

# REPORT AND ACCOUNTS 1988-89



**AIRLANKA**   
*A taste of Paradise*

# REPORT AND ACCOUNTS 1988-89

A I R L A N K A L I M I T E D

## C O N T E N T S

Chairman's statement	1
Directors' report	2
Accounting policies	4
Profit and loss account	8
Balance sheet	9
Notes to the accounts	10
Auditors' report	23
Statement of changes in financial position	24
Ten year review	26

# HIGHLIGHTS

A I R L A N K A L I M I T E D

		1989	1988
<b>FINANCIAL</b>			
Revenue	Rs M	5,144.31	4,190.34
Expenditure	Rs M	4,713.94	4,139.44
Operating Profit	Rs M	430.37	50.90
Net Loss	Rs M	128.43	374.64
<b>OPERATIONS</b>			
Capacity Offered	ASK Millions	3,401.17	2,930.09
	ATK Millions	466.20	366.70
Passengers Carried	Thousands	720	591
Cargo Carried	Tonnes	14,995	11,462
Revenue Tonne Kilometres	Millions	294.60	228.80
Overall Load Factor	%	66.00	62.40



# **Chairman's Statement**

A I R L A N K A L I M I T E D

I am pleased to present the Annual Report for the financial year 1988/89 on behalf of the Board of Directors of the Company.

## **OPERATING RESULTS FOR THE YEAR**

The revenue achieved during the year was 22.8% higher than the revenue earned during the previous financial year. The increase in the number of passengers carried was 21.8% while the increase in the carriage of freight was 30.8%.

The operating profit for the year was Rs 430.37 million before other income and cost of capital borrowings compared to an operating profit of Rs 50.90 million for the previous year.

## **FINANCE CHARGES AND NET DEFICIT**

The cost of capital borrowings for the year ended 31 March 1989 was Rs 714.04 million compared with Rs 840.46 million for the year ended 31 March 1988. The net deficit for the year after finance charges and other income has been reduced to Rs 128.43 million for the year as compared with the net deficit of Rs 374.64 million the previous year.

## **FOREIGN BORROWINGS**

The outstanding balance on US Dollar borrowings other than obligations under finance leases amounted to Rs 642.21 million at 31 3 89 as compared to Rs 1233.15 million at 31 3 88. The balances outstanding on the US Dollar loans obtained from Chase Manhattan Bank were paid in full during the financial year under review.

## **AIRCRAFT FLEET**

The two L1011-500 aircraft which were on lease to British Airways were returned at the beginning of the financial year under review. Air Lanka operated a fleet of four L1011 aircraft on its international routes and one B737 aircraft on the regional routes during the year.

## **ACKNOWLEDGEMENT**

On behalf of the Board of Directors, I wish to thank the Management and all staff for their dedicated efforts towards achieving our mission of offering total quality service.

28 July 1989

M G D Jayawardene  
Chairman



# **Directors Report**

A I R L A N K A L I M I T E D

The Directors have pleasure in submitting their Report and audited Accounts for the year ended 31 March 1989.

The Accounts are set out on pages 4 to 25.

## **FINANCIAL STRUCTURE**

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

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

## **PRINCIPAL ACTIVITIES**

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

Providing Air Terminal services at the Colombo International Airport and the sale of duty free goods on - board, constitute other main activities of the Company. Air Lanka owns 50% of the issued share capital of its associated company, Air Lanka Catering Services which is the sole caterer to all airlines operating through Colombo International Airport. There was no significant change in the nature of the activities of the Company during the year.

## **DIRECTORS IN OFFICE**

The Directors of the Company holding office till 21 February 1989 were:

W.L.P. de Mel Chairman/Managing Director

D.S. Attygalle

G. Cumaranatunge

D.S. Jayasundera

M.T.L. Fernando

D.S.J. Pelpola

J. W. Subasinghe

The Directors of the Company in office at 31 March 1989 were:

R.B. Weerakoon Chairman/Managing Director

D.S. Attygalle

R. Paskaralingam

G. Cumaranatunge

R.A. Jayakody

Particulars of interests of Directors in contracts and proposed contracts having been declared by the Directors are stated in page 22.

# **Directors Report**

A I R L A N K A L I M I T E D

## **AIRCRAFT FLEET CHANGES**

The two L1011-500 aircraft which were leased out to British Airways rejoined the fleet in April 1988.

The operating lease contract with Guinness Peat Aviation for the B737-200 4R ULH aircraft was terminated on 08 August 1988 and the aircraft acquired by the Company for a consideration of USD 5.38 million on that date.

## **ACCOUNTS**

Profit for the year ended 31 March 1989, before finance and other similar charges was Rs. 595.12 million.

Net loss for the year, after finance and similar charges and deferred expenditure amounted to Rs. 128.43 million, as against a net loss of Rs. 374.64 million for the year ended 31 March 1988.

## **RESERVES AND PROVISIONS**

There were no material transfers to or from reserves or provisions during the year ended 31 March 1989, other than those stated in the accounts and the notes thereto.

## **AUDITORS**

A resolution appointing auditors and determining their remuneration will be proposed at the Annual General Meeting.

By order of the Board

Priyani Abeyasekera  
Secretary  
17 November 1989

Registered Office:  
37, York Street,  
Colombo 1.

# **Accounting Policies**

A I R L A N K A L I M I T E D

## **A) ACCOUNTING CONVENTION**

The accounts have been prepared under the historical cost convention modified in respect of certain assets which are included at valuation or are restated.

## **B) TANGIBLE FIXED ASSETS**

Tangible fixed assets are stated at cost, except for aircraft and aircraft spare engines and certain properties, which are included at valuation or at a restated value.

### **1. Fleet**

#### **1.1 Cost**

The cost and accumulated depreciation of aircraft and aircraft spare engines which have been financed by loans or finance leases in foreign currency are translated into Sri Lanka Rupees using the exchange rates ruling at the balance sheet date and included in the accounts at such restated value.

Major modifications which improve the earning potential of aircraft are capitalised and depreciated over the remaining life.

This accounting policy has been adopted in order to correctly reflect the Rupee cost to Air Lanka of its investment in such aircraft and aircraft engines and consequently to match the depreciation charge more equitably with revenue.

#### **1.2 Leased Assets**

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

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

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

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



# **Accounting Policies**

A I R L A N K A L I M I T E D

## **2. Property and Equipment**

The cost and accumulated depreciation of the Wide-body Hangar, which has been financed by a loan in foreign currency, has been translated into Sri Lanka Rupees using the exchange rates ruling at balance sheet date and included in the accounts at such restated value.

This accounting policy has been adopted in order to correctly reflect the Rupee cost to Air Lanka of its investment in such property and consequently to match the depreciation charge more equitably with revenue.

Property owned by the Company and situated at No. 12, Sir Baron Jayatilaka Mawatha, Colombo 1 and the Air Lanka Administration & Training Building situated at Katunayake have been professionally valued during the year and included in these 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 are recorded in the balance sheet as tangible fixed assets.

### **C) DEPRECIATION**

Depreciation is provided at rates calculated to write off the cost of fixed assets over their estimated useful lives on a straight - line basis.

New aircraft and spare engines - over 16 years to 10% of cost

Used aircraft and spare engines - over 8 years

Property - subject to a maximum of 20 years

Equipment - over 3 years

Aircraft rotatable spares - over 8 years

# **Accounting Policies**

A I R L A N K A L I M I T E D

## **D) ASSOCIATED COMPANIES**

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

The profit and loss account includes the dividends receivable from the associated company as reported.

In the balance sheet, the investment in associated company is stated at a valuation, based on the net assets of the associated company as reported in their latest available audited accounts.

## **E) STOCKS AND GENERAL CONSUMABLE STORES**

Stocks and general consumable stores are stated at the lower of cost and net realisable value.

Catering general stores and aircraft non-rotable stocks held principally for use on Company aircraft are valued by the weighted average cost method.

Duty free stocks held for sale on-board are valued at their last purchase price.

## **F) FOREIGN CURRENCY BALANCES**

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

All assets and liabilities denominated in foreign currency outstanding as at balance sheet date are translated at the bank exchange rates ruling as at 31 March 1989.

Gains and losses arising from the translation of long-term assets and liabilities as at balance sheet date are recorded in an exchange equalisation account and amortised as currency gains/losses over the remaining life of the related assets and liabilities. Unamortised balance of such gains and losses are carried forward in the exchange equalisation account.

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

# **Accounting Policies**

A I R L A N K A L I M I T E D

## **G) DEFERRED PROFITS**

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

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

## **H) DEFERRED EXPENDITURE**

Airframe overhaul, computer systems development and crew conversion costs are deferred and amortised over periods ranging from one to five years.

## **I) SALES IN ADVANCE OF CARRIAGE**

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 tickets are utilised and cargo uplifted on the services operated 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 advances of carriage when paid.



## **Profit and Loss Account for the year ended 31 March 1989**

A I R L A N K A L I M I T E D

		1989	1988
	Note	Rs.M	Rs.M
Revenue	1	5,144.31	4,190.34
Operating profit	1 & 2	430.37	50.90
Dividend from associated company		20.00	0.00
		450.37	50.90
Other income and charges	3	144.75	440.20
		595.12	491.10
Interest and similar charges	4	(714.04)	(840.46)
Profit/(loss) for the year		(118.92)	(349.36)
Deferred expenditure written off	5	(9.51)	(25.28)
Profit/(loss) after deferred expenditure		(128.43)	(374.64)

.....

**The notes on pages 10 to 22 form part of these accounts**

## **Balance Sheet as at 31 March 1989**

A I R L A N K A L I M I T E D

		1989	1988
	Note	Rs.M	Rs.M
Fixed assets	6	3,979.55	4,063.57
Investments	7	93.63	74.17
Deferred items	8	109.50	265.76
Net current liabilities	9	(196.02)	(503.30)
		3,986.66	3,900.20
 Financed by:			
Issued share capital	10	7,369.47	6,510.47
Advance on share capital		0.00	435.00
Profit and loss account	11	(6,248.13)	(6,119.70)
Capital reserve	12	349.03	235.52
Other reserves	13	—	31.99
Shareholder's funds		1,470.37	1,093.28
Long-term loans	14	395.00	586.20
Obligations under finance leases	15	2,121.29	2,220.72
		3,986.66	3,900.20

M.G.D. Jayawardene  
Chairman/Managing Director  
Colombo, 28 July 1989

R. Paskaralingam  
Director

The notes on pages 10 to 22 form part of these accounts

## Notes to the Accounts

A I R L A N K A L I M I T E D

### 1. Analysis of revenue and operating profit

	Revenue		Operating	
			Profit/(loss)	
	1989	1988	1989	1988
	Rs.M	Rs.M	Rs.M	Rs.M
Airline operations	4,836.19	3,563.07	268.93	(209.43)
Ground handling	252.96	216.00	142.28	129.20
Aircraft leasing	0.00	368.51	0.00	115.04
Duty free sales	55.16	42.76	19.16	16.09
	5,144.31	4,190.34	430.37	50.90

### Revenue from airline operations comprises :

	1989	1988
	Rs.M	Rs.M
Scheduled services:		
Passenger	4,089.62	3,037.77
Excess baggage	146.86	132.15
Cargo	511.32	344.72
Mail	38.55	26.24
	4,786.35	3,540.88
Non scheduled services	49.84	22.19
	4,836.19	3,563.07



## Notes to the Accounts — Continued

A I R L A N K A L I M I T E D

<b>2. Operating profit</b>	<b>1989</b>	<b>1988</b>
	<b>Rs.M</b>	<b>Rs.M</b>

Operating profit has been arrived at - after charging :

Depreciation on owned fixed assets	356.04	362.17
Depreciation on leased fixed assets	204.78	224.53
	560.82	586.70
Operating lease charges	100.22	264.70
Auditors' remuneration	0.25	0.25
Directors' emoluments	0.00	0.00
Bad and doubtful debts	41.51	103.28
Deferred maintenance checks	18.27	25.03

<b>3. Other income and charges</b>	<b>1989</b>	<b>1988</b>
	<b>Rs.M</b>	<b>Rs.M</b>

Profit/(loss) on disposal of fixed assets	68.99	367.21
Exchange differences	16.41	34.81
Deferred profits	0.00	13.17
Interest receivable	33.10	11.06
Other items	26.25	13.95
	144.75	440.20

## Notes to the Accounts — Continued

A I R L A N K A L I M I T E D

4. Interest & similar charges	1989 Rs M	1988 Rs M
Interest payable:		
On bank loans	(91.47)	(157.43)
On other loans and lease finances	(418.17)	(475.17)
	(509.64)	(632.60)
Currency losses:		
On bank loans	(204.40)	(207.66)
On other loans and lease finances		(0.20)
	(204.40)	(207.86)
	(714.04)	(840.46)
5. Deferred expenditure written off	1989 Rs.M	1988 Rs.M
Maintenance checks	(18.27)	(25.03)
Crew training and conversion	0.00	(16.62)
Computer systems development	(5.46)	(5.20)
Other items	(4.05)	(3.46)
	(27.78)	(50.31)
Less : Deferred maintenance checks — -included in operating expenditure	18.27	25.03
	(9.51)	(25.28)

## Notes to the Accounts — Continued

### A I R L A N K A L I M I T E D

6. Fixed assets	Fleet Rs.M	Property Rs.M	Equipment Rs.M	Projects Rs.M	Total Rs.M
<b>Cost</b>					
At 01 April 1988	5,479.78	547.39	423.09	144.44	6,594.70
Additions	184.43	0.68	35.12	15.78	236.01
Disposals	(180.07)	(0.03)	(1.87)	(24.70)	(206.67)
Restatements & revaluations	405.22	96.75			501.97
Adjustments & transfers	127.72	(0.08)	(0.24)	(128.77)	(1.37)
<b>At 31 March 1989</b>	<b>6,017.08</b>	<b>644.71</b>	<b>456.10</b>	<b>6.75</b>	<b>7,124.64</b>
<b>Depreciation</b>					
At 01 April 1988	2,139.73	94.62	296.78		2,531.13
Charges for the year	490.87	29.32	40.63		560.82
Disposals	(88.43)		(1.76)		(90.19)
Restatements & revaluations	153.14	7.72			160.86
Adjustments & transfers		(17.48)	(0.05)		(17.53)
<b>At 31 March 1989</b>	<b>2,695.31</b>	<b>114.18</b>	<b>335.60</b>	<b>0.00</b>	<b>3,145.09</b>
<b>Net book value</b>					
At 31 March 1989	3,321.77	530.53	120.50	6.75	3,979.55
At 01 April 1988	3,340.05	452.77	126.31	144.44	4,063.57

The net book value of fleet comprises:

	1989 Rs.M	1988 Rs.M
Owned	802.64	835.87
Finance leased	2,519.13	2,504.18
	<u>3,321.77</u>	<u>3,340.05</u>



## **Notes to the Accounts — Continued**

### A I R L A N K A L I M I T E D

<b>7. Investments in associated companies</b>	<b>1989</b>	<b>1988</b>
	<b>Rs.M</b>	<b>Rs.M</b>
Investment in Air Lanka Catering Services Ltd.		
At 01 April	74.17	71.01
Acquired in the year	8.00	—
Revaluation of shareholding	11.46	3.16
At 31 March	93.63	74.17

The Company holds 50% of the issued share capital of Air Lanka Catering Services Ltd. The Company's shareholding in Air Lanka Catering Services as at 31 March 1988 has been revalued on a net assets basis and included in these accounts on the basis of that valuation.

<b>8. Deferred items</b>	<b>1989</b>	<b>1988</b>
	<b>Rs.M</b>	<b>Rs.M</b>
Exchange equalisation	74.36	225.65
Deferred expenditure	35.14	40.11
Deferred profits on sale and lease back- —transactions	—	—
	109.50	265.76

## Notes to the Accounts - Continued

### A I R L A N K A L I M I T E D

(a). Exchange equalisation	1989	1988
	Rs.M	Rs.M
At 01 April	225.65	324.24
Restatement of liabilities	309.64	337.43
Restatement of fixed assets	(265.53)	(228.16)
Charge for the year	(204.40)	(207.86)
At 31 March	74.36	225.65
(b). Deferred expenditure	1989	1988
	Rs.M	Rs.M
At 01 April	40.11	48.55
Additions during the year	22.81	41.87
Charge for the year	(27.78)	(50.31)
At 31 March	35.14	40.11
(c). Deferred profits	1989	1988
	Rs.M	Rs.M
At 01 April	—	(38.65)
Credits for the year	—	13.17
Transfers to disposal income	—	25.48
At 31 March	—	—

## Notes to the Accounts - Continued

### A I R L A N K A L I M I T E D

9. Net current assets/(liabilities)	1989	1988
	Rs.M	Rs.M
<b>Current assets:</b>		
Stocks	356.94	314.47
Debtors - trade	463.93	486.14
Debtors - other	96.05	63.93
Debtors - staff	23.11	14.90
Advances and deposits	102.72	183.79
Cash and bank balances	919.87	319.98
<b>Total current assets</b>	<b>1,962.62</b>	<b>1,383.21</b>
<b>Current liabilities</b>		
<b>Creditors - repayable within one year</b>		
Bank and other loans	247.21	646.98
Finance leases	311.96	245.85
	559.17	892.83
Trade creditors	937.55	506.60
Other creditors	66.87	41.30
Sales in advance of carriage	595.05	445.78
<b>Total current liabilities</b>	<b>2,158.64</b>	<b>1,886.51</b>
<b>Net current assets/(liabilities)</b>	<b>(196.02)</b>	<b>(503.30)</b>

Note: Sales in advance of carriage represents 6.5 weeks average sales. (6.6 weeks in 1988)



## Notes to the Accounts — Continued

A I R L A N K A L I M I T E D

10. Share capital	1989	1988
	Rs.M	Rs.M
Authorised		
150,000,000 shares of Rs. 100 each	15,000.00	15,000.00
Issued and fully paid 73,694,713 shares of Rs. 100/- each	7,369.47	6,510.47
(1988 - 65,104,713 shares of Rs. 100 each)		
Movement in share capital account:		
At 01 April	6,510.47	5,898.47
Shares issued during the year	859.00	612.00
At 31 March	7,369.47	6,510.47
<b>11. Profit and loss account</b>		
	<b>1989</b>	<b>1988</b>
	<b>Rs.M</b>	<b>Rs.M</b>
Profit/(loss) for the year	(128.43)	(374.64)
Profit and loss account at 01 April		
As previously reported	(6,119.70)	(5,649.85)
Prior year adjustments	0.00	(95.21)
As restated	(6,119.70)	(5,745.06)
Profit and loss account at 31 March	(6,248.13)	(6,119.70)

## Notes to the Accounts - Continued

### A I R L A N K A L I M I T E D

<b>12. Capital reserve</b>	<b>1989</b>	<b>1988</b>
	<b>Rs.M</b>	<b>Rs.M</b>
At 01 April	235.52	233.27
Revaluation of fixed assets	75.60	—
Restatement of fixed assets	26.45	(0.91)
Revaluation of investments	11.46	3.16
At 31 March	349.03	235.52

<b>13. Other reserves</b>	<b>1989</b>	<b>1988</b>
	<b>Rs.M</b>	<b>Rs.M</b>
At 01 April	31.99	—
Additions during the year	—	31.99
Transfers during the year	(31.99)	—
At 31 March	—	31.99

Other reserves represent amounts set aside for engine and landing gear overhaul of the L 1011-500 fleet which was on lease during the financial year 1987/88.

## Notes to the Accounts — Continued

A I R L A N K A L I M I T E D

14. Long-term loans	1989	1988
	Rs.M	Rs.M
Repayable as follows		
Bank loans		
— within one year	213.11	615.86
— between one and two years	209.73	194.53
— between two and five years	117.08	270.49
— over five years	—	27.81
	539.92	1,108.69
Other loans		
— within one year	34.10	31.12
— between one and two years	34.10	31.12
— between two and five years	34.09	62.25
— over five years	—	—
	102.29	124.49
Total long-term loans	642.21	1,233.18
Amount due within one year included		
— under current liabilities	247.21	646.98
	395.00	586.20

Loans are repayable on various dates upto the year 1993 at interest rates upto 11.5 percent per annum.

Obligations under bank and other loans, with the exception of loans which amounted to Rs. M 203.10 at 31 March 1989 and are secured by charges over assets, are guaranteed by the Government of Sri Lanka (see Note 21)



## **Notes to the Accounts - Continued**

A I R L A N K A L I M I T E D

### **15. Obligations under finance leases**

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

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

	<b>1989</b>	<b>1988</b>
	<b>Rs.M</b>	<b>Rs.M</b>
Within one year	311.96	245.85
Between :		
— one and two years	361.65	285.06
— two and three years	417.14	329.50
— three and four years	481.21	380.75
— four and five years	554.02	439.24
over five years	307.27	786.17
	2,433.25	2,466.57
<b>Amount due within one year included -</b>		
— under current liabilities	311.96	245.85
	2,121.29	2,220.72

The Government of Sri Lanka has guaranteed the obligations of the Company under the finance lease agreement with CSL Leasing Corporation.

## Notes to the Accounts — Continued

A I R L A N K A L I M I T E D

### 16. Aircraft engine overhaul

At the commencement of the year under review, the Company changed from the "power by the hour" maintenance contracting system for aircraft engine maintenance to "time and material" method.

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

### 17. Commitments and contingencies

(a) Outstanding commitments for capital expenditure at 31 March 1989 are as follows:

	Rs.M
Contracted but not provided in the accounts	14.77
Authorised but not contracted for	1.23

(b) A sum of Rs. 13.32 million (US Dollars 0.5 million) advanced by the Company to Aerospace Finance Limited is included in the debtors.

This sum along with accrued interest on the original sum of US Dollars 2 million advanced to Aerospace Finance Limited is the subject of a dispute between the Company and Aerospace Finance Limited.

A provision for a contingent loss of Rs. 13.32 million has been made in these accounts.

No provision has been made in these accounts in respect of unsecured contingent liabilities arising in the normal course of the business of the Company in respect of legal actions or other claims being undertaken by or against the Company.

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

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

The claims submitted do not exceed this sum.

## **Notes to the Accounts — Continued**

A I R L A N K A L I M I T E D

### **18. Retirement gratuity**

A provision of Rs. 32.36 million has been made in the accounts in respect of retirement gratuities which may fall due under the Payment of Gratuity Act No. 12 of 1983.

### **19. 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 a period of seven years from 01 September 1979.

This exemption has been extended for a further period of three years commencing from 01 August 1986.

### **20. Directors' interest**

All Directors of the Company are Directors of the associated company Air Lanka Catering Services Limited, with whom the Company has a contract for catering.

No other contract of significance subsisted during or at the end of the financial year in which any Director was materially interested.

### **21. Charge on assets**

Assets shown as own in the Company's books and accounts at 31 March 1989 belonged to the Company and were free from any charge except for :

Lockheed Tristar L 1011-100 4R ULE (airframe)

Nine Rolls Royce RB 211 aircraft engines

IBM 4331 Mainframe computer

### **22. Comparative amounts**

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



# **Auditor's Report**

## **To The Members of Air Lanka Limited**

A I R L A N K A L I M I T E D

We have examined the Balance Sheet of Air Lanka Limited as at 31st March, 1989 and the related Statements of Profit and Loss and changes in Financial Position for the year then ended, exhibited on pages 4 to 25 of the Annual Report.

Our examination was made in accordance with Sri Lanka Auditing Standards. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the audit. We have not visited the overseas stations of the Company but have received returns adequate for purposes of audit.

We were unable to adequately verify aircraft rotables and non-rotable spares due to inadequate records maintained and improper classification of rotatable and non-rotatable spares.

Subject to the preceding paragraph, in our opinion so far as appears from our examination, proper books have been maintained by the Company and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account and statement of changes in Financial Position which are in agreement therewith, provide the information required by the Companies Act No. 17 of 1982 and give a true and fair view of the state of affairs of the Company as at 31st March, 1989, and of its loss for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the previous year.

According to information available to us, no Director of the Company is directly or indirectly interested in any contract with the Company other than those disclosed in Note 20 of the Accounts.

FORD, RHODES, THORNTON & CO.

Chartered Accountants.

28th July, 1989

Colombo.

## Statement of Changes In Financial Position

A I R L A N K A L I M I T E D

Source of Funds:	Note	1989 Rs.M	1988 Rs.M
Profit/(loss)	A	(147.12)	(463.06)
Adjustment for items not involving —the movement of funds	B	774.90	488.42
		627.78	25.36
Funds generated from operations		627.78	25.36
Proceeds from issue of shares		424.00	897.00
Increase in long-term liabilities		0.63	217.41
Maintenance reserve		(31.99)	31.99
Proceeds from disposal of fixed assets		185.47	1,402.14
Income from investments		20.00	-
		1,225.89	2,573.90
		1,225.89	2,573.90
<b>Application of funds</b>			
Purchase of fixed assets		220.23	18.90
Investment in projects		15.78	10.25
Investment in associate company		8.00	-
Increase in deferred expenditure		22.81	41.87
Decrease in long-term loans		679.19	1,420.65
Decrease in finance lease obligations		255.37	1,166.16
		1,201.38	2,657.83
		1,201.38	2,657.83
<b>Working capital</b>			
<b>Net increase</b>	<b>C</b>	24.51	(83.93)

A I R L A N K A L I M I T E D

Notes	1989 Rs.M	1988 Rs.M
A Profit/(loss) per accounts	(128.43)	(374.64)
Prior year adjustments	-	(95.21)
Prior year non-cash adjustments	1.31	6.79
Income from associated company	(20.00)	-
	<hr/>	<hr/>
	(147.12)	(463.06)
	<hr/>	<hr/>
B Adjustments for items not involving —the movement of funds		
Depreciation	560.82	586.70
Amortisation of deferred items	232.18	245.00
Profit on disposal of fixed assets	(68.99)	(367.21)
General provisions	50.89	23.93
	<hr/>	<hr/>
	774.90	488.42
	<hr/>	<hr/>
C Increase/(decrease) in components of working capital		
Stocks	42.47	14.19
Debtors	59.63	46.80
Advance payments and deposits	(81.07)	8.03
Creditors and accruals	(596.41)	(229.10)
Net liquid funds	599.89	76.15
	<hr/>	<hr/>
	24.51	(83.93)
	<hr/>	<hr/>



# Ten year review

## A I R L A N K A L I M I T E D

		1980	1981	1982
<b>Operations</b>				
Capacity offered	- ASK Millions	504.04	1,292.10	2,318.74
	- ATK Millions	59.10	155.30	292.80
<b>Traffic</b>				
Passengers carried	Thousands	96	266	441
Revenue Passenger kilometres	Millions	265.88	822.27	1,604.93
Passenger load factor	%	52.70	63.60	69.20
Cargo carried	Tonnes	1,223	3,508	7,935
Revenue tonne kilometres	Millions	28.10	86.80	175.50
Overall load factor	%	47.60	55.90	60.00
Break - even load factor	%	66.10	70.10	77.10

### *Glossary of Terms Used*

#### Available Seat Kilometres (ASK)

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

#### Available Tonne Kilometres (ATK)

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

#### Revenue Passenger Kilometres (RPK)

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

#### Revenue Tonne Kilometres (RTK)

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

#### Load Factor

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

#### Break - even Load Factor

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

A I R L A N K A L I M I T E D

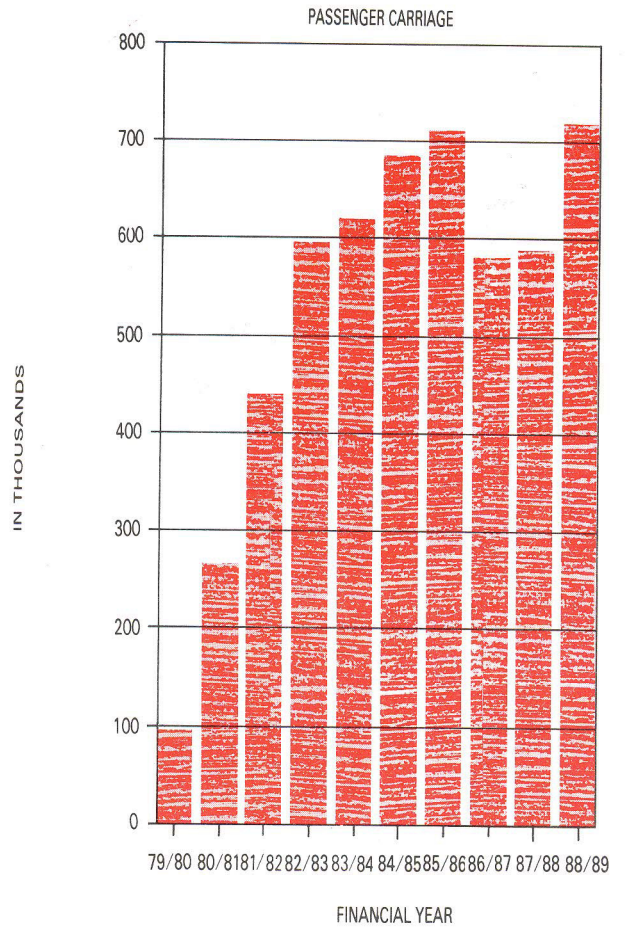
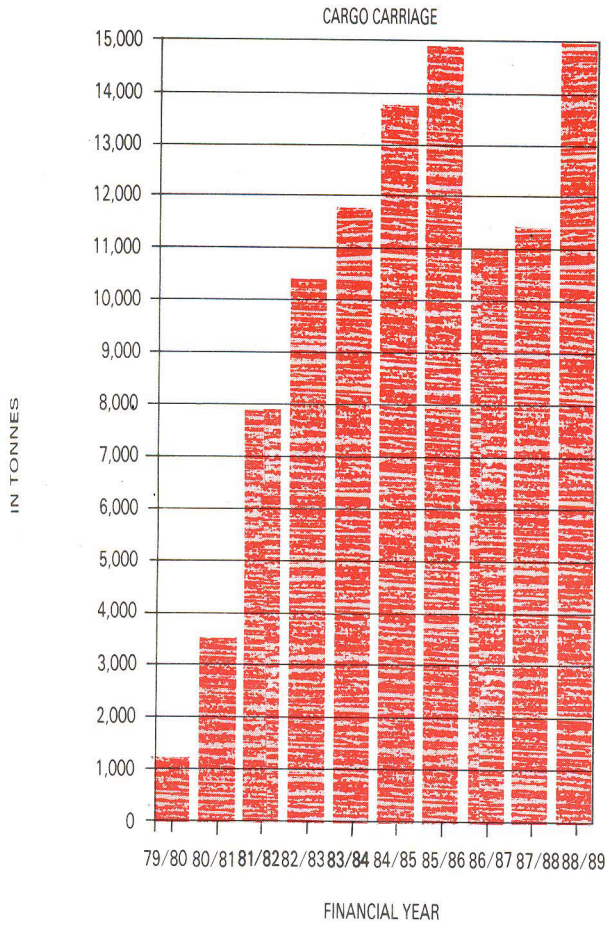
1983	1984	1985	1986	1987	1988	1989
2,821.97	3,172.91	3,910.94	3,959.97	3,062.21	2,930.09	3,401.17
360.00	397.20	514.30	490.40	374.80	366.70	446.20
598	622	687	713	583	591	720
2,036.75	2,142.10	2,545.52	2,573.25	1,927.28	1,974.00	2,510.06
72.20	67.50	65.10	65.00	62.90	67.40	73.80
10,415	11,805	13,773	14,959	11,045	11,462	14,995
227.20	245.20	294.50	303.00	223.10	228.90	294.60
63.10	61.70	57.30	61.80	59.50	62.40	66.00
67.30	62.40	65.50	70.50	64.00	66.00	61.79

**AIRCRAFT FLEET AT 31 MARCH 1989**

L 1011 - 500	2
L 1011 - 100	1
L 1011 - 50	1
B 737 - 200	1

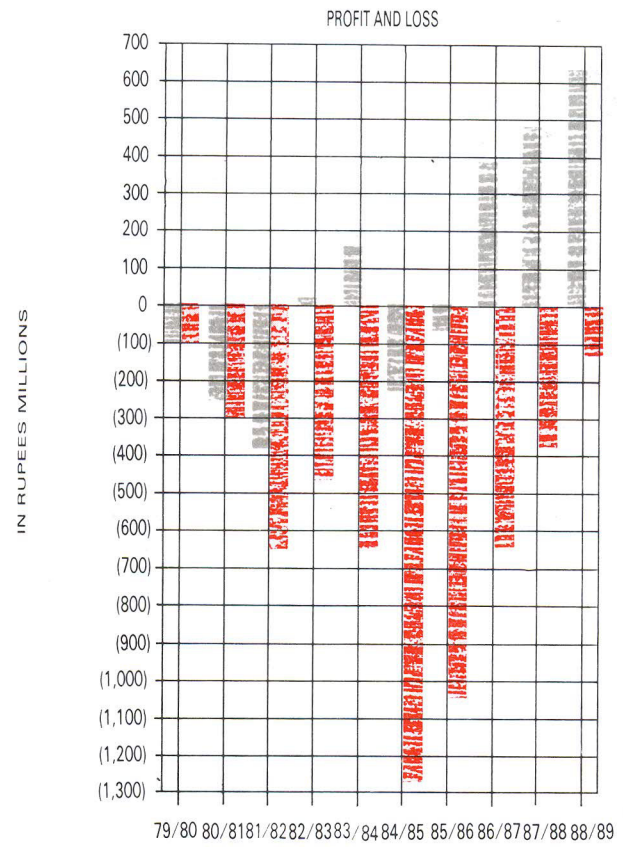
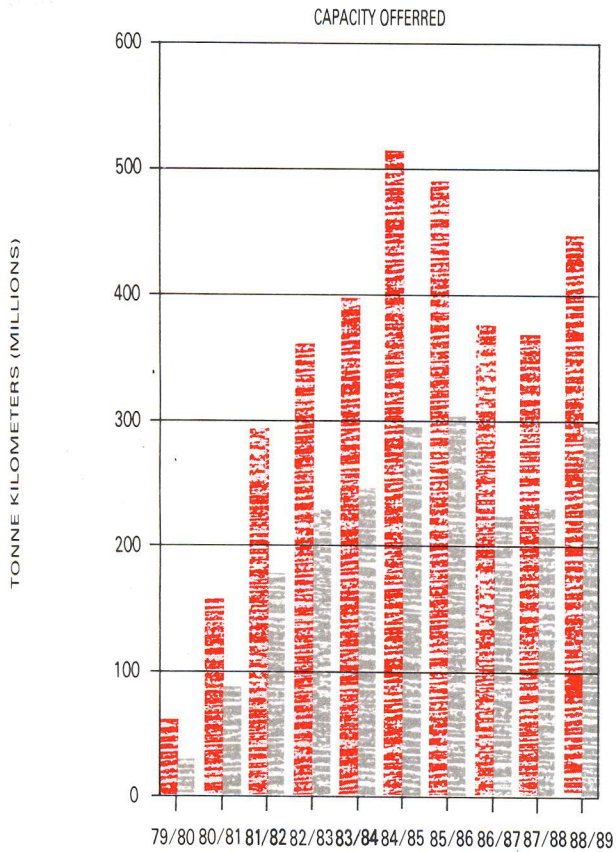
**Aircraft in service includes those owned and those subject to finance lease.**

# A I R L A N K A L I M I T E D





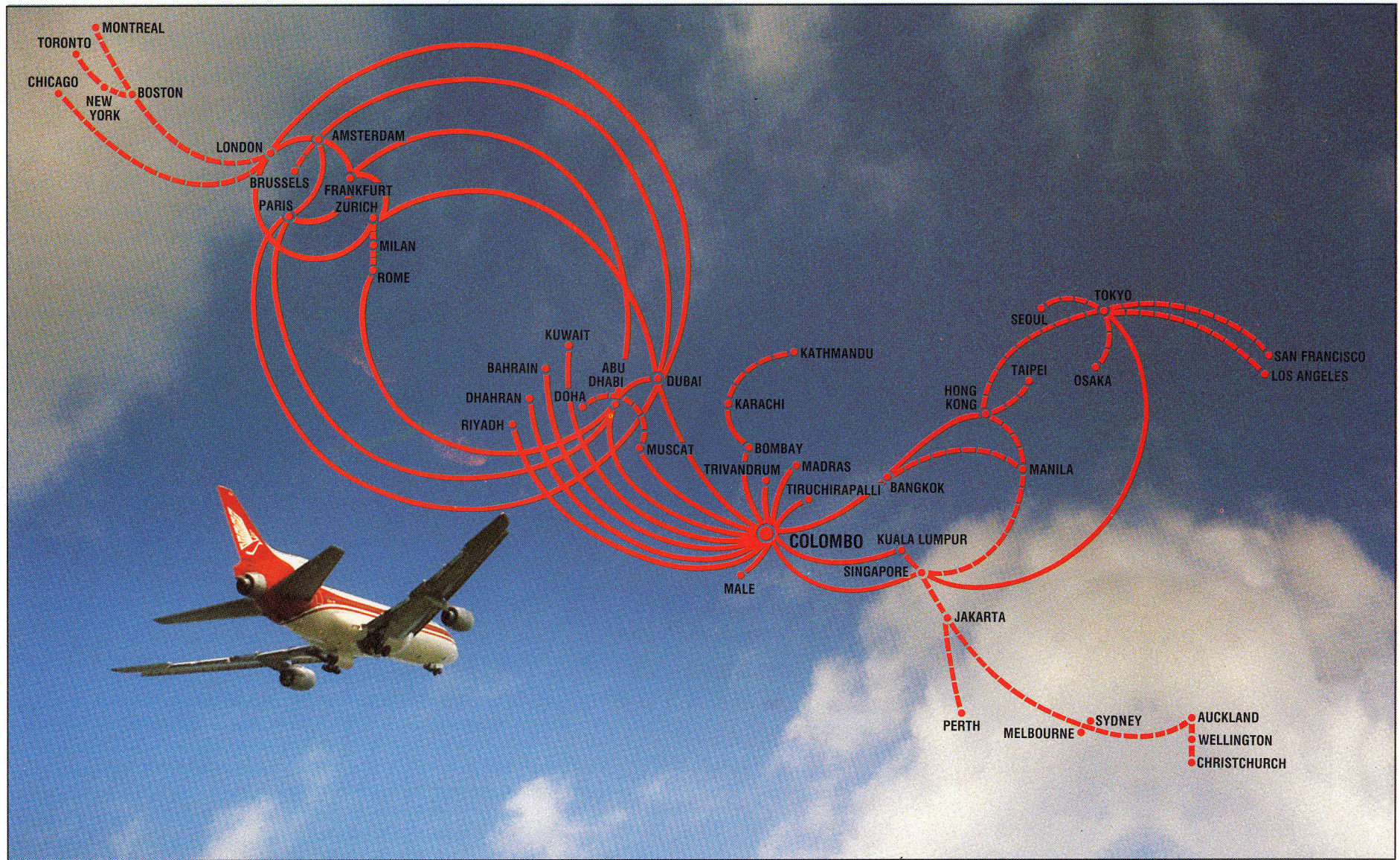
# A I R L A N K A L I M I T E D



■ CAPACITY OFFERED     
 ■ CAPACITY UTILISED

■ BEFORE FINANCE CHGS     
 ■ AFTER FINANCE CHGS





 AIR LANKA NETWORK

 INTERLINE AND/OR CONVENIENT CONNECTIONS



OFFSET BY AIRLANKA