

Chairman's Message

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It is with much pleasure that I present to you the Annual Report and Audited Accounts of The Lighthouse Hotel PLC, for the financial year 2013/14.

At the outset, I must mention that this year, our annual report has evolved and adopted an integrated reporting format that blends financial reporting with sustainability reporting; thus better describing the Company's creation of value over time.

The year under review has been a period of robust achievement and growth for the Hotel, supported by substantial growth in tourism to Sri Lanka within an environment of enduring peace and stability as well as steady economic growth in the country.

To lend perspective to our performance I believe it to be relevant to dwell briefly on our operating environment both here and overseas.

The External Environment - Global and Local

The world economy shows welcome signs of continued expansion on the back of continued recovery in advanced economies. Though overall global economic growth in 2013 stood marginally less than that of the previous year, 3% as against 3.1%, there is evidence of strong momentum, which according to forecasts, should grow further into 2014 and beyond.

The Sri Lankan economy continues to perform robustly; growth in 2013 reached 7.3% compared with 6.3% in 2012. In addition, the peace and calm that exists within Sri Lanka today, coupled with substantial infrastructure development among other factors offers an enabling environment for most enterprises, not the least those steeped in tourism and the hospitality industry.

Tourism - Globally and Locally

Perhaps reflecting the encouraging economic growth taking place globally, international tourist arrivals too grew by 5% in 2013. Having said that, I believe that people do travel across 'all seasons' - at the best and the worst of times, and every period in between - which, whilst probably being the subject of another whole body of research for another forum, is beneficial for the global and local industry.

Sri Lanka is ideally positioned, within the area of greatest demand for international tourism - the Asia Pacific region. Within the Asia Pacific region, South East Asian destinations are the most in demand - where we call home.

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Local tourism is benefiting immensely from the stability and calm that exists across the island as well as the development initiatives being pursued by the Government. Travel to and within the country are facilitated firstly by growth in airline capacity to and from Sri Lanka as well as improved access to tourist 'hot spots' within the country as a consequence of infrastructure development. In addition many areas of touristic interest are developing at a rapid pace - for example accommodation in the North and along the East coast, city night life, restaurants and the like.

The year in review has been fabulous for tourism - arrivals grew 27% to reach 1.27 million visitors. The increase in arrivals has generated an increase in spend and resulted in an increase of 65% in tourism earnings for 2013.

In years gone by, our key generating market comprised countries in Western Europe. We were largely dependent on this market. However, whilst it still generates close to 50% of our business, we see the emergence of others such as the Middle Eastern countries, China, India, Australia and other Far Eastern and South East Asian countries who are fast gaining importance and changing the 'demographics' of the market.

Strategies that Breed Success

Our success is underpinned by our ability to offer a property, products and services of prime quality and uniqueness that engenders growing customer satisfaction and appreciation in as sustainable a manner as possible.

In terms of scope and scale, Jetwing Lighthouse is fully complete. Our room inventory increased by 22, located in a new wing of the Hotel, whilst we also added 3 treatment rooms to our spa and a new restaurant and kitchen. A great example where infrastructure development, customer satisfaction and good sustainable business precepts come together is the outlet known as Nihal's.

Nihal is our Executive Chef who has been with us for the past 16 years and one of the best chefs in the country. Such is his prowess that he can easily rub shoulders with some of the best known names in the culinary field in Sri Lanka. We named our restaurant after him to brand a dining experience based on his skills. The outlet has been a fair revenue generator too.

Performance

We continued to grow our key financial indicators 'in the right direction' for yet another year. Profit before tax increased by 7% - analysed over four years our PBT shows a Compound Annual Growth Rate (CAGR) of 47%.

Revenue grew by 11% over the previous year to total Rs. 681 million. This was fuelled in the main by an increase in room revenue (14%) which may be attributed to the already mentioned increase in room inventory. Profit after tax grew by 9%.

Returns to Shareholders

Our policy is to distribute the maximum to the shareholders, whilst retaining needed funds for potential expansions. This same trend will continue. Jetwing Lighthouse is committed to providing the highest returns possible to shareholders.

For the year under review, the Board has declared a final dividend per share of Rs. 2.00, subject to final shareholder approval at the AGM. This will amount to a gross dividend outflow of Rs. 92 million.

Outlook

I believe tourism to be in a period of renaissance. For so long in past years, the tourism industry did not enjoy proper opportunities to grow and develop in a sustained manner. We were, in a manner of speaking, 'on the back foot' merely trying to get by and survive.

The past five years have seen a sea of change. We are seeing a beneficial confluence of factors - the overall development of the country, growing confidence and belief in the unfolding scenario and consistent in tourist arrivals - that speaks tangibly of the vibrancy of tourism in Sri Lanka today. The Government and its agencies are truly focused - an aggressive marketing campaign has been launched to promote and brand the destination in all key markets.

We must thank the authorities - they have good teams in charge of the subject; people who are committed and result oriented.

Our Plans for the Future

From the Hotel's perspective, we plan to develop our holdings at Jetwing Kurulubedda by adding to the accommodation inventory and facilities.

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We have also acquired a property at Unawatuna on which we expect to eventually construct a select services hotel of which plans are still at its initial stages.

Changes to the Management

I thank Mr. Robert Claesson our former General Manager, who has left Jetwing Lighthouse after 4 years of being at the helm of our enterprise. We wish him well in his future endeavours within the Jetwing *Family*.

I would also like to welcome Ms. Priyanthika Wijenaike, one of the three female General Managers at Jetwing Hotels, who assumed duties as General Manager and wish her a fulfilling tenure with the Hotel. Previously, Priyanthika was the General Manager of Jetwing Vil Uyana where she led the team successfully.

Thanks

I thank my colleagues on the Board for their valuable guidance and contribution in admirably steering the affairs of the Hotel through the year.

Thank you also to Jetwing Hotels, their management team and associates for their belief in the values and continued prosperity of Jetwing Lighthouse.

My deep appreciation and thanks are unstintingly offered to the Tour Operator and Travel Agent fraternities as well as our honoured guests, without whose support it is difficult to imagine the continued well-being of the Hotel.

To the team at Jetwing Lighthouse - I commend your commitment, loyalty and striving to achieve all our goals and in the process delighting our guests. I thank you for the many hours you spend in making the Hotel what it is.

There is a bright future ahead of us - I have no doubt that we have the potential to 'dine amply' at its table...and fashion an even brighter future in the years to come.

Hiran Cooray

Chairman

28th April 2014