

sublime memories

Jetwing
LIGHTHOUSE
GALLE • SRI LANKA



SCAN

FOR ONLINE VERSION

<http://thelighthousehotelplc2013-14.annualreports.lk>

sublime**memories**

At the core of every single hotel stay, be it on business or pleasure, there remains one constant - a benchmark of success, happiness and satisfaction. Memories last forever, and the experience of the traditional Sri Lankan hospitality complemented by the charming ambience of Jetwing Lighthouse is one to last infinite lifetimes.

At Jetwing Lighthouse,
we create the finest memories - always.

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Form of Proxy Enclosed

About Us

The Lighthouse Hotel PLC was incorporated in 1994.

An integral member of the Jetwing Family of Hotels, it is a luxury hotel establishment located along the South Western coast of Sri Lanka close to the historic city of Galle. It bears the distinctive architecture and design flair of one of Sri Lanka's most iconic geniuses, Geoffrey Bawa.

Jetwing Lighthouse targets up-market leisure and business travellers and has a current inventory of 85 rooms including 05 themed suites. In addition, it also owns Jetwing Kurulubedda, a boutique hotel with two private dwellings.

The Lighthouse Hotel PLC has a vision - 'To be world class in everything we do'. In achieving the aims of its mission statement, 'To be a family of people and companies committed to legendary and innovative service leading to high stakeholder satisfaction' the Hotel banks on four defined traits - Passion, Humility, Integrity and Tenacity.



Reflections at night
Wing overlooking the first pool



Warm welcomes
Entrance of Jetwing Lighthouse



The past meets the present
Deluxe room at Jetwing Lighthouse

Awaiting you

The Indian Ocean provides a perfect backdrop and view from the verandah



Island life

Garden area at Jetwing Lighthouse,
near the spa





The sea's embrace

Waves crash against the famed rocks
of Jetwing Lighthouse



Serene afternoons

The verandah at Jetwing Lighthouse

Quick dips

Red wattled lapwing at the edge of
the pool





Ocean blues

Outside dining in the verandah

Bawa's genius
Interior spaces
in Jetwing Lighthouse



Rocky beaches

Setting used for the famous BBQ
dining experience





Breakfast in paradise

Poolside dining



The future

Newly constructed super deluxe wing
at Jetwing Lighthouse



Whale ahoy!

Whale watching excursions offered
at Jetwing Lighthouse, accompanied by the resident naturalist

About the Report

Report Structure

Our Annual Report for 2013/14 adopts a significantly different format to that of the previous year. In your hands is our first integrated Annual report. Its advantage over the previous format is that it allows the Company to communicate more effectively and concisely the interactions and interdependence of the many aspects of our business - such as strategy, governance, performance and prospects - in the context of creating value over time.

In order that we may balance the twin considerations of brevity and completeness we have made use of multiple media. The print version of the integrated report thus provides cross references to additional details that may be accessed by scanning the QR code found on relevant pages, while one may also visit our interactive online report for a more comprehensive account. (<http://thelighthousehotelpc2013-14.annualreports.lk>)

Value Creation and Capital Formation

Although our Annual Report 2012/13 included a Sustainability Report, commencing this year, we have seamlessly integrated financial reporting and sustainability reporting to better describe the duality of our purpose, namely, deriving and delivering value that leads to internal and external capital formation. Our internal capital formation is a result of value created by The Lighthouse Hotel PLC for The Lighthouse Hotel PLC and comprises financial capital and institutional capital. Our external capital formation is a result of financial and non-financial value created by The Lighthouse Hotel PLC for its stakeholders. Both aspects are relevant as the ability of The Lighthouse Hotel PLC to create value for itself is linked to the value it creates for others. These concepts are discussed in greater detail on pages 36 and 37.

In preparing this report we have drawn on concepts, principles and guidance given in the

Global Reporting Initiative (GRI) Sustainability Reporting Guidelines G3.1 (2011)
[www.globalreporting.org]

International Integrated Reporting Framework (2013) and the
[www.theiirc.org]

Smart Integrated Reporting Methodology™
[www.smart.lk]

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Report Boundary

The Lighthouse Hotel PLC does not have any subsidiaries or associates. Hence, the material contained in this report pertains solely to properties of The Lighthouse Hotel PLC. However, non-financial information included, are only for owned properties of The Lighthouse Hotel PLC. In arriving at the materiality of content, we have been guided by topics such as areas of business focus, geographical spread and profiles of stakeholders, among others.

An important consideration to be noted is that since Jetwing Lighthouse is an entity operating within the Jetwing Brand, many of its practices and processes and its statutory orientation conforms to standard practices observed across the Jetwing Family of Hotels. This explains why the reader will find phraseology such as 'Jetwing Family of Hotels'; 'Jetwing Hotels'; 'associates' and the like interspersed in our narrative.

Our reporting period is 1st April, 2013 to 31st March, 2014 and we maintain an annual cycle of reporting.

Contact

We welcome your comments, queries and suggestions.

Please channel these to:

Group Accountant,
Jetwing Hotels Ltd.,
Jetwing House, 46/26, Nawam Mawatha,
Colombo 02.

Tel: +94 11 234 5700 Ext. 1315 or 2259

E-mail: accounts@jetwinghotels.com

Highlights of the Year

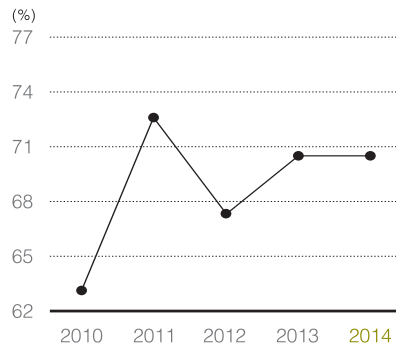
		2014	2013
Performance for the year ended 31st March			
Revenue	Rs. '000	681,105	614,727
Earnings Before Interest, Tax, Depreciation & Amortization (EBITDA)	Rs. '000	197,872	174,097
Profit Before Tax (PBT)	Rs. '000	136,597	127,292
Profit After Tax (PAT)	Rs. '000	122,319	112,154
Earnings Per Share (EPS)	Rs.	2.66	2.44
EPS Growth	%	9	1
Return on Equity	%	5	5
Financial Position as at 31st March			
Total Assets	Rs. '000	2,742,109	2,509,784
Total Debt	Rs. '000	138,779	—
Total Equity	Rs. '000	2,430,650	2,403,531
Number of Shares in Issue	No. 000s	46,000	46,000
Net Assets Per Share	Rs.	52.84	52.25
Debt/Equity	%	6	—
Debt/Total Assets	%	5	—
Current Ratio		0.75:1	2.65:1
Quick Asset Ratio		0.60:1	2.40:1
Market/Shareholder Information			
Market Price Per Share as at 31st March	Rs.	44.40	47.40
Market Capitalisation	Rs. '000	2,042,400	2,180,400
Price Earnings Ratio	Times	16.69	19.43
Dividend Payout	%	75	82
Dividend Proposed	Rs. '000	92,000	92,000
Dividend Per Share	Rs.	2.00	2.00
Value Added for the year ended 31st March			
To Government	Rs. '000	14,278	15,138
To Employees	Rs. '000	115,013	98,145
To Shareholders	Rs. '000	92,000	92,000

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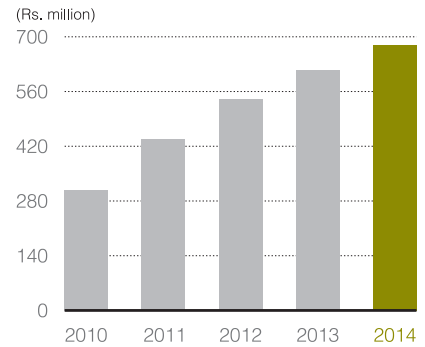
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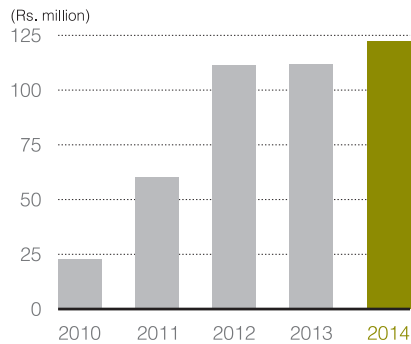
Average Occupancy



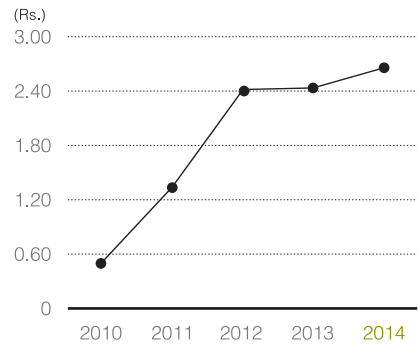
Revenue



Profit After Taxation



Earnings Per Share



Chairman's Message



SCAN to view
Chairman's Message

<http://thelighthousehotelplc.com/2013-14.annualreports.lk/video.html>

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 Wijenaik, 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

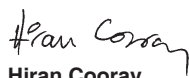
I thank my colleagues on the Board for their valuable guidance and contribution in admirably steering the affairs of the Hotel through the year.

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

Managing Director's Review

Well Focused

We approached 2013/14 with several areas of focus firmly in our sights as we believed they would help us deliver another year of good results whilst also enhancing the unique 'Jetwing Lighthouse experience' we offer to our guests.

This year we concentrated on 'completing' the Hotel; by this I mean we brought room inventory up to 85 with the addition of 22 rooms in a new wing of the Hotel. We expanded the spa complex and refurbished all existing rooms, the bar, restaurant and kitchen whilst also establishing a new restaurant, 'Nihal's', which is named after one of our top chefs who has been a vital part of the Hotel for the past 16 years.

These measures, apart from significantly enhancing the Hotel's offer, also optimally position us to leverage the development and growth in the tourism industry as evidenced by the growing number of arrivals.

Also kept in view was the constant need to improve our customer satisfaction ratio and to seek out and put into action more sustainability initiatives.

What makes Jetwing Lighthouse different

In a hospitality market that sees fierce competition across all segments – from city hotels, to resorts, boutique properties and beyond, I believe the uniqueness of Jetwing Lighthouse lies in the way we blend 'taken for granted' aspects of hospitality. Beginning with the Jetwing ethos and the identity we want all our properties to own and profess, we move through the service excellence, skill and expertise of our associates, then the quality standards we set for everything.

I believe this to be our differentiator.

Performance

The Lighthouse Hotel PLC achieved growth in revenue (11%) which was mainly driven by room revenue growth of 14% and increase in food & beverage revenue by 8%.

Profitability also increased with profit before tax reaching Rs. 137 million compared with Rs. 127 million, the previous year. Profit after tax amounted to Rs. 122 million, up 9% from last year's Rs. 112 million.

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Jetwing Lighthouse and the wider Stakeholder Community

We have a wide and varied interaction with the wider communities and enterprises.

We buy local produce and goods whenever we can - items such as fish (available in abundance off the Southern coast), vegetables and fruit. This practice occurs within the Hotel's parameters of quality and is a source of sustenance and encouragement for local vendors.

In a programme unique to Jetwing Lighthouse, we have converted a potentially volatile situation involving local 'tuk tuk' drivers who initially resented our presence in Galle, into a win-win. We reached out to this community in all sincerity, offered to train and absorb some of them into the Hotel operations fold and utilise their services to transport our guests as desired. We trained them on ethics, manners, discipline, grooming and how to deal with guests in a proper manner.

The Jetwing Youth Development Programme is enacted across the Jetwing Family of Hotels. Under this initiative we identify youth from localities around our hotels who do not have opportunities to build futures for themselves and we take them under our wing, teaching them our trade and other skills. At Galle, we selected 20 youth, taught them English, skills of our trade and finally employed them at Jetwing Lighthouse.

We pioneered whale watching off the Southern coast and today have an extensive involvement in this activity, which is described in detail further on in this report.

These are but a few of the activities in a substantial portfolio.

Staying ahead in an Electronic Era

The influence of ICT pervades all, these days. For the hospitality industry, an almost 'real time' assessment of your hotel goes on 24/7 through websites that support travellers and travel related businesses alike.

A good example is TripAdvisor. Today, this site has become the 'go to' point of reference for would be travellers, to check on the hotels at their intended destination. Also such sites contain postings by guests who are often completely candid about their experiences at their points of stay.

In this scenario, hotels have to be at the top of their game all the time, every day to ensure that customer feedback stays positive.

With such a close eye; Jetwing Lighthouse can feel justifiably proud to have garnered a 90% approval rating from feedback posted on TripAdvisor. TripAdvisor awarded Jetwing Lighthouse the Certificate of Excellence for the year 2013.

Staying ahead of the game involves broadly speaking, two areas. Ensuring that our media communications, particularly electronic, convey exactly what a customer can expect to receive at the Hotel; whilst also maintaining an always up to date website. Secondly, never letting up on pushing the customer satisfaction levels further - the latter aspect keeps our product always relevant, properly targeted to our clientele and creates opportunities for delighting the guest as many times and in as many ways possible during their stay.

The Jetwing Culture and the Jetwing Lighthouse Team

The culture across the entire Jetwing *Family* is based upon Passion, Humility, Integrity and Tenacity. This is how we did it over 40 years, guided by our founder and late Chairman Herbert Cooray, and how we do it now under the stewardship of our current Chairman.

Jetwing is really one big family; it is why we do not use words like 'staff' or 'employees' - we are associates across all grades and we have a common objective whether in the Boardroom or the kitchen - doing what has to be done, to the best of our ability, sincerely and with pride, to make the Jetwing star the brightest in the industry.

Jetwing Lighthouse in the National Context

Jetwing Lighthouse shines within the firmament of Jetwing Hotels. The Company's portfolio of some of the best leisure sector properties in this region of the world contributes significantly to the national interest of boosting tourism. We see ourselves as partakers, shareholders if you will, in the enterprise of marketing and bringing Sri Lanka to the world through our offer of luxury hospitality for tourists who visit our shores in ever growing numbers.

Thank You

I would like to conclude by thanking our Chairman and the Board of Directors for their guidance, support and the confidence they have placed in me and the Management of the Hotel.

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I thank Jetwing's Hotel Management team for their support and hard work in helping us achieve the results we have.

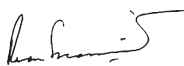
I bid fond farewell to our outgoing General Manager Mr Robert Claesson and wish him well in his future undertakings as General Manager of another Jetwing property.

A warm welcome to Ms. Priyanthika Wijenaike our incoming General Manager; who returns to Jetwing Lighthouse after a brilliant performance at Jetwing Vil Uyana. I have full confidence in her, and wish her the very best in this new challenge.

My heartfelt appreciation is extended in full measure to tour operators and travel agents without whose support and loyalty we would find it difficult to go on; and those who have experienced the hospitality of Jetwing Lighthouse over the past year for their comments and suggestions that have always helped us - by encouraging words and ideas for continuous improvement.

Thank you our dear associates of every rank - your contribution, dedication and passion is why Jetwing Lighthouse has posted such good results, year after year. Well done!

To our shareholders, my heartfelt appreciation and thanks for your confidence in Jetwing Lighthouse and its ability to deliver consistent and growing value year upon year.



R.A.E. Samarasinghe

Managing Director

28th April, 2014

Business Model

Organizational Profile

The Organization

The Lighthouse Hotel PLC ('Company') is a limited liability Company incorporated in 1994 and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office of the Company is located at 'Jetwing House' 46/26 Nawam Mawatha, Colombo 02 and its principal place of business is situated at Dadella, Galle.

The Company owns and operates Jetwing Lighthouse and Jetwing Kurulubedda, which is targeted at the up market leisure travellers.

The Company does not have an identifiable parent of its own.

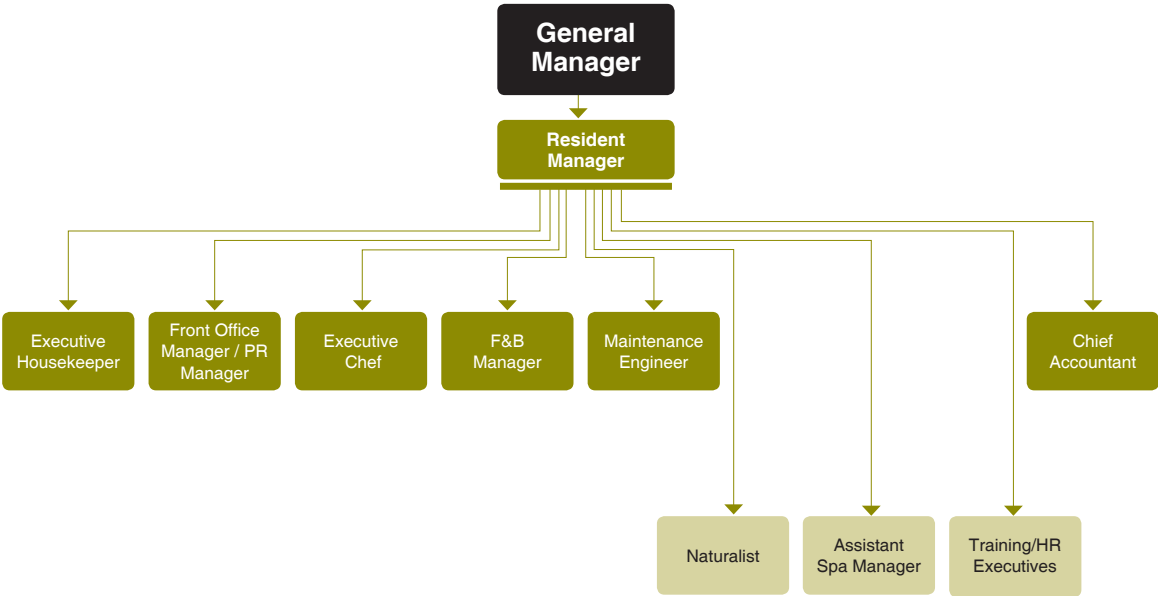
The Lighthouse Hotel PLC operates in the Hotels & Travels sector.

Shareholding Structure

	No. of Shareholders	No. of Shares	%
Individuals	1,205	5,218,208	11.34
Institutions	79	40,781,792	88.66
Total	1,284	46,000,000	100.00

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Organizational Structure



Significant Areas of Change

Room inventory of Jetwing Lighthouse was increased to 85 during the year with the addition of 22 super deluxe rooms including 2 suites in the newly built wing.

Our spa was enhanced with the addition of 3 treatment rooms.

We also introduced a new restaurant and bar named Nihal's.

Operating Environment

The Global Economy

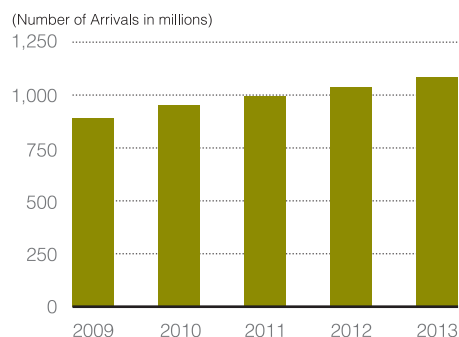
Global output grew by 3%, marginally lower compared to the 3.1% growth recorded in 2012. Economic activity strengthened during the second half of 2013 and as a result, the underlying momentum appeared to be strong. According to the IMF, activity is expected to improve further in 2014/15, largely on account of recovery in the advanced economies. Global growth is now projected at 3.7% in 2014 and at 3.9% in 2015.

Advanced economies registered a growth of 1.3% in 2013, marginally lower than the growth of 1.4% recorded in 2012. The US grew by 1.9% in 2013 compared to 2.8% 2012. Meanwhile, the Euro area ended the prolonged recession narrowing the negative growth to 0.4%, from 0.7% in 2012.

Global Tourism

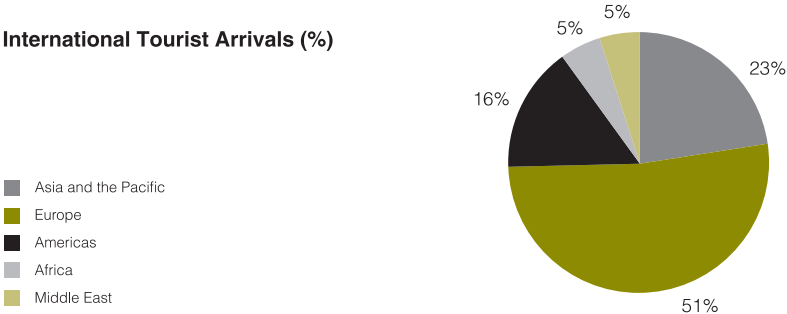
During the year, international tourist arrivals grew by 5% and reached a record 1,087 million, according to the latest UNWTO (United Nations World Tourism Organization) World Tourism Barometer. Despite global economic woes, international tourism results were well above expectations. An additional 52 million international tourists travelled the world in 2013. For 2014, UNWTO forecasts 4% to 4.5% growth - again, above the long term projections.

International Tourist Arrivals



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Demand for international tourism was strongest for destinations in Asia and the Pacific (+6%), Africa (+6%) and Europe (+5%). The leading sub-regions were South East Asia (+10%), Central and Eastern Europe (+7%), Southern and Mediterranean Europe (+6%) and North Africa (+6%).



In relative terms, growth was strongest in Asia and the Pacific (+6%), where the number of international tourists grew by 14 million to reach 248 million. South East Asia (+10%) was the best performing sub-region, while growth was comparatively more moderate in South Asia (+5%), Oceania and North East Asia (+4% each).

Total export earnings generated by international tourism in 2013 reached US\$ 1.4 trillion. Receipts earned by destinations from international visitors grew by 5% to reach US\$ 1,159 billion, while an additional US\$ 218 billion was earned by international passenger transport according to the UNWTO World Tourism Barometer.

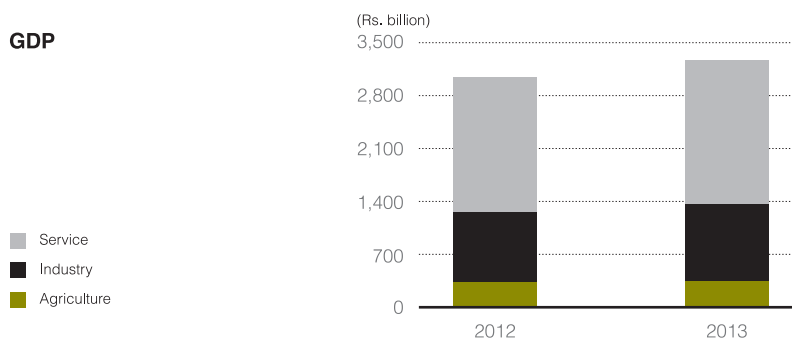
The Sri Lankan Economy

Commendable Growth

The Sri Lankan economy performed commendably, achieving an annual real GDP growth of 7.3% in 2013, in comparison to 6.3% achieved in 2012.

All sectors of the economy - Agriculture, Industry and Services - contributed positively to this growth.

GDP



Favourable weather conditions and the gradual recovery in external demand supported the steady increase in economic growth.

Inflation

Inflation as measured by the Colombo Consumers' Price Index (CCPI) (2006/07=100) which remained at single digit levels for the fifth consecutive year, gradually declined further to reach mid-single digits by the end of the year.

In this respect, prudent monetary management, improved domestic food supply and moderation of international commodity prices resulted in a gradual decline in inflation to 5.7% as at 31st March, 2014 on an annual average compared to 8.8% at 31st March, 2013.

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Exchange Rates

Sri Lanka's exchange rate policy in 2013 focused on maintaining flexibility in the determination of the exchange rates.

With the improvement in the external current account balance and significant in flows to the financial account, the BOP recorded an overall surplus of US\$ 985 million in 2013 compared to a surplus of US\$ 151 million in 2012.

Reflecting the improved BOP position, the reserve asset position of the country improved.

Overall, the rupee depreciated against the US\$ by 3% to Rs. 130.72 by 31st March, 2014.

The reduction in policy interest rates and the excess liquidity in the money market facilitated the downward adjustment in market interest rates during the year.

The policy interest rates of the Central Bank were reduced by 100 basis points in two steps during 2013. (50 basis points in May and another 50 basis points in October 2013) The Central Bank reduced its Statutory Reserve Ratio (SRR) by 2 percentage points, with effect from July 2013.

The monthly average weighted prime lending rate (AWPR) declined by 477 basis points in 2013.

National Infrastructure Development

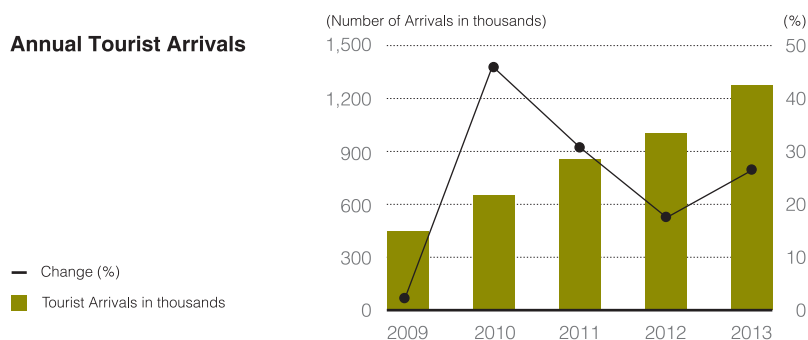
The year 2013 saw the completion and continuation of many key infrastructure projects including the country's second international airport at Mattala, harbour and port development projects, Katunayake - Colombo expressway and highway development projects and the Northern railway project, power projects, as well as several rural infrastructure development projects.

The Colombo city beautification and countrywide township development projects aided the wellbeing of the population amongst several other benefits associated with such improvements, such as promoting Sri Lanka as an up market tourist destination.

Sri Lanka's Tourism Industry

The tourism boom continued in 2013 with the number of visitors growing by 27% to reach 1.27 million tourists.

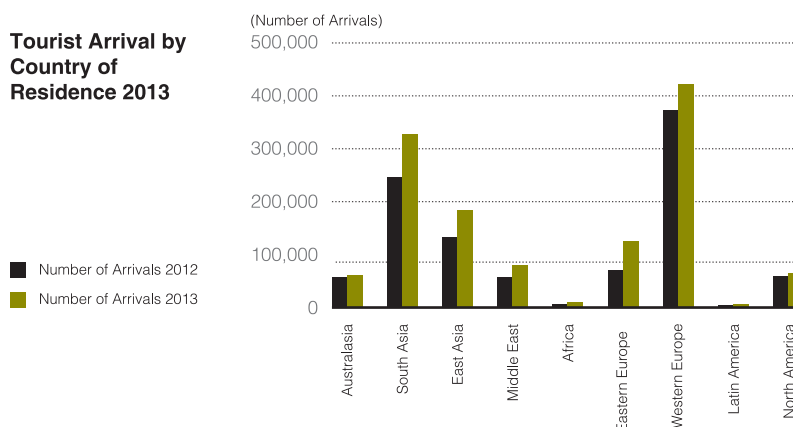
Annual Tourist Arrivals



Although Western Europe continued to be the prime source market for tourists to Sri Lanka, tourist arrivals from emerging market economies increased significantly in 2013. Consequently, tourist arrivals from Western Europe as a share of total arrivals fell to 33% in 2013 from 37.1% in 2012, although the number of tourist arrivals from this region increased by 12.9%, year-on-year in 2013.

On the other hand, the share of tourist arrivals from East Asia, South Asia, Eastern Europe and Middle East increased due to effective and strategic promotional campaigns executed during the year focusing on emerging markets. The South Asian region which was the second major market accounted for 25.6% of arrivals in 2013 compared to 24.6% in 2012.

Tourist Arrival by Country of Residence 2013



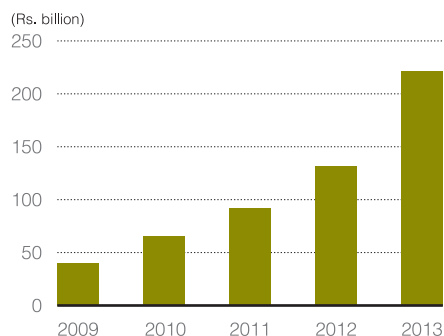
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Earnings from tourism continued to grow considerably in 2013. The continuous increase in tourist arrivals and an increase in average spending per tourist resulted in earnings from tourism recording US\$ 1,715 million in 2013, compared to US\$ 1,039 million in 2012. This shows a significant growth of 65%.

Gross Tourist Receipts



According to the Sri Lanka Tourism Development Authority (SLTDA), the average spend per tourist per day increased to US\$ 156.5 in 2013 from US\$ 103 in 2012, while the average duration of stay per tourist decreased to 8.6 days in 2013 from 10 days in 2012.

We note that the SLTDA and other relevant authorities have stepped up efforts to reach the target of 2.5 million tourists by 2016. This is evident from several promotional campaigns carried out during 2013. Sri Lanka's first ever mega joint promotional campaign, with the involvement of public and private sectors named 'Get SriLankan'ed', was launched in India followed by a high profile media conference as well as Business to Business meetings across the areas of travel and trade. The main aim of this campaign was to position Sri Lanka as the most preferred travel destination in emerging markets. In addition, promotional campaigns were held in Russia and other CIS countries as well as in emerging high potential markets such as China.

(Sources: World Tourism Organization, IMF Report, the Central Bank of Sri Lanka Annual Report 2013 and the Sri Lanka Tourism Development Authority.)

Goals and Strategies

The long term sustainability of the Company is dependent on the goals and strategies it has in place. At Jetwing Lighthouse, we have clear targets that we pursue to create sustainable value over the short, medium and long term.

We are focussed on three key goals to achieve operational excellence. Namely,

- To increase occupancy and revenue
- To improve customer satisfaction
- To focus on sustainable initiatives

Our strategies not only focus on the above goals but are set to enhance each and every aspect of our business whilst delivering value to all our stakeholders.

Stakeholders

Stakeholder Engagement

Conducting business successfully across the Hotel's operations requires constant engagement and dialogue with our stakeholders. Understanding the impacts and implications of our enterprise on these groups, both internal and external and how they think and respond to issues of importance to them is vital to the long-term prosperity and well-being of both the Hotel and its stakeholder.

We have various mechanisms for engaging with our stakeholders. The table below depicts the process that was followed by the Hotel on stakeholder engagement and identification of their concerns:

Stakeholder	Process of Engagement and Frequency
Shareholders/ Investors	• Annual General Meeting, which provides an opportunity to review the past year's performance and engage in discussion with the management. • Quarterly financial reports, which provide a review of current performance during the year. • Website, regularly updated. • E-mail address, provided for comments and suggestions.

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Stakeholder	Process of Engagement and Frequency
Employees	- Comprehensive appraisal system that takes place bi annually facilitates transparent evaluation, dialogue and performance based remuneration and reward. - Training programmes are initiated based on career development and career progression needs - Jetwing Sports Day and Jetwing <i>Prathiba</i> our employee talent show are activities that take place to encourage employee engagement.
Customers	- A guest satisfaction card system is maintained. - Regular customer interactions via social media help build and maintain rapport. - Website, regularly updated. - Jetwing Lighthouse also manages the TripAdvisor page for the property on a daily basis. - Guests are educated on the Hotel's commitment to sustainability via a Green Directory and environmental messages displayed in each guest room and across the Hotel.
Society	Jetwing Lighthouse is involved in ongoing projects (Community outreach initiatives) as well as Projects of a one-off nature (Humanitarian programmes) which are undertaken regularly to assist the surrounding communities.
Government/ Regulatory Bodies	- Periodic disclosures - Participation in relevant associations

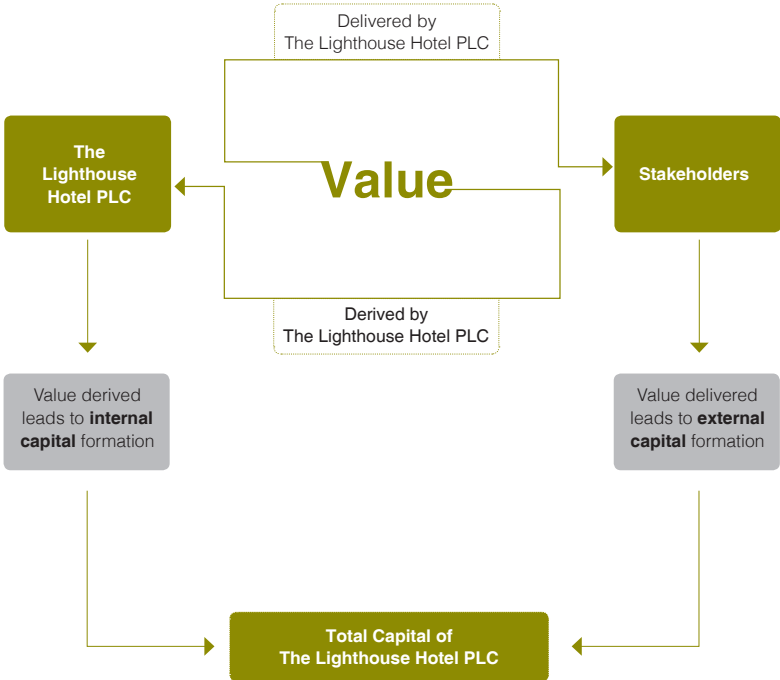
The Duality in Value Creation

This segment of our report highlights the integral aspect of integrated reporting, where The Lighthouse Hotel PLC's business model exemplifies the process that transforms the various forms of capital through its business activities to create value over time.

The Lighthouse Hotel PLC delivers value, both financial and non-financial, to its key stakeholders in the context of economic, social and environmental aspects within which it operates. These same stakeholders are of value to us, and they are nurtured and developed over a period of time. As stores of value, they constitute our stakeholder capital, and are external to The Lighthouse Hotel PLC; the key components being investor capital, customer capital, employee capital, social capital and environmental capital.

The Lighthouse Hotel PLC in turn derives value through the dynamic interaction between the external capital as well as its own internal capital to drive future earnings. The capital internal to The Lighthouse Hotel PLC comprises financial capital and institutional capital. The latter includes intellectual property, knowledge, systems, procedures, brand value, corporate culture, business ethics, integrity and the like.

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The various forms of capital are in a state of flux with flows taking place among them. The Lighthouse Hotel PLC has access to and makes use of these forms of capital in creating value for itself (deriving value) and its stakeholders (delivering value) through its business model. They underscore the dual nature of value creation as depicted in the above diagram.

We will next review the performance of The Lighthouse Hotel PLC in this context.

Management Discussion and Analysis

Deriving Value

Internal Capital Formation

As has been described in our section on Value Creation and Capital Formation, appearing on pages 36 and 37 of this report, we will examine in more detail the formation of capital that is internal to the Company. While what is most visible and quantifiable is financial capital, internal capital also includes several intangibles that, as discussed previously, constitute institutional capital.

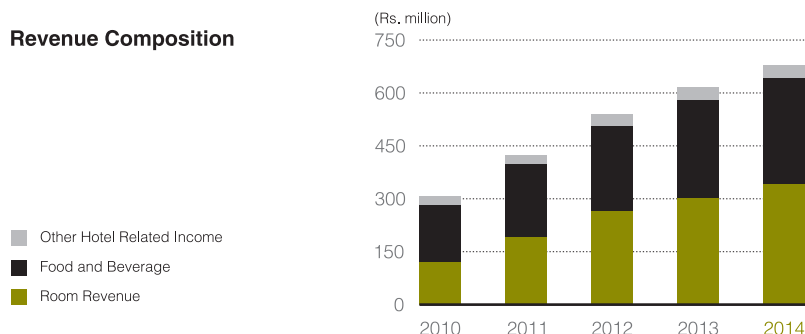
Financial Capital

Financial Performance

Revenue

The Company recorded a revenue growth of 11% by achieving a total revenue of Rs. 681 million during the financial year under review compared to Rs. 615 million achieved during the previous period. The growth in revenue is mainly due to increase in room revenue by 14% and food & beverage income by 8%. Room revenue has increased due to the addition of 20 super deluxe rooms and the 2 suites with effect from 21st December, 2013 and 2nd January, 2014 respectively and average room rates (ARR) by 6%. ARR has increased mainly due to increase in online sales which has higher yield and the favourable impact of foreign currency exchange rates. Food & beverage income has increased due to increase in number of guests as a result of increase in room inventory from December 2013. The Company also opened a new restaurant and a bar during the year under review.

Revenue Composition



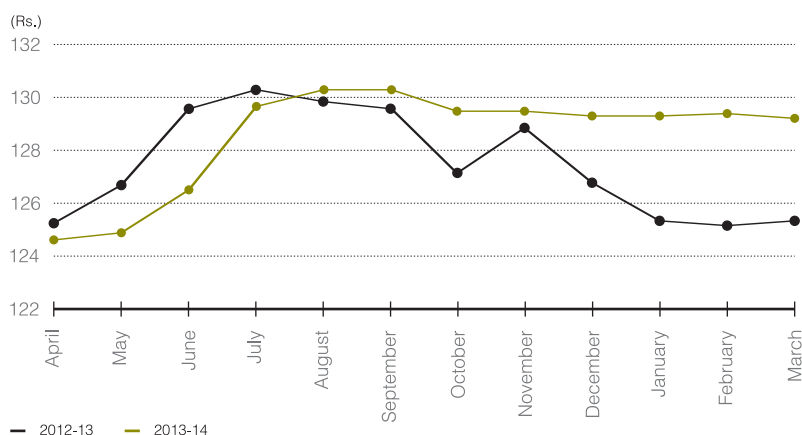
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Further, foreign exchange rate fluctuations during the year under review mainly from August 2013 had a favourable impact to the Company's revenue as majority of revenue generated through travel agents/tour operators are based on foreign currency contracts.

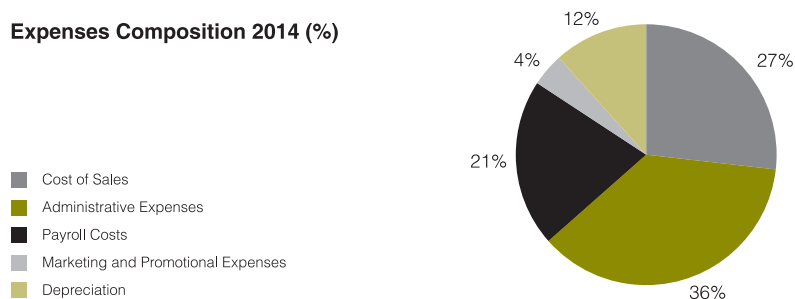
Monthly Average LKR:USD Exchange Buying Rate



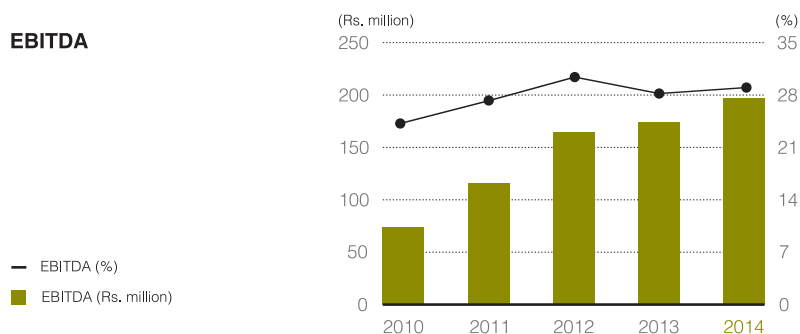
Expenses

During the period under review total expenses have increased by 10% to Rs. 550 million from Rs. 502 million in the previous period. Cost of sales has increased by 7% compared to previous period and it is mainly due to increase in food prices. Administrative costs have increased by 8% whereas marketing and promotional expenses has decreased by 6%. Increase in power & energy cost by 19% and non-capital nature expenses incurred for the refurbishment have resulted in the increase in administrative costs. Payroll costs increased by 17% compared to previous period mainly due to salary revision to both executive and non-executive staff. In addition to the annual salary revision a salary adjustment have been made with effect 1st April 2013 for non-executive staff as per the revision of minimum monthly rates of wages as per the Wages Board for the Hotel and Catering.

Depreciation for the year was reported at Rs. 64 million which is an increase of Rs. 8 million compared to previous period. This is mainly due to additional depreciation charge from the capitalization of the new 22 rooms, restaurant and bar from December 2013.

Expenses Composition 2014 (%)**Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)**

The Company has reported an EBITDA of Rs. 198 million for the period under review compared to Rs. 174 million achieved during the previous period. This is reflected in an impressive compound annual growth rate of EBITDA over the last five years of 49%. The increase in EBITDA is mainly due to strong growth in revenue. Due to increase in room inventory and cost synergy arising from the same from December 2013 the EBITDA margin has increased marginally to 29% from 28% last year.

EBITDA

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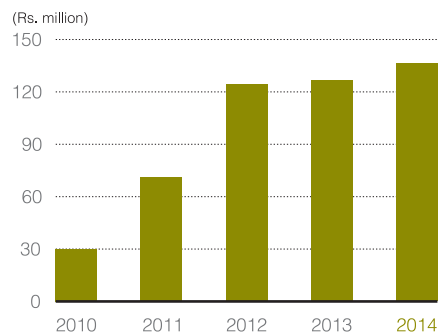
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Profitability

The Company recorded profit before tax of Rs. 136.5 million during the year under review compared to Rs. 127 million during the previous period. This shows a compound annual growth rate of pre-tax profits over the last four years of 47%.

Profit Before Tax



Income tax charge for the year has reduced by 6% to Rs. 14 million compared to the previous year as the increase in revenue has been offset by the reduction in interest income.

Profit after tax of the Company amounted to Rs. 122 million and represents an increase of 9% on the Rs. 112 million achieved in the previous period. Return on equity for the Company remained same at 5%.

Statement of Financial Position

The Company reported a strong financial position as at 31st March, 2014 with total assets amounting to Rs. 2,742 million compared to Rs. 2,510 million in the previous period. During the year under review, Property, Plant and Equipment additions amounted to Rs. 388.9 million mainly due to capitalization of the new rooms and the capital nature refurbishment work carried out in the Hotel. The Company also purchased properties in Unawatuna and in Dadella at a purchase consideration of Rs. 29 million and Rs. 0.7 million respectively.

As at 31st March, 2014, the Company had a gearing level of 6%. The Company borrowed US\$ 1 million to part finance the construction of new rooms and as at year end US\$ 522,500 remained as undrawn loan facilities. The loans were unsecured.

Shareholders' Funds

Shareholders' funds as at 31st March, 2014 increased marginally to Rs. 2,431 million from Rs. 2,404 million in the previous period mainly due to increase in net profits. The Company's net asset per share as at 31st March, 2014 stood at Rs. 52.84 per share.

Cash flow Statement

Due to significant cash outflows made with regard to construction of new rooms and refurbishment activities and marginal increase in earnings, the Company's cash position as at 31st March, 2014 has reduced to Rs. 12 million compared to Rs. 126 million in the previous period. Cash outflow from investing activities amounted to Rs. 380 million compared to Rs. 116 million in the previous period.

Statement of Economic Value Added and Distributed

Year ended 31st March,	2014		2013	
	Rs. '000	%	Rs. '000	%
Total Revenue	681,105		614,727	
Other Income	7,783		14,413	
	688,888		629,140	
Less: Purchase of Goods and Services	(371,230)		(348,162)	
Value Added	317,658		280,978	
Distributed as follows:				
To Government as taxes	14,278	4	15,138	5
To employees as salaries and other benefits	115,013	36	98,145	35
To providers of Capital				
- Dividends to shareholders	92,000	29	92,000	33
- Interest on borrowings	1,943	1	25	0
Retained within the business				
As depreciation	64,105	20	55,516	20
As retained profits	30,319	10	20,154	7
Total	317,658	100	280,978	100

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Institutional Capital

Institutional capital covers a broad spectrum of non-financial components that are, like financial capital, internal to the Hotel. They include intellectual property, knowledge, systems, procedures, brand value, corporate culture, business ethics, integrity and the like.

Organizational Knowledge

Jetwing Lighthouse has been in operation for 18 years; a substantial amount of the 40 years of immersion in the hospitality and tourism sector by Jetwing. Thus we command a formidable storehouse of knowledge, experience and expertise in the field. Imbued as we are with a common ethos and orientation, the Hotel mirrors the dynamic path forward of the Jetwing Brand. Ours is one of Sri Lanka's most environmentally conscious companies with a host of 'firsts' in terms of exemplary conservation practices. It is a testament to the level of organizational knowledge we bring to the table, that we have married these aspects with excellent hoteliering, to provide an unmatched product to the customer.

As an entity of standing and longevity in the field, we maintain valuable membership and connections with influential bodies such as the Tourist Hotels Association of Sri Lanka (THASL), the Small Luxury Hotels of the World, the Great Hotels of the World and the Hoteliers of South (HOST). These and others like them substantially enhance and endow us with invaluable trade experience and learning.

Brand Value

In terms of brand positioning, Jetwing Lighthouse has been established as a luxury resort that caters to affluent travellers, couples and families alike, accomplished through 'barefoot elegance' and Sri Lankan hospitality.

Jetwing Lighthouse is one of the most well known, most recognisable and iconic properties in Sri Lanka, and whilst it is by every yardstick a truly luxury resort, we proudly own a distinctive Sri Lankan identity, which speaks eloquently of our deep roots as a Sri Lankan enterprise.

We constantly ensure that our brand perception is relevant and remains at optimum levels by paying meticulous attention to channels such as guest feedback posted on review sites such as TripAdvisor, as well as comments we receive directly at the Hotel.

Corporate Culture, Business Ethics, Integrity

The corporate culture of Jetwing is firmly rooted in Sri Lanka, its' ideals and qualities as well as in the family ethos and values. Our corporate culture is a shared one with the entire Jetwing *Family* and is underpinned by the core values described below. This is coupled with commitment to legendary and innovative service, a mission we abide by daily, which has brought Jetwing Lighthouse to the forefront of the industry. The Hotel also implements an open door policy with no red tape, whereby any associate can speak to senior management and ensure open communication both ways in the organization.

Our Core Values

- PASSION - We are passionate about what we do. Enthusiasm and devotion are a part of our DNA.
- HUMILITY - We demonstrate humility by being open minded and having a healthy respect for others.
- INTEGRITY - Integrity is a part of who we are. We value the honesty and say and do the right things consistently.
- TENACITY - Always tenacious, we take big challenges and persist until we succeed consistently.

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Delivering Value

External Capital Formation

The value created by The Lighthouse Hotel PLC for its stakeholders through activities, relationships and linkages leads to the formation of capital external to the Hotel. They reside within our stakeholders, but Jetwing Lighthouse has access to and makes use of these and its own internal capital in driving its business. Our discussion will now focus on Jetwing Lighthouse' external capital formation, the material ones being, investor capital, customer capital, employee capital, social capital and environmental capital.

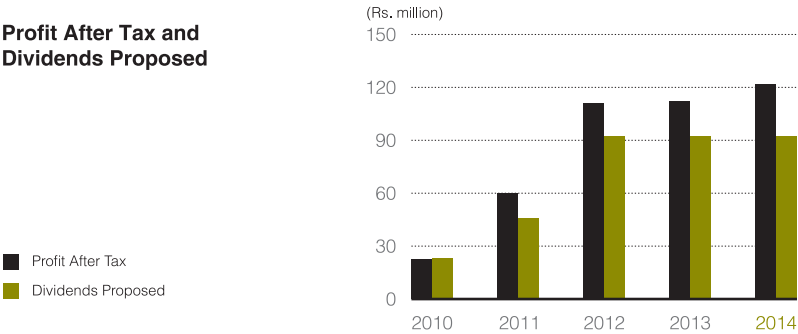
Investor Capital

Dividend Policy

The dividend policy of the Company seeks to maximize shareholder wealth in the short, medium and long term, while ensuring sufficient funds are retained for future business expansions and to provide consistent stream of dividend to shareholders.

For the year under review, the Board of Directors of the Company have proposed a final dividend of Rs. 2/- per share (2013 - Rs. 2/- per share) subject to final shareholder approval at the AGM, and thus accounting for a total gross dividend outflow of Rs. 92 million (2013 - Rs. 92 million). The dividend payout ratio of the Company will be 75% for the year (2013 - 82%). In the past the Company has maintained a dividend payout ratio of over 75%.

Profit After Tax and Dividends Proposed



Our Shareholders

The information presented here is meant to give you the reader, a clear picture of our shareholder profile and related demographics as well as performance of shares in the market.

The Distribution of Shareholders as at 31st March, 2014

No. of Shares held	Residents			Non-Residents			Total		
	No. of Share-holders	No. of Shares	%	No. of Share-holders	No. of Shares	%	No. of Share-holders	No. of Shares	%
1 - 1,000	984	321,886	0.70	2	600	—	986	322,486	0.70
1,001 - 5,000	185	518,019	1.13	9	29,000	0.06	194	547,019	1.19
5,001 - 10,000	45	376,712	0.82	3	19,800	0.04	48	396,512	0.86
10,001 - 50,000	29	682,330	1.48	2	39,557	0.09	31	721,887	1.57
50,001 - 100,000	5	389,000	0.85	2	200,000	0.43	7	589,000	1.28
100,001 - 500,000	6	1,686,923	3.67	—	—	—	6	1,686,923	3.67
500,001 - 1,000,000	6	4,150,713	9.02	—	—	—	6	4,150,713	9.02
Over 1,000,000	6	37,585,460	81.71	—	—	—	6	37,585,460	81.71
Total	1,266	45,711,043	99.38	18	288,957	0.62	1,284	46,000,000	100.00

Categories of Shareholders

Individuals	1,187	4,929,251	10.72	18	288,957	0.62	1,205	5,218,208	11.34
Institutions	79	40,781,792	88.66	—	—	—	79	40,781,792	88.66
Total	1,266	45,711,043	99.38	18	288,957	0.62	1,284	46,000,000	100.00

The percentage of the shares of the Company held by the Public as at 31st March, 2014 was 25.54%. Public holding has been computed as per the SEC Directives dated 20th December 2013 with effective from 1st January 2014 (2013 - 16.82%).

Market Information on Ordinary Shares of the Company

		31st March 2014	31st March 2013
		Rs.	Rs.
Net assets value per share		52.84	52.25
Market value per share as at		44.40	47.40
Highest market value per share	} During the Year	50.40	55.00
Lowest market value per share		39.10	40.00

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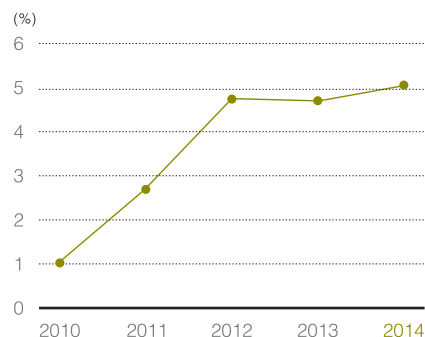
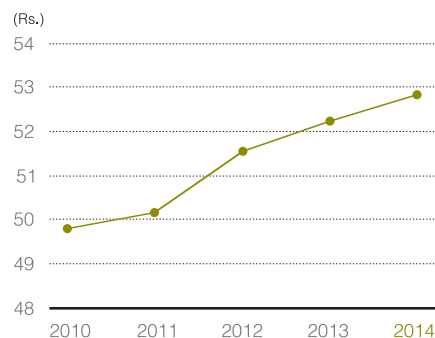
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Share Trading - During the Year

	31st March 2014	31st March 2013
Number of transactions	662	747
Number of shares traded	1,168,565	579,372
Value of shares traded (Rs.)	56,050,849	27,150,088

Twenty Largest Shareholders

Name of Shareholder	No. of Shares as at		%	
	31st March 2014	31st March 2013		
1. Jetwing Hotels Management Services (Pvt) Ltd.	17,052,199	16,689,983	37.07	36.28
2. Mercantile Investments and Finance PLC.	7,736,677	7,656,500	16.82	16.64
3. Employees' Provident Fund	5,084,800	5,084,800	11.05	11.05
4. Bank of Ceylon - A/C Nos. 1 and 2	4,600,000	4,600,000	10.00	10.00
5. National Savings Bank	1,900,000	1,900,000	4.13	4.13
6. Mrs. A.M.J. Cooray	1,211,784	1,211,784	2.63	2.63
7. Jetwing Travels (Pvt) Ltd.	840,200	840,200	1.83	1.83
8. Ms. N.T.M.S. Cooray	789,803	789,803	1.72	1.72
9. Mr. N.J.H.M. Cooray	748,803	748,803	1.63	1.63
10. Dee Investments (Pvt) Ltd.	669,600	669,600	1.46	1.46
11. Jetwing Eco Holidays (Pvt) Ltd.	595,984	522,599	1.30	1.14
12. The Nuwara Eliya Hotels Company PLC	506,323	6,323	1.10	0.01
13. David Pieris Motor Company Ltd.	407,969	407,969	0.89	0.89
14. Mr. D.J. de Silva Wijeyeratne	347,200	347,200	0.75	0.75
15. Employees' Trust Fund Board	300,100	300,100	0.65	0.65
16. Confifi Management Services (Pvt) Ltd.	275,900	275,900	0.60	0.60
17. Confifi Investments (Pvt) Ltd.	250,000	250,000	0.54	0.54
18. Ms. A.M. Wikramanayake	105,754	100,558	0.23	0.22
19. Mr. S. Mendis	100,000	100,000	0.22	0.22
19. Mr. H.W.M. Woodward	100,000	100,000	0.22	0.22
19. Mr. I.A.R. Perera	100,000	100,000	0.22	0.22
Total	43,723,096	42,702,122	95.06	92.83

Return on Equity (ROE)**Net Assets Per Ordinary Share****Customer Capital****Disclosure on Management Approach**

Jetwing Lighthouse is positioned as a high end luxury product. This is further established through our membership in the highly exclusive and privileged entities such as, Small Luxury Hotels of the World and Great Hotels of the World.

Whatever our standing, it is incumbent on us to ensure that all aspects of the functioning of the Hotel including its products and services and the marketing thereof, should be accomplished with responsibility and with the customer's well-being at heart.

The Hotel is marketed through various media such as print, through magazines, newspapers and on-line, through our brand site, social media, e-mail to the Jetwing database and e-flyers, among others.

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Accuracy, consistency and compliance of all marketing, advertising and promotional initiatives and their related material are ensured by reputed advertising agencies who handle the Jetwing Lighthouse account and overseen by Jetwing Hotels Ltd.

On behalf of Jetwing Lighthouse, Jetwing Hotels produces a variety of material for marketing and promotional activities, which are utilized for the training and awareness of associates as well. These include fact sheets for the Hotel, image walk throughs, a Unique Selling Points document and our brand website.

Changing Trends

Five years ago, the Hotel's customer base consisted predominantly of visitors from the United Kingdom, Germany and France. Whilst these countries continued to be significant contributors to our customer base, the intervening years have seen a substantial growth in visitors from China, India, the Far East, Australia and Japan, so much so that they are now significant stakeholders as customers.

Initiatives taken during the recent past to capitalise on the influx of tourists include more streamlined and consistent brand advertising to ensure top of mind recall as well as more focus directed towards e-commerce, online visibility and online travel agents and tour operators.

Future strategies employed will see the continuation of the current enhanced focus on e-commerce and online strategies as this has proven successful for Jetwing Lighthouse in the recent past and is also the current global trend.

Advertising and Marketing

In delivering value to the customer, Jetwing Lighthouse believes that all strategy and activity in these areas must be compliant, transparent and customer enabling.

In partnership with our international advertising agency we adhere to relevant laws and conform to generally accepted ethical and cultural standards in the field of Marketing and Advertising. We also employ a Corporate Identity Manual to ensure adherence to brand standards and consistent guidelines.

The Jetwing Lighthouse team regularly vets all advertising, marketing and promotional material before release for publication, which ensures that we do not infringe any customer rights or sensibilities in areas such as religion, culture, gender or ethnicity and the like. This also ensures that we operate within a strict ethically correct framework.

Guest Satisfaction

One of the most important requirements for a service organization such as ours is customer feedback.

The Hotel provides guest satisfaction cards in every room and at the reception where we capture vital information as provided by our guests. Such feedback reaches the upper echelons of the management to ensure that areas in which the Hotel has fallen short of expectations, are fully addressed. Composite evaluation of such data also helps us to identify trends, which in turn help us tailor the product to meet guest expectations. It also helps in training and development.

The Hotel also manages its listing on TripAdvisor on a daily basis. Responses are prompt and shortcomings are as promptly investigated and rectified.

Expansions and Upgrades

During the year under review, the Hotel effected enhancements to its plant, equipment and service, where the room inventory was increased with the addition of 20 super deluxe rooms and 2 themed suites in the new wing of the Hotel, and three treatment rooms were added, in order to expand the services of the spa.

We also introduced a new restaurant and bar which is named 'Nihal's', after the Hotel's internationally renowned Executive Chef Nihal Senanayake.

In addition, we upgraded our communications systems, introduced a CCTV surveillance system and completed the upgrade of our kitchen and bar. Also the deluxe rooms and themed suites were refurbished as part of our ongoing room upkeep process.

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Employee Capital

Disclosure on Management Approach

Our people are a vital asset of Jetwing Lighthouse. It is they who give life and momentum to our core traits - Passion, Humility, Integrity and Tenacity, as they are enacted across every strategy and action of the Hotel.

Our people are a precious resource. As a service organization, we cannot afford to lose the warmth of real time contact with guests. Hence, the Hotel places emphasis on 'the human touch' as the preferred route over 'automation'.

Whilst growth within the hospitality and tourism sector augurs well for the hotel industry, it also brings with it areas of challenge. Increased opportunities both locally and overseas challenge employee retention, particularly in the skilled categories. This is a desirable situation from the point of view of the workforce, but it does pressure many establishments.

Jetwing Lighthouse invests heavily in its people, seeking to develop them both in the professional and personal spheres.

There are many avenues by which we seek to make Jetwing Lighthouse a preferred employer. Whilst a competitive compensation, comprehensive appraisal, training and development programmes and other processes are in place, we hope to continuously expand and develop our processes and practices, thereby ensuring that we are more than just a place to work.

'The Great Place to Work®' employee survey was conducted across all Jetwing hotels, which included Jetwing Lighthouse. This programme is a comprehensive and structured intervention across all Jetwing Hotels that helps to understand and measure employee thinking. The findings of this survey help shape our plans to continuously develop 'our attractiveness' as an employer of choice.

Jetwing has never been afraid to embrace innovation and we have brought this trait to bear amongst our people to make their working life more fun and interesting. We conduct employee challenges across all Jetwing hotels that allow associates to strive to better themselves through numerous challenges. These challenges include Jetwing Accommodation Challenge, Jetwing Tea Sommeliers Challenge, Jetwing Wine Sommeliers Challenge, Jetwing Culinary Challenge and Jetwing Bartenders Challenge. These challenges encourage associates to become masters of their chosen professions with innovation and creativity coming to the fore.

Employee satisfaction is a major component of a healthy working environment and as always Jetwing engages and encourages its employees in activities that will increase and showcase their talents. Jetwing Sports Day and Jetwing *Prathiba*, our employee talent show, are two of many activities that take place to encourage employee engagement.

In the near future we hope to expand our training and development programmes further, giving the associates a wider scope of work, creating job enlargement and satisfaction.

Jetwing Lighthouse - the Employer

The Jetwing ethos in terms of our role as an employer of responsibility and quality is shared by all hotels.

Jetwing Lighthouse is an equal opportunity employer. Accordingly, it is committed to hiring, developing and promoting individuals who best meet the requirements of available positions and who possess the required competencies, experience and qualifications to carry out assigned tasks. We believe in providing equal opportunity to all, based on talent and ability. The Hotel is also committed to maintaining an environment free of harassment and discriminations based on race, religion, gender or social and economic background. During the year under review, there were no material issues pertaining to employees and industrial relations.

As we are an equal opportunity employer no explicit imbalance exists as regards to remuneration between the genders. The only variances would occur naturally within employee categories influenced by factors such as levels of seniority, experience and qualifications.

Recruitment

Our success depends on the recruitment and selection of the right calibre of people we employ to ensure that the appropriate skills are attracted and retained. In order to achieve this we follow a manpower recruitment plan. Over and above the standard tools of interviews, references and background checks, we have also conducted practical assessments when it comes to placements in certain job roles.

This process ensures that all candidates have a fair and equal opportunity of selection and placement.

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Employee Recruitment Analysis

Employee Recruitment for year 2013-14

*Calculated based on the average employees during 1st April, 2013 to 31st March, 2014-246

By Age Group:

21-30 years	36	14.63%
31-40 years	13	5.28%
41-50 years	3	1.22%
Over 50	1	0.41%
Number of Employees Recruited	53	21.54%

By Gender:

Male	42	17.07%
Female	11	4.47%
Number of Employees Recruited	53	21.54%

By Region:

Galle District	29	11.79%
Outstations	24	9.76%
Number of Employees Recruited	53	21.54%

A total of 53 employees on contractual and probationary basis were recruited to the Hotel during the year, of which the majority were persons under the age of 30 years. The majority of those employed are also from the Galle District which is consistent with our HR recruitment policy of hiring within location where applicable.

At Jetwing Lighthouse we are also focused on generating employment for youth by encouraging school leavers to join the industry.

It is not always possible to recruit from the locality due to the inability of finding the necessary skill, knowledge and educational requirements amongst candidates. This pertains mainly to vacancies at senior management levels.

Jetwing Lighthouse ensures that all candidates have a fair and equal chance of being employed provided they have the right skills, experience and competencies to fill the position.

The table below indicates the local community hiring and placement in senior management roles:

Senior Management from the locality as at 31st March 2014

By seniority:

Senior Executives	3
Executives	11

A two day comprehensive induction and orientation programme is conducted on the 1st and 16th of every month for all new recruits before commencement of work. This programme includes detailed information of operations of the Hotel, a tour of the Hotel, introduction to room inventory, types of dining facilities, management levels, important personalities, health and safety, fire safety and the Jetwing culture.

Employee Population Analysis

Employee Profile as at 31st March 2014

By Gender:	Male	225
	Female	21
	Total Number of Employees	246
By Region:	Galle District	186
	Outstations	60
	Total Number of Employees	246

Of the total cadre of 246 employees serving during the year under review, 186 are employed from the Galle District, showcasing a strong commitment to the Jetwing ethos of recruiting from within the local area to enhance livelihoods of the locality. A large majority of the associates recruited are also on a full time permanent basis, while employees on probation and trainees can, depending on their performance, be absorbed into the full time, permanent cadre.

As regards to gender, 21 of the 246 employed are women showcasing a large gender imbalance, however the General Manager and Chief Accountant positions are held by females. Despite having an open recruitment policy which aims at employing and providing equal opportunities for both male and female associates at Jetwing Lighthouse,

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this situation persists predominantly due to a cultural belief that employment within the hospitality sector is more suited to male employees.

However, there are encouraging signs that this attitude is changing and Jetwing Lighthouse is actively seeking to redress this gender imbalance in the years to come.

Employee Turnover Analysis

Employee Turnover for year 2013-14

*Calculated based on average employed during 1st April, 2013 to 31st March, 2014 - 246

By Age Group:

21-30 years	15	6.10%
31-40 years	4	1.63%
41-50 years	1	0.41%
Over 50	1	0.41%
Total Turnover	21	8.54%

By Gender:

Male	16	6.50%
Female	5	2.03%
Total Turnover	21	8.54%

By Region:

Galle District	14	5.69%
Outstations	7	2.85%
Total Turnover	21	8.54%

For the period under review, voluntary employee turnover stood at 8.54% and the breakdown shows that the majority moving out are younger employees, while the more mature associates show much lower turnover levels.

Employee Benefits

The Company's remuneration policy ensures that all associates are paid a fair and equitable market-related package according to their level of skill, competency, experience and qualifications as well as the role that they fulfill in all areas of operation, the minimum wage is on par or higher than the statutory minimum wage.

Other employee benefits include meals and associates' welfare which are provided to permanent and contract employees. A comprehensive insurance cover is provided to executive employees of The Lighthouse Hotel PLC.

The Lighthouse Hotel PLC also complies with relevant statutory requirement of the country.

Further the Company awards bonuses for permanent associates based on the performance as decided and approved by the Board of Directors.

All employees benefit from the services and activities of The Lighthouse Hotel PLC welfare society, which provides a variety of services to all its associates such as - donations in the event of a death in the family, welfare shop facilities, wedding gifts, gifts to new born babies, grade 5 scholarships and the like.

All Jetwing employees are afforded a stipulated number of days of paid leave of absence from their jobs in accordance with the statutory conditions applicable in the country and pertaining to our sector of enterprise. As at present, parental leave is only granted to women as maternity leave.

Jetwing Lighthouse had two associates availing themselves of such leave during the reporting period, of whom one associate has already returned to work.

Health and Safety

Being in the vanguard of the Leisure Management Industry, Jetwing Hotels is committed to conduct all its operations in a work environment where health and safety of our associates and guests are affirmed at the highest level.

Therefore, Jetwing Lighthouse operates within a safe and hazard free environment, complying with and often exceeding statutory stipulations applicable to our operations. Guest and employee alike are provided the safest environment possible.

Training and Development

It is an accepted fact today, that one of the most employee enabling processes an enterprise may conduct is its Staff Appraisals. In covering aspects such as performance and career advancement planning, it also invariably shows the way for the development and fine tuning of a company's training agenda.

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At Jetwing Hotels, all Senior, Middle and Junior level associates are subjected to bi-annual performance and career development assessments. The reviews give the associate and his/her Head of Department an opportunity for formal dialogue, to ensure that associates are aware of what is expected of them, and to set goals for the period ahead.

Training and Education

In keeping with our vision 'to be world class in everything we do', Jetwing Hotels has continuously invested in and focused on people development initiatives as a means to achieve our objectives. The Hotel's training and development regime encompasses areas such as capacity building, focused training and development initiatives and induction and orientation training provided to enhance the associates knowledge and skills.

Training is conducted on an individual level as well as at a departmental level.

Training conducted for year 2013-14		Training Hours
By Gender	Male	977.3
	Female	68.3
By Employee Category	Permanent	563.8
	Probation	58.3
	Contract	136.0
	Trainee	287.5
Types of Training	In house	777.6
	Local	198.0
	Overseas	70.0

Jetwing Lighthouse has spent a total of 1,046 hours on training for the year under review. Most of this training was accomplished in house some being conducted locally and others overseas.

Training Programmes

Soft Skill Training

Soft skill training is conducted in-house and locally. Internal programmes address customer service, grooming and hygiene, motivation, communication and etiquette among other areas.

Wine Training

A wine training programme was held for all Senior Managers, Training Managers, F&B Managers, F&B Executive and Store Keepers of all Jetwing Hotels. This three day programme was conducted in-house. The training programme is designed to provide in-depth knowledge of wine.

Exposure Tour for F&B Managers and Chefs

During the year all F&B Managers and Chefs were taken on an exposure tour to Thailand to gain knowledge on F&B operations overseas.

Training in Life Saving

A team from "Life Saving Victoria - Australia" conducted several water safety programmes for life guards and pool attendants of Jetwing Hotels. The objective was to enhance knowledge and practice in this vital area of safety around water such as the pool and the beach.

Jetwing Tea Sommeliers Challenge

During the year under review, Jetwing Hotels initiated this challenge which was the first of its kind in the industry. It was designed to test the competitors in both theoretical and practical components of Tea. Competitions in the challenge varied from a question paper, blind tasting, service of high tea and making your innovative cup of tea. Jetwing Lighthouse was chosen the winner in the 'Art of Tea Quest' competition and the second runner-up in the 'Promotion and Selection of Your Choice of Tea' competition.

Talent Management and Continuous Learning – Jetwing Elevation Programme

Associates who have been identified as potential high flyers are given continuous learning opportunities to increase their knowledge and skills. Executives and supervisors who are nominated for promotions undergo a comprehensive workshop training in soft and technical skills, which is conducted by external as well as internal trainers. They also undergo examinations and practical tests that assess their knowledge, to take on next level roles within the Hotel.

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Internal Awards and Recognition

Heads of Departments nominate associates who have gone the extra mile to serve the Hotel and its guests, to be eligible to be chosen as Employee of the Month. The employee of the month is selected through an impartial selection process, where the associate is awarded a certificate in recognition of excellent service.

Grievance Handling

Jetwing Hotels follows an empathetic approach to grievance handling at all hotels coming under its purview.

This regime enshrines worker rights in terms of fair hearing and dialogue across the chain of command, with respect to any grievance they may have. Matters are handled with due discretion and the end objective is always amicable resolution within an atmosphere of empathy.

Social Capital

Disclosure on Management Approach

The tourism and hospitality sector simply cannot exist in isolation from the wider community within which it operates. The degree of closeness in its symbiosis is often in direct proportion to its success and well-being.

Jetwing thus has an abiding interest in forging firm ties with its social milieu, identifying it as a key stakeholder in its business and engaging and supporting it in a multitude of ways.

For example, under the Jetwing Eternal Earth Programme, Jetwing Lighthouse is involved in ongoing projects (community outreach initiatives) as well as projects of a one-off nature (humanitarian programmes) which are undertaken regularly to assist the surrounding communities.

During the year under review, Jetwing Lighthouse enacted a comprehensive calendar of activity that consisted of philanthropic responses to needs in the community, trade offerings that involved the wider community in the Hotel's operations to their upliftment and benefit, involvement in socio-cultural and religious activity in the locality, among other avenues.

Operating a Community-run Taxi Service for Guest Excursions

Jetwing Lighthouse initiated the Tuk Tuk project back in 2005 to eliminate the friction that existed between the Hotel and the local trishaw drivers. Under this project, service providers based in the Galle region have been selected and contracted to work with the Hotel. Training was provided to the participants on the local tourist attractions and the etiquette expected to deliver a high level of service to guests. This initiative which continues to this day has now expanded to include a fleet of 45 registered vehicles comprising of tuk-tuks, cars and vans.

Jetwing Youth Development Programme at Jetwing Lighthouse

Sri Lanka faces a massive problem with the unemployment of youth, especially in the rural areas. Our country has had the bitter experience of youth uprisings as a direct result of unemployment and its accompanying poverty and frustration. Thus the objectives of the Jetwing Youth Development Programme (JYDP) were to seek to address these two major issues in four ways.

- To address the issue of, and provide solutions for the shortage of manpower in our Hotels and the Sri Lanka Hotel Industry in general.
- To involve local communities in Tourism by passing some of its benefits to them.
- To contribute towards resolving the problem of Sri Lanka's youth unemployment.
- To help resolve the problem of youth frustration by providing the youth with gainful employment.

Focusing on bridging the gap between the unskilled and the skilled, and equipping them for employment, the JYDP provides free training to school leavers from disadvantaged families in the area around Galle for employment with Jetwing Lighthouse. A six-month training programme in hospitality combined with practical and spoken English intends to provide these rural school leavers with a working knowledge which would enable them to express themselves to guests and understand others. After the first four months of training, the trainees are then allocated to work for a period of 60 days within the department they are short-listed to work in. The JYDP commenced at Jetwing Vil Uyana in Sigiriya back in 2006 and has since been successfully carried out at other Jetwing properties across the country. The first JYDP held at Jetwing Lighthouse, commenced on 08th November, 2012 and the programme was successfully completed by 10th June, 2013.

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Environmental Capital

Disclosure on Management Approach

Environmental awareness and responsibility lies at the core of the Jetwing ethos. Most importantly, we have taken this from statement to fact across every aspect of business no more widely visible than in our Hotel sector. Across all strategy and action, respect for eco-systems around our locations, environmentally friendly processes and care for natural resources as well as energy and waste management are fundamental to Jetwing Lighthouse.

Under the umbrella of our highly individualistic Jetwing Eternal Earth Programme, environmental best practice is promoted and put into action across all our Hotels and establishments.

Jetwing has a defined Environmental Policy in place to take all possible steps to protect and maintain a clean and healthy environment.

We are committed to:

- Conserving our natural resources by minimizing negative impacts as a consequence of our enterprise, through the implementation of routine actions and by sustainable management, as well as through education.
- Wherever possible, protecting and enhancing all ecosystems.
- Conserving energy and water.
- Minimizing pollution by reducing the use of harmful substances.
- Making all efforts to mitigate and adapt to climate change.
- Reducing, reusing and recycling waste.
- Complying with relevant environmental legislation and regulations.
- Employing local people wherever possible.
- Purchasing local products and services, where possible and feasible, in accordance with our environmental purchasing policy.
- Always seeking to achieve a safe and sustainable environment for our community, future generations and ourselves.

To ensure that all hotels attain high standards of environmental custodianship in both front-end and back-end processes, Jetwing Hotels has initiated a process of compiling Green Directories for each Hotel. The procedures which are standardized, identify the Hotels performance based on key performance areas which include Energy Efficiency, Water Conservation, Waste Water Management, Use of Environmentally Friendly Materials and Suppliers, Landscaping, etc. Environmental audits are carried out routinely to measure and track performance.

All associates are routinely trained on sustainable initiatives which need to be adhered to. Guests are educated on the Hotel's commitment to sustainability via the Green Directory, made available in every guest room and messages on environmental topics are also displayed across the Hotel to further raise awareness.

The Hotel's environmental management system has been ISO 14001 certified by the Sri Lanka Standards Institution. Also the Hotel is currently under going with ISO 50001 certification.

Jetwing understands and believes that energy is a valuable commodity and its conservation is the need of the hour. In this endeavour, to continually improve our energy performance through our energy policy, we commit to:

- Integrate energy conservation strategies in all our activities and consider our commitment to the environment when making business decisions.
- Purchase energy efficient equipment, goods and services and to increase energy performance through design improvements.
- Promote wherever possible, renewable and sustainable energy sources, taking advantage of energy resources available in the area.
- Set energy targets and regularly monitor and evaluate energy performance among the Jetwing Family of Hotels.
- Document and communicate energy performance data to all, within the Jetwing Family of Hotels.
- Review objectives and targets on an annual basis with the aim of continually improving on minimizing the environmental impact of our operations.
- Raise awareness on energy conservation of all new and existing employees through the provision of appropriate training.
- Comply with all applicable local laws and international regulatory standards.
- Monitor and reduce our carbon footprint and work towards a carbon neutral future.

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Energy

During the year under review, Jetwing Lighthouse took several initiatives to improve energy efficiency at the Hotel as well as to incorporate wherever possible, renewable energy sources to meet energy requirements. Of course, the savings that accrue from such measures are not only beneficial to the environment in terms of moving away from fossil fuel usage and reducing GHG emissions, but also yield energy and cost savings.

As at 31st March, 2014, the following initiatives have been undertaken at Jetwing Lighthouse, in pursuance of better energy management

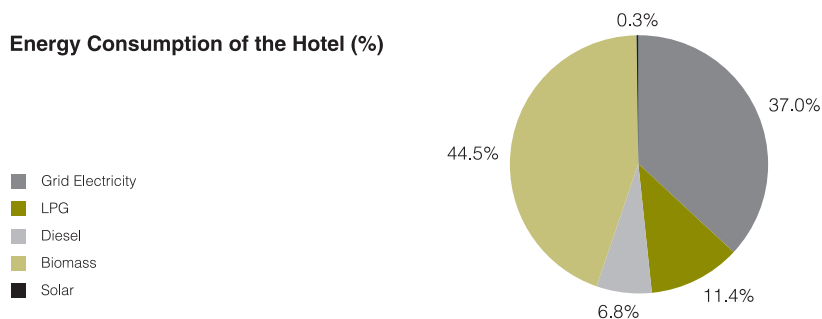
- Over 75% of total illumination achieved through energy efficient lights.
- A card-key system is in operation in rooms to ensure that lights, TV, fans etc. are not left on when guests are not in their room.
- Each guest room is fitted with a dual set point thermostat, which automatically switches the air conditioner to a set-back temperature once the key card is removed.
- LED-backlit LCD televisions, which are more energy efficient compared to traditional CRT televisions are installed throughout the Hotel.
- A Biomass boiler fuelled by cinnamon wood is used, for heating water and to generate steam for the laundry
- Hot water for the Spa and guest rooms in the newly constructed wing is generated by solar panels.

Hotel energy consumption for the year 2013/14 is given in the table below:

Source			Consumption	
			Units	MJ
Indirect	Electricity		1,548,865.20 kWh	5,575,914.72
Direct	Non - Renewable	LPG	36,225.00 kg	1,713,442.50
		Diesel	28,109.64 L	1,020,034.18
	Renewable	Biomass	467,290.00 kg	6,705,611.50
		Solar	13,200.00 kWh	47,520.00
Total Annual Energy Consumption				15,062,522.90

Total Energy consumption via direct and indirect energy sources

Energy Consumption of the Hotel (%)



Reductions achieved due to energy conservation/ efficiency improvements and use of renewable energy sources at Jetwing Lighthouse during the year under review.

Initiative	Consumption		Omission of CO ₂ released (kg/year)
	Amount	(Units)	
Energy-saving bulbs ¹	73,214	kWh	31,116
Card-key system ²	12,212	kWh	5,190
LED TVs ³	4,676	kWh	1,987
Central Solar hot water system	13,200	kWh	5,610
Biomass Boiler for Hot water (Diesel savings)	116,823	Litres	314,124
Dual set point thermostat ⁴	89,973	kWh	38,239
Savings from VFDs	12,720	kWh	5,406
Total Savings			401,672

Assumptions used in data derivation

¹Calculated on 70% of bulbs being used for 6 hours per day, in comparison to incandescent bulbs

²Calculated on 70% of bulbs being used for 6 hours per day

³Calculated for use of 3 hours per day

⁴Calculated for 6 hours per day on stand-by mode

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Looking forward, we will become even more energy efficient. We are targeting:

- To achieve 100% illumination through energy saving lights.
- To provide for day time electrical energy requirement via a Solar PV system
- Install a Vapour Absorption or replace the existing chiller with a high efficient chiller to meet the Hotel's entire air-conditioning requirement.

Water

Over 95% of the total water requirement for Jetwing Lighthouse and Jetwing Kurulubedda is obtained from the city water supply. A limited water requirement for the swimming pools at Jetwing Lighthouse is extracted from groundwater.

	Annual consumption (m ³)	Proportion of total water requirement
City water supply	61,104.68	96%
Groundwater	2,737.50	4%
Total consumption	63,842.18	100%

All waste water produced by the Hotel is sent to a waste water treatment plant - this includes waste water from the kitchen and guest rooms. The treated waste water meets the Hotel's entire requirement for use in the gardens.

The quality of discharged water is routinely checked by an accredited external company to ensure, it meets the required standards of the Central Environmental Authority

Average treated waste water quantity	3,745.06	m ³ /month
Total treated waste water quantity	44,940.75	m ³ /year

Biodiversity

Located as we are, along the southern coastline, our proximity to the bountiful Indian Ocean is the stimulus for a wealth of activity in nurturing and protecting the biodiversity of the locality.

Blue Whale Conservation Projects at Jetwing Lighthouse

Mirissa in Southern Sri Lanka has now established itself as the world's top spot for watching the Blue Whale, the largest creature to have inhabited our planet. During the season, Blue Whales can be seen virtually every day at a strike rate of over 95% just a few nautical miles from the shore, which is unprecedented when compared to sightings of these endangered animals in other parts of the world. Sperm whales too may be observed occasionally.

Jetwing Lighthouse has been at the forefront of researching, promoting and branding environmentally responsible whale watching to the world. The Hotel provides whale watching excursions under the guidance of our resident naturalist, Anoma Alagiyawadu who is an expert in the field and has completed over 700 whale watching excursions.

The Jetwing Lighthouse Whale and Dolphin Centre

Opened in January 2012, during the Galle Literary Festival, the Jetwing Lighthouse Whale and Dolphin Centre is the first of its kind in the Southern Coast of Sri Lanka. To encourage and promote conservation, the center aims to educate and create awareness of these magnificent creatures.

The core objectives of the Centre are to:

- Continue further studies and research; to monitor the occurrence of all cetaceans along the coastline in Sri Lanka through surveys in order to obtain a comprehensive list of species and their comparative abundance in the area and the threats to their existence. This will help the protection of all cetaceans, their environment, and the marine ecosystems they inhabit.
- Educate school children, university students and the general public, especially local communities, boat operators, conservationists, whale watching enthusiasts and hoteliers.
- Provide information regarding marine life through a variety of notice boards, films, videos, photographs and books on marine diversity.
- Conduct weekly or monthly lectures, training programs and workshops on various subjects with the support of local and foreign experts. School children, university students, school teachers, members of the general public and overseas visitors/guests too could use these facilities for their studies and to develop their knowledge.

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- Improve Responsible Whale Watching: Travel with boat operators who exercise client safety and are mindful of the welfare of the animals; conduct naturalist training programmes for licensed boat operators.
- Conduct awareness programmes on marine pollution and threats; Blue whales and other cetaceans may get wounded, sometimes fatally, after colliding with ocean going vessels and fishing boats as well as become trapped or entangled in fishing gear. The ever-increasing amount of ocean noise, including sonar, drowns out the vocalizations produced by whales, which may make it harder for them to communicate.

Project BLUEprint

Project BLUEprint was launched in 2012 at the World Travel Mart, as a joint partnership between Whale and Dolphin Conservation (WDC), Sri Lankan Airlines, Jetwing Lighthouse and John Keells Hotels. The project aims to develop community-based whale watching and promote responsible vessel behaviour at Mirissa whilst rolling out this model to other whale watch regions including Kalpitiya and Trincomalee.

Jetwing Lighthouse hosted the first visit of the WDC team comprising of Vanessa-Williams Grey, Cynthia Walsh and Andrew Sutton to Sri Lanka in February - March 2013, where they had opportunities first hand to get an in-depth understanding of how the vessels operate in Mirissa and the opportunity to network with key stakeholders including hoteliers, tour operators, boat operators as well as local researchers and the conservationists.

In October of 2013, a two day training workshop was conducted for whale watch operators in Mirissa. Ninety people attended this workshop, mainly local whale watch skippers and crew members; they were joined by representatives from the Sri Lankan Navy and Coastguard, the tourism industry, research community and other stakeholders. The workshop was conducted in Sinhala, the local language, and covered all aspects of responsible vessel handling and safety protocols. The following day, around 70 skippers and crew attended a practical boat training session where classroom theory was put into practice.

Only by bringing all stakeholders of the industry together can we hope to develop whale watching in a sustainable manner. From the community's perspective, this project helps them realize that, recognizing that protecting the whales and dolphins they encounter in their waters also means protecting the livelihood of each and every member of their community.

Emissions

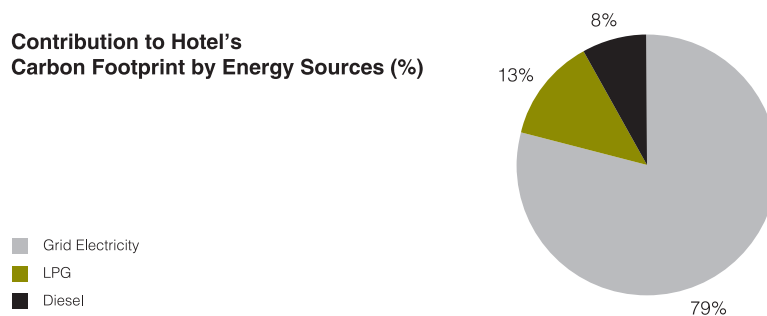
Source		Consumption Units	Emissions (tonnes CO ₂)*
Indirect	Grid Electricity	1,548,865.20 kWh	650.52
Direct	LPG	36,225.00 kg	108.12
	Diesel	28,109.64 L	64.34
	Biomass (Cinnamon wood)†	467,290.00 kg	0
Carbon footprint for year 2013/14			822.98

*Direct and Indirect emissions are measured according to scope 1 and 2 respectively as defined by the IPCC. Indirect Carbon emissions are calculated using the factors of Greenhouse Gas Protocol (GHG Protocol) governed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD); and the direct emissions are calculated using factors published in the 2006 IPCC Guidelines for Greenhouse Gas Inventories.

†Cinnamon wood is considered as a sustainable energy resource due its short (6 months) cropping cycle.

Contribution to Hotel's Carbon footprint by direct and indirect energy sources

**Contribution to Hotel's
Carbon Footprint by Energy Sources (%)**



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In order to reduce the GHG emissions associated with the Hotel's operations, Jetwing Lighthouse has actively reduced its grid electricity consumption by both reducing its energy demand via energy conservation measures and promoting non-fossil fuel based (renewable) energy generation.

The Hotel does not use any ozone depleting substances in any of its operations and have not experienced any instances of hazardous spills for the period under review.

Waste

Solid waste generated by the Hotel is separated at sources of origin in all departments such as the kitchen, restaurant and bar, housekeeping, linen room, maintenance, stores and guest rooms. Dry solid waste (such as cardboard, plastic, glass bottles and metal) is sold for recycling or reuse. To encourage staff towards better waste separation and recycling, the income from these sales are credited to the staff welfare society. Degradable wet waste is composted for use as fertilizer in the Hotel gardens. All garden waste is composted in a conventional compost pit, and is used as organic fertilizer in the Hotel gardens.

Type	Disposal Method	Annual Generation
Wet (food) waste	Sent to piggery	22,568 kg
Cardboard	Sold for recycling	1,325 kg
Paper	Sold for recycling	759 kg
Glass bottles	Sold for recycling	5,624 Nos
PET bottles	Sold for recycling	328 kg
Plastic cans	Sold for recycling	364 Nos
Polythene	Sold for recycling	54 kg
Aluminium cans/Tin	Sold for recycling	1,202 kg
Garden trimmings	Composted and used as organic fertilizer	N/A
Annual Income (Rs.)		125,495

Recognition

Awards and Accolades

When one truly lives by one's core ethos and tailors all strategy and action around values of the highest and noblest calibre, favourable results accrue. The driving force of Jetwing Lighthouse' enterprise is precisely this.

To then have our endeavours and achievements recognised and rewarded vindicates our 'reason for being'.

During the year under review, Jetwing Lighthouse has been honoured with several instances of such recognition, which we detail below.

Operations

Jetwing Lighthouse was honoured to achieve a 90% guest satisfaction rating on TripAdvisor, one of the most trusted and respected on-line sites in the travel world. We were also chosen the Winner of Travellers Choice 2014 also from TripAdvisor. Jetwing Lighthouse was also awarded a Travelife Gold Award for Sustainability in Tourism.

The Hotel participated in the Chefs Guild culinary competition and was awarded 02 Gold medals, 04 Silver medals and 08 Bronze medals, a testament to superior F & B skills.

'Our' Annual Report Awarded

At the ARC Awards, USA, our Annual Report for 2012/13 won a record four Gold Awards for Cover Design, Green/Environmentally Sound Annual Report, Printing & Production and Overall Annual Report respectively in the Hotels & Leisure category. Three of four Golds were in fact the coveted Grand Awards - the best-of-the-best. The Report also won three Honours for Chairman's Letter, Interior Design and Mobile Annual Report respectively in the Hotels & Leisure category.

At home, the Institute of Chartered Accountants of Sri Lanka (ICASL) bestowed a Certificate of Merit on our report at their Annual Awards ceremony.

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Stewardship

Board of Directors

Mr. N.J.H.M. Cooray

(Chairman)

Executive Director

Hiran Cooray has over 25 years experience in the hotel industry. He has represented Sri Lanka on the Board of PATA since 1996 and currently the Immediate Past Chairman of this prestigious Association. In addition to his Degree from the University of North Carolina in Business Administration, he has successfully completed a senior management course in Hotel Management at Cornell University, Ithaca, New York. Whilst holding 50 directorships in various Hotels and related companies, he has also held the positions of President of the Tourist Hotels Association of Sri Lanka (2005-2008), and Chairman of PATA Sri Lanka Chapter (2003-2004). He is presently on the Board of Small Luxury Hotels of the world representing the Asia Pacific region and also a Board member of the Sri Lanka Tourism Development Authority. He regularly represents Sri Lanka and the Asia Pacific at tourism-related international forums as a speaker/panelist. Recently, Hiran's expertise and reputation in Tourism was recognized globally by his appointment as an Alternate Member of the UNWTO - World Committee on Tourism Ethics at the UNWTO General Assembly held in Zambia/Zimbabwe in August 2013.

Mr. Ruan Samarasinghe

(Managing Director)

Executive Director

Ruan Samarasinghe has been a doyen of the Hospitality Industry for close to 40 years. He has guided Jetwing through its formative years and has pioneered several developments over the last three decades. He oversees all Jetwing operations and represents the organization in principal hospitality forums. In addition to his pivotal role as Managing Director, he also serves on several other directorates.

Ms. N.T.M.S. Cooray

Non-Executive Director

Shiromal Cooray is the Managing Director of Jetwing Travels (Pvt) Ltd., one of the largest inbound tour operators to Sri Lanka. She holds several other directorates. She is a past President of Sri Lanka Association of Inbound Tour Operators and was the former Finance Director of J. Walter Thompson Ltd. (JWT), Colombo and has work experience in finance in the UK and Hong Kong. She holds an MBA and is an Associate Member of the Chartered Institute of Management Accountants of the UK.

Mr. C.S.R.S. Anthony*Executive Director*

Mr. Anthony is an Attorney-at-Law, Notary Public, Commissioner for Oaths and a Registered Company Secretary. He is also a Fellow Member of the Chartered Institute of Management Accountants, UK, Chartered Global Management Accountant, a Fellow Member of the Institute of Certified Management Accountants of Sri Lanka and a Fellow Member of Certified Professional Managers. He commenced his career at PricewaterhouseCoopers, prior to joining Jetwing Hotels Ltd. as Finance Manager in 1996 and is currently the Executive Director. He is also serving on several directorates including three publicly quoted companies. Sanjeewa is a Life Member of the Bar Association of Sri Lanka (BASL).

Ms. A.M. Ondaatjie*Non-Executive Director*

Ms. Angeline Ondaatjie is the Joint Managing Director of Tangerine Beach Hotels PLC and Royal Palms Beach Hotels PLC. She has over 15 years experience in tourism, financial services and manufacturing sectors. She holds a Masters Degree from the University of Texas in Austin, USA and a BSc Degree from the Massachusetts Institute of Technology USA. She is the Managing Director of Tangerine Tours (Pvt) Ltd. She holds directorship in several companies including Mercantile Investments and Finance PLC, The Nuwara-Eliya Hotels Co. PLC (Grand Hotel), Nilaveli Beach Hotels (Pvt) Ltd., and Phoenix Industries Ltd. She is presently a committee member of the Tourist Hotels Association of Sri Lanka.

Mr. Nihal Wadugodapitiya*Non-Executive Independent Director*

Mr. Nihal Wadugodapitiya is a Fellow Member of the Chartered Institute of Management Accountants, UK. His business experience spans over 40 years in senior management positions both in private and public sector institutions in Sri Lanka and in Abu Dhabi, UAE, of which 20 + years has been in the position of Chief Executive of private companies. He has served in organizations involved in manufacturing, light engineering, FMCG marketing and distribution, private equity fund management, air lines and services sectors. He has served on several Boards of Directors including companies engaged in financial services, venture capital/private equity fund management, fabric manufacturing, thermal power generation, plantation management, marketing and distribution and flexible packaging and light engineering. At present he is a Business Development Consultant.

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Mr. Prema Cooray*Non-Executive Independent Director*

Mr. Prema Cooray is the immediate Past Chairman of Aitken Spence PLC having led the Hotels Sector of the Company for a considerable period of time. Mr. Cooray was a Past President of the Tourist Hotels Association of Sri Lanka (1998-2000) and was the Chairman of the Sri Lanka Convention Bureau (2007-2009). He serves as Chairman of The Rainforest Ecolodge, Deniyaya, an unique pioneering Ecotorium initiative supported by leading hotel companies in Sri Lanka. Mr Cooray also represents many public listed companies as a Director.

He serves as a Member of the Tourism Cluster of National Council for Economic Development (NCED) and also serves as a Member of the Grants Board of ICTA. He served as the Secretary-General/CEO of the Ceylon Chamber of Commerce (2003-2008).

Mr. Cooray was recently accorded the national honour as a 'Legend' by Sri Lanka Tourism.

Mr. Cooray has a MBA from the University of Sri Jayawardenepura, is a Certified Management Accountant and he is also a Member of the Institute of Hospitality, UK.

Mr. A.T.P. Edirisinghe*Non-Executive Independent Director*

Mr. Edirisinghe is a Fellow Member of The Institute of Chartered Accountants of Sri Lanka, a Fellow Member of the Chartered Institute of Management Accountants (UK) and holds a Diploma in Commercial Arbitration. He was the Senior Partner of HLB Edirisinghe & Co., Chartered Accountants and currently serves as Consultant/Advisor. He is the Managing Director of PE Management Consultants (Pvt) Ltd. He counts over 44 years experience of which 28 years in the public practice and 16 years in the private sector having held senior positions. He serves on the Boards of some other quoted companies where in some companies he also serves as Chairman/Member of the Audit Committee and as Chairman/Member of the Remuneration Committee.

Mr. Ranil de Silva*Non-Executive Independent Director*

Ranil de Silva pursued his tertiary education in Australia where he obtained a Diploma in Visual Communications. He returned to Sri Lanka in 1981 and joined JWT Colombo as their first Sri Lankan employee. After starting as a Junior Account Executive at JWT, he rose to International Vice-President and was also Managing Director of the Colombo office. He was posted to JWT, Jakarta and also served as a Regional Account Director for JWT, Asia Pacific based in Singapore. In 1999 he returned to Sri Lanka to set-up the Colombo office of Leo Burnett. Starting with just a few people in his team and a shared office he has taken Leo Burnett to great heights. Last year, Leo Burnett Solutions Inc., was named Campaign Asia's Agency of the Year in South Asia. He served as the President of the International Advertising Association (IAA), Sri Lanka Chapter for two terms and was also a member of the worldwide Board of Directors of the IAA. He has also been a Director in their family owned business - Cyril Rodrigo Restaurants. Ranil is passionate about everything he does, he loves to see the world, stay in great places and enjoys the arts.

Dr. C. Pathiraja*Non-Executive Independent Director*

Chairman of Development Lotteries Board, Director of P&A Global Solutions (Pvt) Ltd., Singapore and several other companies both local and abroad. Ex Director/Embryologist - ICSI Lanka Hospital. He holds BV (Sc.) Degrees from the University of Peradeniya, Sri Lanka, Diploma in Business Studies and a Post-Graduate Diploma in Business Management.

Mr. Thirukumar Nadesan*Non-Executive Independent Director*

Mr. Thirukumar Nadesan holds a B.A. (Hon.) Degree in Business Studies at the University of Middlesex, United Kingdom. He has served in the capacity of Vice-President at the American Express Bank in Colombo from 1980 to 1989 and thereafter held the position of Group Director at the Maharaja Organization.

Mr. Nadesan has been a freelance Business/Investment Consultant for many reputed companies since 2001 to date.

Mr. Nadesan is the Chairman of Hotel Developers (Lanka) PLC, owning Company of Hilton Colombo and a Director of Lanka Hotels and Residencies (Pvt) Ltd. (owning Company of Sheraton Hotel Colombo).

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Corporate Governance

The Lighthouse Hotel PLC (LHH) continues to be committed to conducting the Company's business ethically and in accordance with high standards of good corporate governance.

The Board has appointed Jetwing Hotels Ltd. as the managing agents of the Hotel.

We set out below the corporate governance practices adopted and practiced by LHH and compliance with the Rules set out in Section 7 of the Listing Rules of the Colombo Stock Exchange.

Board of Directors

Executive Directors

Mr. N.J.H.M. Cooray (Chairman), Mr. R.A.E. Samarasinghe (Managing Director), Mr. C.S.R.S. Anthony

Non-Executive Directors

Ms. N.T.M.S. Cooray, Ms. A.M. Ondaatjie

Non-Executive Independent Directors

Mr. N. Wadugodapitiya, Mr. R. de Silva, Mr. E.P.A. Cooray, Dr. C. Pathiraja, Mr. T. Nadesan, Mr. A.T.P. Edirisinghe

The Board meets quarterly as a matter of routine. Adhoc meetings are held as and when necessary. During the year under review the Board met on five occasions. The attendance at these meetings was:

Mr. N.J.H.M. Cooray (Chairman)	Executive	5/5
Mr. R.A.E. Samarasinghe (Managing Director)	Executive	4/5
Mr. C.S.R.S. Anthony	Executive	5/5
Ms. N.T.M.S. Cooray	Non-Executive	3/5
Ms. A.M. Ondaatjie	Non-Executive	4/5
Mr. N. Wadugodapitiya	Non-Executive Independent	5/5
Mr. R. de Silva	Non-Executive Independent	3/5
Mr. E.P.A. Cooray	Non-Executive Independent	4/5
Dr. C. Pathiraja	Non-Executive Independent	5/5
Mr. T. Nadesan	Non-Executive Independent	3/5
Mr. A.T.P. Edirisinghe	Non-Executive Independent	4/5

Responsibilities

The Directors of the Company are responsible for formulation of company policy and overall business strategy. The implementation of policy and strategy is done in a framework that requires compliance with applicable laws and regulations as well as establishing best practices in dealing with employees, customers, suppliers and the community at large.

The annual capital expenditure budgets, non-budgeted capital expenditure and the annual budgeted operating statements require Board approval. The Board meets regularly to review performance and forecasts against budgets so as to take decisions in the best interest of the Company. The managing agents are represented at these meetings and are responsible for follow-up action. Directors' interests in contracts are regularly disclosed and such disclosures pertaining to year ended 31st March, 2014 can be seen on page 90 in the Directors' Report.

The Board is responsible to ensure that adequate systems of internal controls to safeguard the assets of the Company are in place and proper records are maintained. However, any system can ensure only reasonable but not absolute assurance that errors and irregularities are prevented or detected within a reasonable time frame.

Chairman's Role

The Chairman is responsible for the efficient conduct of Board meetings. The Chairman maintains close contact with all Directors, and holds informal meetings with Non-Executive Directors as and when necessary.

Board Balance

The composition of the Executive and Non-Executive Directors (the latter are over one-third of the total number of Directors) satisfies the requirements laid down in the Listing Rules of the Colombo Stock Exchange. The Board has determined that six Non-Executive Directors satisfy the criteria for 'independence' set out in the Listing Rules of the Colombo Stock Exchange.

Non-Executive Directors profiles reflect their calibre and the weight their views carry in Board deliberations.

The Chairman of the Company is also the Chairman of Jetwing Hotels Ltd., the managing agents. Chief Executive Authority is vested in the Managing Director of the Company.

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Company Secretary

The services and advice of the Company Secretary are made available to Directors as necessary. The Company Secretary keeps the Board informed of new laws, regulations and requirements coming into effect which are relevant to them as individual Directors and collectively to the Board.

Financial Acumen

The Board, includes one Chartered Accountant, and three Chartered Management Accountants who possess the necessary knowledge and competence to offer the Board guidance on matters of finance.

Supply of Information

Directors are provided with quarterly reports on performance and such other reports and documents as are necessary. The Chairman ensures all Directors are adequately briefed on issues arising at meetings.

Appointments to the Board

The Board as a whole decides on the appointment of Directors, in terms of the Articles of Association of the Company.

Re-election of Directors

The provisions of the Company's Articles require a Director appointed by the Board to hold office until the next Annual General Meeting and seek re-appointment by the shareholders at that meeting.

The Articles call for one-third of the Directors in office to retire at each Annual General Meeting. The Directors who retire are those who have served for the longest period after their appointment/re-appointment. Retiring Directors are generally eligible for re-election.

The Managing Director does not retire by rotation.

Remuneration Committee

The Company has its own Remuneration Committee. The Committee consists of three Independent Non-Executive Directors. The Remuneration Committee report appears on page 82 in this Report.

Constructive Use of the Annual General Meeting

The active participation of shareholders at the Annual General Meeting (AGM) is encouraged. The Board believes the AGM is a means of continuing effective dialogue with shareholders.

The Board offers clarifications and responds to concerns shareholders have over the content of the Annual Report as well as other matters which are important to them. The AGM is also used to adopt the Financial Statements for the year.

Communication with Shareholders

Shareholders are provided with Quarterly Financial Statements and the Annual Report, which the Company considers as its principal communication with them and other stakeholders. These reports are also provided to the Colombo Stock Exchange.

Shareholders may bring up concerns they have, either with the Chairman, the Managing Director or the Secretaries of the Company as appropriate. The Company maintains an appropriate dialogue with them.

Accountability and Audit

Financial Reporting

The Board places great emphasis on complete disclosure of financial and non-financial information within the bounds of commercial reality and on the adoption of sound reporting practices. Financial information is disclosed in accordance with the Sri Lanka Accounting Standards comprising SLFRS and LKAS. Revisions to existing accounting standards and adoption of new standards are carefully monitored.

The Statement of Directors' Responsibilities for the Financial Statements is given in page 95 of this Report.

Going Concern

The Directors, after making necessary inquiries and reviews including reviews of the Company budget for the ensuing year, capital expenditure requirements, future prospects and risks, cash flows and borrowing facilities, have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore the going concern basis has been adopted in the preparation of the Financial Statements.

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Audit Committee

LHH constituted its own Audit Committee on 13th February, 2008. The Committee consists of three Independent Non-Executive Directors of the Company. The meetings of the Audit Committee were attended by the Chairman, Managing Director, Executive Director, General Manager and the Chief Financial Officer by invitation when matters relating to the Company were taken up for discussion. The External Auditor/Internal Auditor attended the meetings when his presence was deemed necessary.

The Audit Committee has written terms of reference and is empowered to examine any matters relating to the financial affairs of the Company and its internal and external audits.

The Committee reviewed the Financial Statements, internal control procedures and risk management, accounting policies, compliance with accounting standards, emerging accounting issues and other related functions that the Board required. It also reviews the adequacy of systems for compliance with the relevant legal, regulatory and ethical requirements. Significant issues discussed by the Committee at the reviews were communicated by the Managing Director to the Board of Directors for their consideration and action.

The Audit Committee helps the Company to achieve a balance between conformance and performance.

Members of the Audit Committee		Attendance at the Meeting
Mr. N. Wadugodapitiya (<i>Chairman</i>)	Non-Executive Independent	5/5
Mr. E.P.A. Cooray	Non-Executive Independent	5/5
Mr. A.T.P. Edirisinghe	Non-Executive Independent	4/5

The Audit Committee recommends the appointment and fees of the External Auditors, having considered their independence and performance.

The Audit Committee Report appears on page 83 of this Report.

Level of Compliance with the Listing Rules of the Colombo Stock Exchange

Level of compliance with the Listing Rules of the CSE Section 7, on Corporate Governance are given in the following table:

Rule No.	Subject	Applicable requirement	Level of compliance
7.10.1	Non-Executive Directors	At least one-third of the total number of Directors should be Non-Executive Directors	Eight out of Eleven Directors are Non-Executive Directors
7.10.2 (a)	Independent Directors	Two or one-third of Non-Executive Directors, whichever is higher should be Independent	Six of the Eight Non-Executive Directors are Independent
7.10.2 (b)	Independent Directors	Each Non-Executive Director should submit a declaration of his independence/non-independence in the prescribed format.	Non-Executive Directors have submitted the declaration
7.10.3 (a)	Disclosure relating to Directors	Names of independent Directors should be disclosed in the Annual Report	Please refer page 75
7.10.3 (b)	Disclosure relating to Directors	The basis for Board to determine a Director as independent, if specified criteria for independence is not met	Not Applicable
7.10.3 (c)	Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report including the areas of Expertise	Please refer pages 71, 72, 73 and 74
7.10.3 (d)	Disclosure relating to Directors	Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3 (d) to the CSE	A brief résumé provided to the CSE
7.10.5	Remuneration Committee	A listed company shall have a Remuneration Committee	Company has formed a Remuneration Committee
7.10.5 (a)	Composition of Remuneration Committee	Shall comprise of Non-Executive Directors a majority of whom will be independent	Remuneration Committee consists of three Independent Non-Executive Directors
7.10.5 (b)	Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of Chief Executive Officer and Executive Directors	Please refer Remuneration Committee Report on page 82
7.10.5 (c)	Disclosure in the Annual Report relating to Remuneration Committee	The Annual Report should set out: (a) Names of Directors comprising the Remuneration Committee	Names of the members of the Remuneration Committee are stated in this report under the heading of Remuneration Committee on page 147

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Rule No.	Subject	Applicable requirement	Level of compliance
		(b) Statement of Remuneration Policy	Please refer Remuneration Committee Report on page 82
		(c) Aggregated remuneration paid to Executive Directors and Non-Executive Directors	Given in this report under the heading of Directors' Remuneration on page 90
7.10.6	Audit Committee	The Company shall have an Audit Committee	Company has formed an Audit Committee
7.10.6 (a)	Composition of Audit Committee	Shall comprise of Non-Executive Directors, a majority of whom will be independent	Audit Committee consists of three Independent Non-Executive Directors
		Non-Executive Director shall be appointed as the Chairman of the Committee	Chairman of the Audit Committee is an Independent Non-Executive Director
		Chief Executive Officer and the Chief Financial Officer shall attend Audit Committee meetings unless otherwise determined	Chairman, Managing Director, Executive Director, General Manager and Chief Financial Officer attend meetings by invitation
		The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Chairman of the Audit Committee is a Fellow Member of the Chartered Institute of Management Accountants - UK
7.10.6 (b)	Audit Committee Functions	Should be as outlined in the Section 7 of the Listing Rules the Colombo Stock Exchange	The terms of reference of the Audit Committee adopted by the Board is listed on page 83
7.10.6 (c)	Disclosure in the Annual Report relating to Audit Committee	(a) Names of Directors comprising the Audit Committee stated in this Report under the heading of Audit Committee	Names of the members of the Audit Committee are stated in this Report under the heading of Audit Committee on page 147
		(b) The Audit Committee shall make a determination of the independence of the Auditors and disclose such determination	Please refer Audit Committee Report on page 83
		(c) The Annual Report shall contain a Report of the Audit Committee setting out the manner of Compliance of the functions	Please refer Audit Committee Report on page 83

Remuneration Committee Report

The objectives of the Remuneration Committee are to review and approve overall remuneration philosophy strategy policies and practices including performance pay schemes and benefits. The policy is to prepare the compensation packages to attract and retain highly qualified experienced workforce and reward performance bearing in mind the business performance and long term shareholder returns. The Committee comprises three Non-Executive Independent Directors, whose names are disclosed on page 147 of the Annual Report. The members of the Committee met once in the year under review. The aggregate remuneration paid to Directors is set out in page 90.



E.P.A. Cooray
Chairman - Remuneration Committee
28th April, 2014

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Audit Committee Report

The Audit Committee comprises three Non-Executive Independent Directors (as shown on page 147 of the Annual Report). The Chairman of the Audit Committee is a Fellow Member of the Chartered Institute of Management Accountants, UK. The Audit Committee met on five occasions during the financial year.

The Chairman, Managing Director, Executive Director, General Manager and the Financial Controller attend meetings of the Audit Committee by invitation. The Committee is empowered to examine any matter relating to the financial reporting systems and its internal and external audits. Its duties include detailed reviews of financial statements, internal control procedures, accounting policies and compliance with accounting standards. It also reviews the adequacy of systems for compliance with the relevant legal, regulatory and ethical requirements and company policies.

The Committee endeavours to assist the Directors to discharge their duties and responsibilities in respect of regulatory compliance and risk management.

The following activities were carried out by the Committee:

- The Committee reviewed the Quarterly Accounts of the Company and has recommended same to the Board for approval and publication.
- The Committee held meetings with the External Auditors to review their report on audit results and the preparation of the Annual Report to ensure the reliability of the process, consistency of the Accounting policies and methods and compliance with Sri Lanka Accounting Standards.
- Recommendations made by the External Auditors were also discussed with the Board and implementation recommended to Management by the Committee.
- The Audit Committee also monitors the effectiveness of the Internal and Financial Control procedures on the basis of the reports and findings submitted by the Internal Auditors of the Company, Messrs PricewaterhouseCoopers.
- The Audit Committee also monitors the timely payments of all statutory obligations.
- The Company's budget proposals are also reviewed by the Audit Committee.
- The Audit Committee has reviewed the other services provided by the External Auditors to the Company to ensure their independence as auditors has not been compromised.

The Audit Committee is satisfied that the control environment prevailing in the organization provides reasonable, but not absolute assurance that the financial position of the Company is adequately monitored and that the systems are in place to minimize the impact of identifiable risks.

As far as the Directors are aware, the Auditor does not have any relationship (other than that of an Auditor) with the Company other than those disclosed above. The Auditors also do not have any interest in the Company. For the said reasons that the Committee determined that Auditors are independent.

The Audit Committee has recommended to the Board of Directors that Messrs Ernst & Young may continue as Auditors for the financial year ending 31st March, 2015.



Nihal Wadugodapitiya
Chairman - Audit Committee
28th April, 2014

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Risk Management

The risk management system of The Lighthouse Hotel PLC is structured to identify and control the risks specific to the industry in which it operates as well as general risks applicable to all entities. Therefore, appropriate systems, policies and procedures are in place in all areas of operations and they are periodically reviewed to ensure adequacy and adherence. In the current business environment, change has become the norm rather than the exception. Managing risks in a changing environment effectively, particularly the major risks that may affect our business plans and strategic objectives, we are able to protect or enhance our key assets appropriately.

The Company identifies three main categories of risk:

- | | |
|-------------------------------|--|
| 1. Strategic and Market Risks | Risks that affect the Company's high-level strengths and weaknesses or reflect risks from the external environment. These risks are managed by Senior Management. |
| 2. Operational Risks | Risks that are caused due to day-to-day operations of the Hotel. |
| 3. Financial Risks | Risks of losses arising from the adverse movements in market prices, risks that the Company may not have sufficient funds to meet financial obligations and failure of a customer to meet its contractual obligations. |

These main categories of risks are further analyzed into sub components.

Risk Factors

In this section we describe the material foreseeable risks that could have a material effect on the Company's business operations, cash flow, financial condition, turnover, profits, assets, liquidity and capital reserves. We provide information on the nature of the risk, an indication of the potential impact and actions taken to mitigate risk exposure. All potential risks are not listed below. Some risks are not yet known to LHH and some that LHH does not currently believe to be material could later turn out to be material.

Risk Category and Description	Potential Impact	Actions Taken to Mitigate Risk
1. Strategic and Market Risks		
1.1. Business Risk		
The inability of the Company to achieve its business objectives	- Reduced revenue, cash flow and profitability - Hinder future growth	- Detailed operational and capital expenditure budgets are formulated on an annual basis and formally approved by the Board. These plans are thereafter monitored and reviewed by the Board to assess actual performance against those planned and take remedial action wherever necessary. - Project feasibility studies are conducted for all major investments - Implementation of cost control procedures and innovative cost saving initiatives particularly with regard to energy costs - Performing Competitor analysis
1.2. Political, Economic and Environmental Risks		
Major events affecting either economic or political stability on a global and local level represent an exposure to the Company	- Reduced revenue, increased operating costs resulting in reduced profitability and cash flows - Control over the ownership of assets	- Management regularly reviews political and economic developments and seeks to identify emerging risks at the earliest opportunity. - The Company being a member of Tourist Hotels Association of Sri Lanka has been working closely with them and other various trade associations, relevant authorities and lobby groups in creating a better economic environment at all times.
Events that adversely impact domestic or international travel	- Occupancy and room rates can be adversely affected by events that reduce domestic or international travel. Such events may include acts of terrorism, war or perceived increased risk of armed conflicts, epidemics, natural disasters, increased cost of travel and industrial action. Reduced demand will impact on revenues and operational profitability	- The Company has in place contingency and recovery plans to enable it to respond to major incidents or crises.
Risks from natural or man-created disasters	- Loss of assets	- Transferring risks to third parties through insurance policies. The adequacy of insurance covers are regularly reviewed and adjusted when necessary.

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Risk Category and Description	Potential Impact	Actions Taken to Mitigate Risk
1.3. Competitive Risk		
Company is exposed to the risks of the hotel industry supply and demand cycle such as competitive actions from existing hotels and new entrants increasing room supply	- Future operating results could be adversely affected by industry over-capacity of number of rooms - Reduction in market share (lower occupancies), rates resulting in reduced revenues, increase in marketing expenses reduces cash flows and profitability	- Providing a unique service quality associated with Jetwing brand only - Consistently delivering of service quality to influence consumer preference and creating and maintaining value perception - Make timely investments to upgrade the facilities - Maintain the long-term relationships with major tour operators
2. Operational Risks		
2.1. Reputation and Intellectual Property Rights Risk		
- The Company is reliant on the reputation of its brand and the protection of its intellectual property rights	- Service quality may not be delivered in accordance with the Company's standards - Reduce brand value, market share, revenues, profitability and cash flows - Increase Company's exposure to litigation	- Continuous monitoring and review of online customer reviews and ratings - Investments made in protecting the Company's brand from misuse and infringement, by way of trade mark registration and domain name protection - Company monitors adherence to its safety or operating and quality standards, or the significant regulations applicable to hotel operations - Provides regular training to associates to educate on the quality standards and new developments in the hospitality industry
2.2. Demand		
- Adverse impact on Company turnover due to shift in demand from traditional source markets to new emerging markets	- Reduce room nights, revenue - Lower room rates due to lower occupancy	- The Hotel is well represented at international trade fairs - Increase registration with Online Travel Agents - Increase presence in social media channels - Maintain the long term relationships with major tour operators
2.3. Employee Risk		
- Failure to attract and retain skilled employees may threaten the success of the Company's operations	- Inability to achieve planned business objectives - Reduced quality of standards resulting in reduced guest satisfaction	- Development and maintenance of a Company culture, compensation and benefits arrangements, training and development are key activities carried out

Risk Category and Description	Potential Impact	Actions Taken to Mitigate Risk
2.4. Technology Risk	- Inaccurate information - Reputation and performance of the Company will be adversely affected	- Regular review of systems and upgrades where appropriate
2.5. Project Implementation Risk	- Cost overruns - Delays in project implementation may cause loss of earnings	- Establish project cost and timelines in consultation with stakeholders - Monitor project progress with budgeted cost and time
2.6. Statutory and Legal Risk	- Risk of litigation due to legal and statutory requirements not being fulfilled - Legal fees and penalties resulting in reduced profitability - Adverse impact to reputation - Loss arising from defective contracts	- Company continues to monitor changes in the regulatory environment in which it operates - Statutory declaration is made to Board each quarter - Compliance audits are included in the scope of the internal audit programme - Engage professional consultants to review contracts
2.7. Internal Operational Processes	- Risk of financial loss due to breakdown in internal controls - Internal process failures - Frauds - Loss of data	- Outsource internal audits to reputed Audit Firms to review and report on the adequacy of the financial and operational controls - Defined systems and procedures are in place to ensure compliance with internal controls - Adequate fidelity covers are obtained
3. Financial Risks		
3.1. Credit Risk		
Risk arising due to default of payment	- Reduce profitability - Increase working capital	- Credit is provided only for credit approved agents. Credit approval is granted by the Credit Committee at corporate office and credit approved list has been prepared - Actively monitor and review debtors
3.2. Exchange Rate Risk		
Risk arising due to the volatility in foreign currency exchange rates	- Impact on profitability on translation of foreign currency transactions	- As far as possible enter into sales contracts with tour operators/agents in USD - Monitor the exchange rates on a daily basis
3.3. Interest Rate Risk		
Risk arising due to the volatility of fair value or future cash flows of a financial instrument fluctuating because of changes in market interest rates	- Reduce profitability - Reduce cashflows	- Negotiate favourable terms and conditions with banks for loan facilities obtained

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Financial Calendar

Audited Financial Statements signed on	28th April, 2014
20th Annual General Meeting	26th June, 2014
Interim Financial Statements	
1st Quarter Interim Report released on	2nd August, 2013
2nd Quarter Interim Report released on	30th October, 2013
3rd Quarter Interim Report released on	6th February, 2014
4th Quarter Interim Report released on	28th April, 2014

Annual Report of the Board of Directors on the Affairs of the Company

The Directors of The Lighthouse Hotel PLC present their Report together with the Audited Financial Statements of the Company for the year ended 31st March, 2014.

The details set out herein provide the pertinent information required by the Companies Act No. 07 of 2007, Listing Rules of the Colombo Stock Exchange and are guided by recommended best accounting practices.

Review of the Year

The Chairman's Message, Managing Director's Review and the Management Discussion and Analysis describes the year's operations, financial performance, sustainability review and details of the future development of the Company.

The Principal Activity of the Company

The principal activity of the Company is hoteliering and there has been no change in the nature of such activity during the year.

Financial Statements

The Financial Statements of the Company duly signed by Directors are given on pages 97 to 136 in this Annual Report.

Auditors' Report

The Auditors' Report on the Financial Statements is given on page 96.

Accounting Policies

The accounting policies adopted by the Company in the preparation of Financial Statements are given on pages 102 to 111 in this Annual Report.

The accounting policies adopted are consistent with these of the previous financial year.

Interests Register

Directors' Interests in Transactions

The Directors of the Company have made the general disclosures provided for in Section 192 (2) of the Companies Act No. 07 of 2007. The related party disclosures and the Directors of each of those related parties are given on pages 137 and 138 respectively.

Directors' Interests in Shares

There were no changes in the Directors' shareholdings during the year.

Jetwing Hotels Management Services (Pvt) Ltd., of which Messrs

N.J.H.M. Cooray and N.T.M.S. Cooray are also Directors, purchased 362,216 shares in the Company during the year.

Jetwing Eco Holidays (Pvt) Ltd., of which Messrs N.J.H.M. Cooray, R.A.E. Samarasinghe and C.S.R.S. Anthony are also Directors, purchased 73,385 shares in the Company during the year.

Mercantile Investments and Finance PLC and The Nuwara Eliya Hotels Company PLC, of which Ms. A.M. Ondaatjie is a Director, purchased 80,177 shares and 500,000 shares respectively in the Company during the year.

Directors' Remuneration

The aggregate emoluments paid to the Non-Executive Directors during the year, amounting to Rs. 1,596,000/- is reflected on page 131 in Note 24.1 to the Financial Statements.

Insurance and Indemnity

The Company has obtained a Corporate Guard insurance policy from CHARTIS Insurance Ltd. to indemnify Directors and Officers (D&O) of the Company. The policy is extended worldwide excluding USA and Canada with a total cover of Rs. 25,000,000/-. The premium is Rs. 420,000/- +Taxes.

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Directors' Shareholding

Directors

Directors' Direct Shareholding

	As at 31st March, 2014	As at 1st April, 2013
Mr. N.J.H.M. Cooray	748,803	748,803
Ms. N.T.M.S. Cooray	789,803	789,803
Mr. R.A.E. Samarasinghe	50,000	50,000
Mr. C.S.R.S. Anthony	1,000	1,000
Mr. R. de Silva	10,000	10,000
Mr. A.T.P. Edirisinghe	1,000	1,000

Directorate

Names of the Directors who held office during the financial year are given below:

Executive Directors

Mr. N.J.H.M. Cooray (Chairman),
Mr. R.A.E. Samarasinghe (Managing Director), Mr. C.S.R.S. Anthony.

Non-Executive Directors

Ms. N.T.M.S. Cooray,
Ms. A.M. Ondaatjie.

Non-Executive Independent Directors

Mr. N. Wadugodapitiya,
Mr. R. de Silva, Mr. E.P.A. Cooray,
Dr. C. Pathiraja, Mr. T. Nadesan,
Mr. A.T.P. Edirisinghe.

Donations

At the last Annual General Meeting shareholders authorized Directors to determine contributions to donations. The donations given during the year amounted to Rs. 769,362/-.

Auditors

Messrs Ernst & Young, Chartered Accountants are deemed reappointed, in terms of Section 158 of the Companies Act No. 07 of 2007 as Auditors of the Company.

A resolution proposing the Directors be authorized to determine the remuneration of the Auditors will be submitted to the Annual General Meeting.

Auditors' Remuneration

Messrs Ernst & Young were paid Rs. 567,010/- as audit fees and expenses by the Company. In addition, they were paid Rs. 402,160/- by the Company for non-audit related work, which consisted mainly of tax consultancy and advisory.

As far as the Directors are aware, the Auditor does not have any relationship (other than that of an Auditor) with the Company other than those disclosed above. The Auditors also do not have any interests in the Company.

Turnover

The turnover for the year was Rs. 681,104,565/- (2012/13 - Rs. 614,727,300/-).

Profit/(Loss)

	2014	2013
	Rs.	Rs.
Net Profit/(Loss) for the year after providing for all expenses, known liabilities and depreciation of fixed assets was	122,319,393	112,153,962
Other Comprehensive Income	(3,518,460)	(1,449,070)
Final Dividend for 2013 - Rs. 2/- per share (2012 - Rs. 2/-)	(92,000,000)	(92,000,000)
Transferred to Special Reserve during the Year	–	(1,325,671,060)
Prior Year Retained Profit	247,125,876	1,554,092,044
Retained Profit at the End of the Year	273,926,809	247,125,876

Dividends

The Board of Directors recommend a payment of final dividend of Rs. 2/- per share for financial year 2013/14 to holders of the issued ordinary shares of 46,000,000 of the Company.

Reserves

	2014	2013
	Rs.	Rs.
Revaluation Reserve	369,921,676	369,921,676
Special Reserve	1,325,671,060	1,325,671,060
Available-for-Sale Reserve	1,129,105	811,802
	1,696,721,841	1,696,404,538

Revaluation Reserve

On: Freehold Land		
As at 1st April,	369,921,676	357,535,737
Effect of Revaluation Carried Out in 2013	–	12,385,939
As at 31st March,	369,921,676	369,921,676

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Special Reserve

	2014	2013
	Rs.	
As at 1st April,	1,325,671,060	–
Transferred from Retained Earnings	–	1,325,671,060
As at 31st March,	1,325,671,060	1,325,671,060

With the adoption of SLFRS, the Company opted to reflect its building at deemed cost. The Board resolved to transfer such impact to a Special Reserve during the year 2013. This Special Reserve is available to be used in a manner determined by the Board from time to time.

Available-for-Sale Reserve

	2014	2013
	Rs.	Rs.
As at 1st April,	811,802	–
Gain on Available-for-Sale Financial Assets	317,303	811,802
As at 31st March,	1,129,105	811,802

Taxation

Pursuant to an agreement dated 29th January, 1994 entered into with Board of Investment under Section 17 of the Board of Investment Law the Company is taxed at the rate of 2% of the turnover from 1st April, 2008 for a period of 15 years in accordance with the said agreement. However, taxation on interest income earned has been provided for, based on the provisions of the Inland Revenue Act. Income tax on operation of ERA Beach, Galle Heritage Villa and Kurulubedda are computed on taxable profits at prevailing rates stipulated by the Inland Revenue Act.

Property, Plant and Equipment

The total expenditure on acquisition of Property, Plant and Equipment during the year amounted to Rs. 388,909,544/- (2013 - Rs. 110,597,298/-) details of which are given in Note 4.1 to the Financial Statements on page 113.

Market value of the land including the valuation method and the effective date of the valuation are provided in Note 4.4 to the Financial Statements on page 116.

Stated Capital

There were no changes in the Company's Stated Capital during the year under review. In terms of the Companies Act No. 07 of 2007, the Stated Capital of the Company was Rs. 460,000,974/- as at 31st March, 2014. (Comprising 46,000,000 ordinary shares)

Events Occurring after the Reporting Date

There have been no material events occurring after the reporting date, that require adjustments to or disclosures in the Financial Statements, other than proposed dividends which is disclosed in Note 15 to the Financial Statements on page 126.

Statutory Payments

The Directors confirm that to the best of their knowledge all taxes and dues payable by the Company and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and all other known statutory dues as were due as at the reporting date have been paid or provided.

Public Shareholding

As at 31st March, 2014, 25.54% of the issued capital of the Company was held by the public.

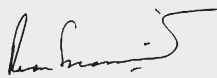
Going Concern

The Directors, after making necessary inquiries and reviews including reviews of the Company budget for the ensuing year, capital expenditure requirements, future prospects and risks, cash flows and borrowing facilities have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore, the going concern basis has been adopted in the preparation of the Financial Statements.

For and on behalf of the Board,



N.J.H.M. Cooray
Chairman



R.A.E. Samarasinghe
Managing Director



Corporate Services (Pvt) Ltd.
Secretaries

The Lighthouse Hotel PLC
28th April, 2014

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Statement of Directors' Responsibilities

The Directors are responsible, under Sections 150 (1) and 151, of the Companies Act No. 07 of 2007, to ensure compliance with the requirements set out there into prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company and the Income Statement of the financial year-end. The Directors are also responsible, under Section 148 for ensuring that proper accounting records are kept to disclose, with reasonable accuracy, the financial position and enable preparation of the Financial Statements.

The Board accepts responsibility for the integrity and objectivity of the Financial Statements presented. The Directors confirm that in preparing the Financial Statements, appropriate accounting policies have been selected and applied consistently while reasonable and prudent judgments have been made so that the form and substance of transactions are properly reflected.

They also confirm that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRS & LKAS). The Financial Statements provide the information required by the Companies Act and the Listing Rules of the Colombo Stock Exchange.

The Directors have taken reasonable measures to safeguard the assets of the Company and, in that context, have instituted appropriate systems of internal control with a view to preventing and detecting fraud and other irregularities.

The External Auditors, Messrs Ernst & Young, are reappointed in terms of Section 158 of the Companies Act No. 07 of 2007 were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The Report of the Auditors, shown on page 96 sets out their responsibilities in relation to the Financial Statements.

Compliance Report

The Directors confirm that to the best of their knowledge, all statutory payments relating to employees and the Government that were due in respect of the Company as at the reporting date have been paid or where relevant, provided for.

By Order of the Board,
The Lighthouse Hotel PLC
Corporate Services (Pvt) Ltd.
Secretaries

216, De Saram Place, Colombo 10.
28th April, 2014

Independent Auditors' Report



**Building a better
working world**

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TO THE SHAREHOLDERS OF THE LIGHTHOUSE HOTEL PLC

Report on the Financial Statements

We have audited the accompanying Financial Statements of The Lighthouse Hotel PLC ("Company") which comprise the Statement of Financial Position as at 31 March 2014, and the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Financial Statements that are free from material misstatements, whether due to fraud or error; selecting and applying

appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatements.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2014 and the Financial Statements give a true and fair view of the Company's financial position as at 31 March 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

These Financial Statements also comply with the requirements of Section 151(2) of the Companies Act No: 07 of 2007.

28 April 2014
Colombo

Partners: A D B Talwatte FCA FCMA · M P D Cooray FCA FCMA · R N de Saram ACA FCMA · Ms. N A De Silva FCA · Ms. Y A de Silva FCA · W R H Fernando FCA FCMA · W K B S P Fernando FCA FCMA · A P A Gunasekera FCA FCMA · A Herath FCA · D K Hulangamuwa FCA FCMA LLB (Lond) · H M A Jayasinghe FCA FCMA · Ms. A A Ludowyke FCA FCMA · Ms. G G S Manatunga ACA · N M Sulaiman ACA ACMA · B E Wijesuriya ACA ACMA

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Statement of Financial Position

As at 31st March,

		2014	2013
	Note	Rs.	Rs.
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	4	2,529,136,504	2,205,907,810
Prepaid Lease Rent	5	2,424,243	2,454,546
Intangible Assets	6	851,917	936,864
Other Non-Current Financial Assets	7.1	59,388,785	59,071,482
		2,591,801,449	2,268,370,702
Current Assets			
Inventories	8	28,631,147	22,621,676
Trade and Other Receivables	9	99,110,522	92,752,927
Other Current Financial Assets	7.4	—	99,300,931
Cash at Banks and in Hand	21	22,565,455	26,738,158
		150,307,124	241,413,692
Total Assets		2,742,108,573	2,509,784,394
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital	10	460,000,974	460,000,974
Reserves	11	1,696,721,841	1,696,404,538
Retained Earnings		273,926,809	247,125,876
Total Equity		2,430,649,624	2,403,531,388
Non-Current Liabilities			
Post-Employment Benefit Liability	12	22,678,483	14,970,860
Interest-Bearing Loans and Borrowings	13	87,353,786	—
		110,032,269	14,970,860
Current Liabilities			
Trade and Other Payables	14	146,800,831	88,130,396
Current portion of Interest-Bearing Loans and Borrowings	13	51,425,174	—
Income Tax Payable		3,200,675	3,151,750
		201,426,680	91,282,146
Total Liabilities		311,458,949	106,253,006
Total Equity and Liabilities		2,742,108,573	2,509,784,394

I certify that these Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.



C.S.R.S. Anthony

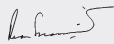
Director

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the Board by:



N.J.H.M. Cooray

Chairman



R.A.E. Samarasinghe

Managing Director

The accounting policies and notes on pages 102 through 136 form an integral part of the Financial Statements.

28th April, 2014
Colombo

Income Statement

Year ended 31st March,

		2014	2013
	Note	Rs.	Rs.
Revenue	3	681,104,565	614,727,300
Cost of Sales		(147,821,548)	(138,172,438)
Gross Profit		533,283,017	476,554,862
Other Income and Gains	16	2,290,972	5,100,000
Marketing and Promotional Expenses		(23,089,847)	(24,487,419)
Administrative Expenses		(379,436,414)	(339,164,598)
Finance Cost	17.1	(1,942,540)	(24,610)
Finance Income	17.2	5,491,639	9,314,153
Profit before Tax	18	136,596,828	127,292,388
Income Tax Expense	19	(14,277,435)	(15,138,426)
Profit for the Year		122,319,393	112,153,962
Earnings Per Share	20	2.66	2.44

The accounting policies and notes on pages 102 through 136 form an integral part of the Financial Statements.

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Statement of Comprehensive Income

Year ended 31st March,

		2014	2013
	Note	Rs.	Rs.
Profit for the Year		122,319,393	112,153,962
Other Comprehensive Income			
Gain on Available-for-Sale Financial Instruments	7.1	317,303	811,802
Actuarial Losses on Post Employment Benefit Liability	12	(3,518,460)	(1,449,070)
Revaluation of Land	4	–	12,385,939
Other Comprehensive Income/(Loss) for the Year		(3,201,157)	11,748,671
Total Comprehensive Income for the Year		119,118,236	123,902,633

The accounting policies and notes on pages 102 through 136 form an integral part of the Financial Statements.

Statement of Changes in Equity

	Note	Stated Capital Rs.	Revaluation Reserve Rs. (Note 11.1)	Available-for- Sale Reserve Rs. (Note 11.3)	Special Reserve Rs. (Note 11.2)	Retained Earnings Rs.	Total Rs.
Balance as at 1st April, 2012		460,000,974	357,535,737	–	–	1,554,092,044	2,371,628,755
Profit for the Year		–	–	–	–	112,153,962	112,153,962
Other Comprehensive Income		–	12,385,939	811,802	–	(1,449,070)	11,748,671
Total Comprehensive Income		–	12,385,939	811,802	–	110,704,892	123,902,633
Dividend Paid	15	–	–	–	–	(92,000,000)	(92,000,000)
Transferred to/(from) during the Year	11.2	–	–	–	1,325,671,060	(1,325,671,060)	–
Balance as at 31st March, 2013		460,000,974	369,921,676	811,802	1,325,671,060	247,125,876	2,403,531,388
Profit for the Year		–	–	–	–	122,319,393	122,319,393
Other Comprehensive Income		–	–	317,303	–	(3,518,460)	(3,201,157)
Total Comprehensive Income		–	–	317,303	–	118,800,933	119,118,236
Dividend Paid	15	–	–	–	–	(92,000,000)	(92,000,000)
Balance as at 31st March, 2014		460,000,974	369,921,676	1,129,105	1,325,671,060	273,926,809	2,430,649,624

The accounting policies and notes on pages 102 through 136 form an integral part of the Financial Statements.

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Statement of Cash Flows

Year ended 31st March,

		2014	2013
	Note	Rs.	Rs.
Cash Flows From Operating Activities			
Profit before Tax		136,596,828	127,292,388
Adjustments for:			
Depreciation	4.2	64,104,544	55,516,143
Amortization of Prepaid Lease Rental	5	30,303	30,303
(Income) from Investments - Interest Income	17.2	(5,491,639)	(9,314,153)
(Profit)/Loss on Disposal of Property, Plant and Equipment	18	(646,068)	5,142,582
Finance Costs	17.1	1,942,540	24,610
Provision for Defined Benefit Plans	12	3,330,310	2,759,646
Allowance for Doubtful Debts	18	421,631	–
Write Back of Sundry Payables	16	(1,787,323)	–
Amortization of Intangible Assets	6	688,885	548,819
Exchange (Gain)/Loss from Conversion of Foreign Currency Loans		(91,574)	–
Operating Profit before Working Capital Changes		199,098,437	182,000,338
(Increase)/Decrease in Inventories		(6,009,471)	(3,911,092)
(Increase)/Decrease in Trade and Other Receivables		(6,779,226)	(4,351,277)
Increase/(Decrease) in Trade and Other Payables		60,457,758	(2,902,084)
Cash Generated from Operations		246,767,498	170,835,885
Income Tax Paid		(14,228,510)	(15,595,590)
Finance Cost paid	17.1	(1,942,540)	(24,610)
Defined Benefit Plan Costs Paid Net of Transfers	12	858,853	(1,863,126)
Net Cash From Operating Activities		231,455,301	153,352,559
Cash Flows from/(Used in) Investing Activities			
Acquisition of Property, Plant and Equipment	4.5	(386,985,288)	(110,597,298)
Proceeds from Sale of Property, Plant and Equipment		2,222,368	806,780
Interest Income	17	5,491,639	9,314,153
Investment in Other Non-Current Financial Assets	7.1	–	(14,509,680)
Acquisition of Intangible Assets	6.1	(603,938)	(619,650)
Net Cash Flows From/(Used in) Investing Activities		(379,875,219)	(115,605,695)
Cash Flows from/(Used in) Financing Activities			
Proceeds from Interest Bearing Loans and Borrowings	13.1	135,438,500	–
Repayment of Interest Bearing Loans and Borrowings	13.1	(8,737,440)	–
Dividends Paid	15	(92,000,000)	(92,000,000)
Net Cash Flows/(Used in) Financing Activities		34,701,060	(92,000,000)
Net Decrease in Cash and Cash Equivalents		(113,718,858)	(54,253,136)
Cash and Cash Equivalents at the Beginning of the Year	21	126,039,089	180,292,225
Cash and Cash Equivalents at the End of the Year	21	12,320,231	126,039,089

The accounting policies and notes on pages 102 through 136 form an integral part of the Financial Statements.

Notes to the Financial Statements

1. Corporate Information

1.1 General

The Lighthouse Hotel PLC ('Company') is a limited liability company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office of the Company is located at 'Jetwing House' 46/26 Navam Mawatha, Colombo 2 and principal place of business is situated at Dadella, Galle.

1.2 Principal Activities and Nature of Operations

The Company owns and operates Jetwing Lighthouse, which is targeted at the up market leisure travellers.

1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company does not have an identifiable parent of its own.

1.4 Date of Authorization for Issue

The Financial Statements of The Lighthouse Hotel PLC, for the year ended 31st March, 2014 were authorized for issue in accordance with a resolution of the Board of Directors on 28th April, 2014.

2. Basis of Preparation

2.1 The Financial Statements have been prepared on a historical cost basis except for Freehold Land and Financial Instruments: Available-for-sale financial assets that have been measured at fair value. The preparation and presentation of these Financial Statements is in compliance with the requirements of the Companies Act No. 07 of 2007.

2.2 Statement of Compliance

The Financial Statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards comprising SLFRS and LKAS (hereafter 'SLFRS'), as issued by The Institute of Chartered Accountants of Sri Lanka.

2.3 Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year.

2.4 Summary of Significant Accounting Policies Applied

The following are the significant accounting policies applied by the Company in preparing its Financial Statements:

2.4.1 Foreign Currencies

The Financial Statements are presented in Sri Lankan Rupees, which is also the Company's functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognized in the profit and loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

2.4.2 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements.

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The following specific recognition criteria must also be met before revenue is recognized:

(a) Room Revenue

Revenue is recognized on the rooms occupied on daily basis.

(b) Food & Beverage Revenue

Food & beverage revenue is accounted at the time of sale.

(c) Other Hotel Related Revenue

Other hotel related revenue is accounted when such service is rendered.

(d) Interest

Interest income is recognized on a time proportion basis that takes into account the effective yield on the asset unless collectibles is in doubt.

(e) Others

Other income is recognized on an accrual basis.

Net gains and losses of a revenue nature on the disposal of Property, Plant and Equipment has been accounted for in the Income Statement, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses.

Gains and losses arising from incidental activities to main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

2.4.3 Taxation

(a) Current Income Taxes

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Pursuant to an agreement dated 29th January, 1994 entered into with Board of Investment under Section 17 of the Board of Investment Law, the Company is taxed at the rate of 2% of the turnover from 1st April, 2008 for a period of 15 years in accordance with the said agreement. Current income tax relating to items recognized directly in equity is recognized in equity and not in the Income Statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Sales Tax

Revenues, expenses and assets are recognized net of the amount of sales tax except where the sales tax incurred on a purchase of assets or service

is not recoverable from the taxation authorities in which case the sales tax is recognized as a part of the cost of the asset or part of the expense items as applicable and receivables and payables are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

(c) Deferred Tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to

the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4.4 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs

consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4.5 Inventories

Inventories are valued at the lower of cost and net realizable value, after making due allowances for obsolete and slow moving items. Net realizable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

The cost incurred in bringing inventories to its present location and condition is accounted using the following cost formula:

Food and Beverage	- At purchase cost on weighted average basis.
Other Inventories	- At purchase cost on weighted average basis.

2.4.6 Cash and Cash Equivalents

Cash at bank and in hand in the Statement of Financial Position comprise cash at bank and in hand.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits with a maturity of three months or less, net of outstanding bank overdrafts.

2.4.7 Property, Plant and Equipment

Property, Plant and Equipment (except for land) is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the Property, Plant and Equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of Property, Plant and Equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major refurbishment is performed, its cost is recognized in the carrying amount of the Property, Plant and Equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the profit or loss as incurred.

Land is measured at fair value, less impairment losses recognized at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

A revaluation surplus is recognized in other comprehensive income and credited to the revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in

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the income statement, in which case the increase is recognized in the income statement. A revaluation deficit is recognized in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

An item of Property, Plant and Equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

The Company provides depreciation from the date the assets are available for use up to the date of disposal, on a straight-line basis over the periods appropriate to the estimated useful lives based on the pattern in which the asset's future economic benefits are expected to be consumed by the Company of the different types of assets, except for which are disclosed separately. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held-for-sale or the date that the asset is derecognized. Depreciation does not cease when the assets become idle or is retired from active use unless the asset is fully depreciated.

The useful life and residual value of assets are reviewed, and adjusted if required, at the end of each financial year.

2.4.8 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Company as a lessee:
Finance leases that transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset

is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases, where the lessor effectively retains substantially all of the risk and benefits of ownership over the term of the lease are classified as operating leases. Operating lease payments are recognized as an operating expense in the income statement on a straight-line basis over the lease term.

2.4.9 Financial Instruments

Financial assets of the Company comprise trade and other receivables, cash at bank and in hand, short term deposits and available-for-sale financial instruments.

i. Financial Assets

Initial Recognition and Measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets except for those that are at fair value through profit or loss are recognized initially at fair value plus transaction costs. Those that are at fair value through profit or loss, are initially measured at fair value.

Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held-for-trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value fit and loss are carried in the Statement of Financial Position at fair value with changes in fair value recognized in finance income or finance costs in the income statement.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance

income in the income statement. The losses arising from impairment are recognized in the income statement in finance costs.

Held-to-Maturity Financial Instruments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the income statement. The losses arising from impairment are recognized in the income statement in finance costs.

Available-for-Sale Financial Investments

Available-for-sale financial investments held at the reporting date consists of equity securities. Equity investments classified as available-for-sale are those, neither classified as held-for-trading nor designated at fair value through profit or loss. After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as

other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time, the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the income statement in finance costs and removed from the available-for-sale reserve.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset.

ii. Impairment of Financial Assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing

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significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortized Cost

For financial assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have

not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. Loans together with the associated allowance are written-off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write off is later recovered, the recovery is credited to finance costs in the income statement.

Available-for-Sale Financial Instruments

For available-for-sale financial investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost.' Significant is evaluated against the original cost of the investment and 'prolonged' against the period

in which the fair values has been below its original cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement is removed from other comprehensive income and recognized in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairments are recognized directly in other comprehensive income.

iii. Financial Liabilities

The Company's financial liabilities include trade and other payables, bank overdrafts and loans and borrowings.

Recognition and Measurement

Initial measurement of financial liabilities is based on their fair value, but adjusted in respect of any transaction costs that are incremental and directly attributable to the acquisition or issue of the instrument. After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process. Amortized cost is calculated by taking into account any discount or premium

on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the income statement.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the income statement.

iv. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset with the net amount reported in the Consolidated Statement of Financial Position only if there is a current enforceable legal right to offset the recognized amounts and an intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

v. Fair Value of Financial Instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for

long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions;
- Reference to the current fair value of another instrument that is substantially the same;
- A discounted cash flow analysis or other valuation models.

2.4.10 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, except capitalized development costs, are not capitalized and expenditure is recognized in the income statement when it is incurred.

Intangible assets with finite lives are over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected

pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

2.4.11 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

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2.4.12 Post-Employment Benefit - Retirement Benefit Obligations

(a) Defined Benefit Plan - Gratuity

The Company measures the present value of the promised retirement benefits of gratuity, which is a defined benefit plan with the advice of an independent professional actuary each year using the Projected Unit Credit method. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income.

This item is stated under Post-Employee Benefit Liability in the Statement of Financial Position.

The gratuity liability is not externally funded.

(b) Defined Contribution Plans - Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations. The Company contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

2.4.13 Impairment of Non-Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating Unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or companies of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognized in the income statement in those expense categories consistent with the function of the impaired asset, except for

property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognized in equity up to the amount of any previous revaluation.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

2.4.14 Dividend Distributions

The Company recognizes a liability to make cash or non-cash distributions to owners of equity when the distribution is authorised and is no longer at the discretion of the Company. A corresponding amount is recognized directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed. Upon settlement of the distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in income as a separate line in Statement of Comprehensive Income.

2.5 Significant Accounting Judgments, Estimates and Assumptions

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the Financial Statements.

Impairment of Trade Debtors:

The Company reviews at each reporting date all receivables to assess whether an allowance should be recorded in the income statement. The Management uses judgment in estimating such amounts in the light of the duration of outstanding and any other factors management is aware of, that indicate uncertainty in recovery. Further details are given in Notes 9 and 25.

Critical Accounting Estimates and Assumptions

The Financial Statements are sensitive to assumptions and estimates made in measuring certain carrying amounts represented in the Statement of Financial Position and amounts charged to the income statement. These could result in a significant risk of causing material adjustments to the carrying amounts of assets and liabilities which are disclosed in the relevant notes to the Financial Statements.

Fair Value of Property, Plant and Equipment:

The Land (and buildings at the date of transition when the Company first adopted SLFRS in 2012/2013) of the Company were reflected at fair value. When current market prices of similar assets are available, such evidences are considered in estimating fair values of these assets. In the absence of such information the Company determines within reasonable fair value estimates, amounts that can be attributed as fair values, with the assistance of an independent valuer. Further details are given in Note 4.

Components of Buildings:

In determining the depreciation expense, the Company with the assistance of an independent professional valuer determined the

components of buildings that have varying useful lives. Approximation techniques and appropriate groupings were used in such determination as well as in the assessment of the useful lives of each component. Further details are given in Note 4.7.

Fair Value of Available-for-Sale Financial Instruments

The Fair value of available-for-sale financial instruments that are unquoted is determined using valuation technique based on discounted cash flow analysis. Further details are given in Note 7.1.

Defined Benefit Plans:

The defined benefit obligation and the related charge for the year are determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, future salary increases, mortality rates etc. Due to the long term nature of such obligations these estimates are subject to significant uncertainty. Further details are given in Note 12.

2.6 Effect of Sri Lanka Accounting Standards Issued But Not Yet Effective

The following SLFRS have been issued by The Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these

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Financial Statements. Those SLFRS can have an effect on the accounting policies currently adopted by the Company and may have an impact on the future Financial Statements.

(a) SLFRS 9 - Financial Instruments: Classification and Measurement

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities. The Company will quantify the effect in due course.

This standard was originally effective for annual periods commencing on or after 1st January 2015. However effective date has been deferred subsequently.

(b) SLFRS 13 - Fair Value Measurement

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements and provides guidance on all fair value measurements under SLFRS.

This Standard will be effective for the annual period beginning on or after 1st January 2014. However use of fair value measurement principles contained in these standards are currently recommended.

(c) In addition to the above, following standards will also be effective for the annual periods commencing on or after 1st January 2014:

SLFRS 10 - Consolidated Financial Statements
SLFRS 11 - Joint Arrangements
SLFRS 12 - Disclosure of Interests in Other Entities

The above parcel of three standards will impact the recognition, measurement and disclosures aspects currently contained in LKAS 27 - consolidated and separate Financial Statements, LKAS 28 - Investments in Associates, LKAS 31 - Interest in Joint Ventures and SIC - 12 and SIC - 13 which are on consolidation of special purpose entities (SPEs) and jointly controlled entities respectively.

Establishing a single control model that applies to all entities including SPEs and removal of option to proportionate consolidation of jointly controlled entities are the significant changes introduced under SLFRS 10 and SLFRS 11 respectively.

SLFRS 12, establishes a single standard on disclosures related to interests in other entities. This incorporates new disclosures as well as the ones previously captured in earlier versions of LKAS 27, LKAS 28 and LKAS 31.

The Company will adopt these standards when they become effective. Pending the completion of detailed review, the financial impact is not reasonably estimable as at the date of publication of these Financial Statements.

3. Revenue

The business activities of the Company are only organized as a single reportable segment, where the management of the hotel monitors the Revenue per Available Room as a key performance indicator. Revenue consists of the following type and nature of services:

	2014	2013
	Rs.	Rs.
Room Revenue	343,046,667	300,922,423
Food and Beverage Income	301,960,012	280,625,090
Other Hotel Related Income	36,097,886	33,179,787
Total Revenue	681,104,565	614,727,300

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4. Property, Plant and Equipment

4.1 Gross Carrying Amounts

At Cost	Balance as at 01.04.2013 Rs.	Additions Rs.	Transferred Rs.	Disposals/ Written-Off Rs.	Balance as at 31.03.2014 Rs.
Buildings and Building integrals	1,783,376,680	8,477,440	245,433,152	(858,122)	2,036,429,150
Plant and Equipment	49,398,949	7,595,802	11,175,016	(1,364,516)	66,805,251
Sewerage Treatment Plant	6,078,731	732,850	230,316	(168,281)	6,873,615
Kitchen/Bar Equipment	31,819,832	5,231,591	7,494,592	(262,125)	44,283,891
Electrical Equipment	14,636,302	4,112,720	19,590,977	(2,137,013)	36,202,986
Office Equipment	1,861,840	179,400	–	(219,424)	1,821,816
Sports Equipment	8,057,221	–	–	–	8,057,221
Furniture and Fittings	42,572,645	2,937,799	38,809,329	(859,200)	83,460,574
Swimming Pool Equipment	7,469,409	433,032	161,772	(79,000)	7,985,212
Generator	4,993,862	13,541,562	–	–	18,535,424
Motor Vehicles	12,189,563	4,500,786	–	(1,558,261)	15,132,088
Water Treatment Plant	1,690,724	71,650	39,000	–	1,801,374
Linen, Cutlery and Crockery	19,650,920	6,489,224	2,043,561	(2,719,501)	25,464,205
Laundry and Hot Water Equipment	15,209,018	346,402	1,385,110	(29,691)	16,910,838
Telephone System	3,325,431	113,564	409,830	(38,128)	3,810,696
Elevators	2,257,883	–	4,072,384	–	6,330,267
SMA TV System	10,660,822	33,970	3,454,193	(283,792)	13,865,193
Maintenance Tools	674,619	32,550	–	(15,000)	692,169
Music Instruments	671,274	–	–	–	671,274
Bar Furniture and Equipment	10,385,208	4,226,653	734,658	–	15,346,519
Computer Systems	8,952,510	1,624,769	1,592,807	(467,100)	11,702,986
	2,035,933,443	60,681,764	336,626,697	(11,059,154)	2,422,182,749
At Fair Value					
Freehold Land	431,467,850	27,215,032	–	–	458,682,882
	431,467,850	27,215,032	–	–	458,682,882
In the Course of Construction					
Buildings and Equipment	54,036,093	301,012,748	(336,626,697)	–	18,422,144
	54,036,093	301,012,748	(336,626,697)	–	18,422,144
Total Gross Carrying Amount	2,521,437,386	388,909,544	–	(11,059,154)	2,899,287,776

4.2 Depreciation

	Balance As at 01.04.2013 Rs.	Charge for the year Rs.	Disposals/ Written-Off/ Transferred Rs.	Balance As at 31.03.2014 Rs.
At Cost				
Buildings and Building integrals	178,024,737	38,532,205	(281,802)	216,275,140
Plant and Equipment	24,161,796	2,754,241	(1,329,955)	25,586,082
Sewerage Treatment Plant	2,355,891	309,069	(65,999)	2,598,962
Kitchen/Bar Equipment	18,616,742	2,044,206	(239,843)	20,421,104
Electrical Equipment	6,267,236	1,896,269	(1,969,718)	6,193,787
Office Equipment	1,264,734	123,533	(175,136)	1,213,131
Sports Equipment	5,296,394	657,975	–	5,954,369
Furniture and Fittings	23,055,179	3,281,111	(746,671)	25,589,619
Swimming Pool Equipment	3,926,787	560,932	(54,175)	4,433,544
Generator	4,467,798	69,543	–	4,537,341
Motor Vehicles	4,068,575	2,171,174	(1,558,261)	4,681,488
Water Treatment Plant	1,524,267	46,615	–	1,570,882
Linen, Cutlery and Crockery	15,248,166	5,679,172	(2,337,878)	18,589,460
Laundry and Hot Water Equipment	9,839,022	763,862	(29,691)	10,573,193
Telephone System	1,640,488	312,878	(23,781)	1,929,586
Elevators	1,552,477	163,102	–	1,715,578
SMA TV System	4,074,200	920,398	(280,513)	4,714,086
Maintenance Tools	230,167	55,555	(4,459)	281,262
Music Instruments	540,190	55,957	–	596,147
Bar Furniture and Equipment	3,157,477	1,229,995	–	4,387,473
Computer Systems	6,217,252	2,476,754	(384,968)	8,309,039
Total Depreciation	315,529,575	64,104,544	(9,482,848)	370,151,272

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4.3 Net Book Values

	2014	2013
	Rs.	Rs.
At Cost		
Buildings and Building integrals	1,820,154,010	1,605,351,943
Plant and Equipment	41,219,169	25,237,153
Sewerage Treatment Plant	4,274,653	3,722,840
Kitchen/Bar Equipment	23,862,787	13,203,090
Electrical Equipment	30,009,200	8,369,066
Office Equipment	608,685	597,107
Sports Equipment	2,102,852	2,760,827
Furniture and Fittings	57,870,955	19,517,466
Swimming Pool Equipment	3,551,669	3,542,622
Generator	13,998,082	526,064
Motor Vehicles	10,450,600	8,120,988
Water Treatment Plant	230,492	166,457
Linen, Cutlery and Crockery	6,874,745	4,402,755
Laundry and Hot Water Equipment	6,337,645	5,369,996
Telephone System	1,881,111	1,684,943
Elevators	4,614,689	705,406
SMA TV System	9,151,107	6,586,622
Maintenance Tools	410,906	444,452
Music Instruments	75,127	131,084
Bar Furniture and Equipment	10,959,047	7,227,731
Computer Systems	3,393,947	2,735,257
	2,052,031,478	1,720,403,867
At Fair Value		
Freehold Land	458,682,882	431,467,850
	458,682,882	431,467,850
In the Course of Construction		
Buildings and Equipment	18,422,144	54,036,093
	18,422,144	54,036,093
Total Carrying Amount of Property, Plant and Equipment	2,529,136,504	2,205,907,810

4.4 The fair value of freehold land comprising approximately 1,400 perches was determined by means of a revaluation during the financial year 2012/13 by Messrs. K. Arthur Perera (AMIV - Sri Lanka), an independent valuer, in reference to market based evidence. The valuer has made reference to market evidence of transacted prices for similar size and location. The appraised fair values were approximated within a range of values between Rs. 45,000/- to Rs. 400,000/- a perch, depending on the location. The results of such revaluation were incorporated in these Financial Statements from its effective date which was 31.03.2013. The surplus arising from the revaluation, amounting to Rs. 12,385,939/- was transferred to a Revaluation Reserve in 2013.

4.5 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 388,909,544/- (2013 - Rs. 110,597,298/-). Cash payments amounting to Rs. 386,985,288/- (2013 - Rs. 110,597,298/-) were made during the year for purchase of Property, Plant and Equipment.

4.6 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs. 83,232,773/- (2013 - Rs. 87,198,908/-), that consisted of individually insignificant items.

4.7 The useful lives of the assets is estimated as follows:

	2014	2013
	Years	Years
Buildings and Building Integrals	15 to 60	15 to 60
Plant and Equipment	13.33	13.33
Sewerage Treatment Plant	20	20
Kitchen/Bar Equipment	10	10
Electrical Equipment	10	10
Office Equipment	10	10
Sports Equipment	10	10
Furniture and Fittings	10	10
Swimming Pool Equipment	10	10
Generator	13.33	13.33
Motor Vehicles	05-08	05
Water Treatment Plant	10	10
Linen, Cutlery and Crockery	02-03	02-03
Laundry and Hot Water Equipment	10-13.33	10-13.33
Telephone System	13.33	13.33
Elevators	20	20
SMA TV System	10	10
Maintenance Tools	10	10
Music Instruments	10	10
Bar Furniture and Equipment	10	10
Computer System	4	4

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	2014	2013
	Years	Years
Components included in buildings and building integrals:		
Buildings	60 years	60 years
Super Structure	60 years	60 years
Bathroom Fittings	15 years	15 years
Restaurant Floors	15 years	15 years
Tennis and Squash Court	60 years	60 years

4.8 During the year bank loan interest expense amounting to Rs. 1,561,028/- (2013 - Nil) and exchange loss on foreign currency loan amounting to Rs. 1,924,256/- (2013 - Nil) that were incurred in connection with the borrowing of funds for the building construction have been capitalized as a part of the building and building Integrals.

5. Prepaid Lease Rent

	2014	2013
	Rs.	Rs.
At 1st April,	2,454,546	2,484,849
Amortization for the Year	(30,303)	(30,303)
At 31st March,	2,424,243	2,454,546

Prepaid lease rental represents the lease rental paid to acquire the leasehold rights of land situated in Dadalla - Galle obtained from The Urban Development Authority of Sri Lanka by the agreement dated 18th January, 1995. The amount paid upfront has been amortized over the lease period of 99 years.

6. Intangible Assets

	2014	2013
	Rs.	Rs.
6.1 Cost		
As at the beginning of the Year	2,425,924	1,806,274
Incurred during the Year	603,938	619,650
As at the end of the Year	3,029,862	2,425,924
Amortization		
As at the beginning of the Year	(1,489,060)	(940,239)
Amortized during the Year	(688,885)	(548,821)
As at the end of the Year	(2,177,945)	(1,489,060)
Net Book Value		
As at the beginning of the Year	936,864	866,035
As at the end of the Year	851,917	936,864

6.2 Intangible assets stated above consist of Computer Software and Licences together with related costs. These are amortized over a period of 4 years, on a straight line basis.

7. Other Financial Assets

7.1 Other Non-Current Financial Assets

Available-for-Sale Financial Instruments

	2014	2013
	Rs.	Rs.
Investments in Equity Securities - Non Quoted:		
Rainforest Ecolodge (Pvt) Ltd. (Note 7.1.1)	59,071,482	58,259,680
Gain Recognized in Other Comprehensive Income	317,303	811,802
Fair Value at the end of the Year	59,388,785	59,071,482

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7.1.1 The Company held 15.4% (2013 - 15.4%) shareholding in Rainforest Ecolodge (Pvt) Ltd. The commercial operations of Rainforest Ecolodge (Pvt) Ltd. commenced during the year 2013. The fair value of above unquoted equity securities was determined using Discounted Cash Flow (DCF) valuation technique, where significant inputs were not based on observable market data (Level 3). There were no share sales or purchases during the year. Valuation techniques, key assumption and the sensitivity of the significant inputs to the fair value of the Investment are as follows:

Valuation Technique	Significant Unobservable Input	Sensitivity of the input to fair value
Discounted Cash Flow (DCF) method	Long term growth rate	5% increase/(decrease) in the growth rate would result in increase/(decrease) in fair value by Rs. 1.9 million and (Rs. 1.2 million) respectively.
	Weighted Average Cost of Capital (WACC)	1% increase/(decrease) in the WACC would result in (decrease)/Increase in fair value by (Rs. 7 million) and Rs. 9.3 million respectively.

7.2 Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Other valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As at 31st March 2014, the Company held the following financial instruments carried at fair value on the Statement of Financial Position:

7.3 Assets Measured at Fair Value

	Total Rs.	Level 1	Level 2	Level 3 Rs.
Available for Sale Financial Assets				
Non-Quoted Equity Investment (7.1)	59,388,785	–	–	59,388,785
2014	59,388,785	–	–	59,388,785
2013	59,071,482	–	–	59,071,482

During the reporting year ending 31st March 2014, there were no transfers between Level 2 and Level 3 fair value measurements.

7.4 Other Current Financial Assets

Held-to-Maturity Financial Instruments

	2014	2013
	Rs.	Rs.
Investments in Treasury Bills Repos	–	1,124,867
Investment in Fixed Deposits	–	98,176,064
	–	99,300,931

8. Inventories

	2014	2013
	Rs.	Rs.
Food and Beverage	14,620,123	10,860,172
Other Inventories	14,011,024	11,761,504
	28,631,147	22,621,676

9. Trade and Other Receivables

	2014	2013
	Rs.	Rs.
Trade Debtors - Related Parties (Note 9.1)	15,655,180	12,347,531
- Others	75,065,944	71,559,867
Other Debtors	3,054,070	4,680,104
Less: Impairment of Trade Debtors	(1,177,666)	(2,427,156)
	92,597,528	86,160,346
Prepayments	6,512,994	6,592,581
	99,110,522	92,752,927

Trade receivables are non-interest bearing and are generally on terms of 30 days.

See Note 25 on credit risk of trade receivables, which discusses how the Company manages and measures credit quality of trade receivables that are neither past due nor impaired.

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9.1 Related Parties

	Relationship	2014	2013
		Rs.	Rs.
Jetwing Travels (Pvt) Ltd.	Other Related Party	15,040,777	11,943,157
Jetwing Eco Holidays (Pvt) Ltd.	Other Related Party	83,334	82,388
Jetwing Hotels Ltd.	Other Related Party	211,746	91,495
Blue Oceanic Beach Hotel (Pvt) Ltd.	Other Related Party	25,510	—
Jetwing Events (Pvt) Ltd.	Other Related Party	247,461	112,250
Rainforest Ecolodge (Pvt) Ltd.	Other Related Party	46,352	118,241
		15,655,180	12,347,531

10. Stated Capital

	2014		2013	
	Number	Rs.	Number	Rs.
Fully Paid Ordinary Shares	46,000,000	460,000,974	46,000,000	460,000,974
	46,000,000	460,000,974	46,000,000	460,000,974

11. Reserves

	2014	2013
	Rs.	Rs.
Revaluation Reserve (Note 11.1)	369,921,676	369,921,676
Special Reserve (Note 11.2)	1,325,671,060	1,325,671,060
Available-for-Sale Reserve (Note 11.3)	1,129,105	811,802
	1,696,721,841	1,696,404,538

11.1 Revaluation Reserve

	2014	2013
	Rs.	Rs.
On: Freehold Land		
As at 1st April	369,921,676	357,535,737
Effect of revaluation carried out in 2013 (Note 11.4)	–	12,385,939
As at 31st March	369,921,676	369,921,676

11.2 Special Reserve

	2014	2013
	Rs.	Rs.
As at 1st April	1,325,671,060	–
Transferred from Retained Earnings (Note 11.5)	–	1,325,671,060
As at 31st March	1,325,671,060	1,325,671,060

11.3 Available-for-Sale Reserve

	2014	2013
	Rs.	Rs.
As at 1st April	811,802	–
Gain on Available-for-Sale Financial Instruments (Note 7.1)	317,303	811,802
As at 31st March	1,129,105	811,802

11.4 The above revaluation surplus consists of net surplus resulting from the revaluation of freehold land as described in Note 4.4.

11.5 With the adoption of SLFRS in 2012/2013, the Company opted to reflect its building at deemed cost. The Board resolved to transfer such impact to a Special Reserve during the year 2013. This Special Reserve is available to be used in a manner determined by the Board from time to time.

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12. Post-Employment Benefit Liability

	2014	2013
	Rs.	Rs.
Balance as at 1st April	14,970,860	12,625,270
Charge for the Year (Note 12.1)	6,848,770	4,208,716
Transfers (Net) during the Year	1,894,869	(185,701)
Payments made during the Year	(1,036,016)	(1,677,425)
Balance as at 31st March	22,678,483	14,970,860

12.1 Defined Benefit Plan Cost

	2014	2013
	Rs.	Rs.
Current Service Cost	1,608,661	1,497,119
Interest Cost on Benefit Obligation	1,721,649	1,262,527
Recognized in the Income Statement	3,330,310	2,759,646
Actuarial Loss for the Year Recognized in Other Comprehensive Income	3,518,460	1,449,070
Balance as at 31st March	6,848,770	4,208,716

12.2 As at 31st March, 2014 the gratuity liability was actuarially valued by Messrs K.A. Pandit, an independent firm of actuaries.

Principal Actuarial Assumptions

The principal financial assumptions underlying the valuation are as follows:

	2014	2013
Discount Rate	10% p.a	11.5% p.a
Salary Increase	9% p.a	10% p.a
Staff Turnover	5% at each age	2% at each age

The principal demographic assumption underlying the valuation is the retirement age of 60 years, applied consistently for both years.

12.3 Sensitivity of Assumptions employed in Actuarial Valuation

The following table demonstrates the sensitivity to a reasonable possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement, in respect of the year 2013/2014. The sensitivity of the Income Statement and Statement of Financial Position is the effect of the assumed changes in discount rate and salary increase rate on the profit or loss and post employment benefit liability for the year:

Change in assumptions	Effect on Total Comprehensive Income - (reduction)/ increase in results Rs.	Proforma Post Employment Benefit Liability Rs.
+1% Change in Discount Rate	(1,453,298)	21,225,185
-1% Change in Discount Rate	1,682,277	24,360,760
+1% Change in Rate of Salary Increase	1,682,276	24,360,759
-1% Change in Rate of Salary Increase	(1,478,310)	21,200,173

13. Interest Bearing Loans and Borrowings

	2014 Amount Repayable within 1 Year Rs.	2014 Amount Repayable after 1 Year Rs.	2014 Total Rs.	2013 Total Rs.
Bank Loans (Note 13.1)	41,179,950	87,353,786	128,533,736	–
Bank Overdrafts (Note 21.2)	10,245,224	–	10,245,224	–
	51,425,174	87,353,786	138,778,960	–

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13.1 Bank Loans

	As At 01.04.2013 Rs.	Loans Obtained Rs.	Exchange (Gain)/Loss Rs.	Repayment Rs.	As At 31.03.2014 Rs.
Commercial Bank of Ceylon PLC					
- USD Term loan 1*	–	128,902,000	1,832,676	(8,737,440)	121,997,236
- USD Term loan 2**	–	6,536,500	–	–	6,536,500
	–	135,438,500	1,832,676	(8,737,440)	128,533,736

* Unsecured term loan of USD 1 Mn repayable in 60 monthly installments commencing from December 2013.

** Unsecured term loan of USD 572,500 repayable in 60 monthly installments commencing from April 2014.

14. Trade and Other Payables

	2014 Rs.	2013 Rs.
Trade Payables - Related Party (Note 14.1)	9,159,773	6,997,551
- Others	21,781,981	18,671,036
Other Payables	50,265,356	15,530,281
Sundry Creditors including Accrued Expenses	65,593,721	46,931,528
	146,800,831	88,130,396

14.1 Trade Payables - Related Parties

	Relationship	2014 Rs.	2013 Rs.
Jetwing Travels (Pvt) Ltd.	Other related party	–	179,200
Jetwing Hotels Ltd.	Other related party	9,159,773	6,818,351
		9,159,773	6,997,551

15. Dividends Paid and Proposed

	2014	2013
	Rs.	Rs.
Declared and Paid during the Year		
Equity Dividends on Ordinary Shares:		
Final Dividend for 2013: Rs. 2/- per Share (2012 - Rs. 2/- per share), Paid in the Subsequent Year	92,000,000	92,000,000
	92,000,000	92,000,000
Proposed for approval at AGM (not recognized as a liability as at 31st March)		
Equity Dividends on Ordinary Shares:		
Final Dividend for 2014 Rs. 2/- per share (2013 – Rs. 2/- per share)	92,000,000	92,000,000

16. Other Income and Gains

	2014	2013
	Rs.	Rs.
Insurance Claim Received	503,649	5,100,000
Write Back of Sundry Payables	1,787,323	–
	2,290,972	5,100,000

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17. Finance Income and Finance Cost

	2014	2013
	Rs.	Rs.
17.1 Finance Cost		
Interest Expense on Bank Loan	1,253,861	–
Interest Expense on Bank Overdraft	688,679	24,610
	1,942,540	24,610
17.2 Finance Income		
Interest on Fixed Deposits	5,430,143	7,794,795
Interest on Treasury Bills Repos	61,496	1,519,358
	5,491,639	9,314,153

18. Profit Before Tax

Stated after Charging/(Crediting)

	2014	2013
	Rs.	Rs.
Included in Administrative Expenses		
Employees, Benefits (including the following)	115,012,979	98,144,985
- Defined Benefit Plan Costs - Gratuity	3,330,310	2,759,646
- Defined Contribution Plan Costs - EPF and ETF	9,831,479	8,336,704
Depreciation	64,104,544	55,516,143
Amortization of Leasehold Property	30,303	30,303
Amortization of Intangible Assets	688,885	548,819
Exchange (Gain)/Loss	(2,226,836)	(654,254)
(Profit)/Loss on Disposal of Property, Plant and Equipment	(646,068)	5,142,582
Hotel Operation and Marketing Fees	37,328,414	33,571,672
Non-Executive Directors' Fees	1,596,000	1,650,000
Donations	769,362	620,834
Allowance for Doubtful Debts	421,631	–
Included in Marketing and Promotional Expenses		
Advertisements & Promotional Expenses	18,013,414	18,348,238

19. Income Tax

	2014	2013
	Rs.	Rs.
Computation of Tax Charge is as follows:		
Current Income Tax		
Statutory Income from Trade - Tax Rate 2% on Turnover	12,494,757	11,017,417
Statutory Income from Other Sources (Note 19.1)	2,295,567	4,121,009
Current Income Tax Charge	14,790,324	15,138,426
Under/(Over) Provision of Current taxes in Respect of Prior Years	(512,889)	–
Income Tax Expense Reported in the Income Statement	14,277,435	15,138,426
19.1 Current Tax Expenses/(Income) from Other Sources		
Accounting Profit	136,596,828	127,292,387
Deduction (Note 19.2)	(125,717,035)	(105,399,408)
Accounting Profit from Other Sources	10,879,793	21,892,979
Aggregate Disallowed Items	2,577,790	1,379,126
Aggregate Allowable Income	(1,279,572)	(1,349,235)
Taxable Profit for the Year	12,178,011	21,922,870
Current Income Tax Expense at 12% (Note 19.2)	835,707	1,513,046
Current Income Tax Expense at 28%	1,459,860	2,607,963
	2,295,567	4,121,009

19.2 As described in Note 2.4.3, income tax related to normal operation of The Lighthouse Hotel PLC is based on 2% of Turnover. Income tax on operations of Era Beach, Galle Heritage Villa and Kurulubedda is computed on taxable profits at prevailing rates stipulated by the Inland Revenue Act. Hence, the amount of accounting profit not subject to tax is presented in the above Note as deduction.

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20. Earnings Per Share

20.1 Basic Earnings Per Share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and previous year are adjusted for events that have changed the number of ordinary shares outstanding, without a corresponding change in the resources such as a bonus issue.

20.2 The following reflects the income and share data used in the Basic Earnings Per Share computation:

	2014	2013
	Rs.	Rs.
Amount Used as the Numerator:		
Net Profit Attributable to Ordinary Shareholders for Basic Earnings Per Share (Rs.)	122,319,393	112,153,962
Number of Ordinary Shares Used as Denominator:		
Weighted Average number of Ordinary Shares in issue	46,000,000	46,000,000
Applicable to Basic Earnings Per Share (Rs.)	2.66	2.44

21. Cash and Cash Equivalents

Components of Cash and Cash Equivalents

21.1 Favourable Cash & Cash Equivalents Balance

	2014	2013
	Rs.	Rs.
Cash at Bank and in Hand	22,565,455	26,738,158
Short Term Investments (Note 7.4)	–	99,300,931
	22,565,455	126,039,089

21.2 Unfavourable Cash & Cash Equivalents Balance

Bank Overdrafts (Note 13)	(10,245,224)	–
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	12,320,231	126,039,089

22. Commitments and Contingencies

(a) Capital Expenditure Commitments

The Company has purchased construction commitments on Property, Plant and Equipment incidental to the ordinary course of business as at 31st March, as follows:

	2014	2013
	Rs.	Rs.
Authorised by the Board, but not Contracted for	31,400,000	43,000,000
Contractual Commitments	–	332,000,000
	31,400,000	375,000,000

(b) Operating Lease Commitments

The Company has entered into operating lease agreements where the future minimum rentals payable under operating leases as at 31st March are as follows:

	2014	2013
	Rs.	Rs.
Within one Year	10,617,892	8,156,914
After one year but not more than Five Years	10,214,452	20,276,208
	20,832,344	28,433,122

(c) Contingent Liabilities

There are no significant contingencies as at the reporting date.

23. Assets Pledged

There are no assets pledged as securities for liabilities as at the year end.

24. Related Party Disclosures

Details of significant related party disclosures are as follows:

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24.1 Transactions with Key Management Personnel of the Company

The Key Management Personnel of the Company are the members of its Board of Directors.

(a) Key Management Personnel Compensation

	2014	2013
	Rs.	Rs.
Executive Directors' Fees	–	–
Non-Executive Directors' Fees	1,596,000	1,650,000
	1,596,000	1,650,000

24.2 Other Related Party Disclosures

Transactions with entities that are significantly influenced by Key Management Personnel of the Company:

Some Key Management Personnel of the Company and their members of the families, collectively have control directly or indirectly in certain entities with which the Company entered into the transactions, summarized as follows:

	2014	2013
	Rs.	Rs.
Nature of Transactions		
Amount Receivable as at 31st March, (Note 9)	15,655,180	12,347,531
Amount (Payable) as at 31st March, (Note 14)	(9,159,773)	(6,997,551)
Hotel Operation and Marketing Fees	37,328,414	33,571,672
Development Fees	6,709,585	–
Purchases of Beverages	13,031,960	9,532,082
Advertising Expenses and Other Reimbursements	14,432,707	12,001,549
Sale of Accommodation and Transfers	99,112,607	76,323,933
Other Expenses	1,271,916	1,262,228
Transport Charges	1,309,195	1,021,196
Rent Received	22,777	–
Gratuity Received	2,240,456	–
Gratuity Transfer	(345,587)	(185,701)
Laundry Income	727,003	–

All related party balances are payable or receivable within one year, and non-interest bearing.

25. Risk Management Objectives and Policies

Financial Risk Management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Company's exposure to each of the above risks, and the Company's policies and processes for measuring and managing risk is detailed below:

(a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments. The maximum exposure will be equal to the carrying amount of these instruments.

Exposure to credit risk is monitored on an ongoing basis, with the Company trades only with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures and approval by Credit committee. A credit approved customer list has been prepared by the Credit Committee and credit is only granted to these customers. Further, credit granted is subject to regular review during monthly meetings of the Credit Committee, to ensure it remains consistent with the customer's current credit worthiness and appropriate to the anticipated volume of business. Currently, certain free independent travellers' settlements are received at the time of departure and this is monitored by the General Manager.

Short term Investments are made only in liquid short term instruments in licensed commercial banks. Long term investments are made with the Board approval.

The maximum exposure to credit risk at the reporting date was as follows:

	Carrying Value	
	2014	2013
	Rs.	Rs.
Cash at Bank and in Hand	22,565,455	26,738,158
Other Current Financial Assets	–	99,300,931
Unquoted Equity Securities	59,388,785	59,071,482
Trade and Receivables	92,597,528	86,160,346

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The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2014	2013
	Rs.	Rs.
Balance as at 1st April,	2,427,156	2,427,156
Impairment Recognized	421,631	–
Written off net	(1,671,121)	–
Balance as at 31st March,	1,177,666	2,427,156

The ageing of trade and other receivables, excluding prepayments, at the end of the reporting period is:

	2014			2013		
	Gross Carrying Amount Rs.	Impairment Allowance Rs.	Net Carrying Amount Rs.	Gross Carrying Amount Rs.	Impairment Allowance Rs.	Net Carrying Amount Rs.
Neither past Due, nor Impaired	55,018,685	–	55,018,685	51,001,546	–	51,001,546
Past Due 31 - 60, but not impaired	25,200,391	–	25,200,391	17,281,926	–	17,281,926
Past Due 61-180,	11,958,739	177,128	11,781,611	17,823,978	971,844	16,852,134
Past Due More than 180 Days	1,597,379	1,000,537	596,842	2,480,052	1,455,313	1,024,739
	93,775,194	1,177,666	92,597,528	88,587,502	2,427,156	86,160,346

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company had access to undrawn committed facilities of US\$ 522,500 (Rs. 68.3 million) at the year end and US\$ 1 million (Rs. 126.9 million) and Rs. 75 million as at 31st March 2013.

The following are the undiscounted contractual cash flows of financial liabilities as at 31st March:

Maturity Analysis	1 - 6 Months Rs.	6 - 12 Months Rs.	1 - 5 Years Rs.	Total Rs.
Commercial Bank of Ceylon - US\$ Loan	20,589,975	20,589,975	87,353,786	128,533,736
Bank Overdraft	10,245,224	–	–	10,245,224
Trade and Other Payables	146,800,831	–	–	146,800,831
Total 2014	177,636,030	20,589,975	87,353,786	285,579,791
Total 2013	88,130,396	–	–	88,130,396

As at the reporting date, the Company had cash of Rs. 22,565,455/- which is held in bank funds which allow daily withdrawals.

(c) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company has exposure to foreign currency risk where it has foreign currency transactions which are affected by foreign exchange movements.

An analysis of financial instruments based on the currency they are denominated as at 31st March, are as follows:

	In Rs.	In US\$	In EURO
Cash at Bank and in hand	13,607,050	67,634	649
Unquoted Equity Securities	59,388,785	–	–
Trade Receivables (Non-Interest Bearing and Uncollateralized)	51,467,209	278,951	25,952
Bank Loans	–	(983,200)	–
Net Aggregate Carrying Value	124,463,044	(636,614)	26,601
Net Aggregate Carrying Value in Rs. 2014	124,463,044	(83,224,679)	4,779,668
Net Aggregate Carrying Value in Rs. 2013	218,888,037	40,881,761	6,388,351

The Company invoices Tour Operators and Travel Agents based on the contracted foreign currency. Tour Operators and certain key Travel Agents make settlements in foreign currency.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to risk of changes in market interest rates, relates primarily to the Company's long term debt obligations with floating interest rates.

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Interest Rate Sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the Company's profit before tax as affected through an impact on floating rate borrowings.

	Assumed Impact due to Increase/(Decrease) in Basis Points	Effect on Profit Before Tax Rs.
US\$ Bank Loans	+ 50 basis points	(54,988)
US\$ Bank Loans	- 50 basis points	55,821

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment changes to base rate of LIBOR.

(d) Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company's objective for managing its capital is to ensure that Company will be able to continue as a going concern while maximizing the return to shareholders, as well as sustaining the future development of its business. In order to maintain or adjust the capital structure, the Company may alter the total amount of dividends paid to shareholders, issue new shares, and draw down additional debt.

26. Fair Value

Set out below is a comparison of the carrying amounts and fair values of the Company's financial instruments by classes, that are not carried at fair value in the Financial Statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

	Notes	Carrying Amount		Fair Value	
		2014	2013	2014	2013
		Rs.	Rs.	Rs.	Rs.
Financial Assets					
Trade & Other Receivables	A	92,597,528	86,160,346	92,597,528	86,160,346
Cash at Bank and in Hand	A	22,565,455	26,738,158	22,565,455	26,738,158
Other Current Financial Assets	A	–	99,300,931	–	99,300,931
Total		115,162,983	212,199,435	115,162,983	212,199,435
Financial Liabilities					
Interest Bearing Loans and Borrowings	B	138,778,960	–	138,778,960	–
Trade and Other Payables	A	146,800,831	88,130,396	146,800,831	88,130,396
Total		285,579,791	88,130,396	285,579,791	88,130,396

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Cash at bank and in hand, trade & other receivables, short term deposits and trade & other payables approximate their carrying amounts largely due to the short term maturities of these instruments.
- Long term variable rate borrowings are evaluated by the Company based on parameters such as interest rates, risk characteristics of the financed project etc. As at 31st March 2014, the carrying amounts of such borrowings are not materially different from their calculated fair values.

27. Events Occurring After the Reporting Date

There have been no material events occurring after the reporting date that require adjustments to or disclosure in the Financial Statements other than proposed dividends which is disclosed in Note 15.

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The Related Companies which had Transactions with the Company

Name of Company	Nature of Transactions	Volume of Transactions	
		2014 Rs.	2013 Rs.
Jetwing Hotels Ltd.	Hotel Operation and Marketing Fees	37,328,414	33,571,672
	Advertising Expenses and Other Reimbursement	14,432,707	12,001,549
	Development Fees	6,709,585	–
	Gratuity Transfer	35,882	–
Jet Enterprises (Pvt) Ltd.	Purchases of Beverage	13,031,960	9,532,082
Blue Oceanic Beach Hotel (Pvt) Ltd.	Sale of Accommodation and Transfers	69,732	1,388,295
	Other Expenses	20,261	36,668
	Transport Charges	33,600	–
	Rent Received	22,777	–
Negombo Properties (Pvt) Ltd.	Other Expenses	516,960	–
Jetwing Travels (Pvt) Ltd.	Sale of Accommodation and Transfers	93,527,432	66,983,273
	Transport Charges	1,141,847	922,646
	Other Expenses	113,950	553,872
	Advance Transfer	–	–
The First Resort (Pvt) Ltd.	Sale of Accommodation and Transfers	29,550	305,059
	Other Expenses	170,596	5,816
The Royal Heritage Hotel (Pvt) Ltd.	Sale of Accommodation and Transfers	21,448	111,882
	Gratuity Received	2,240,456	–
	Other Expenses	–	7,090
Seashells Hotel (Pvt) Ltd.	Sale of Accommodation and Transfers	12,000	160,347
	Other Expenses	18,801	42,817
	Transport Charges	5,675	–
Villa Properties (Pvt) Ltd.	Sale of Accommodation and Transfers	225,638	–
	Sale of Laundry	302,219	–
Jetwing Events (Pvt) Ltd.	Sale of Accommodation and Transfers	727,967	350,780
Negombo Hotels Ltd.	Sale of Accommodation and Transfers	1,237,151	662,035
	Other Expenses	43,503	147,592
	Transport Charges	8,500	–
Ahangama Properties (Pvt) Ltd.	Sale of Accommodation and Transfers	1,563,370	2,181,293
	Other Expenses	62,275	468,373
	Gratuity Transfer	43,980	–
	Sale of Laundry	424,784	–
St. Andrew's Hotel (Pvt) Ltd.	Transport Charges	–	98,550
	Sale of Accommodation and Transfers	40,425	11,679
Jetwing Eco Holidays (Pvt) Ltd.	Transport Charges	87,404	–
	Sale of Accommodation and Transfers	1,310,106	4,020,005
Yala Properties (Pvt) Ltd.	Gratuity Transfer	265,725	185,701
	Sale of Accommodation and Transfers	347,787	–
	Other Expenses	317,886	–
Yala Safari Beach Hotel (Pvt) Ltd.	Transport Charges	32,169	–
Jetwing Hotels Management Services (Pvt) Ltd.	Other Expenses	7,684	–
Jetwing Ayurveda (Pvt) Ltd.	Sale of Accommodation and Transfers	–	149,285

Names of the Directors of the Related Companies which had Transactions with the Company

- **Jetwing Hotels Ltd. - Directors**

Mr. N.J.H.M. Cooray,
Ms. N.T.M.S. Cooray,
Mr. R.A.E. Samarasinghe,
Mr. C.S.R.S. Anthony and
Mr. J.S.W. Kasturi Arachchi

- **Jetwing Travels (Pvt) Ltd. - Directors**

Ms. N.T.M.S. Cooray,
Mr. N.J.H.M. Cooray,
Mr. R.A.E. Samarasinghe and
Mr. R.J. Arasaratnam

- **St. Andrew's Hotel (Pvt) Ltd. - Directors**

Mr. N.J.H.M. Cooray and
Mr. R.A.E. Samarasinghe

- **The Royal Heritage Hotel (Pvt) Ltd. - Directors**

Mr. N.J.H.M. Cooray,
Mr. R.A.E. Samarasinghe,
Mr. B.K. Chaudhary and
Mr. R.K. Chaudhary

- **Negombo Hotels Ltd. - Directors**

Mr. N.J.H.M. Cooray,
Ms. N.T.M.S. Cooray,
Mrs. A.M.J. Cooray,
Mr. A.M. Pandithage,
Mr. S.C. Ganegoda and
Mr. R.A.E. Samarasinghe

- **Jetwing Events (Pvt) Ltd. - Directors**

Ms. N.T.M.S. Cooray and
Mr. R.J. Arasaratnam

- **Yala Properties (Pvt) Ltd. - Directors**

Mr. N.J.H.M. Cooray,
Mr. R.A.E. Samarasinghe and
Mr. N.H.V. Perera

- **Blue Oceanic Beach Hotel (Pvt) Ltd. - Directors**

Mr. N.J.H.M. Cooray,
Mrs. A.M.J. Cooray,
Mr. R.A.E. Samarasinghe,
Mr. S. Balasubramaniam,
Mr. N.H.V. Perera and
Ms. M.D.H. Gunawardena

- **Jetwing Eco Holidays (Pvt) Ltd. - Directors**

Mr. N.J.H.M. Cooray,
Mr. R.A.E. Samarasinghe,
Mr. R.J. Arasaratnam,
Mr. R.M.N. Lokuge and
Mr. C.S.R.S. Anthony

- **Jet Enterprises (Pvt) Ltd. - Directors**

Mr. N.J.H.M. Cooray,
Mr. R.A.E. Samarasinghe,
Ms. N.T.M.S. Cooray,
Mr. C.S.R.S. Anthony and
Mr. J.S.W. Kasturi Arachchi

- **The First Resort (Pvt) Ltd. - Directors**

Mr. N.J.H.M. Cooray,
Mrs. A.M.J. Cooray,
Mr. R.A.E. Samarasinghe,
Mr. A.M. Pandithage,
Mr. S.C. Ganegoda and
Mr. C.S.R.S. Anthony

- **Seashells Hotel (Pvt) Ltd. - Directors**

Mr. N.J.H.M. Cooray,
Mr. R.A.E. Samarasinghe,
Mr. B.K. Chaudhary and
Mr. R.K. Chaudhary

- **Ahangama Properties (Pvt) Ltd. - Directors**

Mr. N.J.H.M. Cooray and
Mr. R.A.E. Samarasinghe

- **Villa Properties (Pvt) Ltd. - Directors**

Mr. N.J.H.M. Cooray and
Mr. R.A.E. Samarasinghe

- **Jetwing Hotels Management Services (Pvt) Ltd. - Directors**

Mr. N.J.H.M. Cooray,
Ms. N.T.M.S. Cooray and
Mrs. A.M.J. Cooray

- **Yala Safari Beach Hotel (Pvt) Ltd. - Directors**

Mr. N.J.H.M. Cooray,
Mr. R.A.E. Samarasinghe and
Mr. N.H.V. Perera

- **Negombo Properties (Pvt) Ltd. - Directors**

Mr. N.J.H.M. Cooray and
Mr. R.A.E. Samarasinghe

- **Jetwing Ayurveda (Pvt) Ltd. - Directors**

Mr. N.J.H.M. Cooray and
Mr. R.A.E. Samarasinghe

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Information to Shareholders and Investors

Detailed tabulation of shareholding can be found in pages 45 to 48 of this report.

Real Estate Holdings of the Company

Location	Buildings in Sq.ft	Land extent area (in acres)		Net Book Value as at 31st March, 2014 Rs. '000
		Freehold property	Leasehold property	
Galle	233,505	9.2	3	2,278,837

Ten Year Summary

Year ended 31st March,

	2014	2013	2012	2011
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
OPERATING RESULTS				
Revenue	681,105	614,727	539,192	425,552
Profit Before Taxation	136,597	127,292	123,964	72,201
Taxation	14,278	15,138	12,867	10,604
Profit After Taxation	122,319	112,154	111,097	61,597
SHAREHOLDERS' FUNDS				
Stated Capital	460,001	460,001	460,001	460,001
Reserves	1,696,722	1,696,404	357,536	357,536
Retained Earnings	273,927	247,126	1,554,092	1,490,275
Shareholders' Funds	2,430,650	2,403,531	2,371,629	2,307,812
LIABILITIES				
Interest-Bearing Loans & Borrowings	138,779			
Current Liabilities	150,002	91,282	94,641	71,905
Other Liabilities	22,678	14,971	12,625	10,083
TOTAL EQUITY AND LIABILITIES	2,742,109	2,509,784	2,478,895	2,389,800
ASSETS				
Property, Plant & Equipment	2,529,137	2,205,908	2,144,390	2,145,796
Leasehold Property/Prepaid Lease Rent	2,424	2,454	2,485	2,515
Intangible Assets	852	937	866	1,226
Investments/Other Non-Current Financial Assets	59,389	59,071	43,750	43,750
Current Assets	150,307	241,414	287,404	196,513
TOTAL ASSETS	2,742,109	2,509,784	2,478,895	2,389,800
CASH FLOW				
From Operating Activities	231,455	153,353	151,116	113,067
From Investing Activities	(379,875)	(115,606)	(40,000)	(19,182)
From Financing Activities	34,701	(92,000)	(46,000)	(23,000)
Net Cash Inflow/(Outflow)	(113,719)	(54,253)	65,116	70,885
Cash & Cash Equivalents as at 31st March	12,320	126,039	180,292	115,176
KEY INDICATORS				
Earnings/(Loss) per Ordinary Share (Rs.)	2.66	2.44	2.42	1.34
Net Assets per Ordinary Share (Rs.)	52.84	52.25	51.56	50.17
Market Value per Share (Rs.)	44.40	47.40	50.00	56.00
Dividends per Share (Rs.)	2.00	2.00	2.00	1.00
Price to Earnings Ratio (Times)	16.69	19.43	20.66	41.79
Dividend Payout Ratio	75%	82%	84%	75%

* Note: SLFRS adjustments have been made from 2011

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2010	2009	2008	2007	2006	2005
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
303,591	247,515	258,288	226,335	245,176	258,836
29,297	(20,034)	26,928	35,950	64,227	89,743
6,607	5,219	29	147	495	422
22,690	(25,253)	26,899	35,803	63,732	89,321
460,001	460,001	460,001	460,001	460,001	460,001
1,734,935	1,763,388	1,791,841	21,847	22,049	22,249
96,533	45,391	64,308	69,409	70,206	66,074
2,291,469	2,268,780	2,316,150	551,257	552,256	548,324
48,343	41,106	34,932	35,170	39,971	30,080
8,270	6,678	6,395	4,380	4,029	2,800
2,348,082	2,316,564	2,357,477	590,807	596,255	581,204
2,172,242	2,205,974	2,233,837	473,568	455,134	420,413
23,914	24,179	24,445	24,710	24,975	25,212
1,250	—	—	—	—	—
43,750	25,000	25,000	25,000	25,000	25,000
106,926	61,411	74,195	67,529	91,147	110,579
2,348,082	2,316,564	2,357,477	590,807	596,256	581,204
63,056	27,686	47,997	44,241	69,056	133,013
(31,402)	(8,832)	(13,660)	(35,415)	(47,704)	(2,289)
—	(23,000)	(32,201)	(36,800)	(59,800)	(92,113)
31,654	(4,146)	2,136	(27,974)	(38,448)	38,611
44,292	12,637	16,783	14,647	42,620	81,068
0.49	(0.55)	0.58	0.78	1.39	1.94
49.81	49.32	50.35	11.98	12.01	11.92
61.25	57.50	49.25	49.75	59.00	59.00
0.50	Nil	0.50	0.70	1.30	1.80
125.00	104.55	84.91	63.78	42.45	30.41
102%	N/A	86%	90%	94%	93%

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3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	Report Structure	14
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Employment

LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	Employee Population Analysis	54 - 55
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	Employee Recruitment Analysis and Employee Turnover Analysis	53, 55
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Employee Benefits	55 - 56
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Occupational Health and Safety

Training and Education

LA10	Average hours of training per year per employee by gender, and by employee category.	Training and Development	56 - 58
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Training and Development	56 - 58
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	Training and Development	57

Diversity and Equal Opportunity

LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	Jetwing Lighthouse - the Employer	52
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Equal Remuneration for Women and Men

LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	Jetwing Lighthouse - the Employer	52
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Product and service labelling		
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Report Application Level			C ✓	+C	B	+B	A	+A
Standard Disclosures	Profile Disclosures	output →	Report on: 1.1 2.1-2.10 3.1-3.8, 3.10-3.12 4.1-4.4, 4.14-4.15	Report Externally Assured	Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5-4.13, 4.16-4.17	Report Externally Assured	Same as requirement for Level B	Report Externally Assured
	Disclosures on Management Approach	output →	Not Required		Management Approach Disclosures for each Indicator Category		Management Approach Disclosed for each Indicator Category	
	Performance Indicators & Sector Supplement Performance Indicators	output →	Report fully on a minimum of any 10 Performance Indicators, including at least one from each of: Social, Economic and Environmental.**		Report fully on a minimum of any 20 Performance Indicators, at least one from each of: Economic, Environment, Human Rights, Labour, Society, Product Responsibility.***		Respond on each core and Sector Supplement* Indicator with due regard to the Materiality Principle by either: a) reporting on the indicator or b) explaining the reason for its omission.	

* Sector supplement in final version

** performance Indicators may be selected from any finalised Sector Supplement, but 7 of the 10 must be from the original GRI Guidelines

*** Performance Indicators may be selected from any finalised Sector Supplement, but 14 of the 20 must be from the original GRI Guidelines

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Name of the Company

The Lighthouse Hotel PLC

Company Number

PQ 73

Legal Form

A Quoted Public Company with
Limited Liability incorporated in
Sri Lanka in 1994.

Board of Directors

N.J.H.M. Cooray - *Chairman*
R.A.E. Samarasinghe -
Managing Director
N.T.M.S. Cooray (Ms.)
N. Wadugodapitiya
C.S.R.S. Anthony
Ranil de Silva
E.P.A. Cooray
A.M. Ondaatjie (Ms.)
C. Pathiraja (Dr.)
T. Nadesan
A.T.P. Edirisinghe

Audit Committee

N. Wadugodapitiya - *Chairman*
E.P.A. Cooray
A.T.P. Edirisinghe

Remuneration Committee

E.P.A. Cooray - *Chairman*
N. Wadugodapitiya
A.T.P. Edirisinghe

Secretaries

Corporate Services (Private) Ltd.
216, De Saram Place,
Colombo 10.
Phone: 4718200

Auditors

Messrs Ernst & Young
Chartered Accountants
201, De Saram Place,
Colombo 10.

Hotel Operation & Marketing

Jetwing Hotels Ltd.
"Jetwing House"
46/26, Navam Mawatha,
Colombo 2.
Phone: 2345700

Legal Advisor

Messrs F.J. & G. de Saram
Attorneys-at-Law &
Notaries Public
216, De Saram Place
Colombo 10.

Bankers

Commercial Bank of Ceylon PLC
Sampath Bank PLC

Registered Office

"Jetwing House"
46/26, Navam Mawatha,
Colombo 2.

Notice of Meeting

Notice is hereby given that the Twentieth Annual General Meeting of The Lighthouse Hotel PLC will be held on Thursday, 26th June, 2014 at 10 a.m. at the Auditorium of Ceylon Chamber of Commerce, No. 50, Nawam Mawatha, Colombo 02 for the following purposes:

1. To receive and consider the Annual Report of the Board together with the Financial Statements of the Company for the year ended 31st March, 2014 and Report of the Auditors thereon.
2. To approve a final dividend of Rs. 2.00 per share as authorized by the Directors.
3. To re-elect:
 - (a) Mr. T. Nadesan, a Director who retires in terms of Article 29 of the Articles of Association of the Company, and being eligible has offered himself for re-election.
 - (b) Dr. C. Pathiraja, a Director who retires in terms of Article 29 of the Articles of Association of the Company, and being eligible has offered himself for re-election.
 - (c) Mr. C.S.R.S. Anthony, a Director who retires in terms of Article 29 of the Articles of Association of the Company, and being eligible has offered himself for re-election.
 - (d) Mr. N.J.H.M. Cooray, a Director who retires in terms of Article 29 of the Articles of Association of the Company, and being eligible has offered himself for re-election.
4. To authorise the Directors to fix the fees and expenses of Auditors Messrs Ernst & Young, Chartered Accountants, who are deemed to be re-appointed in terms of Section 158 (1) of the Companies Act No. 07 of 2007.
5. To authorise the Directors to determine contributions to charities for the ensuing year.

By order of the Board,
Corporate Services (Pvt) Ltd.
Secretaries
THE LIGHTHOUSE HOTEL PLC
Colombo, 26th May, 2014

Note:

Any shareholder entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote/speak in his/her stead and a Form of Proxy is sent herewith for this purpose. A proxy need not be a member of the Company.

A completed Form of Proxy must be deposited at 216, De Saram Place, Colombo 10, the Secretaries of the Company not less than 48 hours before the time appointed for the holding of the meeting.

Form of Proxy

THE LIGHTHOUSE HOTEL PLC

*I/We.....

of.....

..... being *a shareholder/shareholders of THE LIGHTHOUSE HOTEL PLC do hereby appoint

- | | |
|---|-----------------|
| 1. Mr. Nawalage Joseph Hiran Mahinda Cooray | or failing him, |
| 2. Ms. Nawalage Therese Manouri Shiromal Cooray | or failing her, |
| 3. Mr. Ruan Ashal Elmo Samarasinghe | or failing him, |
| 4. Mr. Nihal Wadugodapitiya | or failing him, |
| 5. Mr. Conganige Sextus Roland Sanjeewa Anthony | or failing him, |
| 6. Mr. Ranil De Silva | or failing him, |
| 7. Ms. Angeline Myrese Ondaatjie | or failing her, |
| 8. Mr. Emilianus Prema Alphonse Cooray | or failing him, |
| 9. Mr. Thirukumar Nadesan | or failing him, |
| 10. Mr. Antoine Theodore Priyalal Edirisinghe | or failing him, |
| 11. Dr. Chandrawansa Pathiraja | or failing him |

.....of.....

..... as *my/our Proxy to vote/speak for me/us on *my/our behalf at the Twentieth Annual General Meeting of the Company to be held on the 26th day of June 2014 at 10 a.m. and at the Auditorium of Ceylon Chamber of Commerce, No. 50, Nawam Mawatha, Colombo 02 and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

- | | For | Against |
|--|--------------------------|--------------------------|
| 1. To receive and consider the Annual Report of the Board together with the Financial Statements of the Company for the year ended 31st March, 2014 and Report of the Auditors thereon. | ☐ | ☐ |
| 2. To approve a final dividend of Rs. 2/- per share as authorized by the Directors. | ☐ | ☐ |
| 3. (a) To re-elect Mr. T. Nadesan, a Director who retires in terms of Article 29 of the Articles of Association of the Company, and being eligible has offered himself for re-election. | ☐ | ☐ |
| (b) To re-elect Dr. C. Pathiraja, a Director who retires in terms of Article 29 of the Articles of Association of the Company, and being eligible has offered himself for re-election. | ☐ | ☐ |
| (c) To re-elect Mr. C.S.R.S. Anthony, a Director who retires in terms of Article 29 of the Articles of Association of the Company, and being eligible has offered himself for re-election. | ☐ | ☐ |
| (d) To re-elect Mr. N.J.H.M. Cooray, a Director who retires in terms of Article 29 of the Articles of Association of the Company, and being eligible has offered himself for re-election. | ☐ | ☐ |
| 4. To authorise the Directors to fix the fees and expenses of Auditors Messrs Ernst & Young, Chartered Accountants, who are deemed to be re-appointed in terms of Section 158 (1) of the Companies Act No. 07 of 2007. | ☐ | ☐ |
| 5. To authorize the Directors to determine contributions to charities for the ensuing year. | ☐ | ☐ |

Signed this day of Two Thousand Fourteen.

.....
*Signature/s of the Shareholder(s)

*Note: Please delete the inappropriate words
Instructions as to completion are noted on the reverse hereof.*

Instructions as to Completion

1. The instrument appointing a proxy may be in writing under the hands of the appointor or of its attorney duly authorised in writing or if such appointor is a corporation under its common seal or the hand of its attorney or duly authorised person.
2. The instrument appointing a proxy and the Power of Attorney or other authority, if any, under which it is signed or a notarially certified copy of that Power of Attorney or other authority will have to be deposited at the office of the Company Secretaries, Corporate Services (Private) Limited, not less than 48 hours before the time appointed for the holding of the meeting.

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This Annual Report is Carbon Neutral

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This is an Integrated Annual Report

This The Lighthouse Hotel PLC annual report has been prepared using the Smart Integrated Reporting Methodology™ of Smart Media The Annual Report Company.



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