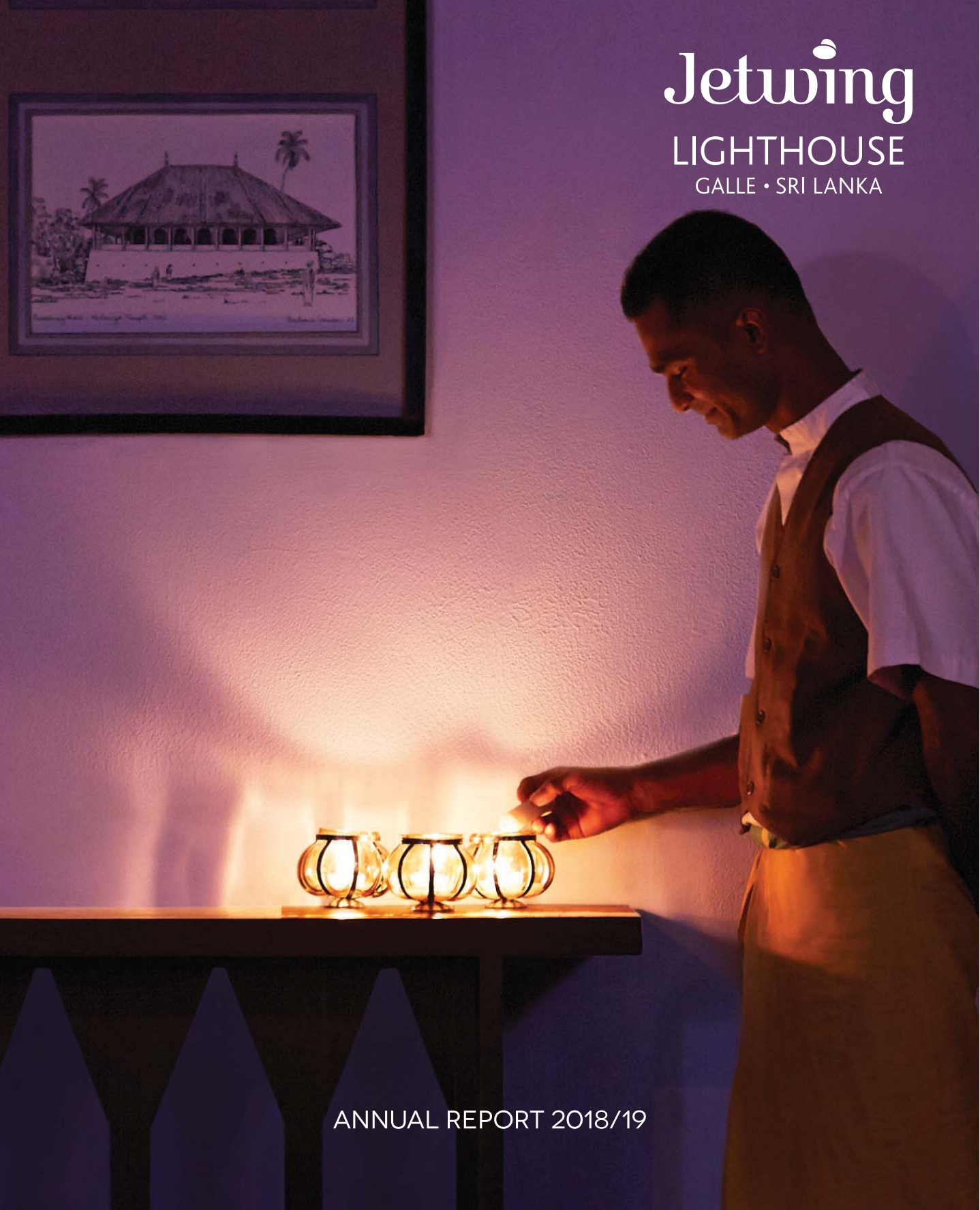


Jetwing LIGHTHOUSE

GALLE • SRI LANKA

ANNUAL REPORT 2018/19

Jetwing Lighthouse, perched atop a rock promontory set against the pristine beauty of the Indian Ocean epitomizes the rich colonial past of the Galle Fort. The pinnacle of Sri Lanka's most revered architect, Geoffrey Bawa includes awe-inspiring landmarks and seamlessly blends elements of traditional and modern design to create a first impression with guests that sets the tone for their stay. The subtle and refined atmosphere is elevated with the traditional Sri Lankan hospitality, Jetwing is renowned for!


Jetwing LIGHTHOUSE
GALLE • SRI LANKA

INDEX

Our Vision

"To be world class in everything we do"

Our 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 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 is operated by a company that has spent 46 years in the tourism and hospitality industry and when it first opened its doors in 1997 as a magnificent addition to the Jetwing Family of Hotels, an icon was born. 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 the UNESCO World Heritage Site, Galle Fort.

Today Jetwing Lighthouse offers luxurious accommodation to leisure and business travelers from around the world. The breathtaking views and the elegant charm of the Hotel have made it an ideal location for weddings and events as well. Jetwing Lighthouse has a range of accommodation options including three themed suites and 60 rooms with 3 restaurants, 2 bars and wellness centre on offer. 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 relax 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 boutique 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 with plunge pools, four Deluxe rooms, 15m pool and restaurant that make up Jetwing Kurulubedda overlook lush gardens and surroundings that cannot but provide a serene experience.

tripadvisor	#6 of 233 Specialty Lodging in Galle
Expedia	Good 3.9/5
Booking.com	Excellent 8.7/10
agoda	Excellent 8.5/10

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 guests a personalized 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 22 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.

tripadvisor	#21 of 45 Hotels in Galle
Expedia	Very Good 4.0/5
Booking.com	-
agoda	Excellent 8.8/10

Galle Heritage Villa by Jetwing

Galle Heritage Villa by Jetwing nestled 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 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 with the dining and living spaces made for comfort. The villa is perfectly situated for a relaxed escape into a slice of Sri Lankan history.

tripadvisor	#18 of 233 Specialty Lodging in Galle
Expedia	Very Good 4.0/5
Booking.com	Very Good 8.3/10
agoda	Excellent 8.1/10

Hotel J – Unawatuna

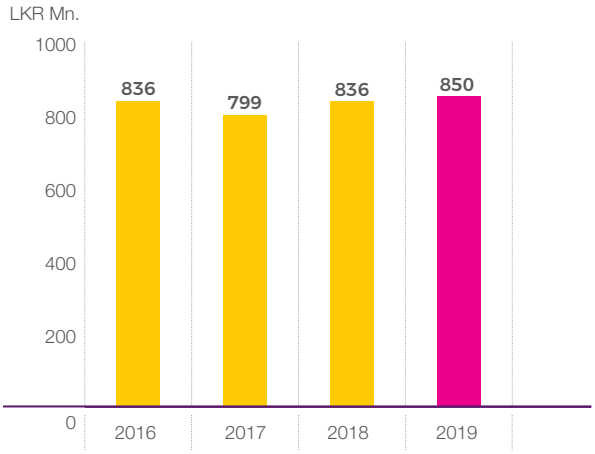
Located within touching distance of palm-lined coastal glory, and the turquoise waters of the Indian Ocean, Hotel J – Unawatuna is truly a peaceful retreat to any weary traveller. Hotel J consists of 31 Rooms and 5 dormitories that epitomize the values of select service hospitality to accommodate the growing number of budget conscious travelers to Sri Lanka. The property runs an efficient restaurant and bar with a fabulous central pool. There is a wide array of activities on offer for guests which range from glimpsing the rich colonial past of Sri Lanka by visiting the nearby Galle Fort to whale watching at Mirissa.

tripadvisor	#21 of 195 Specialty Lodging in Unawatuna
Expedia	Very Good 4.2/5
Booking.com	Very Good 8.4/10
agoda	Excellent 8.4/10

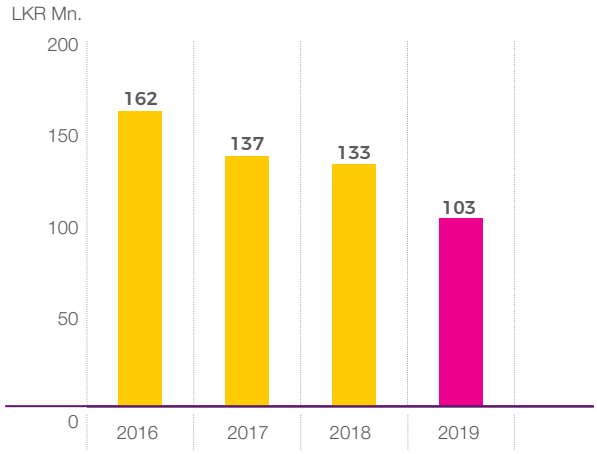
Financial Highlights

		2019	2018
Performance for the year ended 31 March			
Revenue	LKR '000	850,118	836,005
Earnings before interest, tax, depreciation & amortisation (EBITDA)	LKR '000	253,155	261,644
Profit before tax (PBT)	LKR '000	122,249	148,599
Profit after tax (PAT)	LKR '000	102,558	132,718
Earnings per share	LKR	2.23	2.89
EPS growth	%	(23)	(3)
Return on Equity	%	4	5
Financial Position as at 31 March			
Total Assets	LKR '000	3,411,531	3,457,654
Total Debt	LKR '000	148,563	291,989
Total Equity	LKR '000	2,964,318	2,865,163
Number of shares in issue	No. 000s	46,000	46,000
Net Assets per share	LKR	64.44	62.29
Debt/Equity	%	5	10
Debt/Total Assets	%	4	8
Current Ratio		1.17:1	0.54:1
Quick Asset Ratio		1.02:1	0.45:1
Market/Shareholder information			
Market price per share as at 31 March	LKR	25.60	39.80
Market Capitalisation	LKR '000	1,177,600	1,830,800
Price earnings ratio	Times	11.48	13.77
Dividend payout	%	-	87
Interim Dividend paid	LKR '000	-	115,000
Dividend per share (Interim)	LKR	-	2.50
Value added for the year ended 31 March			
To Government	LKR '000	19,691	15,881
To Employees	LKR '000	183,899	166,259
To Shareholders	LKR '000	-	115,000

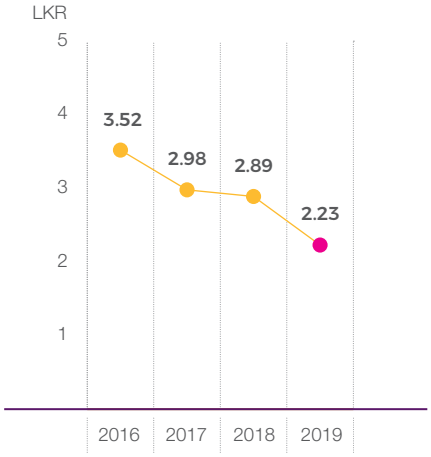
Revenue



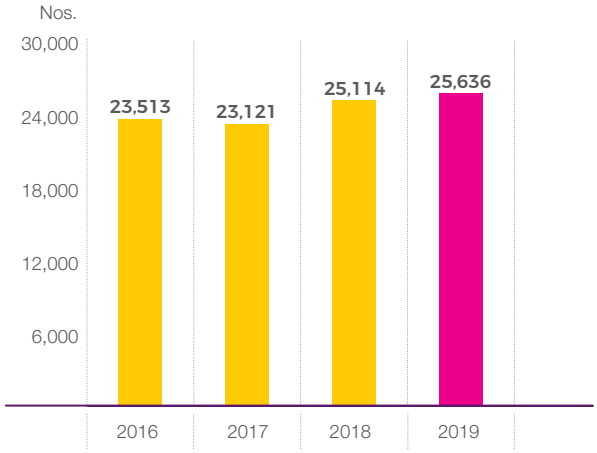
Profit After Tax



Earnings Per Share



Room Nights Occupied



Chairman's Letter

Ayubowan!

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

It is with a heavy heart that I write to you. Not in our wildest dreams did we expect such a catastrophe to strike our island paradise, especially after a decade of peace, prosperity and development that followed the end of a 26-year long war. The inhumane nature of this attack has had a tumultuous impact on the people and the economic outlook of the country which was, not long ago, designated as Lonely Planet's top country to travel to in 2019.

It is important that Sri Lanka develops her own tools to counter future possible threats drawing from similar worldwide phenomenon that happened in places such as Paris and Bali. We have every faith in our armed forces, faith that they will once again pull us out of this dark abyss.

As I write this message, the travel advisories of Sri Lanka's major source markets still stand, with a warning against all travel that is not essential. This led to all major tour operators and travel agents cancelling bookings in the immediate months following the incident and certain operators have closed sales for future bookings as well. Cancellations have also been made by independent travellers booking directly with the hotel or through online travel agents, and there has not been a significant pick-up in future bookings as yet.

Despite the current situation, the board decided to continue with the renovation plans of Jetwing Lighthouse, your company's primary property – however, the timeline has been extended from the initial plan, and the project has been broken in to 2 phases. Phase 1 of the renovations will take place from the 1st of May to the 31st of July 2019, with the original 63 rooms and the common areas of the main wing being closed. The recently built spa wing, which was formerly branded as Jetwing Lighthouse Club, will operate as usual throughout this period and will come under the same brand. The discontinuation of the Club brand was based on all room categories and facilities being elevated, resulting in the company not requiring an independent brand to position the new wing.

The urgent need now is for the country and its people to return to normalcy and live together as one Sri Lankan family. Apart from the obvious benefits this will bring to the country, the key for Tourism is for the travel advisories to be lifted. Once this is done, and assuming no further incidents occur in the country, we will gradually see a pick-up in tourist arrivals. The recovery period following the lifting of the travel advisories could take a few months, since most travellers will want to assess the situation for a longer period and the tour operators will need to re-start their promotions for the destination. Your company's managing agent, Jetwing Hotels Ltd., is confident that if the above assumptions are in place by June or latest July, your company should be back to its potential earnings.

The international community – agents, operators, travel journalists, friends, and well-wishers, have been so supportive and gave us the confidence and reassurance that they will stand with us and help us in our hour of need. This battle we face today is not within the borders of our little island, but it is a global threat that has risen out of hatred, anger, and malice towards humanity. The world is with us, the people of our country stand strong and united – together, we will overcome this depressed situation and build up the tourism industry and the economy at large. We have undergone many hardships over the relatively short history of our industry. I am certain we will bounce back – as we did before, and as it was back then, we will be stronger and more determined to show the best of Sri Lankan hospitality to Sri Lankans and visitors from around the world.

May God Bless You all,

Hiran Cooray
Chairman
9th May 2019

Hotel J - light on the pocket, heavy on the adventure

Managing Director's Review

Focused

We approached 2018/19 full of confidence in several focus areas, despite the growing competition, and believed in another year of positive results while enhancing the unique experience Jetwing Lighthouse offers its guests.
Driven by the constant need to improve our customer satisfaction ratio, our main focus this year was training to enhance customer service and offering new experiences to our guests along with implementing more sustainability initiatives.
Today, the hospitality industry sees fierce competition across all segments, from city hotels to resorts, and beyond. The iconic location and architecture of Jetwing Lighthouse is, in my opinion, the key differentiator of the resort.

Performance

The Company revenue for the current year marginally reduced from LKR 821 Mn previous year to LKR 810 Mn. However, net profit for the year marginally increased from LKR 137.2 Mn to LKR 137.4 Mn during the current year. In the Consolidated Financial Statements including the fully owned subsidiary of Hotel J – Unawatuna, Group revenue increased from LKR 836 Mn to LKR 850 Mn. Due to the loss incurred by Hotel J - Unawatuna during the first full year of operations, together with the exchange loss on the Dollar loans resulted in a decrease in Group net profit from LKR 132.7 Mn to LKR 102.5 Mn. Considering the current situation and the proposed refurbishment, the Board decided not to declare a dividend during the year.

However, the recent events that took place in the country have had a great impact on the tourism industry and will thereby create challenges in the coming financial year.

Jetwing Lighthouse Stakeholder Community / Sustainability

We have continued to maintain our interaction with the wider community and enterprises. We primarily use local suppliers to purchase fish, fruits, and vegetables. We also encourage local Tuk Tuk's to operate from the hotel where the guests may use them for transport around the city. Jetwing Lighthouse also continued to train 20 young individuals from the local community under the Jetwing Youth Development Program and have employed them during the current year.

With an ongoing commitment to environmental sustainability, Jetwing Lighthouse hosts a number of unique initiatives: a 125kW solar PV system which supplies 10% of the hotel's electricity demand, a potable water bottling project which produces reusable glass water bottles eliminating the need of environmentally damaging plastic bottles, comprehensive energy, water & waste management procedures and continuous monitoring of our carbon footprint. With the same sustainability vision, our recent addition to the company portfolio - Hotel J Unawatuna also features 100% artificial lighting provided via energy efficient LED bulbs, solar heaters for hot water generation and onsite effluent treatment plant for recycling wastewater, among other initiatives.

Thank You

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

I would like to thank the Jetwing Hotels management team for their support and hard work and the General Manager of the hotels and all other associates for their commitment and contribution that have enabled us to achieve these results.

To our shareholders, my heartfelt appreciation and thanks for placing your confidence in Jetwing Lighthouse. Thank you to all the tour operators, travel agents, OTA's whose support has contributed to the continued success of the hotels.

To conclude on behalf of the Executive Management Team, I would like to express our gratitude to our guests, who are the livelihood of our company. We wish you will continue to enjoy the hospitality offered by the Jetwing Lighthouse family.

R.A.E. Samarasinghe
Managing Director
9th May 2019

Operating Environment

The Global Economy

Global economic growth remained steady at 3.2% in 2018, as a fiscally made acceleration in the United States of America offset slower growth in some other large economies. Economic activity at the global level is expected to expand at a solid pace of 3% in 2019 according to World Economic Situation and prospects published by United Nations. Meanwhile, emerging market and developing economies continued to grow strongly, although at a slower pace than in the previous year,

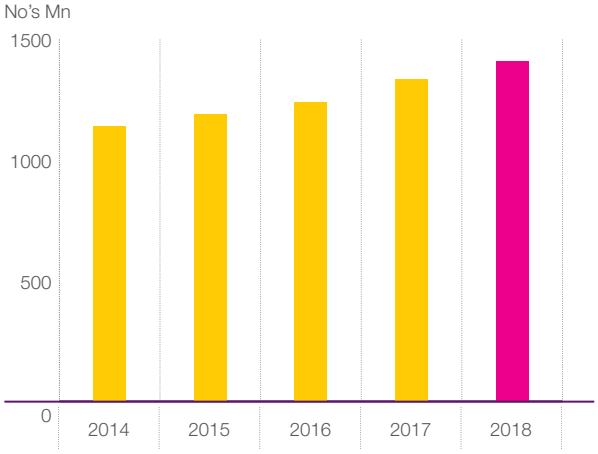
Further, the uncertainty surrounding the Brexit and mounting tensions from the Sino-American trade war led to a moderation in global trade during 2018. Meanwhile, oil prices, which were on an increasing trend during the first nine months of 2018, caused some acceleration in inflation in both advanced economies and emerging market and developing economies during the year.

Global Tourism

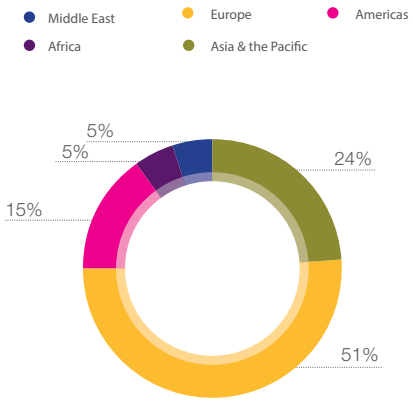
In 2018, Travel & Tourism supported 319 million jobs across the world. The global Travel & Tourism sector grew at 3.9% to contribute a record US$8.8 trillion to the world economy. Further, it also generated 10.4% of all global economic activity.

International tourist arrivals worldwide have increased by 6% to 1,403 million according to the World Tourism Organization. All regions recorded a growth in international arrivals, led by Middle East (+10%), Africa (+7%), both Asia and the Pacific and Europe (+6%) and Americas (+3%).

International Tourist Arrivals



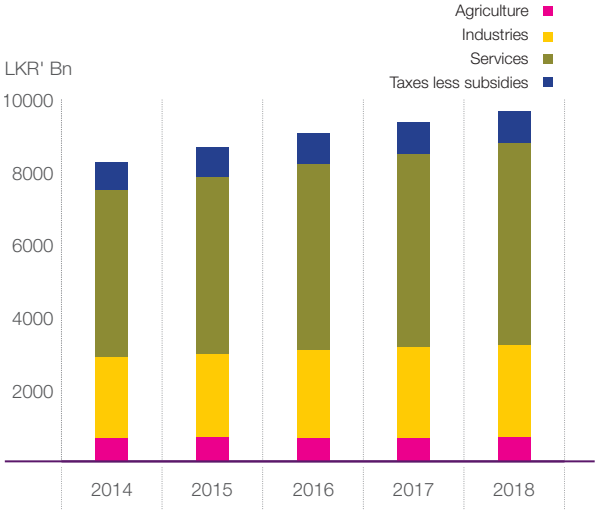
International Tourist Arrivals



The Sri Lankan Economy

The Sri Lankan Economy continued to record a modest growth of 3.2% in 2018 in real terms, compared to the growth of 3.4% in 2017. This growth is mainly due to services activities that expanded by 4.7% and the agriculture activities that expanded by 4.8%. Industry activities slowed down significantly to 0.9% during the year, mainly as a result of the decline in construction. According to the Central Bank of Sri Lanka the total size of the Sri Lankan economy was estimated at US dollars 88.9 billion, while the per capita GDP was recorded at US dollars 4,102 in 2018, which was marginally lower than in the previous year.

GDP



Operating Environment Contd.

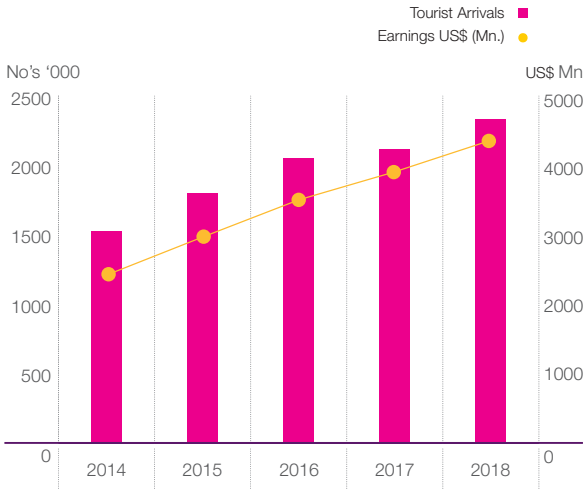
The year-on-year headline inflation based on CCPI declined to 2.8% by end 2018 from 7.1% at end 2017. The decline in inflation is mainly due to low food prices, the reduction of the Special Commodity Levy and Telecommunication Levy despite to the upward adjustments in domestic petroleum prices in mid-2018.

Market lending and deposit interest rates of commercial banks remained high in both nominal and real terms during 2018 despite to tight liquidity conditions and the tight monetary policy stance that was maintained until April 2018. Accordingly, the Average Weighted Lending Rate (AWLR), which is based on interest rates of all outstanding loans and advances extended by commercial banks, increased to 14.40% by end 2018 from 13.88% at end 2017.

The Sri Lankan Tourism Industry

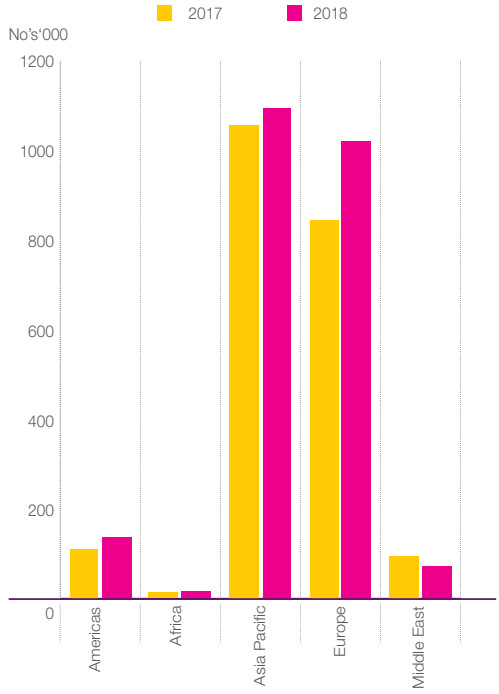
Tourist arrivals grew by 10.3% to 2,333,796 in 2018, recording the highest annual tourist arrivals during a year. Further, earnings from tourism increased by 11.6% to US dollars 4,381 million in 2018, in comparison to US dollars 3,925 million in 2017. This is mainly due to the record high tourist arrivals and increased average spending by tourists.

Annual Tourist Arrivals/Tourism Earnings



Tourist arrivals from all major regions, except East Asia and the Middle East, increased in 2018. Western Europe was the largest tourist origin region for Sri Lanka, which grew at 23% to 840,956 arrivals, with a share of 36% of total tourist arrivals. The top five countries in 2018 were India (424,887), China (265,965), United Kingdom (254,176), Germany (156,888) and Australia (110,928).

Tourist Arrival by Country of Residence 2018



In 2018 several promotional campaigns were implemented to strengthen the potential of Sri Lanka's tourism industry. One of the highlights of the year was that Sri Lanka launched a new brand identity "So Sri Lanka" in November.

The acts of terror that took place on 21st April 2019, an unexpected catastrophe, especially after a decade of peace, prosperity and development that followed the end of a 26-year long war have deeply shocked and saddened Sri Lanka. The inhumane nature of this attack has had a tumultuous impact on the people, the economic and tourism outlook of the country which was, not long ago, designated as Lonely Planet's top country to travel to in 2019.

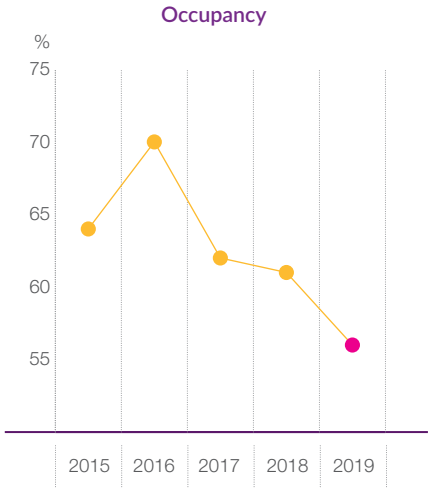
As at 9th May 2019, the travel advisories of Sri Lanka's major source markets still stand, with a warning against all travel that is not essential. This led to all major tour operators and travel agents cancelling bookings in the immediate months following the incident and certain operators have closed sales for future bookings as well. Cancellations have also been made by free independent travelers' bookings directly with the hotel or through online travel agents, and there has not been a significant pick-up in future bookings yet.

An architectural masterpiece designed by Geoffrey Bawa

Group Financial Review

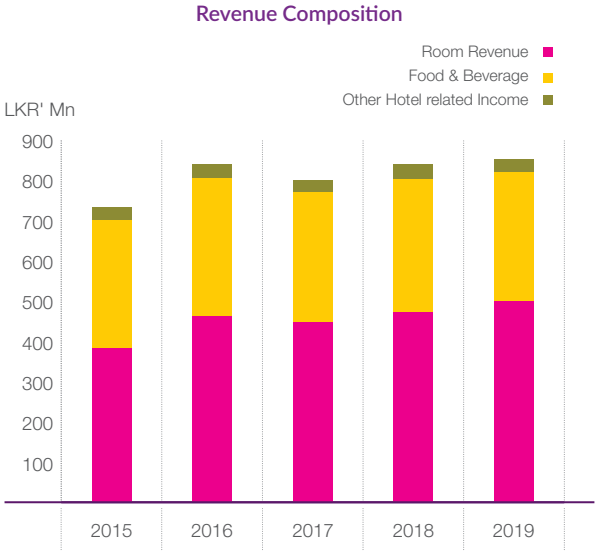
REVENUE

The Group recorded total revenue of LKR 850 million during the financial year under review compared to LKR 836 million achieved during the previous period. This shows a marginal increase of 2% compared to previous period. Jetwing Lighthouse had a good 3rd quarter where revenue grew by 18% 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 Hotel J – Unawatuna operated for the full financial year for the first time which contributed revenue amounting to LKR 39 Mn to the Group. The occupancy of the group stood at 56% for the financial year.

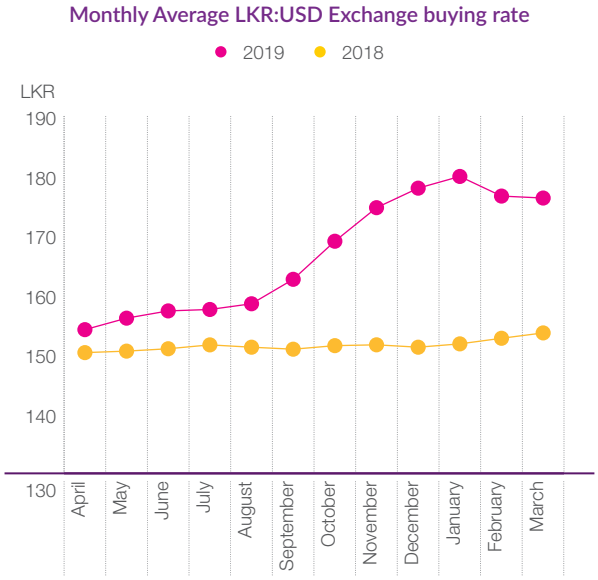


Average room rates (ARR) have increased slightly by 3% during the financial year.

Food & Beverage income show a slight decrease compared to previous year.

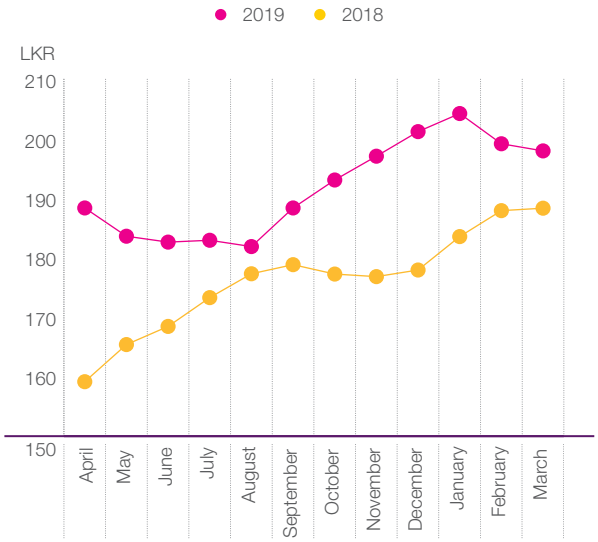


Further, foreign exchange rate fluctuations during the year under review had a favourable impact to the Company's revenue. This is due to the fact that the Company benefited from depreciation in LKR against USD and EURO.

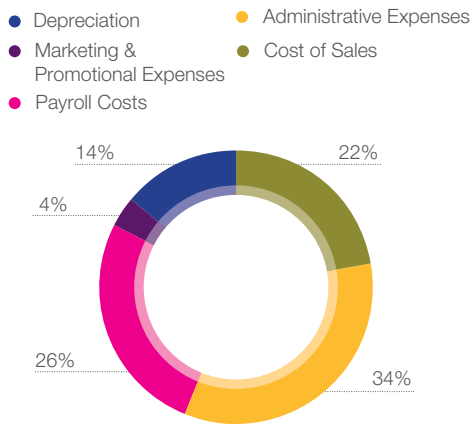


Group Financial Review Contd.

Monthly Average LKR:EUR Exchange buying rate



Expenses composition 2019



EXPENSES

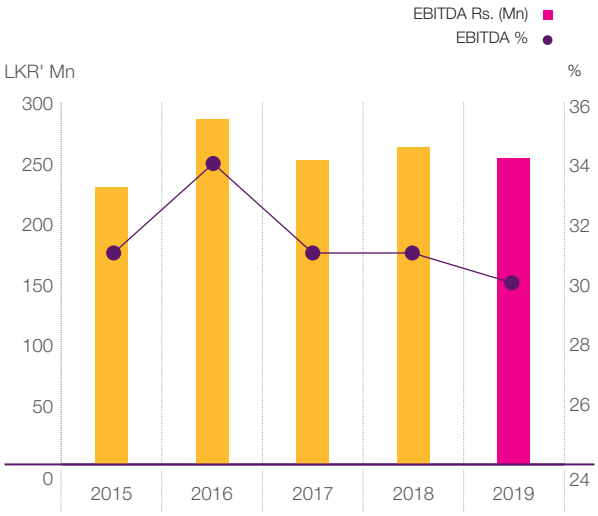
During the period under review total expenses have increased by 5% to LKR 703 million from LKR 671 million in the previous period. Cost of sales has increased by 2% compared to previous period. Administrative costs have increased by 7% mainly due to increase in refurbishment cost. Marketing & Promotional expenses have decreased by LKR 3 Mn due to decrease in E-commerce expenses during the period under review. Further exchange loss on conversion of foreign currency loan has amounted to LKR 12 Mn during the period under review. Payroll costs increased by 11% compared to previous period mainly due to salary revision to both Executive and Non-executive staff.

Depreciation for the year was reported at LKR 96 million which is an increase of LKR 2 million compared to previous period. This is mainly due to additional depreciation charge from the capitalization of additions for the year.

EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTIZATION (EBITDA)

The Group has reported an EBITDA of LKR 253 million for the period under review compared to LKR 262 million achieved during the previous period. The decrease in EBITDA is mainly due to drop in revenue of the Company. The EBITDA margin has reduced to 30% from 31% due to lower contribution from the Hotel J – Unawatuna being the first full year of operations.

EBITDA

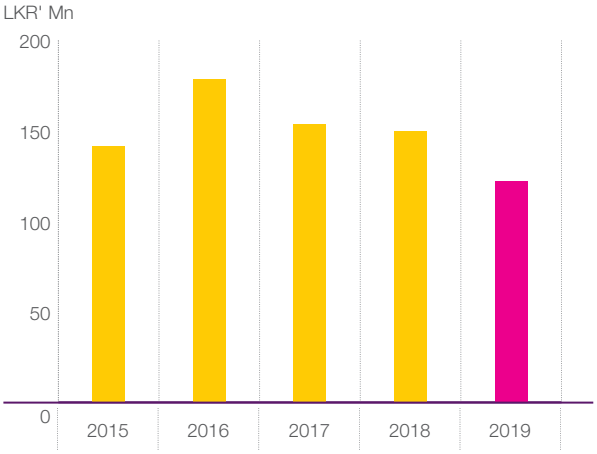


Group Financial Review Contd.

PROFITABILITY

The Group recorded a Profit before tax of LKR 122 million during the year under review compared to LKR 149 million during the previous period.

Profit Before Tax



Income tax charge for the year has increased by 24% to LKR 20 Mn compared to the previous year mainly due to Deferred tax charge of LKR 3Mn.

Profit after tax of the Group amounted to LKR 103 million compared to LKR 133 million achieved in the previous period. Return on Equity for the Group decreased slightly to 4%.

STATEMENT OF FINANCIAL POSITION

The Group reported a financial position as at 31st March, 2019 with Total Assets amounting to LKR 3,412 million compared to LKR 3,458 million in the previous period. During the year under review, Property, Plant and Equipment additions amounted to LKR 30 million.

As at 31st March, 2019 the Group gearing level improved to 5%.

SHAREHOLDERS' FUNDS

Shareholders' funds as at 31st March, 2019 increased to LKR 2,964 million from LKR 2,865 million in the previous period. The Group's net assets per share as at 31st March, 2019 stood at LKR 64.44 per share.

STATEMENT OF CASH FLOW

Cash position of the Group as at 31st March 2019 increased to positive LKR 6 Mn compared to negative LKR 177 Mn last year. This is mainly due to reduction in Capital Expenditure compared to previous period.


Truly, the home of Sri Lankan hospitality

Sustainability Review

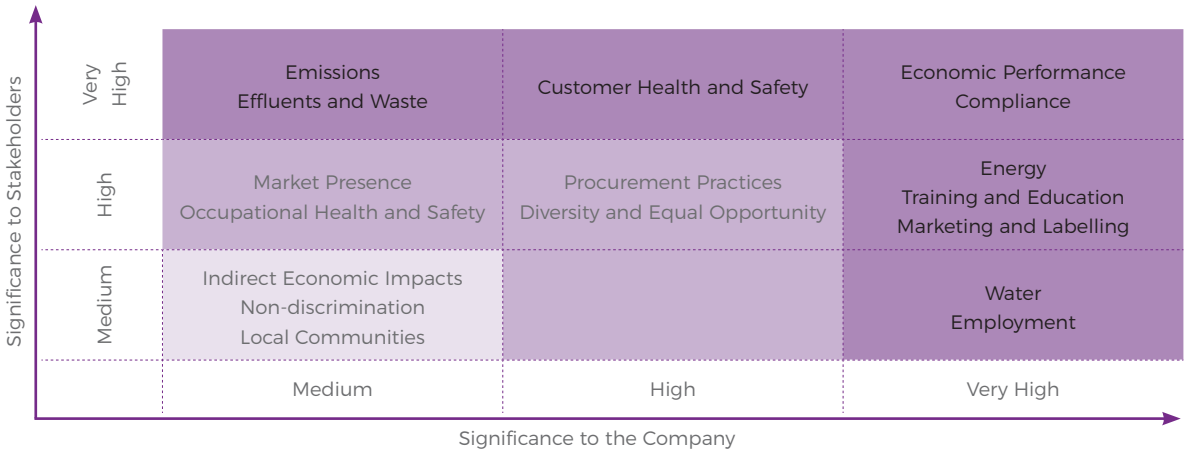
MATERIALITY

We regard a topic as material, if it substantively affects the Company's ability to create value over short, medium and long term. Through an identification process and a materiality analysis we have determined certain topics which are material to The Lighthouse Hotel PLC and our stakeholders. With a review of the social, environmental and economic issues associated with our operations, identification of material topics was based on the Company's governance, operations and considered input from our primary stakeholders – employees, guests, suppliers and industry associations.

The following steps summarize the process we adopt to determine the material topics:

- We analysed current and potential social, environmental and economic issues associated with our operations
- Impacts of key issues are identified based on the consequences to our stakeholders (using the feedback from both internal and external) and to the business
- A 'Significance to the Company vs Significance on the Stakeholders' matrix is plotted to identify topics of high materiality. These topics could have negative or positive impacts on the business and its stakeholders
- Management team conducted a review to prioritize the high materiality topics in terms of business focus, geographical spread and the profiles of our key stakeholders

This process leads to a materiality matrix (see below) in respect of risks that should be mitigated and opportunities that may be exploited. Our corporate responsibility programs, as well as our reporting, is based on this understanding of the most important issues for our Company and our stakeholders. The topics disclosed on, are given with respect to the principles for defining report content advised by the Global Reporting Initiative Standard.



Sustainability Review Contd.

STAKEHOLDERS

Jetwing Lighthouse does not journey singly. Ours is an enterprise undertaken in step with our stakeholders. Stakeholders are groups that have a significant impact on the Company and those with a vested interest in our operations. Understanding the needs of our diverse stakeholders is critical, as it underscores our capacity to mobilize resources effectively and deliver value more effectively.

Engagement with various stakeholders is integrated to our business plan. We recognize that stakeholder engagement is a broader, more inclusive, continuous process that encompasses a range of activities and approaches which enable improvement and innovation. 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.

Stakeholder	Means of Engagement	Key Concerns
Investors / Shareholders	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. Regular communications such as quarterly financial reports, media releases and more reach investors in timely fashion. We also engage with our investors through social media and our regularly updated website; and encourage our investors to communicate with us through a designated email address where a response team stands ready to provide necessary feedback.	• Business performance results & long-term direction • Management of financial and non-financial risks • Competitive scenario, regulatory/ technical changes and other industry updates
Customers	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 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.	• Customer satisfaction in quality and value of service • Provision of accurate product information • Appropriate protection of customer privacy and personal information • Management of environmental risk and social/cultural impacts on communities

Sustainability Review Contd.

Stakeholder	Means of Engagement	Key Concerns
Associates	The management 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 based on career development and career progression needs. Social events during the year include "Jetwing Sports Day" and "Jetwing Prathiba" (our employee talent show) – ideal forums for team building and self-development.	• Value-led organisational culture • Career development opportunities • Personal development opportunities • Safe work environment • Major incident prevention and response
Local Community and Environment	The company 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. We strive to minimize our environmental impact and are committed to the continual development of our environmental platform. Jetwing has in-house nature conservation and education programmes that also invite guests to join.	• Local employment opportunities • Support to local businesses and economic benefits • Social and cultural impacts on communities • Environmental conservation
Government and Regulatory Bodies	The Lighthouse Hotel PLC engages with various regulatory bodies to ensure compliance with statutory requirements of the Government. We participate in relevant associations and provide periodic disclosures. The company 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.	• Regulatory compliance • Transparency • Fiscal, environmental, social performance • Local employment opportunities • Responsible resource development

Sustainability Review Contd.

ORGANISATION

Corporate Culture and Values

The values, principles and norms of behaviour of The Lighthouse Hotel PLC is rooted in Sri Lanka and the ideals and qualities that Sri Lanka represents as well as family and family values. The properties and how they operate is a reflection of Sri Lanka and all it stands for. Values and principles revolve around the Jetwing Family with four qualities that form the base for Jetwing; passion, humility, integrity and tenacity. This goes hand in hand with commitment to legendary and innovative service, as the brand tagline dictates - the home of Sri Lankan hospitality - a mission that the company is committed to, has brought these properties to the forefront of the industry as some of Sri Lanka's iconic hotels. The properties also implement an open-door policy, whereby any associate can converse and voice opinions to senior management and ensure open communication both ways in the organization.

Brand and its Development

The properties are operated by a company that has spent 45 years in the tourism and hospitality industry. Jetwing is a member of several local and international groups and organizations over the years that have expanded on the expertise and knowledge the company upholds and develops. The Hotel Association of Sri Lanka (THASL) is one such organization that has a wide-ranging and diverse membership within the hotel industry in Sri Lanka, and by sharing information it has become an organization for learning and idea sharing. Jetwing Hotels also has this relationship with several international organizations such as PATA, in so doing the company has expanded on global ideas and information.

Jetwing is signatory to and is in compliance with the UNWTO Global Code of Ethics for Tourism – a comprehensive set of principles designed to guide key-players in tourism development, to help maximise the sector's benefits while minimising its potentially negative impact on the environment, cultural heritage and societies across the globe. In 2018, Jetwing Hotels also became a member of the IFC–led *SheWorks* – a Sri Lankan private sector partnership to advance women's employment opportunities in the country, through the identification and implementation of 'gender-smart' solutions that are good for the business, associates and the communities.

Marketing Communications

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.

Safety on Holiday, On the Job

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. At the properties every room, hall, corridor and public space has signs about safety procedure at the property, with clear instructions on the protocol to follow in an emergency. As the properties are open tropical resorts, these indicators are easily understood and the hotel staff ensures that guests know the safety basics when they check into the property. Effective implementation of the Jetwing Health and Safety policy by our associates helps maintain a safe environment for all.

Sustainability Review Contd.

EMPLOYEES

Right from inception, the Jetwing proposition has embedded a unique set of values and practices into its core ethos. These values and practices 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.

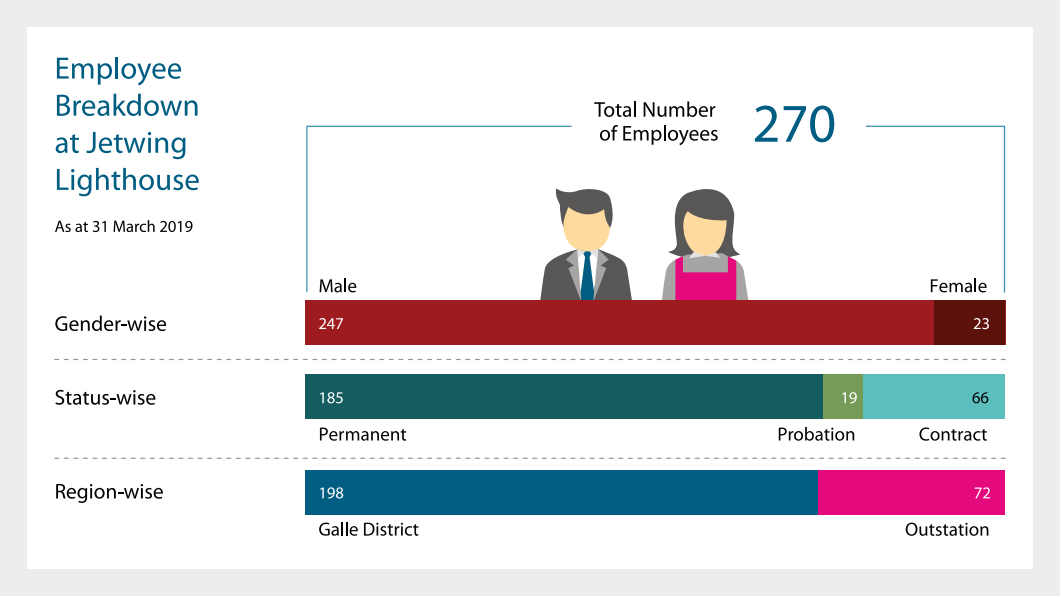
This sense of family pervades The Lighthouse Hotel PLC embracing a family approach to business that focuses on trust and values. In consequence, our team thrives in a supportive environment of mutual dialogue, opportunity and transparency. Such an enabling environment more readily nurtures the attributes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

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.



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.

Sustainability Review Contd.

Maternity leave is made available for the associates. During the year in review no associates availed themselves of maternity leave. Above the statutory entitlement, at Jetwing Hotels we provide 2 days of paternity leave for our associates. Three associates have utilized this benefit within the said period.

Bonus is paid to permanent cadres dependent on the financial performance of the hotel.

The Jetwing Family

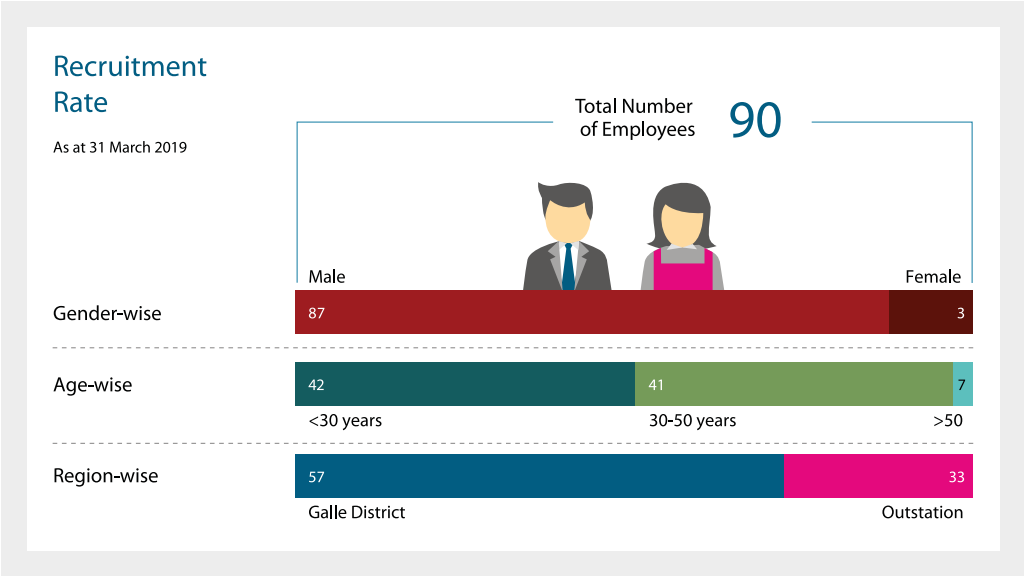
The Lighthouse Hotel is what it is, because of the unique team that we call family – that contributes with their skill, experience and knowledge and most importantly the identity and personality.

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 needs and canvassing for applicants. 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 familiarise themselves with our working culture and ethos. 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. Furthermore, our Recruitment Policy commits to hiring locally wherever possible.

Overview of Recruitment



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.

Sustainability Review Contd.

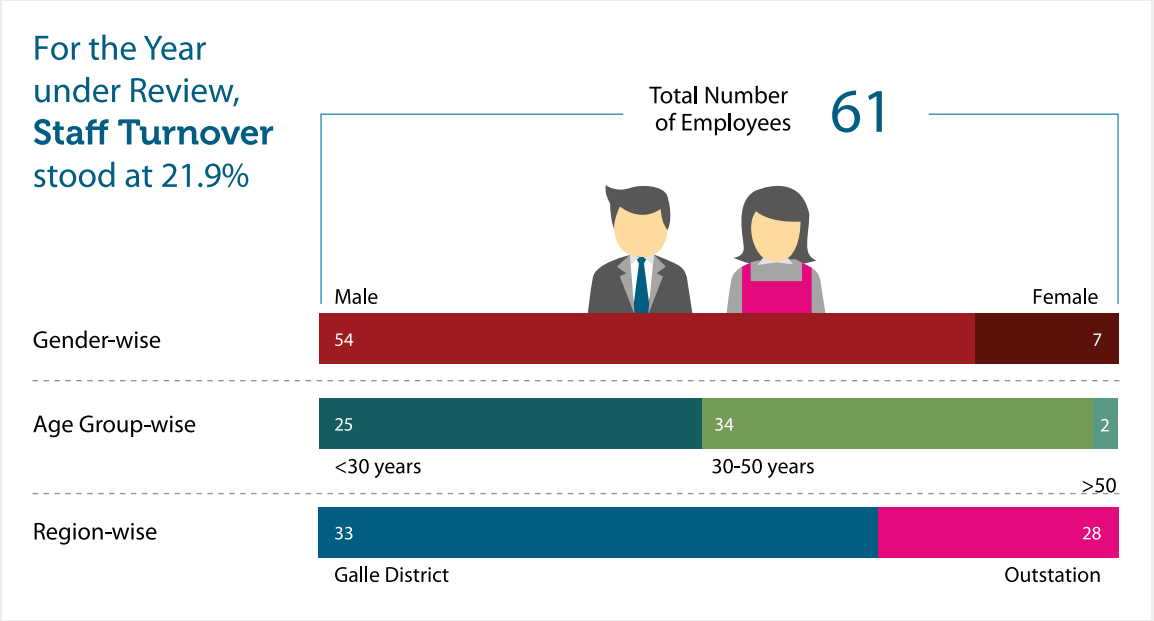
Senior Management Hired Locally

Lighthouse Hotel's Senior Management cadre is comprised of 27 senior executives and executives 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, eleven Senior Management personnel (three Senior Executives and eight 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



Sharpening Skills

To keep the unique ethos of Jetwing Lighthouse, we require an exemplary team to maintain the finest of standards throughout all aspects of 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.

To keep buoyant the most intrinsic essence of delivering impeccable service, we invest in the training and development of our teams to help them sharpen their skills.

Sustainability Review Contd.

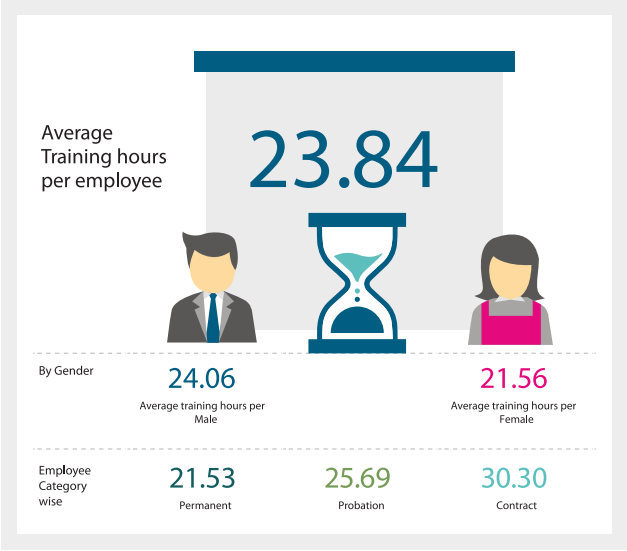
Overview of Training

The Hotel's training and development programme 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 assess the need for training and areas of improvement. 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. We also provide cross training and cross exposure across departments and other hotels of the Jetwing Group.

As part of our continuous training, there are regular performance appraisals, reviews conducted across all departments. All our Senior, Middle and Junior level associates are subjected to a biannual performance review and career development assessments. These reviews are made and assessed by the Heads of Departments and given necessary recommendations in respect of training needs. These are then taken into account, in order to provide comprehensive training and development programmes to retain and develop the talent within the business.

Specifics of Training 2018/19

During the year under review, an average of 23.84 hours of training was provided per employee.



- Awareness programs on sexual harassment

  A series of awareness programs were conducted for all associates of the hotels, where the objectives were to make associates aware of the different elements of sexual harassment, its implications and legal framework as well as best practices in handling sexual harassment at the work place.

- Leadership development program for non-supervisors

  A special development program was designed and conducted for the senior level associates who are in non-supervisory grades, to develop their leadership skills to support in achieving the departmental goals of their respective hotel.

Sustainability Review Contd.

- Customer care training

  A series of training programs were conducted for the frontline associates mainly in front office and F&B departments, with the objective of increasing customer engagement and service levels. The trainings included both theoretical and practical components, including role plays.

- Cocktail Wiz 2018

  A three-day training program was conducted for the participants of the Cocktail Wiz 2018 competition, where the participants were trained on the finer points and techniques of bartending, spirits and cocktails as well as on showmanship. The trainings were conducted in an interactive manner with theoretical, practical and demonstration-based sessions

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.

An Overview

We assure that at The Lighthouse Hotel PLC adheres to all health and safety measures that are required under HACCP /ISO 22000. We also conduct regular risk assessments which involve identifying potential hazards that may affect staff or members of the public.

Our associates are also provided with fire and first-aid training. Our induction programmes make awareness among all employees about the health and safety measures that require to be adhered, for the purpose of ensuring safety.

During the reporting period only minor injuries like cuts, minor burns and slippage were recorded. 45 days were lost due to injuries. There were zero occupational diseases reported.

Jetwing Lighthouse employs independent contractors for certain work. Zero 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 = 45 days

Grievance Handling

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.

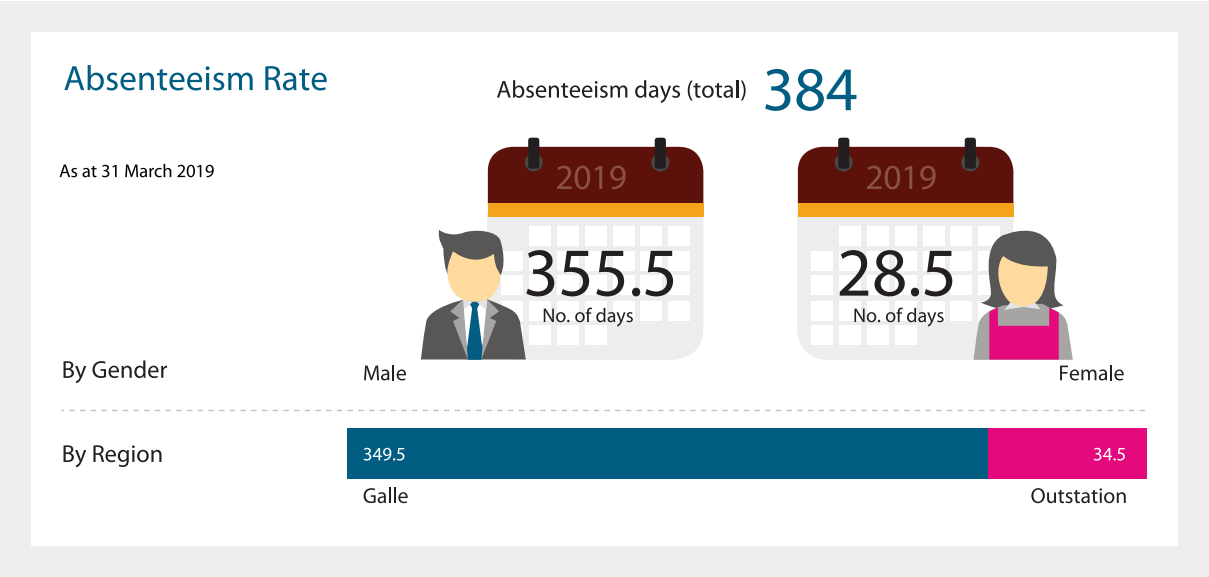
Collective Bargaining

Although we do not have any employees covered by collective bargaining agreements, we encourage an open door policy and has in place many mechanisms to encourage employees to discuss their grievances.

Sustainability Review Contd.

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 (279) and scheduled work days per year per employee (22 days* 12 months = 73,656). Absenteeism rate is 1%, with 384 days within the reporting period.



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.

Sustainability Review Contd.

We Embrace Diversity as an Equal Opportunity Employer

Jetwing Lighthouse is an equal opportunity employer. Thus, in our recruitment process we do not discriminate – employment is offered based on the agreement of the candidate's skills set and mindset with the position. 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 or 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

At Jetwing, we have always believed that tourism cannot exist in isolation and only works well when an intimate and close relationship with local communities is fostered. We are mindful 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 promote 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.

Sustainable Procurement Practices

Reflecting our belief in more efficient use of resources, The Lighthouse Hotel PLC recognises the significance of linking our supply chain to operate and produce in a socially and environmentally responsible manner. As a business with an intricate supply chain, we are aware that our procurement decisions have a direct impact on the environment and the communities where our products originate. Our diverse supplier base comprises hundreds of registered suppliers who maintain a complex inflow of diverse goods and services required to serve our guests, and over the years we have developed well-functioning relationships with our suppliers and 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. Whilst ensuring our financial and quality requirements are met, we strive to be mindful of the local community and preferentially source from the vicinity and from sustainable sources, in order to support local communities 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.

The Lighthouse Hotel PLC recognizes that local economic participation contributes to the long-term development of the community. Incorporating local suppliers to the procurement process stimulates local enterprises which also lead to lower logistics and labour costs. In addition, our engagement with local community suppliers also allows us to address gaps in local capabilities and capacities, whilst building supplier competitiveness and improving standards to global levels. Thus, building local economic capacity is embedded in our procurement strategy, and a massive 70% of our procurement budget is spent on transactions with local suppliers.

Sustainability Review Contd.

Indirect Economic Impacts

We have contributed directly to the improvement of the local economy in various ways; through providing prime employment opportunities to the local community and our local procurement preferences. Our presence in the region and our harmonious relationship with the community have also stimulated indirect benefits. Infrastructure development of peripheral services and 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 and 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.

The Lighthouse Community Pool

The ocean is an integral part of the lives of coastal communities and it is paramount that the children living in these areas are confident and familiar with water. Recognizing this communal need, the Lighthouse Community Pool facility constructed in 2008 is complete with a modern swimming pool, changing rooms, an administrative facility and a viewing gallery and is maintained to date by Jetwing Lighthouse.

The community pool is open for exclusive use by schoolchildren during day-time hours, and students of 24 schools in the Galle and surrounding coastal towns participate in the swimming lessons carried out at the facility free of charge. The pool is also open to others in the community during the afternoons and training programmes are conducted for a nominal fee. We are confident that community infrastructure such as this would facilitate greater social inclusion and contribute to better the quality of life.

Jetwing Lighthouse Tuk-Tuk Project

Integrating local service providing in our hotel operations, the project initiated in 2005 helped remove antagonism that existed between the local trishaw drivers and the hotel. Since its inception this programme has proven successful in the re-establishment of an amicable relationship, and it continues to this day.

Selected service providers within our locality were registered to work with the hotel and were 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 48 registered vehicles comprising of tuk-tuks, cars and vans.

Jetwing Youth Development Project

The Jetwing Youth Development Project (JYDP) - which is a flagship community outreach initiative of Jetwing Hotels - is designed to empower rural youth who are underprivileged and unable to pursue higher education. The training programme which is carried out free of charge to its participants, equips trainees with skills to find suitable employment within Jetwing Hotels as well as elsewhere within the hospitality industry.

Within the year under review, we have been able to initiate two JYDP programmes. The 25th programme under the JYDP initiative was completed, where eleven youth who successfully completed theory, practical and on-the-job training and were absorbed into the hotel cadre. The 30th programme initiated in November, is currently underway at Jetwing Lighthouse. Twenty trainees have already completed classroom training and are currently undergoing on-the-job training in the Food and Beverage and Housekeeping departments of the hotel.

Sustainability Review Contd.

ENVIRONMENT

Environmental awareness and responsibility lie at the core of the Jetwing ethos. Most importantly, we have taken this from statement to fact across every aspect of business throughout our family of companies. Across all strategy and action, respect for eco-systems around our locations, environmentally friendly processes and care for natural resources are fundamental to Jetwing Hotels.

Our commitment to continuous improvement in key impact areas is outlined in Jetwing Hotels' Sustainability Strategy, with specific measures for maintaining a clean and healthy environment highlighted in the Jetwing Environmental Policy. Diligently tracking the impact our operations have on the environment, we are fully-committed to mitigating any adverse effects that arise. 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 resources through innovative measures and green features such as energy and water conservation, reduction in carbon emissions, efficient effluent and waste management, biodiversity conservation as well as sustainable procurement practices, and compliance with environmental regulations.

Following are some of the initiatives implemented to effectively manage our operational impact:

- Consumption of electricity, diesel, water etc. is monitored daily 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
- Guest awareness is raised regarding the hotel's commitment to sustainability and their support enlisted through the display of the Green Directory booklet (detailing hotel's environmental performance) in each guest room and through environmental messages displayed across the hotel

Environmental Grievance Handling

The company 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 be brought forward, the hotels are 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.

Compliance

Compliance with regulatory and voluntary standards demonstrates our commitment to always operating in an environmentally responsible manner. During the year under review, no fines or sanctions were imposed due to noncompliance with environmental laws and regulations. The management systems introduced adhere to all relevant local laws and comply with a range of Jetwing's own internally developed policies including the Jetwing Sustainability Policy, Environmental Policy, Energy Management Policy and Health & Safety Policy. In addition, Jetwing Lighthouse has obtained external verification as compliant with ISO 14001:2015 standard for environmental management system, ISO 50001:2011 standard for energy management system and gold level in Travelife's sustainability criteria.

It is our belief that protecting the environment isn't just a legal or social obligation but is 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.

Sustainability Review Contd.

Energy and Carbon Footprint

We at Jetwing understand and believe that energy is a valuable commodity and conservation of energy is the need of the hour. In this endeavour, our commitment to continually improve our energy performance via efficient and innovative strategies is outlined in our Energy Management Policy.

As fossil fuel combustion in energy generation is considered to be the largest single source of greenhouse gas (GHG) emissions, in order to reduce the GHG emissions and carbon footprint associated with our operations, the hotels have actively reduced its national grid electricity consumption by both reducing its energy demand via energy conservation and efficiency improvements and promoting non-fossil fuel based (renewable) energy generation.

Key initiatives that have been implemented over the years at our properties include:

At Hotel J – Unawatuna

- 100% artificial lighting is provided via energy efficient LED bulbs
- Water circulation pumps are fitted with Variable Frequency Drives enabling optimal control of flow, in relation to load requirements and climatic conditions
- Solar heat energy is utilized to generate the entire hot water requirement
- The air conditioning system uses the R32 refrigerant, with only 1/3 the Global Warming Potential of the typically used refrigerant R410

At Jetwing Kurulubedda

- High-efficient LPG heaters used to produce hot water instead of electric geysers or heaters

At Jetwing Lighthouse

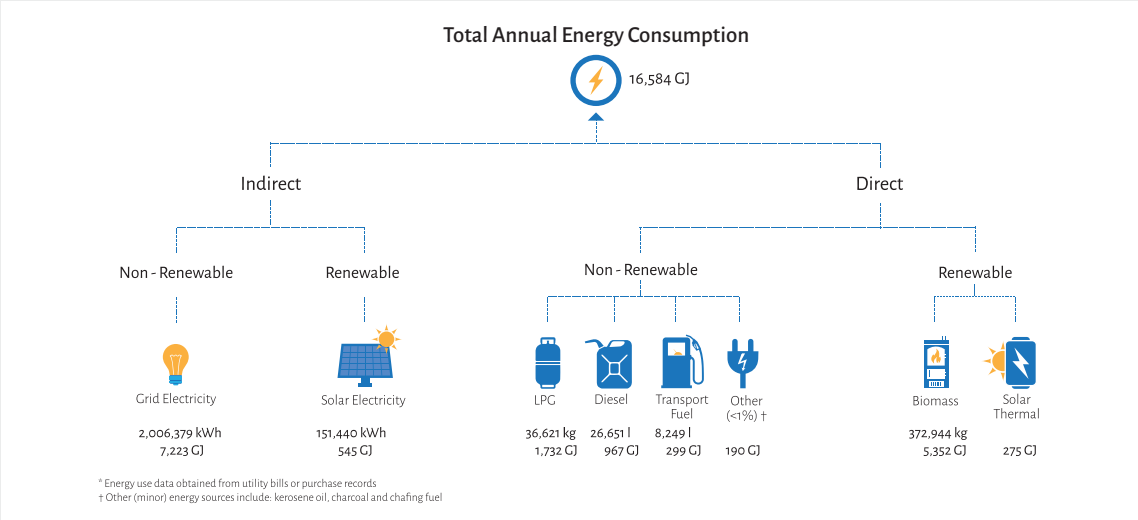
- Replacements of lights and televisions is only with more energy efficient LED technology
- Hot water requirement is generated entirely through renewable energy sources - solar hot water panels and use of a biomass boiler fuelled by Cinnamon wood
- A 125kW$_p$ roof-mounted solar PV (net metered) system contributes to approximately 16% of the hotel's 'day-time' electricity requirement which is 9% of the total electricity requirement

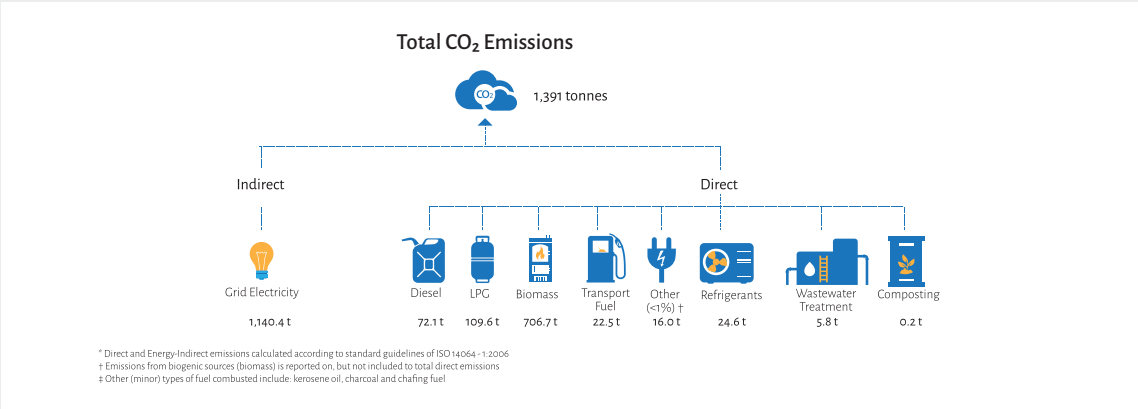
Several initiatives have been planned for the upcoming financial year as well – the installation of an in-house biogas generation facility to service the hotel's kitchen and a revamp of the 15-year old chiller plant room pumping system at Jetwing Lighthouse which will be completed along with planned hotel refurbishment.

The hotels systematically track its energy usage levels and the savings it achieves through various conservation efforts. Savings acquired from these measures 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(s) in the long run as energy savings go hand in hand with cost savings.

Sustainability Review Contd.

The hotels' current energy profile and greenhouse gas emissions from operations is presented in Figures below. Aggregate energy and GHG emissions intensity ratios for the year 2018/19 are 348.4 MJ/guest night and 29.2 kg CO_2/guest night respectively.





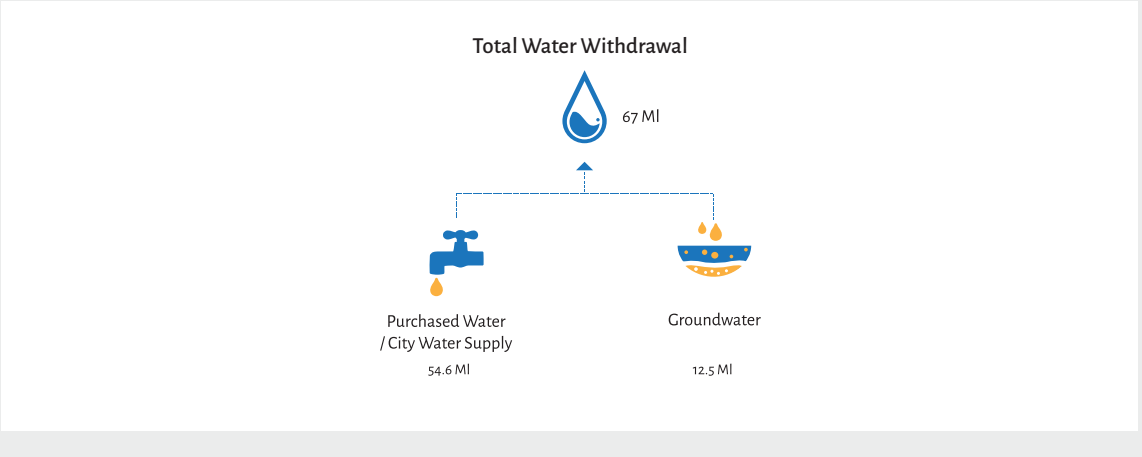
Sustainability Review Contd.

Water Conservation and Wastewater Management

Sri Lanka knows full well the impact of water scarcity through ever more frequently occurring droughts. Thus, we all have a moral and commercial responsibility to conserve this precious freshwater resource that is not only getting scarcer, but its sources are increasingly being polluted by sewage, fertilisers, pesticides and industrial effluents.

All properties under The Lighthouse Hotel umbrella have implemented strict measures to regulate and manage water consumption. Water consumption is monitored and sub-metered wherever possible. The installation of flow restrictors/water savers with faucets, water-saving shower heads, dual flush toilets etc., have improved the efficiency in water usage.

Ninety percent of the total water demand for Jetwing Lighthouse and Jetwing Kurulubedda is met via the city water supply, with the limited water requirement for the swimming pools at Jetwing Lighthouse extracted from groundwater. Ninety eight percent of the total water demand for Hotel J – Unawatuna is extracted from groundwater with only the hotel kitchen's water requirement met via the city water supply.



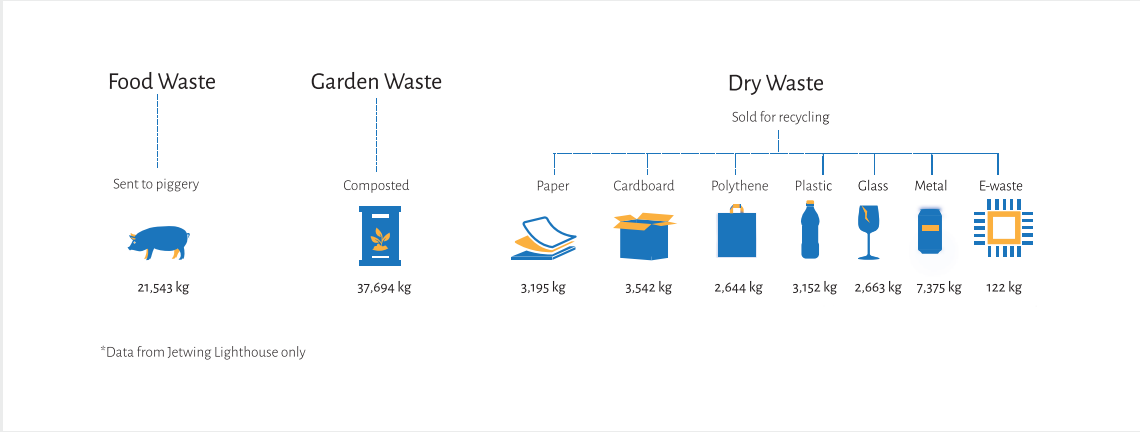
Although waste water generation at the hotels is not directly measured, 100% of waste water generated from Jetwing Lighthouse hotel, Lighthouse Club, Hotel J operations is sent to an on-site effluent treatment plant; this includes kitchen waste water and bath water from guest rooms. At Hotel J – Unawatuna black and grey waste water is separated at source and treated separately, in order to improve the efficiency of the treatment system. The treated waste water provides water for the hotels' entire gardening purposes. Quality of the 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).

Sustainability Review Contd.

Solid Waste Management

By the very nature of business, hotels generate considerable quantities of waste from their diverse areas of operation. Through our comprehensive waste management system practiced, solid waste generated is separated at their sources of origin – in all departments such as the kitchen, restaurant and bar, maintenance, stores and guest rooms – stored safely and hygienically and disposed in the most environmentally-sound manner available.

All dry solid waste collected (such as cardboard, plastic, glass bottles and metal) is inventoried and sold to external parties 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 food waste generated is sent to a local piggery to be (re)used as animal feed; and all garden waste is composted in a conventional compost pit and used as organic fertilizer in the hotel gardens. Minimal quantities of mixed waste items which can neither be recycled nor biodegraded, are collected by local authorities for disposal.



(Plastic) bottled water use remains a concern because of both the cost and emission of transporting from source to end user as well as the waste disposal problem that it creates in due course. To replace the use of the plastic bottled water with reusable glass water bottles, a potable-water bottling plant has been commissioned at Jetwing Lighthouse to serve the requirements of all properties coming under The Lighthouse Hotel umbrella. The energy consumed for the water bottling process is sourced from an independent solar PV system.

A stroke of elegance that exhibits old world charm along with modern day comfort.

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 management and they are periodically reviewed to ensure adequacy and adherence. In the current business environment, change has become the norm rather than the exception. By managing threats to the business, in a changing environment effectively, particularly the major threats that may affect our business plans and strategic objectives, we are able to protect or enhance our key assets appropriately. The Risk Management Model of Jetwing Lighthouse is shown below:

Risk Management Contd.

The Jetwing Lighthouse Group identifies three main categories of risk:

01. Strategic and Market Risks	Risks that threaten the Group's high-level strategic objectives or risks from the external environment.
02. Operational Risks	Risks that arise from day-to-day operations of the Hotels.
03. Financial Risks	Risks of losses arising from the adverse movements in market prices, risks that may threaten the Group's ability to have sufficient funds to meet financial obligations and the failure of a customer to meet its contractual obligations.

The main threats to the business are identified.

Thereafter, each threat is assessed for potential impact and likelihood of occurring to quantify the associated risk. A risk Heat Map is then used to plot the risk associated with each threat based on the above. The horizontal axis shows the likelihood of a given threat occurring, that is, the likelihood that the threat will materialise and become an issue. The vertical axis shows the potential impact that the threat will have on the objective or goal not being achieved should it materialise. The associated risks are then quantified and the colours are risk areas (eg, green boxes are in the low area; yellow boxes are in the medium area; orange boxes are in the high area, red boxes are 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		2.5			
	4 Major		1.1, 1.2, 2.1, 3.4	1.3, 3.2, 3.3		
	3 Moderate		2.2, 2.6	2.3, 2.4		
	2 Tolerable		3.1	2.7		
	1 Insignificant					

Risk Management Contd.

Risk Factors

In this section, we describe the foreseeable risks that could have a material effect on the Group's business operations, cash flow, financial condition, turnover, profits, asset Integrity, 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. Some risks may not yet be 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 objectives	- Reduced revenue, cash flow and profitability - Hinder future growth	- Detailed operational and capital expenditure budgets are formulated on an annual basis and formally approved by the Board. These plans are thereafter monitored and reviewed by the Board to assess actual performance against those planned and take remedial action wherever necessary. - Project feasibility studies are conducted for all major investments - Implementation of cost control procedures and innovative cost saving initiatives particularly with regard to energy costs - Performing Competitor analyses
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 a threat 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. - Being a member of Tourist Hotels Association of Sri Lanka, and working closely with them and other various trade associations, relevant authorities and lobby groups to create 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.

Risk Management Contd.

Risk Category and Description	Potential Impact	Actions Taken to Mitigate Risk
Risks from natural or man-created disasters	- Loss of assets	- Transferring risks to third parties through insurance policies. The adequacy of insurance covers is regularly reviewed and adjusted when necessary.
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 rooms - Reduction in market share (lower occupancies) and rates resulting in reduced revenues, increase in marketing expenses reduced cash flows and profitability	- Providing a unique service quality associated with Jetwing brand only - Consistently delivering 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 - Reduced 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 - Monitoring adherence to Group safety, operating and quality standards or the significant regulations applicable to hotel operations - Provide 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 Group and hotels are 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 Management Contd.

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
Failure to embrace emerging technology or implement existing technology correctly.	- Inaccurate information - Reputation and performance of the group will be adversely affected - Worsening efficiency, loss of competitive advantage	- Regular review of systems and upgrades where appropriate - Introduction of new technology where possible and appropriate.
2.5. Project Implementation Risk		
	Risk Rating	High
Inaccurate assessments of project cost and time.	- 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	High
Threat of litigation due to legal and statutory requirements not being fulfilled	- Legal fees and penalties resulting in reduced profitability - Adverse impact on 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
Threat of financial loss due to breakdown in internal controls	- Internal process failures - Fraud - 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 Management Contd.

Risk Category and Description	Potential Impact	Actions Taken to Mitigate Risk
3. FINANCIAL RISKS		
3.1. Credit Risk		
	Risk Rating	Low
Threat 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	High
Threat arising from the volatility of fair value or future cash flows of a financial instrument fluctuating because of changes in market interest 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	High
Threat arising from the volatility of fair value or future cash flows of a financial instrument fluctuating because of changes in market interest rates	- Reduced profitability - Reduced 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.	- Reduced cash flows - Reduced profitability	- Preparation of regular cashflow forecasts in line with projected occupancy fluctuations in order to assess the liquidity position of the group in the short term - Monitor and review bank balances regularly - Preparation and review of actual performance against the budget monthly.

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.

The freedom to dine within a serene sanctuary in the south

Corporate Governance

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

The Board of Directors (the "Board") has appointed Jetwing Hotels Ltd., as the managing agents of the Company.

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

BOARD OF DIRECTORS

Executive Directors

Mr. N.J.H.M. Cooray (Chairman),

Mr. R.A.E. Samarasinghe (Managing Director),

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

Mr. C.S.R.S. Anthony.

Non-Executive Directors

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 six occasions. The attendance at these meetings was:

Mr. N.J.H.M. Cooray (Chairman)	Executive	6/6
Mr. R.A.E. Samarasinghe (Managing Director)	Executive	5/6
Mr. C.S.R.S. Anthony	Executive	6/6
Ms. N.T.M.S. Cooray	Executive	5/6
Ms. A.M. Ondaatjie	Non-Executive	5/6
Mr. N. Wadugodapitiya	Non-Executive Independent	6/6
Mr. R. de Silva	Non-Executive Independent	6/6
Mr. E.P.A. Cooray	Non-Executive Independent	6/6
Dr. C. Pathiraja	Non-Executive Independent	5/6
Mr. T. Nadesan	Non-Executive Independent	2/6
Mr. A.T.P. Edirisinghe	Non-Executive Independent	5/6

Responsibilities

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

The annual capital expenditure budgets, non-budgeted capital expenditure and the annual budgeted operating statements require Board approval. The Board meets regularly to review performance and forecasts against budgets so as to take decisions in the best interest of the Company. The managing agents are represented at these meetings and are responsible for follow-up action. Directors' interests in contracts are regularly disclosed and such disclosures pertaining to year ended 31st March, 2019 can be seen on page 60 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.

Corporate Governance

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. The Board has determined that six Non-Executive Directors satisfy the criteria for 'independence' set out in the Listing Rules.

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

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 (the "Articles").

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 57 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.

Corporate Governance

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 65 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

The Company constituted its own Audit Committee on 12th February, 2008. The Audit 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 Audit 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	5/5
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 58 of this Report.

Related Party Transactions Review Committee

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

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

The Related Party Transactions Review Committee Report appears on page 59 in this Report.

Corporate Governance

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

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

Rule No.	Subject	Applicable Requirement	Level of Compliance
7.10.1	Non-Executive Directors	At least one-third of the total number of Directors should be Non-Executive Directors	Seven 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 Seven 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 61
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 61
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 54 to 56
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 57
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 138
		(b) Statement of Remuneration Policy	Please refer Remuneration Committee Report on page 57
		(c) Aggregated remuneration paid to Executive Directors and Non-Executive Directors	Given in this Report under the heading of Directors' Remuneration on page 60

Corporate Governance

Rule No.	Subject	Applicable Requirement	Level of Compliance
7.10.6	Audit Committee	The Company shall have an Audit Committee	Company has formed an Audit Committee
7.10.6 (a)	Composition of Audit Committee	Shall comprise of Non-Executive Directors, a majority of whom will be independent	Audit Committee consists of three Independent Non-Executive Directors
		Non-Executive Director shall be appointed as the Chairman of the Committee	Chairman of the Audit Committee is an Independent Non-Executive Director
		Chief Executive Officer and the Chief Financial Officer shall attend Audit Committee meetings unless otherwise determined	Chairman, Managing Director, Executive Director, General Manager and Chief Financial Officer attend meetings by invitation
		The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Chairman of the Audit Committee is a Fellow Member of the Chartered Institute of Management Accountants – UK
7.10.6 (b)	Audit Committee Functions	Should be as outlined in the Section 7 of the Listing Rules of the Colombo Stock Exchange	The terms of reference of the Audit Committee adopted by the Board is listed on page 58
7.10.6 (c)	Disclosure in the Annual Report relating to the Audit Committee	(a) Names of Directors comprising the Audit Committee	Names of the members of the Audit Committee are stated in this Report under the heading of Audit Committee on page 138
		(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 58
		(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 58

Board of Directors

N. J. H. M. Cooray (Chairman)

Executive Director

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 organization'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. He also serves as a board member of the Ceylon Chamber of Commerce (2016-2019). 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 recognized globally by his appointment as an Alternate Member of the UNWTO (United Nations World Tourism Organization) – 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.

R. Samarasinghe

Managing Director

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 organization 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 is also the former Chairman of the Pacific Asia Travel Association (PATA) Sri Lankan chapter.

N. T. M. S. Cooray (Ms)

Executive Director

Shiromal Cooray is the Chairman and Managing Director of Jetwing Travels (Private) Limited, one of the leading destination management companies in Sri Lanka. She is also the Chairman of Jetwing Hotels Limited, the premier hospitality brand of Sri Lanka, effective October 2018. With diverse experience in a number of industries, Shiromal also holds 19 other directorates in hotels, finance, investment banking, Commodity brokering and advertising and PR agencies.

Hailing from a background in finance and management, Shiromal holds an MBA from the University of Colombo, is a Fellow of the Chartered Institute of Management Accountants UK, and a former Finance Director of J. Walter Thompson Ltd (Colombo) along with work experience in the UK and Hong Kong. She is past Chairman of the Sri Lanka Institute of Directors (SLID), and past President of the Sri Lanka Association of Inbound Tour Operators. Shiromal is an Independent Non-Executive Director of Commercial Bank of Ceylon PLC.

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).

Board of Directors Contd.

A. M. Ondaatjie (Ms)

Non-Executive Director

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

N. Wadugodapitiya

Non-Executive Independent Director

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

P. Cooray

Non-Executive independent director

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. He is a past president of the Tourist Hotels Association of Sri Lanka (1998-2000) and was the Chairman of the Sri Lanka Convention Bureau (2007-2009 & 2015-2017).

He served as the Secretary General/CEO of the Ceylon Chamber of Commerce (2003-2008). Mr. Cooray was awarded the "Legend of Tourism" by the Ministry of Tourism in 2011.

He is the current Chairman of Rainforest Ecolodge (Pvt) Ltd., and Citrus Leisure Plc.

Mr. Cooray also represents many public listed companies as a Director.

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

Priya 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.

Board of Directors Contd.

R. 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 recognized 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. In 2019 he was awarded the IAA Inspire award for lifetime achievement at the IAA World Congress held in Kochi. 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. He also serves as a trustee of the Lionel Wendt Memorial Arts Centre. 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 Post Graduate Diploma in Business Management.

T. Nadesan

Non-Executive Independent Director

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 Organization.

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).

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 138 of the Annual Report. The members of the Committee met once in the year under review. The attendance at this meeting was:

Members of the Remuneration Committee		Attendance at the Meeting
Mr. E.P.A. Cooray (Chairman)	Non-Executive Independent	1/1
Mr. N. Wadugodapitiya	Non-Executive Independent	1/1
Mr. A.T.P. Edirisinghe	Non-Executive Independent	1/1

The aggregate remuneration paid to Directors is set out in page 60

E.P.A. COORAY

Chairman – Remuneration Committee
9th May 2019

Audit Committee Report

The Audit Committee, comprises three Non-Executive Independent Directors (as shown on page 138 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 interim and annual financial statements of the Group and has recommended same to the Board for approval and publication.
- The Committee reviewed and made recommendation to the board about the policy decisions relating to adoption of new and revised Sri Lanka Accounting Standards (SLFRS/LKAS) applicable to the Group including adoption of SLFRS 9 and SLFRS 15 during the financial year under review. 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 organization provides reasonable, but not absolute assurance that the financial position of the Company is adequately monitored and that the systems are in place to minimize the impact of identifiable risks.

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

The Audit Committee has recommended to the Board of Directors that Messrs Ernst & Young may continue as Auditors for the financial year ending 31st March, 2020

NIHAL WADUGODAPITIYA

Chairman – Audit Committee
9th May 2019

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 31st March, 2019 it comprised three Non-Executive Independent Directors and one Executive Director (as shown on page 138 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 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 four occasions during the financial year. The activities and observations of the Committee have been communicated to the Board of Directors, quarterly, through verbal briefings, and by tabling the minutes of the Committee's meetings.

Related Party Transactions during the year

The committee reviewed the related party transactions during the year under review. Further, there were no non-recurrent nor recurrent related party transactions that exceeded the threshold mentioned in the continuing listing rules of the CSE.

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 116 and pages 124 to 128 in the Annual Report.

NIHAL WADUGODAPITIYA

Chairman
Related Party Transactions Review Committee
9th May 2019

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

The Directors of The Lighthouse Hotel PLC (the "Company") present their Report together with the Audited Consolidated Financial Statements of the Company for the year ended 31st March, 2019.

The details set out herein provide the pertinent information required by the Companies Act No. 07 of 2007, (the "Companies Act") Listing Rules of the Colombo Stock Exchange (the "Listing Rules") 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 previous financial year, 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 70 to 121 in this Annual Report.

Auditor's Report

The Auditor's Report on the Consolidated Financial Statements is given on pages 67 to 69.

Accounting Policies

The accounting policies adopted by the Group in the preparation of Consolidated Financial Statements are given on pages 76 to 91 in this Annual Report.

The accounting policies adopted are consistent with these of the previous financial year except for the adoption of new accounting standards, SLFRS 9 – Financial Instruments and SLFRS 15 – Revenue from Contacts with Customers as detailed in Note 2.3.1 in page 76 to the financial statements.

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 The related party disclosures and the Directors of each of those related parties are given on pages 124 to 128.

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 Rs. 2,370,000/- is reflected on page 115 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 Rs. 25,000,000/-. The premium is LKR 214,500/- +Taxes.

Directors' Shareholding

	Directors' Direct Shareholding	
	As at 31st March, 2019	As at 1st April, 2018
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

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

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)
Ms. N.T.M.S. Cooray
Mr. C.S.R.S. Anthony

Non-Executive Directors

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, Mr. R. de Silva, Mr. E.P.A. Cooray, Mr. A.T.P. Edirisinghe , Mr. T. Nadesan and Dr. C. Pathiraja have served as Non-Executive Directors of the Company for more than nine (9) years. They have not been directly involved in the management of the Company and continues to exercise objectivity in the performance of their duties.

Having considered the above, Board of Directors have resolved that Mr. N. Wadugodapitiya, Mr. R. de Silva, Mr. E.P.A. Cooray, Mr. A.T.P. Edirisinghe , Mr. T. Nadesan and Dr. C. Pathiraja are Independent Directors notwithstanding the fact that they have served on the Board for more than nine (9) years and that they 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 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 of the intention to propose an ordinary resolution, for the reappointment of Mr. E.P.A. Cooray, who has reached the age of 71 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 Rs. 226,639/-.

Auditors

Messrs Ernst & Young, Chartered Accountants are deemed reappointed, in terms of Section 158 of the Companies Act as Auditors of the Company.

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

Auditor's Remuneration

Messrs Ernst & Young were paid LKR 717,450/- and LKR 847,450/- as audit fees and expenses by the Company and Group respectively. In addition, they were paid LKR 144,082/- and LKR 205,817/- by the Company and Group respectively 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 850,117,803/- (2017/18 – LKR 836,005,495/-).

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

Profit / (Loss)

	Group	
	2019 LKR	2018 LKR
Net Profit/(Loss) for the Year after Providing for all Expenses, known Liabilities and Depreciation of Fixed Assets was	102,557,572	132,717,759
Other Comprehensive Income/(Loss)	(2,830,082)	3,329,872
Interim Dividend for 2019 – LKR Nil (2018 – LKR 2.50/- Per Share)	-	(115,000,000)
Prior Year Retained Profit	328,701,976	307,654,345
Retained Profit at the End of the Year	428,429,466	328,701,976

Reserves

	Group	
	2019 LKR	2018 LKR
Revaluation Reserve	750,765,938	750,765,938
Special Reserve	1,325,671,060	1,325,671,060
Available-for-Sale Reserve	-	23,207
Fair value Reserve of Financial Asset at FVOCI	(549,408)	-
As at 31st March,	2,075,887,590	2,076,460,205

Revaluation Reserve

	Group	
	2019 LKR	2018 LKR
As at the beginning of the Year	750,765,938	758,874,668
Effect on Revaluation carried out during the year 2018	-	113,613,991
Deferred Tax attributable to Revaluation surplus	-	(121,722,721)
As at 31st March,	750,765,938	750,765,938

Special Reserve

	Group	
	2019 LKR	2018 LKR
As at the beginning of the Year	1,325,671,060	1,325,671,060
As at 31st March,	1,325,671,060	1,325,671,060

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

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

Available-for-Sale Reserve

	Group	
	2019 LKR	2018 LKR
As at the beginning of the Year	23,207	138,187
Effect of adoption of SLFRS 9 Financial Instruments	(23,207)	-
Gain/(Loss) on Available - for - Sale Financial Assets	-	(114,980)
As at 31st March,	-	23,207

Fair value Reserve of Financial Asset at FVOCI

	Group	
	2019 LKR	2018 LKR
As at the beginning of the Year	-	-
Effect of adoption of SLFRS 9 Financial Instruments	23,207	-
Gain/(Loss) on Financial Instruments through OCI	(572,615)	-
As at 31st March,	(549,408)	-

Taxation

Pursuant to an agreement dated 29th 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 1st April, 2008 for a period of 15 years in accordance with the said agreement. However, taxation on interest income earned has been provided for, based on the provisions of the Inland Revenue Act. Income tax on operation of Hotel J, Galle Heritage Villa and Jetwing 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 Rs. 29,860,620/- (2018 – Rs 235,985,256/-) and Rs. 26,294,840/- (2018 – Rs. 35,290,845/-) respectively. Further, details of which are given in Note 4.1 to the Financial Statements on pages 92 & 93. 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 97.

Stated Capital

There were no changes in the Company's Stated Capital during the year under review. In terms of the Companies Act the Stated Capital of the Company was Rs. 460,000,974/- as at 31st March, 2019 (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.

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

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 31st March, 2019, 31.44% of the issued capital of the Company was held by the public. Further, the number of public shareholders as at 31st March, 2019 was 1,184.The float adjusted market capitalisation of LKR 370,237,440/- as at 31st March 2019. In terms of Rule 7.13.1.(b) of the Listing Rules, the Company qualifies under option 2 of the minimum public holding requirement.

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,

R.A.E. SAMARASINGHE
Managing Director

N.T.M.S COORAY
Director

CORPORATE SERVICES (PVT) LTD.
Secretaries
The Lighthouse Hotel PLC
9th May, 2019

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.

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 67 to 69 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 2019

Financial Calendar

Audited Financial Statements signed on	9 May 2019
25th Annual General Meeting	27 June 2019

Interim Financial Statements

1st Quarter Interim report released on	7 August 2018
2nd Quarter Interim report released on	1 November 2018
3rd Quarter Interim report released on	11 February 2019
4th Quarter Interim report released on	9 May 2019

Independent Auditor's Report

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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 2019 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 2019, 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 CA Sri Lanka ("Code of Ethics") 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.

Key audit matters common to both Group and the Company

Description of the Key Audit Matter	How our audit addressed the key audit matter
Un-quoted investment valuation	
The Group's investment portfolio included Un-quoted equity investment of LKR 86 MN as of 31 March 2019 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 use of 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 evaluated the accuracy of significant inputs such as future exchange rates, rupee depreciation rates, inflation rates and other factors used for Un-quoted investment valuation. • In addition, we evaluated the overall appropriateness of the related financial statement disclosures in Note No 8.
Adoption of new accounting standard SLFRS 15 – Revenue from Contracts with Customers.	
The Group has adopted SLFRS 15 from 1 April 2018 as explained in note 2.3 to the financial statements. Due to the significance of the activities explained in note 2.3, note 2.6.3 and note.3. and which the Group adopted in determining the impact of SLFRS 15, specially the application of principal versus agent consideration in the contracts related to revenue, resulted in us considering such, as a key audit matter	Among other audit procedures in adoption of new revenue accounting standard, we performed following specific procedures: • We assessed the Group's implementation process of SLFRS 15, to support revenue recognition according to new revenue accounting standard. • We examined a sample of contracts to assess whether method for recognition of revenue was relevant and consistent with SLFRS 15 and applied consistently. • In addition, we assessed the adequacy of the related financial statement disclosures in Note No 2.3.1 Note No 2.6.3 and Note No.3.

Other Information included in the 2019 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. The Company's 2019 Annual Report is expected to be available for auditors after the date of this audit report.

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.

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 judgment and maintain professional skepticism 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.

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

Ernst & Young

09 May 2019

Colombo

Statement of Financial Position

As at 31 March	Note	Group 2019 LKR	Group 2018 LKR	Company 2019 LKR	Company 2018 LKR
ASSETS					
Non-current assets					
Property, Plant and Equipment	4	3,115,583,824	3,185,405,315	2,836,043,833	2,896,395,495
Prepaid Lease Rent	5	2,272,728	2,303,031	2,272,728	2,303,031
Investments in Subsidiary	7	-	-	175,000,000	175,000,000
Intangible Assets	6	1,059,269	1,303,989	241,612	219,302
Other Non-current Financial Assets	8	86,713,852	87,286,467	86,713,852	87,286,467
		3,205,629,673	3,276,298,802	3,100,272,025	3,161,204,295
Current Assets					
Inventories	9	27,458,840	28,963,962	26,389,017	28,434,625
Trade and Other Receivables	10	136,300,719	139,488,423	130,592,217	130,443,396
Cash at Bank and in Hand	22	42,142,257	12,902,522	40,123,510	12,468,675
		205,901,816	181,354,907	197,104,744	171,346,696
Total Assets		3,411,531,489	3,457,653,709	3,297,376,769	3,332,550,991
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	2,075,887,590	2,076,460,205	2,066,182,806	2,066,755,421
Retained Earnings		428,429,466	328,701,976	481,970,242	347,346,187
		2,964,318,030	2,865,163,155	3,008,154,022	2,874,102,582
Non-controlling Interest		-	-	-	-
Total Equity		2,964,318,030	2,865,163,155	3,008,154,022	2,874,102,582
Non-current liabilities					
Post-employment Benefit Liability	13	37,395,958	31,617,859	36,975,758	31,499,301
Interest-bearing Loans and Borrowings	14	108,626,788	99,955,188	4,709,688	6,371,688
Deferred Tax Liabilities	20	125,709,126	122,703,886	122,398,506	122,247,990
		271,731,872	254,276,933	164,083,952	160,118,979
Current Liabilities					
Trade and Other Payables	15	131,827,786	142,146,783	119,759,427	127,467,378
Current portion of Interest-bearing Loans and Borrowings	14	39,936,433	192,033,813	1,662,000	166,829,027
Income Tax Payable		3,717,368	4,033,025	3,717,368	4,033,025
		175,481,587	338,213,621	125,138,795	298,329,430
Total Liabilities		447,213,459	592,490,554	289,222,747	458,448,409
Total Equity and Liabilities		3,411,531,489	3,457,653,709	3,297,376,769	3,332,550,991

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 76 through 121 form an integral part of the Financial Statements.
09 May 2019
Colombo

Statement of Profit or Loss

Year ended 31 March	Note	Group 2019 LKR	Group 2018 LKR	Company 2019 LKR	Company 2018 LKR
Revenue	3	850,117,803	836,005,495	810,688,021	821,238,889
Cost of Sales		(157,850,935)	(154,961,303)	(151,761,323)	(152,621,999)
Gross Profit		692,266,868	681,044,192	658,926,698	668,616,890
Other Income & Gains	17	8,001,833	1,058,499	7,996,643	1,044,118
Marketing and Promotional Expenses		(26,994,679)	(30,437,267)	(24,016,651)	(29,179,897)
Administrative Expenses		(517,899,220)	(485,754,210)	(478,461,348)	(472,725,758)
Finance Cost	18.1	(21,790,030)	(16,864,100)	(10,901,546)	(14,082,754)
Finance Income	18.2	758,904	600,483	747,220	600,483
Exchange Loss on Foreign Currency Loan Conversion		(12,094,500)	(1,048,728)	-	(495,228)
Profit before Tax	19	122,249,176	148,598,869	154,291,016	153,777,854
Income Tax Expense	20	(19,691,604)	(15,881,110)	(16,836,879)	(16,510,074)
Profit for the Year		102,557,572	132,717,759	137,454,137	137,267,780
Attributable to:					
Equity holders of the Parent Company		102,557,572	132,717,759		
Non-controlling Interests		-	-		
		102,557,572	132,717,759		
Earnings Per Share	21	2.23	2.89		

The Accounting Policies and Notes on pages 76 through 121 form an integral part of the Financial Statements.

Statement of Comprehensive Income

Year ended 31 March	Note	Group		Company	
		2019	**2018**	**2019**	**2018**
		LKR	**LKR**	**LKR**	**LKR**
Profit for the Year		102,557,572	132,717,759	137,454,137	137,267,780
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)	-	(114,980)
Other Comprehensive Income not to be reclassified to Statement of Profit or Loss in subsequent periods :					
Loss on Fair Value Through Other Comprehensive Income Financial Instruments	8	(572,615)	-	(572,615)	-
Actuarial Gain/(Loss) on Post Employment Benefit Liability	13	(3,290,793)	3,783,946	(3,290,793)	3,783,946
Deferred Tax Attributable to Post Employment Benefit Liability	20.3	460,711	(454,074)	460,711	(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		(3,402,697)	(4,893,838)	(3,402,697)	(11,557,970)
Total Comprehensive Income for the Year, net of tax		99,154,875	127,823,921	134,051,440	125,709,810
Attributable to:					
Equity holders of the Parent Company		99,154,875	127,823,921		
Non-controlling Interests		-	-		
		99,154,875	127,823,921		

The Accounting Policies and Notes on pages 76 through 121 form an integral part of the Financial Statements.

Statement of Changes In Equity

Group	Attributable to Equity Holders of Parent								
	Stated Capital	Revaluation Reserve	Available-for-Sale Reserve	Fair value Reserve of Financials Assets at FVOCI	Special Reserve	Retained Earnings	Total	Non-controlling Interest	Total Equity
		(Note 12.1)	(Note 12.3)	(Note 12.3)	(Note 12.2)				
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Balance as at 01 April 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	(4,893,838)	-	(4,893,838)
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
Effect of adopting new accounting standards	-	-	(23,207)	23,207	-	-	-	-	-
Balance as at 1 April 2018 (Restated)	460,000,974	750,765,938	-	23,207	1,325,671,060	328,701,976	2,865,163,155	-	2,865,163,155
Profit for the Year	-	-	-	-	-	102,557,572	102,557,572	-	102,557,572
Other Comprehensive Income/(Loss)	-	-	-	(572,615)	-	(2,830,082)	(3,402,697)	-	(3,402,697)
Total Comprehensive Income/(Loss)	-	-	-	(572,615)	-	99,727,490	99,154,875	-	99,154,875
Balance as at 31 March 2019	460,000,974	750,765,938	-	(549,408)	1,325,671,060	428,429,466	2,964,318,030	-	2,964,318,030

The Accounting Policies and Notes on pages 76 through 121 form an integral part of the Financial Statements.

Statement of Changes In Equity

Company	Stated Capital	Revaluation Reserve	Available-for-Sale Reserve	Fair value Reserve of Financials Assets at FVOCI	Special Reserve	Retained Earnings	Total Equity
		(Note 12.1)	(Note 12.3)	(Note 12.3)	(Note 12.2)		
	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Balance as at 01 April 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 Profit/(Loss)	-	(14,772,862)	(114,980)	-	-	3,329,872	(11,557,970)
Total Comprehensive Income/(Loss)	-	(14,772,862)	(114,980)	-	-	140,597,652	125,709,810
Dividend Paid (Note 16)	-	-	-	-	-	(115,000,000)	(115,000,000)
Balance as at 31 March 2018	460,000,974	741,061,154	23,207	-	1,325,671,060	347,346,187	2,874,102,582
Effect of adopting new accounting standards (Note 8.1)	-	-	(23,207)	23,207	-	-	-
Balance as at 1 April 2018 (Restated)	460,000,974	741,061,154	-	23,207	1,325,671,060	347,346,187	2,874,102,582
Profit for the Year	-	-	-	-	-	137,454,137	137,454,137
Other Comprehensive Income/(Loss)	-	-	-	(572,615)	-	(2,830,082)	(3,402,697)
Total Comprehensive Income/(Loss)	-	-	-	(572,615)	-	134,624,055	134,051,440
Balance as at 31 March 2019	460,000,974	741,061,154	-	(549,408)	1,325,671,060	481,970,242	3,008,154,022

The Accounting Policies and Notes on pages 76 through 121 form an integral part of the Financial Statements.

Statement of Cash Flows

Year ended 31 March	Note	Group 2019 LKR	Group 2018 LKR	Company 2019 LKR	Company 2018 LKR
Cash Flows From Operating Activities					
Profit before Tax		122,249,176	148,598,869	154,291,016	153,777,854
Adjustments for :					
Depreciation	4.2	96,486,389	94,649,818	85,074,990	90,958,758
Amortization of Prepaid Lease Rental	5	30,303	30,303	30,303	30,303
Income from Investments- Interest Income	18.2	(758,904)	(600,483)	(747,220)	(600,483)
(Profit)/Loss on Disposal of Property, Plant and Equipment	19	1,331,389	(1,377,961)	1,347,301	(1,377,961)
Finance Costs	18.1	21,790,030	16,864,100	10,901,546	14,082,754
Provision for Defined Benefit Plans	13	6,431,034	6,282,380	6,129,392	6,179,416
Allowance for Doubtful Debts	19	1,198,281	381,842	1,198,281	381,842
Amortization of Intangible Assets	6	504,737	482,044	210,358	409,731
Exchange Loss from Conversion of Foreign Currency Loans	14	12,094,500	1,048,728	-	495,228
Operating Profit before Working Capital Changes		261,356,935	266,359,640	258,435,967	264,337,443
(Increase)/Decrease in Inventories		1,505,122	3,486,854	2,045,608	4,016,191
(Increase)/Decrease in Trade and Other Receivables		1,989,423	(4,899,678)	(1,347,102)	(2,591,958)
Increase/(Decrease) in Trade and Other Payables		(10,318,997)	4,848,307	(7,707,951)	(7,406,773)
Cash Generated from Operations		254,532,483	269,795,123	251,426,523	258,354,903
Income Tax Paid		(16,541,310)	(13,959,595)	(16,541,310)	(13,959,595)
Finance Cost paid	18.1	(21,790,030)	(16,864,100)	(10,901,546)	(14,082,754)
Defined Benefit Plan Costs Paid Net of Transfers	13	(3,943,728)	(968,103)	(3,943,728)	(983,696)
Net Cash from Operating Activitie		212,257,415	238,003,325	220,039,938	229,328,857
Cash Flows From/(Used in) Investing Activities					
Acquisition of Property, Plant and Equipment	4.6	(28,268,239)	(235,985,256)	(26,294,840)	(35,290,845)
Acquisition of Intangible Assets	6	(260,016)	(1,157,000)	(232,669)	-
Proceeds from Sale of Property, Plant and Equipment		271,951	5,907,521	224,213	5,907,521
Interest Income	18.2	758,904	600,483	747,220	600,483
Investment in Unawatuna Properties (Pvt) Ltd	7	-	-	-	(75,000,000)
Net Cash Flows Used in Investing Activities		(27,497,400)	(230,634,252)	(25,556,076)	(103,782,841)
Cash Flows From/(Used in) Financing Activities					
Proceeds from Interest Bearing Loans & Borrowings	14	-	100,010,788	-	6,980,788
Repayment of Interest Bearing Loans & Borrowings	14	(1,662,000)	(66,103,628)	(1,662,000)	(66,103,628)
Proceeds from Government Grant	4.9	-	4,748,898	-	4,748,898
Dividends Paid	16	-	(115,000,000)	-	(115,000,000)
Net Cash Flows Used in Financing Activities		(1,662,000)	(76,343,942)	(1,662,000)	(169,373,942)
Net Increase/(Decrease) in Cash and Cash Equivalents		183,098,015	(68,974,868)	192,821,862	(43,827,925)
Cash and Cash Equivalents at the Beginning of the Year	22	(177,469,291)	(108,494,423)	(152,698,352)	(108,870,427)
Cash and Cash Equivalents at the End of the Year	22	5,628,724	(177,469,291)	40,123,510	(152,698,352)

The Accounting Policies and Notes on pages 76 through 121 form an integral part of the Financial Statements.

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 General

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

1.2 Principal Activities and Nature of Operations

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

The fully owned subsidiary of the company, Unawatuna Properties (Pvt) Ltd (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 Authorization for Issue

The Financial Statements of The Lighthouse Hotel PLC and its subsidiary, for the year ended 31 March 2019 were authorized for issue in accordance with a resolution of the Board of Directors on 09 May 2019.

2. BASIS OF PREPARATION

2.1 The Consolidated Financial Statements have been prepared on a historical cost basis except for

- Freehold Land measured at fair value.
- Financial assets classified as fair value through other comprehensive income (FVOCI). (Up to 31 March 2018 they were classified as available for sale investments and further details are disclosed in Note 2.3.1)
- The liability for Define Benefit Obligations are actuarially valued and recognized at the present 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 Group and 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 except for the following;

2.3.1 New and amended standards and interpretations

The following are the new significant accounting policies applied by the Group in preparing its Financial Statements. Several other amendments and interpretations apply for the first time in financial year 2018/19, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective.

A) SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 replaced LKAS 18 Revenue and related Interpretations. SLFRS 15 established a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. SLFRS 15 required the Group to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Group adopted SLFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 April 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at 1 April 2018. The cumulative effect of initially applying SLFRS 15 is recognized at the date of initial

Notes to the Financial Statements contd.

application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated as permitted, and continues to be reported under LKAS 18 and related Interpretations.

The Group carried out an impact analysis of the possible impact from adoption of the SLFRS 15 across all the services offered by each Hotel in the Group. The key aspects covered are as follows.

- Identified all the goods or services, or contract deliverables, which have been promised within usual course of carrying out services of the Hotels. In determining this, the management looked at implicitly or explicitly promised services including customary business practices or policies of the hotel. Having considered the same, each hotel then determined that in all principle services rendered, there was one distinct performance obligation rather than many.
- In connection with contracts with travel agents, tour operators, on-line travel agents, corporate customers and free-individual-travelers, the group identified certain principal vs agent considerations. In recognising revenue from these transactions, the Group considered whether the nature of its promise is a performance obligation to provide the hotel services itself (acting as a principal) or to arrange for the other party to provide those such services (acting as an agent). In particular, certain on-line travel agent agreements had terms indicative that the Hotels were in fact the principal, while in certain other circumstances, considerations that were suggestive of agency considerations were present. However, the accounting treatments that were adopted by the Group under the previous accounting standards were the same even prior to the application of SLFRS 15. In addition, currently the Group does not have any outsourced other hotel related services. Accordingly, this aspect of principal versus agent did not result in material changes to the reported figures, despite the analysis and effort carried out by the Group.

After a detailed impact analysis, the Group concluded that the adoption of SLFRS 15 as at 1 April 2018 did not have a significant financial impact to the balances as at 1 April 2018.

B) SLFRS 9 Financial Instruments

SLFRS 9 Financial Instruments replaces LKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 April 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied SLFRS 9 retrospectively, with an initial application date of 1 April 2018. The Group has not restated the comparative information, which continues to be reported under LKAS 39. Differences arising from the adoption of SLFRS 9. have been recognised directly in retained earnings and other components of equity.

The effect of adopting SLFRS 09 as at 1 April 2018 did not have a significant financial impact to the balances as at 1 April 2018.

The nature of Significant changes are described below

a) Classification and Measurement Under SLFRS 9

Debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, 1 April 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The Group continued measuring at fair value all financial assets previously held at fair value under LKAS 39. The following are the changes in the classification of the Group's financial assets:

Trade receivables and Other non-current financial assets classified as Loans and receivables as at 31 March 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Debt instruments at amortised cost beginning 1 April 2018.

Equity investments in non-listed companies classified as AFS financial assets as at 31 March 2018 are classified and measured as Equity instruments designated at fair value through OCI beginning from 1 April 2018. The Group elected to classify irrevocably its non-listed equity investments under

Notes to the Financial Statements contd.

this category at the date of initial application as it intends to hold these investments for the foreseeable future. There were no impairment losses recognised in profit or loss for these investments in prior periods.

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

b) Impairment

The adoption of SLFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing LKAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. SLFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon adoption of SLFRS 9 the Group recognised has the following types of financial assets which are subject to SLFRS 9's expected credit loss (ECL) model:

- **Trade receivables and prepayments**

The adoption of SLFRS 9 has fundamentally changed the company's accounting for impairment losses for financial assets replacing the LKAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. Further company applied the simplified approach in calculating the expected credit loss of the trade receivables & prepayments. The company was required to revise its impairment methodology under SLFRS 9 for each of these classes of assets. The adoption of the ECL requirements of SLFRS 9 did not result in any material increases in impairment allowances of the company's debt financial assets.

No other significant changes in classification and measurement of financial assets and liabilities were derived due to the adoption.

2.4 COMPARATIVE INFORMATION

From 1 April 2018 group has adopted to SLFRS 15 and SLFRS 9. The Group has not restated comparative information for 2018 on financial instruments in the scope of SLFRS 9. Therefore, the comparative information for 2018 is reported under LKAS 39 and LKAS 18 which is not comparable to the information presented for 2019. Differences arising from the adoption of SLFRS 9 and SLFRS 15 have been recognized directly in retained earnings as of 1 April 2018 and are disclosed in Note 8.1.

2.5 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 2019.

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

Notes to the Financial Statements contd.

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 Statement of Profit or Loss. 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 Statement of Profit or Loss 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.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLIED

2.6.1 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 acquiree 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 classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SLFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with SLFRS 9. Other contingent consideration that is not within the scope of SLFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in Statement of profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized 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 recognized 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.

Notes to the Financial Statements contd.

2.6.2 Foreign Currency Translation

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.

2.6.3 Revenue Recognition

2.6.3.1 Revenue from contracts with customers

SLFRS 15 "Revenue from Contracts with Customers" outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance found across several Standards and Interpretations within SLFRS. It establishes a new five-step model that will apply to revenue arising from contracts with customers.

Step 1: Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that create enforceable rights and obligations and sets out the criteria for each of those rights and obligations.

Step 2: Identify the performance obligations in the contract: A performance obligation in a contract is a promise to transfer a good or service to the customer that is distinct.

Step 3: Determine the transaction price: Transaction price is the amount of consideration to which the entity expects to be entitled to in exchange for transferring the promised goods and services to a customer, excluding amounts collected from third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the entity will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the entity expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

a) Room Revenue

Revenue is recognized on the rooms occupied on daily basis and after completing all other obligation related to the Room.

b) Food & Beverage Revenue

Food & Beverage Revenue is accounted at the time of sale.

c) Other Hotel Related Revenue

Other Hotel Related Revenue is accounted when such service is rendered.

Up to 31 March 2018, revenue from hotel related income sources has been recognized 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.

However, no changes to the revenue recognition point and the measurement bases are occurred due to the adoption of SLFRS 15.

2.6.3.2 Revenue from other income sources

d) Dividend and interest income

Dividend income from investments is recognised when the Group's right to receive payment has been established. Interest income is accrued on a time basis with reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimates future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Notes to the Financial Statements contd.

e) Others

Other income is recognised on an accrual basis.

Net gains and losses of a revenue nature on the disposal of Property, Plant & 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.

2.6.3.3 Contract liabilities

A contract liability is recognised when the customer pays consideration before the group recognises the related revenue. Refundable guest deposits are recognised as contract liabilities in the group's financial statements.

2.6.4 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 recognized directly in equity is recognized 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 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 utilized.

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

Notes to the Financial Statements contd.

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.

2.6.5 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.

2.6.6 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.

2.6.7 Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities (i.e. three months or less from the date of acquisition) are also treated as cash equivalents.

2.6.8 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

Notes to the Financial Statements contd.

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 derecognized. Depreciation does not cease when the assets become idle or is retired from active use unless the asset is fully depreciated.

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

2.6.9 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.

2.6.10 Financial Instruments

Accounting polices applied after 1 April 2018

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial Recognition and Subsequent Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables do not contain a significant financing component.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

Notes to the Financial Statements contd.

- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial Assets at Amortised Cost (Debt Instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes cash and short-term deposits, trade and other receivables and other financial assets.

Financial Assets at Fair Value Through OCI (Debt Instruments)

Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling

And

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Financial Assets Designated at Fair Value Through OCI (Equity Instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. This category includes short term investments which the Group had not irrevocably elected to classify at fair value through OCI. Income from these investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

Notes to the Financial Statements contd.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) 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 or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of Financial Assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- **Trade receivables,**

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs.

Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Group considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial Liabilities
Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Notes to the Financial Statements contd.

Subsequent Measurement

The measurement of financial liabilities depends on their classification, as described below:

Loans and Borrowings (Financial Libilities at amortised cost)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the 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 as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to **Note 15.2.**

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 the 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.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, Or
- In the absence of a principal market, in the most advantageous market for the asset or liability The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Financial Statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Accounting Policy applied up to 31 March 2018

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

Notes to the Financial Statements contd.

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

Notes to the Financial Statements contd.

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.

Notes to the Financial Statements contd.

2.6.11 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 thenet disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit or Loss when the asset is derecognised.

2.6.12 Provisions

Provisions are recognized 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.

2.6.13 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 & 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.

2.6.14 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

Notes to the Financial Statements contd.

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.

2.6.15 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.

2.6.16 Government Grants

Grants are recognized 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.

2.7 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 recognized 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.

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 & Equipment:

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

Components of Buildings:

In determining the depreciation expense, the Company with the assistance of an independent professional valuer determined the components of buildings that have varying useful lives. Approximation techniques and appropriate groupings were used in such determination as well as in the assessment of the useful lives of each component. Further details are given in Note 4.8. Financial Instruments clasified through other comprehensive income.

Notes to the Financial Statements contd.

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.

2.8 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 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. 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 includes full year of performance for the year ended 31 March 2019 in the Group Financial Information.

	Group		Company	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
Room Revenue	496,773,959	470,477,889	467,707,655	459,228,544
Food and Beverage Income	319,879,379	330,719,795	309,550,607	327,238,950
Other Hotel Related Income	33,464,465	34,807,811	33,429,759	34,771,395
Total Revenue	850,117,803	836,005,495	810,688,021	821,238,889

Notes to the Financial Statements contd.

4. PROPERTY, PLANT AND EQUIPMENT

4.1 Gross Carrying Amounts

Group	Balance as at 1 April 2018 LKR	Additions LKR	Disposals/ Written-off LKR	Balance as at 31 March 2019 LKR
At Cost				
Buildings and Building Integrals	2,294,149,995	5,074,023	(338,195)	2,298,885,824
Plant and Equipment	88,596,124	345,710	(402,682)	88,539,153
Sewerage Treatment Plant	9,477,577	88,600	(228,940)	9,337,237
Kitchen/Bar Equipment	68,692,419	2,084,127	(1,136,922)	69,639,624
Electrical Equipment	60,982,671	3,051,602	(2,547,576)	61,486,697
Solar Electrical System	14,299,434	-	-	14,299,434
Office Equipment	1,666,415	68,804	(309,980)	1,425,239
Sports Equipment	9,937,750	460,800	(40,349)	10,358,201
Furniture and Fittings	119,025,010	3,072,304	(1,103,647)	120,993,667
Swimming Pool Equipment	9,725,719	338,646	(457,787)	9,606,578
Generator	20,299,144	675,000	-	20,974,144
Motor Vehicles	17,947,606	365,217	-	18,312,823
Water Treatment Plant	4,142,475	246,624	(81,897)	4,307,202
Linen, Cutlery and Crockery	43,301,358	6,717,968	(47,736)	49,971,590
Laundry and Hot Water Equipment	29,580,621	-	(134,479)	29,446,142
Telephone System	4,408,858	1,519,100	(113,655)	5,814,302
Elevators	10,104,267	-	-	10,104,267
SMA TV System	16,724,414	1,301,684	(1,501,493)	16,524,604
Maintenance Tools	1,246,092	61,200	(74,345)	1,232,947
Music Instruments	1,624,307	70,550	-	1,694,858
Bar Furniture and Equipment	24,312,650	305,198	(86,735)	24,531,112
Computer Equipment & Systems	21,322,770	4,013,463	(2,003,320)	23,332,913
	2,871,567,676	29,860,620	(10,609,736)	2,890,818,558
At Fair Value				
Freehold Land	985,314,962	-	-	985,314,962
	985,314,962	-	-	985,314,962
In the Course of Construction				
Buildings and Equipment	3,183,598	-	(203,341)	2,980,257
	3,183,598	-	(203,341)	2,980,257
Total Gross Carrying Amount	3,860,066,236	29,860,620	(10,813,078)	3,879,113,778

Notes to the Financial Statements contd.

4. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

4.1 Gross Carrying Amounts

Company	Balance as at 1April 2018	Charge for the Year	Disposals/ Written-off/ Transferred	Balance as at 31 March 2019
	LKR	LKR	LKR	LKR
At Cost				
Buildings and Building Integrals	2,113,337,709	3,259,097	(338,195)	2,116,258,611
Plant and Equipment	76,557,211	345,710	(402,682)	76,500,240
Sewerage Treatment Plant	7,641,843	88,600	(228,940)	7,501,503
Kitchen/Bar Equipment	65,117,436	2,027,084	(1,136,922)	66,007,598
Electrical Equipment	43,357,704	3,051,602	(955,191)	45,454,116
Solar Electrical System	14,299,434	-	-	14,299,434
Office Equipment	1,666,415	68,804	(309,980)	1,425,239
Sports Equipment	9,937,750	460,800	(40,349)	10,358,201
Furniture and Fittings	100,534,748	3,001,092	(1,103,647)	102,432,194
Swimming Pool Equipment	9,725,719	338,646	(457,787)	9,606,578
Generator	17,349,144	675,000	-	18,024,144
Motor Vehicles	17,947,606	365,217	-	18,312,823
Water Treatment Plant	2,005,072	123,624	(81,897)	2,046,799
Linen, Cutlery and Crockery	40,409,272	6,717,968	-	47,127,240
Laundry and Hot Water Equipment	29,580,621	-	(134,479)	29,446,142
Telephone System	4,402,135	22,400	(113,655)	4,310,879
Elevators	6,330,267	-	-	6,330,267
SMA TV System	15,151,614	1,301,684	(1,501,493)	14,951,804
Maintenance Tools	1,231,142	61,200	(74,345)	1,217,997
Music Instruments	1,624,307	70,550	-	1,694,858
Bar Furniture and Equipment	23,584,777	305,198	(86,735)	23,803,239
Computer Equipment & Systems	16,249,833	4,010,563	(2,003,320)	18,257,076
	2,618,041,759	26,294,840	(8,969,615)	2,635,366,983
At Fair Value				
Freehold Land	946,140,000	-	-	946,140,000
	946,140,000	-	-	946,140,000
In the Course of Construction				
Buildings and Equipment	3,183,598	-	(203,341)	2,980,257
	3,183,598	-	(203,341)	2,980,257
Total Gross Carrying Amount	3,567,365,358	26,294,840	(9,172,957)	3,584,487,241

Notes to the Financial Statements contd.

4.2 Deprecation

Group	Balance as at 1 April 2018 LKR	Charge for the year LKR	Disposals/ Written-off/ Transferred LKR	Balance as at 31 March 2019 LKR
At Cost				
Buildings and Building Integrals	395,199,442	47,906,929	(137,414)	442,968,957
Plant and Equipment	38,209,865	6,186,914	(156,095)	44,240,684
Sewerage Treatment Plant	3,976,222	406,833	(140,281)	4,242,774
Kitchen/Bar Equipment	36,949,410	5,077,417	(1,133,843)	40,892,984
Electrical Equipment	24,268,002	6,634,955	(1,959,507)	28,943,449
Solar Electrical System	-	1,907,470	952,417	2,859,887
Office Equipment	1,064,177	478,460	(309,042)	1,233,594
Sports Equipment	5,233,062	794,617	(40,349)	5,987,330
Furniture and Fittings	56,036,421	10,060,745	(963,250)	65,133,916
Swimming Pool Equipment	6,059,373	523,561	(322,726)	6,260,207
Generator	5,574,765	1,487,414	-	7,062,180
Motor Vehicles	8,521,841	3,551,688	-	12,073,529
Water Treatment Plant	1,748,933	329,629	(81,897)	1,996,665
Linen, Cutlery and Crockery	39,272,123	2,289,863	(15,912)	41,546,074
Laundry and Hot Water Equipment	13,199,598	1,418,057	(134,445)	14,483,210
Telephone System	3,021,233	511,171	(66,949)	3,465,455
Elevators	2,919,991	562,166	-	3,482,156
SMA TV System	6,376,618	3,441,951	(1,213,135)	8,605,434
Maintenance Tools	598,884	172,092	(45,301)	725,674
Music Instruments	841,026	91,421	-	932,447
Bar Furniture and Equipment	10,429,830	1,936,298	(28,040)	12,338,088
Computer Equipment & Systems	15,160,107	716,738	(1,821,586)	14,055,260
Total Depreciation	674,660,921	96,486,389	(7,617,356)	763,529,953

Notes to the Financial Statements contd.

4.2 Deprecation

Company	Balance as at 1 April 2018 LKR	Charge for the year LKR	Disposals/ Written-off/ Transferred LKR	Balance as at 31 March 2019 LKR
At Cost				
Buildings and Building Integrals	394,145,173	44,512,099	(133,186)	438,524,085
Plant and Equipment	37,908,817	5,283,939	(156,095)	43,036,660
Sewerage Treatment Plant	3,945,627	315,046	(140,281)	4,120,392
Kitchen/Bar Equipment	36,830,244	4,719,444	(1,133,843)	40,415,844
Electrical Equipment	23,680,503	4,872,458	(1,800,269)	26,752,692
Solar Electrical System	-	1,907,470	952,417	2,859,887
Office Equipment	1,064,177	478,460	(309,042)	1,233,594
Sports Equipment	5,233,062	794,617	(40,349)	5,987,330
Furniture and Fittings	55,420,079	8,205,533	(963,250)	62,662,362
Swimming Pool Equipment	6,059,373	523,561	(322,726)	6,260,207
Generator	5,500,997	1,266,152	-	6,767,149
Motor Vehicles	8,521,841	3,551,688	-	12,073,529
Water Treatment Plant	1,713,310	71,039	(81,897)	1,702,452
Linen, Cutlery and Crockery	38,790,109	874,270	-	39,664,379
Laundry and Hot Water Equipment	13,199,598	1,418,057	(134,445)	14,483,210
Telephone System	3,021,065	426,478	(66,949)	3,380,594
Elevators	2,857,091	373,466	-	3,230,556
SMA TV System	6,316,445	3,284,671	(1,213,135)	8,387,981
Maintenance Tools	598,385	170,571	(45,301)	723,655
Music Instruments	841,026	91,421	-	932,447
Bar Furniture and Equipment	10,405,567	1,863,511	(28,040)	12,241,038
Computer Equipment & Systems	14,917,377	71,039	(1,985,052)	13,003,365
Total Depreciation	670,969,862	85,074,990	(7,601,444)	748,443,407

Notes to the Financial Statements contd.

4.3 Net Book Values

	Group		Company	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
At Cost				
Buildings and Building Integrals	1,855,916,867	1,903,929,652	1,677,734,527	1,721,927,685
Plant and Equipment	44,298,469	50,386,260	33,463,580	38,648,395
Sewerage Treatment Plant	5,094,463	5,501,355	3,381,111	3,696,216
Kitchen/Bar Equipment	28,746,640	31,743,009	25,591,754	28,287,192
Electrical Equipment	32,543,248	37,429,641	18,701,424	20,392,173
Solar Electrical System	11,439,547	13,584,461	11,439,547	13,584,461
Office Equipment	191,645	602,238	191,645	602,238
Sports Equipment	4,370,872	4,704,689	4,370,872	4,704,689
Furniture and Fittings	55,859,752	62,988,589	39,769,832	45,114,669
Swimming Pool Equipment	3,346,371	3,666,346	3,346,371	3,666,346
Generator	13,911,964	14,724,379	11,256,995	11,848,147
Motor Vehicles	6,239,295	9,425,765	6,239,295	9,425,765
Water Treatment Plant	2,310,537	2,393,542	344,347	291,762
Linen, Cutlery and Crockery	8,425,516	4,029,235	7,462,862	1,619,164
Laundry and Hot Water Equipment	14,962,932	13,775,624	14,962,932	13,775,624
Telephone System	2,348,847	1,387,625	930,286	1,381,070
Elevators	6,622,111	7,184,276	3,099,711	3,473,176
SMA TV System	7,919,170	10,347,795	6,563,824	8,827,422
Maintenance Tools	507,273	647,208	494,342	632,756
Music Instruments	762,411	783,281	762,411	783,281
Bar Furniture and Equipment	12,193,024	13,882,820	11,562,201	13,179,209
Computer Equipment & Systems	9,277,653	3,788,963	5,253,711	1,210,453
	2,127,288,605	2,196,906,754	1,886,923,576	1,947,071,897
At Fair Value				
Freehold Land	985,314,962	985,314,962	946,140,000	946,140,000
	985,314,962	985,314,962	946,140,000	946,140,000
In the Course of Construction				
Buildings and Equipment	2,980,257	3,183,598	2,980,257	3,183,598
	2,980,257	3,183,598	2,980,257	3,183,598
Total Carrying Amount of Property Plant and Equipment	3,115,583,824	3,185,405,315	2,836,043,833	2,896,395,495

Notes to the Financial Statements contd.

4.4 The fair value of freehold land of the Group comprising approx.1569 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 31st March 2018. The surplus arising from the revaluation, amounting to LKR 113,613,991/- (Company LKR 105,865,00/-) was transferred to a Revaluation Reserve last year.

Valuation processes of the Group :

On a once in three years basis, the Group 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 it's judgment 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 8.3

	Fair Value measurement as at 31 March 2019			
	Level 01	Level 02	Level 03	Total
	LKR	LKR	LKR	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:

	Group		Company	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
Class of Asset				
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 29,860,620/- (2018 - LKR 235,985,256/-) and the Company acquired Property, Plant and Equipment to the aggregate value of LKR 26,294,840/- (2018 - LKR 35,290,845/-) for the cash amounting to LKR 28,268,239/- (2018- LKR 235,985,256/-) and LKR 26,294,840/- (2018-LKR 35,290,845/-) were made during the year for the purchase of Property, Plant and Equipment by Group and Company respectively.

4.7 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of LKR 144,497,755/- (2018 - LKR 119,269,926/-) that consisted of individually insignificant items.

Notes to the Financial Statements contd.

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

	NOTE	Group/Company 2019 YEARS	2018 YEARS
Buildings and Building Integrals	(4.8.1)	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 to 10
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 to 13.33
Telephone System		13.33	13.33
Elevators		20	20
SMA TV System		10	10
Maintenance Tools		10	10
Music Instruments		10	10
Bar Furniture and Equipment		10	10
Computer Equipment & Systems		04	04

4.8.1 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 2019 using a straight-line method for each individual significant component of building, based on the following estimated useful lives:

Components included in Buildings & Building Integrals:	Group/Company 2019 YEARS	2018 YEARS
Buildings	60	60
Super Structure	60	60
Bathroom Fittings	15	15
Restaurant Floors	15	15
Tennis and Squash Court	60	60

Notes to the Financial Statements contd.

5. PREPAID LEASE RENT

	Group		Company	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
As at 1st April	2,303,031	2,333,334	2,303,031	2,333,334
Amortisation for the Year	(30,303)	(30,303)	(30,303)	(30,303)
As at 31st March	2,272,728	2,303,031	2,272,728	2,303,031

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

6. INTANGIBLE ASSETS

6.1 Cost

	Group		Company	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
As at 1st April	5,514,936	4,357,936	4,357,936	4,357,936
Purchased during the Year	260,016	1,157,000	232,669	-
As at 31st March	5,774,952	5,514,936	4,590,605	4,357,936
Amortisation				
As at 1st April	(4,210,947)	(3,728,903)	(4,138,634)	(3,728,903)
Amortised during the Year	(504,737)	(482,044)	(210,358)	(409,731)
As at 31st March	(4,715,683)	(4,210,947)	(4,348,992)	(4,138,634)
Net Book Value				
As at 1st April	1,303,989	629,033	219,302	629,033
As at 31st March	1,059,269	1,303,989	241,612	219,302

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

Notes to the Financial Statements contd.

7. INVESTMENTS IN SUBSIDIARY

7.1 Non-Quoted Investment

	Holding		Cost	
	2019	2018	2019	2018
	%	%	LKR	LKR
Unawatuna Properties (Pvt) Ltd	100	100	175,000,000	175,000,000
			175,000,000	175,000,000

8. OTHER FINANCIAL ASSETS

8.1 Transition Disclosures

Under LKAS 39 Non-Quated equity investments was classified as available for sale financial assets as at 31 March 2018. After adopting to SLFRS 09 these investment was re-classified and measured as financial assets fair value through other comprehensive income beginning 1 April 2018. The group and company applied SLFRS 9 prospectively, with an initial application date of 1 April 2018. The Group has not restated the comparative information, which continues to be reported under LKAS 39. Differences arising from the adoption of SLFRS 9 have been recognized directly in retained earnings and other components of equity.

The effect of adopting SLFRS 09 as at 1 April 2018 did not have a financial impact to the balances as at 1 April 2018.

Reclassification of financial assets Group and Company

Impact On The Statement Of Financial Position

	LKAS 39	Reclassification	SLFRS 9
	LKR	LKR	LKR
Available for Sale Financial Assets	87,286,467	(87,286,467)	-
Financial Assets Measured at Fair Value through Other Comprehensive income	-	87,286,467	87,286,467
	87,286,467	-	87,286,467

Impact On The Statement Of Changes of Equity Reserves

	LKAS 39	Reclassification	SLFRS 9
	LKR	LKR	LKR
Available-for- Sales Reserves	23,207	(23,207)	-
Fair value Reserve of Financials Assets at FVOCI	-	23,207	23,207
	23,207	-	23,207

Notes to the Financial Statements contd.

8.2 Other Non-Current Financial Assets

Financial Assets Measured at Fair Value through OCI /Available-for-Sale Financial Instruments

8.2.1 Investments in Equity Securities - Non quoted :

	Group		Company	
	2019	**2018**	**2019**	**2018**
	LKR	**LKR**	**LKR**	**LKR**
Rainforest Ecolodge (Pvt) Ltd. (Note 8.2.2)				
Fair Value at the beginning of the Year	87,286,467	87,401,447	87,286,467	87,401,447
Loss recognised in Other Comprehensive Income	(572,615)	(114,980)	(572,615)	(114,980)
Fair Value at the end of the Year	86,713,852	87,286,467	86,713,852	87,286,467

8.2.2 The Company held 18.32% (2018 - 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	1% increase/(decrease) in the growth rate would result in increase/(decrease) in fair value by LKR 5.8 Mn and (LKR 4.9 Mn) respectively
	Weighted Average Cost of Capital (WACC)	1% increase/(decrease) in the WACC would result in (decrease)/Increase in fair value by (LKR 6.9 Mn) and LKR 8.1 Mn respectively

8.3 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 2019, the Group/Company held the following financial instruments carried at fair value on the Statement of Financial Position.

Notes to the Financial Statements contd.

8.4 Assets Measured at Fair Value

	Total LKR	Level 1 LKR	Level 2 LKR	Level 3 LKR
Financial Assets Measured at fair value through OCI				
Non-quoted Equity Investment (8.1)	86,713,852	-	-	86,713,852
2019	86,713,852	-	-	86,713,852
Available-for-Sale Financial Assets				
2018	87,286,467	-	-	87,286,467

During the reporting year ending 31 March 2019, there were no transfers between Level 2 and Level 3 fair value measurements.

9. INVENTORIES

	Group		Company	
	2019 LKR	2018 LKR	**2019 LKR**	2018 LKR
Food and Beverage	10,743,704	10,815,071	10,018,381	10,505,060
Other Inventories	16,715,136	18,148,891	16,370,636	17,929,565
	27,458,840	28,963,962	26,389,017	28,434,625

10. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 LKR	2018 LKR	**2019 LKR**	2018 LKR
Trade Debtors - Related Parties (Note 10.1)	13,915,356	18,316,233	13,766,602	18,017,659
- Other	100,613,535	96,539,873	99,657,354	92,329,548
Other Debtors	14,009,734	19,032,039	11,801,067	15,066,252
Less: Impairment of Trade Debtors	(1,417,920)	(2,468,494)	(1,417,920)	(2,468,494)
	127,120,705	131,419,651	123,807,103	122,944,965
Prepayments	9,180,014	8,068,772	6,785,114	7,498,431
	136,300,719	139,488,423	130,592,217	130,443,396

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

Notes to the Financial Statements contd.

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

10.1 Related Parties

		Group		Company	
		2019	2018	2019	2018
	Relationship	LKR	LKR	LKR	LKR
Unawatuna Properties (Pvt) Ltd	Subsidiary	-	-	-	276,378
Jetwing Travels (Pvt) Ltd	Other Related Party	12,649,014	13,318,694	12,500,261	12,743,742
Jetwing Eco Holidays (Pvt) Ltd	Other Related Party	-	234,642	-	234,642
Jetwing Hotels Ltd	Other Related Party	363,750	1,431,927	363,750	1,431,927
Go Vacation Lanka Co. (Pvt) Ltd	Other Related Party	902,592	2,807,345	902,592	2,807,345
Lanka Dhiviya (Pvt) Ltd	Other Related Party	-	29,304	-	29,304
Atlas Investments (Pvt) Ltd	Other Related Party	-	494,322	-	494,322
		13,915,356	18,316,233	13,766,602	18,017,659

11. STATED CAPITAL

	Group		Company	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
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	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
Revaluation Reserve (Note 12.1)	750,765,938	750,765,938	741,061,154	741,061,154
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	-	23207
Fair value Reserve of Financials Assets at FVOCI (Note 12.3.1)	(549,408)	-	(549,408)	-
	2,075,887,590	2,076,460,205	2,066,182,806	2,066,755,421

Notes to the Financial Statements contd.

12.1 Revaluation Reserve

	Group		Company	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
On: Freehold Land				
As at 1st April	750,765,938	758,874,668	741,061,154	755,834,016
Surplus on Revaluation	-	113,613,991	-	105,865,000
Deferred Tax Attributable to Revaluation Surplus	-	(121,722,721)	-	(120,637,862)
At at 31st March	750,765,938	750,765,938	741,061,154	741,061,154

12.2 Special Reserve

	Group		Company	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
As at 1st April	1,325,671,060	1,325,671,060	1,325,671,060	1,325,671,060
At at 31st 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	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
As at 1st April	23,207	138,187	23,207	138,187
Reclassification of Reserve After Adoption of SLFRS 09	(23,207)	-	(23,207)	-
Gain/(Loss) on Financials Assets at FVOCI (Note 8.2)	-	(114,980)	-	(114,980)
At at 31st March	-	23,207	-	23,207

12.3.1 Financial Assets Measured at Fair Value through OCI Reserve

	Group		Company	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
As at 1st April	-	-	-	-
Reclassification of Reserve After Adoption of SLFRS 09	23,207	-	23,207	-
Gain/(Loss) on Financials Assets at FVOCI (Note 8.2)	(572,615)	-	(572,615)	-
At at 31st March	**(549,408)**	-	**(549,408)**	-

Notes to the Financial Statements contd.

12.3.2 With an initial application date of SLFRS 09, the Group has not restated the comparative information, which continues to be reported under LKAS 39. Differences arising from the adoption of SLFRS 9 have been recognised directly in retained earnings and other components of equity therefore opening balance in avaibale for sale reserve reclassifed to Financial assets measured at fair value through OCI reserve .(Note 8.2)

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

13. POST-EMPLOYMENT BENEFIT LIABILITY

	Group		Company	
	2019	**2018**	**2019**	**2018**
	LKR	**LKR**	**LKR**	**LKR**
As at 1st April	31,617,859	30,087,527	31,499,301	30,087,527
Charge for the Year (Note 13.1)	9,721,827	2,428,990	9,420,185	2,395,470
Transfers (Net) during the year	162,532	(9,808)	162,532	(94,846)
Payments made during the year	(4,106,260)	(888,850)	(4,106,260)	(888,850)
At at 31st March	37,395,958	31,617,859	36,975,758	31,499,301

13.1 Defined Benefit Plan Cost

	Group		Company	
	2019	**2018**	**2019**	**2018**
	LKR	**LKR**	**LKR**	**LKR**
Current Service Cost	2,794,980	2,750,731	2,506,972	2,717,211
Interest cost on Benefit Obligation	3,636,054	3,462,205	3,622,420	3,462,205
Recognised in the Statement of Profit or Loss	6,431,034	6,212,936	6,129,392	6,179,416
Actuarial (Gain)/Loss for the year recognised in Other Comprehensive Income	3,290,793	(3,783,946)	3,290,793	(3,783,946)
Charge for the year	9,721,827	2,428,990	9,420,185	2,395,470

Notes to the Financial Statements contd.

13.2 As at 31 March 2019 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	
	2019	**2018**
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 55/50 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 2018/2019. 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	1,636,432	35,759,526	1,618,556	35,357,202
-1% Change in Discount Rate	(1,838,322)	39,234,280	(1,817,226)	38,792,984
+1% Change in rate of Salary Increase	(1,847,117)	39,243,075	(1,825,918)	38,801,676
-1% Change in rate of Salary Increase	1,671,817	35,724,141	1,653,564	35,322,194

Notes to the Financial Statements contd.

14. INTEREST BEARING LOANS AND BORROWINGS

	Group		Company	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
Bank Loans (Note 14.1)				
As at 1st April	101,617,188	66,661,300	8,033,688	66,661,300
Effect of movement in Exchange Rate	12,094,500	1,048,728	-	495,228
Loans received during the Year	-	100,010,788	-	6,980,788
Loan repayments during the Year	(1,662,000)	(66,103,628)	(1,662,000)	(66,103,628)
At at 31st March	112,049,688	101,617,188	6,371,688	8,033,688
Bank Overdrafts (Note 22.2)	36,513,533	190,371,813	-	165,167,027
	148,563,221	291,989,001	6,371,688	173,200,715
Current portion of Interest-bearing Borrowings	39,936,433	192,033,813	1,662,000	166,829,027
Non-current portion of Interest-bearing Borrowings	108,626,788	99,955,188	4,709,688	6,371,688
	148,563,221	291,989,001	6,371,688	173,200,715

14.1 Bank Loans - Group

	As At 1 April 2018	Loans Obtained	Exchange (Gain) / Loss	Repayment	As At 31 March 2019
	LKR	LKR	LKR	LKR	LKR
Hatton National Bank					
- USD Term Loan *	93,583,500	-	12,094,500	-	105,678,000
Sampath Bank PLC					
- LKR Term Loan**	8,033,688	-	-	(1,662,000)	6,371,688
	101,617,188	-	12,094,500	(1,662,000)	112,049,688

*Secured term loan of USD 600,000 repayable in 60 monthly installments commencing from March 2020 with 24 month grace period.

**Secured Term Loan of LKR 9,972,687 repayable in 72 monthly installments commenced in February 2017.

Notes to the Financial Statements contd.

14.1 Bank Loans - Company

	As At 1.04.2018 LKR	Loans Obtained LKR	Exchange (Gain) / Loss LKR	Repayment LKR	As At 31.03.2019 LKR
Sampath Bank PLC					
- LKR Term Loan*	8,033,688	-	-	(1,662,000)	6,371,688
	8,033,688	-	-	(1,662,000)	6,371,688

*Secured Term Loan of LKR 9,972,687 repayable in 72 monthly installments commenced in February 2017.

15. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Trade Payables - Related Party (Note 15.1)	20,561	2,592,529	-	2,592,529
- Other	25,012,166	20,340,219	23,665,128	19,101,800
Other Payables - Related Party (Note 15.2)	7,882,939	9,218,156	7,610,184	9,025,051
- Other	51,751,213	47,221,140	48,244,591	46,619,598
Guest Refundable Deposit	19,125,857	27,751,167	18,617,209	27,555,338
Sundry Creditors including Accrued Expenses	17,837,520	24,270,007	11,860,543	12,844,219
	121,630,256	*131,393,218*	109,997,655	117,738,535
Statutory Payables	10,197,530	10,753,565	9,761,772	9,728,842
	131,827,786	142,146,783	119,759,427	127,467,378

15.1 Trade Payables - Related parties

		Group		Company	
	Relationship	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Jet Enterprises (Pvt) Ltd	Other Related Party	20,561	2,592,529	-	2,592,529
		20,561	2,592,529	-	2,592,529

Notes to the Financial Statements contd.

15.2 Other Payables - Related parties

		Group		Company	
		2019	2018	2019	2018
	Relationship	LKR	LKR	LKR	LKR
Ahangama Properties (Pvt) Ltd.	Other Related Party	212,235	212,235	212,235	212,235
Jetwing Hotels Ltd.	Other Related Party	7,670,704	9,005,921	7,397,949	8,812,816
		7,882,939	9,218,156	7,610,184	9,025,051

15.3 Guest Refundable Deposit

During the Financial Year after adapting to SLFRS 15 the Group and Company have reclassified all the Refundable Deposits shown under Other Payables to Guest Refundable Deposits.

16. DIVIDENDS PAID - COMPANY

	2019	2018
	LKR	LKR
Declared and paid during the Year		
Interim Dividend 2019 - No interim Dividend paid (2018 - LKR 2.50 Per share) in the current year	-	115,000,000
	-	115,000,000
Proposed for approval at the AGM (not recognised as a liability as at 31 March)		
Equity Dividends on Ordinary Shares :		
Final Dividend 2019 - Nil (2018 - Nil)	-	-

17. OTHER INCOME AND GAINS

	Group		Company	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
Insurance Claim Received	295,735	269,018	290,545	254,637
Rent Income	1,340,312	789,481	1,340,312	789,481
Sundry Income	6,365,786	-	6,365,786	
	8,001,833	1,058,499	7,996,643	1,044,118

Notes to the Financial Statements contd.

18. FINANCE INCOME AND FINANCE COST

18.1 Finance Cost

	Group		Company	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
Interest Expense on Bank Loan	15,624,447	2,269,279	7,550,201	1,799,802
Interest Expense on Bank Overdraft	6,165,583	14,594,821	3,351,345	12,282,952
	21,790,030	16,864,100	10,901,546	14,082,754

18.2 Finance Income

	Group		Company	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
Interest on Foreign Currency Deposits	110,850	104,105	101,416	104,105
Interest on Treasury Bills/Repos	648,054	496,378	645,804	496,378
	758,904	600,483	747,220	600,483

19. PROFIT BEFORE TAX

Stated after Charging /(Crediting)	Group		Company	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
Employees Benefits (including the following)	183,898,792	166,258,672	172,547,438	161,927,973
- Defined Benefit Plan Costs - Gratuity	6,431,034	6,212,936	6,129,392	6,179,416
- Defined Contribution Plan Costs - EPF & ETF	16,419,809	14,640,164	15,498,970	14,277,889
Audit Fee	847,450	752,984	717,450	682,576
Depreciation	96,486,389	94,649,818	85,074,990	90,958,758
Amortisation of Leasehold Property	30,303	30,303	30,303	30,303
Amortisation of Intangible Assets	504,737	482,044	210,358	409,731
Exchange (Gain)/Loss	(2,460,952)	(5,361,932)	(2,374,988)	(5,355,738)
(Profit)/Loss on Disposal of Property, Plant and Equipment	(1,331,389)	(1,377,961)	1,347,301	(1,377,961)
Hotel Operating and Marketing Fees	45,831,518	46,453,710	44,401,041	45,831,325
Non-Executive Directors' Fees	2,370,000	2,370,000	2,370,000	2,370,000
Donations	226,639	413,410	210,139	407,910
Allowance for doubtful debts	1,198,281	381,842	1,198,281	381,842
Included in Marketing and Promotional Expenses				
Advertisements and Promotional Expenses	26,994,679	15,903,404	24,016,651	15,429,324

Notes to the Financial Statements contd.

20. INCOME TAX

	Group		Company	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Computation of Tax Charge is as follows:				
Current Income Tax;				
Statutory Income from Trade - Tax Rate 2% on Turnover	15,746,875	15,191,625	15,746,875	15,191,625
Statutory Income from Hotel Income at 14% (Note 20.2)	269,556	23,408	269,556	23,408
Statutory Income from Other Sources (Note 20.1)	209,222	138,986	209,222	138,986
Deferred Tax charge (Note 20.3)	3,465,951	527,091	611,226	1,156,054
Income Tax Expense Reported in the Statement of Profit or Loss	19,691,604	15,881,110	16,836,879	16,510,073

20.1 Current Tax Expenses / (Income) from Other Sources

	Group		Company	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Accounting Profit	122,249,176	148,598,869	154,291,016	153,777,854
Deduction (Note 20.2)	(144,608,076)	(146,530,222)	(144,608,076)	(146,530,223)
Accounting Profit from Other Sources	(22,358,900)	2,068,647	9,682,940	7,247,631
Aggregate Disallowed Items	27,446,712	11,500,536	3,328,292	6,974,606
Aggregate Allowable Income	(49,774,460)	(60,776,332)	(11,085,834)	(14,353,140)
Taxable Profit/(Loss) for the year	(44,686,648)	(47,207,149)	1,925,398	(130,903)
Current Income Tax Expense at 14% (Note 20.2)	269,556	23,408	269,556	23,408
Current Income Tax Expense at 28% (Note 20.2)	209,222	138,986	209,222	138,986
	478,778	162,394	478,778	162,394

a) As at 31 March 2019 the Group has recorded Carried forward Tax Loss of LKR 46,612,044/- (Company LKR Zero).

20.2 As described in Note 2.6.4, income tax related to normal operation of The Lighthouse Hotel PLC is based on 2% of Turnover. Income tax on operations of Galle Heritage Villa and 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.

Notes to the Financial Statements contd.

20.3 Deferred Tax Assets, Liabilities

	Group		Company	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Deferred Tax Liabilities	137,470,246	133,613,092	127,575,112	127,280,916
Deferred Tax Assets	(11,761,120)	(10,909,206)	(5,176,606)	(5,032,926)
Net Deferred Tax Liabilities	125,709,126	122,703,886	122,398,506	122,247,990

20.3 Deferred Tax Assets, Liabilities (Contd..)

Deferred Taxation Charge/(Reversal) - Statement of Profit or Loss / other Comprehensive Income

Group	Statement of Financial Position		Statement of Profit or Loss		Other Comprehensive Income / Directly through Equity	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Deferred Tax Lability						
Capital allowances for tax purposes	15,747,525	11,890,371	3,857,154	11,890,371	-	-
On Land revaluation surplus	121,722,721	121,722,721	-	-	-	121,722,721
	137,470,246	133,613,092	3,857,154	11,890,371	-	121,722,721
Deferred Tax Assets						
Defined Benefit Plans	(5,235,434)	(4,420,565)	(354,158)	(4,874,639)	(460,711)	454,074
Carry forward tax losses	(6,525,686)	(6,488,641)	(37,045)	(6,488,641)	-	-
	(11,761,120)	(10,909,206)				
Deferred Income Tax Charge recognise in OCI					(460,711)	122,176,795
Deferred Income Tax (Income)/ Expense			3,465,951	527,091		
Net Deferred Tax Liability / (Assets)	125,709,126	122,703,886				

Notes to the Financial Statements contd.

Company	Statement of Financial Position		Statement of Profit or Loss		Other Comprehensive Income / Directly through Equity	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Deferred Tax Lability						
Capital allowances for tax purposes	6,937,250	6,643,054	294,196	6,643,054	-	-
On Land revaluation surplus	120,637,862	120,637,862	-	-	-	120,637,862
	127,575,112	127,280,916	294,196	6,643,054	-	120,637,862
Deferred Tax Assets						
Defined Benefit Plans	(5,176,606)	(4,409,901)	(305,994)	(4,863,975)	(460,711)	454,074
Carry forward tax losses	-	(623,025)	623,025	(623,025)	-	-
	(5,176,606)	(5,032,926)				
Deferred Income Tax Charge recognise in OCI					(460,711)	121,091,935
Deferred Income Tax (Income)/ Expense			611,226	1,156,055		
Net Deferred Tax Liability/ (Assets)	122,398,506	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	
	2019 LKR	2018 LKR
Amount Used as the Numerator:		
Net Profit Attributable to Ordinary Shareholders for Basic Earnings Per Share	102,557,572	132,717,759

Notes to the Financial Statements contd.

	2019 Number	2018 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)	2.23	2.89

22. CASH AND CASH EQUIVALENTS

Components of Cash and Cash Equivalents

22.1 Favorable Cash and Cash Equivalents Balance

	Group		Company	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Cash at Bank and in Hand	42,142,257	12,902,522	40,123,510	12,468,675
	42,142,257	12,902,522	40,123,510	12,468,675

22.2 Unfavorable Cash & Cash Equivalents Balance

	Group		Company	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Bank Overdrafts (Note 14)	(36,513,533)	(190,371,813)	-	(165,167,027)
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	5,628,724	(177,469,291)	40,123,510	(152,698,352)

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	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Authorised by the Board, but not Contracted for	236,151,074	33,796,880	236,151,074	33,796,880
	236,151,074	33,796,880	236,151,074	33,796,880

Notes to the Financial Statements contd.

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	
	2019	**2018**	**2019**	**2018**
	LKR	**LKR**	**LKR**	**LKR**
Within One Year	1,320,000	2,640,000	1,320,000	2,640,000
After One Year but not more than Five Years	-	1,320,000	-	1,320,000
	1,320,000	3,960,000	1,320,000	3,960,000

C) Contingent Liabilities

- 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 2019 is Rs 8.3 Mn
- Contingencies of the Company as at the reporting date on account of guarantees issued on behalf of subsidiary company amounted to US$ 600,000 and Rs 190 Million..

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 and Director Operations of Jetwing Hotels Ltd have also been identified as the Key Management Personnel. (KMP)

a) Key Management Personnel Compensation

	Group		Company	
	2019	**2018**	**2019**	**2018**
	LKR	**LKR**	**LKR**	**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

Notes to the Financial Statements contd.

25.2 Transactions with Subsidiary

	Group		Company	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Amount Receivable as at 31 March (Note 10)	-	-	-	276,378
Nature of Transactions				
Investment in Subsidiary	-	-	-	75,000,000
Reimbursement of Development Expenses	-	-	-	777,584
Reimbursement of Expenses	-	-	1,625,878	943,731
Sales of Accommodation and Transfers	-	-	79,967	-
Support Service Charge	-	-	15,000	-
Other Expenses	-	-	432,497	-

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 Group/Company entered into the transactions in the ordinary course of business, summarised as follows:

	Group		Company	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Amount Receivable as at 31 March (Note 10)	13,915,356	18,316,233	13,766,602	18,017,659
Amount Payable as at 31 March (Note 15)	7,903,500	11,810,685	7,610,184	11,617,580
Nature of Transactions				
Hotel Operation and Marketing Fees	45,831,517	46,453,710	44,401,041	45,831,325
Purchases of Food & Beverage	10,808,853	11,196,129	10,643,893	11,196,129
Advertising Expenses & Other Reimbursements	10,497,838	14,939,637	9,591,282	14,465,557
Sale of Accommodation and Transfers	92,426,337	100,486,415	92,125,246	99,881,096
Other Expenses	637,033	536,812	637,033	536,812
Transport Charges	969,551	723,963	957,235	723,963
Rent Received	816,326	-	816,326	-
Gratuity Transfer	162,532	164,290	162,532	94,846
Laundry Income	-	1,144,210	-	1,144,210
Support Service Charges	8,619,550	8,785,434	8,619,550	8,785,434
Purchases of Goods	735,139	2,143,628	735,139	1,637,988
Purchases of Asset	-	3,889,965	-	1,346,793
IT and Engineering Charges	356,282	656,061	312,056	656,061
Hotel Development Fee	-	4,823,419	-	-
Reimbursement of Expenses	1,838,201	-	1,749,146	-

There are no other terms and conditions, other than all related party balances are payable or receivable within one year, and non-interest bearing.

Notes to the Financial Statements contd.

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/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 recognized, creditworthy third parties. It is the Group/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 travelers' 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	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
Cash at Bank and in Hand	42,142,257	12,902,522	40,123,510	12,468,675
Unquoted Equity Securities	86,713,852	87,286,467	86,713,852	87,286,467
Trade and Other Receivables	127,120,705	131,419,651	123,807,103	122,944,965

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

Notes to the Financial Statements contd.

	Group		Company	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
As at 1st April	2,468,495	2,086,653	2,468,495	2,086,653
Additional Impairment recognized during the year	1,198,281	381,842	1,198,281	381,842
Written off of other receivables	(2,248,856)	-	(2,248,856)	-
At at 31st March	1,417,920	2,468,495	1,417,920	2,468,495

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

Group	2019			2018		
	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	84,136,622	-	84,136,622	79,264,234	-	79,264,234
Past due 31-60, but not Impaired	30,273,225	-	30,273,225	35,731,166	-	35,731,166
Past due 61-180	12,692,299	-	12,692,299	14,961,355	-	14,961,355
Past due more than 180 days	1,436,479	(1,417,920)	18,559	3,931,391	(2,468,494)	1,462,897
	128,538,625	(1,417,920)	127,120,705	133,888,145	(2,468,494)	131,419,651

Company	2019			2018		
	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	81,132,217	-	81,132,217	73,553,555	-	73,553,555
Past due 31-60, but not Impaired	30,173,377	-	30,173,377	33,726,845	-	33,726,845
Past due 61-180	12,623,239	-	12,623,239	14,201,669	-	14,201,669
Past due more than 180 days	1,296,189	(1,417,920)	(121,731)	3,931,390	(2,468,494)	1,462,896
	125,225,022	(1,417,920)	123,807,103	125,413,459	(2,468,494)	122,944,965

Notes to the Financial Statements contd.

b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The company had access to undrawn overdraft facilities of LKR 200 Mn as at 31 March 2019.

Maturity Analysis

Group	1 - 6 Months LKR	6 - 12 Months LKR	1 - 5 Years LKR	Total LKR
Bank Loan	831,000	2,591,900	108,626,788	112,049,688
Bank Overdraft	36,513,533	-	-	36,513,533
Trade and Other Payables	121,630,256	-	-	121,630,256
Total 2019	158,974,789	2,591,900	108,626,788	270,193,477
Total 2018	322,596,031	831,000	99,955,188	423,382,219

Company	1 - 6 Months LKR	6 - 12 Months LKR	1 - 5 Years LKR	Total LKR
Bank Loan	831,000	831,000	4,709,688	6,371,688
Trade and Other Payables	109,997,655	-	-	109,997,655
Total 2019	110,828,655	831,000	4,709,688	116,369,343
Total 2018	283,736,562	831,000	6,371,688	290,939,250

As at the reporting date, the Group had cash of LKR 42,142,257/- (Company LKR 40,123,510/-) 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.

Notes to the Financial Statements contd.

An analysis of financial instruments based on the currency they are denominated as at 31st March 2019 are as follows:

Group	In US$	In EURO	In Pound
Cash at Bank and in Hand	77,913	10,535	259
Trade Receivables (Non interest-bearing and uncollateriszed)	67,572	45,394	45,348
Bank Loans	(600,000)	-	-
Net aggregate carrying value	(454,515)	55,928	45,608
Net Aggregate Carrying Value in LKR 2019	(80,035,536)	11,060,964	10,499,490
Net Aggregate Carrying Value in LKR 2018	(79,173,209)	16,217,307	-

Company	In US$	In EURO	In Pound
Cash at Bank and in Hand	69,024	10,535	259
Trade Receivables (Non interest-bearing and uncollateriszed)	67,572	45,394	45,348
Net aggregate carrying value	136,596	55,928	45,608
Net Aggregate Carrying Value in LKR 2019	24,053,126	11,060,964	10,499,490
Net Aggregate Carrying Value in LKR 2018	14,410,291	16,217,307	-

The Group/Company invoices Tour operators and Travel agents based on the contracted foreign currency. Tour operators and certain key travel agents make settlements in foreign currency.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The 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.

Notes to the Financial Statements contd.

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)
		31.03.2019
USD Bank loans	+50 basis points	(44,032)
USD Bank loans	-50 basis points	44,032

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/Company's objective for managing its capital is to ensure that company 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 Company 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 & Other Receivables, Short Term Deposits and Trade & Other Payables approximate their carrying amounts largely due to the short term maturities of these instruments.
- Long term variable rate borrowings are evaluated by the Group/Company based on parameters such as interest rates, risk characteristics of the financed project etc. As at 31st March 2019, 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.

Annexes

Related Companies which had Transactions with the Company

Name of Company	Nature of Transactions	Value of Transactions 2019 LKR	2018 LKR
JETWING HOTELS LTD			
	Hotel Operation and Marketing Fees	44,401,042	45,831,325
	Advertising Expenses & Other Reimbursements	9,587,223	14,044,846
	Transport Charges	-	273,206
	Rent Received	816,326	-
SEASHELLS HOTEL (PVT) LTD			
	Sale of Accommodation and Transfers	36,970	44,077
	Other Expenses	60,485	32,945
	Gratuity Transfer	453,921	-
	Reimbursement of Expenses	123,268	-
AHANGAMA PROPERTIES (PVT) LTD			
	Other Expenses	-	208,747
JETWING TRAVELS (PVT) LTD			
	Sale of Accommodation and Transfers	81,792,474	88,013,222
	Transport Charges	832,449	408,682
	IT Service Charges	312,056	656,061
YALA PROPERTIES (PVT) LTD			
	Purchases of Food & Beverage	-	3,648
	Sale of Accommodation and Transfers	92,605	160,184
	Other Expenses	-	20,318
	Gratuity Transfer	66,722	94,846
JETWING EVENTS (PVT) LTD.			
	Sale of Accommodation and Transfers	1,006,057	993,932
	Other Expenses	31,500	-
JET ENTERPRISES (PVT) LTD			
	Purchases of Wine	10,214,216	11,048,970
	Purchases of Asset	-	1,346,793
	Purchases of Goods	735,139	1,636,148
	Sale of Accommodation and Transfers	4,174	-
GO VACATION LANKA CO.(PVT) LTD.			
	Sale of Accommodation and Transfers	5,317,706	5,306,905
ST. ANDREWS HOTEL (PVT) LTD			
	Sale of Accommodation and Transfers	637,743	39,503
	Transport Charges	47,179	-
	Gratuity Transfer	199,048	-
	Other Expenses	44,606	-

Related Companies which had Transactions with the Company Contd.

Name of Company	Nature of Transactions	Value of Transactions 2019 LKR	2018 LKR
ATLAS INVESTMENTS (PVT) LTD.			
	Sale of Accommodation and Transfers	-	184,784
	Laundry Income	-	1,144,210
THE FIRST RESORT (PVT) LTD			
	Sale of Accommodation and Transfers	-	117,822
YALA SAFARI BEACH HOTEL (PVT) LTD			
	Transport Charges	77,606	42,075
NEGOMBO HOTELS LTD.			
	Sale of Accommodation and Transfers	-	80,899
	Other Expenses	10,500	-
BLUE OCEANIC BEACH HOTEL (PVT) LTD			
	Purchases of Food & Beverage	137,427	59,511
	Advertising Expenses & Other Reimbursements	-	206,108
	Sale of Accommodation and Transfers	28,695	113,942
THREE SEAS (PVT) LTD.			
	Sale of Accommodation and Transfers	82,435	110,689
	Purchases of Goods	-	1,840
	Other Expenses	-	44,022
JETWING ECO HOLIDAYS (PVT) LTD.			
	Sale of Accommodation and Transfers	2,453,080	3,708,129
VILLA PROPERTIES (PVT) LTD			
	Support Service Charges	8,592,538	8,785,434
LANKA HOUSEBOATS (PVT) LTD			
	Sale of Accommodation and Transfers	-	75,000
	Other Expenses	12,162	12,930
YARL HOTELS (PVT) LTD			
	Sale of Accommodation and Transfers	-	357,172
JETWING AYURVEDA (PVT) LTD			
	Sale of Accommodation and Transfers	82,129	-
THE ROYAL HERITAGE HOTEL (PVT) LTD			
	Sale of Accommodation and Transfers	113,008	-
	Gratuity Transfer	208,871	-
FORTUNE PREMIER (PVT) LTD			
	Sale of Accommodation and Transfers	-	54,000
	Other Expenses	-	217,850
THE SOLUTIONS GROUP (PVT) LTD			
	Advertising Expenses & Other Reimbursements	-	*214,603*

Related Companies which had Transactions with the Company Contd.

Name of Company	Nature of Transactions	Value of Transactions 2019 LKR	2018 LKR
JIE ZHONG JIE LANKA DEVELOPING CONTRUCTION & ENGINEERING (PVT) LTD			
	Sale of Accommodation and Transfers	7,582	-
	Gratuity Transfer	175,146	-
JETWING KADURUKETHA (PVT) LTD			
	Sale of Accommodation and Transfers	41,535	96,161
UNAWATUNA PROPERTIES (PVT) LTD			
	Sale of Accommodation and Transfers	79,967	-
	Investment in Subsidiary	-	75,000,000
	Reimbursement of Expenses	1,625,878	777,584
	Temporary Advance Received	-	943,731
	Support Service Charges	15,000	
	Other Expenses	432,497	-
CULTURAL HERITAGE (PVT) LTD			
	Sale of Accommodation and Transfers	-	45,522
	Support Service Charges	12,012	-
JETWING CITY (PVT) LTD			
	Sale of Accommodation and Transfers	344,395	379,153
	Other Expenses	39,415	-
KADURUKETHA FARMERS (PVT) LTD			
	Purchases of Food & Beverage	292,250	84,000
DREAM BEACH RESORTS (PVT) LTD			
	Advertising Expenses & Other Reimbursements	4,060	-
UTMT RESORT (PVT) LTD			
	Sale of Accommodation and Transfers	4,690	-
JETWING SYMPHONY PLC			
	Other Expenses	5,867	-

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

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 Co (Pvt) Ltd.

Directors
Ms. N.T.M.S. Cooray
Mr. R.J. Arasaratnam
Mr. M.W. Rotter
Mr. C.C.E.J. Mueller

St Andrew's Hotel (Pvt) Ltd.

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

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. S. Balasubranamium
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. C.S.R.S. Anthony

Villa Properties (Pvt) Ltd.

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

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

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

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
Mr. H.D.A.D. Perera
Mr. W.L.P. Wijewardena
Mr. T.E.W. Hansen
Mrs. J. Moragoda

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 and
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. Kaduragamuwa

Dream Beach Resorts (PVT) LTD.

Directors
Mr. U.M. Kaur
Mr. K.K. Singh
Mr. J.K. Bajaj
Mr. U.D. Singh
Mr. U.M. Singh
Ms. U.M. Kaur
Mr. A.P. Singh

UTMT Resort (PVT) LTD.

Directors
Mr. R. Hollmann
Mr. P. Hollmann

Jetwing Symphony PLC

Directors
Mr. N.J.H.M.Cooray
Ms. N.T.M.S.Cooray
Mr. N.Wadugodapitiya
Ms. K.K.Reddy
Dr. V.J.Kannagara
Mr. L.K.Porter
Mr. G. Rocchi
Ms. Y. Fernando
Mr. S.D. Amalean

Information to Shareholders and Investors

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	%
1-1000	978	270,246	0.59	8	2,153	0.00	986	272,399	0.59
1001-5,000	139	390,505	0.85	4	16,000	0.03	143	406,505	0.88
5,001-10,000	33	272,963	0.59	1	5,100	0.01	34	278,063	0.60
10,001-50,000	13	379,510	0.83	1	26,173	0.06	14	405,683	0.88
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	4,153,704	9.03	-	-	-	6	4,153,704	9.03
Over 1,000,000	6	38,653,988	84.03	-	-	-	6	38,653,988	84.03
Total	1,185	45,750,574	99.46	16	249,426	0.54	1,201	46,000,000	100.00

Categories of Shareholders	Total		
	No. of Shareholders	No. of Shares	%
Individuals	1,136	4,797,043	10.43
Institutions	65	41,202,957	89.57
Total	**1,201**	**46,000,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS AS AT 31 MARCH 2019

Name of Shareholder	No. of Shares as at 31 March 2019	%	No. of Shares as at 31 March 2018	%
JETWING HOTELS MANAGEMENT SERVICES (PVT) LTD	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) LTD	658,791	1.43	668,600	1.46
JETWING ECO HOLIDAYS (PVT) LTD	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) LTD	275,900	0.60	275,900	0.60
CONFIFI INVESTMENTS (PVT) LTD	250,000	0.54	250,000	0.54
FERN HOLDINGS (PRIVATE) LIMITED	238,119	0.52	238,119	0.52
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. I.A.R. PERERA	100,000	0.22	100,000	0.22
Total	**44,324,665**	**96.36**	44,334,474	96.38

There were no non voting shares as at 31st March, 2019

31.44% of the issued capital of the Company was held by the public, comprising of 1,184 shareholders and a float adjusted market capitalisation of LKR 370,237,440/- as at 31st March 2019. 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.

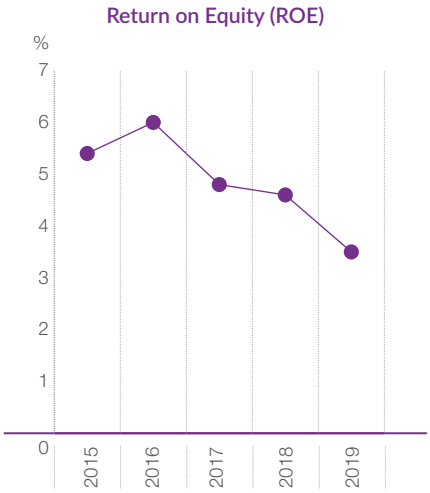
Information to Shareholders and Investors Contd.

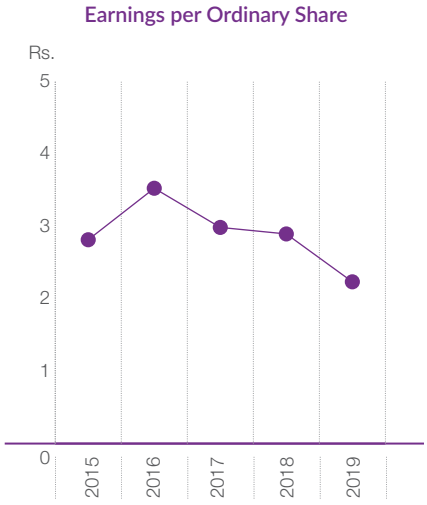
MARKET VALUE AND TRADING OF SHARES

	31 March 2019 LKR	31 March 2018 LKR
Net Assets Value per Share	64.44	62.29
Market Value per Share as at	25.60	39.80
Highest Market Value per Share - During the Year	42.00	58.00
Lowest Market Value per Share - During the Year	25.00	36.00

SHARE TRADING - DURING THE YEAR

	31 March 2019	31 March 2018
Number of transactions	485	514
Number of shares traded	65,074	141,480
Value of shares traded (LKR.)	2,029,656	6,045,711





The Lighthouse Hotel PLC's earning per share decreased by 22.83% from Rs. 2.89 in the previous year to Rs. 2.23 during the period under review. The Price/Earnings ratio decreased from 13.77 times by end-March 2018 to 11.13 times at the end of March 2019.

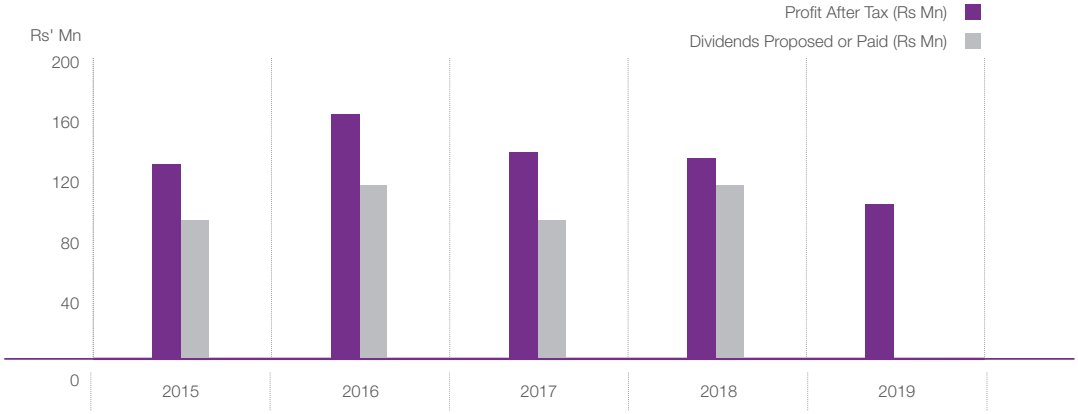
Information to Shareholders and Investors Contd.

DIVIDENDS

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

The Board of Directors of the Company have not declared a dividend for the financial year 2018/19 considering the current economic situation and the proposed refurbishment of Jetwing Lighthouse.

Profit after Tax Vs Dividend Paid/Proposed



Value Added Statement

GROUP

For the Year ended 31 March	2019 LKR '000	%	2018 LKR '000	%
Total Revenue	850,117		836,005	
Other Income	8,761		1,659	
	858,878		837,664	
Less: Purchase of Goods and Services	(434,454)		(411,292)	
Value Added	424,424		426,372	
Distributed as follows:				
To Government as taxes	19,691	5	15,881	4
To employees as salaries and other benefits	183,899	43	166,259	39
To providers of Capital				
- Dividends to shareholders	-	-	115,000	27
- Interest on borrowings	21,790	5	16,864	4
Retained within the business	199,044	47	112,368	26
Total	424,424	100	426,372	100

Ten Year Summary

	2019 LKR '000	2018 LKR '000	2017 LKR '000	2016 LKR '000
Operating Results				
Revenue	850,117	836,005	799,219	836,072
Profit Before Taxation	122,249	148,599	152,147	177,754
Taxation	19,691	15,881	14,963	15,634
Profit After Taxation	102,558	132,718	137,184	162,120
Shareholders' Funds				
Stated Capital	460,001	460,001	460,001	460,001
Reserves	2,075,888	2,076,460	2,084,684	2,084,874
Retained Earnings	428,429	328,702	307,654	378,240
Shareholders' Funds	2,964,318	2,865,163	2,852,339	2,923,115
Liabilities				
Interest-Bearing Loans and Borrowings	148,562	291,989	188,387	111,444
Current Liabilities	135,546	146,180	140,161	130,525
Other Liabilities	37,396	31,618	30,088	30,763
Deferred Tax liabilities	125,709	122,704		
Total Equity and Liabilities	3,411,531	3,457,654	3,210,975	3,195,847
Assets				
Property, Plant and Equipment	3,115,584	3,185,405	2,939,788	2,934,916
Leasehold Property/Prepaid Lease Rent	2,272	2,303	2,333	2,363
Intangible Assets	1,059	1,304	629	1,170
Investments/Other Non-Current Financial Assets	86,714	87,287	87,401	87,592
Current Assets	205,902	181,355	180,823	169,806
Total Assets	3,411,531	3,457,654	3,210,975	3,195,847
Cash Flow				
From Operating Activities	212,257	238,003	213,898	276,741
From Investing Activities	(27,497)	(230,634)	(86,316)	(126,534)
From Financing Activities	(1,662)	(76,344)	(250,901)	(156,729)
Net Cash Inflow/(Outflow)	183,098	(68,975)	(123,319)	(6,522)
Cash and Cash Equivalents as at 31 March	5,629	(177,469)	(108,494)	14,825
Key Indicators				
Earnings/(Loss) per Ordinary Share (LKR)	2.23	2.89	2.98	3.52
Net Assets per Ordinary Share (LKR)	64.44	62.29	62.00	63.55
Market Value per Share (LKR)	25.60	39.80	49.00	52.90
Dividends per Share (LKR)	-	2.50	2.00	2.50
Price to Earnings Ratio (Times)	11.48	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
731,743	681,105	614,727	539,192	425,552	303,591
140,456	136,597	127,292	123,964	72,201	29,297
11,049	14,278	15,138	12,867	10,604	6,607
129,407	122,319	112,154	111,097	61,597	22,690
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
310,754	273,927	247,126	1,554,092	1,490,275	96,533
2,467,060	2,430,650	2,403,531	2,371,629	2,307,812	2,291,469
158,745	138,779	-	-	-	-
117,459	150,002	91,282	94,641	71,905	48,343
24,949	22,678	14,971	12,625	10,083	8,270
-	-	-	-	-	-
2,768,213	2,742,109	2,509,784	2,478,895	2,389,800	2,348,082
2,510,503	2,529,137	2,205,908	2,144,390	2,145,796	2,172,242
2,394	2,424	2,454	2,485	2,515	23,914
1,279	852	937	866	1,226	1,250
87,976	59,389	59,071	43,750	43,750	43,750
166,061	150,307	241,414	287,404	196,513	106,926
2,768,213	2,742,109	2,509,784	2,478,895	2,389,800	2,348,082
165,122	231,455	153,353	151,116	113,067	63,056
(90,887)	(379,875)	(115,606)	(40,000)	(19,182)	(31,402)
(65,208)	34,701	(92,000)	(46,000)	(23,000)	-
9,027	(113,719)	(54,253)	65,116	70,885	31,654
21,347	12,320	126,039	180,292	115,176	44,292
2.81	2.66	2.44	2.42	1.34	0.49
53.63	52.84	52.25	51.56	50.17	49.81
60.00	44.40	47.40	50.00	56.00	61.25
2.00	2.00	2.00	2.00	1.00	0.50
21.35	16.69	19.43	20.66	41.79	125.00
71%	75%	82%	84%	75%	102%

Real Estate Haldings of the Group

Location	Buildings in Sq.Ft.	No. of Buildings	Land Extent Area (in Acres)		Net Book Value as at 31st March, 2019 LKR '000
			Freehold Property	Leasehold Property	
Galle	280,000	15	9.45	3	2,841,232

About This Report

REPORT STRUCTURE

This Annual Report documents a detailed account of economic, environmental and social performance of The Lighthouse Hotel PLC for the year 2018/19. 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.

REPORT BOUNDARY AND MATERIALITY

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

As the hotels operate 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 and the materiality determination process is discussed in detail under Sustainability Review. It is an assessment based on the extent to which topics may substantively affect the Company's ability to create value over the short, medium and long term. External assurance has been obtained from Messrs Ernst & Young only for the Financial Statements.

COMPLIANCE

This Annual Report covers the 12-month period from 1 April 2018 to 31 March 2019. The Lighthouse Hotel PLC maintains an annual cycle for financial and sustainability reporting. There are no significant changes from previous reporting periods in the scope and aspect boundaries. The last published report covered the 12-month period ended 31 March 2018. 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. The report has been prepared consciously keeping in view the need to adhere to and comply with relevant standards about information disclosure of our sustainability initiatives. Thus, the report was compiled with reference to the Global Reporting Initiative (GRI) Sustainability Reporting 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

GRI Content Index

	Disclosure	Page	Section
GRI 102: General Disclosures | 2016			
102-1	Name of the organization	138	Corporate Information
102-2	Activities, brands, products, and services	7-11	About Us
102-3	Location of headquarters	138	Corporate Information
102-4	Location of operations	7-11	About Us
102-5	Ownership and legal form	138	Corporate Information
102-6	Markets served	7	About Us
102-7	Scale of the organization	12,13, 28	Financial Highlights
102-8	Information on employees and other workers	28	Employees
102-9	Supply chain	34	Community
102-10	Significant changes to the organization and its supply chain	-	No significant changes
102-11	Precautionary Principle or approach	47	Risk Management
102-12	External initiatives	27	Organisation
102-13	Membership of associations	27	Organisation
102-14	Statement from senior decision-maker	14	Chairman's Letter
102-16	Values, principles, standards, and norms of behaviour	27	Organisation
102-18	Governance structure	49-51	Corporate Governance
102-40	List of stakeholder groups	25, 26	Stakeholders
102-41	Collective bargaining agreements	32	Employees
102-42	Identifying and selecting stakeholders	25	Stakeholders
102-43	Approach to stakeholder engagement	25, 26	Stakeholders
102-44	Key topics and concerns raised	25, 26	Stakeholders
102-45	Entities included in the consolidated financial statements	76	Notes to the Financial Statements
102-46	Defining report content and topic Boundaries	135	About this Report
102-47	List of material topics	24	Materiality
102-48	Restatements of information	135	About this Report
102-49	Changes in reporting	135	About this Report
102-50	Reporting period	135	About this Report
102-51	Date of most recent report	135	About this Report
102-52	Reporting cycle	135	About this Report
102-53	Contact point for questions regarding the report	135	About this Report
102-54	Claims of reporting in accordance with the GRI Standards	135	About this Report
102-55	GRI content index	136, 137	GRI content index
102-56	External assurance	-	Only for Financial Statement
GRI 201: Economic Performance | 2016			
201-1	Direct economic value generated and distributed	131	Information to Shareholders and Investors
201-3	Defined benefit plan obligations and other retirement plans	89	Notes to the Financial Statements
GRI 202: Market Presence | 2016			
202-2	Proportion of senior management hired from the local community	30	Employees
GRI 203: Indirect Economic Impacts | 2016			
203-1	Infrastructure investments and services supported	34, 35	Community

GRI Content Index Contd.

	Disclosure	Page	Section
GRI 204: Procurement Practices | 2016			
204-1	Proportion of spending on local suppliers	34	Community
GRI 302: Energy | 2016			
302-1	Energy consumption within the organization	38	Environment
302-3	Energy intensity	38	Environment
GRI 303: Water and Effluents | 2018			
303-2	Management of water discharge-related impacts	39	Environment
303-3	Water withdrawal	39	Environment
GRI 305: Emissions | 2016			
305-1	Direct GHG emissions (Scope 1)	38	Environment
305-2	Energy indirect GHG emissions (Scope 2)	38	Environment
305-4	GHG emissions intensity	38	Environment
GRI 306: Effluents and Waste | 2016			
306-2	Waste by type and disposal method	40	Environment
GRI 307: Environmental Compliance | 2016			
307-1	Non-compliance with environmental laws and regulations	36	Environment
GRI 401: Employment | 2016			
401-1	New employee hires and employee turnover	29, 30	Employees
401-2	Benefits offered to full time employees that are not provided to temporary or part time employees	28, 29	Employees
401-3	Parental leave	29	Employees
GRI 403: Occupational Health and Safety | 2018			
403-5	Worker training on occupational health and safety	32	Employees
403-9	Work-related injuries	32	Employees
GRI 404: Training & Education | 2016			
404-1	Average hours of training per year per employee	31	Employees
404-2	Programs for upgrading employee skills and transition assistance programs	31,32	Employees
404-3	Percentage of employees receiving regular performance and career development reviews	31	Employees
GRI 405: Diversity and Equal Opportunity | 2016			
405 -1	Diversity of governance bodies and employees	28	Employees
GRI 406: Non-Discrimination | 2016			
406-1	Incidents of discrimination and corrective actions taken	32	Employees
GRI 413: Local Communities | 2016			
413-1	Operations with local community engagement, impact assessments, and development programs	34, 35	Community
GRI 416: Customer Health and Safety | 2016			
416-1	Assessment of the health and safety impacts of product and service categories	27	Organisation
GRI 417: Marketing and Labelling | 2016			
417-3	Incidents of non-compliance concerning marketing communications	27	Organisation

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: 4709400

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.

Notes

Notice of Meeting

Notice is hereby given that the twenty-fifth (25th) Annual General Meeting ("AGM") of The Lighthouse Hotel PLC (the "Company") will be held on Thursday, 27th June 2019 at 10.00 a.m. 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 31st March 2019 and the report of the auditors thereon.

2. To re-elect the following directors who retire by rotation:
   (a) Mr. T. Nadesan, 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. N. Wadugodapitiya, 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) Mr. C.S.R.S. Anthony, 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.
3. To propose the following ordinary resolution for the re-appointment of Mr. A.T.P. Edirisinghe who is above the age of seventy (70) years.

   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) years and that he be re-appointed as a Director of the Company.
4. To propose the following ordinary resolution for the re-appointment of Mr. E.P.A. Cooray who is above the age of seventy (70) years.

   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) years and that he be re-appointed as a Director of the Company.
5. To re-appoint Ernst & Young, who are deemed to be re-appointed 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 31st March 2020 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 28th day of May 2019.

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

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

Form of Proxy

THE LIGHTHOUSE HOTEL PLC

I/We.....

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

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

.....

.....of ..... as my/our proxy to attend and vote at the Annual General Meeting of the Company to be held on the 27th day of June 2019 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 31st March 2019 and the report of the auditors thereon.	☐	☐
2	a. To re-elect Mr. T. Nadesan, 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. N. Wadugodapitiya, 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 Mr. C.S.R.S. Anthony, 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.	☐	☐
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) years and that he be re-appointed 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) years and that he be re-appointed as a Director of the Company.	☐	☐
5	To re-appoint Ernst & Young, who are deemed to be re-appointed 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 31st March 2020 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 ..... 2019.

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

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

INSTRUCTIONS AS TO COMPLETION

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

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

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Committed to the UNWTO Global Code of Ethics for Tourism Supported by the United Nations

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