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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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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