37 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(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. To manage credit risk the Company maintains procedures covering the application for credit approvals, granting and renewal of counterparty limits and monitoring of exposures against these limits. As part of these processes the financial viability of all counterparties is regularly monitored and assessed. The Company believes that it is not exposed to major concentration of credit risk. The Company controls its credit risk by the following methods:

- Ascertainment of credit worthiness of customers.
- Monitoring of debt on a continuous basis.
- Legal notices and follow-up.

Exposure to credit risk

(i) The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the balance sheet date was:

	2009 (Rs.'000)	2008 (Rs.'000)
Trade debts	**86,697**	77,581
Long term deposits	**2,704**	2,336
Advances to employees including long term portion	**6,025**	7,526
Other advances	**1,725**	1,847
Interest accrued	**50**	22
Investments held for trading	**69,082**	201,249
Cash and bank balances	**218,088**	112,921
	384,371	403,482

(ii) The maximum exposure to credit risk for trade debts at the reporting date by type of customers was:

	2009 (Rs.'000)	2008 (Rs.'000)
Domestic	**86,697**	77,581

(iii) Impairment losses

The aging of trade debts at the reporting date was:

	2009 (Rs.'000)	**2009 (Rs.'000)**	2008 (Rs.'000)	2008 (Rs.'000)
	Gross debts	**Impaired**	Gross debts	Impaired
Not past due	**62,223**	**-**	65,538	-
Past due 0-30 days	**8,639**	**-**	6,403	-
Past due 31-180 days	**15,791**	**-**	2,797	-
Past due 181-360 days	**-**	**-**	-	-
More than 1 year	**2,544**	**2,500**	5,343	2,500
	89,197	**2,500**	80,081	2,500

(iv) The movement in the allowance for impairment in respect of trade debts during the year was as follows:

	2009 (Rs.'000)	2008 (Rs.'000)
Balance at beginning of the year	**2,500**	2,500
Provision made during the year	**-**	-
Provision used to cover write off	**-**	-
Balance at end of the year	**2,500**	2,500

The Company believes that no impairment allowance is necessary in respect of trade debts past due other than the amounts provided. Trade debts are essentially due from hotels and authorized distributors and the Company is actively pursuing for recovery of debts and accordingly does not expect these companies to fail to meet their obligations.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to an adequate amount of committed credit facilities and the ability to close out market positions due to dynamic nature of the business. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

(i) The maturity profile of the Company's financial liabilities based on the contractual amounts is as follows:

	Carrying Amount	6 months or less	6 months to 12 months	1 year to 2 years	2 years to 5 years	More then 5 Years
	2009 (Rs.'000)	**2009 (Rs.'000)**	**2009 (Rs.'000)**	**2009 (Rs.'000)**	**2009 (Rs.'000)**	**2009 (Rs.'000)**
Finance lease liabilities	**3,194**	**986**	**619**	**1,124**	**464**	**-**
Trade and other payables	**160,438**	**80,218**	**80,219**	**-**	**-**	**-**
	163,632	**81,204**	**80,838**	**1,124**	**464**	**-**
	2008 (Rs.'000)	2008 (Rs.'000)	2008 (Rs.'000)	2008 (Rs.'000)	2008 (Rs.'000)	2008 (Rs.'000)
Finance lease liabilities	3,226	807	807	1,612	-	-
Trade and other payables	179,457	89,728	89,729	-	-	-
	182,683	90,535	90,536	1,612	-	-

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

(i) Currency risk

The Company is not exposed to currency risk.

(ii) Interest rate risk

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatches of financial assets and liabilities that mature in a given period. The Company is not exposed to Interest rate risk.

(d) Fair value of financial instruments

The carrying value of financial assets and liabilities approximate their fair values.

38 CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders and/or issue new shares. There were no changes to Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirement.