THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

COMMON PRE-SEEN CASE STUDY

(KC1 TO KC4)

DECEMBER 2015

ThuruSevana Eco lodge (Pvt) Limited (TSEL)

Historical Background

Joe Fernando is an architect by profession. As an eco-loving person who admires the environment, he travels a lot when he gets free time and spends time in the countryside enjoying the beauty of the nature. Joe has a lot of ideas and tries to conceptualise them wherever possible. His wife Maheshi is also a professional architect who supports his creative architectural concepts. Both Joe and Maheshi actively do consultancy services related to their profession and they are the two main shareholders of J M Architectural Designing & Consultancy (Pvt) Limited (JMADCL). They also have three other shareholders who are professional architects. Joe and Maheshi are planning to embark on a new concept to develop eco-friendly tourism in Sri Lanka. They believe that there is a growing demand for eco-lodges which should be designed in such a way that it would not have an impact on the existing environment. Joe and Maheshi want to select a place in Lankagama (Neluwa) which has the most beautiful countryside in Sri Lanka. It is at the southern border of the world famous Sinharaja Forest Reserve.

Sinharaja Forest Reserve is a national park and a bio diversity hotspot in Sri Lanka, which was designated as a Biosphere Reserve. The hilly virgin rainforest which is part of Sri Lanka's lowland rainforests eco region was saved from commercial logging by its inaccessibility.

JMADCL has a big clientele who have received services in the past 10 years after establishment of the company. Joe had a preliminary successful discussion on 20 July 2006 with six veteran businessmen regarding this eco-friendly project and requested their financial support (equity participation) to undertake the project.

The businessmen pointed out the positives and negatives about the project. They were most concerned about the ongoing civil war at that time and they pointed out if the war continues, there would be low tourist arrivals and high risk for a successful project. However, following a number of discussions, the businessmen finally agreed to support the project by becoming the main shareholders of ThuruSevena eco lodge (pvt) Limited (TSEL), which was the company established to undertake this eco-friendly project. Joe was selected as the chairman of TSEL. The businessmen said that their companies will fund the required capital to start the project and as a result there was a unique collaboration with the shareholders.

TSEL was incorporated in 2006 at the time when the war was at its peak. The initial project cost to buy a land and build the lodges was estimated at Rs. 300 million and the initial payback period was 5 years from the day of starting the hotel commercially. The shareholders agreed to bring the required capital as equity capital (Appendix 01). Ten acre land which was a part of a tea estate of 600 acres adjoining the Sinharaja Forest Reserve having small waterfalls as well as water streams was purchased.

One of TSEL's shareholders, ITA Travel Agency INC (ITA), was a well-recognised tour company having branches in key cities in most of the countries in America, Europe and the Far-East such as China, Hong Kong, Taiwan and the Philippines. Osmond is the owner of ITA INC and also a nature lover. Joe's family and Osmond's family have had a long term close relationship since Joe graduated from a university in the United States of America. Osmand also holds a Master of Business Administration (MBA) from the world famous Harvard University. Osmond's background is diverse and it has played a big part of his success. He entered the industry in 1992 after completing travel school in Vancouver. He worked for a brief time at Horizon Air, which is a domestic airline company in USA. In 1995, he started ITA INC, Great Falls, Montana in USA. Osmand learned the business hands-on by selling mainstream travel.

TSEL initially decided to have 20 comfortable Chalets (made from containers which were converted to rooms) that were designed with recycled material and adorned with every amenity imaginable. The chalets were situated among the tea patch and offers guests breathtaking views of the forest canopy and the tea estate which provide for lasting memories. Guests were able to experience the vibrant shades of nature all at once. Each chalet consists of a bedroom, washroom, living room and private deck. Guests can experience the waves of mist that appear in a split second and last just as long. The symphony of birds chirping in cross-rhythm to the throbbing of toads and the hustle and bustle of squirrels; relenting, responding, corroborating to the changing pattern of weather and finally the deep, quiet hush that the rainforest succumbs to is a fitting introspection to the dazzling biodiversity.

Financing Strategies at the Initial Stage

There were many obstacles in progressing with the hotel project during the construction period which started in 2006. Though the initial budget (Appendix 02 and 03) was prepared to start the commercial operation on 1 January 2008, there were objections from the Central Environmental Authority (CEA) that requested a revised project proposal to give their approval. This increased the initial project cost by another Rs. 300 million.

Therefore in 2008 there was a rights issue to obtain Rs. 250 million and the directors of TSEL decided to obtain the balance by way of a foreign currency loan of USD 600,000 from Bank of Ceylon, Head Office, where Joe and Maheshi have done their banking for the last 10-15 years. The rate offered by the bank was LIBOR + 1.5%. The Finance Director, Bandara, was not happy with this and he insisted on obtaining the loan in local currency though the interest rate (average 15% p.a.) was higher than that on the foreign currency loan in Sri Lanka. Bandara argued that the fluctuation of the exchange rate will have an adverse impact on the project profitability and liquidity. Despite his argument, the board of directors of the company decided to go for the foreign currency loan facility on the following grounds:

(i) Lower interest rate, compared to the local currency loan
(ii) 80% of the income is coming from foreign currency.
(iii) Finally TSEL obtained USD 600,000 at LIBOR+1.5% (Average 5.75% p.a.). The loan should be payable in 6 years with a grace period of 12 months. The exchange rate was USD 1= Rs.109.50 (average).

Marketing Strategy

(i) General

TSEL spent over Rs. 5 million developing a web based online booking system and joined hands with Bank of Ceylon in order to introduce the internet payment facility to customers once they reserve the hotel room via internet booking. International journals carry a prominent advertisement campaign to promote the TSEL. Further, millions of funds were spent to develop the software for the internet marketing program. TSEL were negotiating with ITA INC to use their network to promote TSEL on a commission basis (25% of room sales) which is different to the local agent's formula (commission of 15% -20% of room sales) to attract local and foreign customers (tourists).

(ii) Pricing Policy

In 2008, TSEL rooms were initially priced on full board (FB) basis at USD 250 which was a higher rate compared to other hotels. In the financial year 2014/15 the price of each room was USD 220 in the peak season and USD 185 in the off-peak season. As a company policy, there is no separate pricing for local and foreign customers. The lodge currently offers full board reservations.

Financial analysis of TSEL

The commercial operations of the company commenced on 1 January 2009, but the poor occupancy (15%) resulted in huge losses for the three months ending 31 March 2009. The company was adversely affected by the depreciation of the rupee against the USD. The loss during the period showed Rs. 47 million which included the exchange loss of Rs. 11.5 million. In the second and third financial years ended on 31 March 2010 and 2011, the occupancy ratio increased to 35% and 45% respectively. But the company generated a loss of Rs. 12 million and 9 million. In the financial year 2011/12, the company incurred a loss of Rs. 6 million whilst having an occupancy ratio of 48%. TSEL started to earn profits (excluding other comprehensive income/expenses) during financial years 2012/13 and 2013/14; Rs. 2.3 million and Rs. 4.5 million respectively while maintaining an occupancy ratio of 50% and 55% respectively. However in the financial year 2014/15 the company once again incurred a loss of Rs. 3.9 million while maintaining the same occupancy ratio 55% on average during the year. During that financial year the management revalued the property and showed the gain on revaluation of Rs. 43 million under the other comprehensive income for the year (Appendix 04 and 05).

TSEL obtained another foreign currency loan of USD 1.5 million from Bank of Ceylon during the financial year 2012/13, payable over 6 year period while having the previous loan payable balance of USD 358,343. Finance cost includes exchange losses arising from foreign transactions, which amounted to Rs. 6.25 million in 2012/13, Rs. 5.25 million in 2013/14 and Rs. 4.51 million in 2014/15.

The marketing strategy was not in place and the company did not earn sufficient foreign currency to service the foreign currency loan. The finance director, Bandara was unhappy about the finance structure and the pricing strategy as well as the different formulae applied by the company to pay commissions for the agents. He argued that since transfer pricing was already implemented in Sri Lanka, the company will face a significant problem with the tax authority on the transfer pricing method adopted by TSEL. However, the board could not understand the impact of transfer pricing and argued that in order to attract guests, they need to use all possible strategies at the initial stage of this project. Finance director suggested the other directors of the company to go for a public offer to raise the money to make the project both viable and profitable in the future. The board of directors are not in favour of going public to raise funds to improve the working capital as well as to increase the capacities of the lodge. They believed that the world tourism industry is rapidly changing and there is now more demand for eco-tourism and this project can be profitable if they pay off the loan and reduce the cost of sales.

The board of directors met recently to discuss the strategies to be implemented to attract more guests and make the venture profitable by year 2017, and to wipe-out the accumulated loss of Rs. 74.6 million (excluding the revaluation gain). One of the major shareholders of the company, M.A Holdings PLC, the chairman Lakraj Thasim, hinted that M.A Holdings PLC is going to acquire a tour company that runs a taxi service in Sri Lanka, and has more than 500 taxis including luxury vehicles. The chairman of TSEL, Joe suggested to look at the possibility of expanding the activities to attract more local guests who want adventurous holidays. Joe also wanted to investigate the possibility of leasing the adjoining estate (25 acres) which belongs to the government of Sri Lanka on a long term lease and developing it.

After numerous arguments the board of directors unanimously agreed either to engage a strategic partner who can bring in fresh capital to the company or to go for an initial public offer (IPO) to find fresh capital which is needed urgently. Also, the board approved to hire a consultant to study the financial position and performance of the company together with the recent world developments that have taken place in tourism industry especially in countries such as China, UK, Mexico, India, Thailand, Indonesia, Myanmar, Germany etc.

Joe pointed out that it is very important to have good corporate governance, since the company's existence will depend on how far they protect the environment, nature, community, culture etc. He made a personal note to the board that it is important to study all relevant legal requirements, especially the Land (Restriction on Alienation) Act No. 38 of 2014 and other legislative enactments related to the industry, as well as eco-tourism which will help to improve and maintain good governance.

Industry Analysis

The government of Sri Lanka has a master plan for tourism and offered more concessions to the people/companies who attract foreign tourists to Sri Lanka. The target for foreign tourist arrivals is 2.5 million by 2016. The tourism industry is worth USD 11 billion with a 11.5% annual growth. Statistical data published by "Monthly Statistical Bulletins 2015" highlighted the total tourists' arrivals in 2014 as 1,527,153. In the first 6 months of 2015 this number was 830,051 and compared to the first six month of 2014, (which was 727,353) it represented a growth of 14.1%. As such, the prediction is that Sri Lanka will reach 2 million tourists at the end of 2015 with much hope for the future of the tourism industry in the country.

Key problems in TSEL

Despite the gradual increase in occupancy, overhead costs are also increasing. This is due to the high cost of maintaining the standard of the recycled containers as a result of there being constant rain in the area throughout the year. The administrative and staff costs are also very high compared to the norm of the hotel industry. One of the main problems to the company is the tour operators that provide the business to TSEL are not willing to pay in foreign currency and instead settle their payments on behalf of the guests in local currency (LKR). Further, the lodge does not have laundry facilities within the premises. Therefore, they spend a lot of money in sending laundry to a place 25 km-30 km away from the lodge daily, to clean the clothes of the guests as well as linen of the lodge.

Appendix 01

The initial shareholders of TSEL

Shareholder	% holding
Mr. Joe Fernando	20%
Mrs. Maheshi Fernando	10%
M.A Holdings PLC	25%
M.S Lanka Holding (Pvt) Limited	6%
H.T.L Holdings PLC	10%
S & D Consultants (Pvt) Limited	6%
ABC Pharma (Pvt) Limited	8%
ITA Travel Agency INC	15% (a US Company)

Appendix 02

ThuruSevana Eco lodge (Pvt) Limited Projected Feasibility Statement										
Year	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Days in the year	365	365	365	365	365	365	365	365	365	365
Rooms	20	20	20	20	40	40	50	60	60	60
Rooms nights available	7,300	7,300	7,300	7,300	14,600	14,600	18,250	21,900	21,900	21,900
Occupancy (%)	40	50	65	75	50	65	65	65	70	75
Room nights sold	2,920	3,650	4,745	5,475	7,300	9,490	11,863	14,235	15,330	16,425
Guest nights	3,650.00	4,562.50	5,931.25	6,843.75	9,125.00	11,862.50	14,828.13	17,793.75	19,162.50	20,531.25
Year to year increase %		3	3	5	5	5	5	5	5	5
Net Room Rate - FB (USD)	250	258	265	278	292	307	322	339	355	373
Exchange Rate USD1= Rs.	106	112	119	126	134	142	148	149	152	154
Net room rate FB (in Rs.)	26,500.00	28,840.00	31,561.78	35,089.27	39,183.02	43,598.41	47,712.63	50,436.76	54,024.88	57,472.52
Meal allocation (per guest night Rs.)	600	618	637	668	702	737	774	812	853	896
F&B Extra (Rs.)	1,800	1,854	1,910	2,005	2,105	2,211	2,321	2,437	2,559	2,687
Other extras(USD)	15	15	16	17	18	18	19	20	21	22
Other extras (Rs.)	1,590	1,680	1,904	2,142	2,412	2,556	2,812	2,980	3,192	3,388

Note:

Guest night: equivalent to one guest spending one night at an establishment. For example, a motel with 15 guests spending two nights would report provision of 30 guest nights of accommodation.

Occupancy rate: derived variable calculated by dividing stay unit nights occupied by stay unit nights available. For example, if a hotel had 60 of its 100 rooms occupied every night in June, it would have 60 x 31 = 1,860 stay unit nights occupied, and its occupancy rate would be 60 percent.

F&B: Food & Beverage

F&B Extra : additional Food & Beverage

ThuruSevana Ecolodge (Pvt) Limited											
Appendix 03											
Forecasted Budget											
		Rs. '000									
Year		**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Revenue											
Room		77,380	105,266	149,761	192,114	286,036	413,749	565,991	717,967	828,201	943,986
Meal allocation		2,190	2,820	3,775	4,574	6,404	8,741	11,473	14,456	16,346	18,389
F&B extras		6,570	8,459	11,326	13,722	19,211	26,224	34,418	43,367	49,038	55,168
Other extras		5,804	7,665	11,293	14,659	22,010	30,321	41,697	53,025	61,167	69,560
Total revenue		**91,944**	**124,210**	**176,155**	**225,069**	**333,661**	**479,035**	**653,579**	**828,815**	**954,752**	**1,087,103**
Cost of sales											
Room (USD 100 per room)	$100	30,952	40,880	56,466	68,985	97,820	134,758	175,565	212,102	233,016	252,945
Meal allocation	60%	1,314	1,692	2,265	2,744	3,842	5,245	6,884	8,673	9,808	11,034
F & B extra	40%	2,628	3,384	4,531	5,489	7,685	10,489	13,767	17,347	19,615	22,067
Other extra	20%	1,161	1,533	2,259	2,932	4,402	6,064	8,339	10,605	12,233	13,912
Cost of sales		**36,055**	**47,489**	**65,521**	**80,150**	**113,749**	**156,556**	**204,555**	**248,727**	**274,672**	**299,958**
Gross profit		**55,889**	**76,721**	**110,634**	**144,919**	**219,912**	**322,479**	**449,024**	**580,088**	**680,080**	**787,145**
Overhead expenses											
Departmental		1,278	1,431	1,603	1,795	2,010	2,251	2,521	2,824	3,163	3,543
Payroll & expenses (10% p.a increased)		15,251	16,776	18,454	20,299	44,658	49,124	67,545	89,160	98,076	107,883
Administration (Rs.1500 per room night)		10,950	12,045	13,250	14,574	32,064	35,270	48,496	64,015	70,417	77,459
Marketing (5% on total revenue)		4,597	6,210	8,808	11,253	16,683	23,952	32,679	41,441	47,738	54,355
Energy (Rs.350 per guest night)		1,278	1,405	1,546	1,700	3,741	4,115	5,658	7,468	8,215	9,037
		33,354	37,867	43,661	49,621	99,156	114,712	156,899	204,908	227,609	252,277
Inflation %		10	10	10	10	10	10	10	10	10	10
Operating profit		**22,535**	**38,854**	**66,973**	**95,298**	**120,756**	**207,767**	**292,125**	**375,180**	**452,471**	**534,868**
Financial expenses											
Overdraft interest		2,560	1,250	1,250	-	5,250	6,500	6,500	9,520	9,500	10,000
Loan interest		7,950	7,250	7,150	6,950	5,150	4,500	3,250	3,200	2,500	2,000
Depreciation		28,880	29,380	29,880	30,880	31,880	81,880	84,380	99,380	119,380	124,380
		39,390	37,880	38,280	37,830	42,280	92,880	94,130	112,100	131,380	136,380
Net profit		**(16,855)**	**974**	**28,693**	**57,468**	**78,476**	**114,887**	**197,995**	**263,080**	**321,091**	**398,488**
Property Plant and Equipment		**Rs.'000**									
Brought forward		288,800	293,800	298,800	308,800	318,800	818,800	843,800	993,800	1,193,800	1,243,800
Additions		5,000	5,000	10,000	10,000	500,000	25,000	150,000	200,000	50,000	50,000
Carried forward		293,800	298,800	308,800	318,800	818,800	843,800	993,800	1,193,800	1,243,800	1,293,800
Cumulative depreciation		**28,880**	**58,260**	**88,140**	**119,020**	**150,900**	**232,780**	**317,160**	**416,540**	**535,920**	**660,300**

Appendix 04

ThuruSevana Eco lodge (Pvt) Limited

Income Statement for the year ended 31 March

	(Rs. '000)		
	2015	**2014**	**2013**
Revenue	468,252	425,250	350,264
Cost of sales	(269,656)	(223,100)	(163,889)
Gross profit/(Loss)	**198,596**	**202,150**	**186,375**
Other operating income	5,250	2,541	3,220
Marketing expenses	(73,601)	(69,593)	(65,291)
Administrative expenses	(107,401)	(104,389)	(97,936)
Profit from operating activities	**22,844**	**30,709**	**26,368**
Finance cost	(27,768)	(27,812)	(26,500)
Finance income	1,150	1,845	2,450
Net finance income	(26,618)	(25,967)	(24,050)
Profit before tax	(3,774)	4,742	2,318
Tax expenses	(125)	(272)	-
Profit/(Loss) for the year	**(3,899)**	**4,470**	**2,318**
Statement of Comprehensive income			
Profit/(Loss) for the year	(3,899)	4,470	2,318
Other comprehensive income/(expenses)			
Gains on property revaluation	43,000	-	-
Net changes in fair value of financial assets (available for sale)	1,270	(1,500)	(125)
Total comprehensive income	**40,371**	**2,970**	**2,193**

Earnings per share (Rs.)	**(0.71)**	**0.81**	**0.42**
Number of chalets	40	40	40

Appendix 05

ThuruSevana Eco lodge (Pvt) Limited

Statement of financial position as at 31 March

	(Rs.'000)		
	2015	**2014**	**2013**
Assets			
Non-current assets			
Property, plant and equipment	792,201	722,501	750,199
Investments (quoted public companies)	12,770	12,786	14,379
	804,971	**735,287**	**764,578**
Current assets			
Inventories	35,845	40,250	27,520
Trade and other receivables	47,500	36,250	37,250
Amounts receivable from related parties	30,250	38,250	20,260
Deposits, prepayments and advances	6,150	5,240	3,250
Fixed deposits at commercial banks	19,150	18,450	23,500
Cash & cash equivalents	1,250	2,500	1,569
Others	2,160	1,979	2,366
	142,305	142,919	115,715
Total assets	**947,276**	**878,206**	**880,293**
Equity & liabilities			
Shareholders' equity			
Stated capital (Rs.100 per share)	550,000	550,000	550,000
Revaluation reserve	43,000	-	-
Available for sale reserve	(482)	(1,752)	(252)
Accumulated losses	(74,681)	(70,782)	(75,252)
	517,837	477,466	474,496
Non-current liabilities			
Interest bearing borrowings (including FCBU loans)	164,374	205,250	242,800
	164,374	205,250	242,800
Current liabilities			
Amounts payable to related parties	105,401	56,134	59,379
Trade & other payables, including foreign agents payables	95,961	84,963	55,785
Interest bearing borrowings (Overdraft /short term)	57,178	49,131	42,520
Other liabilities	6,525	5,262	5,313
	265,065	195,490	162,997
Total liabilities	**429,439**	**400,740**	**405,797**
Total equity and liabilities	**947,276**	**878,206**	**880,293**

I certify that these financial statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.

………Signed………..

Selvia Mendis-Financial Controller

Appendix 06

Issues and challenges for the hotel sector (an extract from RAM Hotel sector report)

Funding constraints

The Sri Lankan hotel sector has generally faced challenges when trying to secure funding, as banks have been unwilling to lend to the industry because of its dismal performance during the civil war, coupled with the segment's acute susceptibility to adverse macroeconomic conditions and external shocks. Although we note that loans granted to the tourism sector by licensed commercial banks had almost doubled year-over-year (YOY) during the first half of 2010, their aggregate exposure to this sector came up to less than 3% (or LKR 30.54 billion) of the commercial banking system's entire loan portfolio as of end-June 2010. This is also reflected in the relatively low gearing ratios of hotel operators. Moreover, it is evident that large, established hotel operators with their holding companies' support may be in a position to obtain bank funding on favorable terms while the small and medium-sized establishments face difficulties. On a separate note, raising capital via the stock market is now an attractive option given the buoyancy of the Colombo Stock Exchange (CSE) and the near-euphoria buoying the tourism sector. However, this is a viable option only for listed entities, which account for less than 5% of Sri Lanka's hotels. We believe that entities may be reluctant to raise capital via IPOs due to their lack of procedural infrastructure and the requisite level of transparency required by the CSE's listing criteria.

Shortage of Trained Industry Personnel

There is currently a severe dearth of employees in the hotel sector vis-à-vis catering to the authorities' target of 2.5 million visitors. Employment in the hotel and tourism sectors come up to around 300,000 at present; industry experts estimate that close to 1.5 million employees would be required to attend to the anticipated influx of tourists by 2016. As such, the number of such personnel must augment 5-fold within the next 5 years - a demanding task given the current state of tourism education in the country. Such education is mainly provided by the Sri Lanka Institute of Tourism and Hotel Management (SLITHM), a few national universities and several isolated private institutions. Due to lack of information, the number of graduates from these private institutions cannot be estimated; the SLITHM and national universities only produce some 3,000 graduates each year. Meanwhile, the quality of the training offered by the private institutes is also a concern, as they are not regulated. Going forward, the hotel sector needs integrated HR development to address the shortage of trained industry personnel.

Quality of Offerings

As the local hotel sector has been operating under extremely challenging conditions in the past few decades, there has been inadequate emphasis on upgrading facilities and infrastructure to international standards. It is thus clear that many Asian neighbours have progressed significantly in terms of the quality of their offerings relative to Sri Lanka. Unless there is substantial investment in the refurbishment/upgrading of hotel rooms (particularly for mid and low-end properties) and amenities, the industry will not find it easy to capitalise on the opportunities arising from the country's post-war development.

Rating Considerations

The credit profile of a hotel operator is analysed under 2 main categories of risk: business and financial. Business hazards are tied to several factors such as country risk, industry risk, and the entity's relative competitiveness. Financial risk involves capital structure, cash flow as well as liquidity and financial flexibility.

Business Risk

While country risk has an impact on all the businesses operating within an economy, industry risk focuses on factors that are specific to that particular sector. In general, Sri Lanka's level of country risk has eased substantially following the resolution of its 3-decade-long military conflict. Its current government is deemed politically stable. With regard to industry risk, the vulnerability of a hotel depends on the intensity of competition within the market and on its business model, i.e. whether it is a luxury, mid-range or budget establishment. In addition to country and industry risks, competitiveness is also crucial when evaluating a company's business risk. Competitiveness depends on a range of factors, including the company's market share, extent of diversification, brand value, operating efficiency, growth strategies, and its earnings volatility. While the latter appears to be common to most hotel operators in Sri Lanka, the revenues of groups that operate a number of establishments (e.g. John Keells Hotels PLC, Aitken Spence Hotels Holdings PLC and Ceylon Hotels Corporation PLC) are understandably less volatile because of their geographic diversity. A hotel's competitive position is also reflected by its operational efficiency, including average occupancy rates, average room rates and revenue per available room.

Economic Impact of Travel & Tourism

The World Travel & Tourism Council (WTTC), recently published the "Economic Impact of Travel & Tourism: 2015 Annual Update Summary". It highlighted positive outcomes regarding the industry globally. It points out that travel and tourism directly contributed to the world gross domestic product (GDP) and employment in 2014; USD 2.4 trillion and 105 million jobs respectively. This represented a 2.3% growth. All major components of travel and tourism recorded growth in year 2014. It brought to notice that South Asia, led by India, and the Middle East, were the fastest growing regions globally in terms of travel and tourism. The African region picked up despite the negative impact of Ebola. Visitor exports growth in 2014, in real terms, was the fastest in the Middle East and Africa but slow in Asia (8.1% in year 2013 to 4.1% in 2014). As highlighted, world total travel and tourism GDP growth of 3.7% will be stronger, again than wider economic growth of 2.9%. Lower oil prices will benefit net importing economies and this is already being felt through falling inflation which is boosting real disposable incomes and consumer purchasing power. WTTC expects travel and tourism in 2015 to generate in the region of 7.2 million new jobs in total. Also it highlights the prospects of China overtaking the United States in terms of travel and tourism investments. China will move up two places to 2nd for visitor exports, overtaking Spain and France.