balances shown under Receivables (trade, other and staff) are net of provisions for bad and doubtful debts amounting to Rs. 185.72 million (Rs. 186.22 million in 1997/98).

The balance shown under Stocks is net of a provision for slow moving stocks amounting to Rs. 552.99 million (Rs. 551.21 million in 1997/98).

| | Company | |
|--|------------------|------------------|
| | 1999 Rs. M | 1998 Rs. M |
| 11. SHARE CAPITAL | | |
| Authorised | | |
| Shares of Rs.100 each (150,000,000 Shares) | <u>15,000.00</u> | <u>15,000.00</u> |
| Issued and Fully Paid | | |
| Ordinary Shares of Rs.100 each | | |
| At 01st April (51,463,463 Shares) | 5,146.35 | 4,271.35 |
| Preference Shares reconverted (8,750,000 Shares) | - | 875.00 |
| At 31st March (51,463,463 Shares) | <u>5,146.35</u> | <u>5,146.35</u> |

On 31st March 1998, Emirates, the international airline of the United Arab Emirates entered into an agreement with the Government of Sri Lanka to acquire 40% of the issued Share Capital of the Company together with Management Control of the Company for a period of ten years from 31st March 1998.

13,380,500 Ordinary Shares comprising of 26% of the Issued Share Capital was paid for and taken up by Emirates Airlines on 31st March 1998, being the first tranche of their total investment in the Company.

| | Group | | Company | |
|--|-----------------|-------------------|-----------------|-------------------|
| | 1999 Rs. M | 1998 Rs. M | 1999 Rs. M | 1998 Rs. M |
| 12. PROFIT AND LOSS ACCOUNT | | | | |
| Profit / (loss) for the year | 1,451.98 | 1,405.22 | 1,272.93 | 1,641.59 |
| Profit and loss account at 01st April | (1,990.26) | (2,692.87) | (2,023.38) | (2,962.36) |
| Interim dividend paid | - | (617.60) | - | (617.60) |
| Final dividend proposed | (217.80) | (85.01) | (217.80) | (85.01) |
| Profit and Loss Account at 31st March | <u>(756.08)</u> | <u>(1,990.26)</u> | <u>(968.25)</u> | <u>(2,023.38)</u> |
| 13. CAPITAL RESERVE | | | | |
| At 01st April | 297.16 | 297.16 | 267.56 | 267.56 |
| Transferred to Property, plant & equipment [see Note 8(a)iii] | (138.52) | - | (138.52) | - |
| Transferred to General Reserve (see Note 15) | (53.44) | - | (53.44) | - |
| At 31st March | <u>105.20</u> | <u>297.16</u> | <u>75.60</u> | <u>267.56</u> |

Capital reserve represents:

The Group

- a) The difference between the book value and the restated value of property - Rs. 75.60 million (see Accounting Policy C2).
- b) Reserve on Consolidation - Rs. 8.00 million (see Note 9).
- c) Bonus Issue - Rs. 21.6 million.

The Company

- a) The difference between the book value and the restated value of property - Rs. 75.60 million (see Accounting Policy C2).

| | Group | | Company | |
|---|---------------|---------------|---------------|---------------|
| | 1999 Rs. M | 1998 Rs. M | 1999 Rs. M | 1998 Rs. M |
| 14. REVENUE RESERVE | | | | |
| At 01st April | 0.63 | 0.63 | - | - |
| Additions/transfers during the year | - | - | - | - |
| At 31st March | <u>0.63</u> | <u>0.63</u> | <u>-</u> | <u>-</u> |
| 15. GENERAL RESERVES | | | | |
| At 01st April | - | - | - | - |
| Transferred from Capital Reserve (see Note 13) | 53.44 | - | 53.44 | - |
| At 31st March | <u>53.44</u> | <u>-</u> | <u>53.44</u> | <u>-</u> |

Transfers from Capital Reserve represent the exchange difference capitalised in 1987/88 and in 1988/89 in respect of property, plant & equipment which have been financed by foreign currency loans.

| | Group | | Company | |
|---------------------------|---------------|---------------|---------------|---------------|
| | 1999 Rs. M | 1998 Rs. M | 1999 Rs. M | 1998 Rs. M |
| 16. DEFERRED ITEMS | | | | |
| At 01st April | 65.94 | 174.53 | 65.94 | 174.53 |
| Additions during the year | - | 5.73 | - | 5.73 |
| Charge for the year | (65.94) | (114.32) | (65.94) | (114.32) |
| At 31st March | <u>-</u> | <u>65.94</u> | <u>-</u> | <u>65.94</u> |

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 01st April 1998 | 16.57 | 1,031.24 | 16.57 | 1,031.24 |
| Additions during the year | 16.80 | 1,121.77 | 16.80 | 1,121.77 |
| Repayments during the year | (2.10) | (140.91) | (2.10) | (140.91) |
| Restatements | - | 158.33 | - | 158.33 |
| At 31st March 1999 | <u>31.27</u> | <u>2,170.43</u> | <u>31.27</u> | <u>2,170.43</u> |

The future payments under these loans are as follows:

| | 1999 | | 1998 | |
|---|----------------|-------------------|--------------|-----------------|
| | USD M | Rs. M | USD M | Rs. M |
| Bank loans payable | | | | |
| Within one year | 16.80 | 1,166.34 | - | - |
| Between: | | | | |
| - One and two years | - | - | - | - |
| - two and three years | - | - | - | - |
| - three and four years | - | - | - | - |
| - four and five years | - | - | - | - |
| - after five years | - | - | - | - |
| | <u>16.80</u> | <u>1,166.34</u> | - | - |
| Other loans payable | | | | |
| Within one year | 2.10 | 146.00 | 2.10 | 130.92 |
| Between: | | | | |
| - One and two years | 2.10 | 146.00 | 2.10 | 130.92 |
| - two and three years | 2.10 | 146.00 | 2.10 | 130.92 |
| - three and four years | 2.10 | 146.00 | 2.10 | 130.92 |
| - four and five years | 2.10 | 146.00 | 2.11 | 130.91 |
| - after five years | 3.97 | 274.09 | 6.06 | 376.65 |
| | <u>14.47</u> | <u>1,004.09</u> | <u>16.57</u> | <u>1,031.24</u> |
| Total long-term loans | 31.27 | 2,170.43 | 16.57 | 1,031.24 |
| Amount due within one year included under current liabilities | (18.90) | (1,312.34) | (2.10) | (130.92) |
| | <u>12.37</u> | <u>858.09</u> | <u>14.47</u> | <u>900.32</u> |

Loans are repayable on various dates up to the year 2007 at varying interest rates which ranged from 6.222 per cent to 9.114 per cent per annum during the year.

The outstanding balance on Other Loans of USD 14.47 million (Rs.1,004.09 million) is guaranteed by the Government of Sri Lanka.

Conversion rate - 1 US Dollar = Rs. 69.4257 (Rs. 62.2500 in 1997/98).

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 01st April 1998 | 268.84 | 16,735.43 | 268.84 | 16,735.43 |
| Additions during the year | - | - | - | - |
| Repayments during the year | (22.11) | (1,463.06) | (22.11) | (1,463.06) |
| Restatements | - | 1,857.05 | - | 1,857.05 |
| At 31st March 1999 | <u>246.73</u> | <u>17,129.42</u> | <u>246.73</u> | <u>17,129.42</u> |

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

| | 1999 | | 1988 | |
|---|----------------|-------------------|----------------|-------------------|
| | USD M | Rs. M | USD M | Rs. M |
| Within one year | 24.19 | 1,679.40 | 22.11 | 1,376.32 |
| Between: | | | | |
| - One and two years | 26.48 | 1,838.40 | 24.19 | 1,505.83 |
| - two and three years | 28.97 | 2,011.26 | 26.48 | 1,648.13 |
| - three and four years | 31.70 | 2,200.80 | 28.97 | 1,803.41 |
| - four and five years | 34.69 | 2,408.38 | 31.70 | 1,973.42 |
| - after five years | 100.70 | 6,991.18 | 135.39 | 8,428.32 |
| | <u>246.73</u> | <u>17,129.42</u> | <u>268.84</u> | <u>16,735.43</u> |
| Amount due within one year included under current liabilities | <u>(24.19)</u> | <u>(1,679.40)</u> | <u>(22.11)</u> | <u>(1,376.32)</u> |
| | <u>222.54</u> | <u>15,450.02</u> | <u>246.73</u> | <u>15,359.11</u> |

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

| | USD M | Rs. M |
|------------------------|--------------|-----------------|
| Within one year | 17.76 | 1,232.99 |
| Between: | | |
| - One and two years | 16.18 | 1,123.30 |
| - two and three years | 14.05 | 975.42 |
| - three and four years | 11.70 | 812.27 |
| - four and five years | 9.12 | 633.16 |
| - after five years | 10.89 | 756.04 |
| | <u>79.70</u> | <u>5,533.18</u> |

Interest rates applicable to the finance leases ranged from 6.6242 per cent to 9.114 per cent per annum.

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. 6,076.83 million).

Conversion rate - 1 US Dollar = Rs. 69.4257 (Rs. 62.2500 in 1997/98).

| | Group | | Company | |
|---------------------------------|---------------|---------------|---------------|---------------|
| | 1999 Rs. M | 1998 Rs. M | 1999 Rs. M | 1998 Rs. M |
| 19. DEFERRED LIABILITIES | | | | |
| At 01st April | 375.36 | 320.20 | 301.19 | 264.64 |
| Payments during the year | (26.59) | (12.63) | (24.91) | (11.22) |
| Charge for the year | 161.24 | 67.79 | 152.15 | 47.77 |
| At 31st March | <u>510.01</u> | <u>375.36</u> | <u>428.43</u> | <u>301.19</u> |

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 as at 31st March 1999 are as follows:

| | Group 1999 Rs. M | Company 1999 Rs. M |
|------------------------------------|------------------------|--------------------------|
| Contracts placed | 41,099.33 | 41,099.33 |
| Authorised, but not contracted for | 334.32 | 334.32 |
| | <u>41,433.65</u> | <u>41,433.65</u> |

Amounts shown under Contracts placed include the price of six Airbus A330-200 aircraft on order. Four of the six aircraft on order are scheduled for delivery during the year 1999/2000 and the remaining two during the year 2000/2001.

All other Capital Commitments outstanding as at 31st March 1999 are expected to crystallise during the year 1999/2000.

21. LOANS GRANTED TO EMPLOYEES

Staff debts outstanding as at 31st March 1999 amounting to Rs.12.76 million for the Group (Rs.10.29 million for the Company) are inclusive of 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 01st April 1998 | 88 | 2,945,054 |
| Loans granted during the year | 29 | 1,161,290 |
| Loans recovered during the year | 30 | (1,495,327) |
| Balance as at 31st March 1999 | <u>87</u> | <u>2,611,017</u> |
| Company | | |
| Balance as at 01st April 1998 | 74 | 2,640,554 |
| Loans granted during the year | 6 | 519,590 |
| Loans recovered during the year | 10 | (1,202,977) |
| Balance as at 31st March 1999 | <u>70</u> | <u>1,957,167</u> |

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 01st September 1979, subsequently extended for a period of three years from 01st August 1986, and thereafter a period of five years from 01st August 1989. In August 1994 the Board of Investment of Sri Lanka granted flagship status to the Company, extending the tax exemption period up to 31st March 1998.

In March 1998 the Board of Investment of Sri Lanka granted a further extension extending the tax exemption period up to 31st March 2013.

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 01st 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.

Deferred Taxation

No deferred taxation has been provided for in the Financial Statements in view of the above tax holiday.

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.

23. DIRECTORS' INTERESTS

Emirates, which holds 26% of the issued Share Capital of the Company together with Management Control of the Company for a period of ten years from 31st March 1998 has nominated three Directors to the Board of the Company. The nominee Directors as at 31st March 1999 and holding office as at date are:

Mr. T C Clark - *Managing Director*

Mr. G W Chapman

Mr. D E Mannion

The Company has nominated four Directors to the Board of Air Lanka Catering Services Limited (ALCS), with whom the company has a contract for catering. The Chairman of ALCS as at 01st April 1998 was Mr. D H S Jayawardena who resigned from the Board of the Company with effect from 09th December 1998. Mr. W P S Jayawardena who was appointed as Chairman of ALCS on 10th December 1998 resigned from that position on 15th June 1999. Mr. S K Wickremesinghe was appointed Chairman with effect from 15th June 1999.

The Nominee Directors as at 31st March 1999 were:

Mr. W P S Jayawardena - *Chairman*

Mr. K Balapatabendi, PC

Mr. D Nilaweera

Mr. D E Mannion

Nominee Directors as at date are:

Mr. S K Wickremesinghe - *Chairman*

Mr. K Balapatabendi, PC

Mr. D Nilaweera

Mr. D E Mannion

24. RELATED PARTY TRANSACTIONS

As described in Note 23 above, four Directors of the Company are Directors of Air Lanka Catering Services Limited (ALCS) which is a wholly owned subsidiary of the Company. ALCS provides flight catering services to the Company, and the Company provides passenger and freight services to ALCS in the normal course of business.

During the year 1998/99, the value of flight catering services provided to the Company amounted to Rs. 486.52 million, while freight and air tickets provided by the Company to ALCS amounted to Rs. 25.99 million.

During the year, the Company granted a loan of Rs. 91,498,000 at 16% per annum to Air Lanka Catering Services Limited. The amount outstanding as at 31st March 1999 is Rs. 30,499,333.

Three Directors of Emirates are Directors of the Company. The Company has entered into a number of specific related party agreements to obtain specific goods and services from Emirates. During the year 1998/99, the value of such services provided to the Company amounted to Rs. 84.40 million. The Company has also entered into an exclusive marketing and sales agreement with Emirates, trading as Galileo Emirates, for the purpose of distributing the Galileo CRS for use in Sri Lanka.

25. POST BALANCE SHEET EVENTS

Between 01st April 1999 and to date, the Company has entered into following major contracts in respect of fleet expansion, infrastructure development and aircraft leasing projects:

- An agreement was entered into with Airbus Industrie Financial Services for an operating lease of an Airbus A340-312 aircraft for a period of seven years commencing 12th July 1999. The total future commitment under this agreement is valued at Rs. 4,082.23 million.
- Three of the six options available for Airbus A330-200 aircraft in terms of the Purchase Agreement dated 30th March 1998 with Airbus Industrie were converted to firm orders. The delivery of these aircraft will take place in year 2000.

The Government of Sri Lanka has gifted 4,631,712 Ordinary Shares held by the Secretary to the Treasury, to employees of SriLankan AirLines Limited and Air Lanka Catering Services Limited in accordance with the Government's policy on divestiture of Public Enterprises.

The Company announced a voluntary retirement scheme for staff in accordance with an approved restructuring programme.

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.

26. AIRCRAFT ROTABLE SPARES - (RS. 1,035.85 MILLION - BOOK VALUE)

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

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

The method of valuing rotatable spares purchased prior to 01st 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.

27. AIRCRAFT NON-ROTABLE SPARES - (RS. 823.63 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 01st 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 31st March 1992 by the aforesaid US Dollar value.
- (ii) Purchases after 01st April 1992 - at cost.

The method of valuing non-rotatable spares purchased prior to 01st 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

No provision has been made in these 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. The management estimates contingent liabilities at Rs. 368.57 million.

A contingent liability exists in respect of the taxes withheld on dividends paid by the subsidiary; Air Lanka Catering Services Limited to the minority shareholder as at 30th May 1998 - Thai Airways International Limited. This contingent liability, which is estimated at Rs. 41.83 million, may crystallise depending on the ongoing negotiations with Inland Revenue authorities.

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. An actuarial valuation of the gratuity liability of the Company as at 31st March 1999 was undertaken in June 1999 by Watson Wyatt Lanka (Pvt.) Ltd., a firm of professional actuaries using the 'Projected Unit Cost Method'. The actuarial present value of accrued benefits as at 31st March 1999 is Rs. 372.38 million. If the previous method of making a provision for all employees as per the legal requirements were adopted, the gratuity liability of the Company as at 31st March 1999 would be Rs. 461.32 million. Hence there is a contingent liability of Rs. 88.94 million, which would crystallise if the Company ceases to be a going concern.

No provision has been made in the accounts in respect of a potential tax liability in respect of income arising in Kuwait. Tax returns in respect of years 1993/94 to 1997/98 have been filed and it is anticipated that this matter will be resolved in favour of the Company once the Double Tax Treaty between Sri Lanka and Kuwait is brought into force.

A contingent asset exists in respect of Depository Certificates, which the Company became eligible to receive as a result of its membership in Societe International de Telecommunications Aeronautiques (SITA). Originally the Company became eligible to receive 505,180 Depository Certificates representing economic interest in Class A shares of Equant N.V. held by the SITA Foundation on behalf of the air transport community. However, these Depository Certificates are not transferable, except in certain restricted circumstances.

In February 1999, a portion of the shares of Equant N.V. held by the SITA Foundation on behalf of the air transport community was sold in a Public Offering. In this process, 149,017 Equant N.V. shares, beneficial interest of which the Company held was sold. Net proceeds of this sale are shown as Profit on sale of investments in these Financial Statements (Note 5).

The remaining 103,573 Depository Certificates (excluding the balance subject to reallocation) are not reflected in these Financial Statements. In the event the SITA Foundation decides to sell the aforementioned shares representing 103,573 Depository Certificates, the Company will realise a profit equivalent to the market value of shares as at the date of sale.

The market value of 103,573 shares of Equant N.V as at 31st March 1999 is US Dollars 8.18 million (Rs. 568.06 million). Conversion rate 1 US Dollar = Rs. 69.4257.

| | | 1990 | 1991 | 1992 | 1993 |
|---------------------------------|----------------|-----------|-----------|-----------|-----------|
| PROFIT AND LOSS ACCOUNT | | | | | |
| Operating revenue | Rs. million | 6,704.95 | 9,226.19 | 10,936.03 | 12,945.44 |
| Operating expenditure | Rs. million | 6,405.91 | 8,821.99 | 10,571.89 | 12,390.28 |
| Net profit/(loss) | Rs. million | 163.17 | 201.06 | 218.36 | 127.61 |
| BALANCE SHEET | | | | | |
| Share capital | Rs. million | 7,369.47 | 7,369.47 | 7,369.47 | 7,369.47 |
| Fixed assets | Rs. million | 3,497.75 | 3,231.25 | 5,723.71 | 9,019.84 |
| Current assets | Rs. million | 2,666.08 | 3,354.33 | 2,554.93 | 5,323.45 |
| Total assets | Rs. million | 6,246.56 | 6,609.58 | 8,309.04 | 14,373.69 |
| Current liabilities | Rs. million | 2,945.89 | 3,710.71 | 4,614.17 | 7,005.56 |
| YIELD/UNIT COST | | | | | |
| Overall yield | Rs. tkm | 18.8 | 20.9 | 22.8 | 24.9 |
| Unit cost | Rs. tkm | 11.9 | 14.4 | 15.1 | 15.5 |
| Breakeven load factor | % | 63.1 | 68.7 | 66.4 | 62.1 |
| Revenue per RPK | Rs./RPK | 2.0 | 2.1 | 2.4 | 2.5 |
| PRODUCTION | | | | | |
| Passenger capacity | ASK millions | 3,945.39 | 4,539.59 | 5,307.55 | 6,137.90 |
| Overall capacity | ATK millions | 524.53 | 600.66 | 698.37 | 782.71 |
| TRAFFIC | | | | | |
| Passengers carried | Nos. Thousands | 775 | 878 | 958 | 1,067 |
| Passengers carried | RPK millions | 2,769.50 | 3,445.91 | 3,772.02 | 4,203.25 |
| Passenger load factor | % | 70.20 | 75.91 | 71.07 | 68.48 |
| Cargo carried | Tonnes | 17,177 | 22,090 | 25,819 | 26,518 |
| Cargo load carried | RTK millions | 77.06 | 92.13 | 105.49 | 108.63 |
| Overall load carried | RTK millions | 332.80 | 414.76 | 453.44 | 492.20 |
| Cargo load factor | % | 47.13 | 53.05 | 51.95 | 48.28 |
| Overall load factor | % | 63.45 | 69.05 | 64.93 | 62.88 |
| STAFF | | | | | |
| Average strength | Nos. | 3,603 | 3,678 | 4,181 | 4,531 |
| Revenue per employee | Rs. | 1,860,935 | 2,508,480 | 2,615,649 | 2,857,082 |
| Capacity per employee | Tonne-km | 145,581 | 163,312 | 167,034 | 172,746 |
| Load carried per employee | Tonne-km | 92,367 | 112,768 | 108,453 | 108,629 |
| FLEET | | | | | |
| Aircraft in service at year end | Nos. | 6 | 6 | 8 | 9 |

TEN YEAR REVIEW - COMPANY

| 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
|-----------|-----------|------------|-----------|-----------|------------------|
| 12,456.05 | 13,651.28 | 14,807.92 | 15,619.30 | 17,592.00 | 19,081.96 |
| 11,747.81 | 12,154.46 | 13,253.64 | 14,121.08 | 14,657.40 | 16,139.50 |
| 188.60 | 431.74 | (1,212.22) | (447.72) | 1,641.59 | 1,272.93 |
| 5,146.35 | 5,146.35 | 5,146.35 | 5,146.35 | 5,146.35 | 5,146.35 |
| 10,742.20 | 22,318.81 | 20,836.32 | 19,217.72 | 17,882.38 | 16,359.69 |
| 5,054.09 | 7,175.43 | 8,154.25 | 8,769.55 | 11,196.80 | 16,090.86 |
| 15,826.69 | 29,524.64 | 29,020.97 | 28,017.67 | 29,109.58 | 32,520.95 |
| 7,142.16 | 8,858.31 | 8,740.41 | 8,856.67 | 9,224.37 | 11,477.27 |
| 27.6 | 27.8 | 26.5 | 27.4 | 29.3 | 31.3 |
| 18.1 | 17.6 | 16.7 | 20.3 | 20.8 | 20.4 |
| 65.6 | 63.1 | 63.1 | 74.4 | 70.9 | 65.2 |
| 2.8 | 2.9 | 2.9 | 3.0 | 3.2 | 3.3 |
| 5,145.36 | 5,405.55 | 5,602.21 | 5,525.10 | 5,672.66 | 6,209.80 |
| 632.15 | 672.27 | 772.27 | 746.78 | 757.42 | 832.69 |
| 994 | 1,081 | 1,149 | 1,196 | 1,201 | 1,260 |
| 3,576.75 | 3,786.56 | 3,931.26 | 4,003.19 | 4,154.46 | 4,417.55 |
| 69.51 | 70.06 | 70.17 | 72.45 | 73.24 | 71.14 |
| 25,957 | 28,748 | 35,409 | 35,039 | 36,478 | 35,566 |
| 107.38 | 119.77 | 166.23 | 164.43 | 173.62 | 156.61 |
| 419.37 | 454.19 | 514.81 | 522.09 | 547.14 | 554.90 |
| 50.81 | 52.15 | 61.56 | 61.94 | 65.40 | 57.50 |
| 66.34 | 67.56 | 66.66 | 69.91 | 72.24 | 66.64 |
| 4,442 | 4,584 | 4,880 | 4,965 | 4,823 | 4,832 |
| 2,804,154 | 2,978,028 | 3,034,410 | 3,145,881 | 3,647,522 | 3,949,081 |
| 142,312 | 146,656 | 158,252 | 150,409 | 157,043 | 172,329 |
| 94,410 | 99,082 | 105,494 | 105,153 | 113,444 | 114,838 |
| 8 | 9 | 9 | 9 | 9 | 9 |

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.

Break-even Load Factor

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

Load Factor

The percentage relationship of revenue load to capacity provided.

The passenger load factor relates RPK to ASK while the overall load factor relates RTK to ATK.

Revenue Passenger Kilometres (RPK)

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

Revenue Ton Kilometres (RTK)

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

1. AUSTRALIA

Adelaide:

World Aviation Systems
(Aus) Pty. Ltd.
Avion House
249 251, Pulleney Street.
Tel: (R/RC) 61 8 83068411
(G/A) 61 8 83068400
Fax: 61 8 83068439

Perth:

World Aviation Systems
(Aus) Pty. Ltd.
Level 9, Qvi Bldg.
250, St. Georges Terrace.
Tel: (R/RC) 61 8 92299212
(G/A) 61 8 92299211
Fax: 61 8 92299399

Brisbane:

World Aviation Systems
(Aus) Pty. Ltd.
Level 5, 212, George Street.
Tel: 07 3407 7188
Fax: 07 3407 7149

Melbourne:

World Aviation Systems
Ground Fl, 310, King Street
Melbourne 3000
Tel: (R/RC) 61 3 99203882
(G/A/S) 61 3 99203860
Fax: 61 3 99203880

Sydney:

World Aviations Systems
Ground Fl., 64, York Street
Sydney 2000.
New South Wales
Australia,
Tel: (R/RC) 612 92442234
(G/A) 612 92442111
Fax: 612 92903306

2. AUSTRIA

Vienna:

Airline Marketing Service
Rainergasse 1
2nd Floor, 1040 Vienna
Austria.
Tel: (R/T) 0043-1-5037323 10
(Admin/S) 0043 1 5037323 11
Fax: 0043-1-5037323 12

3. BAHRAIN

Manama: SriLankan Airlines Ltd.

Chamber of Commerce Bldg.
Ground Fl, King Faizal Road
P O Box 1142
Manama, Bahrain.
Tel: (R/RC) 224819
GSA(G) 223315
(D) 211405
Fax: 225617
GSA Fax: 210175

4. BANGLADESH

Dhaka: G S A

Bengal Airlift Ltd.
Landmark Bldg.
5th Fl., 12-14, Gulshan - 2
Dhaka 1212, Bangladesh.
Tel: (D) 008 802 9886634-37
(G) 600948/605598
Fax: 880-2-871335
Apt.No. 894494/894584

5. BRAZIL

Rio De Janeiro:

Varig Airlines AV Almirante
Room 391, CEP 20021-010
Reo De Janeiro, Brazil.
Tel: (D) 2625881/2725461
Fax: 2725720/2725700

6. BULGARIA

Sofia:

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

7. CANADA

Montreal:

Repworld Inc./SriLankan Airlines
GSA
1425 Boul Rene-Levesque O
Suite 507
Montreal Quebec H3G 1T7
Canada.
Tel: (D) 514 940 2424
Toll Free: 800 837 5377
Fax: 514 940 1153

Vancouver:

Repworld Inc./SriLankan Airlines
GSA, 1166, Alberni St.
Suite 1202
Vancouver BC V6E 3Z3
Canada.
Tel: 604 683 7824
Toll Free: 800 837 5377
Fax: 604 683 7819

Toronto:

Repworld Inc./SriLankan Airlines
GSA
415, Younge St, Suite 1704
Toronto, Ontario
Canada, M5B 2E7.
Tel: (D) 416 598 4464
(G) 416 598 5554
Toll Free: 1 800 837 5377
Fax: (416) 598 2051

8. CYPRUS

Nicosia:

Louis Tourist Agency Ltd.
54-58, Evagoras Avenue
CY 1506 Nicosia
P O Box 1301
Nicosia, Cyprus.
Tel: (R/RC) 003572670764
(C) 003572679999
Fax: 003572671894

9. FRANCE

Paris:

SriLankan Airlines Ltd.
2, Rue Des Moulins
BP 2745
75027, Paris, Cedex 01
France.
Tel: (R/RC): (33) 1 42974344/
44778215
(33) 1 44778223
Fax: (33) 1 42868320
Ticket Office Address:
18, Rue Therese75001
Paris, France

10. GERMANY

Frankfurt: SriLankan Airlines Ltd.

Zeil 79.60313
Frankfurt Main.
Tel: (R/C) 069 97573923
(A) 069 97573912
(G) 069 9757390
Fax: 069 748432
Apt Tel: 069 69048221
Apt Fax: 069 694851
E-mail: Airlanka.FRA@t-online.de

11. GREECE

Athens:

Intermodalair SA.
25, Filellinon Str.
10557 Athens, Greece.
Tel: (R/RC) (301) 3249797/
4249098
Fax: (301) 3249152
E-mail: intermod@tag.gr

12. HONGKONG

SriLankan Airlines Ltd.
Rm 2703 27/FL.
Tower 1, Lippo Centre 89
Queensway, Hong Kong.
Tel: (R/RC/G) 852-2521 0708
(S): 2521 0812/25
(A): 2521 0830
Apt. Fax: 852-2801 5600

(HKG) Airport Address:

5N002 Arrival Level
North Concourse
Pax Terminal Bldg.
1 Cheong Hong Kong Road
Hongkong International Airport
Lantau.
Tel: 852 2769 7182/4
Fax: 852 2718 5359

13. INDIA

Ahmedabad:

Stic Travels Pvt. Ltd.
2nd Floor, Karishma Complex
Stadium Circle, Navrangpura
Ahmedabad 380009.
Tel: (R/RC/G) 079 6423518/
6427638
Fax: 079 6426153

Amritsar: Stic Travels Pvt.Ltd.

Hotel Amritsar International
City Centre, Amritsar-143 001,
India.
Tel: (G) 31991/31992

Bangalore:

Stic Travels Pvt.Ltd.
G-5, Imperial Court
33/1, Cunningham Road
Bangalore - 5600052.
Tel: (R/RC/G) 080 2267613/
2256194-95, 2202408, 2202409
Fax: 080 2256985

Bombay:

SriLankan Airlines Ltd.
C/o. Jetair Ltd.
12D,Raheja Centre
Ground Floor
Free Press Journal Marg
Nariman Point, Mumbai 400 021.
Tel:(R/S) 2823288/99
2823599, 2944156
(A/G) 2844148
Fax: 2833864
Apt. Tel: 835 3508
Fax: 835 3051
E-mail: SriLanka@julpbom.
cc.gw.wiprobt.ems.vsnl.net.in

Calcutta:

Stic Travels Pvt. Ltd.
East Anglia House
3C, Camac St, Calcutta-700016.
Tel: (R/RC) 033-2294464
(G): 2292092
Fax: 033 2266588

Anusha Air Travels Ltd.

G.S.A. SriLankan Airlines Ltd.
1st Floor/Western Complex
Mavoora Road, Calcutta 673004.
Tel: 310565/722115
Fax: 310565

Chandigarh:

Stic Travels Pvt. Ltd.
SCO 40-41
Sector 17A
Chandigarh 160017:
Tel: (D): 0172 721828 /7065622
Fax: 0172 702770

Cochin:

M/s Anusha Travels Ltd.
39/4159, 11th Floor, Hira House
Ravipuram M G Road
Cochin - 682016.
Tel: (G) 380293
Fax: 370740

Faridabad:

Stic Travels Pvt. Ltd.
Magpie Tourist complex
Mathura Rd.
Faridabad.
Tel: (G) 3473.5864

Goa:

Jetair Ltd.
102, Rizvi Chambers
1st Floor
Dr Salgado Road
Panajim, Goa.
Tel: (G) 222438, 226154

Hyderabad:

Nagarjuna Travels & Hotels
Pvt. Ltd.
Shop No. 8A, Amrutha Ville
Opp : Yashodha Hospital
Rajbhavan Road
Somajiguda
Hyderabad 500 082.
Tel: 3220201 / 202

Jalandhar:

Stic Travels Pvt. Ltd.
2nd Floor, Alfa Estate, G T Road
Opp. General Bus Stand
Jalandhar - 144001
India.
Tel: 0181 232056, 232058,
232059
Fax: 0181 230961

Jullundur:

Stic Travels Pvt. Ltd.
Hotel International, G T Road,
Jullundur, India.
Tel: (G) 2975

Madras (Chennai):

SriLankan Airlines Ltd./GSA
76, Cathedral Road
Chennai 600086.

| | UL | GSA |
|-------------|---------|---------------|
| Tel: (R/RC) | 8252782 | 8261152/54 |
| A/AC) | 8253733 | 8261535/36/37 |
| (D) | 8253760 | 823821 |
| | 8267748 | |
| | 8275348 | |
| (C) | 8238923 | |
| Fax: | 8253760 | 8261153 |

Tamil Nadu/Pondichery

Trans Lanka Air Trvl. Pvt. Ltd.
Nagabramha Towers
76, Cathedral Road
Madras 600 086.
Tel: 8261535/6/7/8
8261152/53/54

New Delhi:

SriLankan Airlines Ltd.
C/o. Stic Travels Pvt. Ltd.
G-55 Connaught Circus
New Delhi 110001.
Tel: (R/RC/G) 011 373 1473/
1474 / 1478
Fax: 011 373 1480

Patna:

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

Poona:

Jetair Ltd.
Century Arcade, 243/244
Naranji Baug Rd.
Pune 411 001.
Tel: (G) 623260-8
Fax: 0212 624897

Salam:

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

Tiruchirappalli:

SriLankan Airlines Ltd.
C/O. Translanka Air Travels
Hotel Femina, 14C
Williams Road, Trichy 620 001
S. India.
Tel: District Sales Mgr: 414076
(R):460844/462381
Fax: 414076
GSA Tel: 462858
GSA Fax: 412852

Trivandrum:

SriLankan Airlines Ltd.GSA
C/o. Anusha Air Travels
Spencer Tower, M G Road
Trivandrum 695 001, Kerala, India.
Tel: (R/RC) 0471 471810
(C) 471815/471838
(G/A) 475037/474934
(S) 471838/471815
Fax: 0471 460639/
460224
Apt.No: 0471 501140/501424

14. INDONESIA

Jakarta:

SriLankan Airlines Ltd.
C/o.P T Dharma Buana Experindo
JL. IR.H.Juanda III No.2
Jakarta Pusat 10120, Indonesia.
Tel: (R/RC/ 62 21 350 1022
G/C/A/F)
Fax: 62 21 386 2544

15. IRELAND

Belfast:

Aer Lingus, 46-48 Castle St.
Belfast, BT1 1HB
Northern Ireland.
Tel: 08445151

Cork

Aer Lingus 38, Patrick Street,
Cork, Dublin
Aer Lingus
40,Upper O Connel 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: (D) 370011

Limerick:

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

Shannon: AerLingus

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

16. ITALY

Milan:

SriLankan Airlines Ltd.
Via Gonzaga 5, 20123 Milan.
Tel: (R/RC) 02 86464513
(G/S) 02 86461209
Fax: 02 86461852

Rome:

SriLankan Airlines Ltd.
Via Barberini 3
00187 Rome.
Tel: (R/RC) 06 483830
(A) 484428/483732
(G) 06 484858/ 4741084
(C) 06 6501096
Fax: 06 4746385
E-mail: airlinkarome
@compuserve.com

FCO Airport Office

Aeroporto Internazionale
L. DA Vinci.
Tel: (G) 06 65010496
06 65953717
(C) 06 65010829
Fax 06 6529196

17. JAPAN

Narita:

SriLankan Airlines Ltd.
Room M-5048
Passenger Terminal Bldg. 2
New Tokyo International Airport
Narita 282-0004.
Tel: (G) 0476 348350
Fax: 0476 348351

Osaka:

Overseas Travel Agency Co. Ltd.
7th Floor, Hommachi NS Bldg.
3-2-5 Hommachi, Chyuo-ku
Osaka 541-0053.
Tel: (R/RC) 06 6282 2661
Fax: 06 6282 2669

Tokyo:

SriLankan Airlines Ltd.
Dowa Bldg
7 2 22, Ginza, Chuo-ku
Tokyo 104-0061.
Tel: (RC/T) 03 3573 4261
(G) 03 3573 4263
(C) 03 3573 4265
Fax: 03 3574 0780
Airport No: 047 6348350

18. JORDON

Amman:

Grand Travel & Tourism/
GSA SriLankan Airlines
Behind Housing Bank Complex
Shmeisani
P O Box 2152 / Amman - Jordan.
Tel: (R/RC/F) 962-65682140
(G) 5682148/9
(A) 5698112/3
Fax: 5694689

19. KOREA (SOUTH)

Seoul:

Pacific Air Agency Ltd.
1006 Soonhwa Bldg, 5-2
Soonhwa Dong, Choong-Ku
Seoul, South Korea.
Tel: (R/RC/S/T) 02 3183721/5
(C) 02 3183720
Fax: 02 3183720

20. KUWAIT

Safat:

SriLankan Airlines Ltd.
C/O. Al Madinah Travels Co.
P O Box 20053, Safat 13061
Kuwait
Tel: (R/RC/G/A.F): 965 2424444
Fax: 965 2461437
E-mail: bgco@ncc.moc.kw

21. LEBANON

Beirut:

Aramex Sarl, Aramex Centre
Sin El Fil, Autostrade Dekwane
Beirut, Lebanon.
Tel: 01 489186 / 485076
Fax: 01 495404

22. MALAYSIA

Kuala Lumpur:

SriLankan Airlines Ltd.
3rd Fl, MUI Plaza
Jalan P Ramlee
50250 Kuala Lumpur
Malaysia.
Tel: (R/RC/F) 03 2323633
(A) 03 2325805/2325814/
2326022
Fax: 03-2388233
Cargo: (G) 03 87766301
Airport Fax: 03 87874329

Airport Office:

Lot N12, Mezzaniane Level
Main Terminal Building
Klia 43900 Sepang
Selangor Darul Ehasn.
Tel: (D) 03 87766303
(C) 03 87766301
Fax: 03 87874329

23. MALDIVES

Male:

SriLankan Airlines Ltd.
26, Ameer Ahmed,
Magu, Male 20-05
Rep. of Maldives.
Tel: (R/RC/G/A): 322438
Fax: 325056

SriLankan Airlines Ltd.

C/O. AirMaldives
Tel: (R/RC/G) 328456/322438
Fax: 314812
Apt. Fax: 328367

SriLankan Airlines Ltd.
C/o Galaxy Enterprises
Fasmeeru, Boduthakurufaanu
Magu, Male, Maldives.
Tel: (S/R/RC/F/G): 320002
(A) 317255
Fax: 317254

SriLankan Airlines Ltd. GSA
STO Aifan Building
2nd Floor, Bodutharufanu
Magu Male
Republic of Maldives
Tel: 328456
Fax: 314812

24. MALTA

World Aviation Systems Ltd.
20/2, Republic Street Valletta,
VLT 04, Malta.
Tel: (A) 00356 242848/248744
(G) 242233/4
Fax: 00356 223887

25. NEPAL

Kathmandu:

Zenith Travels (Pvt) Ltd.
Durbar Marg, P O Box 4163
Kathmandu, Nepal.
Tel: (R/RC/G) 977 1 223162/
227064
(A) 977 1 223502

26. NETHERLANDS

Amsterdam:

SriLankan Airlines Ltd.
Assumburg 150,
1081 GC Amsterdam.
Tel: (S) 020-6448989
(R) 020-6442929
(C) 020-6464337
Fax: (S) 020-6428899
020-6428181
(R/T) 020-6463751
(C) 020-6428809
E-mail: SriLankanAirlines-
benelux@compuserve.com

27. PAKISTAN

Karachi:

SriLankan Airlines Ltd.
Crown Travels, 7
Services Mess
Extension Building
Mereweather Road, Karachi.
Tel: (R/RC) (021) 514421/514428,
5662679/5676480
(S) 518760
(T) 5671546
Fax: (021) 5680382, 5678286
Airport No.: 4573175

Lahore:

Crown Travels
GSA for SriLankan Airlines
Ali Complex
23, Empress Road
Lahore.
Tel: 42-6303265,
42-6313718
Fax: 42-6308351

Islamabad:

1-D Rehmat Plaza
Jinnah Avenue Blue Area
Islamabad.
Tel: (D) 51-278206, 279795
Fax: 51-278207

28. QATAR

Doha:

SriLankan Airlines Ltd.
C/o. Ali Bin Ali Travel Bureau
P.O. Box 2197
Doha, Qatar.
Tel: (R/RC) 441217/441161
446345/621571
Fax: 441241
Airport Office: 621945

29. SAUDI ARABIA

Dhahran:

SriLankan Airlines Ltd.
Kanoo Airline Centre
P.O. Box 122
King Abdul Aziz Street
International Airport 31932
Dhahran
Saudi Arabia.
Tel: (R/RC) 3-8822675
3-8822789, 3-8822792
(C/S/A/D) 3-8946503
3-8951153/8952196
Fax: 3-8984942
Airport Office: 966 3 8918395
Apt. Fax: 966 3 8911412
E-Mail: airfanka@sahara.
com.sa

JEDDAH

SriLankan Airlines Ltd.
C/o.Yusuf Bin Ahmed Kanoo,
Kanoo Tower, Kilo 7
Madina Rd, P.O. Box 812
Jeddah 21421
Kingdom of Saudi Arabia.
Tel: (R/RC/D/G/C/F) : 2-6632259/
6696933
Ext: 185
Fax: 6696933 Ext.190

RIYADH

SriLankan Airlines Ltd.
C/o. Kanoo Travel Agency
P O Box 753, Kanoo Tower
King Abdul Aziz Rd.
Riyadh 11421
Kingdom of Saudi Arabia.
Tel: (C/G/R/RC/F/S) 01-4772228
Ext.291/292/293
(D) 4788935
Fax: 4772228 Ext.294
Apt. No. 2203810
GSA Fax No: 4786869

30. SINGAPORE

SriLankan Airlines Ltd.
133, Cecil Street
Unit 13-01A/B Keck Seng Tower,
Singapore 069535.
Tel: (R/RC) 2236026/7
(S) 2236353
(A/G) 2257233
(C) 5459243
Apt. No. 5459242/5424422
Fax: 2219425(Town Off)
5427687(Apt. Off)
5467458(Cgo. Off)

31. SOLOMON ISLANDS

Guadalcanal:
Solomon Islands Airlines
Solar House, P.O. Box 23
Honiara, Solomon Islands.
Tel: (D/T) 20031/20152
Fax: 67723992

32. SRILANKA

Colombo:
Head Office: SriLankan Airlines Ltd.
#19-01 to #22-01
East Tower
Echelon Square
Colombo 01.
Tel: (G) 073 5555
Fax: 073 5122
Telex: 21401 LANKAIR CE

PTA & Ticket Office:
SriLankan Airlines Ltd.
12, Sir Baron Jayatilaka
Mawatha
Colombo 1.
Tel: (D) 073 3601
(G) 073 5555
Fax: 073 5511
Telex: 21401 LANKAIR CE
Tel: 073 3685, 073 3678
073 3677

Reservations/Telephone Sales:
(R) 01-421161
(RC) 073-5500
(TD) 073-3667
Ticket Office: 073 3674/3675
Govt. Travel: 073 3673/3668
(F) 073 2377

Ticket Office:
SriLankan Airlines Ltd.
#2-2 West Block,
World Trade Centre
Echelon Square
Colombo 1.
Tel: 073 3300
Fax: 073 5330

Ticket Office:
SriLankan Airlines Ltd.
Landmark Building
385, Galle Road
Colombo 3.
Tel: 073 3400
Fax: 073 5340

Ticket Office:
SriLankan Airlines Ltd.
Bandaranaike International
Airport.
Tel: 073 2424
Fax: 073 5222

Kandy:

Ticket Office:
SriLankan Airlines Ltd.
17, Temple Street
Kandy.
Tel: (R/RC) 08 232494/5
(D) 08 233123
Fax: 08 232494

Galle:

Ticket Office:
SriLankan Airlines Ltd.
16, Gamini Mawatha
Galle.

SriLankan Airlines Ltd.
Serendib Club
#2-2 West Block
World Trade Centre
Echelon Square
Colombo 1.
Tel: 073 3333

Cargo Office:
SriLankan Airlines Ltd.
660, Galle Road
Colombo 3.
Tel: (C/S) Imports : 073 3281/
3282/3283
Exports : 073 3276/3286

33. SULTANATE OF OMAN

Muscat:
SriLankan Airlines Ltd.
C/o. Mezoon Travel LLC
P.O. Box 629
Muscat - PC 113
Sultanate of Oman.
Tel: (R/RC): 00968 796694
GSA (G): 796680-84
Cargo (G): 796695
Town Office : 784576
Apt. Office: 510818
Fax No: 707547
GSA Fax: 795721
E-mail: ulmct@omantel.net.om

34. SWEDEN

Stockholm:
Herkulesgatan, No 14S
11152, Stockholm
Sweden.
Tel: 46 08 330330
Fax: 46 08 330350
Airport Address:
Room 343/18A
Terminal 5, 19045
Stockholm, Arlanda Airport.
Tel: 46 08 59785150/51/52
Fax: 46 08 5978 5153

35. SWITZERLAND

Zurich:
SriLankan Airlines Ltd.
Reitergasse 6, 8021 Zurich
Switzerland.
Tel: (R/RC/G) 01-24 58 090
(C) 01-816 38 36
(F) 01-157 10 60
Fax: (A) 01-241 77 38
(R/RC/S) 01-241 33 34
(C) 01-810 81 73
Apt. No.: 01-816 44 58

36. TAIWAN

Taipei:
Overseas Travel Services Ltd.,
2FL, No. 129, Chang Chun Road
104, Taipei, Taiwan.
Tel: (G) 886 2 25116188
Ext. (A) 605 / 606 / 607
(S) 619
(R/T) 613 / 622
(C) 616 / 617
Fax: 886 2 25230626
E-mail: otsgsa@ms21.hinet.net

37. THAILAND

Bangkok:
SriLankan Airlines Ltd.
942/34-35, Charn Issara Tower
Rama IV Rd, Silom
Bangkok 10500
Thailand.
Tel: (R/RC) 2369292/3
2364981/2
(A) 2367618/2360159
Apt. No.: 5311243/ 5352330/1/2
Fax: 2367617
E-mail: airlanka-bkk@a-net.net.th

38. UNITED ARAB EMIRATES

Abu Dhabi:
SriLankan Airlines Ltd.
C/o. Atlas Travels
Tourism and Transport
P.O. Box 2086
Zayed the 2nd Street
Al Darmaki Bldg, Abu Dhabi
Tel: (R/RC) 00971-337125
(G) 337272/337927
(A/C/F) 338374/314700
Fax: 00971-331313
airlanka@emirates.net.ae

Ajman:
Ajman National Travel Agency
P.O. Box 641, Ajman
Shk Mohd Mueimi St.
PIA Bldg, Ground Fl., UAE.
Tel: (G/A/F/S) 422399/422300
Fax: 427537
Al Ain: **Atlas Travels**
P.O. Box 16060, Al Ain,
Al Ain Street,
Al Daher Building
UAE.
Tel: 643344

Dubai:
SriLankan Airlines Ltd.
(DNATA) 'C' Entrance, 3rd Fl.
P.O. Box 12889
Dubai, UAE.
Tel: (A) 2950011
(R) 2955543
UL Ticketing Des(Apt.):
2066700
Fax No: 2955245
Apt. Tel.No: 2066808

Fujeirah:
Fujeirah National Air Trvl.
Agency
P.O. Box 96, Sanyo Bldg.
Ground Fl., Fujeirah, UAE.
Tel: (G/R) 222524/222316
Fax: 222555

Ras Al Khaimah:
RAK National Travel Agency,
P.O. Box 5214, Ras Al Khaimah
Al Seer Bldg, Oman St.
Al Nakheel, UAE.
Tel: (G/S) 2281536/2281096
Fax: 2281255
Apt. Tel No.: 448111

Sharjah:
Sharjah National Travel &
Tourist Agency
Sharjah Tower
P.O. BOX 17
Al Arooba St. Sharjah, UAE.
Tel: (R/RC/G/C) 5351411
Fax: 374968
E-mail: snnta@emirates.net.ae

Umm Al Quwain:
Umm Al. Quwain
National Travel Agency
P.O. Box. 601
Umm Al Quiwan
King Faizal St.
Umm Al Quwain.
Tel: (G/T/R) 656615
Fax: 655549

39. UNITED KINGDOM

London:
SriLankan Airlines Ltd.
Central House,
3, Lampton Road, Hounslow
Middlesex.
TW 3 1HY
Tel:(R) 0181 538 2001
0181 538 2000
(C) 0181 538 2015/2016
Fax: 0181 5720808
Regional Office: 0181 538
2029-2031

40. UNITED STATES OF AMERICA

Los Angeles:
Pyramid Travel Inc.
16250 Ventura Blvd.
Suite 115
Encino, CA 91436.
Tel: (R/RC) 1-800 247 5265
Fax: 1-818 501 2098

Houston
Pyramid Travels Inc.
3050 Post OAK Blvd
Suite 1320, Houston TX 77056
Tel Toll Tree: 1-800 247 5265.
Tel: 713 626 8028/29
Fax: 713 626 1905

New York:
Pyramid Travels Inc.
350,5th Ave, Suite 1421
New York, NY 10118.
Tel: 1-800 247 5265
Fax: 212 279 6602

Chicago:
Pyramid Travels Inc.
401, North Michigan Ave.
Suite 865, Chicago
IL 60611.
Tel: 1-800 247 5265
Fax: 1-312 822 0048

41. RUSSIA

Moscow:
Aeroflot Russian International
Airlines
Leningradsky Prospekt
37, Moscow 124167.
Tel: (D) 1556694

TERRITORIES OF CROATIA,
SLOVENIA, BOSNIA
HERCEGOVIAN AND
FED. REP. OF
YUGOSLAVIA.

42. YUGOSLAVIA

Belgrade:
Ceylon House
Zanke Stokic 21
11000 Belgrade
Fed Rep. of Yugoslavia.
Tel: (D/G) 381-11-653026
Fax: 381-11-653045

SriLankan Airlines is GSA for:
Aer Lingus,
Aeroflot Russian International
Airlines
Varig Brazilian Airlines
Balkan Bulgarian Airlines,
Solomon Island Airlines

Abbreviations used for
Telephone
Numbers:

- (A) - Administration
- (C) - Cargo
- (D) - Direct
- (F) - Flight Information
- (G) - General
- (R) - Reservations
- (S) - Sales Office
- (T) - Ticketing
- (RC) - Reconfirmation
- (P/S) - Passenger Sales
- (CS) - Cargo Sales



CARGO STATION

ABU DHABI

Location of cargo office:
Atlas Travel & Tourism (GSA for UL)
P.O. Box 2086.
Tel: 00971 2 314700
Fax: 00971 2 340391 (UL DIRECT)
00971 2 331313 (GSA)
E-Mail: airlanka@emirates.net.ae
Cargo Handling Agent:
Abu Dhabi Airport Services

AMSTERDAM

Location of cargo office:
Assumburg 150
1081GC Amsterdam.
Tel: 6534211
Fax: 6534648
Cargo Handling Agent:
Ogden Aviation

BAHRAIN

Location of cargo office:
Chamber of Commerce bldg.
King Faisal Road, P.O. Box 1142
Manama, Bahrain.
Tel: 211405
Fax: 225617
E-Mail: airlanka@batelco.com.bh
Cargo Handling Agent:
Bahrain Airport Services

BANGKOK

Location of cargo office:
942/34-35 Chan Issara Tower
Rama IV Road
Bangkok 10500.
Tel: 2360159/2369292-93
Fax: 2367617
Cargo Handling Agent:
Thai Airways International

CHENNAI (MADRAS)

Location of cargo office:
Translanka Airtravel Pte. Ltd.
(GSA for UL)
Nagabrahma Towers
76, Cathedral Road
Chennai 600086.
Tel: 8261537/8
Fax: 8261147
Cargo Handling Agent:
Indian Airlines

COLOMBO

Location of cargo office:
660, Galle Road
Colombo 03.
Tel: 073 3275
Fax: 073 5311

DELHI

Location of cargo office:
STIC Travels Pvt. Ltd. (GSA for UL)
M.R. Complex
Gobind Puri
P.O. Mahipal Pur
New Delhi - 110 037.
Tel: 6121135/6121136
Fax: 6121135
Cargo Handling Agent:
Indian Airlines

DHAHRAN

Location of cargo office:
Y.B.A. Kanoo (GSA for UL)
P.O. Box 122
Kanoo Airline Centre
Dhahran Int'l Airport
Dhahran 31932.
Tel: 8946503
Fax: 8984942
Cargo Handling Agent:
UNASCO

DOHA

Location of cargo office:
Ali Bin Ali Travel Bureau
(GSA for UL)
Doha Int'l Airport
Doha.
Tel: 621571/441161
Fax: 441241
Cargo Handling Agent: Ali Bin Ali
Travel Bureau

DUBAI

Location of cargo office:
Dubai Airline Centre (DANATA)
Flame Roundabout
"C-Entrance", 3rd Floor
P.O. Box 12889.
Tel: 2955543
Fax: 2955245
Cargo Handling Agent: DANATA

FRANKFURT

Location of cargo office:
Building 201, Room 5103
60549 Frankfurt.
Tel: 69050641/69045901
Fax: 694851
Cargo Handling Agent:
Flughafen Frankfurt Main AG (FAG)

HONG KONG

Location of cargo office:
Room 2703
27/F, Lippo Tower
Lippo Centre
89, Queens Way.
Tel: 25210830
Fax: 28015600
Cargo Handling Agent: Jardine
Airport Services Ltd.

JAKARTA

Location of cargo office:
P.T. Dharma Buana (GSA for UL),
JL. IR.H. Juanda 111 No. 2,
Jakpus 10120
Indonesia.
Tel: 62 21 3501022
Fax: 62 21 3862544

KARACHI

Location of cargo office: No. 7,
Services Club Ext. Building
Mereweather Road
Karachi.
Tel: 0092 21 5680447/5676480/
5662679
Fax: 0092 21 5675863
Cargo Handling Agent:
Gerys/DANATA

KUALA LUMPUR

Location of cargo office:
N12, Level 4
Main Terminal Building
KLIA, Sepang.
Tel: 87766301/87766303
Fax: 87874329
Cargo Handling Agent: Malaysia
AirLines

KUWAIT

Location of cargo office:
Al Madinah Travel Co (GSA for UL)
P.O. Box 20053
SAFAT 13061.
Tel: 4711079/4335599 Ext. 2158
Fax: 2461437
Cargo Handling Agent:
Kuwait Airways

LONDON

Location of cargo office:
Central House
3, Lampton Rd
Hounslow
Middx TW3 1HY.
Tel: 0181 5382014/5/6
Fax: 0181 5722808
Cargo Handling Agent: United
Airlines

MALE

Location of cargo office:
No. 20, Athireege
Annex 2
Ammeeru Ahmed 037
Magu.
Tel: 314654
Fax: 313169
Cargo Handling Agent:
Air Maldives Ltd.

MUMBAI (BOMBAY)

Location of cargo office:
Mumbai Int'l Airport
Room No. 12, N.I.P.T.C.
2nd Floor, Andheri (East)
Mumbai 400099.
Tel: 8353508
Fax: 8353051
Cargo Handling Agent:
Indian Airlines

MUSCAT

Location of cargo office:
P.O. Box 629
P Code 113.
Tel: 796695
Fax: 707547
Cargo Handling Agent:
Oman Aviation Services

PARIS

Location of cargo office:
BP 20210
95712 Roissy CDG Cedex.
Tel: 33 1 48625390
Fax: 33 1 48648838
Cargo Handling Agent: France
Handling

RIYADH

Location of cargo office:
Kanoo Travel Agency (GSA for UL)
P.O. Box 753, Kanoo Tower
King Abdulaziz Street
Riyadh 11421.
Tel: 4788935/4772228 - Ext 291-3
Fax: 4786869
Cargo Handling Agent: Saudia

ROME

Location of cargo office:
Aerostazione International,
00050 Aeroporto Di Fiumicino.
Tel: 0039 06 65010829
Fax: 0039 06 6529196
Cargo Handling Agent: Aeroporti Di
Roma

SEOUL

Location of cargo office:
Pacific Air Agency Ltd. (GSA for UL)
Room 725 BAE JAE Bldg.
55-4 Seosomum - Dong
Choong Ku.
Tel: 2 318 3721
Fax: 2 318 3720

SINGAPORE

Location of cargo office:
Room 222, 2nd Floor,
SATS Airfreight Terminal 2
Singapore 819461.
Tel: 5459243/5418902
Fax: 5467458
Cargo Handling Agent: SATS Cargo

TAIPEI

Location of cargo office:
Overseas Travel Services Ltd.
(GSA for UL)
2F No. 129
Chang-Chung Road.
Tel: 25116188
Fax: 25230627

TOKYO

Location of cargo office:
1/2 Floor
Dowa Building
Ginza 7-222
Chuo-Ku, Tokyo 104.
Tel: 35734265
Fax: 35740780
Cargo Handling Agent: Japan
Airlines

ZURICH

Location of cargo office:
Airpass AG (Consolidator for UL)
Flughotstr 61
CH 8152 Glatbrugg.
Tel: 8163836
Fax: 8110271
Cargo Handling Agent: Swissair



CORPORATE INFORMATION

Name of the Company

SriLankan Airlines Ltd.

Legal Form

Public Limited Liability Company.

Directors

S K Wickremesinghe – *Chairman*

K Balapatabendi, PC

D. Nilaweera

W P S Jayawardena

T C Clark – *Managing Director*

G W Chapman

D E Mannion

P M Hill – *alternate* to T C Clark

M Flanagan – *alternate* to G W Chapman

Ghaith Al Ghaith – *alternate* to D E Mannion

Company Secretary

Mildred Peries

Registered Office

19-01 to # 22-01, East Tower,

World Trade Centre,

Echelon Square,

Colombo 01,

Sri Lanka.

Auditors

Ernst & Young

Chartered Accountants

P O Box 101,

Colombo 10,

Sri Lanka.

