

it's in the bag

When visiting Jetwing Lighthouse you don't need to pack... just bring your expectations!

We're designed to fulfil them all – across the entire stakeholder spectrum. **The ultimate guest experience of premium accommodation, cordon bleu cuisine and much, much more;** the fulfilling work experience that builds lifelong career paths; the commitment and urge to provide maximum returns on shareholder investment and trust; the commitment to wider society; the respect and nurturing of the environment at every turn... we have them all covered.

At Jetwing Lighthouse, they're all 'In the bag'. The Report in your hands speaks of the success of this ethos... on every page!

The background is a solid pink color with several stylized, overlapping lotus flower silhouettes in a slightly darker shade of pink. The flowers are positioned in the upper left, upper right, and lower left areas, with their stems extending downwards.

THE LIGHTHOUSE HOTEL PLC
ANNUAL REPORT 2015/16

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About Us

The Lighthouse Hotel PLC was incorporated in 1994. An integral member of the Jetwing Family of hotels, the Gateway to the South is close to the historic city of Galle. It bears the distinctive architecture and design flair of one of Sri Lanka's most iconic geniuses, Geoffrey Bawa.

Jetwing Lighthouse targets up-market leisure and business travellers, with a current inventory of 63 rooms including three themed suites. In addition, it also owns Jetwing Kurulubedda, a boutique hotel with two private dwellings and four rooms plus the exclusive Jetwing Lighthouse Club with 22 rooms including two themed suites.

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



We'll set a table anywhere!

A sublime 'guest experience' is often born from vibrant innovation and fertile imagination. The 'tried and true' sits with the 'avant garde' in perfect harmony... we've got them both in the bag!



Highlights of the Year

		2016	2015
Performance for the year ended 31st March			
Revenue	Rs. '000	836,072	731,743
Earnings before interest, tax, depreciation & amortisation (EBITDA)	Rs. '000	284,136	229,785
Profit before tax (PBT)	Rs. '000	177,754	140,456
Profit after tax (PAT)	Rs. '000	162,120	129,407
Earnings per share	Rs	3.52	2.81
EPS growth	%	25	6
Return on Equity	%	6	5
Financial Position as at 31 March			
Total Assets	Rs. '000	3,195,847	2,768,213
Total Debt	Rs. '000	111,444	158,745
Total Equity	Rs. '000	2,923,115	2,467,060
Number of shares in issue	No. 000s	46,000	46,000
Net Assets per share	Rs	63.55	53.63
Debt/Equity	%	4	6
Debt/Total Assets	%	4	6
Current Ratio		0.94:1	1.04:1
Quick Asset Ratio		0.77:1	0.85:1
Market/Shareholder information			
Market price per share as at 31st March	Rs.	52.90	60.00
Market Capitalisation	Rs. '000	2,433,400	2,760,000
Price earnings ratio	Times	15.03	21.35
Dividend payout	%	71	71
Dividend proposed	Rs. '000	115,000	92,000
Dividend per share (proposed)	Rs	2.50	2.00
Value added for the year ended 31st March			
To Government	Rs. '000	15,634	11,049
To Employees	Rs. '000	142,687	124,057
To Shareholders	Rs. '000	92,000	92,000

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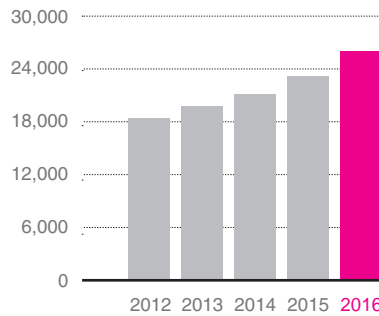
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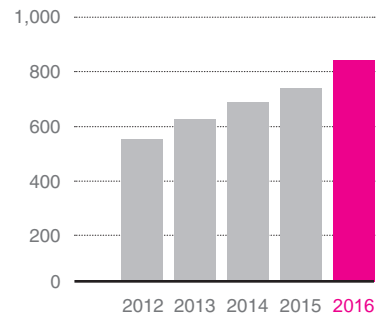
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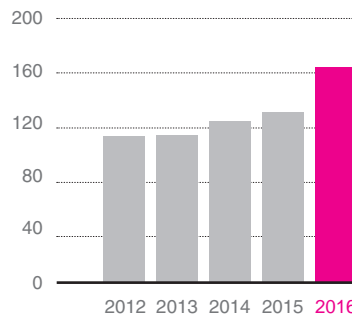
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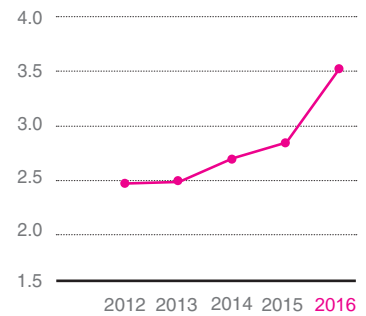
Rooms Nights Occupied (No.)



Revenue (Rs. million)



Profit After Tax (Rs. million)



Earnings per Ordinary Share (Rs.)

About the Report

Report Structure

This, our third consecutive integrated Annual Report, presents a detailed account of the performance of the 'The Lighthouse Hotel PLC' for the year 2015/16; and is built further on the triple bottom line reporting we had adopted two years ago. This enables us to inform you of the interactions and interdependence of the many aspects of our business - such as strategy, governance, performance and prospects - in the context of creating value over time in a more effective and coherent manner.

The preparation of this report draws on concepts and principles provided in the following guides where applicable:

- Global Reporting Initiative (GRI) Sustainability Reporting Guidelines G4 (2013) [www.globalreporting.org]
- The International Integrated Reporting Framework (2013) [www.theiirc.org] and
- The Smart Integrated Reporting Methodology™ [www.smart.lk]

Value Creation and Capital Formation

Our approach to reporting is based on our integrated manner of engaging in business and with our stakeholders. Our seamless integration of financial and sustainability reporting better presents how deriving and delivering value lead to internal and external capital formation within our organization.

Our internal capital formation is a result of value created by The Lighthouse Hotel PLC for itself and comprises financial capital and institutional capital. Our external capital formation is a result of financial and non-financial value created by The Lighthouse Hotel PLC for its stakeholders. Both aspects are relevant as the ability of The Lighthouse Hotel PLC to create value for itself is linked to the value it creates for others.

Report Boundary and Materiality

The Lighthouse Hotel PLC does not have any subsidiaries or associates. Hence, the material contained in this Report pertains solely to properties of The Lighthouse Hotel PLC. However, it includes non-financial information of properties and brands owned by The Lighthouse Hotel PLC.

As Jetwing Lighthouse is an entity operating within the Jetwing Brand, many of its practices and processes and its statutory orientation is defined by standard practices observed across the Jetwing Family of Hotels. Hence, the reader will find phraseology such as 'Jetwing Family of Hotels'; 'Jetwing Hotels'; 'associates' and the like interspersed in our narrative.

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Our Report focuses on aspects that are material and relevant. It is an assessment based on the extent to which they may substantively affect the Company's ability to create value over the short, medium and long term. Materiality determination process is discussed under Business Model on page 18.

External assurance has been obtained from M/s Ernst and Young only for the financial statements.

Compliance

This integrated Annual Report covers the 12 month period from 1st April 2015 to 31st March 2016. The Lighthouse Hotel PLC maintains an annual cycle for financial and sustainability reporting and the latter is in accordance with the core criteria of GRI G4 guidelines.

There are no significant changes from previous reporting periods in the scope and aspect boundaries. The last published report - which was also an integrated report - covered the 12 month period ended 31st March 2015.

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.

Precautionary Principle

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

Contact

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

Group Accountant,
Jetwing Hotels Ltd.,
Jetwing House, 46/26, Nawam Mawatha, Colombo 02.
Tel: +94 11 234 5700 Ext. 1315 or 2259
E-mail: accounts@jetwinghotels.com

Chairman's Message

Strong results in a challenging environment illustrate important fundamentals of The Lighthouse Hotel PLC. They stand testimony for the strength of our marketing and the nimbleness of our operations to adapt to changing scenarios. They also vindicate the strategic direction pursued.

The results are dealt with in detail elsewhere in this Report. The most salient aspect of these results in the year is a 25% growth in profit after tax on a 14% growth in revenue. Revenue and profit after tax for the year stood at Rs. 836 million and Rs. 162 million respectively. As you will see in the detailed analyses, a favourable revenue mix and cost containment were the key factors that contributed to this bottom line.

We did not however compromise on investing in the continuous development of our key drivers of value. As such, we have invested in virtually every department including physical infrastructure, marketing and Team Jetwing Lighthouse.

Given the all-round strong performance, shareholders will be pleased that the Board has recommended a first and final dividend of Rs. 2.50 per share. This is the highest dividend that the Company has declared to date.

We move forward in the spirit that seizing opportunities is as imperative as overcoming challenges. These are eventful times for the leisure industry with much uncertainty to contend with. Global economic stability seems set to be uneven in the near to mid-term. As such, I am cautiously optimistic of the future. A key factor that strengthens our resilience is our expanding client offering. This would enable Jetwing Lighthouse to provide distinctive and diverse leisure experiences for discerning guests. As we have in the past, and will continue to in the future, this year too we invested in significant new initiatives.

Exclusive Clientele

While continuing to cater to our loyal clientele, we introduced a new and exclusive offering – Jetwing Lighthouse Club. Building on ideas from our clients themselves, the Club comprises a new wing with twenty rooms and two themed suites. Members of this exclusive Club will enjoy an indulgent leisure experience that is tailored to suit their particular lifestyles. These guests benefit from a personalized service and a luxury hotel experience that is distinctive. With international visitors spoilt for choice in Sri Lanka, Jetwing Lighthouse Club will be our way of taking the leisure experience to a whole new level.

Reclusive Getaway

Jetwing Kurulubedda, which is a part of the Jetwing Lighthouse property, has fast become a favourite getaway for local and international visitors looking for time away from the spotlight. To meet the growing demand of this clientele we added four

secluded units to this property. In doing so, we took care to ensure that we maintained the sense of isolation and solitude that these reclusive guests prize so dearly. Waking up to birdsong in this secluded rustic-chic hotel set amidst paddy-fields and shady trees remains one of our visitors favourite experiences. Guests are also able to enjoy the beach, restaurants and other facilities at Jetwing Lighthouse before returning along the river by boat to peace and tranquillity.

Active Hot-spot

Regionally, we have seen a rise in tourist numbers from within Asia itself, especially from China and India. Sri Lanka was traditionally a market that used to be dominated by European visitors. This augurs well for Sri Lanka as it endears itself successfully as both a long haul and short haul destination. Many guests from the region, especially the younger demographic, flock to the neighboring Unawatuna beach not just for the golden sands and spectacular sunsets but also because of the location's reputation as a favoured hotspot and 'happening' destination.

We are gearing ourselves to cater to this younger clientele by developing a block of land owned by Jetwing Lighthouse and situated near Unawatuna Beach. Here, we plan to build an affordable hotel targeting young people – a place where they can be themselves and enjoy their leisure time. Shareholders would be pleased to note that the Board has on principle approved the incorporation of a wholly-owned subsidiary of the Company for this purpose.

Closing Sentiments

In closing I express warm appreciation to the Board of Directors for their wise counsel and guidance; our associates who have continued to take Jetwing Lighthouse from strength to strength, meeting every challenge with hands-on expertise and unmatched dedication; and Jetwing Hotels along with their management team who have contributed in numerous ways towards Jetwing Lighthouse goals.

I also thank our shareholders for their trust and faith in the Company, and of course our guests whose loyal patronage ensures that Jetwing Lighthouse remains a beacon to all in search of a fulfilling and memorable leisure experience.

As we anticipate a future that is rich with possibility and promise, we stand united and poised to explore every opportunity while improving on the strong performance of the year.



Hiran Cooray
 Chairman

3rd May, 2016

Managing Director's Review

A year of heightened activity on all fronts and a good return on investment is about the best summary statement one could ask for, and Jetwing Lighthouse has enjoyed precisely that!

Beginning with a good market environment of arrivals of 1.8 million (an increase from 1.5 million in the previous year), we have seen all markets - both traditional European markets and emerging markets such as China, India and the Middle East have begun to show a greater opportunity. Although it may be contended that the increase was partly due to the little uncertainties in some countries, we too as a nation have greatly contributed towards attracting tourists.

Thoughtful and Focused Performance

The Lighthouse Hotel PLC has recorded an improved performance with a 14% and 25% increase in revenue and profit after tax respectively. This performance is not merely based on the increased market opportunity. A close look at the Jetwing Lighthouse operations would reveal that this performance was achieved while maintaining the same rates within an environment of rising costs.

A key area of focus towards this goal was on food cost management. Whilst sounding alarming at first glance, it must be emphasized that there was no downsizing of our cuisine - a crucial ingredient that makes Jetwing Lighthouse different. During the period under review, we were able to bring down the food cost percentage to international average levels.

The approach that has been adopted towards this achievement is simple, the main principle being to prevent wastage without compromising quality. The process included analysis of uneaten food, usage of raw materials, etc and adopting an approach of sourcing better pricing, quantities to match consumption, cooking and refilling on a need basis. This has resulted in significant savings.

In keeping with controlling operation costs, the hotel has now begun bottling drinking water for customers in-house within its own premises. Considerable thought has gone into this process such as the electricity consumption for this purpose and thus the project included Roof Mounted Solar Panels to run the operation independently.

Improving Facilities

During the year under review, the room inventory of Jetwing Kurulubedda was increased with four new rooms. This also included the expansion of the kitchen and the introduction of a swimming pool. The main restaurant, satellite bars and main areas of Jetwing Lighthouse were also refurbished during the year with new furniture and colour, whilst tastefully maintaining the 'Bawa' design which the hotel has become noted for. The gym has also been expanded and upgraded with new equipment.

A new plot of land adjoining the Jetwing Lighthouse was secured and the two houses in it have been converted to provide accommodation for associates. The existing quarters of the associates were also upgraded during the year with a complete set of new mattresses and refurbishment of the toilets.

Caring for Our People, Community and Environment

As always our associates have been one of our greatest assets and as much as we care for their well-being, we also work on developing their skills and abilities. Towards this, a new position of a full-time in-house training manager has been added to our cadre. The enhanced specific training programmes that will now take place are complemented with the Jetwing hotels HR initiatives such as culinary competitions amongst the Jetwing hotels.

On our engagement with the community, Jetwing Lighthouse continues to maintain and run the community pool nearby entirely at its expense. Two full-time trainers assist the youth and poorer schools in teaching this essential life skill and the facilities are used by at least 100 children and youth daily.

The programme to involve the three-wheel drivers and orientate them as a stakeholder in sustainable tourism continues with success. We have around 40 to 60 three-wheelers operating with continuous engagement through orientation programmes. This includes giving them a tour of the hotel's facilities and helping them understand how to deal with tourists and not harass or fleece them. The outcome of this programme has been very rewarding.

During the year, we also made a novel contribution, linking the North and South through our award-winning Jetwing Youth Development Project, by hosting students from Jaffna for three months to provide firsthand experience in the hotel industry. This is ongoing and we have conducted two other similar projects for youth in the area as well.

The Jetwing Lighthouse Club

The twenty new rooms and two themed suites added in 2013/14 have been packaged and was relaunched as the Jetwing Lighthouse Club in April 2016. The exclusive concept stems from much thought, experiences and insight to increase our yield from the new rooms. The design with its separate access, reception, pool, restaurant and spa is also ideally positioned to complement this proposition.

Initially, upon the completion of the new rooms the concept of a supplement for the new wing did not work with large group bookings and invariably the pricing tended to be the same with complimentary upgrades. Hence, with the new opportunity available, the Jetwing Lighthouse Club concept was born.

In keeping with the premium price, this wing includes enhanced facilities with a greater number of entertainment channels, complimentary high tea, extended spa facilities, 24/7 butler service, a range of premium liquor choices, etc.

Increasing Shareholder Value

Whilst we continue to strengthen our operations and path to progress, we are mindful that our end-goal is to increase shareholder value and net worth.

In-line with the above goal, the Board has approved in principle to incorporate a fully owned subsidiary of the Company to construct a 36 roomed hotel at Unawatuna at an estimated cost of Rs. 350 million.

We also have a stake in the Rainforest Eco Lodge in Deniyaya. This eco-lodge is the only LEED Platinum Certified facility in the country.

Achievements and Alliances

Our efforts cannot be singled out away from the tour operators who play a vital role in linking Jetwing Lighthouse with its customers. We always seek to forge stronger bonds each year when we renew our partnerships with tour operators, travel agents and online travel agents. These kind of partnerships are important since rates have to be agreed in advance.

The year under review is also significant as we were awarded the ISO 15001 energy management certification, while on the industry front, we were voted as the leading Sri Lankan Resort at the World Travel Awards.

Delivering Shareholder Value

Through all of this, our focus ultimately is on delivering shareholder value. Hence, we take great care in managing progress as a good corporate citizen. A great deal of attention is paid to governance, be it compliance with stock exchange requirements or adhering to accounting standards. Our internal auditing process is outsourced to an independent party which reports directly to the Audit Committee who meet quarterly and go through everything including related party transactions. With effect from 1st January, 2016 we also appointed a separate Related Party Transactions Review Committee to evaluate related party transactions in-line with the Colombo Stock Exchange listing rules.

In Conclusion

I would like to thank the Chairman and members of the Board of Directors for their foresight and guidance in charting the course for Jetwing Lighthouse to have been able to establish and maintain its position as the Gateway to the South.

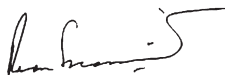
I wish to congratulate my management team on the ground for their zeal in continuing to deliver yet another great year of performance and we all truly appreciate their hard work.

I am also grateful to our network of tour operators and travel agents for their belief in the value proposition of Jetwing Lighthouse and continuing to promote our facility.

We are indeed indebted to our customers and other stakeholders for their continuous critical feedback, which helps us reassess everything we do and grow better.

A special word of thanks is also due to all those in the Jetwing family who engage with us in various ways for their support and guidance.

I would like to conclude by expressing our gratitude to our shareholders for their belief and confidence in our approach and ability to deliver growing value for their investment year on year.



R.A.E. Samarasinghe
 Managing Director

3rd May, 2016



The Promise of Luxury and Relaxation... delivered!

Everything about our accommodation soothes the senses. The unique Jetwing Lighthouse ambience ensures that what the eye sees and the mind dreams of, the body experiences.



Business Model

Organizational Profile

The Organization

The Lighthouse Hotel PLC ('Company') is a public quoted limited liability company listed in the Colombo Stock Exchange and was incorporated in 1994. The Company owns and operates Jetwing Lighthouse, and Jetwing Kurulubedda in Galle, Sri Lanka, targeting up market leisure travellers. Its nature of business and operations are classified as being in the Hotels and Travel sector.

The registered office of the Company is located at 'Jetwing House', 46/26, Nawam Mawatha, Colombo 02 and its principal place of business is at Dadella, Galle.

The Company does not have an identifiable parent of its own. Jetwing Lighthouse hotel operates as an individual entity as part of the Jetwing brand. Jetwing is signatory to and is in compliance with the UNWTO Global Code of Ethics for Tourism. The Company is a member of the Great Hotels of the World, The Hotels Association of Sri Lanka and Hoteliers of the South, all of which are industry associations.

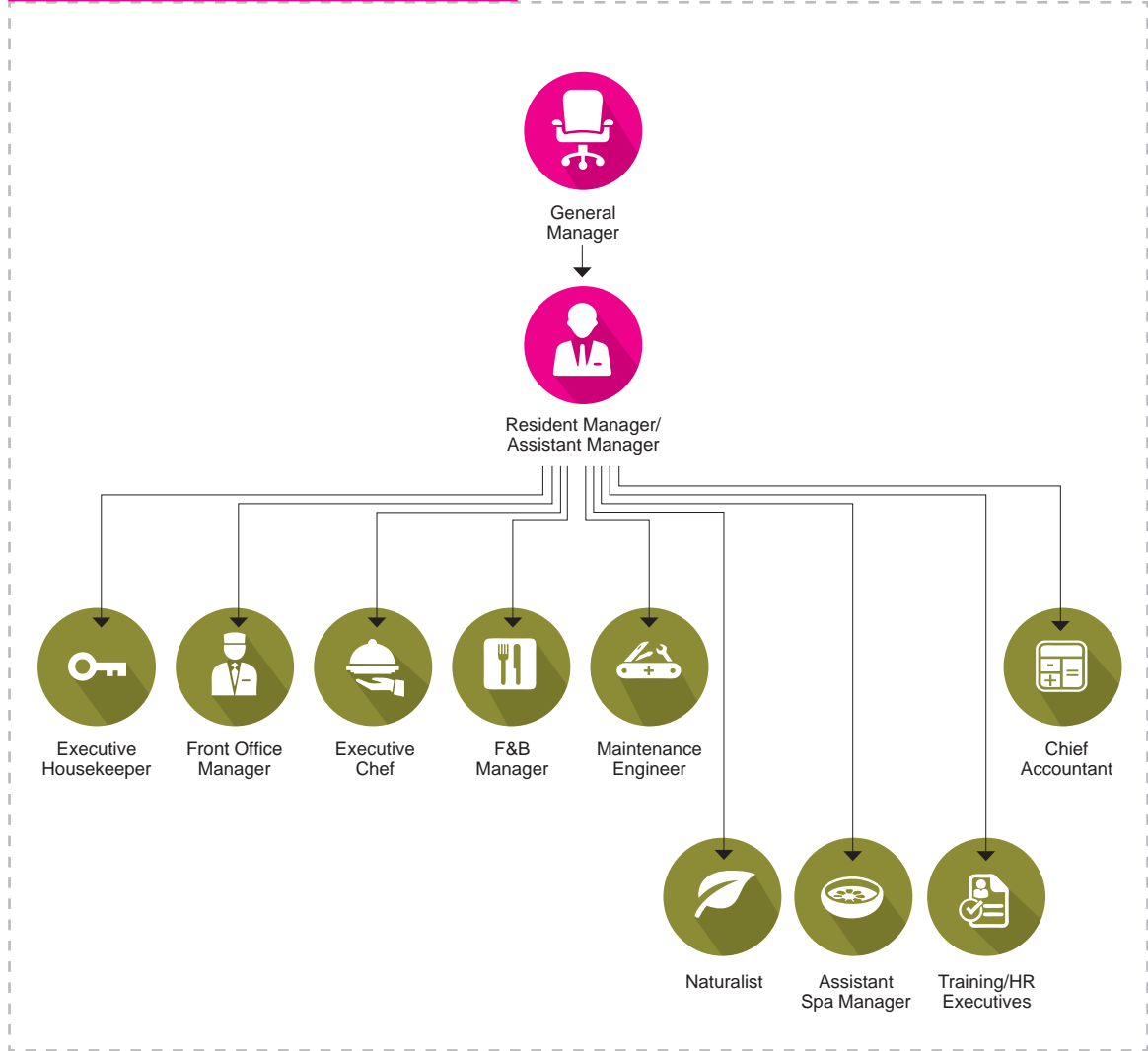
The Hotel's shareholders number 1,148 of which 94% are individuals and 6% are institutions accounting for 10.50% and 89.50% of shareholding respectively, as at 31st March, 2016. (Please see further details in the section on Investor Capital appearing on page 43).

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ORGANIZATIONAL STRUCTURE



Significant Change

There were no areas of significant change at The Lighthouse Hotel PLC. However, Jetwing Kurulubedda added four rooms.

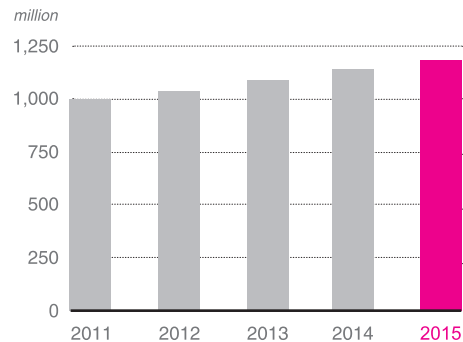
Operating Environment

The Global Economy

Global growth fell short of expectations slowing to 2.4% from 2.6% in 2014 attributed to the deceleration of economic activity in emerging and developing economies amid weakening commodity prices, global trade, and capital flows. Growth in developing countries reported a low of 4.3% in 2015.

Global Tourism

International Tourist Arrivals



According to the World Travel and Tourism Council, travel and tourism contribution to world Gross Domestic Product (GDP) grew for the sixth consecutive year in 2015, rising to a total of 9.8% of world GDP (US\$ 7.2 trillion).

It also projects changes in macroeconomic conditions and other challenges for global tourism in 2016. However, it is expected that this sector with its 284 million employment workforce will outperform global economic growth and present a solid growth rate. Travel and tourism forecasts for the next decade is predicted to grow at a rate of 4% annually.

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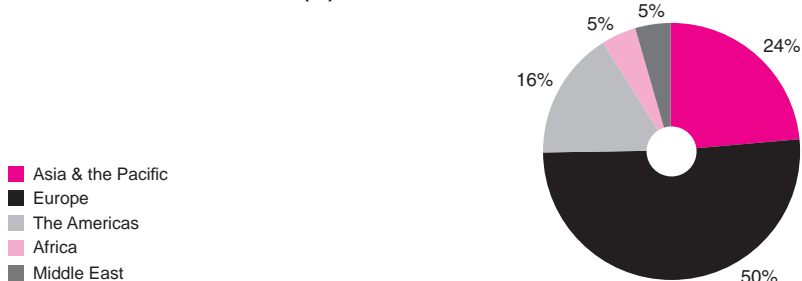
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International Tourist Arrivals (%)



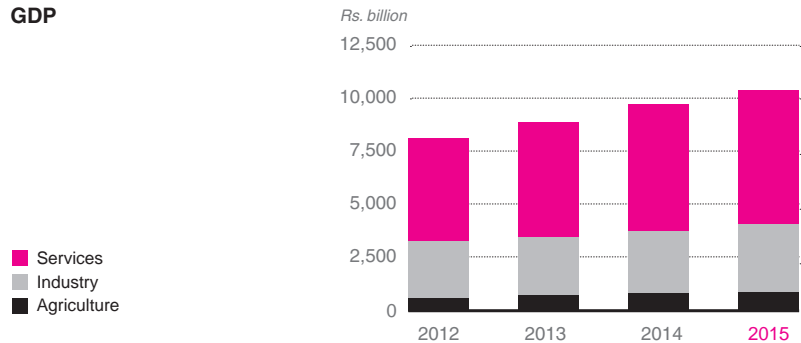
Global international tourist arrivals (overnight visitors) increased by 4.4% in 2015 and income generated by related services such as accommodation, food and drink, entertainment and shopping reached an estimated US\$ 1,232 billion, a decrease of 4.8% over the preceding year partly owing to exchange rate fluctuations and inflation. USA, China, Spain and France remained the same as top world tourism destinations. Yet, Asia and the Pacific Rim earned US\$ 419 billion being a 34% share of International Tourism Receipts from Inbound Tourism; Europe accounted for 36% and the Americas accounted for 23% with the balance distributed between Africa and the Middle East earning a 3% and 4% share respectively.

China continued to lead global outbound travel after double-digit growth in tourism expenditure every year since 2004 benefiting mostly Asian destinations such as Japan and Thailand. The total Chinese travellers spend increased 25% in 2015 to reach US\$ 292 billion, as total outbound travellers increased 10% to 128 million. The world's second largest source market, the United States also saw an increase of 8% of outbound travellers, along with the fourth largest market the United Kingdom recording an increase of 9% in outbound travellers. However, in contrast Germany, the third largest market reported a small decline spending a total of US\$ 76 billion partly due to the weaker Euro as reported by UNWTO World Tourism Barometer.

The Sri Lankan Economy

Sri Lanka's growth was marginally lower in 2015 while the current account deficit improved slightly and inflation moderated, while the budget deficit widened and foreign exchange reserves dropped sharply.

GDP



The country saw a GDP growth of 4.8% of which the service sector accounted for 56.6% of GDP, followed by manufacturing (26.2%), and agriculture (7.9%).

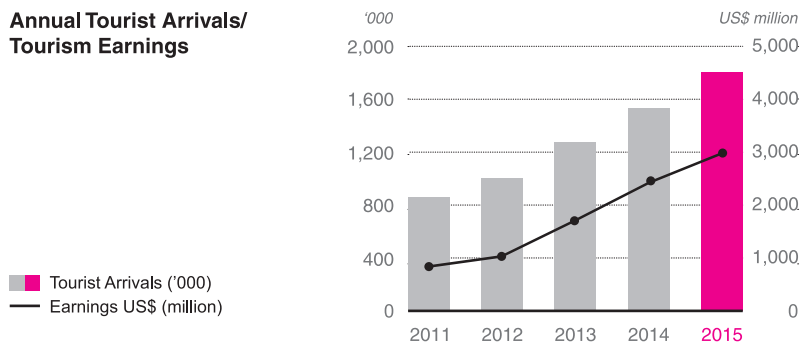
The country's gross official reserves declined to US\$ 7.3 billion by end 2015 from US\$ 8.2 billion at end 2014. The Sri Lankan Rupee, which remained broadly stable during the first eight months of 2015, depreciated at a faster pace thereafter recording a depreciation of 9.03% against the US Dollar as the end of 2015.

Broad money growth accelerated during 2015 to expansion of public and private sector credit. Broad money growth increased by 17.8%, year on year, by end 2015 with an average of 15.2% during the year.

The year 2015 also highlighted the structural vulnerabilities of the economy that had accrued over time and has prompted the necessity for decisive action to ensure a high growth – low inflation path nearer the end of the period under review.

The Sri Lankan Tourism Industry

**Annual Tourist Arrivals/
 Tourism Earnings**



The tourism industry ended the year 2015 on a high with an 17.8% growth in tourist arrivals over the preceding year. This accounted for US\$ 3 billion in tourism revenue.

**Tourist Arrivals
 by Country of
 Residence**



Although there was a drop in European arrivals in the first half of 2015, this was complemented by the near 600,000 arrivals from Asian countries which saw a growth of 45% during the same period. Yet the overall figures are considered to be

significantly less compared to the 23.2 billion Sri Lankan tourism related searches on Google according to statistics of the previous year. Despite all efforts a growing reality the industry is being compelled to accept, is the shared economy where nearly 50% of the business into Sri Lanka from tourism is being consumed by the informal sector through online travel companies like Air BnB, Agoda and Booking.com.

(Sources: World Tourism Organization, IMF Report, the Central Bank of Sri Lanka Annual Report 2015 and the Sri Lanka Tourism Development Authority.)

Stakeholders

Stakeholder Identification

It is an incontrovertible fact that value is not created by or within the hotel alone. It is created through relationships with many important stakeholders.

Thus we attach great importance to the identification and timely engagement of key stakeholders who significantly contribute to the value creation process of the hotel.

A shared understanding of the impacts and implications of our enterprise on these groups and their response to issues of importance is vital to the long term prosperity and well-being of stakeholder and hotel alike.

We understand the impacts and implications of our hotel on all stakeholder groups and their responses to issues of importance. This is vital for our long term sustainability and the well-being of the stakeholders.

Stakeholder Engagement

In presenting the data appearing below, we wish to provide an insight into the various modes and mechanisms of stakeholder engagement Jetwing Lighthouse enacts through the year.

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Stakeholder	Process of Engagement and Frequency
Shareholders/ Investors	<ul style="list-style-type: none"> • Annual General Meeting, which provides an opportunity to review the past year's performance and engage in discussion with the management. • Quarterly financial reports/media releases, which provide a review of current performance during the year. • Website, regularly updated. • E-mail address, provided for comments and suggestions.
Customers	<ul style="list-style-type: none"> • A guest satisfaction data capture card system is maintained. • Regular customer reviews help build and maintain rapport. • Website, regularly updated. • Jetwing Lighthouse also manages the TripAdvisor page for the property on a daily basis. • Through Revinate we maintain a comprehensive view/response to customer comment. • Guests are educated on the hotel's commitment to sustainability via a Green Directory and environmental messages displayed in each guest room and other areas of the hotel.
Employees	<ul style="list-style-type: none"> • Comprehensive biannual appraisal system facilitates transparent evaluation, dialogue and performance based remuneration and reward. • Training programmes are initiated based on career development and career progression needs • Jetwing Sports Day and Jetwing <i>Prathiba</i> our employee talent show are activities that take place to encourage employee engagement.
Society	<ul style="list-style-type: none"> • Jetwing Lighthouse is involved in ongoing projects (Community outreach initiatives) as well as Projects of a one-off nature (Humanitarian programmes) which are undertaken regularly to assist the surrounding communities.
Government/ Regulatory Bodies	<ul style="list-style-type: none"> • Periodic disclosures • Participation in relevant associations

Materiality and Value Creation

As explained in the section About the Report (page 8), we have determined certain aspects as material to The Lighthouse Hotel PLC and our stakeholders through an identification process and a materiality analysis.

Material aspects and indicators are those that echo the significant economic, social and environmental impacts of the Company. We regard an aspect as material, if it substantively affects the Company's ability to create value over short, medium and long term.

The following steps summarises the process we adopt to determine the material aspects and indicators.

We analyse current and potential, social, environmental and economic issues associated with our operations and identify their impact on the business and stakeholders.

Impacts are identified based on the consequences to our stakeholders (using the feedback from both internal and external) and to the business.

An 'Impact on the Company vs Impact on the Stakeholders' matrix is plotted to identify the aspects of high materiality. These aspects could have negative or positive impact on the business and its stakeholders. Jetwing Lighthouse's Management team conducts a review to prioritize the high materiality aspects in terms of business focus, geographical spread and the profiles of our key stakeholders.

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

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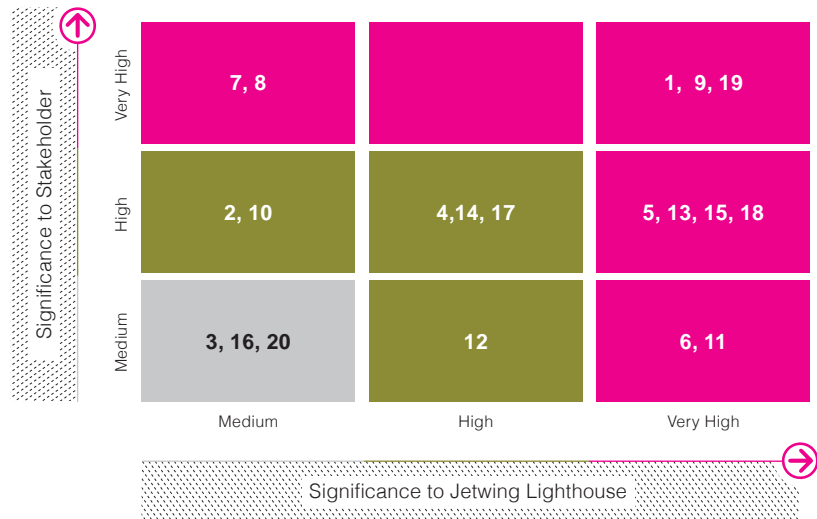
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Rating of Material Aspects

Aspect	Indicator	Significance to Jetwing Lighthouse	Significance to Stakeholders
1 Economic Performance	EC 1	V	V
	EC 3	V	V
2 Market Presence	EC 6	M	H
3 Indirect Economic Aspects	EC 7	M	M
4 Procurement Practices	EC 9	H	H
5 Energy	EN 3	V	H
	EN 5	V	H
	EN 6	V	H
6 Water	EN 8	V	M
	EN 10	V	M
7 Emissions	EN 15	M	V
	EN 16	M	V
	EN 18	M	V
	EN 19	M	V
8 Effluents and Waste	EN 22	M	V
	EN 23	M	V
9 Compliance	EN 29	V	V
10 Environment Grievance Mechanism	EN 34	M	H
11 Employment	LA 1	V	M
	LA 2	V	M
	LA 3	V	M
12 Occupational Health and Safety	LA 6	M	H
13 Training and Education	LA 9	V	H
	LA 10	V	H
	LA 11	V	H
	LA 12	H	H
15 Labour Practices Grievance Mechanisms	LA 16	V	H
16 Non-discrimination	HR 3	M	M
17 Product and Service Labelling	PR 5	H	H
18 Marketing Communications	PR 7	V	H
19 Compliance	PR 9	V	V
20 Engaging with Local Community	SO 1	M	M

V - Very High
 H - High
 M - Medium

Materiality Matrix



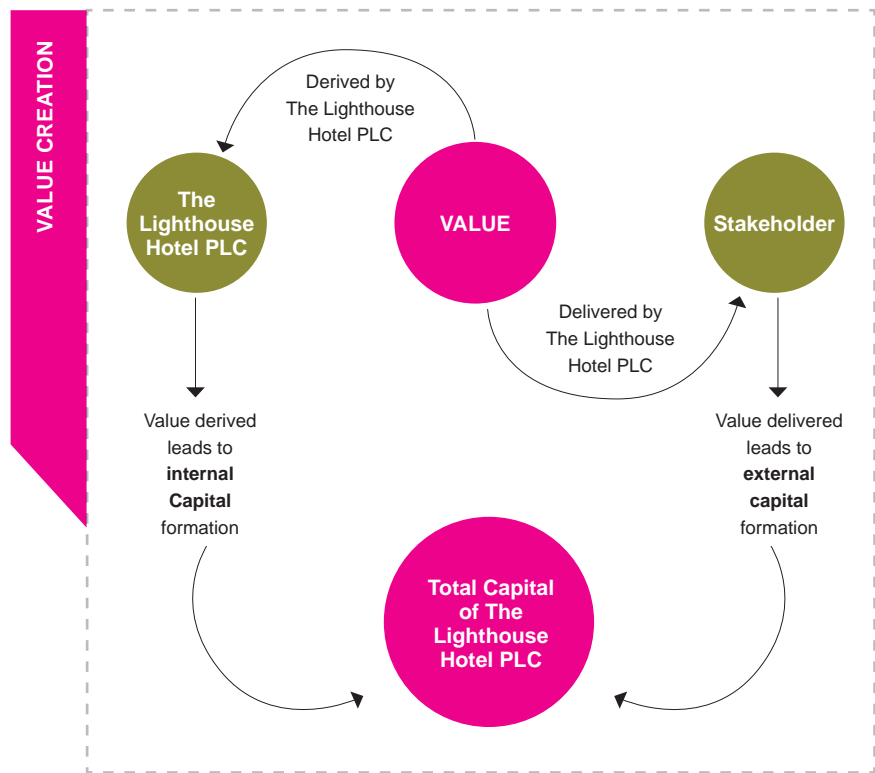
The Duality in Value Creation

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

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

The Lighthouse Hotel PLC in turn derives value through the dynamic interaction between the external capital as well as its own internal capital to drive future earnings. The capital internal to The Lighthouse Hotel PLC comprises financial capital and institutional capital. The latter includes intellectual property,

knowledge, systems, procedures, brand value, corporate culture, business ethics, integrity and the like.



The various forms of capital are in a state of flux with flows taking place among them.

The Lighthouse Hotel PLC has access to and makes use of these forms of capital in creating value for itself (deriving value) and its stakeholders (delivering value) through its business model. They underscore the dual nature of value creation as depicted in the above diagram.

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



Architectural artistry

Jetwing Lighthouse was designed by an architectural genius – the world renowned Geoffrey Bawa. Every step along every inch of the hotel provides a feast for the aesthetic senses... from colour to landscape and everything in between.



Management Discussion and Analysis

Deriving Value

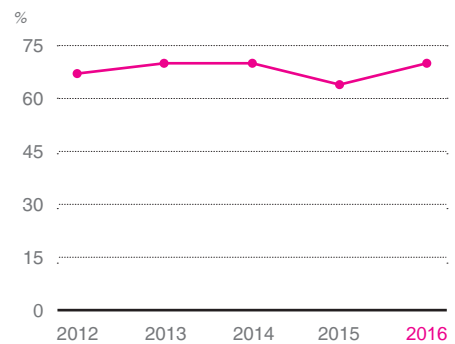
Financial Capital

Financial Performance

Revenue

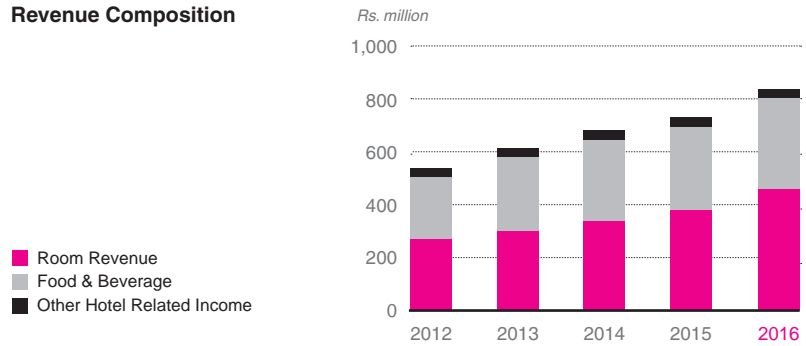
The Company recorded a significant revenue growth of 14% by achieving total revenue of Rs. 836 million during the financial year under review compared to Rs. 732 million achieved during the previous period. The growth in revenue is mainly due to increase in room revenue by 20% and Food & Beverage Income by 9%. Room revenue has increased mainly due to increase in occupancy from 64% in previous year to 70% for the period under review. Average room rates (ARR) have increased by 8% during the financial year.

Occupancy



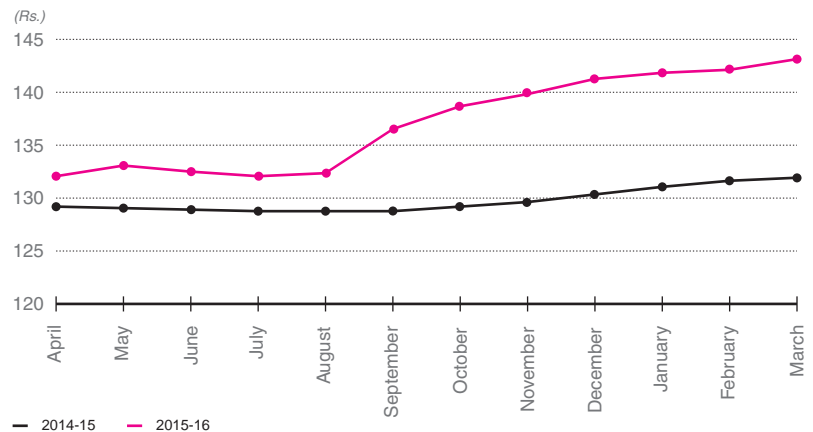
Food & Beverage income has increased mainly due to increase in occupancy compared to previous year.

Revenue Composition

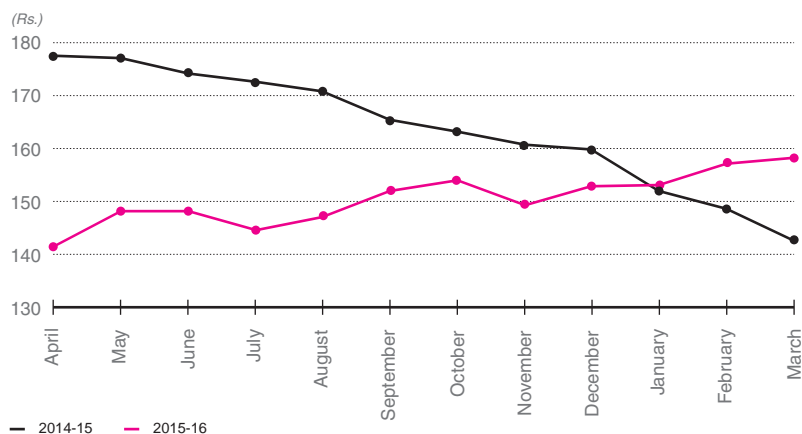


Further, foreign exchange rate fluctuations during the year under review had a favourable impact to the Company's revenue. This is due to the fact that the Company benefited from depreciation in LKR against USD and EURO.

Monthly Average LKR:USD Exchange Buying Rate



Monthly Average LKR:EUR Exchange Buying Rate



Expenses

During the period under review total expenses have increased by 9% to Rs. 640 million from Rs. 588 million in the previous period. Cost of sales has increased by 5% compared to the previous period and it is mainly due to the slight change in revenue composition. Administrative costs and Marketing & Promotional expenses have increased by 5% and 26% respectively. Non-capital nature expenses incurred for the refurbishment have resulted in the increase in Administrative costs. Payroll costs increased by 15% compared to the previous period mainly due to the salary revision of both Executive and Non-Executive associates.

Depreciation for the year was reported at Rs. 84 million which is an increase of Rs. 7 million compared to the previous period. This is mainly due to the additional depreciation charge from the capitalization of additions for the year.

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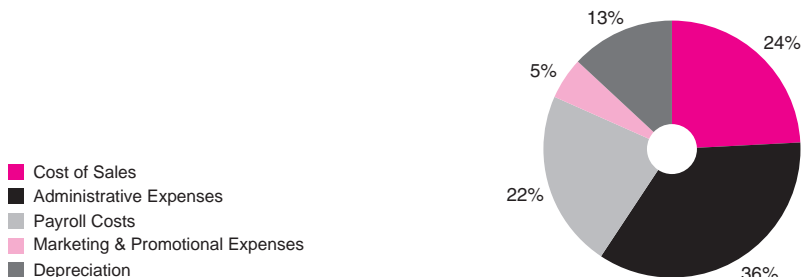
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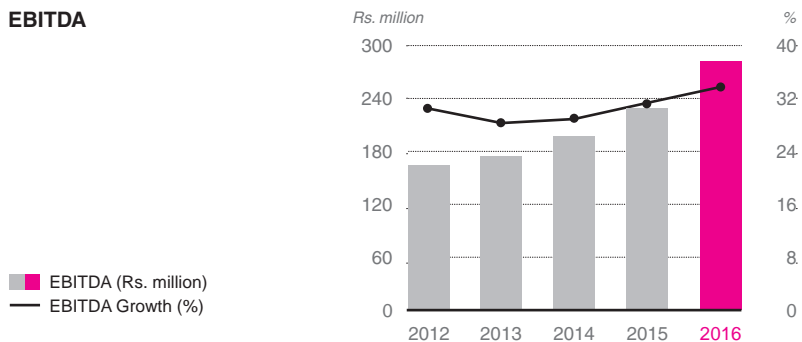
Expenses Composition (%)



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

The Company has reported an EBITDA of Rs. 284 million for the period under review compared to Rs. 229 million achieved during the previous period. This is reflected in an impressive annual growth rate of EBITDA over last year of 23%. The increase in EBITDA is mainly due to strong growth in revenue, increase in room revenue and cost synergy arising from the same, the EBITDA margin has increased to 34% from 31% last year.

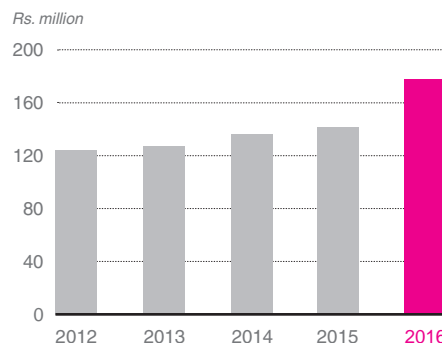
EBITDA



Profitability

The Company recorded profit before tax of Rs. 178 million during the year under review compared to Rs. 140 million during the previous period. This shows an annual growth rate of pre-tax profits over the last year of 27%.

Profit before Tax



Income tax charge for the year has increased by 41% to Rs. 16 million compared to the previous year mainly due to the significant increase in revenue.

Profit after tax of the Company amounted to Rs. 162 million and represents an increase of 25% on the Rs. 129 million achieved in the previous period. Return on Equity for the Company increased slightly to 6%.

Statement of Financial Position

The Company reported a strong financial position as at 31st March, 2016 with Total Assets amounting to Rs. 3,196 million compared to Rs. 2,768 million in the previous period. During the year under review, Property, Plant and Equipment additions amounted to Rs. 128 million, mainly the four rooms at Jetwing Kurulubedda, purchase of land close to the hotel and the other capital nature refurbishment work carried out in the hotel.

As at 31st March, 2016, the Company had a gearing level of 4%.

Shareholders' Funds

Shareholders' funds as at 31st March, 2016 increased to Rs. 2,923 million from Rs. 2,467 million in the previous period mainly due to the increase in Net profits and surplus from revaluation of land. The Company's Net assets per share as at 31st March 2016 stood at Rs. 63.55 per share.

Cashflow Statement

Cash position of the Company as at 31st March, 2016 slightly reduced to Rs. 14 million compared to Rs. 21 million last year. This is mainly due to increase in Capital Expenditure and increase operational cashflow before working capital changes. Cash outflow from investing activities amounted to Rs. 127 million compared to Rs. 91 million in the previous period.

Value Added Statement

<i>For the Year ended 31 March,</i>	2016		2015	
	Rs. '000	%	Rs. '000	%
Total revenue	836,072		731,743	
Other income	2,619		5,460	
	838,691		737,203	
Less: Purchase of goods and services	(424,720)		(386,779)	
Value added	413,971		350,424	
Distributed as follows:				
To Government as taxes	15,634	4	11,049	3
To employees as salaries and other benefits	142,687	35	124,057	35
To providers of capital				
- Dividends paid to shareholders during the year	92,000	22	92,000	26
- Interest on borrowings	9,050	2	8,884	3
Retained within the business				
As depreciation	84,480	20	77,027	22
As retained profits	70,120	17	37,407	11
Total	413,971	100	350,424	100

Institutional Capital

Integral to the hotel and the Jetwing family is institutional capital which includes a wide range of intangible, non-financial components such as financial capital, corporate culture and values, business ethics and integrity, brand value, organizational values, systems and processes and intellectual property.

Corporate Culture and Values

Based on the four pillars of passion, humility, integrity and tenacity our corporate culture is inclusive and welcoming. It encapsulates all that is best about Sri Lanka, and being a Sri Lankan entity we are proud of this correlation.

We are strong proponents of family and family values as is apparent in the way we live, work and interact with each other.

Ethics, Integrity and Compliance

We abide by the highest standards of ethics and integrity which is reflected in our every action. We remain committed to carefully adhere to the relevant laws and regulations governing our operations without exception.

More details about our comprehensive governance mechanism and our Corporate Governance report appear on page 74.

Brand Equity

We have the benefit of a long established reputation for quality and service. The Jetwing Lighthouse brand has been carefully positioned so that it is 'top of mind' in selected niche market segments.

The hotel is a luxury resort that is proud of its unique brand of 'barefoot elegance' and Sri Lankan hospitality. Our clients include affluent overseas visitors who make reservations as couples and families.

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Having worked hard to earn our luxury rating, we take great care to maintain our brand equity at the highest levels in the market category we occupy.

Proud to have built a culture of 'listening' we constantly measure brand performance by following guest comments posted on review sites such as TripAdvisor, while also paying great attention to comments received directly from clients at the Hotel.

Organizational Knowledge

As a member of the Jetwing Family of Hotels, Jetwing Lighthouse shares the same culture and values. With over 40 years experience in the tourism and hospitality industry, Jetwing has gained a treasure trove of knowledge that remains hard to match in a sector that is steadily gaining momentum in the country.

The close ties and memberships we maintain with prestigious bodies, such as The Tourist Hotels Association of Sri Lanka and the Great Hotels of the World, are links that we value exceedingly.



The Art of Wellness in Luxury

**The Jetwing Lighthouse Spa Experience.
A capital experience which marries the rejuvenation of
body and spirit with unique luxury and privacy
to deliver the art of wellness.**



Delivering Value

Investor Capital

Our valued institutional and individual investors provide financial capital, rightly expecting satisfactory returns for their investments. These investors are of great value to the Hotel. Through the interaction of various forms of financial and non-financial capital, the Hotel focuses on creating wealth which will drive future earnings. These earnings will derive value for the Hotel and in turn deliver value to its stakeholders.

Dividend Policy

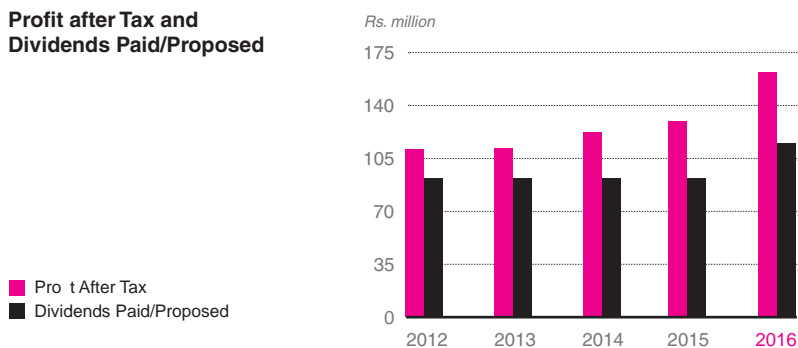
Jetwing Lighthouse has a dividend policy that aims to capitalize on shareholder wealth in the short, medium and long term. The company's goal is to ensure that sufficient funds are retained for future business expansions and to provide a steady flow of dividend to shareholders.

The Board of Directors of the Company proposes a final dividend of Rs. 2.50 per share (2015 - Rs. 2.00 per share) subject to shareholder approval at the AGM. The total gross dividend outflow will amount to Rs. 115 million (2015 - Rs 92 million). A Dividend payout ratio of the Company will be 71% for the year ended 31st March, 2016 (2015 - 71%). In the past the Company has maintained a dividend payout ratio of over 70%.

The Distribution of Shareholders as at 31st March, 2016

No. of Shares held	Residents			Non-Residents			Total		
	No. of Share-holders	No. of Shares	%	No. of Share-holders	No. of Shares	%	No. of Share-holders	No. of Shares	%
1 - 1,000	911	265,729	0.58	5	1,333	0.00	916	267,062	0.58
1,001 - 5,000	149	424,013	0.92	6	19,899	0.04	155	443,912	0.96
5,001 - 10,000	34	288,330	0.63	2	11,999	0.03	36	300,329	0.66
10,001 - 50,000	16	429,393	0.93	0	–	0.00	16	429,393	0.93
50,001 - 100,000	6	442,779	0.96	2	200,000	0.44	8	642,779	1.40
100,001 - 500,000	5	1,080,461	2.35	–	–	–	5	1,080,461	2.35
500,001 - 1,000,000	6	4,164,513	9.05	–	–	–	6	4,164,513	9.05
Over 1,000,000	6	38,671,551	84.07	–	–	–	6	38,671,551	84.07
Total	1,133	45,766,769	99.49	15	233,231	0.51	1,148	46,000,000	100.00
Categories of Shareholders									
Individuals	1,065	4,594,570	9.99	15	233,231	0.51	1,080	4,827,801	10.50
Institutions	68	41,172,199	89.50	–	–	–	68	41,172,199	89.50
Total	1,133	45,766,769	99.49	15	233,231	0.51	1,148	46,000,000	100.00

Profit after Tax and Dividends Paid/Proposed



Twenty Largest Shareholders as at 31st March, 2016

Name of Shareholder	No of Shares as at 31.03.2016	%	No of Shares as at 31.03.2015	%
Jetwing Hotels Management Services (Pvt) Ltd.	18,562,623	40.35	17,958,597	39.04
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 Nos. 2	4,500,000	9.78	4,600,000	10.00
National Savings Bank	1,575,667	3.43	1,900,000	4.13
Mrs. A.M.J. Cooray	1,211,784	2.63	1,211,784	2.63
Jetwing Travels (Pvt) Ltd.	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.	669,600	1.46	669,600	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 (Pvt) Ltd.	275,900	0.60	275,900	0.60
Confifi Investments (Pvt) Ltd.	250,000	0.54	250,000	0.54
Ms. A.M. Wikramanayake	105,754	0.23	105,754	0.23
Fern Holdings (Pvt) Ltd.	101,607	0.22	30,823	0.07
Mr. S. Mendis	100,000	0.22	100,000	0.22
Mr. H.W.M. Woodward	100,000	0.22	100,000	0.22
Mr. I.A.R. Perera	100,000	0.22	100,000	0.22
Total	44,216,525	96.12	43,966,048	95.58

There were no non-voting shares as at 31st March, 2016.

The percentage of shares held by public as per Colombo Stock Exchange Rules as at 31st March, 2016 was 32.33%

Further, the number of public shareholders as at 31st March, 2016 was 1,131.

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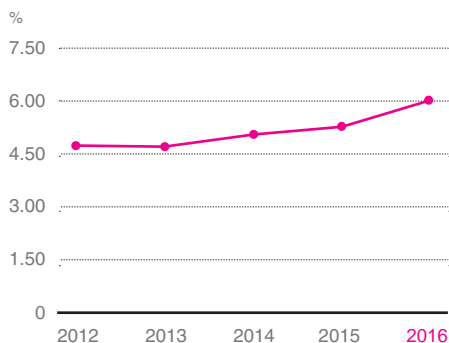
Market Value and Trading of Shares

	31st March, 2016	31st March, 2015
	Rs.	Rs.
Net assets value per share	63.55	53.63
Market value per share as at	52.90	60.00
Highest market value per share - During the year	66.80	67.00
Lowest market value per share - During the year	50.00	44.30

Share Trading - During the Year

	31st March, 2016	31st March, 2015
Number of transactions	321	812
Number of shares traded	716,667	1,195,081
Value of shares traded (Rs.)	44,862,005	73,424,067

Return on Equity (ROE)



Customer Capital

Delighting Customers

Achieving the much-coined 'customer delight' is not merely by 'going the extra mile'.

Basic customer expectation of standards of health and safety has to be assured before setting 'delight' goals. Conformity to international health and safety standards have been adopted across all contact points in order to ensure that there is no cause for concern.

Besides the aforementioned safe resort standards, the Jetwing Lighthouse proposition is routinely assessed both internally and externally. These include surveillance audits which as prescribed have been carried out prior to renewing HACCP certification in food safety standards; checking and replacement of fire extinguishers by suppliers, carrying out annual routine fire drills and awareness programmes by the fire department; evaluation of facilities and operations by key international tour operators against their own health and safety standards prior to renewing contracts.

The hotel takes its role of a 'listening' organisation seriously. Guest survey forms have been made available in all rooms and feedback encouraged at the reception during checkout. Forms can be sent direct to the Managing Director or submitted to the front desk at any point during one's stay. A routine process has been operationalised for all surveys to reach the General Manager to spot exceptions for immediate remedy, while survey feedback is collated to spot patterns and trends. Negative aspects are rectified and are incorporated into training and development programmes for prevention in future.

The up-to-date online reputation management system, Revinate, streamlines and presents reviews from across all platforms in an organized manner. This has become of utmost importance in this online era. All reviews posted on major hospitality industry sites such as Agoda, TripAdvisor, Booking.com and other public portals such as Google+ are automatically collated and presented for analysis over a specific period, or weekly, monthly and yearly cycles using scoring

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and rating measures. Complaints and reviews requiring responses are directed to the General Manager for a desired response while categorised rating information can be used to improve operations. Revinat's ability to provide scoring comparison amongst a select group of competitors is yet another useful feature that helps the management in decision-making. Thus, feedback and satisfaction surveys have been absorbed into performance improvement and decision-making.

Aided by the above, Jetwing Lighthouse was not subjected to any fines or actions for non-compliance of laws and regulations.

Marketing Communications and Compliance

The Jetwing Lighthouse marketing communications approach in practice today is a tested model that has kept the organization in good stead over the years. This has enabled the transformation of same into the online booking era. All communications are checked for conformity to local laws and internationally best-practiced policies.

Thus, the resultant product is a true reflection of the Jetwing Lighthouse brand in a positive and easy to comprehend manner fully compliant with local laws applicable to the organization.

All communications are developed from the source with input from operational level through to the marketing entity with guidance and expertise of a reputed international advertising agency, namely Leo Burnett Solutions. The International Code of Advertising Practice and the Guidelines for Multinational Enterprises guide the agency in its practice besides advising and reviewing our conformity to local laws in our messaging. Marketing collateral is subjected to checks and verifications both internally and by the agency at several levels ensuring zero incidents of non-compliance during the year.

A voluntarily created Corporate Identity Manual ensures not only consistency in its communication both at organization and group level, but also ensures that it upholds ethical standards. This translates into us maintaining respect for privacy, religion, gender and ethnicity.

The conformity is evident in the clear comprehension and adoption of our offering by the consumer.

Product and Service Labelling

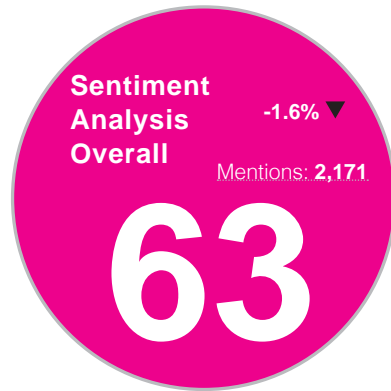
Service delivery is carefully monitored and designed to be safe both for customers and associates alike. All associates work environments have been verified to be non-hazardous, clean and healthy. Working tools and welfare environment are continuously checked and upgraded. Replacement of kitchen equipment, enhancement of kitchen facilities and replacement of mattresses in associate quarters are examples of such activity during the year. Associates have also been apprised of employee and employer responsibilities of pertinent issues in health and safety through the health and safety policy document.

Jetwing Lighthouse being an open tropical resort by design, all spaces from rooms and corridors to halls, public lounge spaces carry signage about safety procedures with clear, easily understood emergency protocol guidelines. The hotel associates ensure that guests know the safety basics when they check-in through a health and safety check list in order to maintain consistency and prevent missing out on details.

Knowledge of health and safety procedures among associates and their ability to enlighten guests and its consistency is maintained through regular programmes regulated by the recruitment of an in-house training manager.

JETWING LIGHTHOUSE - GALLE

1ST APRIL 2015 - 31ST MARCH 2016



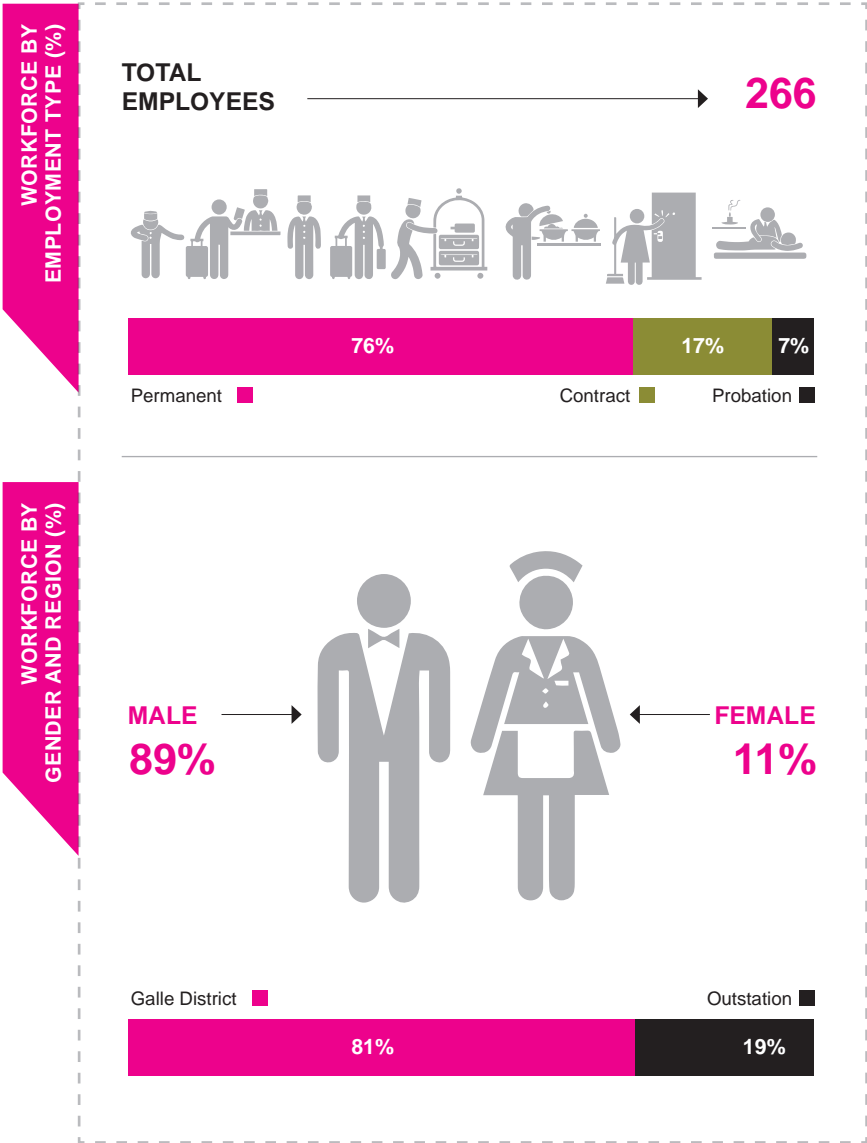
Employee Capital

Jetwing Lighthouse prides itself in one of its greatest assets - its associates, so called as they form the key link as partners towards service delivery. Respect for associates is paramount and no associate is discriminated on grounds of gender, race, ethnicity, sex, religion or disability. This is embodied in its policy covering all aspects of employee regulations subject to labour laws and rights guaranteed under the constitution of Sri Lanka. Associates are paid as per stipulations of the Wages Boards Ordinance and Shop and Office Employees Act. The hotel is also an equal opportunity employer with all its associates guaranteed a fair chance of progress with a fully developed performance appraisal system.

Associate Demographics

In the period ending March 2016, a total of 266 associates were in employment up by 4% from the previous year under review. Of the new recruitments 10 associates were women, an increase to a total of 30 from the previous headcount recruited on a needs basis. This is encouraging as it disproves the gender imbalance stemming from a cultural notion that most hospitality industry positions are better suited for men.

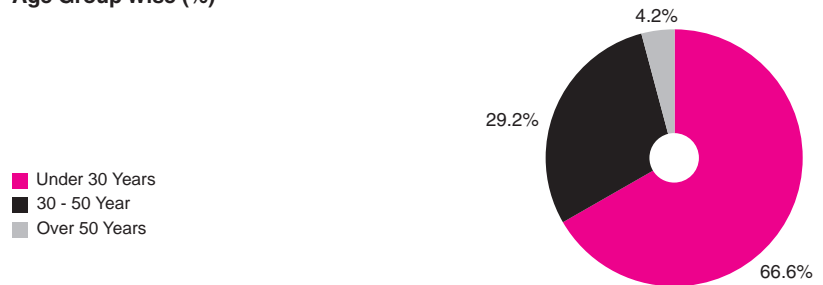
Further, the distribution of associates from the locality would reveal the hotel's contribution to the soft capital of the area with an increase in employees from the locality. This distribution is negative only in the case of senior management, i.e. executives and senior executives where only 10 of the 25 are from locality given unavailability of the requisite skills, knowledge and academic qualifications to suit the position from candidates within the area.



Associate Turnover

The year under review shows a significant drop in associate turnover, with movement mostly among the under 30 year-olds, though the rate is similar to that of last year. This drop in turnover can be attributed to emphasis on training and development focused on enhancing the careers of our associates.

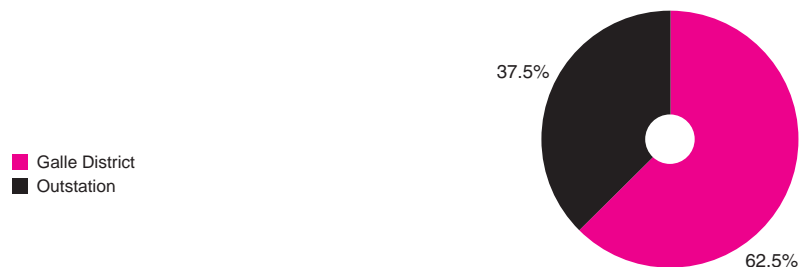
Age Group Wise (%)



Gender Wise (%)



Region Wise (%)



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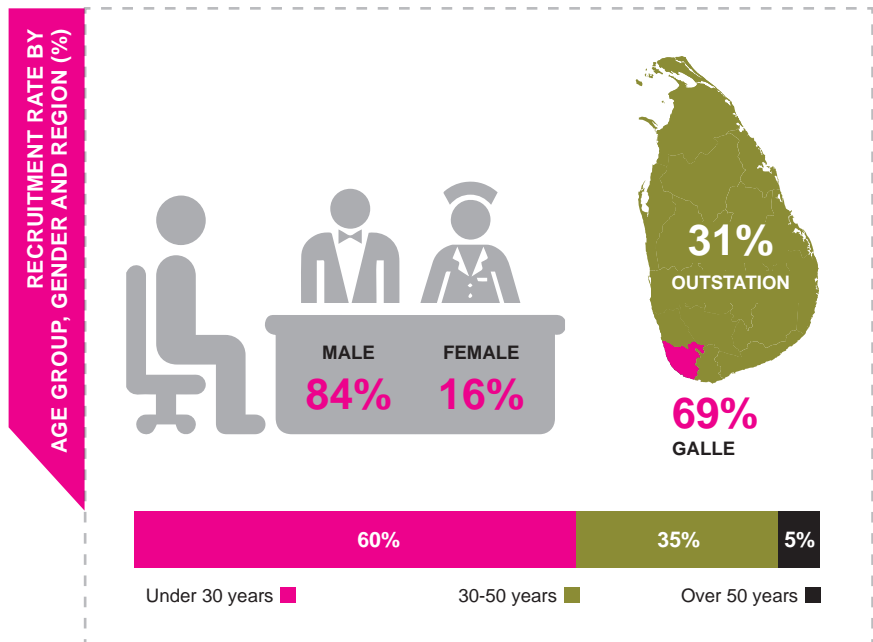
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Recruitment of Associates

At Jetwing Lighthouse one of our aims is to generate employment for young people. We do so by encouraging school leavers to join the industry. During the year under review we recruited a total of 55 associates on contractual and probationary basis. A majority are under the age of 30 years.

In line with our HR recruitment policy of hiring from the locality where possible, a large number of those employed at Jetwing Lighthouse are from the Galle District. We ensure that all candidates have a fair and equal chance of being employed provided they have the right skills, experience and competencies to fill the position.

Recruitment Rate



Benefits to Associates

The organizational policy of a just, fair and equitable remuneration based on competence, experience and academic qualifications remains the same. We are happy to note that remuneration standards are well above the minimum wage requirements.

No demarcation exists on benefits extended to full-time and temporary employees except for bonus given to permanent employees based on financial performance. All associates are provided with meals at the staff cafeteria during shifts with access to clean drinking water. They also enjoy accommodation and access to sanitary facilities and changing areas besides an array of welfare services such as loan facilities, welfare shop facilities, wedding gifts, gifts for new born babies, gift certificates for grade five scholarship receivers, compensation in the event of a death within the immediate family, etc.

As per the regulations stipulated by the Shop and Office Act maternity leave is extended only to female associates. However, no associate availed themselves of maternity leave during the year under review.

Occupational Health and Safety

A comprehensive health and safety policy document covers the hotel's approach with clear indication of employee and employer responsibility. Associates are explained all aspects of health and safety measures including that of guests, during the orientation programme. Health and safety measures have been developed and implemented in accordance with HACCP (Hazard Analysis and Critical Control Points) and MSDS (Material Safety Data Sheet) standards, while relevant local relevant authorities routinely conduct fire safety and first aid programmes.

Health and Safety Impact on Operations

During this period no major injuries were recorded. Only minor injuries such as muscular strains, cuts and bruises, and slippage were recorded from 14 associates resulting in a loss of 76.5 man days.

Absenteeism

A marginal increase in absenteeism was noted from the previous year mostly from associates within the locality.

Although the services of external contractors are sought by Jetwing Lighthouse for specific non-routine work no major incidents were recorded amongst these personnel.

The reporting system used is in accordance with the Labour Code prescribed by the Sri Lanka Department of Labour.

Absenteeism rate = 0.61%

<i>Gender Wise</i>	Number of Days	Rate %
Male	390.5	0.57
Female	30	0.04
Total	420.5	0.61
<i>Region Wise</i>	Number of Days	Rate %
Galle	390.5	0.57
Outstation	30	0.04
Total	420.5	0.61

Training and Development

A key driver that differentiates our competent and quality service is the Company's commitment to training and development. It also translates into personal associate development.

Training and development under a full-time training executive addresses capacity building, specific training and development initiatives, and induction and orientation training.

Training needs are identified through performance appraisals. According to the nature of the programme, training is conducted at hotel and group level by Heads of Department, training managers and training executives. External trainers are sourced in case of specialized training or if a need for an external perspective has been identified. Programmes are designed to also cater to career development and progression.

The management has identified and implemented cross training among departments and within the Jetwing hotels with the aim of widening the scope of its associates and enabling job enlargement and satisfaction.

During the year associates received an average of 16.16 hours of training.

<i>Gender Wise</i>	Average Training Hours
Female	14.44
Male	11.99
<i>Employee Category Wise</i>	Average Training Hours
Permanent	8.72
Probation	10.7
Contract	35.6
<i>Employee Type Wise</i>	Average Training Hours
Senior executives	1.25
Executives	2.16
Other staff	14.1

Specialized Training Programmes

During the period under review the following specific training programmes were conducted for associates.

Jetwing LEAD - Internal Training Programme

Jetwing LEAD is an internal training programme designed to meet the development requirements of its Supervisors. The programme entails planned training sessions that provide an opportunity to learn skills, energize personality, develop professionalism and capacity and achieve visible results.

Wine Training

A three-day wine training for all Food and Beverage associates was conducted by an external trainer and wine expert. The extensive training enhances the knowledge of associates on the different varieties of wine, wine service, wine and food pairing, and salesmanship.

Cinnamon Food Promotion

Executive Chef Kingsley Paul conducted this programme to introduce the new food promotion at the Cinnamon Room fine dining restaurant. The training focused on improving knowledge of the menu and up selling skills of the front line associates.

Orientation and Induction Training

Associates of Jetwing Lighthouse participated in a train the trainer programme conducted among associates of the Jetwing Family of Hotels where new modules were introduced to the orientation and induction programme.

Performance Review

Training requirements are identified through biannual performance and career development assessments for all senior, middle and junior level associates. The reviews provides the associate and his/her Head of Department an opportunity to jointly identify expectations of and from the associate, based on which training goals are mutually agreed upon and a time-period to achieve them.

Based on the findings of the appraisals comprehensive training and development programmes are initiated to retain and develop the talent within the company.

Diversity and Equal Opportunity

Jetwing Lighthouse strongly epitomizes its commitment to the role of an equal opportunity employer. Hence, the Jetwing Human Rights policy promises to its associates to act devoid of race, religion, gender, ethnicity and economic and

social backgrounds. The company upholds its commitment to a harassment and discrimination free environment recognizing skills, knowledge and attitude for work. Further, the company strives to maintain a fair gender balance and equity in remuneration, with exceptions only in cases of difference in employment category, seniority, experience and qualifications. During the year under review, there were no material issues pertaining to employees and industrial relations.

Collective Bargaining

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

Addressing Labour Grievances

The company encourages free and open communication and has in place a formal grievances policy and procedure for all associates. All associates are not only made aware of this policy and procedure at the time of orientation, information is also provided on how grievances will be handled and the stipulated time frames for it.

No formal grievances were received from the associates during the period under consideration.

Human Rights

The Hotel as part of a Sri Lankan entity, international in its outlook adopts a comprehensive Human Rights policy structured under the Sri Lanka Labour Regulations and International Labour Organization (ILO) Convention. The policy is made known through the orientation programme.

Its policy statement attests to its commitment 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.

No incidents or violations involving the rights of the people, or any other form of discrimination, were reported over the reporting period.

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Social Capital

The social responsibility framework adopted by Jetwing Lighthouse combines community involvement and ethical business practices. Although the hotel's presence extends to the community in terms of benefits such as jobs and other long term economic benefits, several other initiatives are also carried out towards empowering the local community.

Community Infrastructure

Beach and swimming is an integral part of the lives of this coastal community. Learning from the aftermath of the Tsunami and considering the local lifestyle, the Lighthouse Community Pool facility was built in 2008 as our contribution to the community. The facility comprises a modern day swimming pool, changing rooms, an administrative facility and a viewing gallery. Sustainability of the facility was also assured by the hotel's continuous investment in a full-time administrator and trainers. Several 'learn to swim' programmes have been conducted free of charge for children and youth alike and the pool is continuously used daily by the community.

Local Procurement

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. This comprises hundreds of registered suppliers who maintain a complex inflow of diverse goods and services required to serve our guests: ranging from food and beverages, guest amenities, operating supplies and equipment, furniture and fittings and other technology support systems. A large proportion of the procurement budget, that is 79%, is spent on transactions with local suppliers.

We strive to be mindful of the local community and make preference to source within Sri Lanka and from sustainable sources whilst meeting our financial and quality requirements, reducing our carbon and water footprints in the process.

Engaging Youth

As with previous years, the hotel continues to carry out youth training programmes and this year was no exception. The 10th Jetwing Youth Development Programme was carried out in partnership with Berendina Employment Center providing practical and theoretical training in all Core Operational Departments for 21 trainees who were successfully absorbed into Jetwing Lighthouse cadre.

Environmental Capital

Jetwing Lighthouse along with the Jetwing Family of Hotels espouses to a clean and healthy environment not merely to derive its commercial benefits of competitive advantage based on efficiency and cost savings, but as a socially responsible citizen with the belief of its long-term co-habitation within the environment and its eco-system.

The intention as defined in our Environment Policy is to minimize any negative impacts that our operations might have on the environment. Over and above the standard requirements the management monitors consumption of electricity, diesel, water etc. on a daily basis comparing them against occupancy levels to identify and address irregularities and to reduce specific consumption on a year-on-year basis.

The process adopted within Jetwing ensures that all hotels attain high standards of environmental custodianship in both front-end and back-end processes and logging same by a compilation of a Green Directory. The Green Directory is displayed in each guest room together with environmental messages displayed throughout the hotel's facility to raise awareness of guests on the hotel's commitment to sustainability and enlist their support.

Routine environmental audits now have a standardized procedure identifying the hotel's performance based on key impact areas which include energy efficiency, water conservation, waste water management, use of environmentally friendly materials and suppliers, landscaping, etc.

This cannot be achieved in isolation and therefore the hotel associates' cooperation is sought in implementing and effectively carrying out sustainability initiatives by incorporating the environmental efforts into our training programmes.

Energy and Carbon Footprint

The hotel has long understood and is of the firm belief that energy is a valuable commodity and conservation of energy is imperative. Hence, our Energy Policy has been continuously evolving with new technology and insight.

Commitment to reduce dependence on fossil fuels and eventually achieve carbon neutrality in our operational business (excluding transport for which there are presently no viable alternative technologies) has seen many initiatives being undertaken within our facilities.

Focus has been placed on the following and investments made towards benefits in the medium to longer term;

- replacing lights and televisions with more energy efficient LED fixtures
- eliminating diesel use in the boiler through the use of solar hot water panels and by use of a biomass boiler fuelled by Cinnamon wood
- installation of a solar PV system for the (water) bottling plant - to cater entire energy requirement for the process

Further investments have been proposed in a continuing effort with:

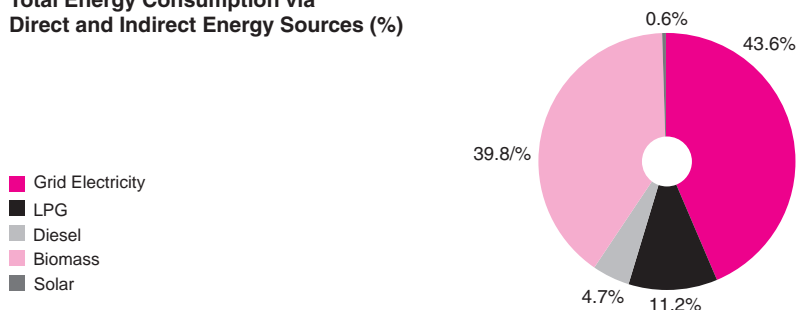
- installation of 100kW Solar PV (net metered) system
- installation of a Vapour Absorption chiller to cater the hotel's entire air conditioning requirement
- installation of a bio gas facility
- Introducing/ replacing new energy efficient HVAC pumps with efficient cooling towers

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

Jetwing Lighthouse and Jetwing Kurulubedda energy consumption for the year 2015/16 is given in the table below:

Energy Source			Consumption		
			Units		GJ
Indirect		Grid Electricity	2,042,293.00	kWh	7,352
Direct	Non-Renewable	LPG	39,962.50	kg	1,890
		Diesel	21,971.00	L	797
	Renewable	Biomass	467,748.00	kg	6,712
		Solar			98
Total Annual Energy Consumption					15,069
Energy Intensity (MJ/Guest Night)					361.6

Total Energy Consumption via Direct and Indirect Energy Sources (%)



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

Initiative	Savings	CO ₂ not released (kg)
Energy efficient lighting ¹	85,639 kWh/year	36,654
Card key (room lighting) ²	11,334 kWh/year	4,851
Dual set point thermostat ³	115,066 kWh/year	49,248
LED televisions ⁴	1,892 kWh/year	810
Solar hot water system	2,698 Litres/year	7,293
Biomass boiler for hot water	116,937 Litres/year	316,116
Total		414,972

1. Calculated on 70% of bulbs being used for 6 hours per day, in comparison to incandescent bulbs
2. Calculated on 70% of bulbs being used for 6 hours per day
3. Calculated for 6 hours per day on stand-by mode
4. Calculated for use of 3 hours per day

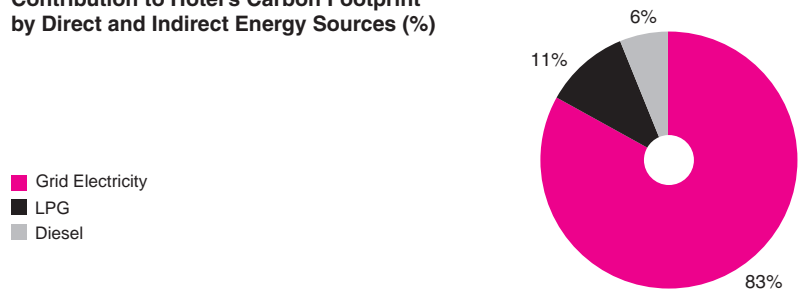
Total greenhouse gas emissions from Jetwing Lighthouse and Jetwing Kurulubedda operations in 2015/16 are given in the table below:

Source	CO ₂ Tonnes
From Indirect Sources	
Grid Electricity	874.00
LPG	119.53
Diesel	59.39
Biomass [†]	0
From Direct Sources	178.92
Total CO ₂ emissions for year 2015/16	1,052.92
Emissions Intensity (CO ₂ kg/Guest Night)	22.59

* Direct and indirect emissions are measured according to scope 1 and 2 respectively as defined by the IPCC. Indirect carbon emissions are calculated using the Greenhouse Gas Protocol and the direct emissions are calculated using factors published in the 2006 IPCC Guidelines for Greenhouse Gas Inventories

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

Contribution to Hotel's Carbon Footprint by Direct and Indirect Energy Sources (%)



Water Consumption

Water as a much needed resource has also received much attention in our conservation efforts. Consumption of water is sub-metered within the facility wherever possible to monitor wastage.

Efficiency has also been achieved in the consumption of water in the guest room toilets with installation of water-saving shower heads, dual flush toilets etc.

All wastewater from hotel operations which is mainly kitchen waste water and bath waste water from guest rooms, is treated at an onsite water treatment plant and is directed to the hotel's gardening use. Services of an accredited external company are obtained to routinely check the quality of discharged water for conformity the Central Environmental Authority standards.

Average quantity of treated wastewater	3,471 m ³ /month
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Future improvements to this management process will focus on introducing a treatment process for primary wash water of laundry, which is to be used for the cooling towers.

Main source of water for Jetwing Lighthouse and Jetwing Kurulubedda is the city water supply. In addition to this, groundwater is extracted for the swimming pools at Jetwing Lighthouse.

	Annual Consumption (m ³)	Proportion of Total Water Requirement
City water supply	54,463	90%
Groundwater	6,000	10%
Total consumption	60,463	100%

Solid Waste Management

Solid waste generated is separated at the respective of sources of origin in all departments such as the kitchen, restaurant and bar, housekeeping, linen room, maintenance, stores and guest rooms. Thereafter, dry solid waste (such as cardboard, plastic, glass bottles and metal) are sold for recycling or reuse. Income from these sales is credited to the staff welfare society in order to encourage staff towards the adoption of best waste separation and recycling practices.

Type of Waste	Quantity (kg)
Food waste sent to piggery	40,617
Garden waste composted	17,756

Type of Waste	Quantity sold for recycling (kg)
Paper	3,020
Cardboard	2,930
Polythene	2,169
Plastic	3,167
Glass	2,116
Metal	7,889

All garden waste is composted in a conventional compost pit, and is used as organic fertilizer in the hotel gardens.

Plastic Bottled water use is 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. Identifying the need to address this situation, an automated potable water-bottling plant has been commissioned at Jetwing Lighthouse to replace the use of the plastic bottled water with reusable glass water bottles across all the properties managed by the hotel.

Compliance

The hotel takes great pride in being a fully legally and lawfully compliant entity. This is naturally extended to being compliant across all local regulatory standards and other voluntary standards to operation in an environmentally responsible manner.

Hence, our environmental compliance checklist comprises being relevant to local law and international laws, internally developed environmental and energy management policies, and external certifications such as the Gold level in Travelife's sustainability criteria and ISO 14001 Environmental management system and ISO 50001 Energy management system.

	Expenditure (Rs.)
Waste disposal, emissions treatment, and remediation costs	
Treatment and disposal of waste	967,070
Expenditure on equipment, maintenance, and operating materials and services and related personnel costs	779,459
Prevention and environmental management costs	
External services and professional charges for environmental management	211,055
External certification of management systems	62,900
Extra expenditures on green purchases	543,865

During the year under review no fines or sanctions were imposed for failing to adhere to environmental laws and regulations.

Environmental Grievances Mechanism

Situated at the entrance to the city and part of a highly urbanized location, disputes and issues may arise over environmental impacts of the organization's operations and activities. Although many of these may be due to lack of information, a grievance and complaints mechanisms needs to be in place. Although no complaints were received during the year, the process in place is geared to investigate such complaints and resolve same through dialogue and mediation in a clear and transparent manner.

Stewardship

Board of Directors

N. J. H. M. Cooray

Chairman

Hiran Cooray has over 25 years experience in the hospitality industry. He has represented Sri Lanka on the Board of PATA since 1996 and served as a Chairman of this prestigious Association in 2010 to 2012. In addition to his degree from the University of North Carolina in Business Administration, he has successfully completed a senior management course in Hotel Management at Cornell University, Ithaca, New York. Whilst holding 50 directorships in various Hotels and related companies, he has also held the positions of President of the Tourist Hotels Association of Sri Lanka (2005-2008) and Chairman of PATA Sri Lanka Chapter (2003-04). Currently, Hiran is serving his second term as President of The Tourist Hotels Association of Sri Lanka (2014-2016) and is also 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 2010-2014. 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 – World Committee on Tourism Ethics at the UNWTO General Assembly held in Zambia/Zimbabwe in August 2013.

Ruan Samarasinghe

Managing Director

Ruan Samarasinghe has been a doyen of the hospitality industry for over 40 years. A valued member of the Jetwing family, Ruan 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 Ruan 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. Ruan also serves as Chairman of the Pacific Asia Travel Association (PATA) Sri Lankan chapter.

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

Non-Executive Director

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

C.S.R.S. Anthony

Executive Director

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

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 USA. She is the Managing Director of Tangerine Tours (Pvt) Ltd. She holds directorship in several companies including Mercantile Investments and Finance PLC, The Nuwara Eliya Hotels Co. PLC (Grand Hotel), Nilaveli Beach Hotels (Pvt) Ltd. and Phoenix Industries Ltd. She is presently a committee member of the Tourist Hotels Association of Sri Lanka, Vice President Hotels Association and Director Sri Lanka Tourism Promotions Board.

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Nihal 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, airlines 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.

Prema 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. Prema was a Past President of the Tourist Hotels Association of Sri Lanka (1998-2000). He serves as Chairman of The Rainforest Ecolodge, Deniyaya, an unique pioneering Ecotorium initiative supported by leading hotel companies in Sri Lanka. He also represents many public listed companies as a Director.

He is the Chairman of Sri Lanka Convention Bureau and also serves as a Member of the Grants Board of ICTA. He served as the Secretary-General/CEO of the Ceylon Chamber of Commerce (2003-2008).

Prema was recently accorded the national honour as a "Legend" by Sri Lanka Tourism.

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

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 HLB Edirisinghe & Co., Chartered Accountants and currently serves as Consultant/Advisor. He is the Managing Director of PE Management Consultants (Pvt) Ltd. He counts over 44 years experience; of which 28 years in public practice and 16 years in the private sector, having held senior positions. He serves on the Boards of some other quoted companies where in some Companies, he also serves as Chairman/Member of the Audit Committee, as Chairman/Member of the Remuneration Committee and as Chairman/Member of the Related Party Transactions Review Committee.

Ranil de Silva

Non-Executive Independent Director

Ranil de Silva pursued his tertiary education in Australia where he obtained a Diploma in Visual Communications. He returned to Sri Lanka in 1981 and joined JWT Colombo as their first Sri Lankan employee. After starting 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. In 1999 he returned home to Sri Lanka to setup the Colombo office of Leo Burnett. Starting with just a few people in his team and a shared office, he has taken Leo Burnett to great heights. He served as the President of the International Advertising Association (IAA) Sri Lanka Chapter for two terms and was also a member of the worldwide Board of Directors of the IAA. He has also been a Director in their family owned business – Cyril Rodrigo Restaurants. Ranil is passionate about everything he does; he loves to see the world, stay in great places and enjoys the arts.

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C. Pathiraja (Dr)

Non-Executive Independent Director

Dr. Chandrawansa Pathiraja is a Director of Stem Cure - Fericare (Pvt) Ltd., Director of P&A Global Solutions (Pvt) Ltd, Singapore and several other companies both local and abroad. Ex Director/Embryologist - ICSI Lanka Hospital. He holds BV (Sc) degrees from the University of Peradeniya, Sri Lanka, Diploma in Business Studies and a Post Graduate Diploma in Business Management.

Thirukumar Nadesan

Non-Executive Independent Director

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

He 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 (HDL) (Owning company of Hilton, Colombo).



Idyllic... in every sense

Hundreds of guests have come to our shores to celebrate their 'Big Day'; and to ours for a ceremony which has as its backdrop the stunning Indian Ocean... idyllic in every sense of the word.



Corporate Governance

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

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

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

Board of Directors

Executive Directors

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

Non-Executive Directors

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

Non-Executive Independent Directors

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

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

Mr. N.J.H.M. Cooray (Chairman)	Executive	4/5
Mr. R.A.E. Samarasinghe (Managing Director)	Executive	5/5
Mr. C.S.R.S. Anthony	Executive	4/5
Ms. N.T.M.S. Cooray	Non-Executive	4/5
Ms. A.M. Ondaatjie	Non-Executive	4/5
Mr. N. Wadugodapitiya	Non-Executive Independent	5/5
Mr. R. de Silva	Non-Executive Independent	3/5
Mr. E.P.A. Cooray	Non-Executive Independent	5/5
Dr. C. Pathiraja	Non-Executive Independent	3/5
Mr. T. Nadesan	Non-Executive Independent	2/5
Mr. A.T.P. Edirisinghe	Non-Executive Independent	5/5

Responsibilities

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

The annual capital expenditure budgets, non-budgeted capital expenditure and the annual budgeted operating statements require Board approval. The Board meets regularly to review performance and forecasts against budgets so as to take decisions in the best interest of the Company. The managing agents are represented at these meetings and are responsible for follow-up action. Directors' interests in contracts are regularly disclosed and such disclosures pertaining to year ended 31st March, 2016 can be seen on page 92 in the Directors' Report.

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

Chairman's Role

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

Board Balance

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

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

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

Company Secretary

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

Financial Acumen

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

Supply of Information

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

Appointments to the Board

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

Re-election of Directors

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

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

The Managing Director does not retire by rotation.

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Remuneration Committee

The Company has its own Remuneration Committee. The Committee consists of three Independent Non-Executive Directors. The Remuneration Committee Report appears on page 81 in this Report.

Constructive Use of the Annual General Meeting

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

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

Communication with Shareholders

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

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

Accountability and Audit

Financial Reporting

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

The Statement of Directors' Responsibilities for the Financial Statements is given in page 100 of this Report.

Going Concern

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

Audit Committee

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

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

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

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

Members of the Audit Committee		Attendance at the Meeting
Mr. N. Wadugodapitiya (<i>Chairman</i>)	Non-Executive Independent	4/4
Mr. E.P.A. Cooray	Non-Executive Independent	3/4
Mr. A.T.P. Edirisinghe	Non-Executive Independent	3/4

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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 82 of this Report.

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

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

Rule No.	Subject	Applicable Requirement	Level of Compliance
7.10.1	Non-Executive Directors	At least one-third of the total number of Directors should be Non-Executive Directors	Eight out of Eleven Directors are Non-Executive Directors
7.10.2 (a)	Independent Directors	Two or one-third of Non-Executive Directors, whichever is higher should be Independent	Six of the Eight Non-Executive Directors are Independent
7.10.2 (b)	Independent Directors	Each Non-Executive Director should submit a declaration of his independence/ non-independence in the prescribed format.	Non-Executive Directors have submitted the declaration
7.10.3 (a)	Disclosure relating to Directors	Names of Independent Directors should be disclosed in the Annual Report	Please refer page 155
7.10.3 (b)	Disclosure relating to Directors	The basis for Board to determine a Director as independent, if specified criteria for independence is not met	Not Applicable
7.10.3 (c)	Disclosure relating to Directors	A brief résumé of each Director should be included in the Annual Report including the areas of Expertise	Please refer pages 67 to 71
7.10.3 (d)	Disclosure relating to Directors	Forthwith provide a brief résumé of new Directors appointed to the Board with details specified in 7.10.3 (d) to the CSE	A brief résumé provided to the CSE
7.10.5	Remuneration Committee	A listed company shall have a Remuneration Committee	Company has formed a Remuneration Committee
7.10.5 (a)	Composition of Remuneration Committee	Shall comprise of Non-Executive Directors a majority of whom will be independent	Remuneration Committee consists of three Independent Non-Executive Directors
7.10.5 (b)	Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of Chief Executive Officer and Executive Directors	Please refer Remuneration Committee Report on page 81

Rule No.	Subject	Applicable Requirement	Level of Compliance
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 155
		(b) Statement of Remuneration Policy	Please refer Remuneration Committee Report on page 81
		(c) Aggregated remuneration paid to Executive Directors and Non-Executive Directors	Given in this Report under the heading of Directors' Remuneration on page 92
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 78
7.10.6 (c)	Disclosure in the Annual Report relating to Audit Committee	(a) Names of Directors comprising the Audit Committee stated in this Report under the heading of Audit Committee	Names of the members of the Audit Committee are stated in this Report under the heading of Audit Committee on page 155
		(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 82
		(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 82

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 155 of the Annual Report. The members of the Committee met once in the year under review. The aggregate remuneration paid to Directors is set out in page 92.



E.P.A. Cooray

Chairman - Remuneration Committee

3rd May, 2016

Audit Committee Report

The Audit Committee, comprises three Non-Executive Independent Directors (as shown on page 155 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 four 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, internal control procedures, accounting policies and compliance with accounting standards. It also reviews the adequacy of systems for compliance with the relevant legal, regulatory and ethical requirements and company policies.

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

The following activities were carried out by the Committee:

- The Committee reviewed the Quarterly Accounts of the Company and has recommended same to the Board for approval and publication.
- The Committee held meetings with the External Auditors to review their report on audit results and the preparation of the Annual Report to ensure the reliability of the process, consistency of the Accounting policies and methods and compliance with Sri Lanka Accounting Standards.
- Recommendations made by the External Auditors were also discussed with the Board and implementation recommended to Management by the Committee.
- The Audit Committee also monitors the effectiveness of the Internal and Financial Control procedures on the basis of the reports and findings submitted by the Internal Auditors of the Company, Messrs PricewaterhouseCoopers.
- The Audit Committee also monitors the timely payments of all statutory obligations.

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- 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 reviewed the related party transactions quarterly. (w.e.f. 1st January, 2016 related party transactions were reviewed by related party transactions review committee.)

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, 2017.



Nihal Wadugodapitiya
Chairman - Audit Committee

3rd May, 2016

Related Party Transactions Review Committee Report

The Related Party Transactions Review Committee was appointed by the Board of Directors of the Company. As at 31st March, 2016 it comprised three Non-Executive Independent Directors and one Executive Director (as shown on page 155 of the Annual Report). Chairman of the Committee is a Non-Executive Independent Director.

Scope of the Committee

- Developing and recommending for adoption by the Board of Directors of the Company, a Related Party Transactions Policies and Procedures
- Updating the Board of Directors on the related party transactions of the Company 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 Related Party Transactions Review Committee was formed by the Board of Directors with effect 1st January, 2016 in compliance with the Section 9 of the Continuing listing rules of the Colombo Stock Exchange (CSE). 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

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obtained from each Director/Key Management Personnel of the Company for the purpose of identifying parties related to them. The Committee endeavors to meet at least quarterly, review and report to the Board on matters involving related party transactions falling under its scope.

Committee Meetings

A committee meeting was held during the year under review. Proceedings of the Committee meetings are regularly reported to the Board of Directors.

Related Party Transactions during the period

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

Details of other related party transactions entered in to by the Company during the above period is disclosed in Note 24.2 in page 139 to the Financial Statements.



Nihal Wadugodapitiya

Chairman - Related Party Transactions Review Committee

3rd May, 2016

Risk Management

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

The Company identifies three main categories of risk:

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

These main categories of risks are further analyzed into subcomponents.

Risk Factors

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

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Risk Category and Description	Potential Impact	Actions Taken to Mitigate Risk
1. Strategic and Market Risks		
1.1. Business Risk		
The inability of the Company to achieve its business objectives	<ul style="list-style-type: none"> - Reduced revenue, cash flow and profitability - Hinder future growth 	<ul style="list-style-type: none"> - Detailed operational and capital expenditure budgets are formulated on an annual basis and formally approved by the Board. These plans are thereafter monitored and reviewed by the Board to assess actual performance against those planned and take remedial action wherever necessary. - Project feasibility studies are conducted for all major investments - Implementation of cost control procedures and innovative cost saving initiatives particularly with regard to energy costs - Performing Competitor analysis
1.2. Political, Economic and Environmental Risks		
Major events affecting either economic or political stability on a global and local level represent an exposure to the Company	<ul style="list-style-type: none"> - Reduced revenue, increased operating costs resulting in reduced profitability and cash flows - Control over the ownership of assets 	<ul style="list-style-type: none"> - Management regularly reviews political and economic developments and seeks to identify emerging risks at the earliest opportunity. - The Company, being a member of Tourist Hotels Association of Sri Lanka, has been working closely with them and other various trade associations, relevant authorities and lobby groups in creating a better economic environment at all times.
Events that adversely impact domestic or international travel	<ul style="list-style-type: none"> - 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 	<ul style="list-style-type: none"> - The Company has in place contingency and recovery plans to enable it to respond to major incidents or crises.

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 are regularly reviewed and adjusted when necessary.
1.3. Competitive Risk		
Company is exposed to the risks of the hotel industry supply and demand cycle such as competitive actions from existing hotels and new entrants increasing room supply	<ul style="list-style-type: none"> - Future operating results could be adversely affected by industry overcapacity of number of rooms - Reduction in market share (lower occupancies), rates resulting in reduced revenues, increase in marketing expenses reduces cash flows and profitability 	<ul style="list-style-type: none"> - Providing a unique service quality associated with Jetwing brand only - Consistently delivering of service quality to influence consumer preference and creating and maintaining value perception - Make timely investments to upgrade the facilities - Maintain the long term relationships with major tour operators
2. Operational Risks		
2.1. Reputation and Intellectual Property Rights Risk		
- The Company is reliant on the reputation of its brand and the protection of its intellectual property rights	<ul style="list-style-type: none"> - Service quality may not be delivered in accordance with the Company's standards - Reduce brand value, market share, revenues, profitability and cash flows - Increase the Company's exposure to litigation 	<ul style="list-style-type: none"> - Continuous monitoring and review of online customer reviews and ratings - Investments made in protecting the Company's brand from misuse and infringement, by way of trade mark registration and domain name protection - Company monitors adherence to its safety or operating and quality standards or the significant regulations applicable to hotel operations - Provides regular training to associates to educate on the quality standards and new developments in the hospitality industry
2.2. Demand		
- Adverse impact on Company turnover due to shift in demand from traditional source markets to new emerging markets	<ul style="list-style-type: none"> - Reduce room nights, revenue - Lower room rates due to lower occupancy 	<ul style="list-style-type: none"> - The Hotel is well represented at international trade fairs - Increase registration with Online Travel Agents - Increase presence in social media channels - Maintain the long term relationships with major tour operators

Risk Category and Description	Potential Impact	Actions Taken to Mitigate Risk
2.3. Employee Risk		
- Failure to attract and retain skilled employees may threaten the success of the Company's operations	- Inability to achieve planned business objectives - Reduced quality of standards resulting in reduced guest satisfaction	- Development and maintenance of a Company culture, compensation and benefits arrangements, training and development are key activities carried out
2.4. Technology Risk		
	- Inaccurate information - Reputation and performance of the Company will be adversely affected	- Regular review of systems and upgrades where appropriate
2.5. Project Implementation Risk		
	- Cost overruns - Delays in project implementation may cause loss of earnings	- Establish project cost and timelines in consultation with stakeholders - Monitor project progress with budgeted cost and time
2.6. Statutory and Legal Risk		
- Risk of litigation due to legal and statutory requirements not being fulfilled	- Legal fees and penalties resulting in reduced profitability - Adverse impact to reputation - Loss arising from defective contracts	- The Company continues to monitor changes in the regulatory environment in which it operates - Statutory declaration is made to Board each quarter - Compliance audits are included in the scope of the internal audit programme - Engage professional consultants to review contracts
2.7. Internal Operational Prozesse		
- Risk of financial loss due to breakdown in internal controls	- Internal process failures - Frauds - Loss of data	- Outsource internal audits to reputed Audit Firms to review and report on the adequacy of the financial and operational controls - Defined systems and procedures are in place to ensure compliance with internal controls - Adequate fidelity covers are obtained

Risk Category and Description	Potential Impact	Actions Taken to Mitigate Risk
3. Financial Risks		
3.1. Credit Risk		
Risk arising due to default of payment	<ul style="list-style-type: none"> - Reduce profitability - Increase working capital 	<ul style="list-style-type: none"> - 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 arising due to the volatility in foreign currency exchange rates	<ul style="list-style-type: none"> - Impact on profitability on translation of foreign currency transactions 	<ul style="list-style-type: none"> - As far as possible, enter into sales contracts with tour operators/agents in USD - Monitor the exchange rates on a daily basis
3.3. Interest Rate Risk		
Risk arising due to the volatility of fair value or future cash flows of a financial instrument fluctuating because of changes in market interest rates	<ul style="list-style-type: none"> - Reduce profitability - Reduce cash flows 	<ul style="list-style-type: none"> - Negotiate favourable terms and conditions with banks for loan facilities obtained
3.4. Liquidity Risk		
Risk that the Company will not be able to meet its financial obligations as they fall due.	<ul style="list-style-type: none"> - Reduce cash flows - Reduce profitability 	<ul style="list-style-type: none"> - Monitor and review bank balances regularly - Preparation and review of Actual performance against the budget monthly.

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

The Directors of The Lighthouse Hotel PLC present their Report together with the Audited Financial Statements of the Company for the year ended 31st March, 2016.

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

Review of the Year

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

The Principal Activity of the Company

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

Financial Statements

The Financial Statements of the Company duly signed by Directors are given on pages 102 to 143 in this Annual Report.

Auditor's Report

The Auditor's Report on the Financial Statements is given on page 101.

Accounting Policies

The accounting policies adopted by the Company in the preparation of Financial Statements are given on pages 107 to 117 in this Annual Report.

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

Interests Register Directors' Interests in Transactions

The Directors of the Company have made the general disclosures provided for in Section 192 (2) of the Companies Act No. 07 of 2007. The related party disclosures and the Directors of each of those related parties are given on pages 144, 145 and 146 respectively.

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' shareholdings during the year.

Jetwing Hotels Management Services (Pvt) Ltd., of which Messrs N.J.H.M. Cooray and N.T.M.S. Cooray are also Directors, purchased 604,026 shares in the Company during the year.

Directors' Remuneration

The aggregate emoluments paid to the Non-Executive Directors during the year, amounting to Rs. 1,830,000/- is reflected on page 138 in Note 24.1 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 Rs. 214,000/- +Taxes.

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Directors' Shareholding

Directors' Direct Shareholding

	As at 31st March, 2016	As at 1st April, 2015
Mr. N.J.H.M. Cooray	748,803	748,803
Ms. N.T.M.S. Cooray	789,803	789,803
Mr. R.A.E. Samarasinghe	50,000	50,000
Mr. C.S.R.S. Anthony	1,000	1,000
Mr. R. de Silva	10,000	10,000
Mr. A.T.P. Edirisinghe	1,000	1,000

Directorate

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

Executive Directors

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

Non-Executive Directors

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

Non-Executive Independent Directors

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

Donations

At the last Annual General Meeting shareholders authorised Directors to determine contributions to donations. The donations given during the year amounted to Rs. 454,098/-.

Auditors

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

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

Auditor's Remuneration

Messrs Ernst & Young were paid Rs. 619,000/- as audit fees and expenses by the Company. In addition, they were paid Rs. 163,000/- by the Company for non-audit related work, which consisted mainly of tax consultancy and advisory.

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

Turnover

The turnover for the year was Rs. 836,071,927/- (2014/15 - Rs. 731,742,995/-).

Profit/(Loss)

	2016	2015
	Rs.	Rs.
Net Profit/(Loss) for the year after providing for all expenses, known liabilities and depreciation of fixed assets was	162,120,012	129,407,392
Other Comprehensive Income/(Loss)	(2,633,285)	(580,607)
Final Dividend for 2015 – Rs. 2/- per share (2014 – Rs. 2/-)	(92,000,000)	(92,000,000)
Prior Year Retained Profit	310,753,593	273,926,809
Retained Profit at the End of the Year	378,240,320	310,753,593

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Dividends

The Board of Directors recommends a payment of final dividend of Rs. 2.50 per share for financial year 2015/16 to holders of the issued ordinary shares of 46,000,000 of the Company.

Reserves

	2016	2015
	Rs.	Rs.
Revaluation Reserve	758,874,668	369,921,676
Special Reserve	1,325,671,060	1,325,671,060
Available-for-Sale Reserve	328,371	712,528
	2,084,874,099	1,696,305,264

Revaluation Reserve

	2016	2015
	Rs.	Rs.
On: Freehold Land		
As at the beginning of the year	369,921,676	369,921,676
Effect on revaluation carried out in 2016	388,952,992	-
As at 31st March,	758,874,668	369,921,676

Special Reserve

	2016	2015
	Rs.	Rs.
As at the beginning of the year	1,325,671,060	1,325,671,060
Transferred from Retained Earnings	-	-
As at 31st March,	1,325,671,060	1,325,671,060

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

Available-for-Sale Reserve

	2016	2015
	Rs.	Rs.
As at the beginning of the year	712,528	1,129,105
Gain/(Loss) on Available-for-Sale Financial Assets	(384,157)	(416,577)
As at 31st March,	328,371	712,528

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 ERA Beach, Galle Heritage Villa and Kurulubedda are computed on taxable profits at prevailing rates stipulated by the Inland Revenue Act.

Property, Plant and Equipment

The total expenditure on acquisition of Property, Plant and Equipment during the year amounted to Rs.128,179,025/- (2015 - Rs. 66,021,502/-) details of which are given in Note 4.1 to the Financial Statements on page 119.

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 122.

Stated Capital

There were no changes in the Company's Stated Capital during the year under review. In terms of the Companies Act No. 07 of 2007, the Stated Capital of the Company was Rs. 460,000,974/- as at 31st March, 2016 (Comprising 46,000,000 ordinary shares).

Events Occurring after the Reporting Date

There have been no material events occurring after the reporting date, that require adjustments to or disclosures in the Financial Statements, other than proposed dividends which is disclosed in Note 15 to the Financial Statements on page 133.

Statutory Payments

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

Public Shareholding

As at 31st March, 2016, 32.33% of the issued capital of the Company was held by the public. Further, the number of public shareholders as at 31st March, 2016 was 1,131.

Going Concern

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

For and on behalf of the Board,



N.J.H.M. Cooray
Chairman



R.A.E. Samarasinghe
Managing Director



Corporate Services (Pvt) Ltd.
Secretaries

The Lighthouse Hotel PLC
3rd May, 2016

Uniquely Ours

Nihals – idyllically located beside the pool and overlooking the Indian Ocean. It is where our Executive Chef Nihal crafts culinary magic all year round. A one of a kind menu and ambience assigns it a 'must visit' status.



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Financial Calendar

Audited Financial Statements signed on	3rd May 2016
22nd Annual General Meeting	30th June 2016

Interim Financial Statements

1st Quarter Interim Report released on	5th August 2015
2nd Quarter Interim Report released on	28th October 2015
3rd Quarter Interim Report released on	3rd February 2016
4th Quarter Interim Report released on	3rd May 2016

Statement of Directors' Responsibilities

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

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

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

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

The External Auditors, Messrs Ernst & Young, are reappointed in terms of Section 158 of the Companies Act No. 07 of 2007 were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The Report of the Auditors, shown on page 101 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.
3rd May, 2016

Independent Auditor's Report



**Building a better
working world**

Ernst & Young
Chartered Accountants
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P.O. Box 101
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Sri Lanka

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eysl@lk.ey.com
ey.com

TO THE SHAREHOLDERS OF THE LIGHTHOUSE HOTEL PLC

Report on the Financial Statements

We have audited the accompanying financial statements of The Lighthouse Hotel PLC, ("the Company"), which comprise the statement of financial position as at 31st March, 2016, statement of profit or loss, statement of comprehensive income, statement of changes in equity, and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information set out on pages 102 to 143.

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit

in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31st March, 2016 and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by Section 163(2) of the Companies Act No. 7 of 2007, we state the following:

- (a) The basis of opinion, Scope and Limitations of the audit are as stated above.
- (b) In our opinion :
 - 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, and
 - the financial statements of the Company, comply with the requirements of Section 151 of the Companies Act No. 7 of 2007.

Ernst & Young

3rd May, 2016
Colombo

Statement of Financial Position

As at 31st March,

		2016	2015
	Note	Rs.	Rs.
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	4	2,934,915,923	2,510,502,910
Prepaid Lease Rent	5	2,363,637	2,393,940
Intangible Assets	6	1,170,429	1,278,947
Other Non-Current Financial Assets	7	87,591,631	87,975,788
		3,026,041,620	2,602,151,585
Current Assets			
Inventories	8	29,679,855	29,808,973
Trade and Other Receivables	9	117,798,702	114,904,835
Other Current Financial Assets	7.4	2,500,000	—
Cash at Bank and in Hand	21	19,827,179	21,347,489
		169,805,736	166,061,297
Total Assets		3,195,847,356	2,768,212,882
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital	10	460,000,974	460,000,974
Reserves	11	2,084,874,099	1,696,305,264
Retained Earnings		378,240,320	310,753,593
Total Equity		2,923,115,393	2,467,059,831
Non-Current Liabilities			
Post-employment Benefit Liability	12	30,763,310	24,949,427
Interest-Bearing Loans and Borrowings	13	60,866,876	116,748,594
		91,630,186	141,698,021
Current Liabilities			
Trade and Other Payables	14	125,798,405	114,315,878
Current portion of Interest-bearing Loans and Borrowings	13	50,576,597	41,995,800
Income Tax Payable		4,726,775	3,143,352
		181,101,777	159,455,030
Total Liabilities		272,731,963	301,153,051
Total Equity and Liabilities		3,195,847,356	2,768,212,882

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



C.S.R.S. Anthony

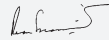
Director

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



N.J.H.M. Cooray

Chairman



R.A.E. Samarasinghe

Managing Director

The Accounting Policies and Notes on pages 107 through 143 form an integral part of the Financial Statements.

3rd May, 2016, Colombo

Statement of Profit or Loss

Year ended 31st March,

		2016	2015
	Note	Rs.	Rs.
Revenue	3	836,071,927	731,742,995
Cost of Sales		(154,830,651)	(147,053,316)
Gross Profit		681,241,276	584,689,679
Other Income and Gains	16	2,083,333	4,926,568
Marketing and Promotional Expenses		(33,916,856)	(26,913,000)
Administrative Expenses		(463,140,197)	(413,895,103)
Finance Cost	17.1	(9,049,892)	(8,884,348)
Finance Income	17.2	536,331	532,424
Profit before Tax	18	177,753,995	140,456,221
Income Tax Expense	19	(15,633,983)	(11,048,829)
Profit for the Year		162,120,012	129,407,392
Earnings Per Share	20	3.52	2.81

The Accounting Policies and Notes on pages 107 through 143 form an integral part of the Financial Statements.

Statement of Comprehensive Income

Year ended 31st March,

		2016	2015
	Note	Rs.	Rs.
Profit for the Year		162,120,012	129,407,392
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	7	(384,157)	(416,577)
Other Comprehensive Income not to be reclassified to Statement of Profit or Loss in subsequent periods :			
Actuarial Losses on Post Employment Benefit Liability	12	(2,633,285)	(580,607)
Revaluation Surplus of Freehold Land	4.1	388,952,992	–
Other Comprehensive Income/(Loss) for the Year		385,935,550	(997,184)
Total Comprehensive Income for the Year		548,055,562	128,410,208

The Accounting Policies and Notes on pages 107 through 143 form an integral part of the Financial Statements.

Statement of Changes in Equity

Year ended 31st March

	Stated Capital Rs.	Revaluation Reserve Rs. (Note 11.1)	Available-for- Sale Reserve Rs. (Note 11.3)	Special Reserve Rs. (Note 11.2)	Retained Earnings Rs.	Total Rs.
Balance as at 1st April, 2014	460,000,974	369,921,676	1,129,105	1,325,671,060	273,926,809	2,430,649,624
Profit for the Year	–	–	–	–	129,407,392	129,407,392
Other Comprehensive Loss	–	–	(416,577)	–	(580,607)	(997,184)
Total Comprehensive Income/(Loss)	–	–	(416,577)	–	128,826,785	128,410,208
Dividend Paid (Note 15)	–	–	–	–	(92,000,000)	(92,000,000)
Balance as at 31st March, 2015	460,000,974	369,921,676	712,528	1,325,671,060	310,753,593	2,467,059,831
Profit for the Year	–	–	–	–	162,120,012	162,120,012
Other Comprehensive Income/(Loss)	–	388,952,992	(384,157)	–	(2,633,285)	385,935,550
Total Comprehensive Income/(Loss)	–	388,952,992	(384,157)	–	159,486,727	548,055,562
Dividend Paid (Note 15)	–	–	–	–	(92,000,000)	(92,000,000)
Balance as at 31st March, 2016	460,000,974	758,874,668	328,371	1,325,671,060	378,240,320	2,923,115,393

The Accounting Policies and Notes on pages 107 through 143 form an integral part of the Financial Statements.

Statement of Cash Flows

Year ended 31st March,

		2016	2015
	Note	Rs.	Rs.
Cash Flows From Operating Activities			
Profit before Tax		177,753,995	140,456,221
Adjustments for:			
Depreciation	4.2	84,479,474	77,027,173
Amortization of Prepaid Lease Rental	5	30,303	30,303
Income from Investments - Interest Income	17.2	(536,331)	(532,424)
Loss on Disposal of Property, Plant and Equipment	18	4,312,723	3,012,955
Finance Costs	17.1	9,049,892	8,884,348
Provision for Defined Benefit Plans	12	4,662,669	4,116,907
Allowance for Doubtful Debts	18	1,666,231	275,000
Write-back of Sundry Payables	16	(2,083,333)	–
Amortization of Intangible Assets	6	427,027	582,536
Exchange Loss from Conversion of Foreign Currency Loans	13	12,425,770	3,418,426
Operating Profit before Working Capital Changes		292,188,420	237,271,445
(Increase)/Decrease in Inventories		129,118	(1,177,826)
(Increase)/Decrease in Trade and Other Receivables		(4,560,098)	(16,069,313)
Increase/(Decrease) in Trade and Other Payables		13,565,860	(32,484,954)
Cash Generated from Operations		301,323,300	187,539,352
Income Tax Paid		(14,050,560)	(11,106,152)
Finance Cost paid	17.1	(9,049,892)	(8,884,348)
Defined Benefit Plan Costs Paid Net of Transfers	12	(1,482,071)	(2,426,571)
Net Cash From Operating Activities		276,740,777	165,122,281
Cash Flows from/(Used in) Investing Activities			
Acquisition of Property, Plant and Equipment	4.5	(124,431,651)	(63,217,732)
Proceeds from Sale of Property, Plant and Equipment		179,432	1,811,469
Interest Income	17.2	536,331	532,424
Investment in Other Non-Current Financial Assets	7	(2,500,000)	(29,003,580)
Acquisition of Intangible Assets	6.1	(318,508)	(1,009,566)
Net Cash Flows Used in Investing Activities		(126,534,396)	(90,886,985)
Cash Flows from/(Used in) Financing Activities			
Proceeds from Interest-bearing Loans and Borrowings	13.1	–	68,134,925
Repayment of Interest-bearing Loans and Borrowings	13.1	(64,729,088)	(41,342,963)
Dividends Paid	15	(92,000,000)	(92,000,000)
Net Cash Flows Used in Financing Activities		(156,729,088)	(65,208,038)
Net Increase/(Decrease) in Cash and Cash Equivalents		(6,522,707)	9,027,258
Cash and Cash Equivalents at the Beginning of the Year	21	21,347,489	12,320,231
Cash and Cash Equivalents at the End of the Year	21	14,824,782	21,347,489

The Accounting Policies and Notes on pages 107 through 143 form an integral part of the Financial Statements.

Notes to the Financial Statements

1. Corporate Information

1.1 General

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

1.2 Principal Activities and Nature of Operations

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

1.3 Parent Enterprise and Ultimate Parent Enterprise

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

1.4 Date of Authorization for Issue

The Financial Statements of The Lighthouse Hotel PLC, for the year ended 31st March, 2016, were authorized for issue in accordance with a resolution of the Board of Directors on 3rd May, 2016.

2. Basis of Preparation

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

2.2 Statement of Compliance

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

2.3 Changes in Accounting Policies

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

2.4 Summary of Significant Accounting Policies Applied

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

2.4.1 Foreign Currencies

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

2.4.2 Revenue Recognition

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

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

(a) Room Revenue

Revenue is recognized on the rooms occupied on daily basis.

(b) Food & Beverage Revenue

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

(c) Other Hotel Related Revenue

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

(d) Finance income

Interest Income is recognized on a time proportion basis that takes in to account the effective yield on the asset unless collectability is in doubt.

(e) Others

Other income is recognized on an accrual basis.

Net gains and losses of a revenue nature on the disposal of Property, Plant and Equipment has been accounted for in the 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.

2.4.3 Taxation

(a) Current Income Taxes

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

Income tax on operations of Era Beach, Galle Heritage Villa and Kurulubedda, is computed on taxable profits at prevailing rates stipulated by the Inland Revenue Act.

(b) Sales Tax

Revenues, expenses and assets are recognized net of the amount of sales tax except where the sales tax incurred on a purchase of assets or service is not recoverable from the taxation authorities, in which case the sales tax is recognized as a part of the cost of the asset or 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 recognized for all taxable temporary differences.

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

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

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

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

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

2.4.4 Borrowing Costs

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

2.4.5 Inventories

Inventories are valued at the lower of cost and net 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.

2.4.6 Cash and Cash Equivalents

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

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

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

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

A revaluation surplus is recognized in Other Comprehensive Income and credited to the revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in the Statement of Profit or Loss, in which case the increase is recognized in the Statement of Profit or Loss. A revaluation deficit is recognized in Profit or Loss, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve.

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

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

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

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

2.4.8 Leases

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

Company as a lessee:

Finance leases that transfer to the Company substantially all risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the 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 Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

2.4.9 Financial Instruments

(i) Financial Assets

Financial Assets of the Company 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 recognized initially at fair value plus transaction costs. Those that are at fair value through profit or loss are initially measured at fair value.

Subsequent Measurement

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

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit and loss are carried in the Statement of Financial Position at fair value with changes in fair value recognized in finance income or finance costs in the 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 amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the Statement of Profit or Loss. The losses arising from impairment are recognized 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 amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the Income Statement. The losses arising from impairment are recognized in the 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 unrealized gains or losses recognized as other comprehensive income and credited in the available-for-sale reserve until the investment is derecognized, at which time, the cumulative gain or loss is recognized in other operating income or determined to be impaired at which time the cumulative loss is reclassified to the 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 derecognized when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset.

(ii) Impairment of Financial Assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortized Cost

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

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the 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 recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the Statement of Profit or Loss.

Available-for-Sale Financial Instruments

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

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair values 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 recognized in the Income Statement is removed from other comprehensive income and recognized 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 recognized directly in other comprehensive income.

(iii) Financial Liabilities

The Company's financial liabilities include Trade and Other Payables, Bank Overdrafts and Loans and Borrowings.

Recognition and Measurement

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

costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the Statement of Profit or Loss.

Derecognition

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

(v) Fair Value of Financial Instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by

reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

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

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

2.4.10 Intangible Assets

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

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible

asset with a finite useful life 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 amortization period or method, as appropriate and are treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized in the Statement of Profit or Loss in the expense category consistent with the function of the intangible assets.

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

2.4.11 Provisions

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

but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement.

2.4.12 Post-Employment Benefit Liability

(a) Defined Benefit Plan – Gratuity

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

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

The gratuity liability is not externally funded.

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

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

employees to Employees' Provident and Employees' Trust Funds respectively.

2.4.13 Impairment of Non-Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or 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 recognized in the Statement of Profit or Loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognized in equity up to the amount of any previous revaluation.

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

2.4.14 Dividend Distributions

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

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

2.5 Significant Accounting Judgments, Estimates and Assumptions

Judgments

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

Impairment of Trade Debtors:

The Company reviews at each reporting date all receivables to assess whether an allowance should be recorded in the Statement of Profit or Loss. The Management uses judgment in estimating such amounts in the light of the duration of outstanding and any other factors management is aware of, that indicate uncertainty in recovery.

Further details are given in Note 9 and 25.

Transfer Pricing Regulation

The Company is subject to income taxes and other taxes including transfer pricing regulations. Prevailing uncertainties with respect to the interpretation of respective transfer pricing regulations, necessitated using management judgment to determine the impact of transfer pricing regulations. Accordingly, critical judgments and estimates were used in applying the regulations in aspects including but not limited to identifying associated undertakings, estimation of the respective arm's length prices and selection of appropriate pricing mechanism. The current tax charge is subject to such judgments. Differences between estimated income tax charge and actual payable may arise as a result of management's interpretation and application of transfer pricing regulation.

Critical Accounting Estimates and Assumptions

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

Fair Value of Property, Plant and Equipment:

The Land (and buildings at the date of transition when the Company first adopted SLFRS in 2012/2013) 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.

Fair value of Available-for-Sale Financial Instruments

The Fair Value of Available-for-Sale Financial Instruments that are unquoted is determined using valuation technique based on discounted cash flow analysis. Further details are given in Note 7.1.

Defined Benefit Plans:

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

2.6 Effect of Sri Lanka Accounting Standards Issued but Not Yet Effective:

Certain new accounting standards and amendments/improvements to existing standards have been published, that are not mandatory for 31st March, 2016 reporting periods. None of those have been early adopted by the Company.

SLFRS 9 – Financial Instruments:

SLFRS 9 replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39. SLFRS 9 is effective for annual reporting periods beginning on or after 1st January, 2018, with early adoption permitted.

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SLFRS 14 - Regulatory Deferral Accounts

SLFRS 14 is an interim standard which provides relief for first-time adopters of SLFRS in relation to the accounting for certain balances that arise from rate-regulated activities ('regulatory deferral accounts'). The standard permits these entities to continue to apply their previous GAAP accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral accounts. SLFRS 14 is effective for annual periods beginning on or after 1st January, 2016.

SLFRS 15 - Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. SLFRS 15 is effective for annual reporting periods beginning on or after 1st January, 2018, with early adoption permitted.

Management believes that the SLFRS 14 would not be applicable for the Company, as it is an existing SLFRS preparer/does not involve in rate regulatory activities. Pending the completion of the detailed impact analysis, possible Impact from SLFRS 9 and SLFRS 15 is not reasonably estimable as of the reporting date.

The following amendments and improvements are not expected to have a significant impact on the Company's Financial Statements;

- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to LKAS 16 and LKAS 38).
- Annual Improvements to SLFRSs 2012-2014 Cycle
- Disclosure Initiative (Amendments to LKAS 1).

3. Revenue

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

	2016	2015
	Rs.	Rs.
Room Revenue	460,937,480	382,755,149
Food and Beverage Income	342,364,303	315,327,194
Other Hotel Related Income	32,770,144	33,660,652
Total Revenue	836,071,927	731,742,995

4. Property, Plant and Equipment

4.1 Gross Carrying Amounts

	Balance as at 01.04.2015	Additions	Increase in Revaluation Reserve	Transfers	Disposals/ Written-off	Balance as at 31.03.2016
At Cost	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Buildings and Building Integrals	2,047,756,320	254,204	–	68,265,404	(5,882,521)	2,110,393,407
Plant and Equipment	70,554,376	1,312,793	–	845,005	(833,367)	71,878,807
Sewerage Treatment Plant	6,876,335	37,800	–	73,900	(19,500)	6,968,535
Kitchen/Bar Equipment	58,897,596	1,408,272	–	–	(119,765)	60,186,103
Electrical Equipment	38,056,936	1,899,443	–	1,723,836	(475,850)	41,204,365
Office Equipment	1,900,117	11,199	–	–	(240,401)	1,670,915
Sports Equipment	9,355,853	62,200	–	–	–	9,418,053
Furniture and Fittings	93,947,527	728,004	–	3,759,558	–	98,435,089
Swimming Pool Equipment	8,202,722	–	–	1,326,000	–	9,528,722
Generator	16,132,832	–	–	1,203,387	–	17,336,219
Motor Vehicles	15,132,088	14,500	–	1,690,000	–	16,836,588
Water Treatment Plant	1,801,374	–	–	233,873	–	2,035,247
Linen, Cutlery and Crockery	29,233,923	6,216,981	–	385,537	(1,020,218)	34,816,223
Laundry and Hot Water Equipment	19,257,165	–	–	–	–	19,257,165
Telephone System	3,905,638	273,466	–	80,072	(22,833)	4,236,343
Elevators	6,330,267	–	–	–	–	6,330,267
SMA TV System	14,682,419	1,179,148	–	195,600	(1,258,728)	14,798,440
Maintenance Tools	909,753	188,200	–	–	(28,681)	1,069,272
Music Instruments	857,588	–	–	–	–	857,588
Bar Furniture and Equipment	15,535,969	9,827,028	–	1,183,235	(4,136,840)	22,409,392
Computer Systems	12,348,184	1,255,674	–	163,512	(192,100)	13,575,270
	2,471,674,981	24,668,911	–	81,128,921	(14,230,804)	2,563,242,010
At Fair Value						
Freehold Land	458,682,882	22,139,126	388,952,992	–	–	869,775,000
	458,682,882	22,139,126	388,952,992	–	–	869,775,000
In the Course of Construction						
Buildings and Equipment	12,427,326	81,370,987	–	(81,128,921)	–	12,669,392
	12,427,326	81,370,987	–	(81,128,921)	–	12,669,392
Total Gross Carrying Amount	2,942,785,190	128,179,025	388,952,992	–	(14,230,804)	3,445,686,402

4.2 Depreciation

At Cost	Balance As at 01.04.2015 Rs.	Charge for the year Rs.	Disposals/ Written-off/ Transferred Rs.	Balance As at 31.03.2016 Rs.
Buildings and Building Integrals	259,487,440	43,827,850	(641,720)	302,673,570
Plant and Equipment	26,324,305	4,106,421	(833,367)	29,597,359
Sewerage Treatment Plant	2,922,234	345,885	(2,265)	3,265,854
Kitchen/Bar Equipment	23,667,955	4,479,782	(77,503)	28,070,234
Electrical Equipment	10,067,176	4,185,022	(256,209)	13,995,989
Office Equipment	1,232,433	39,134	(240,401)	1,031,166
Sports Equipment	5,360,927	516,012	-	5,876,939
Furniture and Fittings	32,313,328	7,702,127	-	40,015,456
Swimming Pool Equipment	4,303,629	500,316	-	4,803,945
Generator	1,648,372	1,250,876	-	2,899,248
Motor Vehicles	7,085,408	2,417,724	-	9,503,132
Water Treatment Plant	1,624,017	25,520	-	1,649,537
Linen, Cutlery and Crockery	19,320,248	8,593,199	(1,020,218)	26,893,229
Laundry and Hot Water Equipment	11,652,203	1,224,880	-	12,877,083
Telephone System	2,187,527	264,569	(6,086)	2,446,010
Elevators	2,032,092	317,381	-	2,349,472
SMA TV System	4,156,263	1,155,788	(768,877)	4,543,174
Maintenance Tools	347,893	73,924	(19,577)	402,240
Music Instruments	664,849	28,015	-	692,863
Bar Furniture and Equipment	5,928,590	1,724,706	(1,960,956)	5,692,340
Computer Systems	9,955,389	1,700,345	(164,095)	11,491,639
Total Depreciation	432,282,279	84,479,474	(5,991,274)	510,770,480

4.3 Net Book Values

At Cost	2016	2015
	Rs.	Rs.
Buildings and Building Integrals	1,807,719,837	1,788,268,881
Plant and Equipment	42,281,448	44,230,071
Sewerage Treatment Plant	3,702,681	3,954,101
Kitchen/Bar Equipment	32,115,868	35,229,641
Electrical Equipment	27,208,376	27,989,760
Office Equipment	639,748	667,684
Sports Equipment	3,541,114	3,994,927
Furniture and Fittings	58,419,634	61,634,199
Swimming Pool Equipment	4,724,776	3,899,092
Generator	14,436,971	14,484,459
Motor Vehicles	7,333,456	8,046,680
Water Treatment Plant	385,710	177,356
Linen, Cutlery and Crockery	7,922,994	9,913,675
Laundry and Hot Water Equipment	6,380,082	7,604,961
Telephone System	1,790,333	1,718,111
Elevators	3,980,795	4,298,175
SMA TV System	10,255,266	10,526,157
Maintenance Tools	667,032	561,860
Music Instruments	164,725	192,740
Bar Furniture and Equipment	16,717,052	9,607,379
Computer Systems	2,083,631	2,392,795
	2,052,471,530	2,039,392,702
At Fair Value		
Freehold Land	869,775,000	458,682,882
	869,775,000	458,682,882
In the Course of Construction		
Buildings and Equipment	12,669,392	12,427,326
	12,669,392	12,427,326
Total Carrying Amount of Property, Plant and Equipment	2,934,915,923	2,510,502,910

4.4 The fair value of freehold land comprising approximately 1,510 perches was determined by means of a revaluation during the financial year 2015/16 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 Rs. 60,000/- to Rs. 850,000/- 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, 2016. The surplus arising from the revaluation, amounting to Rs. 388,952,992/- was transferred to a revaluation reserve in 2016.

Valuation Processes of the Company :

On a once in five years basis, the Company usually engages an external independent and qualified valuer to determine the fair value of land. When significant changes in fair values are expected between two valuations, that necessitates a more regular basis of valuation adopted, the Board based on its 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 7.2.

	Fair Value measurement as at 31st March 2016			
	Level 01	Level 02	Level 03	Total
Freehold Land	–	–	869,775,000	869,775,000

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

Class of Asset	2016	2015
	Rs.	Rs.
Freehold Land	110,900,332	88,761,206

4.6 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 128,179,025/- (2015 – Rs. 66,021,502/-). Cash payments amounting to Rs. 124,431,651/- (2015 – Rs. 63,217,732/-) were made during the year for purchase of Property, Plant and Equipment.

4.7 Property, Plant and Equipment includes fully-depreciated assets having a gross carrying amount of Rs. 96,681,762/- (2015 – Rs. 89,611,417/-), that consisted of individually insignificant items.

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

	2016	2015
	Years	Years
Buildings and Building Integrals	15 to 60	15 to 60
Plant and Equipment	13.33	13.33
Sewerage Treatment Plant	20	20
Kitchen/Bar Equipment	10	10
Electrical Equipment	04 to 10	04 to 10
Office Equipment	10	10
Sports Equipment	10	10
Furniture and Fittings	10	10
Swimming Pool Equipment	10	10
Generator	13.33	13.33
Motor Vehicles	05 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 System	04	04

The Company 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 31st March, 2016 using a straight-line method for each individual significant component of building, based on the following estimated useful lives.

	2016	2015
	Years	Years
Components included in buildings and building integrals:		
Buildings	60	60
Super Structure	60	60
Bathroom Fittings	15	15
Restaurant Floors	15	15
Tennis and Squash Court	60	60

5. Prepaid Lease Rent

	2016	2015
	Rs.	Rs.
At 1st April	2,393,940	2,424,243
Amortization for the Year	(30,303)	(30,303)
At 31st March,	2,363,637	2,393,940

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 has been amortized over the lease period of 99 years.

6. Intangible Assets

	2016	2015
	Rs.	Rs.
6.1 Cost		
As at the beginning of the Year	4,039,428	3,029,862
Purchased during the Year	318,508	1,009,566
As at the end of the Year	4,357,936	4,039,428
Amortization		
As at the beginning of the Year	(2,760,481)	(2,177,945)
Amortized during the Year	(427,027)	(582,536)
As at the end of the Year	(3,187,507)	(2,760,481)
Net Book Value		
As at the beginning of the Year	1,278,947	851,917
As at the end of the Year	1,170,429	1,278,947

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

7. Other Financial Assets

7.1 Other Non-Current Financial Assets

Available-for-Sale Financial Instruments

	2016	2015
	Rs.	Rs.
7.1.1 Investments in Equity Securities – Non Quoted:		
Rainforest Ecolodge (Pvt) Ltd. (Note 7.1.2)	87,975,788	59,388,785
Shares Purchased during the Year	–	29,003,580
Loss Recognised in Other Comprehensive Income	(384,157)	(416,577)
Fair Value at the end of the Year	87,591,631	87,975,788

7.1.2 The Company held 18.32% (2015 – 19.78%) shareholding in Rainforest Ecolodge (Pvt) Ltd. The commercial operations of Rainforest Ecolodge (Pvt) Ltd. commenced during the year 2013. The fair value of above unquoted equity securities was determined using Discounted Cash Flow (DCF) valuation technique, where significant inputs were not based on observable market data (Level 3). There were no share sales or purchases during the year. Valuation techniques, key assumption and the sensitivity of the significant inputs to the fair value of the investment are as follows:

Valuation Technique	Significant Unobservable Inputs	Sensitivity of the Input to Fair Value
Discounted cash flow (DCF) method	Long term growth rate	5% increase/(decrease) in the growth rate would result in increase/(decrease) in fair value by Rs. 1.4 million and (Rs. 2.1 million) respectively.
	Weighted Average Cost of Capital (WACC)	1% increase/(decrease) in the WACC would result in (decrease)/increase in fair value by (Rs. 8.8 million) and Rs. 9.8 million respectively.

7.2 Fair Value Hierarchy

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

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

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

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

As at 31st March, 2016, the Company held the following financial instruments carried at fair value on the Statement of Financial Position.

7.3 Assets Measured at Fair Value

	Total Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
Available-for-Sale Financial Assets				
Non-Quoted Equity Investment (Note 7.1)	87,591,631	–	–	87,591,631
2016	87,591,631	–	–	87,591,631
2015	87,975,788	–	–	87,975,788

During the reporting year ended 31st March, 2016, there were no transfers between Level 2 and Level 3 fair value measurements.

7.4 Other Current Financial Assets

	2016 Rs.	2015 Rs.
Held to Maturity Financial Instruments		
Investments in Treasury Bills Repo's	2,500,000	–
	2,500,000	–

8. Inventories

	2016	2015
	Rs.	Rs.
Food and Beverage	11,491,926	15,046,984
Other Inventories	18,187,929	14,761,989
	29,679,855	29,808,973

9. Trade and Other Receivables

	2016	2015
	Rs.	Rs.
Trade Debtors – Related Parties (Note 9.1)	19,391,191	13,048,529
– Others	78,677,161	82,181,671
Other Debtors	14,378,142	13,847,853
Less: Impairment of Trade Debtors	(1,651,327)	(1,452,666)
	110,795,167	107,625,387
Prepayments	7,003,535	7,279,448
	117,798,702	114,904,835

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

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

9.1 Related Parties

	Relationship	2016	2015
		Rs.	Rs.
Jetwing Travels (Pvt) Ltd.	Other Related Party	16,481,197	10,100,664
Jet Eco Holidays (Pvt) Ltd.	Other Related Party	386,881	1,168,447
Jetwing Hotels Ltd.	Other Related Party	537,010	1,361,643
Go Vacation Lanka Co. (Pvt) Ltd.	Other Related Party	1,690,968	–
Jetwing Kaduruketha (Pvt) Ltd.	Other Related Party	19,080	–
Ahangama Properties (Pvt) Ltd.	Other Related Party	270,956	281,351
Lanka Houseboats (Pvt) Ltd.	Other Related Party	–	17,051
Villa Properties (Pvt) Ltd.	Other Related Party	–	119,373
Jet Enterprises (Pvt) Ltd	Other Related Party	5,100	–
		19,391,191	13,048,529

10. Stated Capital

	2016		2015	
	Number	Rs.	Number	Rs.
10.1 Fully Paid Ordinary Shares	46,000,000	460,000,974	46,000,000	460,000,974
	46,000,000	460,000,974	46,000,000	460,000,974

11. Reserves

	2016	2015
	Rs.	Rs.
Revaluation Reserve (Note 11.1)	758,874,668	369,921,676
Special Reserve (Note 11.2)	1,325,671,060	1,325,671,060
Available-for-Sale Reserve (Note 11.3)	328,371	712,528
	2,084,874,099	1,696,305,264

11.1 Revaluation Reserve

	2016	2015
	Rs.	Rs.
On: Freehold Land		
As at 1st April,	369,921,676	369,921,676
Effect of revaluation carried out in 2016 (Note 11.4)	388,952,992	–
As at 31st March,	758,874,668	369,921,676

11.2 Special Reserve

	2016	2015
	Rs.	Rs.
As at 1st April,	1,325,671,060	1,325,671,060
As at 31st March,	1,325,671,060	1,325,671,060

11.3 Available-for-Sale Reserve

	2016	2015
	Rs.	Rs.
As at 1st April,	712,528	1,129,105
Gain/(Loss) on Available-for-Sale Financial Instruments (Note 7.1)	(384,157)	(416,577)
As at 31st March,	328,371	712,528

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

11.5 With the adoption of SLFRS in 2012/13, the Company opted to reflect its building at deemed cost. The Board resolved to transfer such impact to a Special Reserve during the year 2013. This Special Reserve is available to be used in a manner determined by the Board from time to time.

12. Post-employment Benefit Liability

	2016	2015
	Rs.	Rs.
Balance as at 1st April	24,949,427	22,678,483
Charge for the Year (Note 12.1)	7,295,954	4,697,515
Transfers (Net) during the Year	201,189	(170,826)
Payments made during the Year	(1,683,260)	(2,255,745)
Balance as at 31st March,	30,763,310	24,949,427

12.1 Defined Benefit Plan Cost

	2016	2015
	Rs.	Rs.
Current Service Cost	2,167,726	1,849,060
Interest Cost on Benefit Obligation	2,494,943	2,267,848
Recognized in the Statement of Profit or Loss	4,662,669	4,116,908
Actuarial Loss for the year recognized in Other Comprehensive Income	2,633,285	580,607
Balance as at 31st March,	7,295,954	4,697,515

12.2 As at 31st March, 2016 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:

	2016	2015
Discount Rate	10% p.a.	10% p.a.
Salary Increase	9% p.a.	9% p.a.
Staff Turnover	5% at each age	5% at each age
Average Expected Future Service	13 Years	13 Years

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

12.3 Sensitivity of assumptions employed in Actuarial Valuation

The following table demonstrates the sensitivity to a reasonable possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement, in respect of the year 2015/16. The sensitivity of the Income Statement and Statement of Financial Position is the effect of the assumed changes in discount rate and salary increase rate on the profit or loss and post-employment benefit liability for the year.

Change in Assumptions	Effect on Total Comprehensive Income - (reduction)/ increase in results Rs.	Pro forma Post Employment Benefit Liability Rs.
+1% Change in Discount Rate	1,803,054	28,661,185
-1% Change in Discount Rate	(2,085,098)	32,549,337
+1% Change in Rate of Salary Increase	(2,085,101)	32,549,340
-1% Change in Rate of Salary Increase	1,834,097	28,630,142

13. Interest-bearing Loans and Borrowings

	2016			2015		
	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	Total Rs.	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	Total Rs.
Bank Loans (Note 13.1)	45,574,200	60,866,876	106,441,076	41,995,800	116,748,594	158,744,394
Bank Overdrafts (Note 21.2)	5,002,397	–	5,002,397	–	–	–
	50,576,597	60,866,876	111,443,473	41,995,800	116,748,594	158,744,394

13.1 Bank Loans

	As at 01.04.2015 Rs.	Loans Obtained Rs.	Exchange (Gain)/Loss Rs.	Repayment Rs.	As at 31.03.2016 Rs.
Commercial Bank of Ceylon PLC					
- USD Term loan 1*	97,696,896	–	7,820,423	(48,745,157)	56,772,162
- USD Term loan 2**	61,047,498	–	4,605,347	(15,983,931)	49,668,914
	158,744,394	–	12,425,770	(64,729,088)	106,441,076

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

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

14. Trade and Other Payables

	2016 Rs.	2015 Rs.
Trade Payables – Related Party (Note 14.1)	537,660	–
– Others	19,104,574	25,615,534
Other Payables – Related Party (Note 14.2)	9,164,975	9,546,724
– Others	72,563,777	64,468,273
Sundry Creditors including Accrued Expenses	13,506,013	5,899,639
	114,876,999	105,530,170
Statutory Payables	10,921,406	8,785,708
	125,798,405	114,315,878

14.2 Trade Payables – Related Parties

	Relationship	2016 Rs.	2015 Rs.
Jet Enterprises (Pvt) Ltd.	Other related party	537,660	–
		537,660	–

14.3 Other Payables – Related parties

	Relationship	2016	2015
		Rs.	Rs.
Ahangama Properties (Pvt) Ltd.	Other Related Party	382,570	1,522,296
Jetwing Hotels Ltd.	Other Related Party	8,197,342	8,024,428
Villa Properties (Pvt) Ltd.	Other Related Party	585,063	–
		9,164,975	9,546,724

15. Dividends Paid and Proposed

	2016	2015
	Rs.	Rs.
Declared and Paid during the Year		
Equity Dividends on Ordinary Shares:		
Final Dividend for 2015: Rs. 2.00 per Share (2014 – Rs. 2.00 per share), Paid in the Subsequent Year	92,000,000	92,000,000
	92,000,000	92,000,000
Proposed for approval at the AGM (not recognized as a liability as at 31st March)		
Equity Dividends on Ordinary Shares:		
Final Dividend 2016 Rs. 2.50 per share (2015 – Rs. 2.00 per share)	115,000,000	92,000,000

16. Other Income and Gains

	2016	2015
	Rs.	Rs.
Insurance Claim Received	–	4,926,568
Write Back of Sundry Payables	2,083,333	–
	2,083,333	4,926,568

17. Finance Income and Finance Cost

	2016	2015
	Rs.	Rs.
17.1 Finance Cost		
Interest Expense on Bank Loan	6,176,247	7,370,722
Interest Expense on Bank Overdraft	2,873,645	1,513,626
	9,049,892	8,884,348
17.2 Finance Income		
Interest on Fixed Deposits	102,914	276,796
Interest on Treasury Bills Repos	433,417	255,628
	536,331	532,424

18. Profit Before Tax

Stated after Charging/(Crediting)

	2016	2015
	Rs.	Rs.
Included in Administrative Expenses		
Employees, Benefits (Including the following)	154,354,894	124,057,381
- Defined Benefit Plan Costs – Gratuity	4,662,669	4,116,907
- Defined Contribution Plan Costs – EPF and ETF	12,068,296	10,675,023
Depreciation	84,479,474	77,027,173
Amortization of Leasehold Property	30,303	30,303
Amortization of Intangible Assets	427,027	582,536
Exchange (Gain)/Loss	(4,534,180)	(982,454)
Loss on Disposal of Property, Plant and Equipment	4,312,723	3,012,955
Hotel Operation and Marketing Fees	48,501,369	40,766,436
Non-Executive Directors' Fees	1,830,000	1,569,000
Donations	454,098	1,121,982
Impairment of Debtors	1,666,231	275,000
Included in Marketing and Promotional Expenses		
Advertisements and Promotional Expenses	24,560,744	18,339,295

19. Income Tax

	2016	2015
	Rs.	Rs.
Computation of Tax Charge is as follows:		
Current Income Tax		
Statutory Income from Trade – Tax Rate 2% on Turnover	15,512,626	13,725,311
Statutory Income from Other Sources (Note 19.1)	121,357	518,040
Current Income Tax Charge	15,633,983	14,243,351
Under/(Over) Provision of Current Taxes in Respect of Prior Years	–	(3,194,522)
Income Tax Expense Reported in the Income Statement	15,633,983	11,048,829
19.1 Current Tax Expenses/(Income) from Other Sources		
Accounting Profit	177,753,995	140,456,221
Deduction (Note 19.2)	(168,405,859)	(137,915,960)
Accounting Profit from Other Sources	9,348,136	2,540,261
Aggregate Disallowed Items	1,886,586	2,342,090
Aggregate Allowable Income	(14,283,544)	(1,316,060)
Taxable Profit/(Loss) for the year	(3,048,822)	3,566,291
Current Income Tax Expense at 12% (Note 19.2)	–	427,955
Current Income Tax Expense at 28%	121,357	90,085
	121,357	518,040

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

19.3 Deferred Tax Assets, Liabilities

Due to no material temporary differences as at the reporting date, Deferred Tax assets/liabilities have not been recognized in these Financial Statements.

20. Earnings Per Share

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

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

	2016	2015
	Rs.	Rs.
Amount Used as the Numerator:		
Net Profit Attributable to Ordinary Shareholders for Basic Earnings per Share	162,120,012	129,407,392
Number of Ordinary Shares Used as Denominator:		
	2016	2015
	Number	Number
Weighted Average Number of Ordinary Shares in Issue	46,000,000	46,000,000
Applicable to Basic Earnings per Share (Rs.)	3.52	2.81

21. Cash and Cash Equivalents

Components of Cash and Cash Equivalents

21.1 Favourable Cash and Cash Equivalents Balance

	2016	2015
	Rs.	Rs.
Cash at Bank and in Hand	19,827,179	21,347,489
	19,827,179	21,347,489

21.2 Unfavourable Cash and Cash Equivalents Balance

Bank Overdrafts (Note 13)	(5,002,397)	-
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	14,824,782	21,347,489

22. Commitments and Contingencies

(a) Capital Expenditure Commitments

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

	2016	2015
	Rs.	Rs.
Authorised by the Board, but not Contracted for	35,109,565	45,804,333
Contractual Commitments	–	50,348,772
	35,109,565	96,153,105

(b) Operating Lease Commitments

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

	2016	2015
	Rs.	Rs.
Within one Year	8,790,137	8,723,736
After One Year but not more than Five Years	24,820,807	1,597,200
	33,610,944	10,320,936

(c) Contingent Liabilities

There are no significant contingencies as at the reporting date.

23. Assets Pledged

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

24. Related Party Disclosures

Details of significant related party disclosures are as follows:

24.1 Transactions with Key Management Personnel of the Company

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

(a) Key Management Personnel Compensation

	2016	2015
	Rs.	Rs.
Executive Directors' Fees	–	–
Non-Executive Directors' Fees	1,830,000	1,569,000
	1,830,000	1,569,000

24.2 Other Related Party disclosures

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

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

	2016	2015
	Rs.	Rs.
Amount Receivable as at 31st March, (Note 9)	19,391,191	13,048,529
Amount Payable as at 31st March, (Note 14)	(9,702,635)	(9,546,724)
Nature of Transactions		
Hotel Operation and Marketing Fees	48,501,369	40,766,436
Development Fees	1,505,651	–
Purchases of Beverages	6,359,390	10,339,884
Advertising Expenses and Other Reimbursements	27,519,333	19,563,964
Sale of Accommodation and Transfers	95,470,184	111,911,188
Proceeds from Disposal of Fixed Assets	–	538,861
Other Expenses	1,057,737	816,316
Transport Charges	562,688	421,798
Rent Received	169,898	38,265
Gratuity Reimbursed	204,133	324,149
Gratuity Transfer	(97,882)	(494,975)
Laundry Income	91,908	1,378,956
Reimbursement of Consultancy Fee	919,360	–
Vehicle Insurance Received	62,358	–
Vehicle Insurance Paid	138,710	–
Support Service Charges	6,494,405	–
Purchases of Goods	987,949	–
Purchases of Assets	1,170,937	–
Location Charges	100,000	–

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

25. Risk Management Objectives and Policies

Financial Risk Management

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

- Credit Risk
- Liquidity Risk
- Market Risk

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

(a) Credit Risk

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

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

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

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

	Carrying Value	
	2016	2015
	Rs.	Rs.
Cash at bank and in hand	19,827,179	21,347,489
Other current financial assets	2,500,000	–
Unquoted equity securities	87,591,631	87,975,788
Trade and other receivables	110,795,167	107,625,387

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

	2016	2015
	Rs.	Rs.
Balance as at 1st April,	1,452,666	1,177,666
Additional Impairment recognized during the year	1,666,231	275,000
Written off of other receivables	(1,467,569)	–
Balance as at 31st March,	1,651,327	1,452,666

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

	2016			2015		
	Gross Carrying Amount Rs.	Impairment Allowance Rs.	Net Carrying Amount Rs.	Gross Carrying Amount Rs.	Impairment Allowance Rs.	Net Carrying Amount Rs.
Neither past due, nor impaired	75,031,318	–	75,031,318	54,126,995	–	54,126,995
Past due 31 - 60, but not impaired	27,432,208	–	27,432,208	27,412,051	–	27,412,051
Past due 61 - 180	8,268,640	(149,180)	8,119,460	23,695,453	(322,640)	23,372,813
Past due more than 180	1,714,329	(1,502,147)	212,182	3,843,555	(1,130,026)	2,713,528
	112,446,495	(1,651,327)	110,795,167	109,078,053	(1,452,666)	107,625,387

(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 Rs. 150 million as at 31st March, 2016.

Maturity Analysis	1 - 6 Months Rs.	6 - 12 Months Rs.	1 - 5 Years Rs.	Total Rs.
Commercial Bank of Ceylon PLC - USD Loan	24,937,009	24,431,676	62,782,273	112,150,958
Bank Overdraft	5,002,397	–	–	5,002,397
Trade and Other Payables	114,876,999	–	–	114,876,999
Total 2016	144,816,405	24,431,676	62,782,273	232,030,354
Total 2015	126,528,070	20,997,900	116,748,594	264,274,564

As at the reporting date, the Company had cash of Rs. 19,827,179/- which is held in bank funds which allow daily withdrawals.

(c) Market Risk

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

Foreign Currency Risk

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

An analysis of financial instruments based on the currency they are denominated as at 31st March, 2016 are as follows:

	In Rs.	In US\$	In EURO
Cash at Bank and in Hand	16,607,382	5,978	13,270
Unquoted Equity Securities	87,591,631	-	-
Trade Receivables (Non-interest bearing and uncollateralized)	67,930,617	120,578	77,422
Bank Loans	-	(735,700)	-
Net aggregate carrying value	172,129,630	(609,144)	90,692
Net Aggregate Carrying Value in Rs. 2016	172,129,630	88,130,886	14,868,002
Net aggregate carrying value in Rs. 2015	168,046,045	(130,529,915)	8,293,222

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

Interest Rate Risk

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

Interest Rate Sensitivity

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

	Assumed Impact due to Increase/(Decrease) in Basis Points	Effect on Profit Before Tax Rs. 31.03.2016
USD Bank Loans	+ 50 basis points	(30.881)
USD Bank Loans	- 50 basis points	30.881

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 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.

26. Fair Value

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

		Carrying Amount		Fair Value	
		2016	2015	2016	2015
		Rs.	Rs.	Rs.	Rs.
Financial Assets					
Trade and Other Receivables	A	110,795,167	107,625,388	110,795,167	107,625,388
Other Current Financial Assets	A	2,500,000	-	2,500,000	-
Cash at Bank and in Hand	A	19,827,179	21,347,489	19,827,179	21,347,489
Total		133,122,346	128,972,877	133,122,346	128,972,877
Financial Liabilities					
Interest-Bearing Loans and Borrowings	B	111,443,473	158,744,394	111,443,473	158,744,394
Trade and Other Payables	A	114,876,999	105,530,170	114,876,999	105,530,170
Total		226,320,472	264,274,564	226,320,472	264,274,564

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:

- A.** 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.
- B.** Long term variable rate borrowings are evaluated by the Company based on parameters such as interest rates, risk characteristics of the financed project etc. As at 31st March, 2016, the carrying amounts of such borrowings are not materially different from their calculated fair values.

27. Events Occurring After the Reporting Date

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

Related Companies which had Transactions with the Company

Name of Company	Nature of Transactions	Value of Transactions	
		2016 Rs.	2015 Rs.
Jetwing Hotels Ltd.	Hotel Operation and Marketing Fees	48,501,369	40,766,436
	Advertising Expenses and Other Reimbursements	25,135,065	18,640,314
	Development Fees	1,505,651	–
Jet Enterprises (Pvt) Ltd.	Purchases of Beverage	6,359,390	10,339,884
	Other Expenses	5,519	–
	Purchases of Goods	927,949	–
Blue Oceanic Beach Hotel (Pvt) Ltd.	Advertising Expenses and Other Reimbursements	112,030	–
	Sale of Accommodation and Transfers	12,500	199,275
	Other Expenses	208,907	20,579
	Rent Received	–	38,265
Jetwing Travels (Pvt) Ltd.	Gratuity Received	87,591	–
	Advertising Expenses and Other Reimbursements	546,022	–
	Sale of Accommodation and Transfers	77,515,516	106,688,895
	Other Expenses	118,672	141,081
The First Resort (Pvt) Ltd.	Transport Charges	456,806	347,617
	Advertising Expenses and Other Reimbursements	175,703	–
	Sale of Accommodation and Transfers	213,948	–
	Other Expenses	34,915	7,366
Villa Properties (Pvt) Ltd.	Rent Received	169,898	–
	Gratuity Transfer	97,882	–
	Sale of Accommodation and Transfers	–	25,535
	Other Expenses	–	30,180
Jetwing Events (Pvt) Ltd.	Laundry Income	39,319	585,851
	Support Service Charges	6,494,405	–
	Purchases of Asset	1,170,937	–
	Sale of Accommodation and Transfers	12,088,255	813,248
Negombo Hotels Ltd.	Advertising Expenses and Other Reimbursements	64,594	–
	Sale of Accommodation and Transfers	123,987	259,122
	Other Expenses	136,712	261,975
	Gratuity Received	44,158	232,775
Ahangama Properties (Pvt) Ltd.	Advertising Expenses and Other Reimbursements	551,392	923,650
	Sale of Accommodation and Transfers	342,393	305,867
	Other Expenses	278,674	23,513
	Laundry Income	52,589	793,105
St. Andrew's Hotel (Pvt) Ltd.	Reimbursement of Consultancy fee	919,360	–
	Advertising Expenses and Other Reimbursements	265,560	–
	Sale of Accommodation and Transfers	18,450	73,805
	Other Expenses	–	93,632
	Transport Charges	50,348	53,193

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Name of Company	Nature of Transactions	Value of Transactions	
		2016 Rs.	2015 Rs.
Yala Properties (Pvt) Ltd.	Advertising Expenses and Other Reimbursements	12,111	-
	Sale of Accommodation and Transfers	201,017	380,071
	Other Expenses	199,630	18,638
	Transport Charges	-	3,500
	Gratuity Transfer	-	(494,975)
	Gratuity Received	-	91,374
Jetwing Eco Holidays (Pvt) Ltd.	Sale of Accommodation and Transfers	1,172,987	2,746,373
The Royal Heritage Hotel (Pvt) Ltd.	Advertising Expenses and Other Reimbursements	112,653	-
	Sale of Accommodation and Transfers	49,100	41,578
	Other Expenses	-	9,523
	Vehicle Insurance received	62,358	14,600
	Vehicle Insurance paid	138,710	-
Yala Safari Beach Hotel (Pvt) Ltd.	Transport Charges	53,523	17,488
Seashells Hotel (Pvt) Ltd.	Advertising Expenses and Other Reimbursements	66,955	-
	Sale of Accommodation and Transfers	10,000	-
	Other Expenses	-	27,324
	Gratuity Received	72,384	-
Negombo Properties (Pvt) Ltd.	Other Expenses	22,900	-
Bansei Royal Resort Hikkaduwa PLC	Advertising Expenses and Other Reimbursements	300,205	-
	Sale of Accommodation and Transfers	24,130	-
	Other Expenses	-	77,964
Jetwing City (Pvt) Ltd.	Advertising Expenses and Other Reimbursements	169,972	-
	Other Expenses	-	72,887
Lanka Dhiviya (Pvt) Ltd.	Sale of Accommodation and Transfers	27,375	-
Jetwing Kaduruketha (Pvt) Ltd.	Advertising Expenses and Other Reimbursements	3,719	-
	Sale of Accommodation and Transfers	19,080	-
Jet Shipping & Logistics (Pvt) Ltd.	Purchases of Goods	60,000	-
Go Vacation Lanka Co.(Pvt) Ltd.	Sale of Accommodation and Transfers	3,155,037	-
Thirteen Development Lanka (Pvt) Ltd.	Advertising Expenses and Other Reimbursements	3,351	-
Three Seas (Pvt) Ltd.	Sale of Accommodation and Transfers	455,610	-
	Other Expenses	17,781	-
	Location Charges	100,000	-
Atlas Investments (Pvt) Ltd.	Sale of Accommodation and Transfers	40,800	-
	Other Expenses	34,026	-
	Transport Charges	2,011	-
Jetwing Air (Pvt) Ltd.	Sale of Accommodation and Transfers	-	377,418
Lanka Houseboat (Pvt) Ltd.	Other Expenses	-	17,051
Cultural Heritage (Pvt) Ltd.	Proceeds from Disposal of Fixed Assets	-	538,861

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

Jetwing Hotels Ltd.

Directors

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

Jet Enterprises (Pvt) Ltd.

Directors

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

Blue Oceanic Beach Hotel (Pvt) Ltd.

Directors

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

Jetwing Travels (Pvt) Ltd.

Directors

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

The First Resort (Pvt) Ltd.

Directors

Mr. N.J.H.M. Cooray,
Mrs. A.M.J. Cooray,
Mr. R.A.E. Samarasinghe,
Mr. A.M. Pandithage,
(resigned w.e.f. 3rd March, 2016)
Mr. S.C. Ganegoda
(resigned w.e.f. 3rd March, 2016)
and
Mr. C.S.R.S. Anthony

Villa Properties (Pvt) Ltd.

Directors

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

Jetwing Events (Pvt) Ltd.

Directors

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

Negombo Hotels Ltd.

Directors

Mr. N.J.H.M. Cooray,
Ms. N.T.M.S. Cooray,
Mrs. A.M.J. Cooray,
Mr. A.M. Pandithage,
(resigned w.e.f. 3rd March, 2016)
Mr. S.C. Ganegoda
(resigned w.e.f. 3rd March, 2016)
and
Mr. R.A.E. Samarasinghe

Ahangama Properties (Pvt) Ltd.

Directors

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

St. Andrew's Hotel (Pvt) Ltd.

Directors

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

Yala Properties (Pvt) Ltd.

Directors

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

Jetwing Eco Holidays (Pvt) Ltd.

Directors

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

The Royal Heritage Hotel (Pvt) Ltd.

Directors

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

Yala Safari Beach Hotel (Pvt) Ltd.

Directors

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

Seashells Hotel (Pvt) Ltd.

Directors

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

Negombo Properties (Pvt) Ltd.

Directors

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

Bansei Royal Resorts Hikkaduwa PLC.

Directors

Mr. G.C.A. de Silva,
Mr. T. Murakami,
Mr. J.V.W. Malawana,
Mr. H. Ota,
Mr. H. Premaratne,
Mr. C.S.J. Perera and
Mr. T. de Zoysa

Jetwing City (Pvt) Ltd.

Directors

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

Lanka Dhiviya (Pvt) Ltd.

Directors

Mr. N.J.H.M. Cooray
Mrs. D.J. Cooray and
Mr. N.J.D.M. Cooray

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 and
Mr. L.R.M.G.L. Kadurugamuwa

Jet Shipping & Logistics (Pvt) Ltd.

Directors

Mr. N.J.H.M. Cooray
Ms. N.T.M.S. Cooray and
Mr. I.S.B.M. Adhikaramge

Go Vacation Lanka (Pvt) Ltd.

Directors

Ms. N.T.M.S. Cooray
Mr. R.J. Arasaratnam
Mr. R.V.G.G.G. Honings and
Mr. L.L.E.J. Mueller

Thirteen Development Lanka (Pvt) Ltd.

Directors

Mr. L.K. Porter and
Mrs. V.L. Porter

Three Seas (Pvt) Ltd.

Directors

Ms. E.A.F. Robijns
Mr. C.H.M. Cadell
Mr. P.M.J. Cochenec
Mr. G.M. Chautard and
Mr. Ranil de Silva

Atlas Investments (Pvt) Ltd.

Directors

Mr. K.S.C.D. Perera and
Ms C.D. Liyanage

Jetwing Air (Pvt) Ltd.

Directors

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

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 and
Mr. R.N. Asirwatham

Cultural Heritage (Pvt) Ltd.

Directors

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

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Detailed tabulation of shareholding can be found on pages 43 to 45 of this Report.

Real Estate Holdings of the Company

Location	Buildings in Sq.ft.	No. of Buildings	Land Extent Area (in Acres)		Net Book Value as at 31st March, 2016 Rs. '000
			Freehold Property	Leasehold Property	
Galle	236,500	14	9.45	3	2,677,495

Ten Year Summary

Year ended 31st March,	2016	2015	2014	2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
OPERATING RESULTS				
Revenue	836,072	731,743	681,105	614,727
Profit Before Taxation	177,754	140,456	136,597	127,292
Taxation	15,634	11,049	14,278	15,138
Profit After Taxation	162,120	129,407	122,319	112,154
SHAREHOLDERS' FUNDS				
Stated Capital	460,001	460,001	460,001	460,001
Reserves	2,084,874	1,696,305	1,696,722	1,696,404
Retained Earnings	378,240	310,754	273,927	247,126
Shareholders' Funds	2,923,115	2,467,060	2,430,650	2,403,531
LIABILITIES				
Interest-Bearing Loans & Borrowings	111,444	158,745	138,779	–
Current Liabilities	130,525	117,459	150,002	91,282
Other Liabilities	30,763	24,949	22,678	14,971
TOTAL EQUITY AND LIABILITIES	3,195,847	2,768,213	2,742,109	2,509,784
ASSETS				
Property, Plant and Equipment	2,934,916	2,510,503	2,529,137	2,205,908
Leasehold Property/Prepaid Lease Rent	2,363	2,394	2,424	2,454
Intangible Assets	1,170	1,279	852	937
Investments/Other Non-Current Financial Assets	87,592	87,976	59,389	59,071
Current Assets	169,806	166,061	150,307	241,414
TOTAL ASSETS	3,195,847	2,768,213	2,742,109	2,509,784
CASH FLOW				
From Operating Activities	276,741	165,122	231,455	153,353
From Investing Activities	(126,534)	(90,887)	(379,875)	(115,606)
From Financing Activities	(156,729)	(65,208)	34,701	(92,000)
Net Cash Inflow/(Outflow)	(6,522)	9,027	(113,719)	(54,253)
Cash & Cash Equivalents as at 31st March,	14,825	21,347	12,320	126,039
KEY INDICATORS				
Earnings/(Loss) per Ordinary Share (Rs.)	3.52	2.81	2.66	2.44
Net Assets per Ordinary Share (Rs.)	63.55	53.63	52.84	52.25
Market Value per Share (Rs.)	52.90	60.00	44.40	47.40
Dividends per Share (Rs.)	2.50	2.00	2.00	2.00
Price to Earnings Ratio (Times)	15.03	21.35	16.69	19.43
Dividend Payout Ratio (%)	71	71	75	82

* Note: SLFRS adjustments have been made from 2011.

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	2012	2011	2010	2009	2008	2007
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
	539,192	425,552	303,591	247,515	258,288	226,335
	123,964	72,201	29,297	(20,034)	26,928	35,950
	12,867	10,604	6,607	5,219	29	147
	111,097	61,597	22,690	(25,253)	26,899	35,803
	460,001	460,001	460,001	460,001	460,001	460,001
	357,536	357,536	1,734,935	1,763,388	1,791,841	21,847
	1,554,092	1,490,275	96,533	45,391	64,308	69,409
	2,371,629	2,307,812	2,291,469	2,268,780	2,316,150	551,257
	—	—	—	—	—	—
	94,641	71,905	48,343	41,106	34,932	35,170
	12,625	10,083	8,270	6,678	6,395	4,380
	2,478,895	2,389,800	2,348,082	2,316,564	2,357,477	590,807
	2,144,390	2,145,796	2,172,242	2,205,974	2,233,837	473,568
	2,485	2,515	23,914	24,179	24,445	24,710
	866	1,226	1,250	—	—	—
	43,750	43,750	43,750	25,000	25,000	25,000
	287,404	196,513	106,926	61,411	74,195	67,529
	2,478,895	2,389,800	2,348,082	2,316,564	2,357,477	590,807
	151,116	113,067	63,056	27,686	47,997	44,241
	(40,000)	(19,182)	(31,402)	(8,832)	(13,660)	(35,415)
	(46,000)	(23,000)	-	(23,000)	(32,201)	(36,800)
	65,116	70,885	31,654	(4,146)	2,136	(27,974)
	180,292	115,176	44,292	12,637	16,783	14,647
	2.42	1.34	0.49	(0.55)	0.58	0.78
	51.56	50.17	49.81	49.32	50.35	11.98
	50.00	56.00	61.25	57.50	49.25	49.75
	2.00	1.00	0.50	Nil	0.50	0.70
	20.66	41.79	125.00	104.55	84.91	63.78
	84	75	102	N/A	86	90

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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
 N.T.M.S. Cooray (Ms.)
 N. Wadugodapitiya
 C.S.R.S. Anthony
 Ranil de Silva
 E.P.A. Cooray
 A.M. Ondaatjie (Ms.)
 C. Pathiraja (Dr.)
 T. Nadesan
 A.T.P. Edirisinghe

Audit Committee

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

Remuneration Committee

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

Related Party Transactions Review Committee (w.e.f 1st January, 2016)

N. Wadugodapitiya - *Chairman*
 E.P.A. Cooray
 A.T.P. Edirisinghe
 C.S.R.S. Anthony

Secretaries

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

Auditors

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

Hotel Operation and Marketing

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

Legal Advisors

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

Bankers

Commercial Bank of Ceylon PLC
 Sampath Bank PLC

Registered Office

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

Notice of Meeting

Notice is hereby given that the Twenty Second Annual General Meeting of The Lighthouse Hotel PLC will be held on Thursday, 30th June, 2016 at 10.00 a.m. at Jetwing House II, 7th Floor, 46/26, Nawam Mawatha, Colombo 02 for the following purposes:

1. To receive and consider the Annual Report of the Board together with the Financial Statements of the Company for the year ended 31st March, 2016 and Report of the Auditor's thereon.
2. To approve a final dividend of Rupees Two and Cents Fifty (Rs. 2.50) per share as authorized by the Directors.
3. To re-elect:
 - (a) Mr. N.J.H.M. Cooray, a Director who retires in terms of Article 29 of the Articles of Association of the Company, and being eligible has offered himself for re-election.
 - (b) Mr. C.S.R.S. Anthony, a Director who retires in terms of Article 29 of the Articles of Association of the Company, and being eligible has offered himself for re-election.
 - (c) Mr. N. Wadugodapitiya, a Director who retires in terms of Article 29 of the Articles of Association of the Company, and being eligible has offered himself for re-election.
 - (d) Mr. T. Nadesan, a Director who retires in terms of Article 29 of the Articles of Association of the Company, and being eligible has offered himself for re-election.
4. To propose the following resolution as an Ordinary resolution for the re-appointment of Mr. A.T.P. Edirisinghe who has reached the age of 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 has reached the age of 70 years prior to this Annual General Meeting and that he be re-appointed as a Director of the Company."
5. To authorize the Directors to fix the fees and expenses of Auditors, Messrs Ernst & Young, Chartered Accountants, who are deemed to be re-appointed in terms of Section 158 (1) of the Companies Act No. 07 of 2007.
6. To authorize the Directors to determine contributions to charities for the ensuing year.

By order of the Board,
Corporate Services (Private) Ltd.
Secretaries

THE LIGHTHOUSE HOTEL PLC
Colombo, on this 30th day of May, 2016

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

A completed Form of Proxy must be deposited at No. 216, De Saram Place, Colombo 10, the Secretaries of the Company not less than 48 hours before the time appointed for the holding of the meeting.

Form of Proxy

THE LIGHTHOUSE HOTEL PLC

*I/We.....

of.....

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

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

.....

.....of

..... as *my/our Proxy to vote/speak for me/us on *my/our behalf at the Twenty Second Annual General Meeting of the Company to be held on the 30th June, 2016 at 10.00 a.m. at the Jetwing House II, 7th Floor, 46/26, Nawam Mawatha, Colombo 02 and at any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against
1. To receive and consider the Annual Report of the Board together with the Financial Statements of the Company for the year ended 31st March, 2016 and Report of the Auditor's thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To approve a final dividend of Rupees Two and Cents Fifty (Rs. 2.50) per share as authorized by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
3. (a) To re-elect Mr. N.J.H.M. Cooray a Director who retires in terms of Article 29 of the Articles of Association of the Company, and being eligible has offered himself for re-election.	<input type="checkbox"/>	<input type="checkbox"/>
(b) To re-elect Mr. C.S.R.S. Anthony, a Director who retires in terms of Article 29 of the Articles of Association of the Company, and being eligible has offered himself for re-election.	<input type="checkbox"/>	<input type="checkbox"/>
(c) To re-elect Mr. N. Wadugodapitiya, a Director who retires in Terms of Article 29 of the Articles of Association of the Company, and being eligible has offered himself for re-election.	<input type="checkbox"/>	<input type="checkbox"/>
(d) To re-elect Mr. T. Nadesan, a Director who retires in terms of Article 29 of the Articles of Association of the Company, and being eligible has offered himself for re-election.	<input type="checkbox"/>	<input type="checkbox"/>
4. To propose the following resolution as an Ordinary resolution for the re-appointment of Mr. A.T.P. Edirisinghe who has reached the age of 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 has reached the age of 70 years prior to this Annual General Meeting and that he be re-appointed as a Director of the Company."	<input type="checkbox"/>	<input type="checkbox"/>
5. To authorize the Directors to fix the fees and expenses of Auditors Messrs Ernst & Young, Chartered Accountants, who are deemed to be re-appointed in terms of Section 158 (1) of the Companies Act No. 07 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>
6. To authorize the Directors to determine contributions to charities for the ensuing year.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of Two Thousand and Sixteen.

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

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

Instructions as to Completion

1. The instrument appointing a proxy may be in writing under the hands of the appointor or of its attorney duly authorised in writing or if such appointor is a corporation under its common seal or the hand of its attorney or duly authorised person.
2. The instrument appointing a proxy and the Power of Attorney or other authority, if any, under which it is signed or a notarially certified copy of that Power of Attorney or other authority will have to be deposited at the office of the Company Secretaries, Corporate Services (Pvt) Ltd., No. 216, de Saram Place, Colombo 10 not less than 48 hours before the time appointed for the holding of the meeting.

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F: +94 91 222 4021

Jetwing Hotels Limited
Jetwing House, 46/26, Nawam Mawatha
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Web: www.jetwinghotels.com



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



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