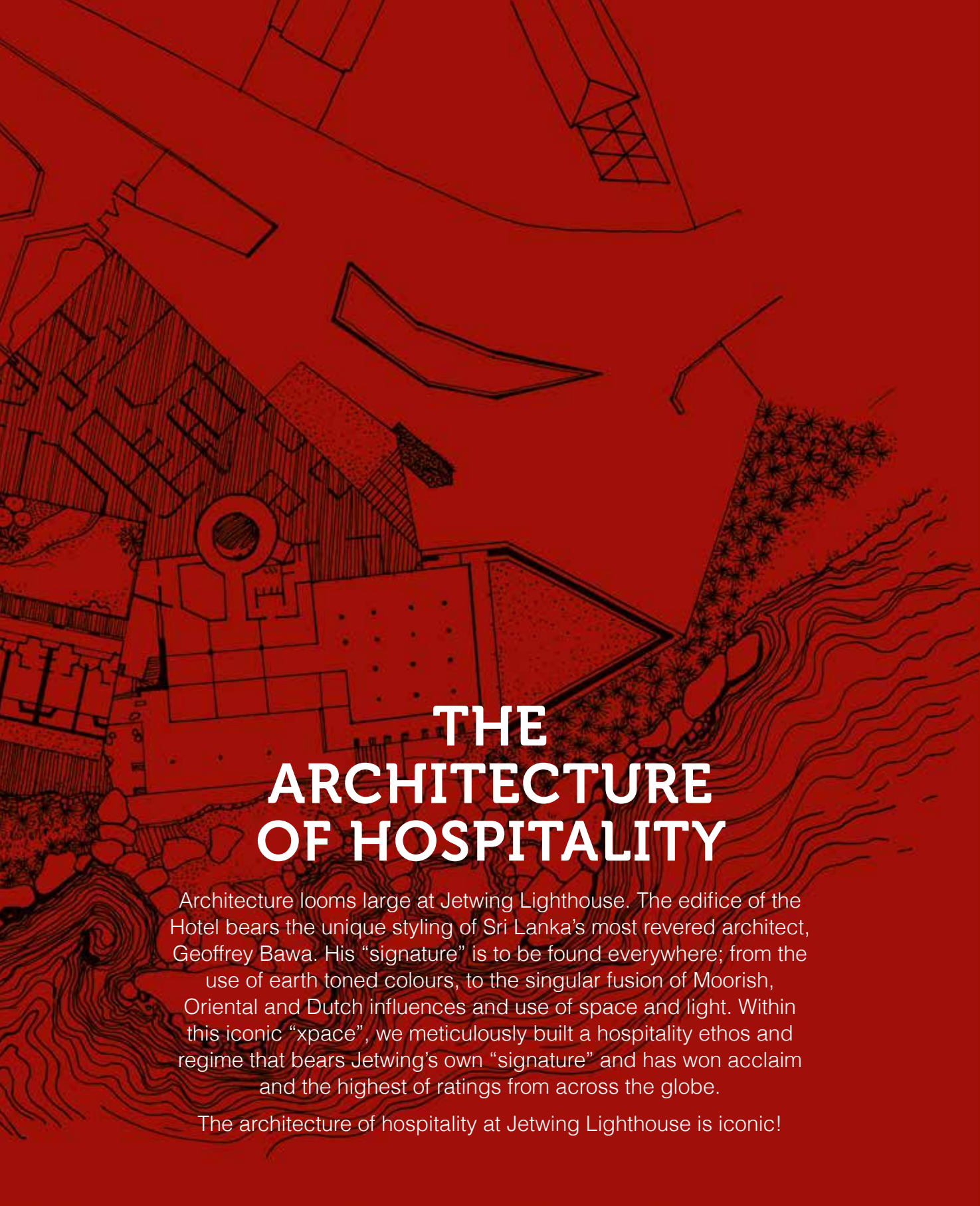
Jetwing
LIGHTHOUSE
GALLE • SRI LANKA

THE ARCHITECTURE OF HOSPITALITY

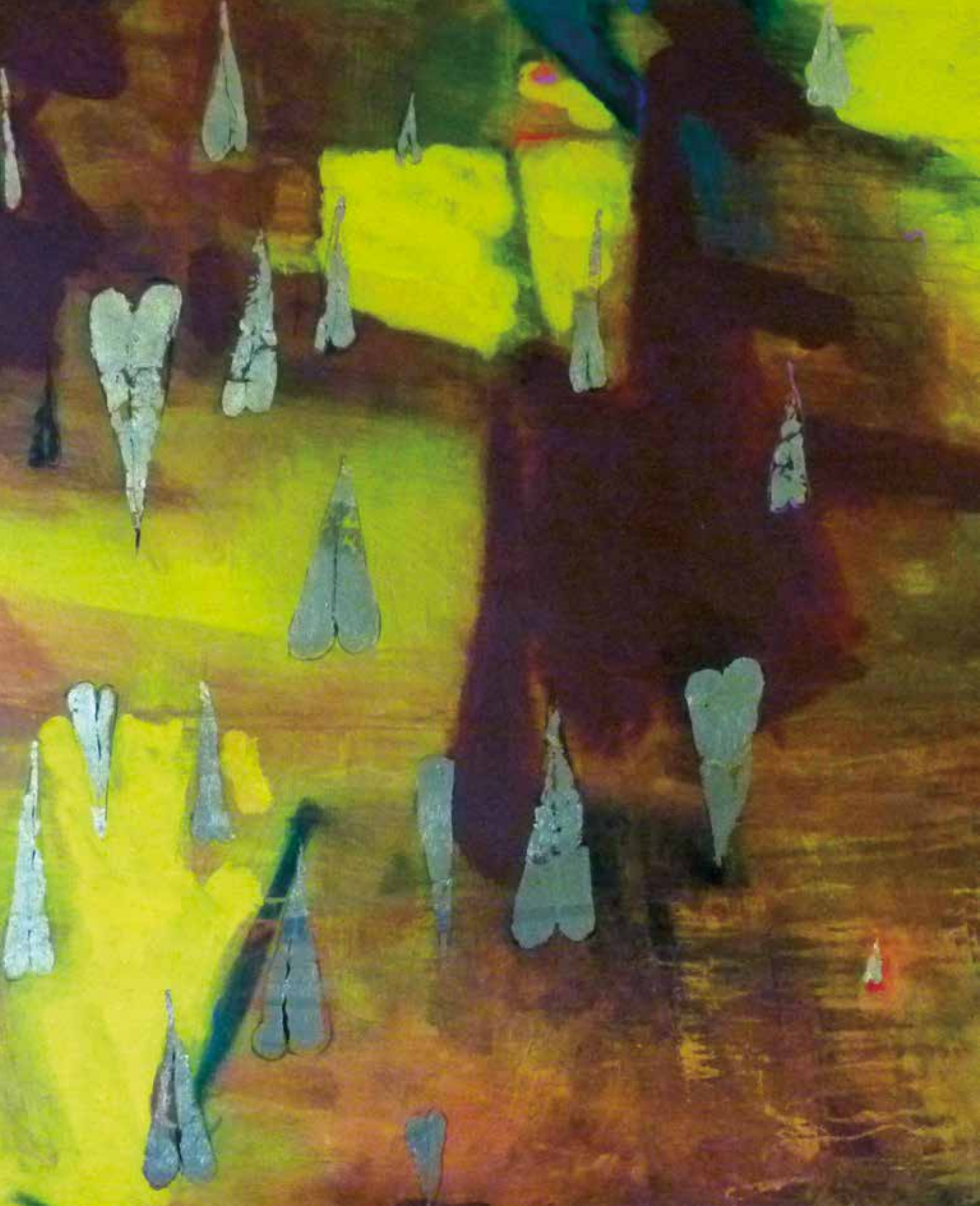
Annual Report 2017/18



THE ARCHITECTURE OF HOSPITALITY

Architecture looms large at Jetwing Lighthouse. The edifice of the Hotel bears the unique styling of Sri Lanka's most revered architect, Geoffrey Bawa. His "signature" is to be found everywhere; from the use of earth toned colours, to the singular fusion of Moorish, Oriental and Dutch influences and use of space and light. Within this iconic "xpace", we meticulously built a hospitality ethos and regime that bears Jetwing's own "signature" and has won acclaim and the highest of ratings from across the globe.

The architecture of hospitality at Jetwing Lighthouse is iconic!



À La Carte

7
CHECK IN

8 Vision, Mission and Core Values

9 About Jetwing Lighthouse

10 Jetwing Lighthouse Family

13
FROM THE SUITE

14 Chairman's Letter

16 Managing Director's Review

21
CENTREPIECE

22 Financial Highlights

24 Operational Highlights

145
CHECK OUT

146 Related Companies which had Transactions with the Company

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

151 Information to Shareholders and Investors

154 Ten Year Summary

156 About this Report

157 Organisational Structure

158 GRI Content Index

161 Corporate Information

162 Notice of Meeting

Enclosed Form of Proxy

95
SAFE DEPOSIT

96 Financial Calendar

97 Financial Review

100 Value Added and Distributed

101 Statement of Directors' Responsibilities

102 Independent Auditor's Report

105 Statement of Financial Position

106 Statement of Profit or Loss

107 Statement of Comprehensive Income

108 Statement of Changes in Equity

109 Statement of Cash Flows

110 Notes to the Financial Statements

73
STEWARDSHIP

74 Board of Directors

76 Corporate Governance

81 Integrated Risk Management

87 Remuneration Committee Report

88 Audit Committee Report

89 Related Party Transactions Review Committee Report

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

27
THE "AAA FIVE-DIAMOND" MODEL

28 A Model to Success
30 Operating Environment
34 Institutional Capital
36 Stakeholders

43
HOUSE COUNT

44 Online Platforms
46 Health and Safety
47 Marketing Communication
47 Compliance

63
ENVIRONMENT

65 Energy Management and Carbon Footprint
68 Emissions
70 Water Management
70 Waste Management

59
COMMUNITY

60 Indirect Economic Benefits
60 Jetwing Youth Development Project (JYDP)
61 The Lighthouse Community Pool
61 Jetwing Lighthouse Tuk-Tuk Project

49
HOTELIERS

50 Demographics
52 Recruitment
53 Training and Development
55 Health and Safety
56 Grievance Handling

Check In

VISION, MISSION, CORE VALUES

VISION

"To be world class in everything we do"

MISSION

"We are a family of people and companies committed to legendary and innovative service leading to high stakeholder satisfaction"

OUR CORE VALUES

PASSION

We are passionate about what we do. Enthusiasm and devotion are part of our DNA

HUMILITY

We demonstrate humility by being open minded and having a healthy respect for others

INTEGRITY

Integrity is a part of who we are. We value the honesty and say and do the right things consistently

TENACITY

Always tenacious, we take big challenges and persist until we succeed consistently

ABOUT JETWING LIGHTHOUSE

The Lighthouse Hotel PLC first opened its doors in 1997 as a stellar addition to the Jetwing Family of Hotels. From its earliest days, **"architecture"** played an all-defining role in its core being.

The first aspect that strikes the eye is the unique architecture that distinguishes the property. The work of Sri Lanka's most revered architect, Geoffrey Bawa, an eclectic blend of Moorish, Oriental and Dutch influences are everywhere to be seen, from the rampart-like façade entrance, the centrally located magnificent spiral staircase and the uniquely distinguishing use of rustic colour schemes throughout. It was "an architect's eye" that saw the potential of locating the Hotel at a key point along the South-Western coastal belt of Sri Lanka, within striking distance of the historically significant city of Galle and Galle Fort: a UNESCO World Heritage Site. The second "architectural" aspect that really sets Jetwing Lighthouse apart is its core pursuit of premium quality and the "finest" tag to every aspect of function, operation, product and service. No compromise.

Today Jetwing Lighthouse offers luxurious accommodation to leisure and business travellers. The breathtaking views and the elegant charm of the Hotel have made it an ideal location for weddings. Jetwing Lighthouse has a range of accommodation options including three themed suites and 60 rooms. The Lighthouse Hotel PLC also operates Jetwing Kurulubedda, a boutique hotel with two private dwellings and four rooms, the exclusive Jetwing Lighthouse Club with 22 rooms including two themed suites, Galle Heritage Villa by Jetwing and Hotel J – Unawatuna.

Jetwing Kurulubedda

There are few locations in Sri Lanka to match the "get away from it all" privacy, peace and seclusion of Jetwing Kurulubedda. Located in the village of Mahamodara in Galle this one of a kind haven will allow you to leave a frenetic world far behind and just "chill" in your own little corner of paradise. Take a leisurely boat upstream through tangled mangroves that dot the southern coastline around the city of Galle and you will happen upon a resort that can truly be called your own private Eden. Every aspect of the property exudes peace, calm and a soothing atmosphere. The two stilted dwellings and four Deluxe rooms that make up Jetwing Kurulubedda overlook lush gardens and surroundings that cannot but provide a "senses filling" experience.

Jetwing Lighthouse Club

Jetwing Lighthouse Club set in the heart of historical Galle, looks out over the unparalleled beauty and spectacle of Sri Lanka's famed sun and sand experience – that warm, tropical sun, pristine golden beaches and breathtaking vistas including gorgeous sunsets that capture the majesty of nature…in its completeness! This exclusive retreat offers the guest a personalised butler service, gastronomical delights at Nihal's, a dip in the soothing waters of the pool or a swim in the warm, azure waters of the Indian Ocean, soothing and invigorating spa treatments all within the understated elegance of a peaceful property. The hotel rooms and exclusive suites are plush and a generous use of rich timber and eco-friendly fabric provide a unique ambience to this stunning property.

Galle Heritage Villa by Jetwing

Galle Heritage Villa by Jetwing nestling in the heart of the UNESCO World Heritage site of Galle Fort is a unique mix of a bygone era and the modern world. Walking along the cobbled streets of a Galle city reminiscent of yesteryear brings one to the villa – a loving and respectful transformation of a Colonial Dutch Villa, which boasts four large, elegantly decorated deluxe rooms complete with all the facilities of a modern hotel. It's "a succulent slice of history served up on gleaming, modern crockery"!

Hotel J – Unawatuna

Located within touching distance of palm-lined coastal glory, and the turquoise waters of the Indian Ocean, Hotel J – Unawatuna is truly a peaceful retreat to any weary traveller. Hotel J consists of 31 Rooms that epitomise the values of sustainable tourism as well as offering boutique comfort. The Hotel also possesses five dormitories to accommodate the growing number of backpackers to Sri Lanka. There is a wide array of activities for our guests which range from glimpsing into the rich colonial past of Sri Lanka by visiting the nearby Galle Fort to whale watching at Mirissa.

From the Suite

CHAIRMAN'S LETTER

"We are committed towards offering an enhanced service standard to all our guests – providing a personalised, boutique level of service and hospitality."

Ayubowan!

To the Shareholders and Well-wishers of The Lighthouse Hotel PLC,

As we come to the end of another financial year, I want to share my thoughts on the tourism industry at large and your Company's performance in the financial year 2017/18, as well as our vision for the near future.

Since the end of the conflict in 2009, tourist arrivals to Sri Lanka increased at a staggering rate year on year. Statistics show that arrivals continued to increase this year as well, although we see a drop in momentum when compared to previous years. Sri Lanka, as a brand, has failed to be globally recognised as a luxury destination. Due to the lack of a coherent marketing and promotional campaign, our country is unable to attract the required number of high-spending travellers to fill the perpetually increasing number of rooms. At the same time, budget travellers have made up a majority of the arrivals; mainly due to Sri Lanka being marketed by bloggers and other social media influencers who cater to the younger travellers. This gap between the stagnant demand for luxury accommodation and the increasing supply of rooms, created an unprecedented disruption in the industry, in the form of the unregulated or informal sector. Many analysts believe that over 50% of the travellers arriving to Sri Lanka stay at these unregulated establishments, while the regulated hotels and other accommodation providers battle for the remaining travellers. In my opinion, budget travellers are a crucial component of any destination's market mix, however the problem we have is the discrepancy in the ratio. Ideally, a destination should cater to about 20% budget travellers and 80% high-spending travellers. As I have continued to do for the past few years, I hope and pray that a marketing and promotional campaign will be launched in the upcoming financial year, leading to a more suitable mix of travellers and an even playing field for those of us in the formal sector.

Following in the footsteps of many global destinations, Sri Lanka too has failed to control the negative impacts of tourism; which not only harm our local communities but are also deterrents to tourism growth. The inability to control the over-visitation of our national assets such as the Yala National Park and Sigiriya, the uncontrolled and haphazard development of unregulated tourism establishments, and the harassment of tourists (to name a few) have created a negative image for Sri Lanka in the global eye and have also ruined the charm and exotic appeal that some of our destinations cherished in the past. In addition to the negative impacts of tourism, other factors such as uncontrolled domestic and/or ethnic conflicts, natural disasters and epidemics amplified by overpopulation and negligence of policy makers, etc. have also had a huge impact on Sri Lanka's reputation and viability as a suitable destination for travellers. In spite of these shortcomings, I still believe that Sri Lanka has a great opportunity to be positioned as a high-end eco-luxury destination, where more emphasis should be put on earnings per traveller, rather than the number of heads entering the country. We should not miss this

golden opportunity to position Sri Lanka in the right path, so that future generations of Sri Lankans and travellers to Sri Lanka can benefit and enjoy our wonder of Asia.

As Sri Lankans, we must be proud of our motherland and speak with confidence in international forums if we are to attract investors both big and small. At many forums, I have heard potential investors complain that we Sri Lankans are always negative when projecting the current situation and future prospects of the industry. Yes, we may not be in an ideal situation, but we still have an abundance of positive messages that can be shared with the global community. As long as we focus our attention towards minimising and subsequently eliminating our shortcomings, while propagating our good practices, I am confident that Sri Lanka will soon become a leading destination – attracting a continuous flow of high-spending travellers and investors.

Moving on to discussing your Company's performance in the recently concluded financial year, I am humbled to say that after 21 years of operations, your property still remains one of the most sought after hotels in the Southern coast. As you can see in the Financial Statements, there is a slight increase in the top-line; however, due to a rise in operational expenses and higher finance costs as a result of the debt taken for the investment in Hotel J – Unawatuna, there is a drop in the bottom-line against last year's performance. An increase in the supply of competitor properties in the region has marginally affected revenue growth; nonetheless, considering this and other external factors that dampened the industry's expansion, your Company's financial outcome is satisfactory.

At Jetwing, we always strive to outdo ourselves and refrain from been complacent with our results. Although I mentioned that the financial performance is satisfactory, we see a tremendous opportunity to position Jetwing Lighthouse and its affiliated properties above and beyond the competitors, and thereby attain higher average rates and increased occupancy levels. In order to achieve this level of positioning, the Company will have to invest in renovations and improvements of the property. We are also committed towards offering an enhanced service standard to all our guests – providing a personalised, boutique level of service and hospitality. Once we take the leap and successfully position the hotel in these lines, I am certain that Jetwing Lighthouse will remain as the leading property in the South over the foreseeable future.

Your Company's newest endeavour "Hotel J – Unawatuna" opened its doors in December 2017. Starting off in the busiest period of the year, Hotel J exhibited promising results for a new property and concept in the area and also garnered positive reviews and comments across numerous platforms. Jetwing ventured into the select-service accommodation segment in 2013 with Hotel J – Negombo, following the rise in arrivals of budget travellers. Based on the success of the Negombo property, your Company invested in the brand's second hotel in Unawatuna, which is a fully-owned subsidiary of The Lighthouse Hotel PLC. With a young, vibrant team at the forefront, and the guidance of the seniors at Jetwing Lighthouse, I am confident this property will produce great results in time to come.

On behalf of the Board of Directors of The Lighthouse Hotel PLC, I take this opportunity to thank all those that make it possible for your Company to prosper in both good times and bad; the initial and present investors, who have placed their trust in us and continue to support the Board and its decisions; all our suppliers, for constantly providing us with the best produce and materials; the countless tour operators and travel agents that promote Jetwing Lighthouse and its subsidiary; the local communities in the area, for supporting the hotel in every possible way; and our wonderful guests, both Sri Lankan and international, who inspire us to continue in this industry with confidence and optimism. Finally, I want to convey my sincere gratitude to Priyanthika Wijenaike, the General Manager, and her entire team for maintaining the high standards which your Company and Jetwing Hotels, the management company, is renowned for – creating memorable holidays with authentic and legendary Sri Lankan hospitality.

As we continue our race in expanding the portfolio and consolidating the existing properties, while abiding by Jetwing's ethos of placing sustainable business practices at the helm of each new development and in daily operations, I recall the founder Chairman's undeterred vision for Galle and the Southern Coast of Sri Lanka. Herbert Cooray's legacy is still a part of your Company, and his vision resides in every associate of Jetwing, driving each decision made by the stakeholders and guiding them in the right path. Our race is one started by his vision, and its finish line may never be seen – as we will continue to develop the property and introduce novel concepts in order to remain relevant and opportune in an ever-evolving world of travel and tourism!

Hiran Cooray
Chairman

9 May 2018

MANAGING DIRECTOR'S REVIEW

"We employ a healthy mix of feet on the ground direct representation in a multitude of generating countries to which we add digital and e-commerce initiatives."

It is such a pleasure to report that, during the year under review, the strong hospitality proposition that is The Lighthouse Hotel PLC maintained course and grew more resilient and more firmly entrenched than ever in its winning philosophy – to be world class in everything we do.

Each year brings with it periods of challenge and opportunity and the Hotel ensures it stays "ahead of the curve" with strategy and resource.

That Word "Climate" Again!

The climate had a lot to do with the year we review. Firstly, the climate within which global tourism operated was favourable in 2017. International tourist arrivals grew by an incredible 7% in 2017 to reach a total of 1.32 Bn. visitors and the travel and tourism sector grew by 4.6% supported by the cyclical recovery in global economy in 2017. The sector outperformed all other sectors in 2017.

Here at home the first eight months of the year held all manner of challenge. Though, the tourist arrivals recorded highest annual arrivals of 2,116,407 in 2017, the year on year growth in arrivals moderated to 3.2%. Literally, the climate wasn't enabling, with floods taking their toll on the industry. In the same breath, Sri Lanka had to contend with an upsurge in dengue in many key towns central to the tourism sector, during the same period.

An issue I mentioned last year still prevails. For some time now, Sri Lanka hasn't been conducting destination marketing in key markets overseas, in any sustained manner. This lacuna in awareness of Sri Lanka's product across key markets overseas did adversely impact our performance to some extent, when compared with the same period in the previous year. However, as I write there are encouraging signs that a digital media and TV campaign is set to get off the ground, which should go some way to redress the balance.

Performance Holds Steady

Despite the vagaries of climate as described above, the year ended strongly for the Hotel, with significant turnaround in fortune being achieved over the period December 2017 to March 2018. We made significant inroads in reducing the gap in expected results of the first eight months.

There was also a marginal increase in tourist arrivals to the country.

The Lighthouse Hotel PLC recorded a profit before tax of LKR 149 Mn., during the year in review, down by 2% from the LKR 152 Mn. achieved last year.

The Board of Directors decided to declare a dividend of LKR 2.50 per share. This dividend is an increase of LKR 0.50 per share over the previous year. Thus, a total dividend of LKR 115 Mn. was paid on 29 March 2018 subject to a 10% dividend tax.

Jetwings Lighthouse and its attendant properties continue to constitute the "stellar constellation" of the Galle District. We have comfortably maintained our iconic status as purveyors of world class hospitality across every aspect of operation.

The Lighthouse Hotel PLC is also a holding company, making several strategic investments in subsidiaries that we groom to embellish the Jetwing brand.

Our latest investment under the umbrella of our fully-owned Subsidiary Unawatuna Properties (Pvt) Ltd., a hotel chain which operating under the brand Hotel J, commenced operations on the 1 December 2017. This is a select service hotel offering 31 beds and 22 dorm style beds. Results and performance thus far have been very encouraging with around 60% occupancy levels recorded in the first three months of operation.

The Lighthouse Hotel PLC also operates Jetwing Lighthouse Club, a 22 room luxury facility complete with butler service, complimentary cocktails and many other value additions and Jetwing Kurulubedda, a 6 room luxury resort – a hot favourite with honeymooners and couples for its intimate ambience and natural environment.

Galle Heritage Villa by Jetwing, a 4 room luxury, colonial style property within the Galle Fort premises and Era Beach by Jetwing a 7 suite operated under Jetwing Lighthouse portfolio. ERA Beach contract was terminated with effect from 31 March 2018.

Jetwing Lighthouse also holds an 18% stake in Rainforest Eco Lodge which is a model eco tourism pilot project situated in Deniyaya adjoining the famous Sinharaja Forest, which is a UNESCO certified World Heritage site.

We maintain a strong online presence, which is an invaluable source of communication with the customer. Platforms such as Trip Advisor, Booking.com, Google and Agoda all feature excellent reviews of our properties and services. We see the developments in our on-line marketing initiatives as fundamental to our advancement and success in a developing world.

Another key aspect that impacts performance is the marketing of the Hotel. We employ a healthy mix of "feet on the ground" direct representation in a multitude of generating countries to which we add digital and e-commerce initiatives.

In fact the contribution from the latter has gone up three-fold over time.

Of course, we are represented at key trade events.

Sustainability, Community, and the Environment

Our "family connections" are plain to see – none more eloquent than the stance on sustainability, planet and people we share with the Jetwing collective. It is a common ethos that each and every Jetwing Hotel subscribes to.

Jetwing Lighthouse has a host of initiatives in this vein.

Our PATA Grand Award winning Jetwing Youth Development Project provides free education in English plus training in soft skills of the hospitality trade, to youth from disadvantaged families from around the location of our Hotel. This is a course of six-month duration. Currently we have 25 boys and girls being trained and the bigger picture envisages their eventual recruitment by the Hotel.

The Jetwing "Tuk Tuk" project is an outreach project involving the three-wheeler drivers who operate in the vicinity of the Hotel. We train and educate them on the fundamentals of customer care and how to treat guests, whilst imparting a "tourist's eye" knowledge of Galle and its attractions, to help them serve our guests more fully.

These are initiatives serving the community:

In terms of Hotel operations and functions we have a whole host of unique initiatives from our 125kW solar power project supplying 10% of our electrical energy needs, a potable water bottling project using reusable glass bottles thus eliminating waste and disposal of plastic bottles, energy management protocols, carbon footprint monitoring and much more. These and other measures are more fully explained elsewhere in this Report.

To my mind a key stakeholder group in the sustainability cycle is our associate family. Moulding and nurturing them to be the best each of them can be is crucial. Apart from providing them with a work environment and culture

that is uniquely Jetwing in nature, we provide a constant training regime that includes several programmes, some of a competitive nature, to help hone professional skills. In recognition of our commitment to the environment, we were awarded the Silver Award (Hotel sector) at the National Green Awards 2017.

Looking Ahead

From an operational perspective, a fairly comprehensive refurbishment initiative has been planned for implementation in the ensuing year, which will make significant upgrades to "tired" areas and facilities in the Hotel, whilst improving and upgrading others.

From an industry perspective, the current trends seem to indicate a general leaning towards Sri Lanka being regarded as a round tour destination rather than a beach holiday destination.

Sri Lanka seems to be losing out where the beach stay is concerned to the Maldives, where guest perception seems to be that Maldivian beaches are safer and more attractive.

There is "work to be done" if we are to change this perception and bring the lustre back to Sri Lanka as a beach holiday destination.

My Thanks

I cannot overstate my gratitude and appreciation of our family of associates whose efforts, loyalty and passion drive the Jetwing Lighthouse ethos like never before.

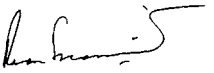
I thank the Chairman and the Board for their support and commitment always to keeping Jetwing Lighthouse at the very top of its game.

My appreciation must also go to the Jetwing Hotels Management Team for their support and commitment.

I thank our shareholders for the unwavering trust and confidence you repose in Jetwing Lighthouse and our team as we strive always to add value to your interests at every turn.

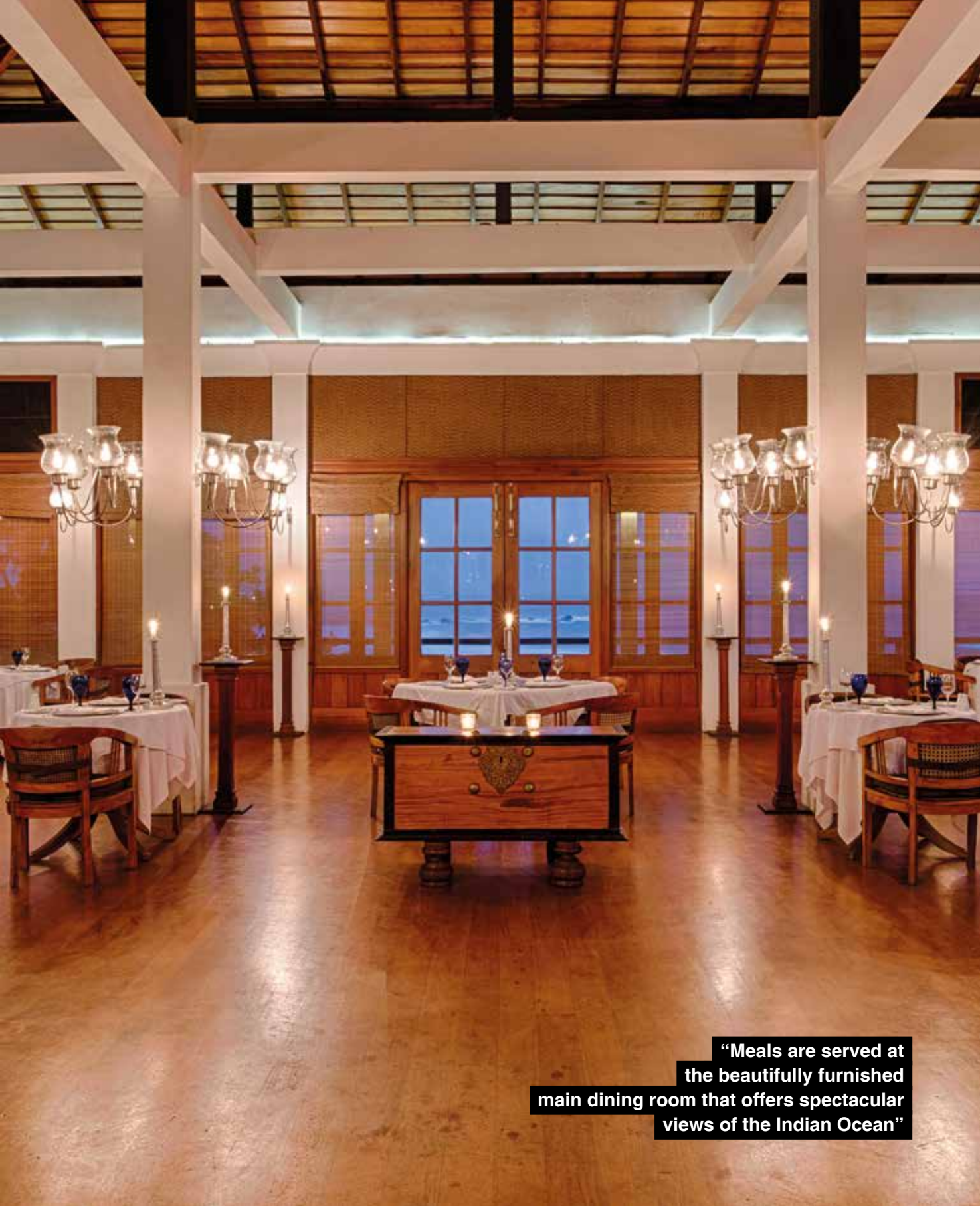
To our tour operators and travel agents – you are an integral part of our success story; be assured of our gratitude and appreciation always.

On behalf of our Senior Executive Team, I express gratitude and thanks for being family to this Hotel. Be assured that we are committed to serve you with the best of Jetwing hospitality always.



R A E Samarasinghe
Managing Director

9 May 2018



“Meals are served at the beautifully furnished main dining room that offers spectacular views of the Indian Ocean”

Centrepiece

FINANCIAL HIGHLIGHTS

		2018	2017
Performance for the Year Ended 31 March			
Revenue	LKR '000	836,005	799,219
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)	LKR '000	261,644	251,560
Profit before Tax (PBT)	LKR '000	148,599	152,147
Profit after Tax (PAT)	LKR '000	132,718	137,184
Earnings per Share	LKR	2.89	2.98
EPS Growth	%	(3)	(15)
Return on Equity	%	5	5
Financial Position as at 31 March			
Total Assets	LKR '000	3,457,654	3,210,975
Total Debt	LKR '000	291,989	188,307
Total Equity	LKR '000	2,865,163	2,852,339
Number of Shares in Issue	No. 000s	46,000	46,000
Net Assets per Share	LKR	62.29	62.01
Debt/Equity	%	10	7
Debt/Total Assets	%	8	6
Current Ratio		0.54:1	0.58:1
Quick Asset Ratio		0.45:1	0.48:1
Market/Shareholder Information			
Market Price per Share as at 31 March	LKR	39.80	49.00
Market Capitalisation	LKR '000	1,830,800	2,254,000
Price Earnings Ratio	Times	13.77	16.44
Dividend Payout	%	87	67
Dividend paid	LKR '000	115,000	92,000
Dividend per Share	LKR	2.50	2.00
Value Added for the Year Ended 31 March			
To Government	LKR '000	15,881	14,963
To Employees	LKR '000	166,259	152,087
To Shareholders	LKR '000	115,000	207,000

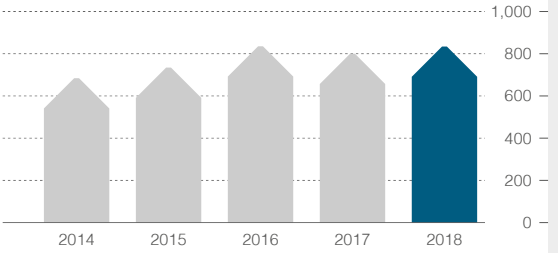
Total Revenue

LKR Mn.

Change
5%

2017
799

2018
836



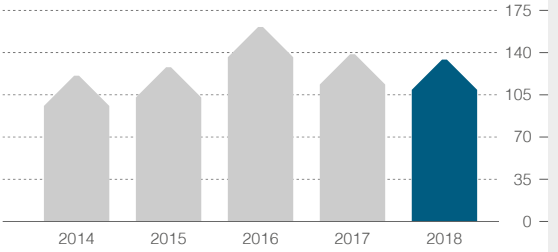
Profit After Tax

LKR Mn.

Change
(4%)

2017
137

2018
132



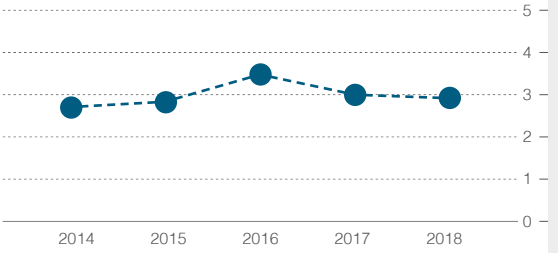
Earnings Per Share

LKR

Change
(3%)

2017
2.98

2018
2.89



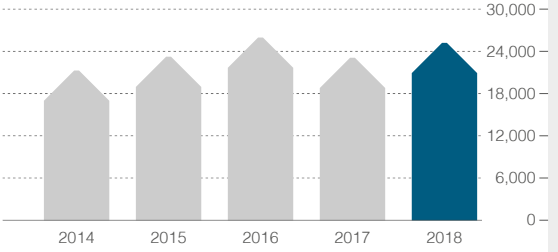
Room Nights Occupied

Nos.

Change
8%

2017
23,121

2018
25,114



OPERATIONAL HIGHLIGHTS

CUSTOMERS

Ranked 15th in TripAdvisor Travellers' Choice 2018 - Top 25 in Sri Lanka

Introduced Lorenzo's Pizza Corner at Jetwing Lighthouse

EMPLOYEES

Conducted 21 hours and 44 minutes of average training hours per employee during 2017/18

48 new employees 2017/18

COMMUNITY

10 youths are currently undergoing on-the-job training as part of the JYDP programme hosted at Jetwing Lighthouse

Students from 26 local schools currently registered for free swimming lessons at the Lighthouse community pool

ENVIRONMENT

10% of hotel's electricity requirement generated via 125kW roof-mount Solar PV System at Jetwing Lighthouse

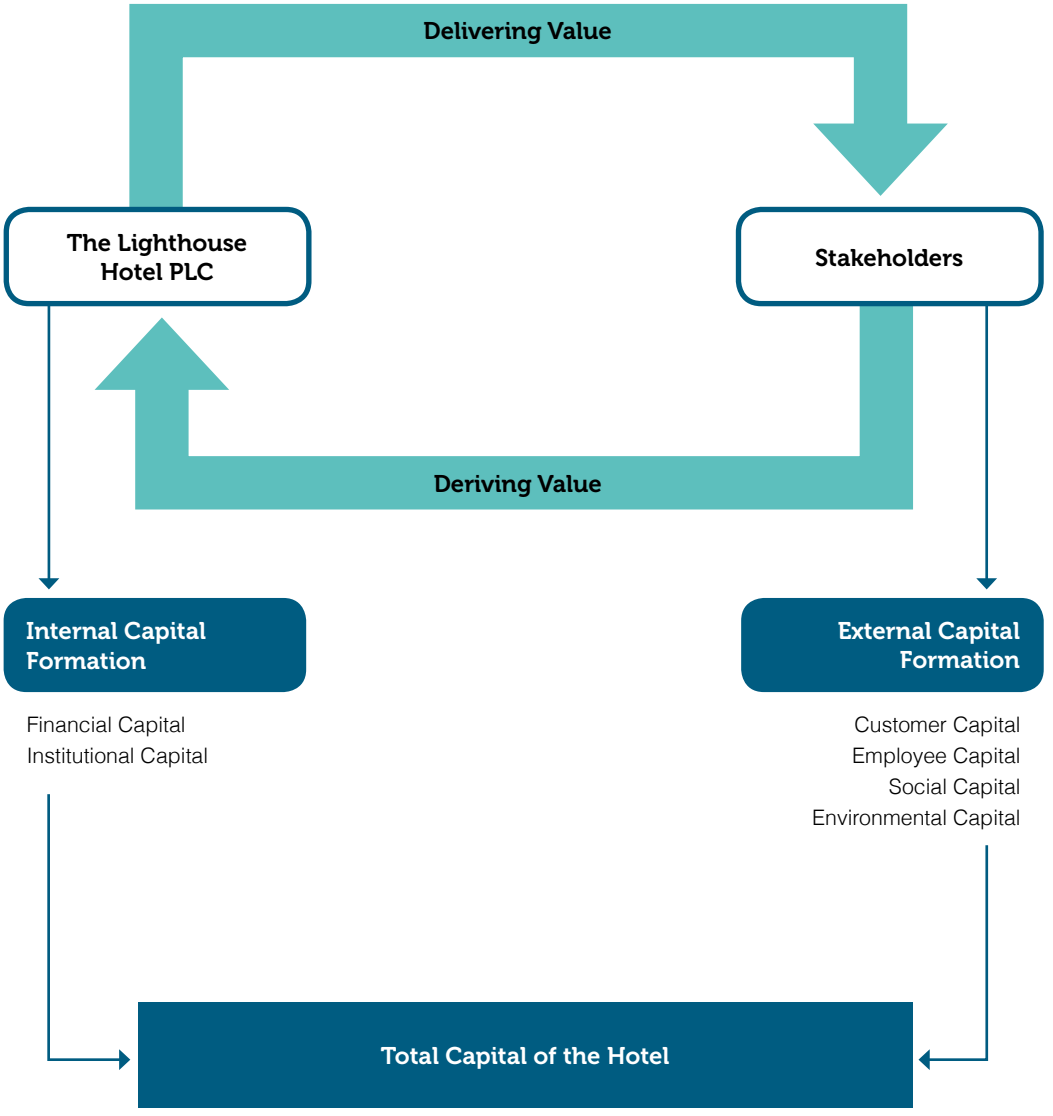
Certified ISO 14001 and ISO 50001 Standards in Environment and Energy Management Systems at Jetwing Lighthouse

100% artificial lighting provided via energy efficient LED bulbs at Hotel J – Unawatuna

"We offer personalised service
making your intimate moments
extra special"

The "AAA Five-Diamond" Model

A MODEL TO SUCCESS



"The creation of lasting value for stakeholders, community, and the environment builds a sustainable future for all. This has been the pursuit of The Lighthouse Hotel PLC over the twenty years we have been engaged in business, interacting with our key publics in a responsible, transparent and integrated manner to achieve world class standards in all we do."

Our core values – Passion, Humility, Integrity and Tenacity – inform and guide every aspect of business strategy and action. Our vision and core principles drive performance and influence stakeholder engagement. Within this highly enabling environment, our people and companies commit wholeheartedly to the innovative and legendary service Jetwing Lighthouse is renowned for.

Our seamless integration of financial and sustainability reporting better presents how deriving and delivering value lead to internal and external capital formation within our Organisation.

Our capitals extend beyond our assets and resources to include relationships and goodwill that we have built over the past 20 years. The Lighthouse Hotel PLC's business model is geared to transform various capitals to create value over time. Capital that is owned by the business is "internal" capital, while capital that is not owned is "external" capital. Our internal capital formation is a result of value created by The Lighthouse Hotel PLC for itself and comprises financial capital and institutional capital. Our external forms of capital focus on key stakeholders and comprises customer, investor, employee, social and environmental capitals.

OPERATING ENVIRONMENT

"Sri Lanka continued to be recognised as a top destination in world fairs and in magazines such as Bloomberg, National Geographic, and Vogue. Sri Lanka was also named as 'Asia's Leading Destination' at World Travel Awards Asia in 2017. These accolades will help strengthen the industry further."

Global Economy

The year 2017 saw the cyclical recovery of the global financial markets where the world economy grew to reach 3% growth rate. There was a recovery in investment, manufacturing, trade, and commodity-exporting developing economies benefited from firming commodity prices.

The developed economies recorded an impressive growth with the US growing by 2.3%, Euro Area with 2.4%, and Japan with 1.7%. In 2017, East and South Asia accounted for nearly half of global growth, with China alone contributing about one-third with 6.8%.

The World Bank estimates that global economic growth will be 3.1% in 2018/19. Economic growth in China is expected to stabilise while Emerging Markets and Developing Economies (EMDEs) are expected to accelerate reaching 4.5% in 2018/19.

Sri Lankan Economy

Sri Lanka grew by 3.1% in 2017, much below the expected growth due to adverse weather conditions including drought and floods in the first and the second quarters of the year. Headline inflation closed at 7.3% in 2017, albeit tight monetary policy and slowdown of credit growth fuelled by increased food prices and imported commodities.

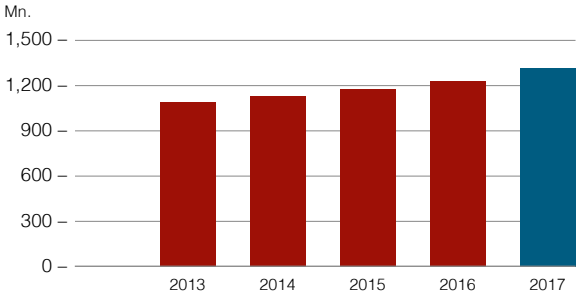
The services sector was able to contribute 56.8% of growth particularly by telecommunication, financial services, human health, insurance and wholesale, and retail trade. Industrial activities with the share of 26.8% had a positive impact by recording a modest growth of 3.9% underpinned by construction, mining and quarrying, and manufacturing sectors. The rupee also depreciated against the US dollar owing to increased import expenditure, debt service payments, and a reduction in foreign investments in Government Securities.

Buoyed by World Bank and IMF programmes, Sri Lanka's economic reform agenda is projected to boost macroeconomic stability in the medium term with GDP growth expected to reach about 5%. Growth in the region excluding India is expected to remain stable at an average 5.9% a year, as domestic demand remains robust and exports recover. The Inland Revenue Act passed in October 2017 will mobilise additional revenue that could support growth-enhancing spending, including infrastructure investment.

Global Travel and Tourism Sector

Travel and tourism is one of the world's largest economic sectors that creates jobs, drives exports, generate direct and indirect economic value across the globe. According to World Travel and Tourism Council (WTTC), in 2017, the sector directly contributed to the generation of nearly 119 million jobs worldwide and contributed USD 2.6 Tn. to world economy while indirectly the sector contributed USD 8.3 Tn. And supported 313 million jobs (1 in 10 of all jobs).

International Tourist Arrivals

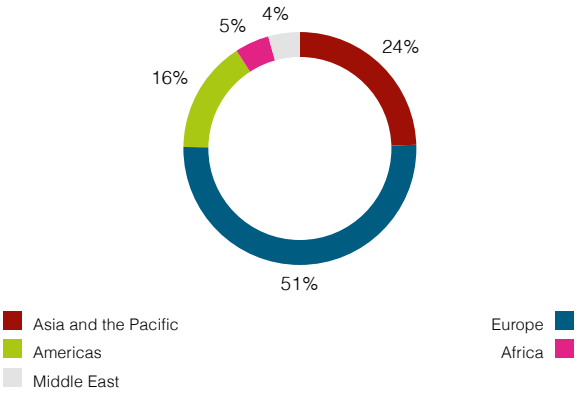


Source: World Tourism Organization's (UNWTO)

In terms of growth, it was a great year for the industry. The travel and tourism sector grew by 4.6% supported by the cyclical recovery in global economy in 2017. The sector outperformed all other sectors in 2017. The growth was due to low interest rates in advanced economies, high consumer spending, decreasing of unemployment rates, comparatively low oil prices which led to lower air fares. The European sector recovered from the adverse impact of terror attacks and increased threat to security which affected top tourist destinations in 2016.

International tourist arrivals grew by an incredible 7% in 2017 to reach a total of 1.32 billion visitors, according to the World Tourism Organization's (UNWTO) latest World Tourism Barometer. With Europe recording 8% more arrivals than in 2016. Africa too increased by 8%, which Asia and Pacific recorded a 6% growth, the Middle East 5% and the Americas 3%.

International Tourist Arrivals – Region-wise



Source: World Tourism Organization's (UNWTO)

Outlook

The hotel industry will continue its strong performance by sustaining a growth of 5-6% in 2018. Hoteliers will be looking for an opportunity in strategic places, including a revisit of the midscale experience, traveler-facing tech, health and wellness, and loyalty.

The WTTC forecast a growth of 4% in 2018, resulting from the increase of oil prices and air fares. The interest rates of advanced economies will increase to impact the sector. An average growth of 3.8% is expected over the next decade when the industry will account for more than 400 million jobs worldwide. Travel and tourism GDP is forecast to account for 11.7% of global GDP, and global visitor exports are expected to account for 6.9% of total global exports in 2028.

One of the threats for the sector among many is "overtourism" which is the high influx of tourist to popular destinations straining infrastructure and harming the travel experience of travellers and local residents. This type of "tourism-phobia" has become prevalent in European cities like Venice and Barcelona. There are steps taken to address this growing threat.

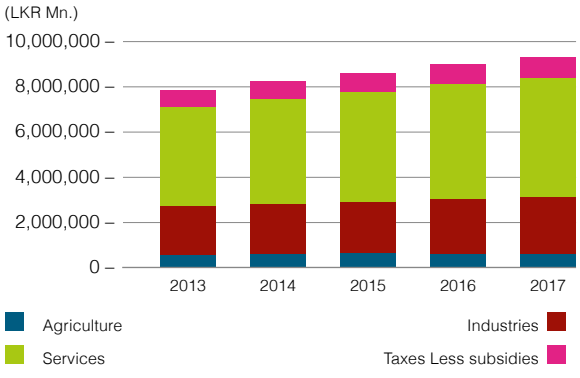
Sri Lankan Travel and Tourism Sector

The Central Bank of Sri Lanka reports that the tourism industry was the third largest foreign exchange earner to the country in 2017. The sector contributes directly and indirectly to the economy through drawing foreign investments, job creation, and infrastructure development.

The total number of Sri Lanka Tourism Development. Authority (SLTDA) registered accommodation establishments was 2,131 as at 31 March 2018 with 36,133 rooms. There are 141 classified tourist hotels and

among them 20 five-star hotels, 895 guest houses, 378 homestays, and 348 bungalow units showing a growth in small and medium enterprises. Out of the total rooms classified tourist hotels accounted for 12,828 rooms.

GDP Growth



Source: Central Bank of Sri Lanka, Annual Report 2017

The tourist arrivals recorded highest annual arrivals of 2,116,407 in 2017, the year on year growth in arrivals moderated to 3.2%. The modest growth was affected by the partial operation of the Bandaranaike International Airport till April due to repairs and the upgrade of the runaway, as well as the breakout of the dengue epidemic in mid-2017. Tourist arrivals from all major regions except for the middle east increased in 2017. The highest number of tourists came from Western Europe accounting for 32.2% of total tourist arrivals with 680,901 arrivals. There were 384,628 arrivals from India in 2017. 89% of tourists visited the country for leisure while 2.9% for business purposes and 13.2 % for other reasons such as health, education, and sports. Earnings from tourism increased to USD 3,925 Mn. from USD 3,518 Mn. in 2016, an increase of 11.6%. The average spending of tourists also increased to USD 170.1 from USD 168.2 in 2016.

Performance in the Tourism Sector

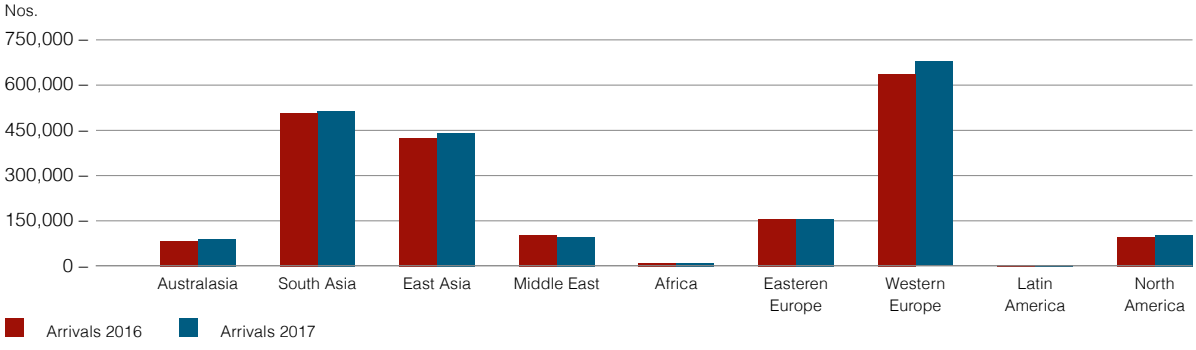
Item	2013	2014
Tourist Arrivals (No.)	1,274,593	1,527,153
Arrivals by Purpose of Visit		
Pleasure	915,208	1,037,644
Business	67,946	20,270
Other	291,439	469,239
Tourist Guest Nights ('000)	10,909	15,119
Room Occupancy Rate (%)	71.7	74.3
Gross Tourist Receipts (Rs. Mn.)	221,720	317,479
Per Capita Tourist Receipts (Rs.)	173,954	207,889
Total Employment (No.) (b)	270,150	299,890
Direct Employment	112,550	129,790
Indirect Employment	157,600	170,100

(a) Provisional

(b) Estimates

Sources: Sri Lanka Tourism Development Authority and Central Bank of Sri Lanka

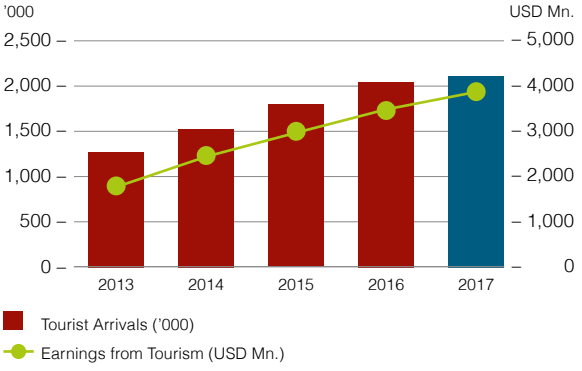
Tourist Arrivals by Geographical Region



Source: Sri Lanka Tourism Development Authority

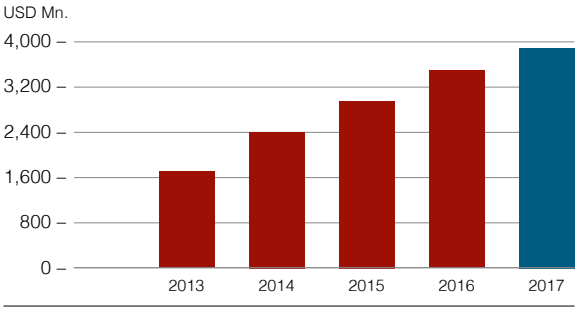
	2015	2016	2017 (a)	YoY Change 2017
	1,798,380	2,050,832	2,116,407	3.2
	1,198,240	1,710,027	1,776,503	3.9
	23,323	37,121	60,940	64.2
	576,817	303,684	278,964	-8.1
	18,163	20,918	23,068	10.3
	74.5	74.8	73.3	-2.0
	405,492	512,373	598,143	16.7
	225,476	249,837	282,622	13.1
	319,436	335,659	359,215	7.0
	135,930	146,115	156,369	7.0
	183,506	189,544	202,846	7.0

Tourist Arrivals and Earnings from Tourism



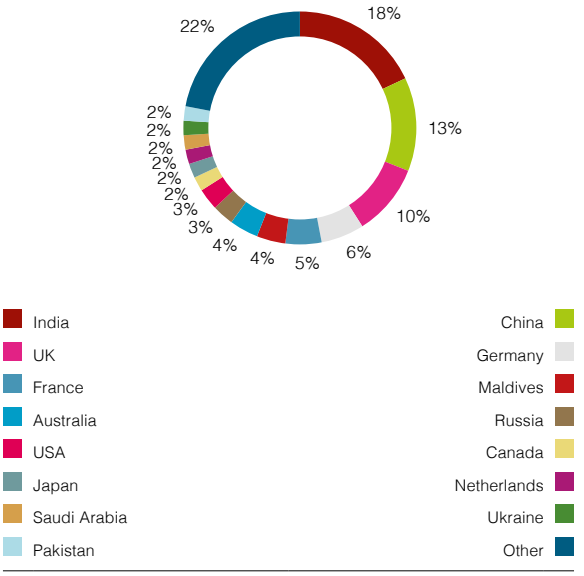
Source: Sri Lanka Tourism Development Authority

Gross Tourist Receipts



Source: Central Bank of Sri Lanka

Tourist Arrivals by Country



Source: Sri Lanka Tourism Development Authority

Sri Lanka continued to be recognised as a top destination in world fairs and in magazines such as Bloomberg, National Geographic, and Vogue. Sri Lanka was also named as "Asia's Leading Destination" at World Travel Awards Asia in 2017. These accolades will help strengthen the industry further.

To drive the sector forward, a new Tourism Strategic Plan 2017-2020 was introduced in 2017. This plan will help to achieve USD 7 Bn. earnings from tourism and to employ 600,000 workers in support industries in 2020. The tourism sector faces a number of challenges including transportation, poor infrastructure, and competition from alternative accommodation venues. Therefore, a coordinated effort is needed between the Government, SLTDA, and all the stakeholders in the tourism sector or a public private partnership to achieve targets, explore new avenues, and to contribute to the growth of the industry.

INSTITUTIONAL CAPITAL

"Our extensive reservoir of organisational knowledge is fed by a legacy of 20 years of operations as one of Sri Lanka's finest hotels coupled with the wealth of experience and knowledge the Jetwing family of hotels is privileged to own."

Corporate Culture and Values

The corporate culture of The Lighthouse Hotel PLC is rooted in Sri Lanka and the ideals and qualities that Sri Lanka represents, as well as those of family and family values. These qualities are embedded in our core, which is why all Jetwing properties reflect the best of Sri Lanka and all it stands for.

This corporate orientation is underpinned by the Jetwing family's four core qualities – passion, humility, integrity and tenacity. This dovetails neatly with our commitment to legendary and innovative service, as our brand tagline dictates, "the home of Sri Lankan hospitality". In abiding by this culture and value regime, Jetwing has been successful in bringing the Company's properties to the forefront of the industry, as some of Sri Lanka's most iconic hotels.

As we do across the Jetwing Group, here at Jetwing Lighthouse we espouse an open-door policy, where completely free and frank dialogue between associates and the Management is fostered and promoted.

The Brand and its Development

The Lighthouse Hotel PLC is operated by a company that has spent 44 years in the tourism and hospitality industry. This in itself has come with immense knowledge and experience in the industry which is currently booming in a post war Sri Lanka. Jetwing is a member of several local and international groups and organisations, which over the years has helped to expanded the expertise and knowledge the Company upholds and develops. The Hotel Association of Sri Lanka (THASL) is one such organisation that has a wide-ranging and diverse membership within the hotel industry in Sri Lanka, and by sharing information it has become an organisation renowned for learning and idea sharing. Jetwing Hotels also shares relationships with several international organisations such as PATA, which are of great value to the Company in keeping a finger on the pulse of its international markets. The Company has also benefited significantly from its membership in global alliances such as Great Hotels of the World, accessing organisational knowledge and expertise that have led tangibly to the development of the properties within The Lighthouse Hotel PLC.

Organisational Knowledge

Our extensive reservoir of organisational knowledge is fed by a legacy of 20 years of operations as one of Sri Lanka's finest hotels coupled with the wealth of experience and knowledge the Jetwing family of hotels is privileged to own. Our close ties with prestigious bodies such as the Tourist Hotels Association of Sri Lanka and the Great Hotels of the World, are links that we value exceedingly and are at the same time of exceeding value to the Hotel. As humility is one of four values governing The Lighthouse Hotel PLC, we are always ready to "listen and learn" and adopt innovative trends and best practices in the industry.

Ethics and Integrity

Ethics and integrity run strong in the DNA of Jetwing Lighthouse and indeed across the entire Jetwing family. We live every moment by these values, which inform our every strategy and action and are deeply embedded in our ethos and corporate culture. We conduct our business in full compliance with all applicable laws and regulations with honesty and integrity and in accordance with the highest moral and ethical standards. Our employees follow a code of conduct which includes a clear and well-understood set of standards of expected behaviour.

We Engage in Sustainable Procurement Practices

The value of achieving a commonality of purpose and ethos between Hotel and our supply chain stakeholders cannot by overstressed. For us to be able to reflect the desired levels of sustainability and social and environmental responsibility, Hotel and supply chain must work off one platform of values. Over the years, we have developed well functioning relationships with our suppliers. We are committed to ensure that our suppliers' practices align with our values. We have simplified and streamlined our procurement policy to increase visibility in the way we purchase goods and who our suppliers are. Sustainable development practices are integrated in our procurement policy to combat socio-environmental issues and with a view to enhance our supply chain performance. At the hotel level, our supply chains cover procurement for all items required for running a hotel and cover a wide range of items including food and beverages, guest amenities, operating supplies and equipment, linen, cleaning supplies and furniture and technology support systems. Hotel procurement happens both at local and international levels.

Dealing as we do with an intricate supply chain, we are aware that our procurement decisions have a direct impact on the environment and the communities from where our products originate.

Whilst ensuring our financial and quality requirements are met, we prefer to source locally and from sustainable sources where we can in order to support local communities and safeguard the environment and, in the process, reduce our carbon and water footprints.

Thus the shared value system of both Hotel and supply chain actors strengthens the brand bringing us customer preference and loyalty.

Benefiting the Local Community

We firmly recognise the importance of the wider community as a stakeholder in our business. Equally, we realise the mutual value and benefits that accrue through Jetwing Lighthouse engagement with and participation in the economy of the local community. Most importantly we recognise how this engagement contributes to the long-term development of the community. Increasing local economic participation is one of our core business objectives. Incorporating local suppliers to the procurement process stimulates local enterprises and leads to lower logistics and labour costs. Our desire to establish and maintain enduring partnerships with local suppliers has resulted in a diverse supply base. Our engagement with local community suppliers allows us to address gaps in local capabilities and capacities, whilst building supplier competitiveness and improving standards to global levels.

Building local economic capacity is embedded in our procurement strategy, which is why a massive 76% of our procurement budget is spent on transactions with local suppliers.

We are committed to the support of local suppliers in the future too.

STAKEHOLDERS

"Jetwing Lighthouse does not journey singly. Ours is an enterprise undertaken in step with our stakeholders. Understanding their needs and aspirations is key to charting our course, mobilising resources and delivering sustainable value."

Jetwing Lighthouse does not journey singly. Ours is an enterprise undertaken in step with our stakeholders. Understanding their needs and aspirations is key to charting our course, mobilising resources and delivering sustainable value. We greatly value our interaction and dialogue with the stakeholder community.

Engagement with various stakeholders reposes at the core of our business plan. Such a process of engagement is wide in scope and reach, continuously ongoing and contributes vitally to the forward momentum of the Hotel, along increasingly sustainable and profitable pathways.

Through the various engagement platforms that we have established, we seek to understand our stakeholders' views, communicate effectively with them and respond to their concerns.

Communication with Our Investors is Clear and Consistent

We maintain regular, proactive dialogue with our investors and shareholders. We value transparency and the need for our investors to have on hand all salient information required to make informed decisions and contributions to the conduct of our business. Thus, we ensure they are regularly briefed throughout the year.

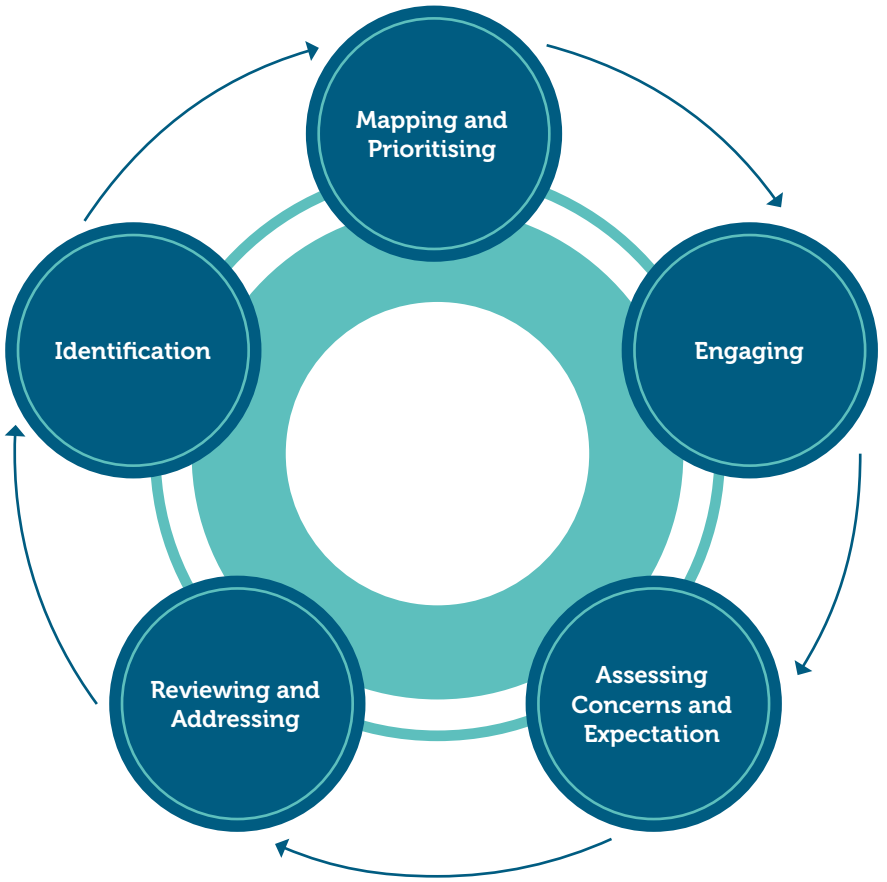
Regular communications such as quarterly financial reports, media releases and more reach investors in timely fashion. We conduct healthy dialogue via social media platforms as well as our website. We also encourage our investors to communicate with us through a designated email address where a response team stands ready to provide necessary feedback.

Our pivotal meeting point would be the Annual General Meeting, which provides an opportunity to review the past year's performance and engage in discussion with the Management. We also engage with our investors through social media and our regularly updated website.

Keeping in Close Contact With the Customer

The customer is the main reason we are in business. We never forget this fact. Thus, listening to and serving the customer are vital aspects of our operation. No stone is left unturned to consistently deliver and maintain extremely high levels of customer service across every facet of enterprise.

Jetwing Lighthouse focuses on building long term relationships with our customers, thereby encouraging and fostering long-term loyalty to our brand.



Customer engagement happens in a myriad ways.

We maintain a guest satisfaction data capture card system to measure customer satisfaction. Regular customer reviews are conducted to help build and maintain healthy rapport. Each review is treated as important and noteworthy and is unfailingly distributed to relevant departments to ensure follow through.

Our customers also engage with the Hotel through our website. Our TripAdvisor page is updated daily and immediate feedback is given to queries. We maintain a Green Directory, and environmental messages are displayed in each room to reinforce to our guests the Hotel's commitment to sustainability. Our goal is to inspire them to both communicate our environmental values and apply these values to their personal lives.

Our Team...Our Family

Jetwing Lighthouse is blessed with a team of highly skilled, motivated and well-rounded individuals. Management and Team have bonded together into a unique family, which allows the Hotel to transcend potentially contentious elemental facets of work life such as employee retention, loyalty and motivation. This family orientation and the highest priority attached to employee engagement provides for a close knit team whose one of a kind work and service ethic is all too plainly discerned and valued by our guests.

The Hotel conducts a comprehensive biannual appraisal system which facilitates transparent evaluation and dialogue leading to performance-based remuneration and rewards. Other methods of engagement include

departmental meetings/briefings, welfare society meetings and staff get-togethers. A full calendar of training programmes is conducted to promote career development and career progression.

Social events during the year include "Jetwing Sports Day" and "Jetwing *Prathiba*" (our employee talent show) – ideal forums for team building and self development.

Society and the Environment

We are ever mindful of the impact our business has on people and planet. Located as we are in close proximity to the historically significant town of Galle we strive everyday to do all we can to protect and support the natural environment of the locale, its historic and cultural treasures, and the local community.

Jetwing Lighthouse strives to minimise its environmental impact and is committed to the continual development of its environmental platform. With properties in some of the most beautiful and sensitive natural environments, Jetwing has in-house nature conservation and education programmes that help our guests too to join in sustainable conservation of precious resources.

Jetwing Lighthouse is involved in ongoing community outreach initiatives as well as humanitarian projects of a one-off nature which are undertaken regularly to assist the surrounding communities.

Through such outreach, we demonstrate our utmost respect for the community and the environment that we operate in.

Government and Regulatory Bodies

The Lighthouse Hotel PLC engages with various regulatory bodies to ensure compliance with statutory requirements of the Government. We conduct business in a transparent manner.

We participate in relevant associations and provide periodic disclosures. The Lighthouse Hotel PLC addresses concerns such as taxation, legal compliance, infrastructure and social development by participating in annual budgetary discussions and complying with all necessary regulatory and legal requirements.

Materiality

Through an identification process and a materiality analysis we have determined certain aspects as material to The Lighthouse Hotel PLC and our stakeholders. These aspects are also explained in the About the Report section (page 156). We regard an aspect as material, if it substantively affects the Company's ability to create value over short, medium and long term. Our analysis have revealed the Company's material impact in the social, environmental and economic aspects. These aspects are selected based on The Lighthouse Hotel PLC's governance, operations and through constant dialogue with our primary stakeholders – employees, guests, suppliers and industry associations.

The following steps summarize the process we adopt to determine the material aspects and indicators:

- We analyse current and potential social, environmental and economic issues associated with our operations and identify their impact on the business and stakeholders.
- Impacts are identified based on the consequences to our stakeholders (using the feedback from both internal and external) and to the business.
- An "Impact on the Company vs Impact on the Stakeholders" matrix is plotted to identify the aspects of high materiality. These aspects could have negative or positive impacts on the business and its stakeholders.
- Jetwing Lighthouse's Management Team conducts a review to prioritise the high materiality aspects in terms of business focus, geographical spread and the profiles of our key stakeholders.

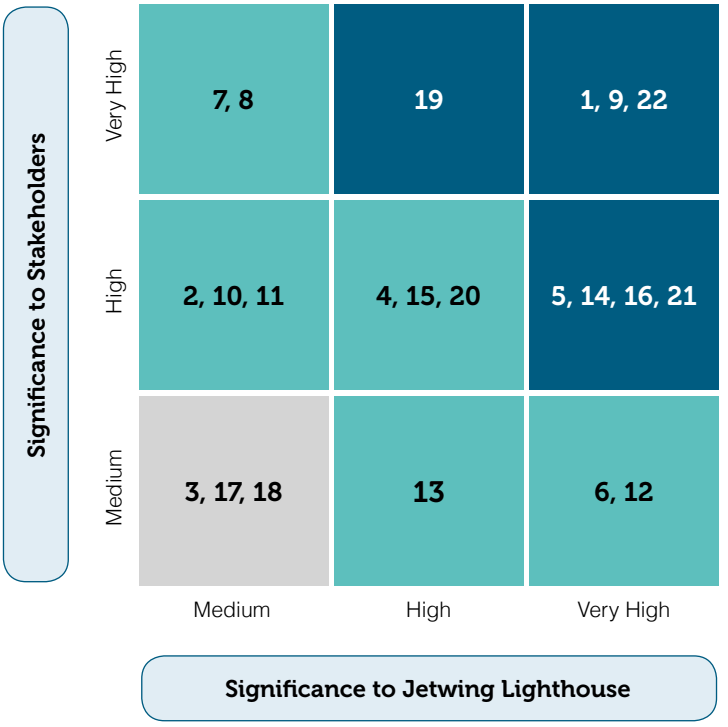
The above process lead to a materiality matrix in respect of risks that should be mitigated and opportunities that may be exploited.

Rating of Material Aspects

Aspect	Significance		
	Indicators	To TLHH	To Stakeholder
Economic			
1. Economic Performance	G4-EC1 G4-EC3	V	V
2. Market Presence	G4-EC6	M	H
3. Indirect Economic Impacts	G4-EC7	M	M
4. Procurement Practices	G4-EC9	H	H
Environmental			
5. Energy	G4-EN3 G4-EN5 G4-EN6	V	H
6. Water	G4-EN8 G4-EN10	V	M
7. Emissions	G4-EN15 G4-EN16 G4-EN18 G4-EN19	M	V
8. Effluents and Waste	G4-EN22 G4-EN23	M	V
9. Compliance	G4-EN29	V	V
10. Overall	G4-EN31	H	M
11. Environmental Grievance Mechanism	G4-EN34	M	H
Social			
Labour Practices and Decent Work			
12. Employment	G4-LA1 G4-LA2 G4-LA3	V	M
13. Occupational Health and Safety	G4-LA6	M	H
14. Training and Education	G4-LA9 G4-LA10 G4-LA11	V	H
15. Diversity and equal opportunity	G4-LA12	H	H
16. Labour Practices Grievance Mechanisms	G4-LA16	V	H
Human Rights			
17. Non-Discrimination	G4-HR3	M	M
Society			
18. Engaging with Local Community	G4-SO1	M	M
Product Responsibility			
19. Customer Health and Safety	G4-PR1	H	V
20. Product and Service Labelling	G4-PR5	H	H
21. Marketing Communications	G4-PR7	V	H
22. Compliance	G4-PR9	V	V

Materiality Matrix

The management's approach to the above material aspects are covered under the relevant stakeholder discussions



Brand Respect and Strength Deliver Real Value

Through over two decades of enterprise as a "cordon bleu" hospitality brand in Sri Lanka, Jetwing has built a portfolio of truly iconic properties in equally idyllic locations across the country. Through these properties, we consistently offer the finest of hospitality products and services that have made the Jetwing brand a respected entity both in the local market and internationally.

Such brand respect and strength has, along with a very strong Sri Lankan identity, allowed us to create and deliver real value to our stakeholders and the wider community, all this against a backdrop of true sustainability and care for the environment. We will continue to build on our legacy and our brand presence in Sri Lanka.

We are ever ready to welcome an ever increasing number of guests from more countries of the world and it is our honour and pride to introduce them to the best that Sri Lanka has to offer. Properties such as Jetwing Kurulubedda, Galle Heritage Villa by Jetwing and Era Beach by Jetwing all share that unique identity of intriguing location, prime hospitality and that special Jetwing ethos. Whilst we work diligently to make these properties icons in their own right, the other 'leading lights' in our chain, of which the Lighthouse PLC is one, ensure that Jetwing is on track to leverage and capitalise on opportunities to advance and grow. Our traditional markets will remain, along with a new focus on Australia, the US and the Middle East.

"No stone is left unturned to consistently deliver and maintain extremely high levels of customer service with warm smiles and careful attention."

House Count

"The familial ethos that is so central to the Hotel and which permeates every facet of our enterprise extends to our guests and the resulting relationships are warm and close...like family!"

Customer and Hotel...One Family

The Lighthouse Hotel has had a happy history of welcoming customers to our establishment where, in the process of imparting a hospitality experience like no other, we have established mutually close relationships that have endured. The familial ethos that is so central to the Hotel and which permeates every facet of our enterprise extends to our guests and the resulting relationships are warm and close…like family!

From this solid foundation we are able to work closely with our customers to innovate and develop an ever improving portfolio of offerings. We seek long-term relationships through which we can achieve ever increasing customer loyalty to our brand.

Understanding the customer, providing them with vital lines of communication with us and doing whatever else it takes to reliably "read the customer pulse" is vital.

We have provided guest satisfaction cards at the Hotel, in the rooms and the reception. Guests could fill these forms and hand them directly to the Managing Director of Jetwing Hotels or at the front desk. All such feedback receives the attention of the General Manager as well as a dedicated team. The pooled data allows the Hotel to remedy errors, improve service and identify trends in customer preferences. This data is invaluable in our training and development protocols too.

The Lighthouse...Online

Jetwing Lighthouse maintains high visibility on the worldwide web.

Our property is thus heavily reviewed online on all platforms such as TripAdvisor, Booking.com, Google+, Agoda and many more. Online reputation management is done by the Hotel that keeps track and checks on online reviews. On the platforms that allow Management responses, the Hotel responds in real time and this provides the means to analyse and review trends over time whilst comparing the property with its competitors which provides an insight into guest perception and decision-making. All reviews are responded to by the General Manager to ensure the guest is reaching the right individual. Complaints are investigated and rectified. This has also enhanced guest relations and service quality in terms of raising standards and bringing to attention, aspects and areas of hotel functions that could always be improved on.

Staying Safe and Well...On Holiday...On the Job

Health and Safety is a top priority topic at the Lighthouse. Keeping everyone – guests, associates and other visitors – safe and well is of paramount importance to us. Every facet of our operation undergoes scrutiny and often external verification where applicable.

To ensure the safety of the "product" and identify areas for improvement, general operations of the Hotel and food handling is routinely assessed by third parties. For example, Jetwing Lighthouse is HACCP certified in food safety standards. Under this protocol, surveillance audits are conducted each year.

Fire drills and awareness programmes on fire safety are conducted annually, regulated by the Fire Department.

Key tour operators routinely evaluate the Hotel's facilities/ operations against their own health and safety checklists.

Every room, hall, corridor and public space has signs about our safety procedures, with clear instructions on

the protocol to be followed in an emergency. As our property is an open tropical resort, these indicators are easily understood and the hotel staff ensures that guests know the safety basics when they check into the property. The property also uses a health and safety check list that guests are taken through on request at check-in.

Effective implementation of the Jetwing Health and Safety policy by our associates helps maintain a safe environment for guests.

Here "at home", all sales and marketing activities take place in a safe and non-hazardous environment. Associates work in an environment that conforms with all safety and health codes thus ensuring they stay safe and well.

General policies and procedures are followed and the Company has addressed all pertinent issues in its Health and Safety Policy document that highlights the responsibilities of the employer and employee.

Marketing Communications

Marketing a unique property such as Jetwing Lighthouse requires a sophisticated mix of tools and processes that must position the Hotel in optimal fashion across markets both local and international. All of this must be accomplished responsibly.

We have a streamlined process for marketing communications complying with state policies and ethics, norms and practices in the global industry. The importance of having a streamlined process for marketing communications is a result of policies and laws governing marketing in the country, ethical and tolerant policies and practices on a global scale and the fact that all communication that goes out represents the Company.

In order to ensure that perception and regard for the brand is always positive and abides by the rules and regulations in place, it is important that there be a procedure for all communications. Public opinion and perception of the brand directly impacts the bottom line and how the brand fares against competitors, therefore responsibility must be taken.

The marketing communications mix consists of a specific blend of promotional tools – advertising, public relations, personal selling, sales promotion, and direct marketing – that the Company uses to communicate customer value and build customer relationships.

Jetwing as a company is guided by the expertise of an international advertising agency, namely Leo Burnett, to conform and adhere to the laws, standards and voluntary practices of marketing and advertising such as the International Code of Advertising Practice and the Guidelines for Multinational Enterprises.

The Company has also undertaken the responsibility of creating a Corporate Identity Manual, that ensures all entities under the umbrella of Jetwing conform to a set of strict guidelines and remain consistent across all platforms. This document acts as the voluntary standards undertaken by the Company. These ensure that the Company does not infringe on any privacy laws, upholds ethical and culturally accepted standards and is always respectful of religion, gender and ethnicity. In order to ensure this is carried out on a continuous basis, marketing material as well as advertising and promotional material is checked by several members of the team and a consensus is reached before releasing artwork. This prohibits the release of any offensive collateral. Thus, there have been no incidents of non-compliance or fines levied.

Compliance

Jetwing as a company is guided by the expertise of an international advertising agency, namely Leo Burnett, to conform and adhere to the laws, standards and voluntary practices of marketing and advertising such as the International Code of Advertising Practice and the Guidelines for Multinational Enterprises. The Company has also undertaken the responsibility of creating a Corporate Identity Manual, that ensure all entities under the umbrella of Jetwing conform to a set of strict guidelines and remain consistent across all platforms. This document acts as the voluntary standards undertaken by the Company. These ensure that the Company does not infringe on any privacy laws, uphold ethical and culturally accepted standards and are always respectful of religion, gender and ethnicity. In order to ensure this is carried out on a continuous basis, marketing material, advertising and promotional material are checked by several members of the team and a consensus is reached before releasing artwork. This prohibits the release of any offensive collateral.
Thus, there have been no incidents of non-compliance.
No fines have been levied for non-compliance of laws and regulations with regards to Jetwing Lighthouse.

Online Platforms

tripadvisor

Jetwing Lighthouse	Jetwing Lighthouse Club	Jetwing Kurulubedda	Era Beach by Jetwing	Galle Heritage Villa by Jetwing
#6 of 28 Hotels in Galle	#17 of 28 Hotels in Galle	#7 of 185 Specialty Lodging in Galle	#9 of 28 Hotels in Galle	#14 of 185 Specialty Lodging in Galle

Expedia

Jetwing Lighthouse	Jetwing Lighthouse Club	Jetwing Kurulubedda	Era Beach by Jetwing	Galle Heritage Villa by Jetwing
Excellent! 4.3/5	Very Good! 4.2/5	Good! 3.9/5	Not on the site anymore	Very Good! 4/5

Booking.com

Jetwing Lighthouse	Jetwing Lighthouse Club	Jetwing Kurulubedda	Era Beach by Jetwing	Galle Heritage Villa by Jetwing
Fabulous! 8.7/10	Fabulous! 8.7/10	Good! 7.8/10	Not on the site anymore	Very Good 8.2/10

agoda

Jetwing Lighthouse	Jetwing Lighthouse Club	Jetwing Kurulubedda	Era Beach by Jetwing	Galle Heritage Villa by Jetwing
Excellent! 8.6/10	Excellent! 8.8/10	Excellent! 8.2/10	Excellent! 8.4/10	Excellent! 8.1/10

Jetwing LIGHTHOUSE GALLE • SRI LANKA

Jetwing LIGHTHOUSE CLUB GALLE • SRI LANKA

Jetwing KURULUBEDDA GALLE • SRI LANKA

GALLE HERITAGE VILLA by Jetwing GALLE • SRI LANKA

Figures USD

Jetwing Lighthouse	Jetwing Lighthouse Club	Jetwing Kurulubedda	Galle Heritage Villa by Jetwing
Nights	Nights	Nights	Nights
1,903	398	151	131
Room Revenue	Room Revenue	Room Revenue	Room Revenue
445,642.38	124,010.76	25,871.33	22,386.55

Figures LKR

Jetwing Lighthouse	Jetwing Lighthouse Club	Jetwing Kurulubedda	Galle Heritage Villa by Jetwing
Nights	Nights	Nights	Nights
173	25	100	33
Room Revenue	Room Revenue	Room Revenue	Room Revenue
5,878,073.30	1,165,261.00	2,715,290.00	430,625.00

Hoteliers

"We are proud of our team at Lighthouse. They are highly skilled, highly motivated, fully imbued with the 'Jetwing spirit' and are completely oriented towards offering world class standards of hospitality across a multitude of disciplines."

Our Team...Our Pride

Right from inception, the Jetwing proposition has embedded a unique set of values and practices into its core ethos. All of these stem from a warm, personal identity that has always valued the person above all else. It is from this "birth character" that the Jetwing family orientation originates.

This sense of family pervades The Lighthouse Hotel PLC embracing a family approach to business that focuses on trust and values. In consequence, our team thrives in a supportive environment of mutual dialogue, opportunity and transparency. Such an enabling environment more readily nurtures the attributes of exemplary hospitality which our associates dispense every day around the Hotel, to the delight of our guests.

We are proud of our team at Lighthouse. They are highly skilled, highly motivated, fully imbued with the "Jetwing spirit" and are completely oriented towards offering world class standards of hospitality across a multitude of disciplines.

Jetwing recognises this precious asset and goes the extra mile to provide them with a work environment that enables and motivates.

We eschew discrimination and injustice in any form making no distinction on grounds of gender, race, ethnicity, sex, religion or disability. We adhere to all labour rules and regulations as stipulated in the Constitution of Sri Lanka.

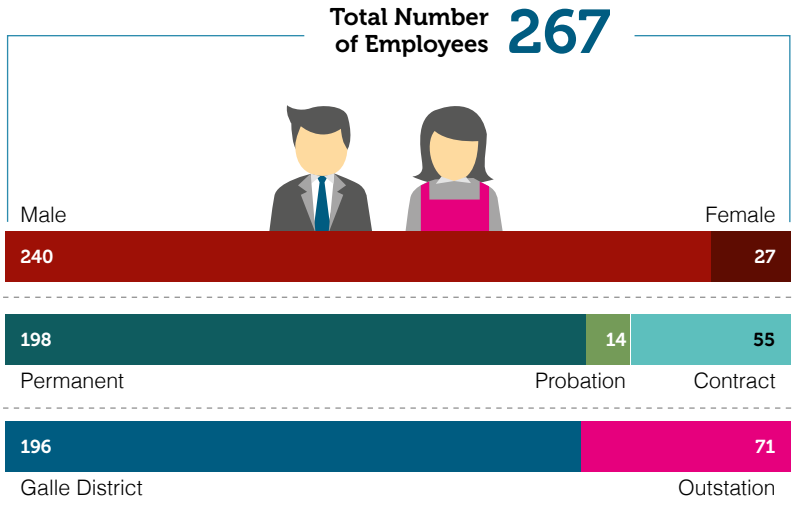
We want "working for Jetwing" to become a badge of honour for our team and we spare no effort in helping realise this goal.

Associate Demographics

In the period ending March 2018, a total of 267 associates were in employment constituting 198 on permanent basis, 14 on probation and 55 on contract. Jetwing Lighthouse hires locally to support the local community and economy. The majority of our employees, 196 out of 267, hail from the Galle District. The total cadre of 267 work full time at the Hotel.

Employee Breakdown at Jetwing Lighthouse

As at 31 March 2018



Benefits Enjoyed by Associates

Jetwing Lighthouse has no clear demarcation between benefits given to full-time, temporary or seasonal employees. All employees are provided with meals at the staff cafeteria, clean drinking water, sanitary facilities, changing rooms and accommodation.

The Hotel also extends welfare services such as death donation, loan facilities, welfare shop facilities, wedding gifts, gifts for the new born of staff members, grade 5 scholarships etc.

Maternity leave is made available for parents to be amongst the associates. During the year in review 2 associates availed themselves of maternity leave – both have returned to work on completion of leave. Bonus is paid to permanent cadres dependant on the financial performance of the hotel.

Building a Family

Taking all our aspirations to "table" as it were is a unique team we call our associates. The Lighthouse Hotel is what it is because of them – their skill, experience and knowledge and most importantly the identity and personality they come to possess as members of the Jetwing family.

We are constantly on a search for people with the right skill set and the right mindset who we feel we can recruit and groom into fully fledged Jetwing associates. This is a vitally important aspect of our enterprise to which we pay meticulous attention.

We have designed our own Recruitment Policy which comprises of recruitment strategies and a comprehensive succession plan. This is a comprehensive policy that runs the gamut of assessment, evaluation, identifying need, canvassing for applicants and even occasionally head hunting. It then follows through with a detailed interview and assessment process.

We understand that integrating employees into our unique work culture cannot be achieved by merely hiring them. Thus, all our new recruits undergo an induction/ orientation programme which allows them to expediently Familiarise themselves with our ethos and working culture. Our induction programme is carefully formulated to show our new recruits that they are valued, whilst also helping them to get "on the job" more quickly and to increase productivity and retention.

As enshrined in the Recruitment Policy, the Hotel is committed to hiring locally where possible.

Overview of Recruitment

A total of 48 employees were recruited on contractual and probationary basis to the Hotel during the year.

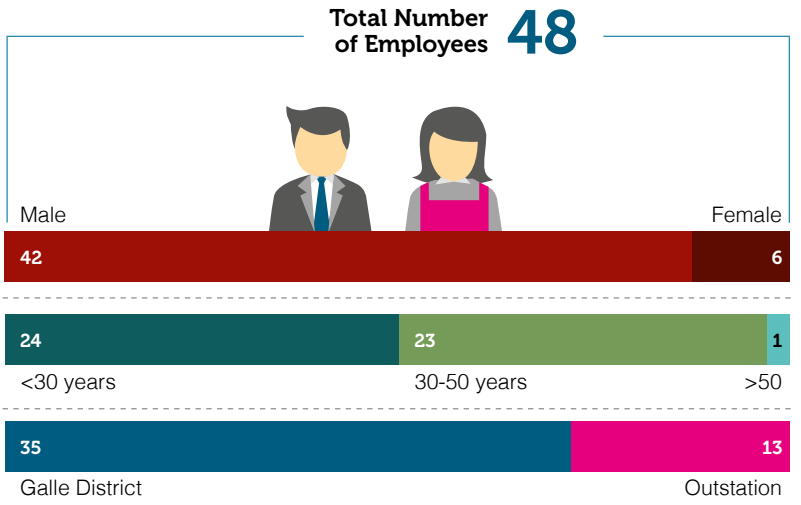
While a healthy distribution of youthful energy as well as maturity can be seen amongst the new associates, at Jetwing Lighthouse we are also focused on generating employment for youth by encouraging school leavers to join the industry.

The majority of the new recruits have come from the Galle District which is consistent with our HR recruitment policy of hiring within location where applicable.

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

Recruitment Rate

As at 31 March 2018



Senior Management Hired Locally

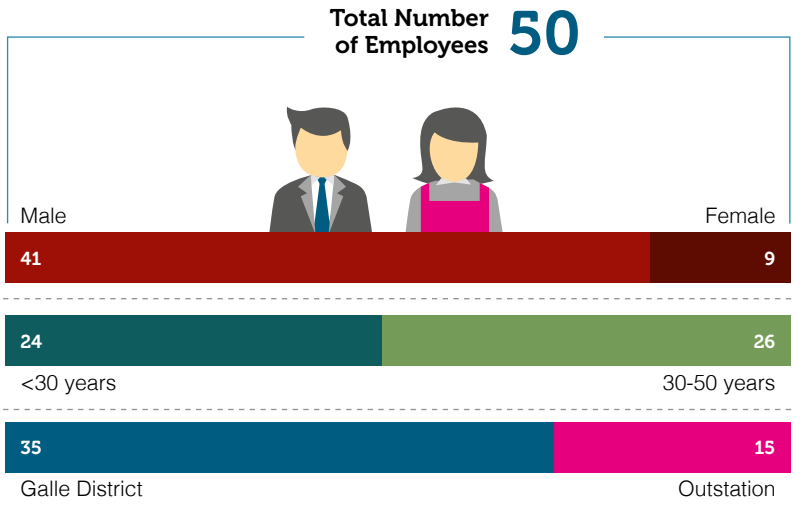
Lighthouse Hotel's Senior Management cadre is comprised a mix of senior executives and executives consists of 28 as at time of reporting. As the Hotel's location and centre of operations is the Galle district, we try to hire locally where we can, in support of the local community.

During the year of reporting, seven Senior Management personnel (two Senior Executives and five Executives) were recruited locally.

In general, local recruitment is often under challenge as it is not always possible to source persons with the mix of skill, knowledge and educational standards, we require as a basis for us to work on further grooming and induction.

Turnover Profile

For the Year under Review, Staff Turnover stood at 18.19%



Sharpening Skills

Keeping the Jetwing Lighthouse proposition competitive and successful is always a challenge. Yes, we have a unique ethos and orientation to the hospitality trade, an exemplary team and we maintain the finest of standards in all aspects of our operations. But the challenge is always to remain relevant, be in demand and be the preferred choice establishment, without question in the minds of more guests.

The crux of the matter is delivering an unfailingly exceptional guest experience...every time...all the time. This is why we invest so heavily in professional training and development of our team.

It's what keeps Jetwing Lighthouse unparalleled.

Overview of Training

The Hotel's training and development regime comprises capacity building, focused training and development initiatives and induction and orientation training. Through several forums involving HR, key departments as well as "one on ones", we home in on areas that we feel need more focus and attention. The assessment is made on what form of training is required. Training is then conducted at an individual level as well as at departmental-level by fully qualified resource personnel both in-house and externally sourced. Cross training and exposure across departments and other hotels of the Jetwing Group is an option too.

As part of our training and continuous development initiatives, there are regular performance appraisals, reviews conducted across all departments. Based on the findings of the appraisals, comprehensive training and development programmes are initiated to retain and develop the talent within the Company. All our Senior, Middle and Junior level associates are subjected to a biannual performance review and career development assessments. These reviews are assessed by the Heads of Department and necessary recommendations are made in respect of training needs.

Specifics of Training 2017

During the year in review, an average of 21.73 hours of training was provided per employee.

The following graphic details the training hours provided to associates categorised by gender, employee category and grade.

Average Training hours per employee

21.73

By Gender

22.88
Average training hours per Male

11.50
Average training hours per Female

Employee Category wise

16.38
Permanent

14.06
Probation

14.47
Contract

Employee Type

4.5
Senior Executives

1.28
Executives

23.97
Other Staff

Back to Basics Programmes

A series of programmes were conducted for associates in Housekeeping, Food and Beverage and Front Office departments of the Hotel. The objectives were to improve and refresh the basic knowledge and skills of both junior as well as senior associates in these areas.

Training on Wines

An in-depth, 2-day programme on wines and wine sales was conducted for Food and Beverage associates of all Jetwing Hotels. The objectives were to improve the knowledge of our associates with regards to wines in Jetwing's cellars, as well as to improve wine selling skills.

Training by Heritage Teas

A special program was conducted by Heritage Teas, on new varieties of tea introduced at Jetwing Hotels. The program aimed to improve the knowledge of associates with regards to the variety of products which will be offered to guests through the new Tea Menu.

Safety and Well-being

Fostering and promoting the safety and health of our associates is a high priority at Jetwing Lighthouse. We have a comprehensive Health and Safety Policy in place supported by drills and programmes that reinforce the prevalence of an optimal climate of well being. Being in the hospitality business, it is critical for us to spare no effort or resource in keeping guest and associate safe and well.

An Overview

The Lighthouse Hotel PLC adheres to all health and safety measures that are required under HACCP and MSDS Standards. We also conduct regular risk assessments which involve identifying potential hazards that may affect staff or members of the public.

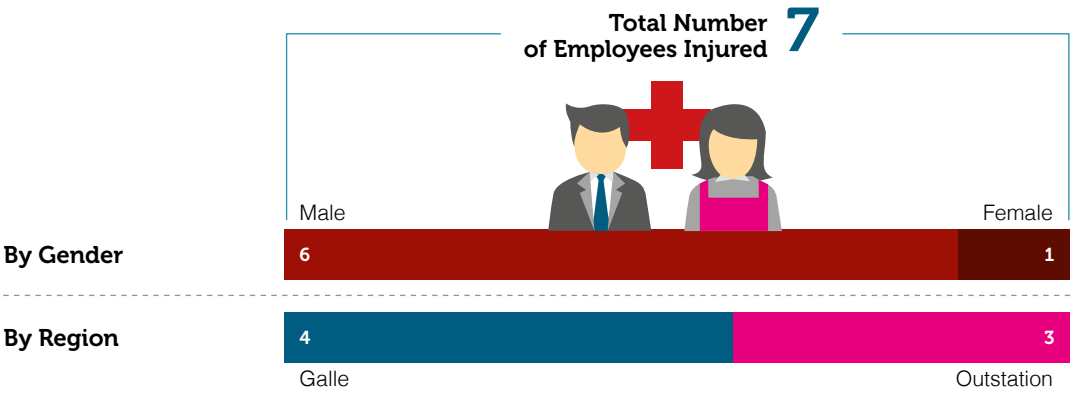
All our employees undergo fire and first-aid training programmes. At our induction programmes, all employees are made fully aware about the health and safety measures that they must adhere to in ensuring their safety.

During the reporting period only minor injuries like sprains, cuts, minor burns and slippage were recorded. Ninety two days were lost due to injuries. There were zero occupational diseases reported.

Jetwing Lighthouse employs independent contractors for certain work. No incidents were reported during the period. Our reporting system is in accordance with the Sri Lanka Labour Department, stipulated by the Labour Code of Sri Lanka.

Lost days due to injuries = 92 days

Employees

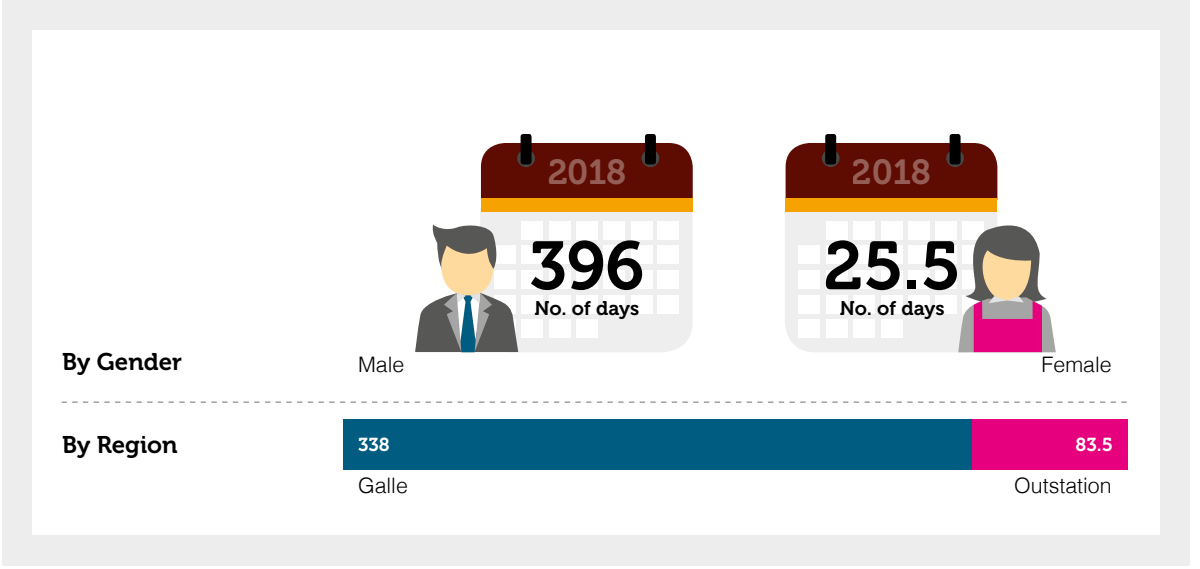


*Calendar work days have been considered, with lost days been considered from the day following the injury/accident
*Zero occupational diseases were reported during the reporting period

Absenteeism Rate

Absenteeism rate is calculated based on the scheduled work days for the reporting period. This figure was arrived at by considering the average number of employees (275) and scheduled work days per year per employee (22 days* 12 months = 72,600).

Absenteeism rate is 0.58%



Grievance Handling...Upholding Rights

Empathy and speed are two key characteristics of a good grievance handling mechanism. At The Lighthouse Hotel PLC there is a formal grievance policy and procedure in place. Our open-door policy is a great facilitator when it comes to emboldening aggrieved parties to file their grievances without hesitation or fear. Our grievance policy is a step by step process which addresses the grievance and moves on to implementing a solution within a specific period of time.

Zero grievances were reported during the financial year. Likewise zero incidents or violations involving the rights of people, or any other form of discrimination, were reported over the same period.

Collective Bargaining

Although the hotel does not have any employees covered by collective bargaining agreements, it encourages an open door policy and has in place many mechanisms to encourage employees to discuss their grievances.

General Statement of Human Rights Protection

Jetwing acknowledges and respects the principles contained in the Universal Declaration of Human Rights and The International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work.

The Jetwing Human Rights Policy reflects the Company's commitment to conduct its business in a manner consistent with these principles and to protect human rights in all spheres of enterprise. We are committed to uphold principles of non-discrimination and equality, protection of the rights of a child, refraining from forced labour, health and safety, fair working conditions including working hours, fair wages and compensation and refrain from harsh or degrading treatment/harassment.

The Jetwing Human Rights Policy is inculcated into our associates and is an essential component of our orientation programme.

During the year under review, there were no material issues pertaining to employees and industrial relations.

Jetwing Zero Tolerance Policy on Child Abuse in Sri Lanka

We operate in an era where, sadly, child abuse is rampant worldwide. Jetwing Hotels, as a responsible tourism entity, has a zero tolerance policy on the exploitation and/or abuse of the young. Indeed we are committed to highlighting the problem and raising awareness wherever and whenever pertinent as our contribution to eradicating this menace. We encourage our guests and associates to be vigilant at all times particularly in relation to the presence of paedophiles and to report any suspicious activities to either the hotel reception directly or contact Child Line Sri Lanka or the nearest branch of the Sri Lanka Tourist Police.

We Embrace Diversity as an Equal Opportunity Employer

Jetwing Lighthouse is an equal opportunity employer. The right person for the right job is our credo. Thus in our recruitment process we do not discriminate – employment is offered based on skill. Our remuneration packages do not make any distinctions according to gender. Adhering to Jetwing's Human Rights Policy, we do not discriminate along the lines of gender, race, colour, religion, ethnicity, sexual orientation, disability social and economic background.

We subscribe to the view that diversity strengthens us and we embrace it fully in all its forms. Jetwing is thus committed to creating and maintaining a work environment of inclusiveness. We strive to foster an open and inclusive workplace environment and strongly support the principle that all individuals should have an equal opportunity to participate in our Company and achieve their full potential.

Community

"Over our 20-year history we have watched our 'home city' Galle grow into a centre for tourism with its attendant upliftment of the community. We have been honoured to be stakeholders in this advancement."

Lighthouse Hotel does not operate in a vacuum. We are part of a unique eco-sphere of community and life that stretches far beyond our walls to embrace a wider world. We are mindful of this; of what it means to be a hotelier located within this wider community with its interactions and impact on each other.

We feel great empathy and identity with the wider community and gladly embrace the responsibilities of being a responsible citizen and a good neighbour to all.

This is why we espouse community building through a sustainable strategy as one of the key focuses of the Hotel.

We encourage an interdependent partnership between Hotel and community to uplift and benefit people of the area. We implement and sustain community outreach programmes, youth development projects and programmes aimed at caring for the less fortunate. These initiatives are highly valued by our stakeholders.

We also contribute to the local economy in various ways; for example 76% of our procurement budget is spent on transactions with local suppliers.

Indirect Economic Benefits

Over our 20-year history we have watched our "home city" Galle grow into a centre for tourism with its attendant upliftment of the community. We have been honoured to be stakeholders in this advancement, directly contributing to the improvement of the local economy through providing prime employment opportunities to the local community and our "buy local" procurement preferences. Jetwing's commitment to environmentally friendly "living" has seen us lead key conservation initiatives in respect of local ecosystems.

Our presence in the region and our harmonious relationship with the community have also stimulated indirect benefits. Infrastructure development such as restaurants, bars, cafes, retail establishments and other tourism-related businesses have added more value to the local tourism business and improved the quality of life of the citizens in the surrounding community.

Over the years, we have implemented a number of initiatives to further this positive influence. We will continue to develop strategic partnerships that leverage our resources and expertise to address local needs and to empower the local community in the future.

Jetwing Youth Development Project (JYDP)

The world is getting younger as more and more youth at ever younger ages assume "power and control" of their own businesses. Jetwing Lighthouse understands this trend and is committed to do what it takes to equip youth to meaningfully participate in areas such as community development. Giving young people a place in decision-making builds a broader base of citizen involvement and creates stronger, more inclusive communities.

Through our Jetwing Youth Development Project, we educate young people on the finer points of hotel management. In 2018, the 25th Jetwing Youth Development Project has been initiated and is currently underway at the Lighthouse Hotel. Ten trainees have already completed the classroom training of the programme, and are undergoing on-the-job training in the Food and Beverage and Housekeeping Departments of the Hotel.

The Lighthouse Community Pool

Commitment to community resides within the heart at Lighthouse Hotel. We are proud of this project and its huge potential to build community strengths in a topical area – breeding confidence in the water for young children of Galle and surrounding coastal towns.

The Lighthouse Community Pool facility, complete with a modern-day swimming pool, changing rooms, an administrative facility and a viewing gallery was constructed and is maintained to date by Jetwing Lighthouse. Recognising a communal need, Jetwing Lighthouse initiated a programme of “water initiation” (swimming) involving the schoolchildren of the region.

The community pool is open exclusively for the use of schoolchildren during the day-time. 28 schools participate in the programme. The programme and the schedules with the schools are well-organised in advance. An administrator is appointed to supervise the training programmes and manage the facility. The community pool is also open to others during the afternoons and training programmes are conducted for a nominal fee. We are confident that the number of participants would grow every year.

Jetwing Lighthouse Tuk-Tuk Project

Back in 2005, in response to some friction that arose between the local trishaw drivers and the Jetwing Lighthouse Tuk-Tuk Project commenced. By dint of determined and patient engagement between Hotel and the Tuk-Tuk community we have mutually arrived at “peace” and an amicable relationship that sees us both as stakeholders in the a wider hospitality initiative.

Selected service providers within our locality were registered to work with the Hotel. We provided training which included educating the participants on the local tourist attractions and the high level of etiquette that was required to deliver the best possible service to the guest. The project now includes 36 registered vehicles comprising of Tuk-Tuks, cars and vans.

Environment

"The Lighthouse Hotel properties, with their inherent eco-friendly ethos, diligently track the impact their operations have on the environment and are fully-committed to mitigating any adverse effects that arise."

The World in Our Hands

The world we live in has always been interlinked, interconnected, interdependent. An action here causes a reaction there. It is fairly recently in history that an awareness of this phenomenon came home as it were and cause and effect began to get tracked with very revealing results. The impact on the environment, both positive and negative, as exerted by business concerns began to occupy prime conversational space in Board rooms across the globe.

The Lighthouse Hotel properties, with their inherent eco-friendly ethos, diligently track the impact their operations have on the environment and are fully-committed to mitigating any adverse effects that arise. It is fundamental to us that all of the Hotel's strategy and action enshrines environmental responsibility and economic sustainability.

Mindful of the fact that the long-term viability of our business depends on the sustainability of the environment, we continuously review and proactively manage the use of natural resources through adopting – innovative construction methods and green features such as the use of environmentally-friendly materials, energy and water conservation, reducing carbon emissions and practicing efficient effluent and waste management. We also espouse frequent biodiversity assessments, the proliferation of sustainable products and services, and compliance with environmental regulations. Furthermore, to optimise environmental benefits, sustainability considerations are factored into the entire life cycle starting from land acquisition to the conceptualisation of building design.

Overall Environment Management Approach

Our commitment to reduce the negative environmental impacts of operations, particularly in the areas of sustainable use and management of energy, water and waste, is outlined in Jetwing Hotels' Sustainability Strategy, with specific measures for maintaining a clean and healthy environment highlighted in the Jetwing Environmental Policy. This policy has brought together a set of strategies and solutions to be implemented across the Hotel since we understand that a holistic approach is important to achieve tangible results and improve energy performance. The following are some of the Green initiatives that we have implemented across the Organisation:

- Consumption of electricity, biomass, water etc., is monitored on a daily basis and compared against occupancy levels; to identify and address any irregularities and reduce specific consumption year on year.
- Associates receive routine training to help them understand the importance of carrying out sustainability initiatives and to garner their co-operation and support.

- To ensure that high standards of environmental custodianship in both front-end and back-end processes are attained, a Green Directory is compiled at Jetwing Lighthouse. It identifies the Hotel's performance based on key impact areas which include energy efficiency, water conservation, waste water management, use of environmentally-friendly materials and suppliers, landscaping, etc.
- Guest awareness is raised regarding the Hotel's commitment to sustainability and their support enlisted through the display of the Green Directory in each guest room and through environmental messages displayed across the Hotel.
- Environmental audits are carried out routinely to measure and track performance. This will help us assess our current strategy and to formulate future policies.

NB: Data on specific environmental management initiatives in respect of Hotel J – Unawatuna will not appear in this report, as this property has been in operation for only 4 months of the year under review.

Total environmental protection expenditures and investments by type

	Expenditure (LKR)
Waste disposal, emissions treatment, and remediation costs	
Treatment and disposal of waste	782,550
Expenditure on equipment, maintenance, and operating materials and services	1,167,137
Prevention and environmental management costs	
External services and professional charges for environmental management	317,642
External certification of management systems	255,960
Extra expenditures on green purchases	208,867

Compliance

The environmental and energy management systems of all the Lighthouse Hotel properties are in compliance with a range of Jetwing's own internally developed policies viz- Jetwing Sustainability Policy/Environmental Policy/Energy Management Policy/Health and Safety Policy. Jetwing Lighthouse and Lighthouse Club are in compliance with the aforementioned internal protocols as well as a number of external certifications and labels such as ISO 14001 Environmental management system, ISO 50001 Energy management system, ISO 14064 GHG Inventory Verification and Gold level in Travelife's sustainability criteria, ensuring that our environmental consciousness and resultant actions are tracked and certified.

Protecting the environment isn't just a legal or social obligation, it's integral to our strategy to run our business in a way that is ethical and aims to create long-term value for all our stakeholders.

Long-term sustainability strategy, includes goals and metrics with which to measure them, which will guide our environmental progress in the future.

Energy and Carbon Footprint

The Lighthouse Hotel properties fully understand that energy is a valuable commodity and that conservation of energy is the need of the hour.

In this endeavour, our commitment to continually improve our energy performance is outlined in our Energy Management Policy which consists of efficient and innovative energy management strategies to reduce our dependence on fossil fuels and to eventually achieve carbon neutrality in our operations.

In furtherance of these objectives some key initiatives were in operation over the year at our properties.

At Hotel J – Unawatuna, energy efficiency was to the fore with the use of LED artificial lighting and the installation of LED backlit LCD Televisions deployed across the Hotel.

Solar heat energy was used to generate the Hotel's requirement for hot water. In addition the Hotel's water circulation pumps were fitted with Variable Frequency Drives enabling optimal control of flow, in relation to load requirements, climatic conditions and other such factors.

The air conditioning system of the Hotel uses the R32 refrigerant, an agent with 1/3 the Global Warming Potential of the former refrigerant R410.

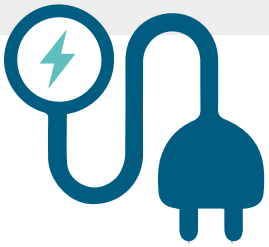
Similarly at the Lighthouse Hotel, lighting and televisions deployed across the Hotel utilise energy efficient LED technology, the Hotel's hot water requirement is generated through a combination of a biomass boiler system using the renewable energy resource – Cinnamon wood as well as solar power.

A 125kW roof-mounted solar system provides 16% of the Hotel's day time electricity requirements which is 10% of its total requirement.

Several initiatives have been planned for the upcoming financial year – the installation of an in-house bio gas generation facility to service the main kitchen of Lighthouse Club and a major revamp of the 15-year old chiller plant room pumping system at Jetwing Lighthouse, along with the old cooling towers being replaced with new more efficient cooling towers.

Jetwing Lighthouse and Jetwing Kurulubedda energy consumption for the year 2017/18 is given below:

ENERGY CONSUMPTION



INDIRECT | **DIRECT**

NON-RENEWABLE | **RENEWABLE**

Grid Electricity	Solar Electricity	LPG	Diesel	Transport Fuel	Other (<1%)*	Biomass	Solar
1,908,653 kWh	137,810 kWh	37,730 kg	18,820 L	6,740 L		443,155 Kg	
6,871 GJ	496 GJ	1,785 GJ	683 GJ	245 GJ	359 GJ	6,359 GJ	99 GJ

Total Annual Energy Consumption (GJ)	**16,896**
Energy Intensity (MJ/Guest Night)	**403**

**Other (minor) energy sources include: kerosene oil, charcoal and chafing fuel usage.*

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

ENERGY MANAGEMENT INITIATIVES

INITIATIVE	SAVINGS	CO_2 NOT RELEASED (Kg)
Energy efficient lighting[1]	**76,115** kWh/year	**38,560**
125kW Solar PV system	**137,810** kWh/year	**69,815**
Card key (room lighting)[2]	**10,074** kWh/year	**5,103**
Dual set point thermostat[3]	**17,045** kWh/year	**8,635**
LED Televisions[4]	**1,682** kWh/year	**852**
Solar hot water system[5]	**2,736** L/year	**7,400**
Biomass boiler for hot water/steam[5]	**110,789** L/year	**299,661**
CO_2 not Released (Kg)		**430,026**

[1]Calculated on 70% of bulbs being used for 6 hours per day.
[2]Calculated on 70% of bulbs being used for 6 hours per day.
[3]Calculated for 4 hours per day on stand-by mode.
[4]Calculated for use of 3 hours per day.
[5]Calculated compared to diesel.

Savings acquired from all the measures detailed above are not only beneficial for the environment in terms of reduced use of fossil fuels and reduced Greenhouse Gas emissions but incur direct benefits to the Hotel in the long run as energy savings go hand in hand with cost savings.

Total greenhouse gas emissions from hotel (Jetwing Lighthouse and Jetwing Kurulubedda) operations in 2017/18 are given below:

GREENHOUSE GAS EMISSIONS (TONNES CO_2*)

FROM INDIRECT SOURCES

Grid Electricity

966.9

FROM DIRECT SOURCES

LPG	Diesel	Biomass (Cinnamon Wood)**	Transport Fuel
112.9	50.9	0.0	18.4

Other (Minor) Direct Fuel***	Refrigerants	Wastewater Treatment	Composting
27.1	175.4	6.0	0.2

Total CO_2 emissions for year 2017/18 **1,149.1**

Emissions intensity (CO_2 Kg/Guest Night) **27.4**

**Direct and Energy-Indirect emissions calculated according to standard guidelines of ISO 140064 – Part 1*

***Cinnamon wood is considered a sustainable (virtually carbon neutral) energy resource due its short (6 months) cropping cycle*

****Other (minor) types of fuel combusted include: kerosene oil, charcoal and chafing fuel*

As the accurate quantification of the carbon footprint or GHG emissions associated with our operations is required to continue to develop and improve an effective carbon management strategy and identify new opportunities for carbon reduction, Jetwing Lighthouse's quantified carbon footprint for the calendar year 2017 is to be certified by the Sri Lanka Climate Fund as in accordance with the requirements of the ISO 14064:2006 standard.

"Understanding the customer, providing them with vital lines of communication with us and doing whatever else it takes to reliably read the customer pulse is vital."

Water Conservation...An Imperative

Estimates have it that by 2030 half of the Earth's population will live in areas of water scarcity, surpassing the total demand for it by 40% of the total supply. Sri Lanka knows full well the impact of water scarcity through ever more frequently occurring droughts. There is a moral incumbency on us all to conserve a precious resource that is getting scarcer even in a tropical paradise like Sri Lanka.

All properties under the Lighthouse Hotel umbrella have implemented strict measures to regulate and manage water consumption. Water consumption is sub-metered and monitored wherever possible. The installation of water-saving shower heads, dual flush toilets etc., have improved the efficiency in water usage. We have proposed further investments for Jetwing Lighthouse and Jetwing Lighthouse Club to regulate water flow and minimise wastages by installing flow restrictors/water savers with faucets, showerheads etc.

Ninety percent of the total water requirement for Jetwing Lighthouse and Jetwing Kurulubedda is obtained from the city water supply. The limited requirement of water for the swimming pools at Jetwing Lighthouse is extracted from groundwater.

Percentage and Total Volume of Water Recycled and Reused

Hundred Percent of waste water generated from Jetwing Lighthouse hotel, Lighthouse Club, Hotel J operations is sent to the on-site waste water treatment plant; this includes kitchen waste water and bath water from guest rooms. At Hotel J – Unawatuna black and grey waste water is separated at source and treated separately, in order to improve the efficiency of the treatment system.

Although waste water generation at Jetwing Lighthouse and Jetwing Lighthouse Club is not directly measured, 100% of the water discharged from hotel operations is recycled via the waste water treatment plant. The treated waste water provides water for the hotel's entire gardening purposes.

Average treated wastewater quantity	3,671	m^3/month

Total Water Discharge by Quality and Destination

Water discharge is only discussed in relation to the waste-water treatment. Quality of discharged water is routinely checked by an accredited external company to ensure it meets the required standards of the Central Environmental Authority (Tolerance limits for the discharge of effluents into Inland surface waters, Gazetted under the National Environmental Act.).

Responsible Waste Management

By the very nature of business hotels generate considerable quantities of waste from their diverse areas of operation. Jetwing Lighthouse practices a comprehensive waste management system, where waste is segregated at source, stored safely and hygienically and disposed in the most environmentally-sound way.

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

Recognising the issues that are related to the plastic water bottle, most particularly the difficulty in its safe disposal after use, we have replaced them with reusable glass water bottles. The Lighthouse Hotel PLC commissioned an automated potable water bottling plant at Jetwing Lighthouse to serve the requirements of all properties coming under the Lighthouse umbrella. The energy consumed for the water bottling process is sourced from an independent solar PV system.

Environmental Grievance Handling

Jetwing Lighthouse is always aware that disputes and concerns could arise over the environmental impacts of the Organisation's activities and its relationships with others.

Should such grievances/complaints arise brought forward the Hotel is ready to handle them efficiently at source, through dialogue and mediation. We are geared to investigate and address such issues via a clear and transparent process.

We maintain a positive outlook viewing any issues that crop up as opportunities to improve and better manage our environmental performance.

For the year under review no instance of environmental grievance has been lodged against the Hotel.

WATER USAGE

City Water Supply

Annual Consumption (m^3)	Proportion of Total Water Requirement
55,827	90%

Groundwater

Annual Consumption (m^3)	Proportion of Total Water Requirement
6,000	10%

	Annual Consumption (m^3)	Proportion of Total Water Requirement
Total Consumption	**61,827**	**100%**

RESPONSIBLE WASTE MANAGEMENT

Quantity Sold for Recycling

Food Waste Sent to Piggery	Garden Waste Composted	Paper	Cardboard	Polythene	Plastic	Glass	Metal
30,215 Kg	40,671 Kg	2,980 Kg	3,093 Kg	2,738 Kg	3,638 Kg	2,626 Kg	5,026 Kg

Stewardship

BOARD OF DIRECTORS

N J H M Cooray
Chairman

Hiran Cooray has over 30 years of experience in the hospitality industry. He has represented Sri Lanka on the Board of the Pacific Asia Travel Association (PATA) since 1996 and had the honour of being the Organisation's Chairman from 2010 to 2012. In addition to his degree from the University of North Carolina in Business Administration/ Marketing, he successfully completed a senior management course in Hotel Management at Cornell University, Ithaca, New York. Whilst holding over 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 2014-2016), and Chairman of PATA Sri Lanka Chapter (2003-04). Hiran has also served as a Board member of the Sri Lanka Tourism Promotions Bureau (SLTPB) having already served as a board Director of the Sri Lanka Tourism Development Authority (SLTDA) from 2007-2015. In addition, Hiran has also been a member of the Board of Small Luxury Hotels, from 2007-2014. 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 recognised globally by his appointment as an Alternate Member of the UNWTO (United Nations World Tourism Organisation) – World Committee on Tourism Ethics at the UNWTO General Assembly held in Zambia/Zimbabwe in August 2013. He is passionate about his country's potential to be a leading tourism destination and continues working tirelessly in order to make his dreams a reality.

Ruan Samarasinghe
Managing Director

Mr Ruan Samarasinghe has been a doyen of the hospitality industry for over 45 years. A valued member of the Jetwing family, he has been at the frontline of all operations through the formative years and in the course of his four-decade career has pioneered several developments. He oversees all Jetwing operations and his wealth of knowledge enables him to represent the Organisation in key hospitality forums. In addition to his pivotal role as Managing Director of Jetwing Hotels, he also serves on several other directorates. Mr Samarasinghe also served as the Immediate Past Chairman of the Pacific Asia Travel Association (PATA) Sri Lankan chapter.

N T M S Cooray (Ms)
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 and serves as an Independent Non-Executive Director at Commercial Bank of Ceylon PLC. 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 a Fellow Member of the Chartered Institute of Management Accountants of the UK. She was a past Chairperson of Sri Lanka Institute of Directors (SLID). She is also a member of the Tourism Task Force representing the industry to take Policy Decisions for long-term sustainability of the industry.

C S R S Anthony
Executive Director

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

A M Ondaatjie (Ms)
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 (MIT) 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, Fair View Hotel (Pvt) Ltd and Phoenix Industries Ltd. She is presently Vice-President, Tourist Hotels Association and Director, Sri Lanka Tourism Promotions Bureau and serves on the Education Council of MIT.

Nihal Wadugodapitiya
Non-Executive Independent Director

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 organisations 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 providing strategic guidance to small and medium scale enterprises.

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 is a past President of the Tourist Hotels Association of Sri Lanka (1998-2000 and 2015-2017) and was the Chairman of the Sri Lanka Convention Bureau (2007-2009). He serves as Chairman of the Rainforest Ecolodge, Deniyaya which is a unique pioneering ecotourism initiative supported by leading hotel companies in Sri Lanka. Mr Cooray also represents many public listed companies as a Director.

He served as the Secretary General/CEO of the Ceylon Chamber of Commerce (2003-2008). Mr Cooray was accorded the national honour as a "Legend" by Sri Lanka Tourism in 2012.

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

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 BAKER TILLY Edirisinghe & Co., Chartered Accountants and currently serves as Consultant/Advisor. He is the Managing Director of PE Management Consultants (Pvt.) Ltd. He counts over 46 years experience; of which 30 years in the public practice and 16 years in the private sector having held senior positions including executive directorates. He serves on the Boards of some other quoted companies where in some companies he also serves as Chairman/Member of the Audit Committee, as Chairman/Member of the Remuneration Committee and as Chairman/Member of the RPTRC.

Ranil de Silva
Non-Executive Independent Director

Ranil de Silva retired as the Managing Director of the Publicis Groupe offices in Sri Lanka where he had served as the Company's Managing Director for 18 years. He was instrumental in establishing the Colombo Office of the Global Leo Burnett network with just a handful of team members in a shared office. During his tenure he brought international glory for the Company and established Sri Lanka on the global map of creativity, taking Leo Burnett to great heights. Under his leadership Leo Burnett Sri Lanka has been repeatedly recognised as the Rest of South Asia's creative agency of the year. Prior to joining Leo Burnett, he was JWT Colombo's first Sri Lankan employee. After starting his career 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. Ranil 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. In 2010, the IAA conferred the medal of merit to him for his contribution to the advertising industry. He pursued his tertiary education in Australia where he obtained a diploma in visual communications. 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.

C Pathiraja (Dr)
Non-Executive Independent Director

Director of Stem Cure – Ferticare (Pvt) Ltd., Director of Straits Associates Singapore PTE Ltd. 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 Postgraduate Diploma in Business Management.

Thirukumar Nadesan
Non-Executive Independent Director

Mr Thirukumar Nadesan holds a BA(Hon) Degree in Business Studies from 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 Organisation.

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

He is the Director of Lanka Hotels and Residencies (Pvt) Ltd. (Owning company of Sheraton Hotel Colombo).

He is also the former Chairman of Hotel Developers Lanka PLC (Owning Company of Hilton, Colombo).

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 practised 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. Ad hoc 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	5/5
Mr C S R S Anthony	Executive	5/5
Ms N T M S Cooray	Non-Executive	4/5
Ms A M Ondaatjie	Non-Executive	5/5
Mr N Wadugodapitiya	Non-Executive Independent	5/5
Mr R de Silva	Non-Executive Independent	4/5
Mr E P A Cooray	Non-Executive Independent	3/5
Dr C Pathiraja	Non-Executive Independent	2/5
Mr T Nadesan	Non-Executive Independent	0/5
Mr A T P Edirisinghe	Non-Executive Independent	5/5

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 the year ended 31 March 2018 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.

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 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 reappointment 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/reappointment. 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 three Independent Non-Executive Directors. The Remuneration Committee Report appears on page 87 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 SLFRSs and LKASs. 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 101 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.

Audit Committee

LHH constituted its own Audit Committee on 12 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 (Chairman)	Non-Executive Independent	5/5
Mr E P A Cooray	Non-Executive Independent	4/5
Mr A T P Edirisinghe	Non-Executive Independent	5/5

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 88 of this Report.

Related Party Transactions Review Committee

The Company has its own Related Party Transactions Review Committee. The Committee consists of three Independent Non-Executive Directors and one Executive Director. During the year under review, the Committee met on five occasions. The attendance at these meetings was:

Members of the Related Party Transaction Review Committee		Attendance at the Meeting
Mr N Wadugodapitiya (Chairman)	Non-Executive Independent	5/5
Mr E P A Cooray	Non-Executive Independent	4/5
Mr A T P Edirisinghe	Non-Executive Independent	5/5
Mr C S R S Anthony	Executive	5/5

The Related Party Transactions Review Committee Report appears on page 89 in this Report.

Level of Compliance with the Listing Rules of the Colombo Stock Exchange (CSE)

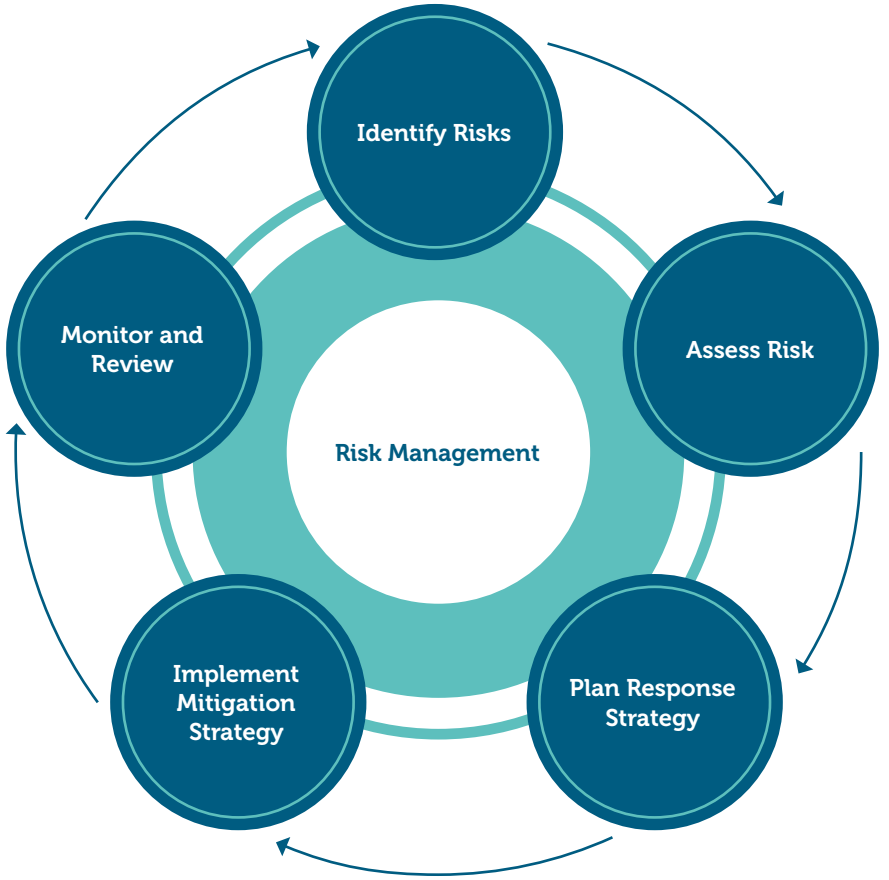
Level of compliance with the Listing Rules of the CSE Section 7, on Corporate Governance are given in the following table:

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 91
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	Please refer page 91
7.10.3 (c)	Disclosure relating to Directors	A brief rèsumè of each Director should be included in the Annual Report including the areas of expertise	Please refer pages 74 and 75
7.10.3 (d)	Disclosure relating to Directors	Forthwith provide a brief rèsumè 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 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 87
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 161
		(b) Statement of Remuneration Policy	Please refer Remuneration Committee Report on page 87
		(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

Rule No.	Subject	Applicable Requirement	Level of Compliance
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 of the Colombo Stock Exchange	The Terms of Reference of the Audit Committee adopted by the Board is listed on page 88
7.10.6 (c)	Disclosure in the Annual Report relating to the Audit Committee	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 161
		(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 88
		(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 88

INTEGRATED 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. Risk Management model of the Group is shown below:



The Group identifies three main categories of risk:

1. Strategic and Market Risks	Risks that affect the Group'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 Group 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 analysed into subcomponents.

Thereafter, each risk is assessed for potential impact and likelihood of occurring. Risk heat map is used to plot the risks based on the above. The horizontal axis shows the likelihood of a given risk occurring, that is, the likelihood that the risk will materialise and become an issue. The vertical axis shows the potential impact that the risk will have on the objective or goal not being achieved should it materialise. The colours are risk areas (eg: green coloured boxes are in the low area; yellow boxes are in the medium area; orange boxes in the high area, red boxes in the very high area)

The Lighthouse Hotel PLC – Risk Heat Map

		Likelihood				
		1 Unlikely 0% to 10%	2 Possible 10% to 40%	3 Likely 40% to 70%	4 Probable 70% to 90%	5 Almost Certain
Impact	5 Catastrophic					
	4 Major		1.1, 1.2, 2.1, 3.4	1.3		
	3 Moderate		2.2, 2.5	2.3, 2.4, 2.6, 3.2, 3.3		
	2 Tolerable		3.1	2.7		
	1 Insignificant					

Risk Factors

In this section, we describe the material foreseeable risks that could have a material effect on the Group'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 Group and some that Group 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		
	Risk Rating	Medium
The inability of the Group to achieve its business objective	– 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		
	Risk Rating	Medium
Major events affecting either economic or political stability on a global and local level represent an exposure to the Group	– 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 – Hotel 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 Group 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.

Risk Category and Description	Potential Impact	Actions Taken to Mitigate Risk
1.3 Competitive Risk		
	Risk Rating	High
Group 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		
	Risk Rating	Medium
Group 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 Jetwing standards – Reduce brand value, market share, revenues, profitability and cash flows – Increase Group's exposure to litigation	– Continuous monitoring and review of online customer reviews and ratings – Investments made in protecting the Group's brand from misuse and infringement, by way of trade mark registration and domain name protection – Group 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		
	Risk Rating	Medium
Adverse impact on group 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

Risk Category and Description	Potential Impact	Actions Taken to Mitigate Risk
2.3 Employee Risk		
	Risk Rating	Medium
Failure to attract and retain skilled employees may threaten the success of the Group's operations	– Inability to achieve planned business objectives – Reduced quality of standards resulting in reduced guest satisfaction	– Development and maintenance of a group culture, compensation and benefits arrangements, training and development are key activities carried out – Initiate Jetwing Youth Development Project
2.4 Technology Risk		
	Risk Rating	Medium
	– Inaccurate information – Reputation and performance of the Group will be adversely affected	– Regular review of systems and upgrades where appropriate
2.5 Project Implementation Risk		
	Risk Rating	Medium
	– 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 Rating	Medium
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	– Group 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 Rating	Medium
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

Risk Category and Description	Potential Impact	Actions Taken to Mitigate Risk
3. Financial Risks		
3.1 Credit Risk		
	Risk Rating	Low
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 "Jetwing House" and credit approved list has been prepared – Actively monitor and review debtors
3.2 Exchange Rate Risk		
	Risk Rating	Medium
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 Rating	Medium
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 cash flows	– Negotiate favourable terms and conditions with banks for loan facilities obtained
3.4 Liquidity Risk		
	Risk Rating	Medium
Risk that the Group will not be able to meet its financial obligations as they fall due	– Reduce cash flows – Reduce profitability	– Monitor and review bank balances regularly – Preparation and review of Actual performance against the budget monthly – Preparation and review of cash flow forecast

Precautionary Approach

The Lighthouse Hotel PLC applies a precautionary principle across all its businesses and we advocate a risk-based approach to our operations through our management systems.

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 161 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 139.

E P A Cooray
Chairman – Remuneration Committee

9 May 2018

AUDIT COMMITTEE REPORT

The Audit Committee, comprises three Non-Executive Independent Directors (as shown on page 161 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, Chief Accountant 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 of the Company and its subsidiary, 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 Group and has recommended same to the Board for approval and publication.
- Committee reviewed the policy decisions relating to adoption of new and revised Sri Lanka Accounting Standards (SLFRS/LKAS) applicable to the Group and made recommendation to the Board. The Committee would continue to monitor the compliance with relevant Accounting Standards and keep the Board informed at regular intervals.
- 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 Organisation provides reasonable, but not absolute assurance that the financial position of the Company is adequately monitored and that the systems are in place to minimise 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 31 March 2019.

Nihal Wadugodapitiya
Chairman – Audit Committee

9 May 2018

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Related Party Transactions Review Committee was formed by the Board of Directors with effect from 1st January, 2016 in compliance with the Section 9 of the Continuing listing rules of the Colombo Stock Exchange (CSE). As at 31 March 2018 it comprised three Non-Executive Independent Directors and one Executive Director (as shown on page 161 of the Annual Report). Chairman of the Committee is a Non-Executive Independent Director.

Scope of the Committee

Developing and recommending for adoption by the Board of Directors of the Company, a Related Party Transactions Policies and Procedures.

Updating the Board of Directors on the related party transactions of the Company Group on a quarterly basis. Making immediate market disclosures on applicable related party transactions as required by Section 9 of the Continuing Listing Rules of CSE.

Making appropriate disclosures on related party transactions in the Annual Report as required by Section 9 of the Continuing Listing rules of CSE.

Policies and Procedures Adopted by the Committee

The Company has in place a Related Party Transaction identification and disclosure procedure whereby the categories of persons who shall be considered as 'related parties' has been identified. In accordance with the above procedure, self-declarations are obtained from each Director/Key Management Personnel of the Company for the purpose of identifying parties related to them. The Committee endeavours to meet at least quarterly, review and report to the Board on matters involving related party transactions falling under its scope.

Committee Meetings

The Committee met on five occasions during the financial year. Proceedings of the Committee meetings are regularly reported to the Board of Directors.

Related Party Transactions during the Period

During the period under review, there were no non-recurrent nor recurrent related party transactions that exceeded the threshold mentioned in the continuing listing rules of the CSE other than those disclosed in page 153.

Details of other related party transactions entered into by the Company and its subsidiary during the above period is disclosed in Note 25.2 and 25.3 in page 139 and 140 to the Financial Statements.

Nihal Wadugodapitiya
Chairman
Related Party Transactions Review Committee

9 May 2018

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Directors of The Lighthouse Hotel PLC present their Report together with the Audited Consolidated Financial Statements of the Company for the year ended 31 March 2018.

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

Review of the Year

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

The Principal Activity of the Company

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

During the period under review, the fully-owned Subsidiary namely Unawatuna Properties (Pvt) Ltd. commenced commercial operations of Hotel J – Unawatuna in December 2017.

Financial Statements

The Consolidated Financial Statements of the Company duly signed by Directors are given on pages 105 to 143 in this Annual Report.

Auditor's Report

The Auditor's Report on the Consolidated Financial Statements is given on pages 102 to 104.

Accounting Policies

The accounting policies adopted by the Group in the preparation of Consolidated Financial Statements are given on pages 110 to 119 in this Annual Report.

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

Interests Register Directors' Interests in Transactions

The Directors of the Company have made the general disclosures provided for in Section 192 (2) of the Companies Act No. 07 of 2007. The related party disclosures and the Directors of each of those-related parties are given on pages 146 to 150.

Related Party Transactions

The Company has complied with the rules set out in Section 9 of the Listing Rules pertaining to Related Party Transactions.

Directors' Interests in Shares

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

Directors' Remuneration

The aggregate emoluments paid to the Non-Executive Directors during the year, amounting to LKR 2,370,000/- is reflected on page 139 in Note 25.1 to the Financial Statements.

Insurance and Indemnity

The Company has obtained a Corporate Guard Insurance Policy from Allianz Insurance Lanka Ltd. to indemnify Directors and Officers (D&O) of the Company. The policy is extended worldwide excluding USA and Canada with a total cover of LKR 25,000,000/-. The premium is LKR 214,500/- +Taxes.

Directors' Shareholding

	Directors' Direct Shareholding	
	As at 31 March 2018	As at 1 April 2017
Mr N J H M Cooray	748,803	748,803
Ms N T M S Cooray	789,803	789,803
Mr R A E Samarasinghe	50,000	50,000
Mr C S R S Anthony	1,000	1,000
Mr R de Silva	10,000	10,000
Mr A T P Edirisinghe	1,000	1,000

Directorate

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

Executive Directors

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

Non-Executive Directors

Ms N T M S Cooray
Ms A M Ondaatjie

Non-Executive Independent Directors

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

Mr N Wadugodapitiya has served as Non-Executive Director of the Company for more than nine (9) years. He has not been directly involved in the management of the Company and continues to exercise objectivity in the performance of his duties.

Having considered the above, Board of Directors have resolved that Mr N Wadugodapitiya is an Independent Director notwithstanding the fact that he has served on the Board for more than nine (9) years and that he should continue in office as such because it is beneficial to the Company and its shareholders.

Mr R de Silva has served as Non-Executive Director of the Company for more than nine (9) years. He has not been directly involved in the management of the Company and continues to exercise objectivity in the performance of his duties.

Having considered the above, Board of Directors have resolved that Mr R de Silva is an Independent Director notwithstanding the fact that he has served on the Board for more than nine (9) years and that he should continue in office as such because it is beneficial to the Company and its shareholders.

Notice has been given pursuant to Section 211 of the Companies Act No. 07 of 2007 of the intention to propose an ordinary resolution, for the reappointment of Mr A T P Edirisinghe, who has reached the age of 71 years, notwithstanding the age limit of 70 years stipulated by Section 210 of the Companies Act.

Further, Notice has been given pursuant to Section 211 of the Companies Act No. 07 of 2007 of the intention to propose an ordinary resolution, for the reappointment of Mr E P A Cooray, who has reached the age of 70 years, notwithstanding the age limit of 70 years stipulated by Section 210 of the Companies Act.

Subsidiary Board of Directors

The names of Directors of Unawatuna Properties (Pvt) Ltd. who held office during the financial year are given below:

Mr N J H M Cooray
Mr R A E Samarasinghe

Donations

At the last Annual General Meeting shareholders authorised Directors to determine contributions to donations. The donations given during the year amounted to LKR 413,410/-.

Auditors

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

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

Auditor's Remuneration

Messrs Ernst & Young were paid LKR 682,500/- and LKR 765,875/- as audit fees and expenses by the Company and Group respectively. In addition, they were paid LKR 153,150/- by the Company for non-audit related work, which consisted mainly of tax consultancy and advisory.

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

Turnover

The turnover for the year was LKR 836,005,495/- (2016/17 – LKR 799,218,534/-).

Profit/(Loss)

	Group	
	As at 31 March 2018	As at 1 April 2017
Net Profit/(Loss) for the Year after Providing for all Expenses, known Liabilities and Depreciation of Fixed Assets was	132,717,759	137,184,338
Other Comprehensive Income/(Loss)	3,329,872	(770,313)
Final Dividend for 2017 – Nil (2016 – LKR 2.50 Per share)	–	(115,000,000)
Interim Dividend for 2018 – Rs. 2.50 Per Share (2017 – LKR 2.00)	(115,000,000)	(92,000,000)
Prior Year Retained Profit	307,654,345	378,240,320
Retained Profit at the End of the Year	328,701,976	307,654,345

Dividends

The Board of Directors on 19 March 2018 approved an Interim Dividend of LKR 2.50 per share for financial year 2017/18. Accordingly, the total dividend amounting to LKR 115 Mn. was paid on 29 March, 2018 subject to 10% dividend tax.

Reserves

	Group	
	2018 LKR	2017 LKR
Revaluation Reserve	750,765,938	758,874,668
Special Reserve	1,325,671,060	1,325,671,060
Available-for-Sale Reserve	23,207	138,187
As at 31 March,	2,076,460,205	2,084,683,915

Revaluation Reserve

	Group	
	2018 LKR	2017 LKR
As at the beginning of the Year	758,874,668	758,874,668
Effect on Revaluation carried out during the year	113,613,991	–
Deferred Tax attributable to Revaluation surplus	(121,722,721)	–
As at 31 March	750,765,938	758,874,668

Special Reserve

	Group	
	2018 LKR	2017 LKR
As at the beginning of the Year	1,325,671,060	1,325,671,060
Transferred from Retained Earnings	–	–
As at 31 March	1,325,671,060	1,325,671,060

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

Available-for-Sale Reserve

	Group	
	2018 LKR	2017 LKR
As at the beginning of the Year	138,187	328,371
Gain/(Loss) on Available-for-Sale Financial Assets	(114,980)	(190,184)
As at 31 March	23,207	138,187

Taxation

Pursuant to an agreement dated 29 January, 1994, entered into with the 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 1 April, 2008 for a period of 15 years in accordance with the said agreement. However, taxation on interest income earned has been provided for, based on the provisions of the Inland Revenue Act. Income tax on operation of Hotel J, ERA Beach, Galle Heritage Villa and Kurulubedda are computed on taxable profits at prevailing rates stipulated by the Inland Revenue Act.

Property, Plant and Equipment

The total expenditure on acquisition of Property, Plant and Equipment during the year by the Group and Company amounted to LKR 235,985,256/- (2017 – LKR 91,810,157/-) and LKR 35,290,845/- (2017 – LKR 40,997,880/-) respectively. Further, details of which are given in Note 4.1 to the Financial Statements on page 120.

Market value of the land including the valuation method and the effective date of the valuation are provided in Note 4.4 to the Financial Statements on page 123.

Stated Capital

There were no changes in the Company's Stated Capital during the year under review. In terms of the Companies Act No. 07 of 2007, the Stated Capital of the Company was LKR 460,000,974/- as at 31 March 2018 (Comprising 46,000,000 ordinary shares).

Events Occurring after the Reporting Date

There have been no material events occurring after the Reporting date that require adjustments to or disclosures in the Consolidated Financial Statements.

Statutory Payments

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

Public Shareholding

As at 31 March 2018, 31.44% of the issued capital of the Company was held by the public. Further, the number of public shareholders as at 31 March 2018 was 1,158. The float adjusted market capitalisation was LKR 575,603,520/-.

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 and Group have adequate resources to continue in operational existence for the foreseeable future. Therefore, the going concern basis has been adopted in the preparation of the Consolidated Financial Statements.

For and on behalf of the Board,

N J H M Cooray
Chairman

N T M S Cooray
Director

Corporate Services (Pvt) Ltd.
Secretaries

The Lighthouse Hotel PLC
9 May 2018

Safe Deposit

97 FINANCIAL REVIEW

100 VALUE ADDED AND DISTRIBUTED

101 STATEMENT OF DIRECTORS' RESPONSIBILITIES

102 INDEPENDENT AUDITORS' REPORT

105 STATEMENT OF FINANCIAL POSITION

106 STATEMENT OF PROFIT OR LOSS

107 STATEMENT OF COMPREHENSIVE INCOME

108 STATEMENT OF CHANGES IN EQUITY

109 STATEMENT OF CASH FLOWS

110 NOTES TO THE FINANCIAL STATEMENTS

FINANCIAL CALENDAR

AUDITED FINANCIAL STATEMENTS SIGNED ON	9 MAY 2018
24TH ANNUAL GENERAL MEETING	11 JULY 2018

INTERIM FINANCIAL STATEMENTS

1ST QUARTER INTERIM REPORT RELEASED ON	3 AUGUST 2017
2ND QUARTER INTERIM REPORT RELEASED ON	2 NOVEMBER 2017
3RD QUARTER INTERIM REPORT RELEASED ON	7 FEBRUARY 2018
4TH QUARTER INTERIM REPORT RELEASED ON	9 MAY 2018

FINANCIAL REVIEW

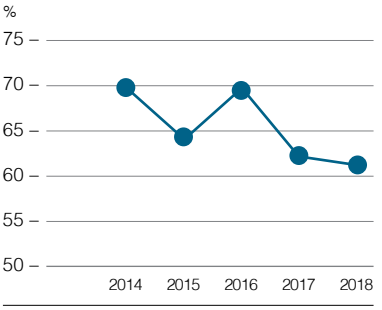
"The Group reported a strong financial position as at 31 March 2018 with total assets amounting to LKR 3,458 Mn. compared to LKR 3,211 Mn. in 2017"

Financial Performance

Revenue

The Group recorded total revenue of LKR 836 Mn. during the financial year under review compared to LKR 799 Mn. achieved during the previous period. This shows an increase of 4.6% compared to previous period. Jetwing Lighthouse had a good 4th quarter where revenue grew by 13% compared to the previous period. This performance helped the Company to increase the overall revenue for the financial year compared to previous year. Further, the commencement of the commercial operation of Hotel J – Unawatuna in December 2017 added additional revenue amounting to LKR 15 Mn. to the Group. The occupancy of the Group stood at 61% for the financial year.

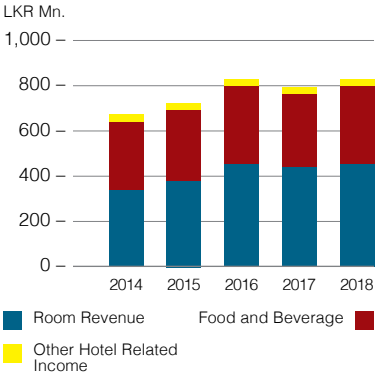
Occupancy



Average Room Rates (ARR) of the Company have increased slightly by 4% during the financial year.

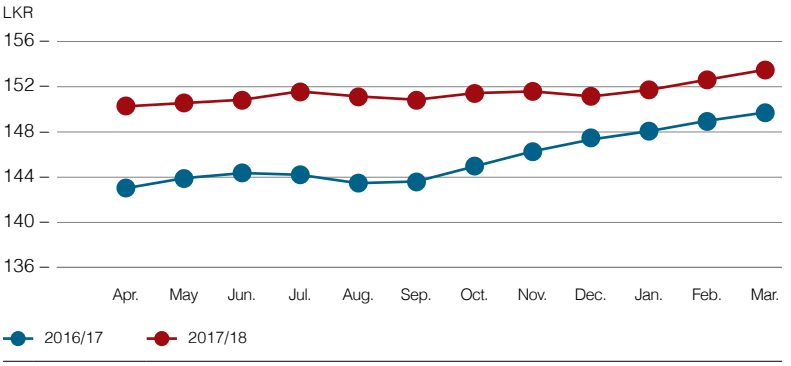
Food and Beverage income show a slight increase compared to previous year.

Revenue Composition

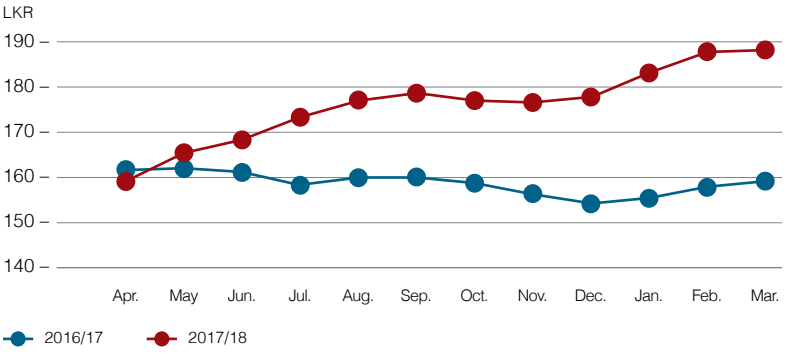


Further, foreign exchange rate fluctuations during the year under review had a favourable impact to the Company's revenue. This is due to the fact that the Company benefited from depreciation in LKR against USD and EURO.

Monthly Average LKR:USD Buying Exchange Rate



Monthly Average LKR:EUR Buying Exchange Rate

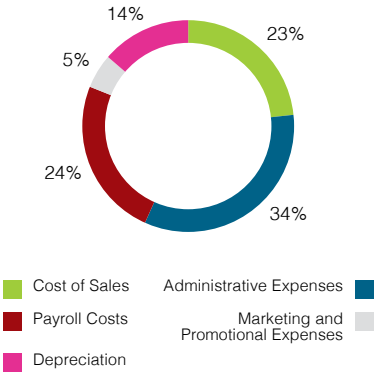


Expenses

During the period under review, total expenses have increased by 5% to LKR 671 Mn. from LKR 637 Mn. in the previous period. Cost of sales has increased by 5% compared to previous period. Administrative costs have increased marginally by 1%. Marketing and promotional expenses have increased by 20% due to increase on line sales commissions and media coverage during the period under review. However, power and energy expenses have reduced in line with the drop in occupancy. Further exchange loss on conversion of foreign currency loan has amounted to LKR 1 Mn. during the period under review. Payroll costs increased by 6% compared to previous period mainly due to salary revision to both Executive and Non-Executive staff.

Depreciation and amortisation for the year was reported at LKR 95 Mn. which is an increase of LKR 9 Mn. compared to previous period. This is mainly due to additional depreciation charge from the capitalisation of additions for the year.

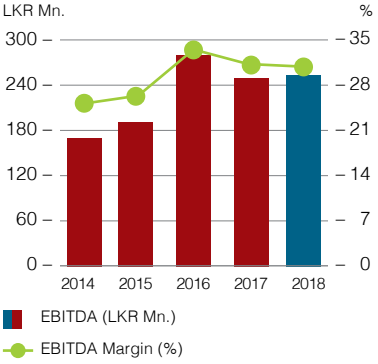
Expenses Composition



Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)

The Group has reported an EBITDA of LKR 262 Mn. for the period under review compared to LKR 251 Mn. achieved during the previous period. The increase in EBITDA is mainly due to increase in revenue. EBITDA margin has remained at 31%, the same figure from 2017.

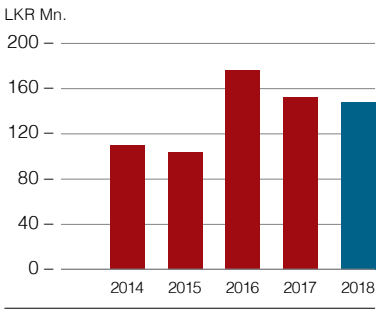
EBITDA



Profitability

The Group recorded profit before tax of LKR 149 Mn. during the year under review compared to LKR 152 Mn. during the previous period. This shows a decline of 2% of PBT from 2017.

Profit before Tax



Income tax charge for the year has increased by 6% to LKR 15.9 Mn. compared to the previous year mainly due to increase in revenue.

Profit after tax of the Group amounted to LKR 133 Mn. compared to LKR 137 Mn. achieved in the previous period. Return on equity for the Group stood at 5%.

Statement of Financial Position

The Group reported a strong financial position as at 31 March 2018 with total assets amounting to LKR 3,458 Mn. compared to LKR 3,211 Mn. in the previous period. During the year under review, Property, Plant and Equipment additions amounted to LKR 236 Mn. mainly consisting of the construction cost incurred on Unawatuna Hotel Project.

As at 31st March, 2018 the Group had a gearing level of 10%.

Shareholders' Funds

Shareholders' funds as at 31 March 2018 increased by slightly to LKR 2,865 Mn. from LKR 2,852 Mn. in the previous period. The Group's net assets per share as at 31 March 2018 stood at LKR 62.29 per share.

Cash Flow Statement

Cash position of the Group as at 31 March 2018 reduced to negative LKR 177 Mn. compared to LKR 108 Mn. last year. This is mainly due to Capital Expenditure incurred on the construction of Hotel J Unawatuna. Cash out flow from investing activities amounted to LKR 231 Mn. compared to LKR 86 Mn. in the previous period. Cash out flow from financing activities amounted to LKR 76 Mn. compared to LKR 251 Mn. in the previous period.

VALUE ADDED AND DISTRIBUTED

Group For the Year ended 31 March	2018 LKR '000	%	2017 LKR '000	%
Total Revenue	836,005		799,219	
Other Income	1,659		3,303	
	837,664		802,522	
Less: Purchase of Goods and Services	(411,292)		(403,568)	
Value Added	426,372		398,954	
Distributed as follows:				
To: Government as Taxes	15,881	4	14,963	4
To: Employees as Salaries and Other Benefits	166,259	39	152,087	38
To: providers of Capital				
– Dividends to Shareholders	115,000	27	207,000	52
– Interest on Borrowings	16,864	4	8,994	2
Retained within the Business	112,368	26	15,910	4
Total	426,372	100	398,954	100

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

The Report of the Auditors, shown on pages 102 to 104 sets out their responsibilities in relation to the Financial Statements.

Compliance Report

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

By Order of the Board,

The Lighthouse Hotel PLC
Corporate Services (Pvt) Ltd.
Secretaries

216, De Saram Place,
Colombo 10.

9 May 2018

INDEPENDENT AUDITOR'S REPORT

Building a better working world

Ernst & Young
Chartered Accountants
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NDeS/LV/AD

To the Shareholders of the Lighthouse Hotel PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the Financial Statements of The Lighthouse Hotel PLC ("the Company") and the Consolidated Financial Statements of the Company and its subsidiaries ("the Group"), which comprise the Statement of Financial Position as at 31 March 2018 and the Statement of Profit or Loss, Statement of Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and Notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by The Institute of Chartered Accountants of Sri Lanka and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements of the current period. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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

Principal T P M Ruberu FCMA FCCA

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Key audit matters common to both Group and the Company

Description of the Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Freehold land revaluation As of 31 March 2018 the Group carried freehold land at fair value amounting to LKR 985,314,962 which represents 28% of the total assets of the Group and recorded a revaluation gain of LKR 113,613,991 for the year, as further disclosed in Note No. 4 to the Financial Statements. Fair value was determined by an external valuer engaged by the Group. The valuation is subjective to the assumptions such as price range per perch and judgements used by the valuer. Due to the size of these assets in relation to the total balance sheet and given the significance of assumptions associated with the valuation of these assets we have considered the valuation of freehold land as a key audit matter.	Among other audit procedures over revaluation of free-hold land we performed following specific procedures: • We evaluated the competence, capabilities and objectivity of the external valuer appointed by the management. We read the valuation report signed by the valuer to obtain an understanding of the work done by the valuer and evaluated the appropriateness as audit evidence for the recorded valuation of free hold land in the Financial Statement. • We engaged internal specialists to evaluate the appropriateness of the valuation method and price range per perch used by company with market data and other key assumptions applied by the external valuer in appraising the year end values. • In addition, we evaluated the overall appropriateness of the related Financial Statement disclosures in Note No. 4.
Un-quoted investment valuations The Group's investment portfolio including Un-quoted equity investment amounting to LKR 87,286,467 as of 31 March 2018 as disclosed in Note No.8 in the Financial Statements. The Management has used discounted future cash flows method to value the investment, which is subjective to assumptions and judgements. Due to the significance of the investment and having used the significant assumptions and judgements associated with the valuation of these investment we have considered the Un-quoted investment valuations as a key audit matter.	Among other audit procedures over Un-quoted investment valuations we performed following specific procedures: • We engaged internal specialists to evaluate the appropriateness of the valuation method and assumptions applied by the management in ascertaining year end values. • We performed corroborative calculations to test the reasonableness of significant assumptions used in the valuation analysis. • In addition, we evaluated the overall appropriateness of the related Financial Statement disclosures in Note No 8.

Other information included in the 2018 Annual Report

Other information consists of the information included in the Annual Report, other than the Financial Statements and our auditor's report thereon. The management is responsible for the other information.

Our opinion on the Financial Statements does not cover other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the management and those charged with governance

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

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Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by Section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

The Institute of Chartered Accountant of Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1864.

Ernst & Young

9 May 2018
Colombo

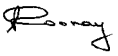
STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	Group 2018 LKR	Group 2017 LKR	Company 2018 LKR	Company 2017 LKR
Assets					
Non-Current Assets					
Property, Plant and Equipment	4	3,185,405,315	2,939,788,316	2,896,395,495	2,855,701,077
Prepaid Lease Rent	5	2,303,031	2,333,334	2,303,031	2,333,334
Investments in Subsidiary	7	–	–	175,000,000	100,000,000
Intangible Assets	6	1,303,989	629,033	219,302	629,033
Other Non-current Financial Assets	8	87,286,467	87,401,447	87,286,467	87,401,447
		3,276,298,802	3,030,152,130	3,161,204,295	3,046,064,891
Current Assets					
Inventories	9	28,963,962	32,450,816	28,434,625	32,450,816
Trade and Other Receivables	10	139,488,423	135,140,824	130,443,396	128,233,280
Cash at Bank and in Hand	22	12,902,522	13,231,586	12,468,675	12,855,582
		181,354,907	180,823,226	171,346,696	173,539,678
Total Assets		3,457,653,709	3,210,975,356	3,332,550,991	3,219,604,569
Equity and Liabilities					
Equity Attributable to Equity Holders of the Parent					
Stated Capital	11	460,000,974	460,000,974	460,000,974	460,000,974
Reserves	12	2,076,460,205	2,084,683,915	2,066,755,421	2,081,643,263
Retained Earnings		328,701,976	307,654,345	347,346,187	321,748,535
		2,865,163,155	2,852,339,234	2,874,102,582	2,863,392,772
Non-controlling Interests		–	–	–	–
Total Equity		2,865,163,155	2,852,339,234	2,874,102,582	2,863,392,772
Non-Current Liabilities					
Post-employment Benefit Liability	13	31,617,859	30,087,527	31,499,301	30,087,527
Interest-bearing Loans and Borrowings	14	99,955,188	18,396,100	6,371,688	18,396,100
Deferred Tax Liabilities	20	122,703,886	–	122,247,990	–
		254,276,933	48,483,627	160,118,979	48,483,627
Current Liabilities					
Trade and Other Payables	15	142,146,783	137,298,476	127,467,378	134,874,151
Current Portion of Interest-bearing Loans and Borrowings	14	192,033,813	169,991,209	166,829,027	169,991,209
Income Tax Payable		4,033,025	2,862,810	4,033,025	2,862,810
		338,213,621	310,152,495	298,329,430	307,728,170
Total Liabilities		592,490,554	358,636,122	458,448,409	356,211,797
Total Equity and Liabilities		3,457,653,709	3,210,975,356	3,332,550,991	3,219,604,569

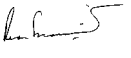
I certify that these Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

C S R S Anthony
Director

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



N T M S Cooray
Director



R A E Samarasinghe
Managing Director

The Accounting Policies and Notes on pages 110 through 143 form an integral part of the Financial Statements.

9 May 2018
Colombo

STATEMENT OF PROFIT OR LOSS

Year ended 31 March	Note	Group 2018 LKR	Group 2017 LKR	Company 2018 LKR	Company 2017 LKR
Revenue	3	836,005,495	799,218,534	821,238,889	799,218,534
Cost of Sales		(154,961,303)	(146,878,769)	(152,621,999)	(146,878,769)
Gross Profit		681,044,192	652,339,765	668,616,890	652,339,765
Other Income and Gains	17	1,058,499	2,486,392	1,044,118	13,461,430
Marketing and Promotional Expenses		(30,437,267)	(25,423,769)	(29,179,897)	(25,423,769)
Administrative Expenses		(486,802, 938)	(469,078,293)	(473,220,986)	(468,999,793)
Finance Cost	18.1	(16,864,100)	(8,993,514)	(14,082,754)	(8,993,514)
Finance Income	18.2	600,483	816,855	600,483	816,855
Profit before Tax	19	148,598,869	152,147,436	153,777,854	163,200,974
Income Tax Expense	20	(15,881,110)	(14,963,098)	(16,510,073)	(14,963,098)
Profit for the Year		132,717,759	137,184,338	137,267,780	148,237,876
Attributable to:					
Equity Holders of the Parent Company		132,717,759	137,184,338		
Non-controlling Interests		–	–		
		132,717,759	137,184,338		
Earnings per Share	21	2.89	2.98		

The Accounting Policies and Notes on pages 110 through 143 form an integral part of the Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March	Note	Group 2018 LKR	Group 2017 LKR	Company 2018 LKR	Company 2017 LKR
Profit for the Year		132,717,759	137,184,338	137,267,780	148,237,876
Other Comprehensive Income					
Other Comprehensive Income to be reclassified to Statement of Profit or Loss in subsequent periods:					
Loss on Available-for-Sale Financial Instruments	8	(114,980)	(190,184)	(114,980)	(190,184)
Other Comprehensive Income not to be reclassified to Statement of Profit or Loss in subsequent periods:					
Actuarial Gain/(Losses) on Post Employment Benefit Liability	13	3,783,946	(770,313)	3,783,946	(770,313)
Deferred Tax Attributable to Post Employment Benefit Liability	20.3	(454,074)	–	(454,074)	–
Revaluation Surplus of Freehold Land	4.4	113,613,991	–	105,865,000	–
Deferred Tax Attributable to Revaluation Surplus	20.3	(121,722,721)	–	(120,637,862)	–
Other Comprehensive Loss for the Year, Net of Tax		(4,893,837)	(960,497)	(11,557,970)	(960,497)
Total Comprehensive Income for the Year, Net of Tax		127,823,921	136,223,841	125,709,810	147,277,379
Attributable to:					
Equity Holders of the Parent Company		127,823,921	136,223,841		
Non-controlling Interests		–	–		
		127,823,921	136,223,841		

The Accounting Policies and Notes on pages 110 through 143 form an integral part of the Financial Statements.

STATEMENT OF CHANGES IN EQUITY

Group	Attributable to Equity Holders of Parent							
	Stated Capital	Revaluation Reserve (Note 12.1)	Available-for-Sale Reserve (Note 12.3)	Special Reserve (Note 12.2)	Retained Earnings	Total	Non-controlling Interests	Total Equity
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Balance as at 1 April 2016	460,000,974	758,874,668	328,371	1,325,671,060	378,240,320	2,923,115,393	–	2,923,115,393
Profit for the Year	–	–	–	–	137,184,338	137,184,338	–	137,184,338
Other Comprehensive Loss	–	–	(190,184)	–	(770,313)	(960,497)	–	(960,497)
Total Comprehensive Income/(Loss)	–	–	(190,184)	–	136,414,025	136,223,841	–	136,223,841
Dividend Paid (Note 16)	–	–	–	–	(207,000,000)	(207,000,000)	–	(207,000,000)
Balance as at 31 March 2017	460,000,974	758,874,668	138,187	1,325,671,060	307,654,345	2,852,339,234	–	2,852,339,234
Profit for the Year	–	–	–	–	132,717,759	132,717,759	–	132,717,759
Other Comprehensive Income/(Loss)	–	(8,108,730)	(114,980)	–	3,329,872	(4,893,837)	–	(4,893,837)
Total Comprehensive Income/(Loss)	–	(8,108,730)	(114,980)	–	136,047,631	127,823,921	–	127,823,921
Dividend Paid (Note 16)	–	–	–	–	(115,000,000)	(115,000,000)	–	(115,000,000)
Balance as at 31 March 2018	460,000,974	750,765,938	23,207	1,325,671,060	328,701,976	2,865,163,155	–	2,865,163,155

Company	Stated Capital	Revaluation Reserve (Note 12.1)	Available-for-Sale Reserve (Note 12.3)	Special Reserve (Note 12.2)	Retained Earnings	Total Equity
	LKR	LKR	LKR	LKR	LKR	LKR
Balance as at 1 April 2016	460,000,974	758,874,668	328,371	1,325,671,060	378,240,320	2,923,115,393
Profit for the Year	–	–	–	–	148,237,876	148,237,876
Other Comprehensive Loss	–	–	(190,184)	–	(770,313)	(960,497)
Total Comprehensive Income/(Loss)	–	–	(190,184)	–	147,467,563	147,277,379
Disposal of Land	–	(3,040,652)	–	–	3,040,652	–
Dividend Paid (Note 16)	–	–	–	–	(207,000,000)	(207,000,000)
Balance as at 31 March 2017	460,000,974	755,834,016	138,187	1,325,671,060	321,748,535	2,863,392,772
Profit for the Year	–	–	–	–	137,267,780	137,267,780
Other Comprehensive Income /(Loss)	–	(15,226,936)	(114,980)	–	3,329,872	(12,012,043)
Total Comprehensive Income/(Loss)	–	(15,226,936)	(114,980)	–	140,597,653	125,255,737
Dividend Paid (Note 16)	–	–	–	–	(115,000,000)	(115,000,000)
Balance as at 31 March 2018	460,000,974	740,607,080	23,207	1,325,671,060	347,346,187	2,873,648,509

The Accounting Policies and Notes on pages 110 through 143 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS

Year ended 31 March	Note	Group 2018 LKR	Group 2017 LKR	Company 2018 LKR	Company 2017 LKR
Cash Flows from Operating Activities					
Profit before Tax		148,598,869	152,147,436	153,777,854	163,200,974
Adjustments for:					
Depreciation	4.2	94,649,818	85,726,172	90,958,758	85,726,172
Amortisation of Prepaid Lease Rental	5	30,303	30,303	30,303	30,303
Income from Investments – Interest Income	18.2	(600,483)	(816,855)	(600,483)	(816,855)
(Profit)/Loss on Disposal of Property, Plant and Equipment	19	(1,377,961)	(965,839)	(1,377,961)	(965,839)
Capital Gain on Disposal of Asset	17	–	–	–	(10,975,038)
Finance Costs	18.1	16,864,100	8,993,514	14,082,754	8,993,514
Provision for Defined Benefit Plans	13	6,282,380	5,495,252	6,179,416	5,495,252
Allowance for Doubtful Debts	19	381,842	435,326	381,842	435,326
Amortisation of Intangible Assets	6	482,044	541,396	409,731	541,396
Exchange Loss from Conversion of Foreign Currency Loans	14	1,048,728	4,121,506	495,228	4,121,506
Operating Profit before Working Capital Changes		266,359,640	255,708,211	264,337,443	255,786,711
(Increase)/Decrease in Inventories		3,486,854	(2,770,961)	4,016,191	(2,770,961)
(Increase)/Decrease in Trade and Other Receivables		(4,899,678)	(17,777,447)	(2,591,958)	(10,869,903)
Increase/(Decrease) in Trade and Other Payables		4,848,307	11,500,071	(7,406,773)	9,075,746
Cash Generated from Operations		269,795,123	246,659,874	258,354,903	251,221,593
Income Tax Paid		(13,959,595)	(16,827,062)	(13,959,595)	(16,827,062)
Finance Cost Paid	18.1	(16,864,100)	(8,993,514)	(14,082,754)	(8,993,514)
Defined Benefit Plan Costs Paid Net of Transfers	13	(968,103)	(6,941,348)	(983,696)	(6,941,348)
Net Cash from Operating Activities		238,003,325	213,897,950	229,328,857	218,459,669
Cash Flows From/(Used in) Investing Activities					
Acquisition of Property, Plant and Equipment	4.6	(235,985,256)	(91,810,157)	(35,290,845)	(40,997,880)
Acquisition of Intangible Assets	6	(1,157,000)	–	–	–
Proceeds from Sale of Property, Plant and Equipment		5,907,521	2,177,429	5,907,521	2,177,429
Proceeds from Sale of Property, Plant and Equipment to Subsidiary		–	–	–	44,250,000
Interest Income	18.2	600,483	816,855	600,483	816,855
Investment in Unawatuna Properties (Private) Limited	7	–	–	(75,000,000)	(100,000,000)
Net Investment in Other Current Financial Assets		–	2,500,000	–	2,500,000
Net Cash Flows Used in Investing Activities		(230,634,252)	(86,315,873)	(103,782,841)	(91,253,596)
Cash Flows From/(Used in) Financing Activities					
Proceeds from Interest Bearing Loans and Borrowings	14	100,010,788	2,991,900	6,980,788	2,991,900
Repayment of Interest Bearing Loans and Borrowings	14	(66,103,628)	(46,893,182)	(66,103,628)	(46,893,182)
Proceeds from Government Grant	4.9	4,748,898	–	4,748,898	–
Dividends Paid	16	(115,000,000)	(207,000,000)	(115,000,000)	(207,000,000)
Net Cash Flows Used in Financing Activities		(76,343,942)	(250,901,282)	(169,373,942)	(250,901,282)
Net Increase/(Decrease) in Cash and Cash Equivalents		(68,974,868)	(123,319,205)	(43,827,925)	(123,695,209)
Cash and Cash Equivalents at the Beginning of the Year	22	(108,494,423)	14,824,782	(108,870,427)	14,824,782
Cash and Cash Equivalents at the End of the Year	22	(177,469,291)	(108,494,423)	(152,698,352)	(108,870,427)

The Accounting Policies and Notes on pages 110 through 143 form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate Information

1.1 General

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

1.2 Principal Activities and Nature of Operations

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

The fully owned subsidiary of the Company, Unawatuna Properties (Private) Limited. (Incorporated in Sri Lanka) which operates Hotel J Unawatuna commenced commercial operation during December 2017.

1.3 Parent Enterprise and Ultimate Parent Enterprise

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

1.4 Date of Authorisation for Issue

The Financial Statements of The Lighthouse Hotel PLC and its subsidiary, for the year ended 31 March 2018 were authorised for issue in accordance with a resolution of the Board of Directors on 9 May 2018.

2. Basis of Preparation

2.1 The Consolidated Financial Statements have been prepared on a historical cost basis except for freehold land and available-for-Sale financial instruments 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 Consolidated Financial Statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards comprising SLFRS and LKAS ("SLFRS"), as issued by The Institute of Chartered Accountants of Sri Lanka.

2.3 Changes in Accounting Policies

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

2.4 Basis of Consolidation

The Consolidated Financial Statements (referred to as the "Group") comprise the Financial Statements of the Company and its subsidiary as at 31 March 2018.

Control over an investee is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns when the Group has less than a majority of the voting or similar rights of an investee; the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
  - The contractual arrangement with the other vote holders of the investee;
  - Rights arising from other contractual arrangements; and
  - The Group's voting rights and potential voting rights.

The Group re assesses whether or not it controls an investee, if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary. Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of

the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in the Profit or Loss statement. Any investment retained is recognised at fair value.

The total profits and losses for the year of the Company and of its subsidiary included in consolidation are shown in the Consolidated Profit or Loss statement and consolidated Statement of Comprehensive Income and all assets and liabilities of the Company and of its subsidiary included in consolidation are shown in the Consolidated Statement of Financial Position. Non-controlling interest which represents the portion of profit or loss and net assets not held by the Group, are shown as a component of profit for the year in the Consolidated Profit or Loss Statement and Statement of Comprehensive Income and as a component of equity in the Consolidated Statement of Financial Position, separately from equity attributable to the shareholders of the parent .The Consolidated Statement of Cash Flows includes the cash flows of the Company and its subsidiary.

2.5 Summary of Significant Accounting Policies Applied

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

2.5.1 Business Combination and Goodwill

Business combinations are accounted for using the acquisition method of accounting. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the cquiree at fair value or at the proportionate share of the acquiree at the fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in administrative expenses.

If the business combination is achieved in stages, the previously held equity interest is re measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration which is deemed to be an asset or liability that is a financial instrument and within the scope of LKAS 39 – "Financial Instruments: Recognition and Measurement", is measured at fair value with changes in fair value either in profit or loss or as a change to Other Comprehensive Income (OCI). If the contingent consideration is not within the scope of LKAS 39, it is measured in accordance with the appropriate SLFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is measured at fair value with changes in fair value either in a profit or loss or as a change to the Other Comprehensive Income (OCI).

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination transferred; the gain is recognised in profit or loss.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.5.2 Foreign Currencies

The Financial Statements are presented in Sri Lanka Rupees, which is also the Group'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 recognised 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.

2.5.3 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group 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 Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognised.

(a) Room Revenue
Revenue is recognised on the rooms occupied on daily basis.

(b) Food and Beverage Revenue
Food and Beverage revenue is accounted at the time of sale.

(c) Other Hotel Related Revenue
Other Hotel-Related is revenue is accounted when such service is rendered.

(d) Finance Income
Interest income is recognised on a time proportion basis that takes in-to account the effective yield on the asset unless collectability is in doubt.

(e) Other
Other income is recognised 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 Statement of Profit or Loss, 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.

2.5.4 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 29 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 1 April 2008 for a period of 15 years in accordance with the said agreement. Current income tax relating to items recognised directly in equity is recognised in equity and not in the Statement of Profit or Loss. 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.

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.

(b) Sales Tax

Revenues, expenses and assets are recognised 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 recognised as a part of the cost of the asset or as a 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 recognised for all taxable temporary differences.

Deferred tax assets are recognised 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 utilised.

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 utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised 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 realised 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 recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised 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.

2.5.5 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 capitalised 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.

2.5.6 Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. Net realisable 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 formulae:

Food and Beverage –
At purchase cost on weighted average basis.

Other Inventories –
At purchase cost on weighted average basis.

2.5.7 Cash and Cash Equivalents

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

2.5.8 Property, Plant and Equipment

Property, Plant and Equipment (except for land) is stated at cost, net of accumulated depreciation and 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 Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major refurbishment is performed, its cost is recognised 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 recognised in the profit or loss as incurred.

Land is measured at fair value, less impairment losses recognised 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 recognised 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 recognised in the Statement of Profit or Loss, in which case the increase is recognised in the Statement of Profit or Loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised 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 derecognised 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 Statement of Profit or Loss when the asset is derecognised.

The Group 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 Group 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 derecognised. 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.

2.5.9 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 and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a Lessee:

Finance leases that transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised 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 recognised in finance costs in the Statement of Profit or Loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group 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 recognised as an operating expense in the Statement of Profit or Loss on a straight-line basis over the lease term.

2.5.10 Financial Instruments

i. Financial Assets

Financial Assets of the Group comprise Trade and Other Receivables, Cash at Bank and in Hand and Available-for-Sale Financial Instruments.

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 recognised 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 through profit and loss are carried in the Statement of Financial Position at fair value with changes in fair value recognised in finance income or finance costs in the Statement of Profit or Loss.

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 amortised cost using the effective interest rate method (EIR), less impairment. Amortised 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 amortisation is included in finance income in the Statement of Profit or Loss. The losses arising from impairment are recognised in the Statement of Profit or Loss 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 amortised cost using the effective interest method, less impairment. Amortised 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 amortisation is included in finance income in the Income Statement. The losses arising from impairment are recognised in the Statement of Profit or Loss 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 unrealised gains or losses recognised as Other Comprehensive Income and credited in the available-for-sale reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the Statement of Profit or Loss 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 derecognised when the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset.

ii. Impairment of Financial Assets

The Group 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 significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation 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 Amortised Cost
For financial assets carried at amortised cost, the Group 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 Group 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, recognised 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 recognised in the Statement of Profit or Loss. 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 recognised, the previously recognised 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 Statement of Profit or Loss.

Available-for-Sale Financial Instruments
For available for sale financial investments, the Group 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 have 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 recognised in the income statement is removed from Other Comprehensive Income and recognised in the Statement of Profit or Loss. Impairment losses on equity investments are not reversed through the Statement of Profit or Loss; increases in their fair value after impairment are recognised directly in Other Comprehensive Income.

iii. Financial Liabilities

The Group'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 amortised cost using the effective interest rate method. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process. Amortised 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 amortisation is included in finance costs in the Statement of Profit or Loss.

Derecognition

A financial liability is derecognised 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 recognised in the Statement of Profit or Loss.

iv. Offsetting of Financial Instruments

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

2.5.11 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Internally generated intangible assets, except capitalised development costs, are not capitalised and related expenditure is recognised in the Statement of Profit or Loss when it is incurred.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are 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 amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit or Loss 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 recognised in the Statement of Profit or Loss when the asset is derecognised.

2.5.12 Provisions

Provisions are recognised when the Group 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 Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement.

2.5.13 Post-Employment Benefit Liability

(a) Defined Benefit Plan – Gratuity

The Group 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 recognised 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.

2.5.14 Impairment of Non-Financial Assets

The Group 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 Group 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 group 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 recognised in the Statement of Profit or Loss 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 recognised 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 recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. 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 recognised for the asset in prior years. Such reversal is recognised in the Statement of Profit or Loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

2.5.15 Dividend Distributions

The Group recognises 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 recognised 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 recognised in income as a separate line in Statement of Comprehensive Income

2.5.16 Government Grants

Grants are recognised at their fair value where there is a reasonable assurance the grant will be received and all attaching conditions, if any, will be complied with. When the grant relates to compensate for the cost of an asset are deducted from the cost of the related asset in the same period in which grant is received.

2.6 Significant Accounting Judgements, Estimates and Assumptions

Judgements

In the process of applying the Group's accounting policies, Management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Financial Statements.

Impairment of Trade Debtors:

The Group reviews at each reporting date all receivables to assess whether an allowance should be recorded in the Statement of Profit or Loss. The Management uses judgement 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 Note 10 and 26.

Deferred Tax Assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

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 Statement of Profit or Loss. 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 2012/13) 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 4.8.

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 8.

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 13.

2.7 Effect of Sri Lanka Accounting Standards Issued but not yet Effective:

A number of new standards and amendments to standards, which have been issued but not yet effective as at the reporting date, have not been applied in preparing these Consolidated Financial Statements. Accordingly, the following Accounting Standards have not been applied in preparing these Financial Statements and the Group plans to apply these standards on the respective effective dates:

SLFRS 9 – "Financial Instruments"
SLFRS – 9 replaces the existing guidance in LKAS 39 – "Financial Instruments: Recognition and Measurement." SLFRS – 9 contains three principal classification categories for financial assets – i.e., measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The existing LKAS 39 categories of Held to maturity, Loans and receivables and Available for sale are removed. SLFRS 9 replaces the "incurred loss" model in LKAS 39 with an "expected credit loss" model. The new model applies to financial assets that are not measured at FVTPL. SLFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The model uses a dual measurement approach, under which the loss allowance is measured as either –

- 12 month expected credit loss; or
- Lifetime expected credit losses.

The measurement basis will generally depend on whether there has been a significant increase in credit risk since initial recognition. A simplified approach is available for trade receivables, contract assets and lease receivables, allowing or requiring the recognition of lifetime expected credit losses at all times. Special rules apply to assets that are credit impaired at initial recognition. The new standard carried guidance on new general hedge accounting requirements.

The Group has commenced the initial high level assessment of the potential impact on its Consolidated Financial Statements resulting

from the application of the SLFRS 9. The Group is not expected to have a material impact from the new classification, measurement, impairment principles introduced by SLFRS 9. However, the Group is currently in the process of evaluating the accounting impact and the current systems and processes will be modified when necessary.

SLFRS 15 – "Revenue from Contracts with Customers"
SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. New qualitative and quantitative disclosure requirements aim to enable Financial Statements users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

It replaces existing revenue recognition guidance, including LKAS 18 – "Revenue", LKAS 11 – "Construction Contracts" and IFRIC 13 "Customer Loyalty Programmes". SLFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. However, the Group is currently in the process of evaluating the accounting impact and the current systems and processes will be modified when necessary.

SLFRS 16 – "Leases"
SLFRS 16 provides a single lessee accounting model, requiring leases to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value even though lessor accounting remains similar to current practice. This supersedes: LKAS 17 – "Leases", IFRIC 4 determining whether an arrangement contains a Lease, SIC 15 Operating Leases-Incentives; and SIC 27. Evaluating the substance of Transactions Involving the Legal form of a Lease. Earlier application is permitted. SLFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. Based on the preliminary evaluation of impact analysis of SLFRS 16. However, the Group is currently in the process of evaluating the accounting impact and the current systems and processes will be modified when necessary.

3. Revenue

The business activities of the Company are only organised 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. Business activities of Unawatuna Properties (Pvt) Ltd., had started on 1 December 2017 and four months performance are included in the Group's Financial Information.

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Room Revenue	470,477,889	444,758,769	459,228,544	444,758,769
Food and Beverage Income	330,719,795	322,861,762	327,238,950	322,861,762
Other Hotel Related Income	34,807,811	31,598,003	34,771,396	31,598,003
Total Revenue	836,005,495	799,218,534	821,238,889	799,218,534

4. Property, Plant And Equipment

4.1 Gross Carrying Amounts

Group	Balance as at 1 April 2017	Additions	Increase in Revaluation Reserve	Other Adjustments	Transferred	Disposals/ Written-off	Balance as at 31 March 2018
	LKR	LKR	LKR	LKR	LKR	LKR	LKR
At Cost							
Buildings and Building Integrals	2,113,642,298	370,360	–	–	184,052,994	(1,671,706)	2,296,393,945
Plant and Equipment	78,031,765	784,100	–	–	12,038,913	(2,258,654)	88,596,124
Sewerage Treatment Plant	7,017,435	624,408	–	–	1,835,734	–	9,477,577
Kitchen/Bar Equipment	61,642,069	3,719,969	–	–	3,574,983	(244,602)	68,692,419
Electrical Equipment	42,343,567	1,587,150	–	–	17,624,967	(573,013)	60,982,671
Solar Electrical System	19,048,333	–	–	(4,748,898)	–	–	14,299,434
Office Equipment	1,670,915	–	–	–	–	(4,500)	1,666,415
Sports Equipment	11,888,783	–	–	–	–	(1,951,033)	9,937,750
Furniture and Fittings	101,985,205	690,750	–	–	18,490,262	(2,141,207)	119,025,010
Swimming Pool Equipment	9,576,799	148,920	–	–	–	–	9,725,719
Generator	17,336,219	12,925	–	–	2,950,000	–	20,299,144
Motor Vehicles	12,372,302	7,000,000	–	–	–	(1,424,696)	17,947,606
Water Treatment Plant	2,093,547	–	–	–	2,137,403	(88,475)	4,142,475
Linen, Cutlery and Crockery	35,193,231	7,063,837	–	–	2,892,085	(1,847,796)	43,301,358
Laundry and Hot Water Equipment	24,018,577	191,100	–	–	5,583,739	(212,795)	29,580,621
Telephone System	4,297,423	145,451	–	–	6,723	(40,739)	4,408,858
Elevators	6,330,267	–	–	–	3,774,000	–	10,104,267
SMA TV System	15,091,998	752,455	–	–	1,572,800	(692,839)	16,724,414
Maintenance Tools	1,222,167	23,175	–	–	14,950	(14,200)	1,246,092
Music Instruments	1,286,187	338,120	–	–	–	–	1,624,307
Bar Furniture and Equipment	23,490,847	93,930	–	–	727,873	–	24,312,650
Computer Equipment and Systems	15,750,234	839,629	–	–	2,828,987	(340,030)	19,078,820
	2,605,330,167	24,386,279	–	(4,748,898)	260,106,413	(13,506,285)	2,871,567,676
At Fair Value							
Freehold Land	871,700,972	–	113,613,991	–	–	–	985,314,962
	871,700,972	–	113,613,991	–	–	–	985,314,962
In the Course of Construction							
Buildings and Equipment	51,691,034	211,598,977	–	–	(260,106,413)	–	3,183,598
	51,691,034	211,598,977	–	–	(260,106,413)	–	3,183,598
Total Gross Carrying Amount	3,528,722,173	235,985,256	113,613,991	(4,748,898)	–	(13,506,285)	3,860,066,236

Company	Balance as at 1 April 2017	Additions	Increase in Revaluation Reserve	Other Adjustments	Transferred	Disposals/ Written-off	Balance as at 31 March 2018
	LKR	LKR	LKR		LKR	LKR	LKR
At Cost							
Buildings and Building Integrals	2,109,697,098	370,360	–	–	4,941,958	(1,671,706)	2,113,337,709
Plant and Equipment	78,031,765	784,100	–	–	–	(2,258,654)	76,557,211
Sewerage Treatment Plant	7,017,435	624,408	–	–	–	–	7,641,843
Kitchen/Bar Equipment	61,642,069	3,719,969	–	–	–	(244,602)	65,117,436
Electrical Equipment	42,343,567	1,587,150	–	–	–	(573,013)	43,357,704
Solar Electrical System	19,048,333	–	–	(4,748,898)	–	–	14,299,434
Office Equipment	1,670,915	–	–	–	–	(4,500)	1,666,415
Sports Equipment	11,888,783	–	–	–	–	(1,951,033)	9,937,750
Furniture and Fittings	101,985,205	690,750	–	–	–	(2,141,207)	100,534,748
Swimming Pool Equipment	9,576,799	148,920	–	–	–	–	9,725,719
Generator	17,336,219	12,925	–	–	–	–	17,349,144
Motor Vehicles	12,372,302	7,000,000	–	–	–	(1,424,696)	17,947,606
Water Treatment Plant	2,093,547	–	–	–	–	(88,475)	2,005,072
Linen, Cutlery and Crockery	35,193,231	7,063,837	–	–	–	(1,847,796)	40,409,272
Laundry and Hot-Water Equipment	24,018,577	191,100	–	–	5,583,739	(212,795)	29,580,621
Telephone System	4,297,423	145,451	–	–	–	(40,739)	4,402,135
Elevators	6,330,267	–	–	–	–	–	6,330,267
SMA TV System	15,091,998	752,455	–	–	–	(692,839)	15,151,614
Maintenance Tools	1,222,167	23,175	–	–	–	(14,200)	1,231,142
Music Instruments	1,286,187	338,120	–	–	–	–	1,624,307
Bar Furniture and Equipment	23,490,847	93,930	–	–	–	–	23,584,777
Computer Equipment and Systems	15,750,234	839,629	–	–	–	(340,030)	16,249,833
	2,601,384,967	24,386,279	–	(4,748,898)	10,525,697	(13,506,285)	2,618,041,759
At Fair Value							
Freehold Land	840,275,000	–	105,865,000	–	–	–	946,140,000
	840,275,000	–	105,865,000	–	–	–	946,140,000
In the Course of Construction							
Buildings and Equipment	2,804,729	10,904,566	–	–	(10,525,697)	–	3,183,598
	2,804,729	10,904,566	–	–	(10,525,697)	–	3,183,598
Total Gross Carrying Amount	3,444,464,696	35,290,845	105,865,000	(4,748,898)	–	(13,506,285)	3,567,365,358

4.2 Depreciation

Group	Balance as at 1 April 2017 LKR	Charge for the year LKR	Disposals/Written off/Transferred LKR	Balance as at 31 March 2018 LKR
At Cost				
Buildings and Building Integrals	347,588,989	46,757,702	(1,882,398)	392,464,293
Plant and Equipment	34,051,799	4,877,655	(719,589)	38,209,865
Sewerage Treatment Plant	3,600,668	375,555	–	3,976,222
Kitchen/Bar Equipment	32,354,926	4,703,787	(109,303)	36,949,410
Electrical Equipment	18,511,642	6,075,642	(319,282)	24,268,002
Office Equipment	1,052,398	12,830	(1,052)	1,064,177
Sports Equipment	6,435,407	748,687	(1,951,033)	5,233,062
Furniture and Fittings	47,991,606	8,728,087	(683,272)	56,036,421
Swimming Pool Equipment	5,427,897	631,476	–	6,059,373
Generator	4,199,790	1,374,975	–	5,574,765
Motor Vehicles	8,118,781	1,827,756	(1,424,696)	8,521,841
Water Treatment Plant	1,698,421	88,141	(37,629)	1,748,933
Linen, Cutlery and Crockery	30,240,257	9,984,127	(952,260)	39,272,123
Laundry and Hot-Water Equipment	14,206,931	1,748,742	(150,676)	15,804,997
Telephone System	2,735,452	294,863	(9,082)	3,021,233
Elevators	2,634,763	285,228	–	2,919,991
SMA TV System	5,618,282	1,203,146	(444,809)	6,376,618
Maintenance Tools	498,177	108,525	(7,819)	598,884
Music Instruments	746,471	94,555	–	841,026
Bar Furniture and Equipment	7,973,935	2,455,894	–	10,429,830
Computer Equipment and Systems	13,247,267	2,272,445	(229,854)	15,289,857
Total Depreciation	588,933,858	94,649,818	(8,922,755)	674,660,921

Company	Balance as at 1 April 2017 LKR	Charge for the year LKR	Disposals/Written-off/Transferred LKR	Balance as at 31 March 2018 LKR
At Cost				
Buildings and Building Integrals	347,418,751	45,703,432	(1,712,160)	391,410,024
Plant and Equipment	34,051,799	4,576,607	(719,589)	37,908,817
Sewerage Treatment Plant	3,600,668	344,959	–	3,945,627
Kitchen/Bar Equipment	32,354,926	4,584,621	(109,303)	36,830,244
Electrical Equipment	18,511,642	5,488,143	(319,282)	23,680,503
Office Equipment	1,052,398	12,830	(1,052)	1,064,177
Sports Equipment	6,435,407	748,687	(1,951,033)	5,233,062
Furniture and Fittings	47,991,606	8,111,745	(683,272)	55,420,079
Swimming Pool Equipment	5,427,897	631,476	–	6,059,373
Generator	4,199,790	1,301,207	–	5,500,997
Motor Vehicles	8,118,781	1,827,756	(1,424,696)	8,521,841
Water Treatment Plant	1,698,421	52,518	(37,629)	1,713,310
Linen, Cutlery and Crockery	30,240,257	9,502,112	(952,260)	38,790,109
Laundry and Hot-Water Equipment	14,206,931	1,748,742	(150,676)	15,804,997
Telephone System	2,735,452	294,695	(9,082)	3,021,065
Elevators	2,634,763	222,328	–	2,857,091
SMA TV System	5,618,282	1,150,719	(444,809)	6,324,192
Maintenance Tools	498,177	108,027	(7,819)	598,385
Music Instruments	746,471	94,555	–	841,026
Bar Furniture and Equipment	7,973,935	2,431,632	–	10,405,567
Computer Equipment and Systems	13,247,267	2,021,967	(229,854)	15,039,380
Total Depreciation	588,763,620	90,958,758	(8,752,516)	670,969,862

4.3 Net Book Values

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
At Cost				
Buildings and Building Integrals	1,903,929,652	1,766,053,308	1,721,927,685	1,762,278,346
Plant and Equipment	50,386,260	43,979,966	38,648,395	43,979,966
Sewerage Treatment Plant	5,501,355	3,416,767	3,696,216	3,416,767
Kitchen/Bar Equipment	31,743,009	29,287,143	28,287,192	29,287,143
Electrical Equipment	37,429,641	23,831,926	20,392,173	23,831,926
Solar Electrical System	13,584,461	19,048,333	13,584,461	19,048,333
Office Equipment	602,238	618,516	602,238	618,516
Sports Equipment	4,704,689	5,453,376	4,704,689	5,453,376
Furniture and Fittings	62,988,589	53,993,599	45,114,669	53,993,599
Swimming Pool Equipment	3,666,346	4,148,902	3,666,346	4,148,902
Generator	14,724,379	13,136,429	11,848,147	13,136,429
Motor Vehicles	9,425,765	4,253,521	9,425,765	4,253,521
Water Treatment Plant	2,393,542	395,126	291,762	395,126
Linen, Cutlery and Crockery	4,029,235	4,952,975	1,619,164	4,952,975
Laundry and Hot Water Equipment	13,775,624	9,811,646	13,775,624	9,811,646
Telephone System	1,387,625	1,561,972	1,381,070	1,561,972
Elevators	7,184,276	3,695,504	3,473,176	3,695,504
SMA TV System	10,347,795	9,473,716	8,827,422	9,473,716
Maintenance Tools	647,208	723,989	632,756	723,989
Music Instruments	783,281	539,716	783,281	539,716
Bar Furniture and Equipment	13,882,820	15,516,911	13,179,209	15,516,911
Computer Equipment and Systems	3,788,963	2,502,966	1,210,453	2,502,966
	2,196,906,754	2,016,396,310	1,947,071,897	2,012,621,348
At Fair Value				
Freehold Land	985,314,962	871,700,972	946,140,000	840,275,000
	985,314,962	871,700,972	946,140,000	840,275,000
In the Course of Construction				
Buildings and Equipment	3,183,598	51,691,034	3,183,598	2,804,729
	3,183,598	51,691,034	3,183,598	2,804,729
Total Carrying Amount of Property, Plant and Equipment	3,185,405,315	2,939,788,316	2,896,395,495	2,855,701,077

4.4 The fair value of freehold land of the Group comprising approximately. 1,569 perches (Company 1510 perches) was determined by means of a revaluation during the financial year 2017/18 by Messrs K Arthur Perera and Company (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 LKR 70,000/- to LKR 950,000/- a perch, depending on the location. The results of such revaluation were incorporated in these Financial Statements from its effective date which was 31 March 2018. The surplus arising from the revaluation, amounting to LKR 113,613,991/- (Company LKR 105,865,000/-) was transferred to a Revaluation Reserve during the year.

Valuation Processes of the Group:

On a once in three year basis, the Company usually engages an external independent and qualified valuer to determine the fair value of land. When significant changes in fair values are expected between two valuations, that necessitates a more regular basis of valuation adopted, the Board based on its judgement as appropriately advised by the valuer obtains a further valuation to ensure that the carrying amount does not differ materially with fair value at the end of the reporting period.

The following table analysis the non-financial assets carried at fair value, by valuation method. The different levels have been defined in Note 8.2.

Fair Value Measurement as at 31 March 2018	Level 01 LKR	Level 02 LKR	Level 03 LKR	Total LKR
Group				
Freehold Land	–	–	985,314,962	985,314,962
Company				
Freehold Land	–	–	946,140,000	946,140,000

4.5 The carrying amount of revalued land that would have been included in the Financial Statements had the assets been carried at cost is as follows:

Class of Asset	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Freehold Land	112,826,303	112,826,303	84,440,984	84,440,984

4.6 During the financial year, the Group acquired Property, Plant and Equipment to the aggregate value of LKR 235,985,256/- (2017 – LKR 91,810,157/-) and the Company acquired Property, Plant and Equipment to the aggregate value of LKR 35,290,845/- (2017 – LKR 40,997,880/-) for the cash consideration.

4.7 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of LKR 119,269,926/- (2017 – LKR 113,265,445/-) that consisted of individually insignificant items.

4.8 During the financial year Group has received the government grant of LKR 4,748,898/- as a cost reimbursement of Solar Power Project which has been presented as other adjustment in Note 4.1.

4.9 The useful lives of the assets are estimated as follows:

	Notes	Group/Company 2018 Years	Group/Company 2017 Years
Buildings and Building Integrals	(4.9.1)	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		04 to 10	04 to10
Solar Electrical System		10 to 20	10 to 20
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 to 08	05 to 08
Water Treatment Plant		10	10
Linen, Cutlery and Crockery		02 to 03	02 to 03
Laundry and Hot-Water Equipment		10 to 13.33	10 to13.33
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 Equipment and System		04	04

4.9.1 The Group regularly reviews the useful life of each significant component of Property, Plant and Equipment taking into account the experience of recent refurbishment patterns as well as industry trends. Accordingly, depreciation was calculated for the year ended 31 March 2018 using a straight-line method for each individual significant component of building, based on the following estimated useful lives:

	Group/Company 2018 Years	Group/Company 2017 Years
Components Included in Buildings and Building Integrals:		
Buildings	60	60
Super Structure	60	60
Bathroom Fittings	15	15
Restaurant Floors	15	15
Tennis and Squash Court	60	60

4.10 During the year bank loan interest expense amounting to LKR 1,752,152/- (2017 – Nil) that were incurred in connection with the borrowing of funds for the building construction have been capitalised as a part of the Building and Building Integrals.

5. Prepaid Lease Rent

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
As at 1 April	2,333,334	2,363,637	2,333,334	2,363,637
Amortisation for the Year	(30,303)	(30,303)	(30,303)	(30,303)
As at 31 March	2,303,031	2,333,334	2,303,031	2,333,334

5.1 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 18 January 1995. The amount paid upfront is being amortised over the lease period of 99 years.

6. Intangible Assets

6.1 Cost

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
As at 1 April	4,357,936	4,357,936	4,357,936	4,357,936
Purchased during the Year	1,157,000	–	–	–
As at 31 March	5,514,936	4,357,936	4,357,936	4,357,936
Amortisation				
As at 1 April	(3,728,903)	(3,187,507)	(3,728,903)	(3,187,507)
Amortised during the Year	(482,044)	(541,396)	(409,731)	(541,396)
As at 31 March	(4,210,947)	(3,728,903)	(4,138,634)	(3,728,903)
Net Book Value				
As at 1 April	629,033	1,170,429	629,033	1,170,429
As at 31 March	1,303,989	629,033	219,302	629,033

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

7. Investments In Subsidiary

7.1 Non-Quoted Investment

	Holding		Cost	
	2018 %	2017 %	2018 LKR	2017 LKR
Unawatuna Properties (Pvt) Ltd.	100	100	175,000,000	100,000,000
			175,000,000	100,000,000

8. Other Financial Assets

8.1 Other Non-Current Financial Assets

8.1.1 Investments in Equity Securities – Non-quoted:

Available-for-Sale Financial Instruments	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Rainforest Ecolodge (Pvt) Ltd. (Note 8.1.2)				
Fair Value at the beginning of the Year	87,401,447	87,591,631	87,401,447	87,591,631
Loss Recognised in Other Comprehensive Income	(114,980)	(190,184)	(114,980)	(190,184)
Fair Value at the end of the Year	87,286,467	87,401,447	87,286,467	87,401,447

8.1.2 The Company held 18.32% (2017 – 18.32%) 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 Inputs	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 LKR 1.5 Mn. and (LKR 1.5 Mn.) respectively.
	Weighted Average Cost of Capital (WACC)	1% increase/(decrease) in the WACC would result in (decrease)/ Increase in fair value by (LKR 7.5 Mn.) and LKR 9 Mn. respectively.

8.2 Fair Value Hierarchy

The Group/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 31 March 2018, the Group/Company held the following financial instruments carried at fair value on the Statement of Financial Position.

8.3 Assets Measured at Fair Value

	Total LKR	Level 1 LKR	Level 2 LKR	Level 3 LKR
Available-for-Sale Financial Assets				
Non-Quoted Equity Investment (Note 8.1)	87,286,467	–	–	87,286,467
2018	87,286,467	–	–	87,286,467
2017	87,401,447	–	–	87,401,447

During the reporting year ending 31 March 2018, there were no transfers between Level 2 and Level 3 fair value measurements.

9. Inventories

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Food and Beverage	10,815,071	11,833,708	10,505,060	11,833,708
Other Inventories	18,148,890	20,617,108	17,929,564	20,617,108
	28,963,962	32,450,816	28,434,625	32,450,816

10. Trade and Other Receivables

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Trade Debtors – Related Parties (Note 10.1)	18,316,233	13,999,074	18,017,659	13,999,074
– Others	96,539,873	94,521,883	92,329,548	94,521,883
Other Debtors	19,032,039	19,326,631	15,066,252	12,419,087
Less: Impairment of Trade Debtors	(2,468,494)	(2,086,653)	(2,468,494)	(2,086,653)
	131,419,651	125,760,935	122,944,965	118,853,391
Prepayments	8,068,772	9,379,889	7,498,431	9,379,889
	139,488,423	135,140,824	130,443,396	128,233,280

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

See Note 26 (a) on credit risk of trade receivables, which discusses how the Group manages and measures credit quality of Trade Receivables that are neither past due nor impaired.

10.1 Related Parties

		Group		Company	
	Relationship	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Unawatuna Properties (Pvt) Ltd.	Subsidiary	–	–	276,378	–
Jetwing Travels (Pvt) Ltd.	Other Related Party	13,318,694	13,062,561	12,743,742	13,062,561
Jetwing Eco Holidays (Pvt) Ltd.	Other Related Party	234,642	–	234,642	–
Jetwing Hotels Ltd.	Other Related Party	1,431,927	579,109	1,431,927	579,109
Go Vacation Lanka Co. (Pvt) Ltd.	Other Related Party	2,807,345	39,178	2,807,345	39,178
Lanka Dhiviya (Pvt) Ltd.	Other Related Party	29,304	29,304	29,304	29,304
Atlas Investments (Pvt) Ltd.	Other Related Party	494,322	288,922	494,322	288,922
		18,316,233	13,999,074	18,017,659	13,999,074

11. Stated Capital

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
11.1 At the beginning of the Year – 46,000,000 Ordinary Shares	460,000,974	460,000,974	460,000,974	460,000,974
At the end of the Year – 46,000,000 Ordinary Shares	460,000,974	460,000,974	460,000,974	460,000,974

12. Reserves

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Revaluation Reserve (Note 12.1)	750,765,938	758,874,668	741,061,154	755,834,016
Special Reserve Note (12.2)	1,325,671,060	1,325,671,060	1,325,671,060	1,325,671,060
Available-for-Sale Reserve (Note 12.3)	23,207	138,187	23,207	138,187
	2,076,460,205	2,084,683,915	2,066,755,421	2,081,643,263

12.1 Revaluation Reserve

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
On Freehold Land				
As at 1 April	758,874,668	758,874,668	755,834,016	758,874,668
Revaluation Surplus on Disposed Land	–	–	–	(3,040,652)
Surplus on Revaluation	113,613,991	–	105,865,000	–
Deferred Tax Attributable to Revaluation Surplus	(121,722,721)	–	(120,637,862)	–
As at 31 March	750,765,938	758,874,668	741,061,154	755,834,016

12.2 Special Reserve

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
As at 1 April	1,325,671,060	1,325,671,060	1,325,671,060	1,325,671,060
As at 31 March	1,325,671,060	1,325,671,060	1,325,671,060	1,325,671,060

12.3 Available-for-Sale Reserve

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
As at 1 April	138,187	328,371	138,187	328,371
Gain/(Loss) on Available-for-Sale Financial Instruments (Note 8.1)	(114,980)	(190,184)	(114,980)	(190,184)
As at 31 March	23,207	138,187	23,207	138,187

12.4 The above revaluation surplus consists of net surplus resulting from the revaluation of Freehold Land as described in Note 4.4.

12.5 With the adoption of SLFRS in 2012/13, 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.

13. Post-Employment Benefit Liability

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
As at 1 April	30,087,527	30,763,310	30,087,527	30,763,310
Charge for the Year (Note 13.1)	2,428,990	6,265,565	2,395,470	6,265,565
Transfers (Net) during the Year	(9,808)	(4,764,613)	(94,846)	(4,764,613)
Payments Made during the Year	(888,850)	(2,176,735)	(888,850)	(2,176,735)
As at 31 March	31,617,859	30,087,527	31,499,301	30,087,527

13.1 Defined Benefit Plan Cost

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Current Service Cost	2,750,731	2,448,828	2,717,211	3,046,424
Interest cost on Benefit Obligation	3,462,205	3,046,424	3,462,205	2,448,828
Recognised in the Statement of Profit or Loss	6,212,936	5,495,252	6,179,416	5,495,252
Actuarial (Gain)/Loss for the Year Recognised in Other Comprehensive Income	(3,783,946)	770,313	(3,783,946)	770,313
Charge for the Year	2,428,990	6,265,565	2,395,470	6,265,565

13.2 As at 31 March 2018 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:

	Group/Company	
	2018	2017
Discount Rate (%)	11.5 p.a.	11.5 p.a.
Salary Increase (%)	10 p.a.	10 p.a.
Staff Turnover (%)	5 at each age	5 at each age

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

13.3 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 2017/18. 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	Group		Company	
	Effect on Total Comprehensive Income – (reduction) /increase in Results LKR	Pro Forma Post-Employment Benefit Liability LKR	Effect on Total Comprehensive Income – (reduction) /increase in Results LKR	Pro Forma Post Employment Benefit Liability LKR
+1% Change in Discount Rate	1,950,092	29,549,209	1,937,567	29,561,734
-1% Change in Discount Rate	(2,235,724)	33,735,025	(2,220,725)	33,720,026
+1% Change in Rate of Salary Increase	(2,246,521)	33,745,822	(2,231,448)	33,730,749
-1% Change in Rate of Salary Increase	1,991,839	29,507,462	1,979,052	29,520,249

14. Interest-bearing Loans and Borrowings

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Bank Loans (Note 14.1)				
As at 1 April	66,661,300	106,441,076	66,661,300	106,441,076
Effect of Movement in Exchange Rate	1,048,728	4,121,506	495,228	4,121,506
Loans Received during the Year	100,010,788	2,991,900	6,980,788	2,991,900
Loan Repayments during the Year	(66,103,628)	(46,893,182)	(66,103,628)	(46,893,182)
At at 31 March	101,617,188	66,661,300	8,033,688	66,661,300
Bank Overdrafts (Note 22.2)	190,371,813	121,726,009	165,167,027	121,726,009
	291,989,001	188,387,309	173,200,715	188,387,309
Current Portion of Interest-bearing Borrowings	192,033,813	169,991,209	166,829,027	169,991,209
Non-current Portion of Interest-bearing Borrowings	99,955,188	18,396,100	6,371,688	18,396,100
	291,989,001	188,387,309	173,200,715	188,387,309

14.1 Bank Loans – Group

	As at 1 April 2017 LKR	Loans Obtained LKR	Exchange (Gain)/Loss LKR	Repayment LKR	As at 31 March 2018 LKR
Commercial Bank of Ceylon PLC					
– USD Term Loan 1*	29,183,730	–	285,518	(29,469,248)	–
– USD Term Loan 2**	34,762,670	–	209,711	(34,972,381)	–
Hatton National Bank					
– USD Term Loan 2***	–	93,030,000	553,500	–	93,583,500
Sampath Bank PLC					
– LKR Term Loan****	2,714,900	6,980,788	–	(1,662,000)	8,033,688
	66,661,300	100,010,788	1,048,728	(66,103,628)	101,617,188

** Unsecured term loan of USD 1 Mn. repayable in 60 monthly instalments. However, Group has settled remaining balance during the year.*
*** Unsecured term loan of USD 572,500 repayable in 60 monthly instalments. However, Group has settled remaining balance during the year.*
**** Term loan of USD 600,000 repayable in 60 monthly instalments commencing from March 2020 with 24 – month grace period with a corporate guarantee from The Lighthouse Hotel PLC.*
***** Unsecured term loan of LKR 9,972,688/- repayable in 72 monthly instalments commencing from February 2017.*

14.2 Bank Loans – Company

	As at 1 April 2017 LKR	Loans Obtained LKR	Exchange (Gain)/Loss LKR	Repayment LKR	As at 31 March 2018 LKR
Commercial Bank of Ceylon PLC					
– USD Term Loan 1*	29,183,730	–	285,518	(29,469,248)	–
– USD Term Loan 2**	34,762,670	–	209,711	(34,972,381)	–
Sampath Bank PLC					
– LKR Term Loan***	2,714,900	6,980,788	–	(1,662,000)	8,033,688
	66,661,300	6,980,788	495,228	(66,103,628)	8,033,688

** Unsecured term loan of USD 1 Mn. repayable in 60 monthly instalments. However, Company has settled remaining balance during the year.*
*** Unsecured term loan of USD 572,500 repayable in 60 monthly instalments, However, Company has settled remaining balance during the year.*
**** Unsecured term loan of LKR 9,972,688/- repayable in 72 monthly instalments commencing from February 2017.*

15. Trade and Other Payables

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Trade Payables – Related Party (Note 15.1)	2,592,529	–	2,592,529	–
– Others	20,340,219	18,005,741	19,101,800	18,005,741
Other Payables – Related Party (Note 15.2)	9,218,156	8,631,240	9,025,051	9,415,799
– Others	74,972,307	81,398,868	74,174,936	78,189,984
Sundry Creditors Including Accrued Expenses	24,270,007	17,354,904	12,844,219	17,354,904
	131,393,218	125,390,753	117,738,535	122,966,428
Statutory Payables	10,753,565	11,907,723	9,728,842	11,907,723
	142,146,783	137,298,476	127,467,378	134,874,151

15.1 Trade Payables – Related Parties

	Relationship	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Jet Enterprises (Pvt) Ltd.	Other Related Party	2,592,529	–	2,592,529	–
		2,592,529	–	2,592,529	–

15.2 Other Payables – Related Parties

	Relationship	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Unawatuna Properties (Pvt) Ltd.	Subsidiary	–	–	–	784,559
Ahangama Properties (Pvt) Ltd.	Other Related Party	212,235	212,235	212,235	212,235
Jetwing Hotels Ltd.	Other Related Party	9,005,921	8,419,005	8,812,816	8,419,005
		9,218,156	8,631,240	9,025,051	9,415,799

16. Dividends Paid – Company

	2018 LKR	2017 LKR
Declared and Paid during the Year		
Equity Dividends on Ordinary Shares:		
Final Dividend for 2017: No dividend declared (2016 – LKR 2.50 per share), paid in the subsequent Year	–	115,000,000
Interim Dividend 2018 – LKR 2.50 Per share (2017 – LKR 2.00 per share) paid in the current year	115,000,000	92,000,000
	115,000,000	207,000,000
Proposed for approval at the AGM (not recognised as a Liability as at 31 March)		
Equity Dividends on Ordinary Shares:		
Final Dividend for 2018: Nil (2017 – Nil)	–	–

17. Other Income and Gains

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Insurance Claim Received	269,018	63,783	254,637	63,783
Rent Income	789,481	2,220,941	789,481	2,220,941
Commission Received	–	201,668	–	201,668
Capital Gain on Disposal of Assets	–	–	–	10,975,038
	1,058,499	2,486,392	1,044,118	13,461,430

18. Finance Income and Finance Cost

18.1 Finance Cost

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Interest Expense on Bank Loan	2,269,279	3,988,399	1,799,802	3,988,399
Interest Expense on Bank Overdraft	14,594,820	5,005,115	12,282,952	5,005,115
	16,864,100	8,993,514	14,082,754	8,993,514

18.2 Finance Income

Interest on Foreign Currency Deposits	104,105	136,090	104,105	136,090
Interest on Call Deposits	–	1,410	–	1,410
Interest on Treasury Bills/Repos	496,378	679,355	496,378	679,355
	600,483	816,855	600,483	816,855

19. Profit Before Tax

Stated after Charging/(Crediting)

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Employees Benefits (including the following)	166,258,672	152,087,173	161,927,973	152,087,173
– Defined Benefit Plan Costs – Gratuity	6,212,936	5,495,252	6,179,416	5,495,252
– Defined Contribution Plan Costs – EPF and ETF	14,640,164	13,435,918	14,277,889	13,435,918
Audit Fee	675,551	738,500	595,551	738,500
Depreciation	94,649,153	85,726,172	90,958,093	85,726,172
Amortisation of Leasehold Property	30,303	30,303	30,303	30,303
Amortisation of Intangible Assets	482,044	541,396	409,731	541,396
Exchange (Gain)/Loss	(5,361,932)	(4,421,016)	(5,355,738)	(4,421,016)
(Profit)/Loss on Disposal of Property, Plant and Equipment	(1,377,961)	(965,839)	(1,377,961)	(965,839)
Hotel Operating Fees	46,453,710	44,816,143	45,831,325	44,816,143
Non-Executive Directors' Fees	2,370,000	2,370,000	2,370,000	2,370,000
Donations	413,410	312,125	407,910	312,125
Allowance for doubtful debts	381,842	435,326	381,842	435,326
Included in Marketing and Promotional Expenses				
Advertisements and Promotional Expenses	15,903,404	14,519,120	15,429,324	14,519,120

20. Income Tax

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Computation of Tax Charge is as follows:				
Current Income Tax:				
Statutory Income from Trade – Tax Rate 2% on Turnover	15,191,625	14,772,484	15,191,625	14,772,484
Statutory Income from Hotel Income at 12% (Note 20.2)	23,408	–	23,408	–
Statutory Income from Other Sources (Note 20.1)	138,986	190,614	138,986	190,614
Deferred Tax Charge (Note 20.3)	527,091	–	1,156,054	–
Income Tax Expense Reported in the Statement of Profit or Loss	15,881,110	14,963,098	16,510,073	14,963,098

20.1 Current Tax Expenses/(Income) from Other Sources

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Accounting Profit	148,598,869	152,147,436	153,777,854	163,200,974
Deduction (Note 20.2)	(146,530,222)	(145,560,367)	(146,530,223)	(156,535,405)
Accounting Profit from Other Sources	2,068,647	6,587,069	7,247,631	6,665,569
Aggregate Disallowed Items	11,500,536	5,973,365	6,974,606	5,973,365
Aggregate Allowable Income	(60,776,332)	(14,502,011)	(14,353,140)	(14,502,011)
Taxable Profit/(Loss) for the Year	(47,207,149)	(1,941,577)	(130,903)	(1,863,077)
Current Income Tax Expense at 12% (Note 20.2)	23,408	–	23,408	–
Current Income Tax Expense at 28% (Note 20.2)	138,986	190,614	138,986	190,614
	162,394	190,614	162,394	190,614

(a) As at 31 March 2018, the Group has recorded carried forward tax loss of LKR 46,347,434/- (Company LKR 4,450,172/-).

20.2 As described in Note 2.5.4, 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, Kurulubedda and interest income 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 a deduction.

20.3 Deferred Tax Assets – Liabilities

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Deferred Tax Liabilities	133,613,092	–	127,280,916	–
Deferred Tax Assets	(10,909,206)	–	(5,032,926)	–
Net Deferred Tax Liabilities	122,703,886	–	122,247,990	–

Deferred Taxation Charge/(Reversal) – Income Statements/Other Comprehensive Income

Group	Statement of Financial Position		Income Statement		Other Comprehensive Income/Directly through Equity	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Deferred Tax Liability						
Capital Allowances for Tax Purposes	11,890,371	–	11,890,371	–	–	–
On Land Revaluation Surplus	121,722,721	–	–	–	121,722,721	–
	133,613,092	–	11,890,371	–	121,722,721	–
Deferred Tax Assets						
Defined Benefit Plans	(4,420,565)	–	(4,874,639)	–	454,074	–
Carry Forward Tax Losses	(6,488,641)	–	(6,488,641)	–	–	–
	(10,909,206)	–	–	–	–	–
Deferred Income Tax Charge Recognise in OCI					122,176,795	–
Deferred Income Tax (Income)/Expense			527,091	–		
Net Deferred Tax Liability/(Assets)	122,703,886					

Company	Statement of Financial Position		Income Statement		Other Comprehensive Income/Directly through Equity	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Deferred Tax Liability						
Capital Allowances for Tax Purposes	6,643,054	–	6,643,054	–	–	–
On Land Revaluation Surplus	120,637,862	–	–	–	120,637,862	–
	127,280,916	–	6,643,054	–	120,637,862	–
Deferred Tax Assets						
Defined Benefit Plans	(4,409,901)	–	(4,863,975)	–	454,074	–
Carry Forward Tax Losses	(623,025)	–	(623,025)	–	–	–
	(5,032,926)	–	–	–	–	–
Deferred Income Tax Charge Recognise in OCI					121,091,936	–
Deferred Income Tax (Income)/Expense			1,156,054	–		
Net Deferred Tax Liability/(Assets)	122,247,990	–				

21. Earnings Per Share

21.1 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.

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

	Group	
	2018 LKR	2017 LKR
Amount Used as the Numerator:		
Net Profit Attributable to Ordinary Shareholders for Basic Earnings per Share	132,717,759	137,184,338

	2018 Number	2017 Number
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 (LKR)	2.89	2.98

22. Cash and Cash Equivalents

Components of Cash and Cash Equivalents

22.1 Favourable Cash and Cash Equivalents Balance

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Cash at Bank and in Hand	12,902,522	13,231,586	12,468,675	12,855,582
	12,902,522	13,231,586	12,468,675	12,855,582

22.2 Unfavourable Cash and Cash Equivalents Balance

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Bank Overdrafts (Note 14)	(190,371,813)	(121,726,009)	(165,167,027)	(121,726,009)
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	(177,469,291)	(108,494,423)	(152,698,352)	(108,870,427)

23. Commitments and Contingencies

(a) Capital Expenditure Commitments

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

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Authorised by the Board, but not Contracted for	33,796,880	238,553,517	33,796,880	44,975,578
Contractual Commitments	–	57,672,728	–	–
	33,796,880	296,226,245	33,796,880	44,975,578

(b) Operating Lease Commitments

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

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Within One Year	2,640,000	9,923,232	2,640,000	9,923,232
After One Year but not more than Five Years	1,320,000	16,098,720	1,320,000	16,098,720
	3,960,000	26,021,952	3,960,000	26,021,952

(c) Era Beach by Jetwing

Operating Lease Agreement with Lanciawatta (Private) Limited (to operate Era Beach Hotel) was terminated with effect from 31 March 2018.

(d) Contingent Liabilities

There are no significant contingencies as at the reporting date that require adjustments or disclosure in the Financials Statements other than followings.

- A local authority has claimed a fee amounting to 1% of turnover for the issuance of trade license for the year 2018 from the Company in March 2018. The Company does not agree with such claim as it has paid only 0.5% of turnover for the issuance of trade license for the year 2017. The estimated contingent liability as at 31 March 2018 is LKR 5.1 Mn.
- Contingencies of the Company as at the reporting date on account of guarantees issued on behalf of subsidiary company amounted to USD 600,000/- and LKR 190 Mn.

24. Assets Pledged

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

25. Related Party Disclosures

Details of significant related party disclosures are as follows:

25.1 Transactions with Key Management Personnel of the Group/Company

The Key Management Personnel of the Group/Company are the members of its Board of Directors. In addition to Board of Directors, Director Operations of Jetwing Hotels Ltd., have also been identified as the Key Management Personnel (KMP).

(a) Key Management Personnel Compensation

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Executive Directors' Fees	–	–	–	–
Non-Executive Directors' Fees	2,370,000	2,370,000	2,370,000	2,370,000
Other KMPs	–	–	–	–
	2,370,000	2,370,000	2,370,000	2,370,000

25.2 Transactions with Subsidiary

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Amount Receivable as at 31 March (Note 10)	–	–	276,378	–
Amount Payable as at 31 March (Note 15)	–	–	–	784,559
Nature of Transactions				
Investment in Subsidiary	–	–	75,000,000	100,000,000
Proceeds from Disposal of Fixed Assets	–	–	–	44,250,000
Reimbursement of Development Expenses	–	–	777,584	7,100,296
Reimbursement of Expenses	–	–	943,731	–

25.3 Other Related Party Disclosures

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

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

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Amount Receivable as at 31 March (Note 10)	18,316,233	13,999,074	17,741,281	13,999,074
Amount Payable as at 31 March (Note 15)	11,810,685	8,631,240	11,617,580	8,631,240
Nature of Transactions				
Hotel Operation and Marketing Fees	46,453,710	44,816,143	45,831,325	44,816,143
Purchases of Food & Beverage	11,196,129	8,950,826	11,196,129	8,950,826
Advertising Expenses and Other Reimbursements	14,939,637	16,899,692	14,465,557	15,901,069
Sale of Accommodation and Transfers	100,486,415	92,053,141	99,881,096	92,053,141
Other Expenses	536,812	315,780	536,812	315,780
Transport Charges	723,963	186,332	723,963	186,332
Rent Received	–	612,245	–	612,245
Gratuity Transfer	164,290	(4,764,613)	94,846	(4,764,613)
Laundry Income	1,144,210	823,387	1,144,210	823,387
Proceeds from Disposal of Fixed Assets	–	2,053,108	–	2,053,108
Support Service Charges	8,785,434	7,637,452	8,785,434	7,637,452
Purchases of Goods	2,143,628	326,541	1,637,988	326,541
Purchases of Assets	3,889,965	2,248,252	1,346,793	2,248,252
IT Service Charges	656,061	770,315	656,061	770,315
Hotel Development Fees	4,823,419	–	–	–

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

26. Risk Management Objectives and Policies

Financial Risk Management

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

- Credit risk
- Liquidity risk
- Market risk

Group's/Company's exposure to each of the above risks, and the Group's/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 Group/Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's/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, as the Group/Company trades only with recognised, creditworthy third parties. It is the Group's/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:

	Group		Company	
	Carrying Value		Carrying Value	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Cash at Bank and in Hand	12,902,522	13,231,586	12,468,675	12,855,582
Unquoted Equity Securities	87,286,467	87,401,447	87,286,467	87,401,447
Trade and Other Receivables	131,419,651	125,760,935	122,944,965	118,853,391

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

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
As at 1 April	2,086,653	1,651,327	2,086,653	1,651,327
Additional Impairment Recognised during the Year	381,842	435,326	381,842	435,326
At at 31 March	2,468,494	2,086,653	2,468,494	2,086,653

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

Group	2018			2017		
	Gross Carrying Amount LKR	Impairment Allowance LKR	Net Carrying Amount LKR	Gross Carrying Amount LKR	Impairment Allowance LKR	Net Carrying Amount LKR
Neither past due, nor Impaired	79,264,234	–	79,264,234	71,784,398	–	71,784,398
Past due 31-60, but not Impaired	35,731,166	–	35,731,166	45,942,122	–	45,942,122
Past due 61-180	14,961,355	–	14,961,355	6,899,263	(203,455)	6,695,808
Past due more than 180 Days	3,931,391	(2,468,494)	1,462,897	3,221,805	(1,883,198)	1,338,607
	133,888,145	(2,468,494)	131,419,651	127,847,588	(2,086,653)	125,760,935

Company	2018			2017		
	Gross Carrying Amount LKR	Impairment Allowance LKR	Net Carrying Amount LKR	Gross Carrying Amount LKR	Impairment Allowance LKR	Net Carrying Amount LKR
Neither past due, nor Impaired	73,553,555	–	73,553,555	64,876,854	–	64,876,854
Past due 31-60, but not Impaired	33,726,845	–	33,726,845	45,942,122	–	45,942,122
Past due 61-180	14,201,669	–	14,201,669	6,899,263	(203,455)	6,695,808
Past due more than 180 Days	3,931,391	(2,468,494)	1,462,897	3,221,805	(1,883,198)	1,338,607
	125,413,459	(2,468,494)	122,944,965	120,940,044	(2,086,653)	118,853,391

(b) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group had access to undrawn overdraft facilities of LKR 140 Mn. and undrawn facility of LKR 90 Mn. (Company – undrawn overdraft facility of LKR 65 Mn.) as at 31 March 2018.

Maturity Analysis

Group	1-6 Months LKR	6-12 Months LKR	1-5 Years LKR	Total LKR
Bank Loan	831,000	831,000	99,955,188	101,617,188
Bank Overdraft	190,371,813	–	–	190,371,813
Trade and Other Payables	131,393,218	–	–	131,393,218
Total 2018	322,596,031	831,000	99,955,188	423,382,219
Total 2017	271,249,362	24,132,600	18,396,100	313,778,062

Company	1-6 Months LKR	6-12 Months LKR	1-5 Years LKR	Total LKR
Bank Loan	831,000	831,000	6,371,688	8,033,688
Bank Overdraft	165,167,027	–	–	165,167,027
Trade and Other Payables	117,738,535	–	–	117,738,535
Total 2018	283,736,562	831,000	6,371,688	290,939,250
Total 2017	268,825,038	24,132,600	18,396,100	311,353,738

As at the reporting date, the Group had cash of LKR 12,902,522/- (Company LKR 12,468,675/-) 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 Group's/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 cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group/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 31 March 2018 are as follows:

Group	In USD	In EURO
Cash at Bank and in Hand	31,242	8,212
Trade Receivables (Non-Interest-Bearing and Uncollaterised)	61,147	76,156
Bank Loans	(600,000)	–
Net Aggregate Carrying Value	(507,610)	84,368
Net Aggregate Carrying Value in LKR 2018	(79,173,209)	16,217,307
Net Aggregate Carrying Value in LKR 2017	(49,600,307)	14,266,564

Company	In USD	In EURO
Cash at Bank and in Hand	31,242	8,212
Trade Receivables (Non-Interest-Bearing and Uncollaterised)	61,147	76,156
Net Aggregate Carrying Value	92,390	84,368
Net Aggregate Carrying Value in LKR 2018	14,410,291	16,217,307
Net Aggregate Carrying Value in LKR 2017	(49,600,307)	14,266,564

The Group 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 Group's/Company's exposure to the risk of changes in market interest rates relates primarily to the Group's/Company's long-term debt obligations with floating interest rates.

Interest Rate Sensitivity – Group/Company

The following table demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the Group's/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 LKR 31 March 2018
USD Bank loans	+50 basis points	(38,993)
USD Bank loans	-50 basis points	38,993

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 intention 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 Group's objective for managing its capital is to ensure that Group will be able to continue as a going concern while maximising the return to shareholders, as well as sustaining the future development of its business. In order to maintain or adjust the capital structure, the Group may alter the total amount of dividends paid to shareholders, issue new shares, and draw down additional debt.

27. Fair Value

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 and Other Receivables, Short-Term Deposits and Trade and 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 31 March 2018, the carrying amounts of such borrowings are not materially different from their calculated fair values.

28. 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.

Check Out

RELATED COMPANIES WHICH HAD TRANSACTIONS WITH THE COMPANY

Name of company	Nature of transactions	Value of transactions 2018 LKR	2017 LKR
Jetwing Hotels Ltd.	Hotel Operation and Marketing Fees	45,831,325	44,816,143
	Advertising Expenses and Other Reimbursements	14,044,846	14,532,342
	Transport Charges	273,206	–
Jet Shipping & Logistics (Pvt) Ltd.	Other Expenses	–	242,061
Sea Shells Hotel (Pvt) Ltd.	Sale of Accommodation and Transfers	44,077	140,570
	Other Expenses	32,945	–
	Advertising Expenses and Other Reimbursements	–	111,559
Ahangama Properties (Pvt) Ltd.	Advertising Expenses and Other Reimbursements	–	137,027
	Sale of Accommodation and Transfers	–	12,878
	Purchases of Asset	–	159,758
	Other Expenses	208,747	28,233
Jetwing Travels (Pvt) Ltd.	Sale of Accommodation and Transfers	88,013,222	84,423,799
	Advertising Expenses and Other Reimbursements	–	186,415
	Transport Charges	408,682	73,048
	IT Service Charges	656,061	770,315
Yala Properties (Pvt) Ltd.	Purchases of Food and Beverage	3,648	1,300
	Sale of Accommodation and Transfers	160,184	249,913
	Other Expenses	20,318	–
	Gratuity Transfer	94,846	94,583
	Rent Received	–	229,592
Jetwing Events (Pvt) Ltd.	Sale of Accommodation and Transfers	993,932	1,513,544
Jet Enterprises (Pvt) Ltd.	Purchases of Wine	11,048,970	8,921,970
	Purchases of Asset	1,346,793	2,088,495
	Purchases of Goods	1,636,148	148,501
	Other Expenses	–	6,500
Go Vacation Lanka Co. (Pvt) Ltd.	Sale of Accommodation and Transfers	5,306,905	2,696,589
Negambo Properties (Pvt) Ltd.	Accomodation Charges for Training Programmes	–	32,145
St. Andrews Hotel (Pvt) Ltd.	Sale of Accommodation and Transfers	39,503	198,272
	Transport Charges	–	11,709
	Proceeds from Disposal of Fixed Assets	–	251,306
Atlas Investments (Pvt) Ltd.	Sale of Accommodation and Transfers	184,784	–
	Laundry Income	1,144,210	823,387
	Gratuity Transfer	–	32,957
	Purchases of Goods	–	51,656

Name of company	Nature of transactions	Value of transactions 2018 LKR	2017 LKR
The First Resort (Pvt) Ltd.	Sale of Accommodation and Transfers	117,822	105,488
	Advertising Expenses and Other Reimbursements	–	902
	Other Expenses	–	1,818
	Rent Received	–	382,653
	Gratuity Transfer	–	97,573
Yala Safari Beach Hotel (Pvt) Ltd.	Transport Charges	42,075	101,575
Negombo Hotels Ltd.	Sale of Accommodation and Transfers	80,899	276,512
	Advertising Expenses and Other Reimbursements	–	37,801
Blue Oceanic Beach Hotel (Pvt) Ltd.	Purchases of Food and Beverage	59,511	26,905
	Advertising Expenses and Other Reimbursements	206,108	72,293
	Sale of Accommodation and Transfers	113,942	387,435
Three Seas (Pvt) Ltd.	Purchases of Food and Beverage	–	650
	Advertising Expenses and Other Reimbursements	–	538,930
	Sale of Accommodation and Transfers	110,689	1,023,182
	Purchases of Goods	1,840	–
	Other Expenses	44,022	–
Jetwing Eco Holidays (Pvt) Ltd.	Sale of Accommodation and Transfers	3,708,129	818,943
Lanka Dhiviya (Pvt) Ltd.	Sale of Accommodation and Transfers	–	90,138
	Purchases of Goods	–	10,500
Villa Properties (Pvt) Ltd.	Support Service Charges	8,785,434	7,637,452
Lanka Houseboat (Pvt) Ltd.	Sale of Accommodation and Transfers	75,000	
	Purchases of Goods	–	50,884
	Other Expenses	12,930	
Yarl Hotels (Pvt) Ltd.	Sale of Accommodation and Transfers	357,172	20,495
	Other Expenses	–	25,956
Jetwing Ayurveda (Pvt) Ltd.	Sale of Accommodation and Transfers	–	26,087
The Royal Heritage Hotel (Pvt) Ltd.	Sale of Accommodation and Transfers	–	10,000
	Gratuity Transfer	–	3,970,575
Fortune Premier (Pvt) Ltd.	Sale of Accommodation and Transfers	54,000	46,609
	Gratuity Transfer	–	9,127
	Other Expenses	217,850	–
The Solutions Group (Pvt) Ltd.	Advertising Expenses and Other Reimbursements	214,603	251,655

Name of company	Nature of transactions	Value of transactions 2018 LKR	Value of transactions 2017 LKR
Jie Zhong Jie Lanka Developing Contruction and Engineering (Pvt) Ltd.	Gratuity Transfer	–	345,984
Jetwing Kaduruketha (Pvt) Ltd.	Sale of Accommodation and Transfers	96,161	13,087
	Purchases of Goods	–	65,000
	Other Expenses	–	10,811
Unawatuna Properties (Pvt) Ltd.	Investment in Subsidiary	75,000,000	100,000,000
	Purchase of Assets	–	44,250,000
	Reimbursement of Expenses	777,584	7,100,296
	Temporary Advance Received	943,731	–
Cultural Heritage (Pvt) Ltd.	Sale of Accommodation and Transfers	45,522	–
	Gratuity Transfer	–	213,814
	Proceeds from Disposal of Motor Vehicle	–	1,801,802
Jetwing City (Pvt) Ltd.	Sale of Accommodation and Transfers	379,153	–
Kaduruketha Farmers (Pvt) Ltd.	Purchases of Food and Beverage	84,000	–

NAMES OF THE DIRECTORS OF THE RELATED COMPANIES WHICH HAD TRANSACTIONS WITH THE COMPANY

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

Jet Shipping & Logistics (Pvt) Ltd.
Directors
Ms N T M S Cooray
Mr N J H M Cooray
Mr I S B M Adhikaramge

Seashells Hotel (Pvt) Ltd.
Directors
Mr N J H M Cooray
Mr R A E Samarasinghe
Mr B K Chaudhary
Mr R K Chaudhary

Ahangama Properties (Pvt) Ltd.
Directors
Mr N J H M Cooray
Mr R A E Samarasinghe

Jetwing Travels (Pvt) Ltd.
Directors
Ms N T M S Cooray
Mr N J H M Cooray
Mr R A E Samarasinghe
Mr R J Arasaratnam

Yala Properties (Pvt) Ltd.
Directors
Mr N J H M Cooray
Mr R A E Samarasinghe
Mr N H V Perera

Jetwing Events (Pvt) Ltd.
Directors
Ms N T M S Cooray
Mr R J Arasaratnam

Jet Enterprises (Pvt) Ltd.
Directors
Mr N J H M Cooray
Mr R A E Samarasinghe
Ms N T M S Cooray
Mr C S R S Anthony
Mr J S W Kasturi Arachchi

Go Vacation Lanka (Pvt) Ltd.
Directors
Ms N T M S Cooray
Mr R J Arasaratnam
Mr R V G G G Honings
Mr C C E J Mueller

Negombo Properties (Pvt) Ltd.
Directors
Mr N J H M Cooray
Mr R A E Samarasinghe

St Andrew's Hotel (Pvt) Ltd.
Directors
Mr N J H M Cooray
Mr R A E Samarasinghe

Atlas Investments (Pvt) Ltd.
Directors
Mr K S C D Perera
Ms C D Liyanage

The First Resort (Pvt) Ltd.
Directors
Mr N J H M Cooray
Mrs A M J Cooray
Mr R A E Samarasinghe
Mr C S R S Anthony

Yala Safari Beach Hotel (Pvt) Ltd.
Directors
Mr N J H M Cooray
Mr R A E Samarasinghe
Mr N H V Perera

Negombo Hotels Ltd.
Directors
Mr N J H M Cooray
Ms N T M S Cooray
Mrs A M J Cooray
Mr R A E Samarasinghe

Blue Oceanic Beach Hotel (Pvt) Ltd.
Directors
Mr N J H M Cooray
Mrs A M J Cooray
Mr R A E Samarasinghe
Mr N H V Perera
Ms M D H Gunawardena

Three Seas (Pvt) Ltd.
Directors
Ms E A F Robijns
Mr C H M Cadell
Mr P M J Cochennec
Mr G M Chautard
Mr Ranil de Silva

Jetwing Eco Holidays (Pvt) Ltd.
Directors
Mr N J H M Cooray
Mr R A E Samarasinghe
Mr R J Arasaratnam
Mr R M N Lokuge
Mr C S R S Anthony

Lanka Dhiviya (Pvt) Ltd.
Directors
Mr N J H M Cooray
Mrs D J Cooray
Mr N J D M Cooray

Villa Properties (Pvt) Ltd.
Directors
Mr N J H M Cooray
Mr R A E Samarasinghe

NAMES OF THE DIRECTORS OF THE RELATED COMPANIES WHICH HAD TRANSACTIONS WITH THE COMPANY

Lanka Houseboats (Pvt) Ltd.

Directors
Mr N J H M Cooray
Ms N T M S Cooray
Mr R A E Samarasinghe
Mr K Balasundaram
Mr B A B Goonetilleke
Mr R N Asirwatham

Yarl Hotels (Pvt) Ltd.

Directors
Mr N J H M Cooray
Ms N T M S Cooray
Mr R A E Samarasinghe
Mr K Balasundaram
Mr B A B Goonetilleke
Mr R N Asirwatham

Jetwing Ayurveda (Pvt) Ltd.

Directors
Mr N J H M Cooray
Mr R A E Samarasinghe

The Royal Heritage Hotel (Pvt) Ltd.

Directors
Mr N J H M Cooray
Mr R A E Samarasinghe
Mr B K Chaudhary
Mr R K Chaudhary

Fortune Premier (Pvt) Ltd.

Director
Mr T Nadesan
Mr C Y Gunawardena
Mr S C Niles

The Solutions Group (Pvt) Ltd.

Directors
Mr Ranil de Silva
Ms N T M S Cooray
Mr S Varma
Mr N Mukherjee

Jie Zhong Jie Lanka Developing Construction & Engineering (Pvt) Ltd.

Directors
Mr L Jianguo
Mr S S Silva

Jetwing Kaduruketha (Pvt) Ltd.

Directors
Mr N J H M Cooray
Mr C S R S Anthony
Mr R A E Samarasinghe
Mr U L Kadurugamuwa
Mr L R M G L Kadurugamuwa

Unawatuna Properties (Pvt) Ltd.

Directors
Mr N J H M Cooray
Mr R A E Samarasinghe

Cultural Heritage (Pvt) Ltd.

Directors
Mr N J H M Cooray
Mr R A E Samarasinghe

Jetwing City (Pvt) Ltd.

Directors
Mr N J H M Cooray
Mr R A E Samarasinghe
Mrs A M J Cooray

Kaduranketha Farmers (Pvt) Ltd.

Directors
Mr N J H M Cooray
Mr R A E Samarasinghe
Mr L R M G L Kadurangamuwa

INFORMATION TO SHAREHOLDERS AND INVESTORS

The number of shareholders as at 31 March 2018

Number of Shares held	Residents			Non-Residents			Total		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 – 1,000	950	266,097	0.58	7	1,403	0.00	957	267,500	0.58
1,001 – 5,000	142	398,313	0.87	4	16,000	0.03	146	414,313	0.90
5,001 – 10,000	34	276,045	0.60	1	5,100	0.01	35	281,145	0.61
10,001 – 50,000	13	389,883	0.85	0	–	0.00	13	389,883	0.85
50,001 – 100,000	5	412,685	0.90	2	200,000	0.43	7	612,685	1.33
100,001 – 500,000	5	1,216,973	2.65	–	–	–	5	1,216,973	2.65
500,001 – 1,000,000	6	4,163,513	9.05	–	–	–	6	4,163,513	9.05
Over 1,000,000	6	38,653,988	84.03	–	–	–	6	38,653,988	84.03
Total	1,161	45,777,497	99.52	14	222,503	0.48	1,175	46,000,000	100.00

Categories of Shareholders	Residents		
	No. of Shareholders	No. of Shares	%
Individuals	1,110	4,775,436	10.38
Institutions	65	41,224,564	89.62
Total	1,175	46,000,000	100.00

Twenty largest shareholders as at 31 March 2018

Name of Shareholder	No. of Shares as at 31 March 2018	%	No. of Shares as at 31 March 2017	%
Jetwing Hotels Management Services (Pvt) Limited	18,970,440	41.24	18,970,440	41.24
Mercantile Investments And Finance PLC	7,736,677	16.82	7,736,677	16.82
Employees Provident Fund	5,084,800	11.05	5,084,800	11.05
Bank of Ceylon – A/C No. – 2	4,474,620	9.73	4,474,620	9.73
Mrs A M J Cooray	1,211,784	2.63	1,211,784	2.63
National Savings Bank	1,175,667	2.56	1,175,667	2.56
Jetwing Travels (Private) Limited	840,200	1.83	840,200	1.83
Ms N T M S Cooray	789,803	1.72	789,803	1.72
Mr N J H M Cooray	748,803	1.63	748,803	1.63
Dee Investments (Pvt) Limited	668,600	1.46	669,600	1.46
Jetwing Eco Holidays (Pvt) Limited	595,984	1.30	595,984	1.30
The Nuwara Eliya Hotels Company PLC	520,123	1.13	520,123	1.13
Mr D J De Silva Wijeyeratne	347,200	0.75	347,200	0.75
Confifi Management Services (Private) Limited	275,900	0.60	275,900	0.60
Confifi Investments (Pvt) Limited	250,000	0.54	250,000	0.54
Fern Holdings (Private) Limited	238,119	0.52	220,604	0.48
Miss A M Wikramanayake	105,754	0.23	105,754	0.23
Mr S Mendis	100,000	0.22	100,000	0.22
Mrs C A D S Woodward	100,000	0.22	100,000	0.22
Mr L A R Perera	100,000	0.22	100,000	0.22
Total	44,334,474	96.38	44,317,959	96.34

There were no non-voting shares as at 31 March, 2018

31.44% of the issued capital of the Company was held by the public, comprising of 1,158 shareholders and a float adjusted market capitalisation of LKR 575,603,520/- as at 31st March 2018. In terms of Rule 7.13.1.(b) of the Listing Rules of the Colombo Stock Exchange, the Company qualifies under option 2 of the minimum public holding requirement.

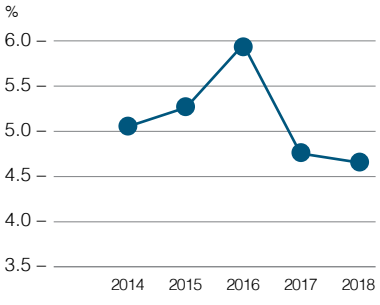
Market Value and Trading of Shares

	31 March 2018 LKR	31 March 2017 LKR
Net Assets Value Per Share As At	62.29	62.00
Market Value Per Share As At	39.80	49.00
Highest Market Value Per Share – During the Year	58.00	62.30
Lowest Market Value Per Share – During the Year	36.00	48.20

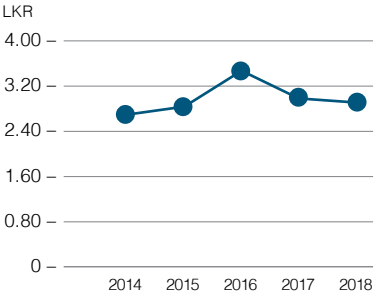
Share Trading - During the Year

	31 March 2018	31 March 2017
Number of Transactions	514	277
Number of Shares Traded	141,480	564,905
Value of Shares Traded (LKR)	6,045,711	34,442,323

Return on Equity (ROE)



Earnings per Ordinary Share



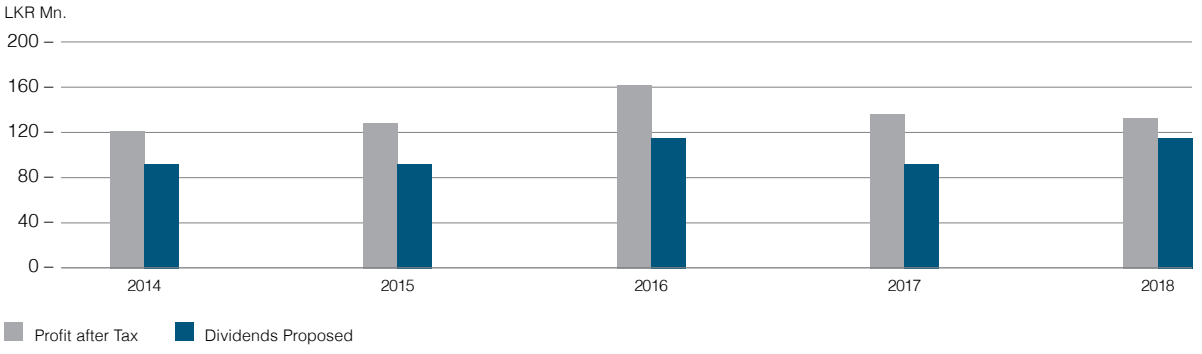
The Lighthouse Hotel PLC's earning per share decreased slightly by 3.18% from LKR 2.98 in the previous year to LKR 2.89 during the period under review. The Price/Earnings ratio slightly decreased from 16.44 times by end of March 2017 to 13.77 times at the end of March 2018.

Dividend Policy

The dividend policy of the Group aims at creating value in the long term while seeking to maximize shareholder wealth in the short, medium and long term. The objective of the dividend policy is to maintain a healthy financial structure and to retain sufficient earnings in order to execute future business expansions and to provide consistent stream of dividend to shareholders.

The Board of Directors of the Group declared an interim dividend of LKR 2.50 per share on 19 March 2018. The total gross dividend outflow from the interim dividend amounted to LKR 115 Mn. A dividend payout ratio of the Group will be 87% for the year ended 31 March 2018 (2017 – 67%). In the past, the Company has maintained a dividend payout ratio of over 70%

Profit after Tax Vs Dividend Paid/Proposed



Real Estate Holdings of the Group

Location	Buildings in Sq.Ft.	No. of Buildings	Land Extent Area (in Acres)		Net Book Value as at 31 March 2018 LKR '000
			Freehold Property	Leasehold Property	
Galle	280,000	15	9.45	3	2,889,245

Recurrent Related Party Transactions

Name of the Related Party	Relationship	Nature of the Transactions	Aggregate Value of Related Party Transactions Entered into during the Financial Year LKR	Aggregate Value of Related Party Transactions as a % of Net Revenue Income	Terms and Conditions of the Related Party Transactions
Jetwing Travels (Pvt) Ltd.	Other Related Party	Sale of Accommodation	87,179,620/-	10.4%	Credit Period of 30 days Normal Trade Discounts

TEN YEAR SUMMARY

Group

Year ended 31 March	2018 LKR '000	2017 LKR '000	2016 LKR '000
Operating Results			
Revenue	836,005	799,219	836,072
Profit Before Taxation	148,599	152,147	177,754
Taxation	15,881	14,963	15,634
Profit After Taxation	132,718	137,184	162,120
Shareholders' Funds			
Stated Capital	460,001	460,001	460,001
Reserves	2,076,460	2,084,684	2,084,874
Retained Earnings	328,702	307,654	378,240
Shareholders' Funds	2,865,163	2,852,339	2,923,115
Liabilities			
Interest-Bearing Loans and Borrowings	291,989	188,387	111,444
Current Liabilities	146,180	140,161	130,525
Other Liabilities	31,618	30,088	30,763
Deferred Tax liabilities	122,704	–	–
Total Equity and Liabilities	3,457,654	3,210,975	3,195,847
Assets			
Property, Plant and Equipment	3,185,405	2,939,788	2,934,916
Leasehold Property/Prepaid Lease Rent	2,303	2,333	2,363
Intangible Assets	1,304	629	1,170
Investments/Other Non-Current Financial Assets	87,287	87,401	87,592
Current Assets	181,355	180,823	169,806
Total Assets	3,457,654	3,210,975	3,195,847
Cash Flow			
From Operating Activities	238,003	213,898	276,741
From Investing Activities	(230,634)	(86,316)	(126,534)
From Financing Activities	(76,344)	(250,901)	(156,729)
Net Cash Inflow/(Outflow)	(68,975)	(123,319)	(6,522)
Cash and Cash Equivalents as at 31 March	(177,469)	(108,494)	14,825
Key Indicators			
Earnings/(Loss) per Ordinary Share (LKR)	2.89	2.98	3.52
Net Assets per Ordinary Share (LKR)	62.29	62.00	63.55
Market Value per Share (LKR)	39.80	49.00	52.90
Dividends per Share (LKR)	2.50	2.00	2.50
Price to Earnings Ratio (Times)	13.77	16.44	15.03
Dividend Payout Ratio (%)	87	67	71

2015 LKR '000	2014 LKR '000	2013 LKR '000	2012 LKR '000	2011 LKR '000	2010 LKR '000	2009 LKR '000
731,743	681,105	614,727	539,192	425,552	303,591	247,515
140,456	136,597	127,292	123,964	72,201	29,297	(20,034)
11,049	14,278	15,138	12,867	10,604	6,607	5,219
129,407	122,319	112,154	111,097	61,597	22,690	(25,253)
460,001	460,001	460,001	460,001	460,001	460,001	460,001
1,696,305	1,696,722	1,696,404	357,536	357,536	1,734,935	1,763,388
310,754	273,927	247,126	1,554,092	1,490,275	96,533	45,391
2,467,060	2,430,650	2,403,531	2,371,629	2,307,812	2,291,469	2,268,780
158,745	138,779	–	–	–	–	–
117,459	150,002	91,282	94,641	71,905	48,343	41,106
24,949	22,678	14,971	12,625	10,083	8,270	6,678
–	–	–	–	–	–	–
2,768,213	2,742,109	2,509,784	2,478,895	2,389,800	2,348,082	2,316,564
2,510,503	2,529,137	2,205,908	2,144,390	2,145,796	2,172,242	2,205,974
2,394	2,424	2,454	2,485	2,515	23,914	24,179
1,279	852	937	866	1,226	1,250	–
87,976	59,389	59,071	43,750	43,750	43,750	25,000
166,061	150,307	241,414	287,404	196,513	106,926	61,411
2,768,213	2,742,109	2,509,784	2,478,895	2,389,800	2,348,082	2,316,564
165,122	231,455	153,353	151,116	113,067	63,056	27,686
(90,887)	(379,875)	(115,606)	(40,000)	(19,182)	(31,402)	(8,832)
(65,208)	34,701	(92,000)	(46,000)	(23,000)	–	(23,000)
9,027	(113,719)	(54,253)	65,116	70,885	31,654	(4,146)
21,347	12,320	126,039	180,292	115,176	44,292	12,637
2.81	2.66	2.44	2.42	1.34	0.49	(0.55)
53.63	52.84	52.25	51.56	50.17	49.81	49.32
60.00	44.40	47.40	50.00	56.00	61.25	57.50
2.00	2.00	2.00	2.00	1.00	0.50	Nil
21.35	16.69	19.43	20.66	41.79	125.00	104.55
71	75	82	84	75	102	N/A

ABOUT THIS REPORT

Report Structure

This, our fourth consecutive Integrated Annual Report, documents a detailed account of economic, environmental and social performance of the The Lighthouse Hotel PLC for the year 2017/18. The Report includes financial and non-financial information related to the Company's main businesses, key functions and strategic investments. It also provides material information which relates to the Company's strategy, governance, performance and sustainability in the context of creating value over time in a more effective and coherent manner.

In preparing our Integrated Report we were guided by the following concepts and principles:

– Global Reporting Initiative (GRI) Sustainability Reporting Guidelines G4 (2013); *www.globalreporting.org*
– The International Integrated Reporting Framework (2013); *www.theiirc.org* and
– The Smart Integrated Reporting MethodologyTM *www.smart.lk*

Report Boundary and Materiality

Material contained in this Report pertains to properties of The Lighthouse Hotel PLC [Jetwing Lighthouse, Jetwing Lighthouse Club and Jetwing Kurulubedda (owned), Era Beach or Galle Heritage Villa (managed)]. However, non-financial information included, are only for owned properties of The Lighthouse Hotel PLC.

As Jetwing Lighthouse is an entity operating within the Jetwing Brand, many of its practices and processes and its statutory orientation is defined by standard practices observed across the Jetwing Family of Hotels. Hence, the reader will find phraseology such as "Jetwing Family of Hotels"; "Jetwing Hotels"; "Associates" and the like interspersed in our narrative. Our Report focuses on aspects that are material and relevant. It is an assessment based on the extent to which they may substantively affect the Company's ability to create value over the short, medium and long term. Materiality determination process is discussed under Integrated Risk Management on page 39. External assurance has been obtained from Messrs Ernst & Young only for the Financial Statements.

Compliance

This integrated Annual Report covers the 12-month period from 1 April 2017 to 31 March 2018. The Lighthouse Hotel PLC maintains an annual cycle for financial and sustainability reporting and the latter is in accordance with the core criteria of GRI Standards guidelines.

There are no significant changes from previous reporting periods in the scope and aspect boundaries. The last published report – which was also an integrated report – covered the 12-month period ended 31 March 2017.

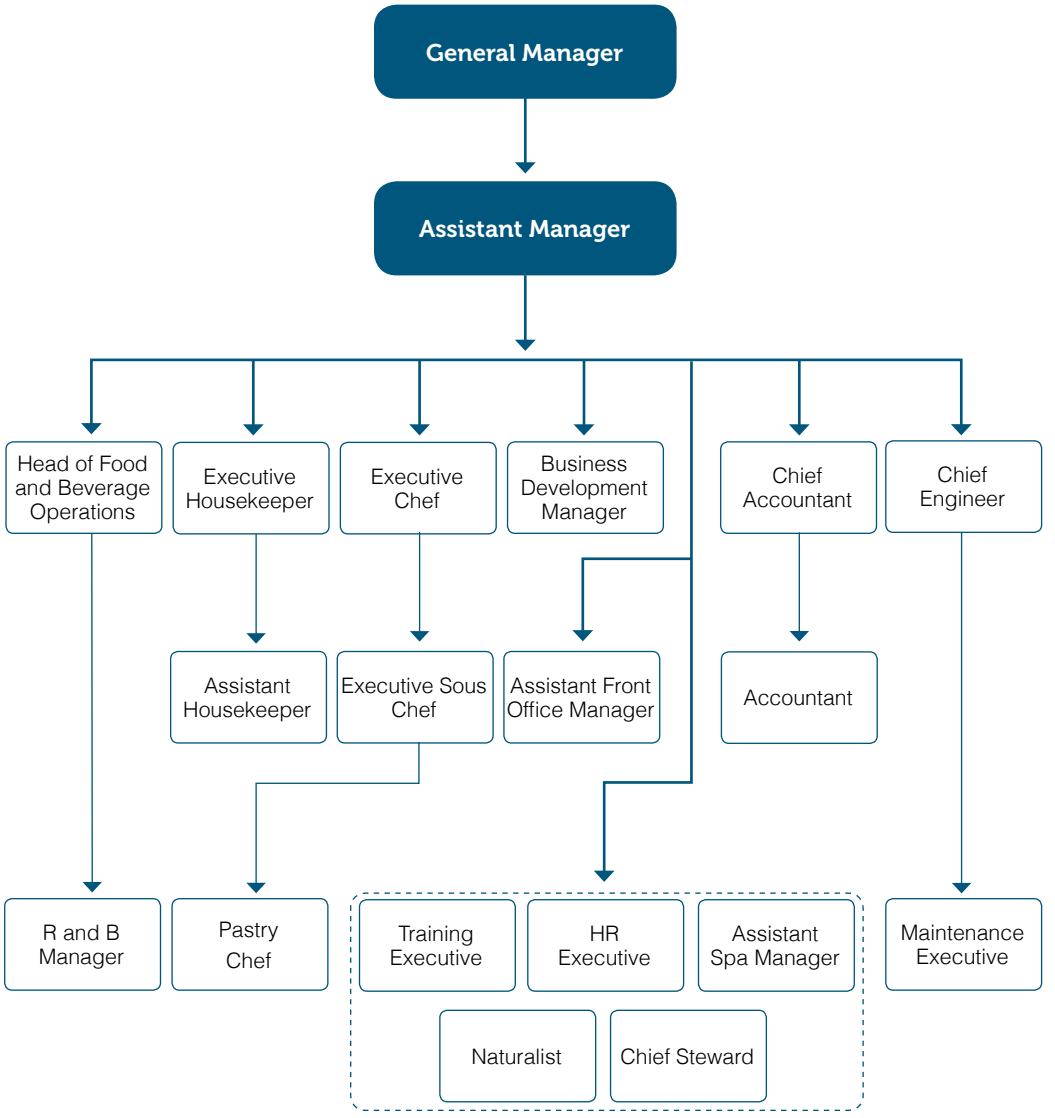
There were no restatements of information provided in previous Reports. However, updates on progress of continuing activities and initiatives are provided within; and references may be done to past information for clarity. The information contained in this Report, as in the past, is in compliance with all applicable laws, regulations and standards.

Contact

We welcome your comments, queries and suggestions. Please channel these to –

Group Accountant,
Jetwing Hotels Ltd.,
Jetwing House,
46/26, Nawam Mawatha, Colombo 02.
Tel: +94 112 345 700 Ext. 1315 or 2259
Email: *accounts@jetwinghotels.com*

ORGANISATIONAL STRUCTURE



Our Organisational Structure underwent changes. Two new positions have been created in the organisational structure at Jetwing Lighthouse: The position of Business Development Manager and the position of Head of Food and Beverage Operations overlooking F&B Operations for all owned and managed properties of TLHH.

GRI CONTENT INDEX

Indicator	Description	Page	Section
General Standard Disclosures			
Strategy and Analysis			
G4-1	Most senior decision-maker's statement	14-15	Chairman's Letter
Organisational Profile			
G4-3	Name of the organisation	161	Corporate Information
G4-4	Primary brands, products and services	9-11	About Jetwing Lighthouse
G4-5	Location of the organisation's headquarters	161	Corporate Information
G4-6	Countries where the organisation operates	9	About Jetwing Lighthouse
G4-7	Nature of ownership and legal form	9	About Jetwing Lighthouse
G4-8	Markets served	9	About Jetwing Lighthouse
G4-9	Scale of the reporting organisation	9, 22, 23	About Jetwing Lighthouse
G4-10	Total workforce by employment type, age, gender and region	51	Hoteliers
G4-11	Employees covered by collective agreements	56	Hoteliers
G4-12	Organisation's supply chain	35	Institutional Capital
G4-13	Changes during the reporting period regarding size, structure or ownership	9-11	About Jetwing Lighthouse
G4-14	How the precautionary approach or principle is addressed by the organisation	86	Risk Management
G4-15	Externally developed economic, environmental and social charters, principles or other initiatives	34, 35	Institutional Capital
G4-16	List of memberships of associations	34, 35	Institutional Capital
Identified Material Aspects and Boundaries			
G4-17	List of all entities included in the organisation's consolidation Financial Statements	110	Notes to the Financial Statements
G4-18	Process of defining the report content	38	Materiality
G4-19	List of all material aspects identified in the process for defining report content	38	Materiality
G4-20	Aspect boundary within the organisation	156	About this Report
G4-21	Aspect boundary outside the organisation	156	About this Report
G4-22	Restatements of previous information	156	About this Report
G4-23	Significant changes to the scope and boundary from previous reporting periods	156	About this Report
Stakeholder Engagement			
G4-24	List of stakeholder groups engaged by the orgnaisation	36-38	Stakeholders
G4-25	Basis of identification and selection of stakeholders with whom to engage	36-38	Stakeholders
G4-26	Organisation's approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	36-38	Stakeholders
G4-27	Key topics and concerns that have been raised through stakeholder engagement	36-38	Stakeholders

Indicator	Description	Page	Section
Report Profile			
G4-28	Reporting period	156	About this Report
G4-29	Date of most recent previous report	156	About this Report
G4-30	Reporting cycle	156	About this Report
G4-31	Contact point regarding the report	156	About this Report
G4-32	Compliance with GRI G4 guidelines	156	About this Report
G4-33	Policy and current practice with regard to external assurance		No external assurance obtained
Governance			
G4-34	Governance structure of the organisation	74-78, 157	Stewardship/ Organisational Structure
Ethics and Integrity			
G4-56	Organisation's values, principles, standards and norms of behaviour	35	Institutional Capital
Specific Standard Disclosures			
Category: Economic			
Aspect: Economic Performance			
G4-EC1	Economic value generated and distributed	100	Safe Deposit
G4-EC3	Coverage of the organisation's defined benefit plan obligations	116-117	Safe Deposit
Aspect: Market Presence			
G4-EC6	Proportion of Senior Management hired from the local community	51	Hoteliers
Aspect: Indirect Economic Impacts			
G4-EC7	Development and impact of infrastructure investments and services supported	60-61	Community
Aspect: Procurement Practices			
G4-EC9	Proportion of spending on local suppliers at significant location of operation	35	Institutional Capital
Category: Environmental			
Aspect: Energy			
G4-EN3	Energy consumption within the organisation	66	Environment
G4-EN5	Energy intensity	67	Environment
G4-EN6	Reductions in energy consumption	67	Environment
Aspect: Water			
G4-EN8	Total water withdrawn by source	71	Environment
G4-EN10	Percentage and total volume of water recycled and reused	70	Environment
Aspect: Emissions			
G4-EN15	Direct GHG emissions (scope 1)	68	Environment
G4-EN16	Indirect GHG emissions (scope 2)	68	Environment
G4-EN18	GHG emissions intensity	68	Environment
G4-EN19	Reduction of GHG emissions	68	Environment
Aspect: Effluents and Waste			
G4-EN22	Total water discharge by quality and destination	70	Environment
G4-EN23	Total weight of waste by type and disposal method	70	Environment
Aspect: Compliance			
G4-EN29	Monetary value of significant fines and non-monetary sanctions		None reported

Indicator	Description	Page	Section
Aspect: Overall			
G4-EN31	Environmental protection expenditures and investments by type	65	Environment
Aspect: Environmental Grievance Mechanisms			
G4-EN34	Grievances about environmental impacts	70	Environment
Category: Social			
Sub-Category: Labour Practices and Decent Work			
Aspect: Employment			
G4-LA1	Number and rates of new employee hires and employee turnover	52-53	Hoteliers
G4-LA2	Benefits provided to full-time employees	55	Hoteliers
G4-LA3	Return to work and retention rates after parental leave	53	Hoteliers
Aspect: Occupational Health and Safety			
G4-LA6	Type of injury, rates of injury, occupational diseases, lost days, absenteeism and total number of work-related fatalities	55-56	Hoteliers
Aspect: Training and Education			
G4-LA9	Average hours of training	53-55	Hoteliers
G4-LA10	Programmes for skills management	53-55	Hoteliers
G4-LA11	Regular performance and career development reviews	53-55	Hoteliers
Aspect: Diversity and Equal Opportunity			
G4-LA12	Composition of governance bodies and breakdown of employees per employee category by gender, age and other indicators of diversity	52	Hoteliers
Aspect: Labour Practices/Grievance Mechanisms			
G4-LA16	Grievances about labour practices	56	Hoteliers
Sub-category: Human Rights			
Aspect: Non-Discrimination			
G4-HR3	Incidents of discrimination and corrective actions taken	56	Hoteliers
Sub-Category: Society			
Aspect: Local Communities			
G4-SO1	Engagement with local community	60-61	Community
Sub-Category: Product Responsibility			
Aspect: Customer Health and Safety			
G4-PR1	Product and service categories for which health and safety impacts are assessed for improvement	44	House Count
Aspect: Product and Service Labelling			
G4-PR5	Customer satisfaction surveys	44-45	House Count
Aspect: Marketing Communications			
G4-PR7	Incidents of non-compliance with regulations and voluntary codes concerning marketing communications	45	House Count
Aspect: Compliance			
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	45	House Count

CORPORATE INFORMATION

Name of the Company
The Lighthouse Hotel PLC

Company Number
PQ 73

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

Board of Directors
N J H M Cooray – Chairman
R A E Samarasinghe – Managing Director
Ms N T M S Cooray
N Wadugodapitiya
C S R S Anthony
Ranil de Silva
E P A Cooray
Ms A M Ondaatjie
Dr C Pathiraja
T Nadesan
A T P Edirisinghe

Audit Committee
N Wadugodapitiya – Chairman
E P A Cooray
A T P Edirisinghe

Remuneration Committee
E P A Cooray – Chairman
N Wadugodapitiya
A T P Edirisinghe

Related Party Transactions Review Committee
N Wadugodapitiya – Chairman
E P A Cooray
A T P Edirisinghe
C S R S Anthony

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

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

Hotel Operation and Marketing
Jetwing Hotels Ltd.
"Jetwing House"
46/26, Navam Mawatha,
Colombo 02.
Phone: 2345700

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

Bankers
Commercial Bank of Ceylon PLC
Sampath Bank PLC
Hatton National Bank PLC

Registered Office
"Jetwing House"
46/26, Navam Mawatha,
Colombo 02.

NOTICE OF MEETING

Notice is hereby given that the twenty-fourth Annual General Meeting ("AGM") of The Lighthouse Hotel PLC (the "Company") will be held on Wednesday, 11 July 2018 at 10.00 am at Jetwing House II, 7th Floor, 46/26, Navam Mawatha, Colombo 02 for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors together with the Financial Statements of the Company for the year ended 31 March 2018 and the report of the Auditors thereon.

2. To re-elect:
   (a) Mr N J H M Cooray, a Director who retires in terms of Article 29 (1) of the Articles of Association of the Company, and being eligible has offered himself for re-election.
   (b) Mr R de Silva, a Director who retires in terms of Article 29 (1) of the Articles of Association of the Company, and being eligible has offered himself for re-election.
   (c) Ms A M Ondaatjie, a Director who retires in terms of Article 29 (1) of the Articles of Association of the Company, and being eligible has offered herself for re-election.

3. To propose the following ordinary resolution for the reappointment of Mr A T P Edirisinghe who is above the age of seventy (70).

   IT IS HEREBY RESOLVED that the age limit referred to in section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr A T P Edirisinghe who is above the age of seventy (70) and that he be reappointed as a Director of the Company.

4. To propose the following ordinary resolution for the reappointment of Mr E P A Cooray who is above the age of seventy (70).

   IT IS HEREBY RESOLVED that the age limit referred to in section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr E P A Cooray who is above the age of seventy (70) and that he be reappointed as a Director of the Company.

5. To reappoint Ernst & Young, who are deemed to be reappointed as Auditors of the Company until the conclusion of the next AGM of the Company in terms of Section 158 (1) of the Companies Act No. 07 of 2007, to audit the Financial Statements of the Company for the financial year ending 31 March 2019 and to authorise the Directors to determine their remuneration therefor.

6. To authorise the Directors to determine contributions to charities for the ensuing year.

By Order of the Board,

Corporate Services (Private) Limited
Secretaries

THE LIGHTHOUSE HOTEL PLC
Colombo, on this 11th day of June 2018

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

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

FORM OF PROXY

THE LIGHTHOUSE HOTEL PLC

I/We……

of…… being a shareholder/shareholders of

THE LIGHTHOUSE HOTEL PLC do hereby appoint,

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

……

……of ……as my/our proxy to attend and

vote at the Annual General Meeting of the Company to be held on the 11th day of July 2018 and at any adjournment thereof.

		For	Against
1.	To receive and consider the Annual Report of the Board of Directors together with the Financial Statements of the Company for the year ended 31 March 2018 and the report of the Auditors thereon.	☐	☐
2.	(a) To re-elect Mr N J H M Cooray, a Director who retires in terms of Article 29 (1) of the Articles of Association of the Company, and being eligible has offered himself for re-election.	☐	☐
	(b) To re-elect Mr R de Silva, a Director who retires in terms of Article 29 (1) of the Articles of Association of the Company, and being eligible has offered himself for re-election.	☐	☐
	(c) To re-elect Ms A M Ondaatjie, a Director who retires in terms of Article 29 (1) of the Articles of Association of the Company, and being eligible has offered herself for re-election.	☐	☐
3.	**IT IS HEREBY RESOLVED** that the age limit referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr A T P Edirisinghe who is above the age of seventy (70) and that he be reappointed as a Director of the Company.	☐	☐
4.	IT IS HEREBY RESOLVED that the age limit referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr E P A Cooray who is above the age of seventy (70) and that he be reappointed as a Director of the Company.	☐	☐
5.	To reappoint Ernst & Young, who are deemed to be reappointed as Auditors of the Company until the conclusion of the next AGM of the Company in terms of Section 158 (1) of the Companies Act No. 07 of 2007, to audit the Financial Statements of the Company for the financial year ending 31 March 2019 and to authorise the Directors to determine their remuneration therefor.	☐	☐
6.	To authorise the Directors to determine contributions to charities for the ensuing year.	☐	☐

Signed this…… day of……Two Thousand and Eighteen.

……
*Signature/s of the Shareholder(s)

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

INSTRUCTION AS TO COMPLETION

1. The instrument appointing a proxy may be in writing under the hands of the appointor or of its attorney duly authorised in writing or if such appointor is a corporation under its common seal or the hand of its attorney or duly authorised person.

2. The instrument appointing a proxy and the Power of Attorney or other authority, if any, under which it is signed or a notarially certified copy of that Power of Attorney or other authority will have to be deposited at the office of the Company Secretaries, Corporate Services (Private) Limited not less than 48 hours before the time appointed for the holding of the meeting.

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This is an Integrated Annual Report

Prepared using the Smart Integrated Reporting Methodology™ of Smart Media The Annual Report Company, this report captures the essence of the IIRC <IR> Framework and the GRI Standards.

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Jetwing
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GALLE • SRI LANKA

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