

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 02 and principal place of business is situated at Dadella, Galle.

1.2
Principal Activities
and Nature of Operations The Company owns and operates Jetwing Lighthouse, which is targeted at the up market leisure travellers.

1.3
Parent Enterprise and
Ultimate Parent Enterprise The Company does not have an identifiable parent of its own.

1.4
Date of Authorization
for Issue The Financial Statements of The Lighthouse Hotel PLC, for the year ended 31st March, 2013 were authorized for issue in accordance with a resolution of the Board of Directors on 24th April, 2013.

2. Statement of Compliance

These Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards.

2.1
Basis of Preparation and
Adoption of SLAS (SLFRS and
LKAS) Effective for the Financial
Period Beginning on or
after 1st January, 2012 The Financial Statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards comprising SLFRS and LKAS (hereafter 'SLFRS'), as issued by The Institute of Chartered Accountants of Sri Lanka.

For all periods up to and including the year ended 31st March, 2012, the Company prepared its Financial Statements in accordance with Previous SLAS.

These Financial Statements for the year ended 31st March, 2013 are the first, the Company has prepared in accordance with SLFRS effective for the periods beginning on or after 1st January, 2012. (Refer Note 2.5 for an explanation of the transition).

Subject to certain transition elections and exceptions disclosed in Note 2.5, the Company has consistently applied the accounting policies used in preparation of its opening SLFRS Statement of Financial Position at 1st April, 2011 through all periods presented, as if these policies had always been in effect.

Note 2.5 discloses the impact of the transition to SLFRS on the Company's reported financial position, performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's Financial Statements for the year ended 31st March, 2012 prepared under SLAS.

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

2.2
Summary of Significant
Accounting Policies Applied

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

2.2.1
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 and loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

2.2.2
Revenue Recognition

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

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

- (a) **Room Revenue** Revenue is recognized on the rooms occupied on daily basis.
- (b) **Food & Beverage Revenue** Food & Beverage Revenue is accounted at the time of sale.
- (c) **Other Hotel Related Revenue** Other Hotel Related Revenue is accounted when such service is rendered.
- (d) **Interest** Interest income is recognized on a time proportion basis that takes into account the effective yield on the asset unless collectibles is in doubt.

- (e) **Others** Other income is recognized on an accrual basis.

Net gains and losses of a revenue nature on the disposal of Property, Plant and Equipment has been accounted for in the Income Statement, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses.

Gains and losses arising from incidental activities to main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

2.2.3 Taxation

- (a) **Current Income Taxes** Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Pursuant to an agreement dated 29th January, 1994 entered into with Board of Investment under Section 17 of the Board of Investment Law, the Company is taxed at the rate of 2% of the turnover from 1st April, 2008 for a period of 15 years in accordance with the said agreement. Current income tax relating to items recognized directly in equity is recognized in equity and not in the Income Statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.
- (b) **Sales Tax** Revenues, expenses and assets are recognised net of the amount of sales tax except where the sales tax incurred on a purchase of assets or service is not recoverable from the taxation authorities in which case the sales tax is recognised as a part of the cost of the asset or 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.

2.2.4
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.

2.2.5
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 formula:

Food and Beverage - At purchase cost on weighted average basis.
Other Inventories - At purchase cost on weighted average basis.

2.2.6
Cash at Bank and in Hand and Cash Equivalents

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

2.2.7
Property, Plant
and Equipment

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

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

A revaluation surplus is recognized in other comprehensive income and credited to the revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in the income Statement, in which case the increase is recognized in the income Statement. A revaluation deficit is recognized in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve.

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

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

The Company provides depreciation from the date the assets are available for use up to the date of disposal, on a straightline 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.

2.2.8
Leases

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

For arrangements entered into prior to 1st April, 2011, the date of inception is deemed to be 1st April, 2011 in accordance with SLFRS 1 - 'First-time Adoption of Sri Lanka Accounting Standards'.

Company as a lessee:

Finance leases that transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

2.2.9
Financial Instruments

i. Financial Assets

**Initial Recognition and
Measurement**

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus transaction costs, in the case of assets not at fair value through profit or loss.

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 income statement.
Loans and Receivables	Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the income statement. The losses arising from impairment are recognized in the income statement in finance costs.
Held-to-Maturity Financial Instruments	Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the income statement. The losses arising from impairment are recognized in the income statement in finance costs.
Available-for-Sale Financial Investments	Available-for-sale financial investments held at the reporting date consists of equity securities. Equity investments classified as available-for-sale are those, neither classified as held-for-trading nor designated at fair value through profit or loss. After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time, the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the income statement in finance costs and removed from the available-for-sale reserve.
Derecognition	A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset.

ii. Impairment of Financial Assets	<p>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.</p>
Financial Assets Carried at Amortized Cost	<p>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.(EIR)</p> <p>The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write off is later recovered, the recovery is credited to finance costs in the income statement.</p>
Available-for-Sale Financial Instruments	<p>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.</p>

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost.' Significant is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair values has been below its original cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement is removed from other comprehensive income and recognized in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairments are recognized directly in other comprehensive income.

iii. Financial Liabilities

Initial Recognition and Measurement

The Company's financial liabilities include trade and other payables, bank overdrafts and loans and borrowings. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate (EIR) method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the income statement.

Derecognition

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

iv. Offsetting of Financial Instruments

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

v. Fair Value of Financial Instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

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

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

2.2.10
Intangible Assets

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

Intangible assets with finite lives are over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible assets.

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

2.2.11
Provisions

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

2.2.12
Retirement Benefit Obligations

(a) Defined Benefit Plan - Gratuity

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

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

The gratuity liability is not externally funded.

**(b) Defined Contribution Plans -
Employees' Provident Fund &
Employees' Trust Fund**

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

2.2.13
Impairment of
Non-Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating Unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or companies of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognized in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognized in equity up to the amount of any previous revaluation.

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

2.2.14
Dividend Distributions

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

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

2.3
Significant Accounting
Judgments, Estimates and
Assumptions

Judgments

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

Impairment of Trade Debtors:	The Company reviews at each reporting date all receivables to assess whether an allowance should be recorded in the income statement. The Management uses judgment in estimating such amounts in the light of the duration of outstanding and any other factors management is aware of, that indicate uncertainty in recovery.
Critical Accounting Estimates and Assumptions	The Financial Statements are sensitive to assumptions and estimates made in measuring certain carrying amounts represented in the Statement of Financial Position and amounts charged to the income statement. These could result in a significant risk of causing material adjustments to the carrying amounts of assets and liabilities which are disclosed in the relevant notes to the Financial Statements.
Fair Value of Property, Plant and Equipment:	The Land (and buildings at the date of transition) of the Company are 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.
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.
2.4 Standards Issued but Not Yet Effective	The following SLFRS have been issued by The Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these Financial Statements. Those SLFRS will have an effect on the accounting policies currently adopted by the Company and may have an impact on the future Financial Statements.
(i) SLFRS 9 - Financial Instruments: Classification and Measurement	SLFRS 9 as issued, reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities. This Standard will be effective for the financial periods beginning on or after 1st January, 2015.

(ii) SLFRS 13 - Fair Value Measurement

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements. SLFRS 13 provides guidance on all fair value measurements under SLFRS.

This Standard was originally effective for the financial period beginning on or after 1st January, 2013 and early application was allowed. However effective date has been deferred subsequently.

In addition to the above, following standards were also issued with an original effective date of 1st January, 2013, which were also deferred subsequently:

SLFRS 10 - Consolidated Financial Statements

SLFRS 11 - Joint Arrangements

SLFRS 12 - Disclosure of Interests in Other Entities

The Company will adopt these standards when they become effective. Pending a detailed review, the financial impact is not reasonably estimable as at the date of publication of these Financial Statements.

**2.5
First-Time Adoption of SLFRS**

The effect of Company's transition to SLFRS, described in Note 2.1, is summarized in this note as follows:

- A. At the transition date, the Company chose to state the buildings that were at their fair value, as deemed cost in accordance with the exemption of SLFRS 1 - First-time Adoption of Sri Lanka Accounting Standards, Such determined fair values were supported by an appraisal as at the transition date by an independent valuer. The remaining revaluation surplus of Rs. 1,325,671,060/- with regard to the buildings was transferred to Retained Earnings as at the date of transition. As a part of the transition, the Company also reviewed the useful life of each significant component of buildings as described in Note 4.8.
- B. Leasehold property under previous SLAS was measured at revalued amounts. Based on SLFRS, this item is now reflected as prepaid lease rent as at the historical cost. Accordingly an amount of Rs. 21,133,200/- was removed from the previously stated carrying value of leasehold property, with a corresponding elimination of its revaluation surplus of Rs. 23,275,150/- This adjustment also resulted in an increase of retained earnings as at the date of transition amounting to Rs. 2,141,950/- that reflects the impact due to re-measurement of the related amortization of the prepaid rent up to the date of transition based on cost. The impact of this adjustment on the income statement of 2012 was, Rs. 235,103/-.

C. The Company has made an investment in shares in an entity that was earlier reflected as investments at cost under previous SLAS. Based on SLFRS, such investment was shown as other non-current financial assets Available-for-Sale, at fair value. As the operations of the investee entity only commenced in the year 2013, at the date of transition and previous year end, it was carried at cost, which the Board determined to be its fair value. For the year ended 31st March, 2013, the measurement of this investment at fair value resulted in a fair value gain of Rs. 811,802/- through other comprehensive income.

Apart from the above, the Company also reclassified Treasury Bills and short term investments as held-to-Maturity - Other current financial assets, which did not result in a re-measurement affecting the Income Statement, as the maturity periods of such investments were less than 12 months.

D. Up to the year ended 31st March, 2012, the Tourism Development Levy was directly deducted from Revenue, which has now been expensed under administrative expenses. Accordingly, the revenue was increased by Rs. 5,392,364/-.

E. Under previous SLAS, interest income was shown under Other Income, which has now been reflected under finance income.

F. The Company elected to recognise all actuarial gains and losses immediately in the Statement of Comprehensive Income, without recognizing in the income statement. As a result, actuarial gains and losses that was directly charged to the income statement are now directly recorded as Other Comprehensive Income. This adjustment resulted in an increase in profit before tax of Rs. 1,280,059/- for 2012 with a corresponding increase in Other Comprehensive Income.

2.5 First-Time Adoption of SLFRS (Contd.)

Reconciliation of Equity as at 1st April, 2011 (Date of Transition to SLFRS)

Previous Classification	Notes	Previous SLAS Rs.	Reclassification Rs.	Remeasurements Rs.	SLFRS as at 1st April, 2011 Rs.	New Classification
Non-Current Assets						
Property, Plant and Equipment	A	2,145,795,788	–	–	2,145,795,788	Property, Plant and Equipment
Leasehold Property	B	23,648,352	–	(21,133,200)	2,515,152	Prepaid Lease Rent
Intangible Assets		1,225,880	–	–	1,225,880	Intangible Assets
Investments	C	43,750,000	(43,750,000)	–	–	
		–	43,750,000	–	43,750,000	Other Non-Current Financial Assets
		2,214,420,020	–	(21,133,200)	2,193,286,820	
Current Assets						
Inventories		16,663,202	–	–	16,663,202	Inventories
Trade and Other Receivables		64,673,529	–	–	64,673,529	Trade and Other Receivables
Investments	C	105,318,288	(105,318,288)	–	–	
Cash at Bank and in Hand		9,857,767	–	–	9,857,767	Cash at Bank and in Hand
		–	105,318,288	–	105,318,288	Other Current Financial Assets
		196,512,786	–	–	196,512,786	
Total Assets		2,410,932,806	–	(21,133,200)	2,389,799,606	
EQUITY AND LIABILITIES						
Capital and Reserves						
Stated Capital		460,000,974	–	–	460,000,974	Stated Capital
Reserves	A, B	1,706,481,947	(1,325,671,060)	(23,275,150)	357,535,737	Reserves
Retained Earnings	A, B	162,461,733	1,325,671,060	2,141,950	1,490,274,743	Retained Earnings
Total Equity		2,328,944,654	–	(21,133,200)	2,307,811,454	
Non-Current Liabilities						
Employee Benefit Liability		10,083,347	–	–	10,083,347	Post Employment Benefit Liability
		10,083,347	–	–	10,083,347	
Current Liabilities						
Trade and Other Payables		70,107,377	–	–	70,107,377	Trade and Other Payables
Income Tax Payable		1,797,428	–	–	1,797,428	Income Tax Payable
		71,904,805	–	–	71,904,805	
Total Liabilities		81,988,152	–	–	81,988,152	
Total Equity and Liabilities		2,410,932,806	–	(21,133,200)	2,389,799,606	

2.5 First-Time Adoption of SLFRS (Contd.)
Reconciliation of Equity as at 31st March, 2012

Previous Classification	Notes	Previous SLAS Rs.	Reclassification Rs.	Remeasurements Rs.	SLFRS as at 31st March, 2012 Rs.	New Classification
Non-Current Assets						
Property, Plant and Equipment	A	2,144,390,066	-	-	2,144,390,066	Property, Plant and Equipment
Leasehold Property	B	23,382,946	-	(20,898,097)	2,484,849	Prepaid Lease Rent
Intangible Assets		866,035	-	-	866,035	Intangible Assets
Investments	C	43,750,000	(43,750,000)	-	-	
		-	43,750,000	-	43,750,000	Other Non-Current Financial Assets
		2,212,389,047	-	(20,898,097)	2,191,490,950	
Current Assets						
Inventories		18,710,584	-	-	18,710,584	Inventories
Trade and Other Receivables		88,401,650	-	-	88,401,650	Trade and Other Receivables
Investments	C	159,061,576	(159,061,576)	-	-	
Cash at Bank and in Hand		21,230,649	-	-	21,230,649	Cash at Bank and in Hand
		-	159,061,576	-	159,061,576	Other Current Financial Assets
		287,404,459	-	-	287,404,459	
Total Assets		2,499,793,506	-	(20,898,097)	2,478,895,409	
EQUITY AND LIABILITIES						
Capital and Reserves						
Stated Capital		460,000,974	-	-	460,000,974	Stated Capital
Reserves	A, B	1,678,028,784	(1,325,671,060)	5,178,013	357,535,737	Reserves
Retained Earnings	A, B	254,497,094	1,325,671,060	(26,076,110)	1,554,092,044	Retained Earnings
Total Equity		2,392,526,852	-	(20,898,097)	2,371,628,755	
Non-Current Liabilities						
Employee Benefit Liability		12,625,270	-	-	12,625,270	Post Employment Benefit Liability
		12,625,270	-	-	12,625,270	
Current Liabilities						
Trade and Other Payables		91,032,480	-	-	91,032,480	Trade and Other Payables
Income Tax Payable		3,608,904	-	-	3,608,904	Income Tax Payable
		94,641,384	-	-	94,641,384	
Total Liabilities		107,266,654	-	-	107,266,654	
Total Equity and Liabilities		2,499,793,506	-	(20,898,097)	2,478,895,409	

2.5 First-Time Adoption of SLFRS (Contd.)

Reconciliation of Total Comprehensive Income for the Year Ended 31st March, 2012

Previous Classification	Notes	Previous			SLFRS for the	New Classification
		SLASs Rs.	Reclassification Rs.	Remeasurements Rs.	31st March, 2012 Rs.	
Revenue	D	533,799,310	5,392,364	–	539,191,674	Revenue
Cost of Sales		(121,956,270)	–	–	(121,956,270)	Cost of Sales
Gross Profit		411,843,040	5,392,364	–	417,235,404	
Other Income	E	7,951,306	(7,951,306)	–	–	Other Income and Gains
Marketing and Promotional Expenses		(18,049,883)	–	–	(18,049,883)	Marketing and Promotional Expenses
Administrative Expenses	B, D, F	(279,254,678)	(4,112,305)	235,103	(283,131,880)	Administrative Expenses
Finance Cost		(41,148)	–	–	(41,148)	Finance Cost
	E	–	7,951,306	–	7,951,306	Finance Income
Profit before Tax		122,448,637	1,280,059	235,103	123,963,799	
Income Tax Expense		(12,866,439)	–	–	(12,866,439)	Income Tax Expense
Net Profit for the year		109,582,198	1,280,059	235,103	111,097,360	
Other Comprehensive Income						
Actuarial Losses on Post-Employment Benefit Liability	F	–	(1,280,059)	–	(1,280,059)	
Total Other Comprehensive Income		–	(1,280,059)	–	(1,280,059)	
Total Comprehensive - Income for the Year		109,582,198	–	235,103	109,817,301	

3. Revenue

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

	2013 Rs.	2012 Rs.
Room Revenue	300,922,423	268,116,442
Food and Beverage Income	280,625,090	238,145,634
Other Hotel Related Income	33,179,787	32,929,598
Total Revenue	614,727,300	539,191,674

4. Property, Plant and Equipment

4.1 Gross Carrying Amounts

	Balance As at 01.04.2012 Rs.	Additions Rs.	Increase in Revaluation Reserve Rs.	Disposals/ Written Off Transferred Rs.	Balance As at 31.03.2013 Rs.
At Cost					
Freehold Land	6,307,223	–	–	(6,307,223)	–
Buildings and Building integrals	1,775,687,656	9,251,776	–	(1,562,752)	1,783,376,680
Plant and Equipment	42,081,457	7,317,492	–	–	49,398,949
Sewerage Treatment Plant	6,043,759	34,972	–	–	6,078,731
Kitchen/Bar Equipment	24,693,766	9,418,302	–	(2,292,236)	31,819,832
Electrical Equipment	10,393,509	4,361,902	–	(119,109)	14,636,302
Office Equipment	1,947,530	135,000	–	(220,690)	1,861,840
Sports Equipment	8,057,221	–	–	–	8,057,221
Furniture and Fittings	33,017,570	9,756,356	–	(201,281)	42,572,645
Swimming Pool Equipment	6,871,246	646,163	–	(48,000)	7,469,409
Generator	5,149,862	–	–	(156,000)	4,993,862
Motor Vehicles	7,523,485	9,206,607	–	(4,540,529)	12,189,563
Water Treatment Plant	1,683,045	7,679	–	–	1,690,724
Linen, Cutlery and Crockery	16,495,098	6,458,747	–	(3,302,925)	19,650,920
Laundry and Hot Water Equipment	13,449,432	1,433,076	–	–	14,882,508
Telephone System	3,276,073	55,940	–	(6,583)	3,325,431
Elevators	2,257,883	–	–	–	2,257,883
SMA TV System	10,618,872	74,450	–	(32,500)	10,660,822
Maintenance Tools	557,949	131,870	–	(15,200)	674,619
Music Instruments	653,679	17,595	–	–	671,274
Hot Water System	326,510	–	–	–	326,510
Furniture and Bar Equipment	10,271,948	113,260	–	–	10,385,208
Computer Systems	7,052,760	2,033,549	–	(133,800)	8,952,510
	1,994,417,533	60,454,736	–	(18,938,827)	2,035,933,443
At Valuation					
Freehold Land	412,774,688	–	12,385,939	6,307,223	431,467,850
	412,774,688	–	12,385,939	6,307,223	431,467,850
In the Course of Construction					
Buildings and Building integrals	3,893,531	50,142,562	–	–	54,036,093
	3,893,531	50,142,562	–	–	54,036,093
Total Gross Carrying Amount	2,411,085,752	110,597,298	12,385,939	(12,631,604)	2,521,437,386

4.2 Depreciation

At Cost	Balance As at 01.04.2012 Rs.	Charge for the year Rs.	Disposals/ Written Off Transferred Rs.	Balance As at 31.03.2013 Rs.
Buildings and Building integrals	141,380,607	37,029,355	(385,225)	178,024,737
Plant and Equipment	21,970,908	2,190,888	–	24,161,796
Sewerage Treatment Plant	2,052,246	303,645	–	2,355,891
Kitchen/Bar Equipment	19,649,546	1,242,676	(2,275,480)	18,616,742
Electrical Equipment	5,740,917	614,189	(87,870)	6,267,236
Office Equipment	1,186,169	244,477	(165,912)	1,264,734
Sports Equipment	4,638,419	657,975	–	5,296,394
Furniture and Fittings	21,225,713	1,954,753	(125,287)	23,055,179
Swimming Pool Equipment	3,293,860	652,526	(19,600)	3,926,787
Generator	4,554,256	69,542	(156,000)	4,467,798
Motor Vehicle	3,139,352	1,231,925	(302,702)	4,068,575
Water Treatment Plant	1,481,877	42,390	–	1,524,267
Linen, Cutlery and Crockery	14,092,993	4,184,762	(3,029,589)	15,248,166
Laundry and Hot Water Equipment	8,832,659	910,595	–	9,743,254
Telephone System	1,485,063	157,995	(2,570)	1,640,488
Elevators	1,439,582	112,894	–	1,552,477
SMA TV System	3,286,696	807,904	(20,400)	4,074,200
Maintenance Tools	180,471	51,212	(1,516)	230,167
Music Instruments	491,221	48,969	–	540,190
Hot Water System	63,117	32,652	–	95,768
Furniture and Bar Equipment	2,158,075	999,402	–	3,157,477
Computer Systems	4,351,938	1,975,414	(110,100)	6,217,252
Total Depreciation	266,695,686	55,516,143	(6,682,252)	315,529,576

4.3 Net Book Values

	2013 Rs.	2012 Rs.
At Cost		
Freehold Land	–	6,307,223
Buildings and Building integrals	1,605,351,943	1,634,307,048
Plant and Equipment	25,237,153	20,110,549
Sewerage Treatment Plant	3,722,840	3,991,513
Kitchen/Bar Equipment	13,203,090	5,044,220
Electrical Equipment	8,369,066	4,652,592
Office Equipment	597,107	761,361
Sports Equipment	2,760,827	3,418,803
Furniture and Fittings	19,517,466	11,791,857
Swimming Pool Equipment	3,542,622	3,577,385
Generator	526,064	595,606
Motor Vehicles	8,120,988	4,384,133
Water Treatment Plant	166,457	201,168
Linen, Cutlery and Crockery	4,402,755	2,402,106
Laundry and Hot Water Equipment	5,139,254	4,616,773
Telephone System	1,684,943	1,791,011
Elevators	705,406	818,301
SMA TV System	6,586,622	7,332,176
Maintenance Tools	444,452	377,478
Music Instruments	131,084	162,458
Hot Water System	230,742	263,393
Furniture and Bar Equipment	7,227,731	8,113,873
Computer Systems	2,735,257	2,700,822
	1,720,403,867	1,727,721,847
At Valuation		
Freehold Land	431,467,850	412,774,688
	431,467,850	412,774,688
In the Course of Construction		
Buildings and Building Integrals	54,036,093	3,893,531
	54,036,093	3,893,531
Total Carrying Amount of Property, Plant and Equipment	2,205,907,810	2,144,390,066

4.4 The fair value of freehold land comprising approximately 1,400 perches was determined by means of a revaluation during the financial year 2012/13 by Messrs K. Arthur Perera (AMIV - Sri Lanka), an independent valuer in reference to market based evidence of transacted prices for similar size and location. The appraised fair values were approximated within a range of values between Rs. 45,000/- to Rs. 400,000/- a perch, depending on the location. The results of such revaluation were incorporated in these Financial Statements from its effective date which is 31st March, 2013. The surplus arising from the revaluation, amounting to Rs. 12,385,939/- was transferred to a Revaluation Reserve.

4.5 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 110,597,298/- (2012 - Rs. 50,803,230/-). Cash payments amounting to Rs. 110,597,298/- (2012 - 47,915,305/-) were made during the year for purchase of Property, Plant and Equipment.

4.6 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs. 87,198,908/- (2012 - Rs. 43,390,804/-), that consisted of individually insignificant items.

4.7 The useful lives of the assets is estimated as follows:

	2013	2012
Buildings and Building Integrals	15 to 60 years	60 years
Plant and Equipment	13.33 years	13.33 years
Sewerage Treatment Plant	20 years	20 years
Kitchen/Bar Equipment	10 years	10 years
Electrical Equipment	10 years	10 years
Office Equipment	10 years	10 years
Sports Equipment	10 years	10 years
Furniture and Fittings	10 years	10 years
Swimming Pool Equipment	10 years	10 years
Generator	13.33 years	13.33 years
Motor Vehicles	05 years	05 years
Water Treatment Plant	10 years	10 years
Linen, Cutlery and Crockery	02-03 years	02-03 years
Laundry and Hot Water Equipment	13.33 years	13.33 years
Telephone System	13.33 years	13.33 years
Elevators	20 years	20 years
SMA TV System	10 years	10 years
Maintenance Tools	10 years	10 years
Music Instruments	10 years	10 years
Hot Water System	10 years	10 years
Furniture and Bar Equipment	10 years	10 years
Computer System	4 years	4 years

4.8 With effect from 1st April, 2012 the Company reviewed the useful life of each significant component of buildings. In the review process, the Company has taken the experience of recent refurbishment as well as industry trends, supported by advice of an independent valuer. Accordingly, depreciation was calculated for the year ended 31st March, 2013 using a straight line method for each individual significant component of building. Due to this change in estimation as explained below, an additional depreciation charge amounting to Rs. 1,452,910/- has resulted in the current year, in comparison to the depreciation charge based on previous estimate.

	Reassessed Useful Life	Previous Estimated Useful Life
Components included in buildings and building integrals:		
Buildings	60 years	60 years
Super structure	60 years	60 years
Bathroom fittings	15 years	60 years
Restaurant floors	15 years	60 years
Tennis and Squash Court	60 years	60 years

5. Prepaid Lease Rent

	2013 Rs.	2012 Rs.
At 1st April,	2,484,849	2,515,152
Amortisation for the Year	(30,303)	(30,303)
At 31st March,	2,454,546	2,484,849

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 up front has been amortized over the lease period of 99 years.

6. Intangible Assets

	2013 Rs.	2012 Rs.
6.1 Cost		
As at the beginning of the Year	1,806,274	1,725,924
Incurred during the Year	619,650	80,350
As at the end of the Year	2,425,924	1,806,274
Amortization		
As at the beginning of the Year	(940,239)	(500,044)
Amortized during the Year	(548,821)	(440,195)
As at the end of the Year	(1,489,060)	(940,239)
Net Book Value		
As at the beginning of the Year	866,035	1,225,880
As at the end of the Year	936,864	866,035

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

	2013 Rs.	2012 Rs.
Investments in Equity Securities - Non Quoted:		
Rainforest Ecolodge (Pvt) Ltd. (Note 7.1.1)	58,259,680	43,750,000
Gain on Fair Valuation	811,802	–
Fair Value at the end of the Year	59,071,482	43,750,000

7.1.1 The Company held 15.4% shareholding in Rainforest Ecolodge (Pvt) Ltd. During the year an investment of Rs.14,509,680/- was made in the investee company by participating in the rights issue. Rainforest Ecolodge (Pvt) Ltd. commenced operations during the year 2013. The fair value of above unquoted equity securities was determined using valuation techniques, where significant inputs were not based on observable market data (Level 3).

7.2 Other Current Financial Assets Held-to-Maturity Financial Instruments

	2013 Rs.	2012 Rs.
Investments in Treasury Bills Repos	1,124,867	45,896,014
Investment in Fixed Deposits	98,176,064	113,165,562
	99,300,931	159,061,576

8. Inventories

	2013 Rs.	2012 Rs.
Food and Beverage	10,860,172	9,195,607
Other Inventories	11,761,504	9,514,977
	22,621,676	18,710,584

9. Trade and Other Receivables

	2013 Rs.	2012 Rs.
Trade Debtors - Related Parties (Note 9.1)	12,347,531	8,755,970
- Others	71,559,867	67,133,894
Less: Impairment of Trade Debtors	(2,427,156)	(2,427,156)
	81,480,242	73,462,708
Other Debtors	4,680,104	10,906,246
Prepayments	6,592,581	4,032,696
	92,752,927	88,401,650

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

See Note 24 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	2013 Rs.	2012 Rs.
Jetwing Travels (Pvt) Ltd.	Other Related Party	11,943,157	8,261,211
Jetwing Eco Holidays (Pvt) Ltd.	Other Related Party	82,388	313,921
Jetwing Hotels Ltd.	Other Related Party	91,495	160,708
Jetwing Events (Pvt) Ltd.	Other Related Party	112,250	20,130
Rainforest Ecolodge (Pvt) Ltd.	Other Related Party	118,241	-
		12,347,531	8,755,970

10. Stated Capital

	2013		2012	
	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

	2013 Rs.	2012 Rs.
Revaluation Reserve (Note 11.1)	369,921,676	357,535,737
Special Reserve (Note 11.2)	1,325,671,060	-
Available-for-Sale Reserve (Note 11.3)	811,802	-
	1,696,404,538	357,535,737

11.1 Revaluation Reserve

	2013 Rs.	2012 Rs.
On: Freehold Land		
As at 1st April	357,535,737	357,535,737
Effect of revaluation carried out in 2013 (Note 11.4)	12,385,939	–
As at 31st March	369,921,676	357,535,737

11.2 Special Reserve

	2013 Rs.	2012 Rs.
As at 1st April	–	–
Transferred from Retained Earnings (Note 11.5)	1,325,671,060	–
As at 31st March	1,325,671,060	–

11.3 Available-for-Sale Reserve

	2013 Rs.	2012 Rs.
As at 1st April	–	–
Gain on Available-for-Sale Financial Instruments (Note 7.1)	811,802	–
As at 31st March	811,802	–

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

11.5 With the adoption of SLFRS, the Company opted to reflect its building at deemed cost as stated in the 2.5. 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

	2013 Rs.	2012 Rs.
Balance as at 1st April	12,625,270	10,083,347
Charge for the Year (Note 12.1)	4,208,716	3,387,982
Transfers during the Year	(185,701)	(247,479)
Payments made during the Year	(1,677,425)	(598,580)
Balance as at 31st March	14,970,860	12,625,270

12.1 Defined Benefit Plan Cost

	2013 Rs.	2012 Rs.
Current Service Cost	1,497,119	1,099,588
Interest Cost on Benefit Obligation	1,262,527	1,008,335
Recognized in the Income Statement	2,759,646	2,107,923
Actuarial Loss for the Year Recognized in Other Comprehensive Income	1,449,070	1,280,059
Balance as at 31st March	4,208,716	3,387,982

12.2 As at 31st March, 2013 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:

	2013	2012
Discount Rate	11.5% p.a.	10% p.a.
Salary Increase	10% p.a.	8.5% p.a.
Staff Turnover	2% at each age	2% at each age

The demographic assumption underlying the valuation is the retirement age of 60 years.

13. Trade and Other Payables

	2013 Rs.	2012 Rs.
Trade Payables - Related Party (Note 13.1)	6,997,551	5,227,105
- Others	18,671,036	21,008,287
Other Payables	15,530,281	12,982,377
Sundry Creditors including Accrued Expenses	46,931,528	51,814,711
	88,130,396	91,032,480

13.1 Trade Payables - Related Parties

	Relationship	2013 Rs.	2012 Rs.
Jetwing Travels (Pvt) Ltd.	Other related party	179,200	-
Jetwing Hotels Ltd.	Other related party	6,818,351	5,227,105
		6,997,551	5,227,105

14. Dividends Paid And Proposed

	2013 Rs.	2012 Rs.
Declared and Paid during the Year		
Equity Dividends on Ordinary Shares :		
Final Dividend for 2012: Rs 2/- per Share (2011 - Rs 1/- per share)	92,000,000	46,000,000
	92,000,000	46,000,000
Proposed for approval at AGM (not recognized as a liability as at 31st March)		
Equity Dividends on Ordinary Shares:		
Final Dividend for 2013 Rs. 2/- per share (2012 - Rs. 2/- per share)	92,000,000	92,000,000

15. Other Income and Gains

	2013 Rs.	2012 Rs.
Insurance Claim Received on the Motor Vehicle	5,100,000	–
	5,100,000	–

16. Finance Income and Finance Cost

	2013 Rs.	2012 Rs.
16.1 Finance Cost		
Interest Expense on Bank Overdraft	24,610	41,148
16.2 Finance Income		
Interest on Fixed Deposits	7,794,795	3,819,642
Interest on Treasury Bills Repos	1,519,358	4,131,664
	9,314,153	7,951,306

17. Profit/(Loss) Before Tax

Stated after Charging/(Crediting)

	2013 Rs.	2012 Rs.
Included in Administrative Expenses		
Employees, Benefits (including the following)	98,144,985	85,427,698
- Defined Benefit Plan Costs - Gratuity	2,759,646	2,107,923
- Defined Contribution Plan Costs - EPF and ETF	8,336,704	7,333,111
Depreciation	55,516,143	48,260,085
Amortization of Leasehold Property	30,303	30,303

17. Profit/(Loss) Before Tax (Contd.)

	2013 Rs.	2012 Rs.
Amortization of Intangible Assets	548,821	440,195
Exchange (Gain)/Loss	(654,254)	(3,438,557)
Loss on Disposal of Property, Plant and Equipment	5,142,582	3,495,305
Hotel Operation & Marketing Fees	33,571,672	30,738,665
Included in Marketing and Promotional Expenses		
Advertisements & Promotional Expenses	18,348,238	9,899,331

18. Income Tax

	2013 Rs.	2012 Rs.
Computation of Tax Charge is as follows:		
Statutory Income from Trade - Tax Rate 2% on Turnover	11,017,417	9,930,619
Statutory Income from Other Sources (Note 18.1)	4,121,009	3,367,424
Current Income Tax Charge	15,138,426	13,298,043
Under/(Over) Provision of Current taxes in Respect of Prior Years	-	(431,604)
Income Tax Expense	15,138,426	12,866,439

18.1 Current Tax Expenses/(Income) from Other Sources

Accounting Profit	127,292,388	123,963,799
Deduction (Note 18.2)	(105,399,408)	(106,534,765)
Accounting Profit from Other Sources	21,892,980	17,429,034
Aggregate Disallowed Items	1,379,125	1,380,773
Aggregate Allowable Income	(1,349,235)	(1,299,044)
Taxable Profit for the Year	21,922,870	17,510,763
Current Income Tax Expense at 12% (Note 18.2)	1,513,046	1,151,692
Current Income Tax Expense at 28%	2,607,963	2,215,732
	4,121,009	3,367,424

18.2 As described in Note 2.2.3, 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. Earnings Per Share

19.1 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.

19.2 The following reflects the income and share data used in the Basic Earnings Per Share computation.

	2013	2012
Amount Used as the Numerator:		
Net Profit Attributable to Ordinary Shareholders for Basic Earnings Per Share (Rs.)	112,153,962	111,097,360
Number of Ordinary Shares Used as Denominator:		
Weighted Average number of Ordinary Shares in issue	46,000,000	46,000,000
Applicable to Basic Earnings Per Share (Rs.)	2.44	2.42

20. Cash And Cash Equivalents

Components of Cash and Cash Equivalents

20.1 Favourable Cash & Cash Equivalents Balance

	2013 Rs.	2012 Rs.
Cash at Bank and in Hand	26,738,158	21,230,649
Other Current Financial Assets (Note 7.2)	99,300,931	159,061,576
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	126,039,089	180,292,225

21. Commitments and Contingencies

(a) Capital Expenditure Commitments

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

	2013 Rs.	2012 Rs.
Authorised by the Board, but not Contracted for	43,000,000	336,000,000
Contractual Commitments	332,000,000	–
	375,000,000	336,000,000

(b) Operating Lease Commitments

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

	2013 Rs.	2012 Rs.
Within one Year	8,156,914	7,549,296
After one year but not more than Five Years	20,276,208	30,057,475
	28,433,122	37,606,771

(c) Contingent Liabilities

There are no significant contingencies as at the balance sheet date.

The case pending as at 31st March, 2012 with regard to the decision of the Provisional Commissioner of Revenue of Southern Province in connection with levy and charge a Turnover Tax on the sale of liquor and cigarettes has been withdrawn by the Provincial Council during the year.

22. Assets Pledged

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

23. Related Party Disclosures

Details of significant related party disclosures are as follows:

23.1 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

	2013 Rs.	2012 Rs.
Executive Directors, Fees	-	-
Non-Executive Directors, Fees	1,650,000	1,830,000
	1,650,000	1,830,000

23.2 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:

	2013 Rs.	2012 Rs.
Nature of Transactions		
Amount Receivable as at 31st March, (Note 9)	12,347,531	8,755,970
Amount (Payable) as at 31st March, (Note 13)	(6,997,551)	(5,227,105)
Hotel Operation Marketing Fees	33,571,672	30,738,665
Purchases of Beverage	9,532,082	6,390,392
Advance Transfers	3,688,280	236,434
Advertising Expenses and Other Reimbursements	12,001,549	9,170,176
Sale of Accommodation	72,635,653	52,391,779
Other Expenses	1,262,228	603,556
Transport Charges	1,021,196	359,212
Gratuity Transfer	185,701	247,479

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

24. Risk Management Objectives and Policies

Financial Risk Management

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

- Credit risk
- Liquidity risk
- Market risk

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

(a) Credit Risk

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

Exposure to credit risk is monitored on an ongoing basis, with the Company trades only with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures and approval by Credit committee. A credit approved customer list has been prepared by the Credit Committee and credit is only granted

to these customers. Further, credit granted is subject to regular review during monthly meetings of the Credit Committee, to ensure it remains consistent with the customer's current credit worthiness and appropriate to the anticipated volume of business. Currently, certain free independent travellers' settlements are received at the time of departure and this is monitored by the General Manager.

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

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

	Carrying Value	
	2013 Rs.	2012 Rs.
Cash at Bank and in Hand	26,738,158	21,230,649
Short Term Deposits	99,300,931	159,061,576
Unquoted Equity Investments	59,071,482	43,750,000
Trade Receivables	81,480,242	73,462,708

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

	2013 Rs.	2012 Rs.
Balance as at 1st April,	2,427,156	2,828,276
Impairment Recognized	–	731,341
Written Off	–	(1,132,461)
Balance as at 31st March,	2,427,156	2,427,156

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

	Gross Carrying Amount Rs.	Impairment Allowance Rs.	Net Carrying Amount Rs.
Neither past Due, nor Impaired	51,001,546	–	51,001,546
Past Due 31-60, but not impaired	17,281,926	–	17,281,926
Past Due 61-180	17,823,978	971,843	16,852,135
Past Due More than 180 Days	2,480,052	1,455,313	1,024,739
	88,587,502	2,427,156	86,160,346

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. At the year end, the Company does not have long term loans. However, it had access to US\$1 million and Rs. 75 million of undrawn committed facilities.

The following are the undiscounted contractual cash flows of financial liabilities as at 31st March, 2013.

		Rs.
Trade and Other Payables	Less than One Year	72,600,115

As at the balance sheet date, the Company had cash of Rs. 26,738,158/- which is cash at bank and in hand and cash funds which allow daily withdrawals of cash.

(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.

An analysis of the carrying amount of financial instruments based on the currency they are denominated are as follows:

	LKR	US\$	EURO
Cash at Bank and in hand	11,517,094	120,575	702
Short Term Deposits (held at interest rates between 12.5% and 14.5%)	99,300,931	-	-
Unquoted Equity Investments	59,071,482	-	-
Trade Receivables (Non Interest Bearing and uncollateralized)	48,998,530	205,670	39,378

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.

(d) The fair values of financial assets and liabilities that are not carried at fair value, closely approximate with their carrying values due to short term nature of such instruments.

(e) Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company's objective for managing its capital is to ensure that Company will be able to continue as a going concern while maximizing the return to shareholders, as well as sustaining the future development of its business. In order to maintain or adjust the capital structure, the Company may alter the total amount of dividends paid to shareholders, issue new shares, and draw down additional debt.

25. Events Occurring After the Balance Sheet Date

There have been no material events occurring after the Balance Sheet date that require adjustments to or disclosure in the Financial Statements other than proposed dividends which is disclosed in Note 14.