

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.