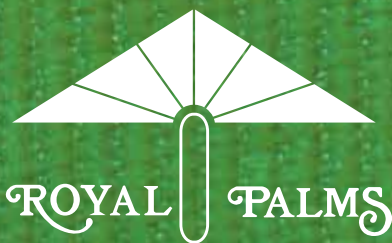


Regal Splendour



Royal Palms Beach Hotels PLC
Annual Report 2016/17

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Income Statement

Our Vision

To be in the forefront of the hospitality industry providing our valued Guest a memorable experience.

Our Mission

To achieve our vision, we provide the most comprehensive holiday package and ensure caring service to the Guest.

Our Values

We assure our Guests, our inspirational strength, dependable support and our high standard of service. Our business revolves around people, in building the right atmosphere to serve our valued customers.

We consider our staff the most valuable asset and strive to improve their levels of performance through training.

Above all we pledge to safeguard the environment we live.



Regal Splendour

A favourite amongst new and existing patrons alike, the Royal Palms Beach Hotel in Kalutara boasts of a unique combination of old-world charm accompanied by the finest of modern amenities that the hotel has in recent times, upgraded for the benefit of its discerning guests. The hotel has long been a destination for the quintessential romantic and thrill-seeker pursuing the ideal tropical getaway and the year under review has seen the hotel continue to be first-choice in this regard amongst travellers.

Excellence is witnessed across the board from our provision of exquisitely prepared meals to unparalleled service and the regal splendour of accommodation that the Hotel is acclaimed for. In spite of the challenges faced by the nation's tourism industry as a whole, our unrelenting desire to remain at the forefront of the hospitality sector ensures a consistently, opulent experience fit for royalty for each of our guests.

Hotel at a Glance

119

Deluxe Rooms

10

Suites



6 3 Dinning Outlets
3 Bar Outlets
Outlets



1
Banquet Hall



Tangerine Group of Hotels



KALUTARA - SRI LANKA

Pure beachside bliss and lazy days await you at one of the most luxurious hotels in Kalutara, Sri Lanka. Space meets light at our sunny haven in a fusion of ancient and modern design, where myriad corners of quiet beauty are yours to call your own. A vast stretch of glittering sands kiss the rolling surf. The palms sway and beckon you to bring a deck chair and at just 40km South from Colombo on the Western coastline, you don't have to travel far for it either.



GRAND HOTEL
ESTABLISHED 1891

An elegant High Tea on a manicured lawn; sip a stiff brandy by the blazing fire after a round of golf in the chill air. Is it England in the Days of the Raj? It may be the 21st century but colonial splendour still reigns in all its past glory at the Grand Hotel. Built in 1891, this was the palatial residence of the former Governor of Sri Lanka, Sir Edward Barnes; today we offer the ultimate in comfort and the best of traditions from the 'good old days' to all who seek the charms of our famed hill country landmark.



Nilaveli
Beach Hotel, Trincomalee

Pristine white sands, stretch far into the distance. The gentle waves slip softly to shore. The turquoise ocean seems endless as it blends into the clouds. Slowly, the golden sun lifts above the horizon – paradise at dawn? At Nilaveli Beach Hotel, this is just another ordinary morning. Located 275km from Colombo, on the North East Coast of Sri Lanka, Nilaveli is the ultimate getaway for those who wish for quiet bliss on a tropical heaven, far away from the cares of life.



FAIRVIEW HOTEL
Welcome Home

Fairview City Hotel is a specially created haven for travellers situated on the edge of the city limits just a few minutes' walk away from the two main thoroughfares of Colombo – Galle Road and Marine Drive. With all the modern amenities you need combined a little homely touch it is the ideal choice for a comfortable, inspiring and productive stay in Sri Lanka's commercial capital.

Awards and Accolades



South Asian Travel Award 2016

We are indeed honoured to achieve this prestige award for our commitment towards Corporate Social Responsibility and winning the award best Corporate Social Responsibility program for Sri Lanka and South Asia.



Compliance Award For the Annual Report in the Hospitality Sector

Royal Palms Beach Hotel won the compliance award for the Annual Report in the hospitality sector at the 52nd Annual Report Awards competition. This competition is conducted by the Institute of Chartered Accountants in an effort to promote and identify excellence in annual reporting.



Travelife Gold Award

We have honored to receive Travelife Gold award for 2017/18. This unique award was awarded for our tremendous commitment and hard work on sustainable tourism.

ISO 14001, 18001, 22000 and HACCP

Once again we were certified for with ISO 14001, 18001, 22000 and HACCP by SGS Lanka for year 2017, 2018 and 2019.

Financial Highlights

Year ended 31st March	2017 Rs.'000	2016 Rs.' 000	% Change
Results for the year			
Gross Revenue	582,319	637,372	(8.64)
Cost of sales	(201,418)	(198,364)	(1.54)
Operating Profit before Interest & Tax	97,010	174,125	(44.29)
Interest expense	(266)	(361)	(26.32)
Profit /(Loss) before tax	96,744	173,764	(44.32)
Income tax expense	(10,005)	(25,246)	(60.37)
Profit /(Loss) after tax	86,739	148,517	(41.60)
Profit /(Loss) attributable to shareholders	86,739	148,517	(41.60)
Dividend declared	40,000	40,000	-
Financial Position at the end of the year			
Shareholders' funds (Stated Capital & Reserves)	2,247,084	2,200,457	2.12
Total Assets	2,500,254	2,456,192	1.79
Number of shares in issue (in Million)	50	50	-
Information per Ordinary share			
Earnings per share (Rs.)	1.73	2.97	(41.75)
Dividend per share (Rs.)	0.80	0.80	-
Net Asset per share (Rs.)	44.94	44.01	2.12
Ratios			
Return on shareholders' funds (%)	3.86	6.75	(2.89)
Return on total assets (%)	3.47	6.05	(2.58)
Year on year EPS Growth (%)	(41.75)	560.00	(601.75)
Interest cover (Times)	365.13	482.34	(24.30)
Dividend cover (Times)	2.17	3.71	(41.51)
Equity : Assets (%)	89.87	89.59	0.28
Current Ratio (Times)	5.22	4.92	6.10
Gearing Ratio (%)	0.11	0.21	(0.10)
Market Shareholder Information			
Market price of a share as at 31st March (Rs.)	21.90	30.50	(28.20)
Market Capitalisation (Rs.' 000)	1,095,000	1,525,000	(28.20)
Price Earnings Ratio (Times)	12.66	10.27	23.27

582.3 Mn

Revenue

96.7 Mn

Profit Before Tax

1.73

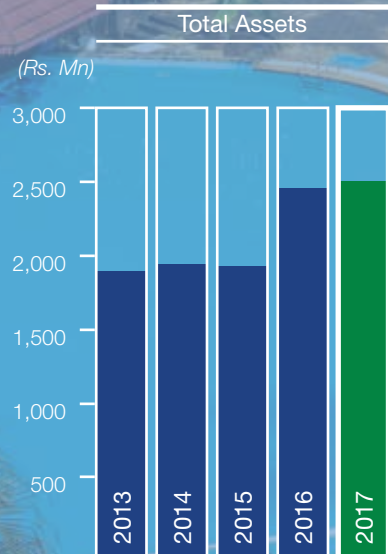
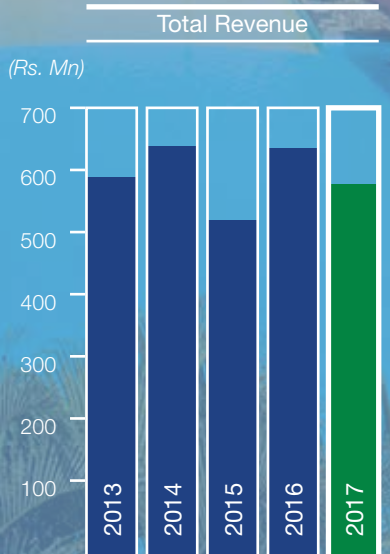
Earnings per Share

2.50 Bn

Total Assets

2.25 Bn

Total Equity



Milestones

2014
October

Opened the new
Banquet Hall
Entrance

2014
1st
December

Started the "Taste
Buds" pastry shop at
hotel premises

2015
December

New Laundry outlet at
Galle road opened

2015
September

New Ladies quarters
opening

2016
December

Renovation of Main
Restaurant and Main
Bar

2016
October

Winning of South Asian Travel
Award for Best CSR program
in South Asia and Sri Lanka.

ROYAL

1992
20th
May

Company was
incorporated as
a Private Limited
Liability Company

1992
16th
October

Company signed an
agreement with the
Greater Colombo Economic
commission "to build &
operate" a 124 room Five
Star Hotel

1993
December

Commenced the
construction of
proposed Five Star
Resort

1994
25th March

By a special resolution
company was converted
to a Public Limited Liability
Co. and company's
authorised share capital
was increased from
150Mn to Rs.250Mn

1996
04th
October

Royal Palms Beach Hotel
commenced operations
with the vision to be in the
forefront of the hospitality
industry providing our
valued guest a memorable
experience.

2013 March

"The Gazebo" an Old Balinese style artifact placed on the beach for special occasions.

The "Orient" restaurant was redesigned and named as "The Cabana"

2013 February

Japanese restaurant was redesigned with an open café concept.

2013 June

New Penthouse suites and two Beach Deluxe rooms were established and total rooms were increased from 125 to 129

Refurbishment of 33 rooms were completed

2011 June

Refurbishment of 24 rooms were completed

2010 November

Laundry was installed with a new 45Kg washer and 55Kg dryer

Fitness center relocated

1997 31st March

Company registered a net profit of Rs. 3.9 Mn from its initial six months of operation

1997 04th December

"Orient" the specialty restaurant was opened for fine dining.

2002 September

Two northern wing suits were completed.

2009 July

Hotel kitchen staff participated the culinary art competition and won 10 Bronze Medals and 8 Silver Medals being placed 11th in the entire island.

2010 25th October

New banquet hall commissioned

PALMS

Highlights of the Year

April 2016

The month of April considered as the starting month of Sinhala & Hindu New Year and Sri Lankans celebrate the dawn of New Year on 13th or 14th of April every year.

Royal Palms Beach Hotel celebrated Sinhala & Hindu New Year in a traditional way with lot of traditional games, traditional food and traditional sweetmeats on 14th of April. Not only for the guest, we celebrated New Year with our staff with a Traditional Tea Party.



Staff New Year Celebration



May 2016

Along with Sinhala & Hindu New Year which takes place in April, Royal Palms Beach Hotel organised a separate New Year Day for Staff with a typical tea kiosk featuring of traditional New Year games, sweat meats, raban players, and games such as pillow fighting, blind blow, tug of war, sack race, marathon, cycle race, coconut leaves weaving , fancy dress parade and Awurudu Kumara and Kumariya.

Vesak lantern competition was held among the departments on Vesak full moon poya day to coincide with the Vesak celebration in order to build unity among the departments. The staff was encouraged to use re-useable, recyclable and environment friendly materials to make lanterns and the best three lanterns were selected and gift being distributed.

Staff New Year Festival



Vesak Lantern Competition



Highlights of the Year Contd.

June 2016

To develop the leadership skills of the executive and supervisory staff, Royal Palms Beach Hotel was conducted several trainings from reputed personnel in the country and was given opportunity to staff to develop their selves and career.

It was an honour to serve the President Mr. Maithripala Sirisena and Prime Minister Mr. Ranil Wickramasinghe at Royal Palms Beach Hotel, Kalutara.

Executives and Supervisors Training



President and PM's Visit to Royal Palms



July 2016

Several staff trainings were carried out in order to develop the standards of the hotel and especially focused on team building sessions.



August 2016

Fire evacuation training was given to the staff including the Hotel Fire Team to make sure the protection of the property, guests and staff at an event of a fire.

A solar hot water project was started to reduce electricity consumption. From this the hotel expect to minimise the electricity consumption and use solar energy to heat the water.

This month, the hotel has renovated Ranthalu Restaurant and given it a modern and lavish look with beautiful furniture and separate cubicles for food sections.

The hotel also hit 1000 comments on Tripadvisor, a world famous online search engine for hotels around the world.

Fire Drill



Solar Hot water Project started



Ranthalu Restaurant Renovation



1000 likes on Tripadvisor



Highlights of the Year Contd.

September 2016

September month was mainly focused for the Corporate Social Responsibilities. The hotel engaged in a few familiarisation and educational tours for school students and some university students.

The hotel also took the responsibility of renovation of the Premature Baby Unit of Nagoda General Hospital by providing all necessary equipment and renovated the wards.

A hotel staff trip was organised this year and the selected destination was Kataragama . This was a two night and three day trip and many staff participated and enjoyed it.

Anglis University Students' Familiarization tour



Premature Baby Unit of Nagoda General Hospital Renovation



October 2016

October was a remarkable month for the staff since they had Annual Staff Day carried out by both Royal Palms Beach Hotel and Tangerine Beach Hotel, During this event the family members are invited to participated to games and dinner at the hotel premises.

Hotel had organised a blood donation campaign during the month of October which is another CSR project carried out during month of October.

It was an honour to serve Mr. and Mrs. Price who are Guinness World Record Holders and they have celebrated their birthday at the hotel premises followed by a press conference.

Since the Christmas season was coming, the Christmas cake mixing was done with a small celebration at the hotel with the participation of repeat and in-house guests.

All repeaters were impressed with a delicious dinner and given them an opportunity to cherish their memories at Royal Palms Beach Hotel and get to know each other.

The Oktoberfest, which is a famous festival in German celebrated at Royal Palms Beach Hotel with lot of German traditions.

Annual Pirith ceremony and the multi religious program carried out to mark the 20th anniversary of Royal Palms Beach Hotel with the participation of all staff and guests.

31st of October was the date for the Halloween and the Hotel has organised a grand Halloween party at Hotel Night Club.

Staff Day



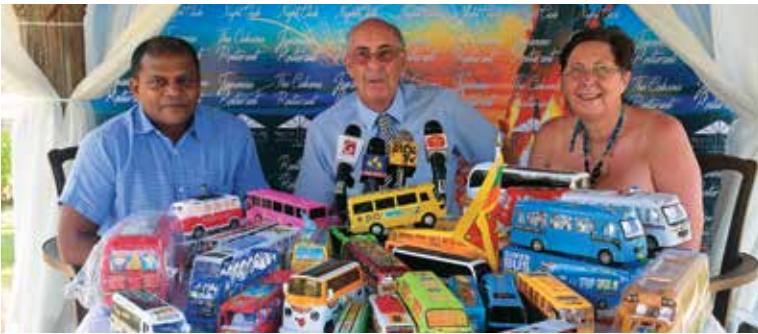
Highlights of the Year Contd.

More Events from October 2016

Blood Donation Campaign



Guinness World Record Holder Mr. Price's Birthday and Press Conference



Wedding Planners Cocktail



Christmas Cake Mixing



More Events from October 2016

Repeaters Dinner



Oktoberfest



Halloween Night



Highlights of the Year Contd.

More Events from October 2016

Annual Pirith Ceremony



20th Anniversary Celebration



November 2016

Staff Eye Clinic was carried out during the month of November and all the staff given the opportunity to check their vision and obtain spectacles at a low cost.

The hotel maintained pre school kids were sent on a trip to Zoological Garden, Viharamahadevi Park and Galle Face from the hotel, they enjoyed their day with the valuable tour they received to visit Colombo.

Annual year end concert at the Sumudugama Pre School was held during end November and most expenses was borne by the hotel. The stage decorations, snacks and especially Santa Claus and the Christmas tree thrilled the children.

Staff Eye Clinic



Sumudugama Pre School Trip



Sumudugama Pre School Concert



Highlights of the Year Contd.

December 2016

24th of December was the Christmas day and the Christmas celebration was happened at the hotel premises with a huge tea twig Christmas tree and Santa Claus. All guests enjoyed the day.

The 31st night celebration was a theme party and the hotel was decorated according to the theme. The day was filled with lot of fire cracker and events. The Royal Palms Queen Pageant was held along with a raffle draw and the day ended with the marking of the new year.

Christmas Celebration



31st Night Celebration



January 2017

As with every year, a New Year Celebration was held at the staff meal room with all staff members to welcome the new year with new hope.



February 2017

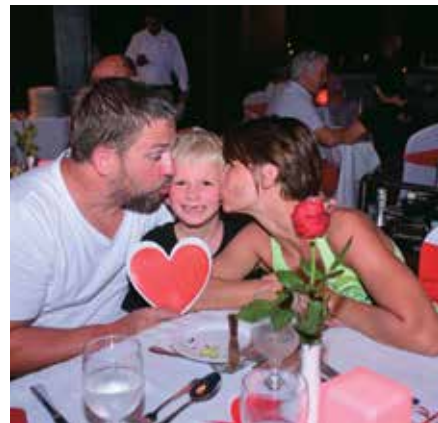
Independence day of Sri Lanka was celebrated on the 4th February with the participation of guests. There was a cultural show to demonstrate the various ethnic groups of Sri Lanka and traditional sweet meats were served to the participants.

Valentine's Day 2017 was celebrated on the beach and each lady was welcomed with a red rose.

Sri Lanka's Independence Day



Valentines Day



March 2017

Earth Hour, which is celebrated worldwide on the last Saturday during the month of March was celebrated by switching off all the lights of the hotel for 02 minutes and candles were provided for use in all possible public areas.



ICONIC ELEGANCE





Unparalleled luxury meets old world charm at the Royal Palms Beach Hotel. Acclaimed for its stylishly furnished interiors, tastefully decorated rooms and attractively landscaped surroundings, the hotel is the preferred choice for travellers seeking a refined holiday getaway unlike anything they have been availed to before.



Chairman's Message



On behalf of the Board of Directors of Royal Palms Beach Hotels PLC, I have the pleasure of presenting the Annual Report and Financial Statements of the Company for the year ended 31st March 2017.

The Sri Lankan tourism industry, a major foreign currency earner in the economy, continued its growth momentum during 2016. Tourist arrivals crossed the 2 million milestones for the first time in the history, reaching 2,050,832 arrivals, recording an impressive annual growth of 14% in 2016. The significant increase in tourism related infrastructure development and investments, increased connectivity through the operation of new airlines and cruise lines, together with country specific promotional campaigns have contributed to this impressive growth. Increased geo-political tension in major tourist destinations of the world also helped Sri Lanka to attract tourists. Earnings from tourism accordingly continued its growth momentum in 2016, contributing towards the strengthening of the services account. As a result of the increase in tourist arrivals, together with higher spending and the increased duration of stay by tourists, earnings from tourism grew by 18% to US dollars 3,518 million in 2016, in comparison to US dollars 2,981 million in 2015.

Over the year the Company has worked diligently to build up operational efficiencies and to grow the business, despite the global economic decline and its impact on the operations of the Company and its guests, particularly in a scenario where the weakening rupee, adverse weather and prolonged drought have pushed up prices of goods and services. All these factors have both positive and negative impacts on Royal Palms Beach Hotel. As in Sri Lanka, the weaker rupee may have positive impacts for the tourism industry, making it more affordable for international guests to travel. However, with disposable income under pressure at the business originating environments, we are experiencing limited growth in leisure industry revenue while certain costs are seemingly increasing, and as hoteliers we may face many difficulties to maintain healthy profits.

Furthermore, this tougher economic operating environment is also clouded with uncertainty in respect of political and social challenges. It is at times like this that a

Company's values are truly tested and at Royal Palms we pride ourselves with the fact that our business practices remain underpinned by high ethical principles that are embraced by the Board, practiced by the leadership team and cascaded down to our employee groups for final executions.

We remain committed to the highest standards of Corporate Governance and compliance, not only with the letter of the law but also with the spirit of the law. We are unwavering in our position of practicing zero tolerance to corruption at every level in the organisation. This enables the company to continue with creating stakeholder value and to consistently provide our stakeholders with transparent information through various mediums, including presentations of company results and integrated reporting.

As the demographics and diversity of our employees change so do their expectations. Tourism growth and the notably increasing costs of living in Sri Lanka have both added to the challenges of retaining the staff. As we remain committed to the constant development, coaching and mentoring



Over the year the Company has worked diligently to build up operational efficiencies and to grow the business, despite the global economic decline and its impact on the operations of the Company and its guests

2.50Bn
TOTAL ASSETS

of our employees, we have introduced e-learning which is now an effective way of training at Royal Palms.

Presently, the hoteliers feel that the authorities should plan their policy frame work to safeguard the tourist industry. We can see at present that there is an oversupply situation of hotels in Colombo and suburbs. As a result the existing hostelries find it difficult to operate. Another major issue is the pricing strategy, we have not yet triggered demand factors to meet this over supply of hotel room nights. Authorities should take a serious note of this situation when approving new projects in locations where there is an oversupply of room nights already. This strategic measure will enable the hoteliers and the country to attract high spending guests, so that we can give more benefits to the employees and retain them.

Further, since home stays are gaining popularity among budget tourists, it is important to standardise informal sector accommodation as higher standards are required to maintain the country's competitiveness in the long run as the informal sector does not pay taxes. The informal sector pays little or no taxes or levy. Therefore, they have a huge competitive edge and the numbers of rooms have now exceeded the formal room count. At the same time, policy initiatives are needed to diversify the availability of tourist activities in Sri Lanka, where more emphasis should be paid towards lagging sectors of the tourism industry, such as leisure tourism and recreational tourism in order to increase average guest nights, which currently remains stagnated.

Due to global uncertainties and economic conditions, the tourism industry may get affected in 2018. World Bank expects Sri Lanka's GDP growth to remain unchanged in 2016 and grow marginally over 5% in 2017 and beyond driven by public and private investment, tourism and reduced negative impact on growth from commodity imports. The impact of past currency depreciation and the increase in the Value Added Tax rate is expected to increase inflation in 2017 despite downward pressure from low international commodity prices. Accordingly, Royal Palms may have to be geared for this scenario in order to emerge successful at the end.

In this backdrop, I am very proud of all the achievements we have made in 2016/17. The work being done by our colleagues day in- day out, to deliver the real hallmarks of our distinctive brands, and bring each of them to life, is truly outstanding. Their passion and enthusiasm has been a driving factor in our strong and improving guest satisfaction scores, and has fueled further demand from our patrons, as illustrated by another strong year of hotel openings and signings. As we head into 2018, I would like to thank all staff members for their tireless efforts to create great guest experiences, and our stakeholders for their continued confidence in our business and commitment to driving success.

Angelina Ondaatjie
For and on behalf of
Desabandu George L.A. Ondaatjie

22nd August 2017

Managing Director's Review



Year 2016-17 has been a challenging, but interesting year for us at Royal Palms. From a macro perspective, there have been many ground-shaking changes, with global uncertainties following political events like Brexit in the UK and elections in the US. Yet, looking back, we could see 2016 as a turnaround year for the economy as well as for us.

It has been another exciting year for the Company. We continued to make significant progress towards our vision of realising our growth potential and creating long-term value for our shareholders. Our performance during the year was in line with the Board's expectations. Alongside our focus on operating a successful business and delivering exemplary service to our guests, we undertook several corporate activities to re-shape our Company and position it for future growth and success. Our industry continues to evolve and we remain mindful of the geopolitical environment and the uncertainties the European travel industry is currently facing.

Sri Lanka Economic Outlook

Unfavourable weather conditions and sluggish global economic recovery caused the economy to grow at a slower rate of 4.4% in 2016 in real terms, in comparison to 4.8% in the previous year, although a steady acceleration in quarterly growth was observed from the second quarter of the year amidst tightened fiscal and monetary policies. Early signs of stabilisation were shown during the year 2016 in response to corrective actions adopted by the government and the Central Bank. Increased investment expenditure, especially in the construction sector, drove economic growth during the year, while consumption expenditure slowed in response to the policy environment in place. Inflation, which remained low in the first four months of the year, increased thereafter to record an annual average of 4.0% in 2016 (depicted by both National Consumer Price Index and Colombo Consumer Price Index.)

The high levels of inflation observed during some months in 2016 as well as in the first quarter of 2017 were mainly due to the adverse impact of weather related disruptions, tax adjustments and rising international commodity prices, but the increasing demand pressures of the economy were evident in core inflation remaining at elevated levels. These developments resulted in the balance of payments recording a deficit for the second consecutive year in spite of improvements in earnings from tourism and other service exports as well as workers' remittances. However, the exchange rate was increasingly allowed to reflect market conditions. The performance of the Sri Lankan economy in 2016 reconfirmed the necessity of addressing the deep rooted structural issues if the country is to progress steadily towards a higher growth trajectory, as envisaged.

Global Economic Outlook

Global economic policies continued to hold back a stronger recovery of the global economy, with persistent structural problems such as low productivity growth and high-income



“We continued to make significant progress towards our vision of realising our growth potential and creating long-term value for our shareholders”

582Mn
TOTAL REVENUE

inequality. The pressures for inward-looking policies are increasing in advanced economies. These threaten global economic integration and the cooperative global economic order that has served the world economy, especially emerging markets and developing economies as well. Against this backdrop, economic policies have an important role to play in staving off downside risks and securing the recovery, and a renewed multilateral effort is also needed to tackle common challenges in an integrated global economy.

Emerging market growth is projected to strengthen from 3.5% in 2016 to 4.1% in 2017 to reach an average of 4.6% in 2018-19, reflecting a recovery in commodity exporters and steady growth in commodity importers.

Rebounding global trade is expected to offset the negative effects associated with a gradual tightening of global financing conditions. The growth in South Asia region is forecasted to pick up to 6.8% in 2017 and accelerate to 7.1% in 2018, reflecting an expansion of domestic

demand and exports. Excluding India, regional growth is anticipated to hold steady at 5.7%, rising to 5.8%, with growth accelerating in Bhutan, Pakistan, and Sri Lanka but easing in Bangladesh and Nepal. India is expected to accelerate to 7.2% in fiscal 2017 (April 1, 2017 – March 31, 2018) and 7.5% in next fiscal year. Sri Lanka's growth is forecast to accelerate to a 4.7% rate in 2017 and 5% in 2018, as international financial institution programs support economic reforms and boost private sector competitiveness.

Sri Lanka Tourism

Earnings from exports of services grew by 11.6% to US dollars 7,138 Million in 2016, in comparison to US dollars 6,397 Million in 2015. The key growth driver within trade in services was earnings from tourism, followed by exports of transport and telecommunications, computer and information services. The Sri Lankan tourism industry, a major foreign currency earner in the economy, continued its growth momentum during 2016. Tourist arrivals crossed the 2 Million milestones for the first

time in the history, reaching 2,050,832 arrivals, recording an impressive annual growth of 14.0% in 2016.

The significant increase in tourism related infrastructure development and investments, increased connectivity through the operation of new airlines and cruise lines, together with country specific promotional campaigns have contributed to this impressive growth. Increased geo-political tension in major tourist destinations of the world also helped Sri Lanka to attract tourists. Earnings from tourism continued its growth momentum in 2016, contributing towards the strengthening of the services account. As a result of the increase in tourist arrivals, together with higher spending and the increased duration of stay by tourists, earnings from tourism grew by 18.0% to US dollars 3,518 million in 2016, in comparison to US dollars 2,981 million in 2015.

Managing Director's Review Contd.

Strategic Priorities

Against this backdrop, we continued focussing on our strategies in a way that makes sense for different markets and geographies, and that resources are aligned behind the most viable opportunities. This involves staying close to the trends shaping our industry, something we capture each year at Royal Palms. The Board's priority is to ensure that the business is focused on staying agile and moving at pace, whilst at the same time maintaining our strategic direction and ensuring that we continue to nurture a culture of strong values, develop world-class talent, and maintain trust and integrity with our stakeholders.

Corporate Responsibility

The success of our business is linked to the success of communities in which our hotels operate-from the Shareholders who partner with us to build hotels, to the local talent that operate the hotels, to the local economies and businesses our hotels support through sourcing their products and services to serve our guests.

"Travel with Purpose" is our corporate responsibility strategy, which is a holistic approach that leverages our global footprint and scale coupled with local insights and partnerships to address global and local challenges. Creating shared value for hotel employees, guests, owners, communities and overall business is a strategic priority we strive to achieve by focusing on advancing in three priority, material issue areas.

Financial Performance

The occupancy of Royal Palms Beach Hotel decreased from 76% to 66% as a result of reduced scale of operations to pave way for renovation of the restaurant and "Hurricane Bar". Accordingly the revenue decreased from Rs. 582.3 Million to Rs. 637.3 Million i.e. by 8.64% compared to the last year. This reduction is mainly due to adverse global economic conditions and increased competition. In spite of this drop in revenue we managed to achieve a profit after tax of Rs. 86.7 Million. This profit was earned despite tough competition in the down-south coastal area as a result of the rapid expansion in the number of rooms. We had strived to strategically position ourselves in the market to overcome the competition through service excellence and food quality. The Board has declared a dividend of Rs. 0.80 per share amounting to Rs. 40,000,000.

Operational Performance

Main restaurant of the hotel was renovated and refurbished after 20 years to enhance our product image to meet the challenges and trends of our competitors. The main restaurant is split into an air conditioned and non-conditioned areas contributing towards reducing the energy cost of the hotel. Lounge Bar was also renovated reducing the air conditioned area leaving the sea side area with a large open terrace thereby further reducing on energy cost.

We have been very successful in achieving cost savings in certain areas by shared services of Tangerine Beach Hotel and Royal Palms Beach Hotels. Some of the key areas are;

- Central Accounts Department
- Central Laundry
- Central Staff Kitchen and a Staff Cafeteria
- Central Water Bottling plant
- Central Sewerage treatment plant
- Central Ayurveda Spa
- Central Sports Activities in both hotels.

E-marketing strategy and prospects

Royal Palms Beach Hotel New Website was developed signifying its entry to the digital travel trade platform. In general, the upgrades of the new website cover the following.

1. Mobile Responsive Framework
2. Complete New Design Layouts
3. New Images uploaded to the site.
4. More Prominence given to images and increase of the fonts to match up with the latest W3C trends
5. Creation of Subdomain architecture i.e. <http://royalpalmsbeachhotel.tangerinehotels.com/> (Adding subdomains for each hotel site within tangerinehotels.com primary domain)
6. Integration with the Latest Bookings. Iik Reservation Plug-in
7. Special Offers Sign Up Box integration
8. Connectivity with Social Media
9. Direct Link with TripAdvisor Reviews
10. Integration with Google Maps

In 2016, we launched the own Booking engine of Royal Palms Beach Hotel with Senit Technologies who provided the booking engine software and the payment gateway for which the platform and implementation was done at no

cost to the hotel. By the end of April 2017, we will be implementing our own payment gateway to the existing booking engine. This allows the hotel to enjoy the benefits of payments well ahead in advance when the booking is done.

Industry Recognition

1. South Asian Travel Award 2016: We are indeed honoured to achieve this prestige award for our commitment towards Corporate Social Responsibility and winning the award best Corporate Social Responsibility program for Sri Lanka and South Asia.
2. Travelife Gold Award: We have honoured to receive Travelife Gold award for 2017/18. This unique award was awarded for our tremendous commitment and hard work on sustainable tourism.
3. ISO 14001, 18001, 22000 and HACCP accreditations: Once again we were certified for with ISO 14001, 18001, 22000 and HACCP by SGS Lanka for years 2017, 2018 and 2019.

Looking Forward Towards Prospects

Satisfying a vast variety of different guests is considered as one of the significant challenges in the tourism industry. As a result, Identifying travel trends and changing our services according to the requirements of our guests has become extremely important to remain competitive in the market.

In this process, we have identified “millennials” as the largest generation to date, which is a vital portion of our clientele. They will also be the largest market for travel trade in the next several years. Also we have

experienced a huge increase in the number of female travellers and this is set to increase in the next few years. Further, authentic food is likely to be a tourism driver in the future and providing a unique local food experience may assist in attracting tourists as a destination.

Additionally, business and leisure travel, responsible tourism etc., are emerging travel trends that will likely drive the global tourism industry in the future.

Concluding note

I am very proud of all the achievements we have made in 2016. The work being done by our staff day in- day out, to deliver the real hallmarks of our distinctive brand, and bring each of them to life, is truly outstanding. Their passion and enthusiasm has been a driving factor in our strong and improving satisfaction scores (guest comments) and has fuelled further demand from our local community, as illustrated by another strong year of hotel openings and signings. As we head into 2018, I would like to thank all the staff members for their tireless efforts to create great guest experiences and our stakeholders for their continued confidence in our business and commitment to driving success.



Angeline Ondaatje
Joint Managing Director

22nd August 2017

Financial Review

The Royal Palms Beach Hotels PLC's detail financial review should be read in concurrence with the Audited Financial Statements of the Company for the financial period ended 31st March 2017.

Revenue

The company turnover deteriorate during the year under review by 8.64%, with a record Rs. 582 million compared to Rs. 637 million of the previous year. This decrease mainly due to decreased in occupancy from 76% to 66%, which is a decreased of 10%. This decrease mainly due to Renovation of Restaurant and Hurricane Bar.

Cost of Sales

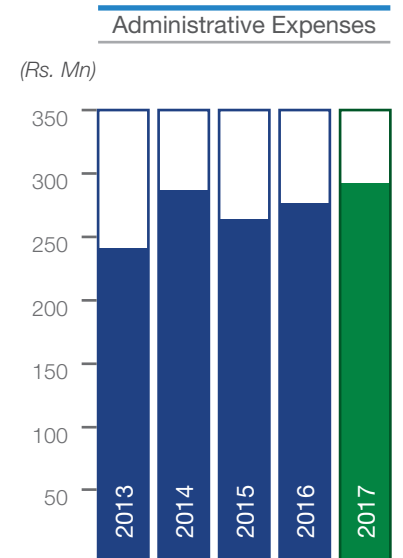
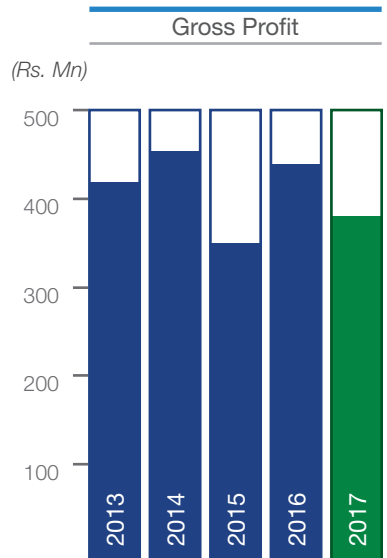
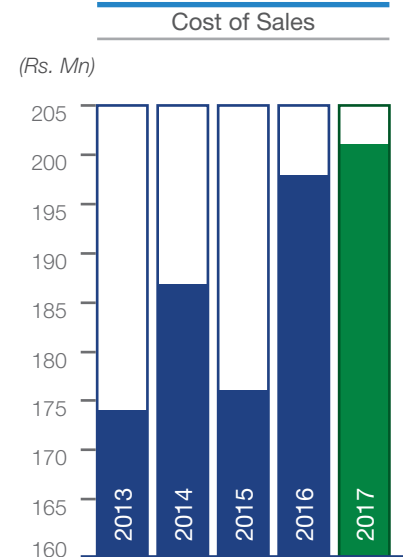
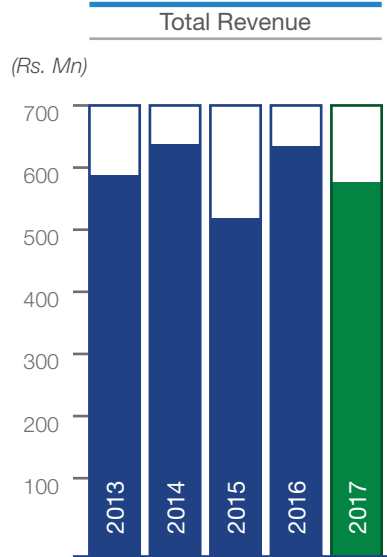
The Cost of Sales was Rs. 201 Million compared to Rs. 198 Million during the previous year. As a percentage 34.6% as against 31.1% during the previous year, this increase was mainly due to Food cost increased by 0.8% and decrease in occupancy.

Gross Profit

The Gross Profit of the Company for the year under review was Rs. 381 Million as against Rs. 439 Million in the previous year. The gross margin percentage decreased from 68.9% to 65.4%, which is an decrease of 3.5%.

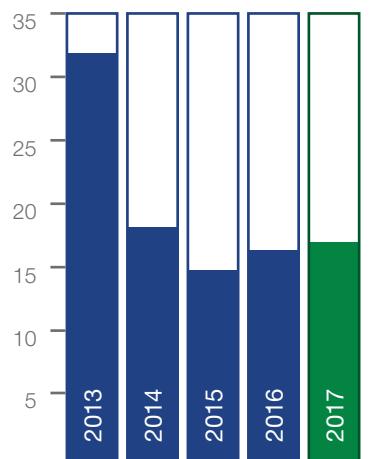
Administrative Expenses

The Administrative expense of the Company has increased by 5.4% from Rs. 277 Million to Rs. 292 Million in 2017. The increases came through in Provision for Depreciation and Salaries.



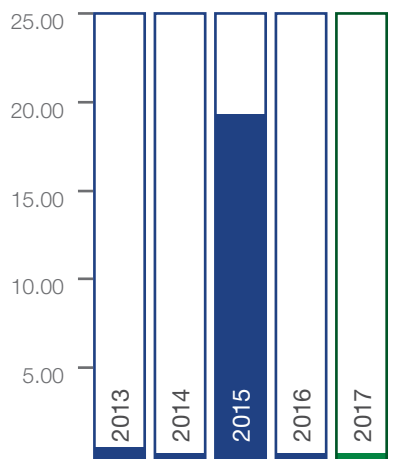
Selling & Distribution Expenses

(Rs. Mn)



Other Expenses

(Rs. Mn)



Selling & Distribution Expenses

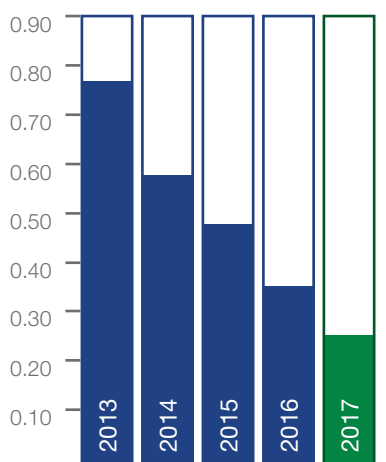
This includes expenses such as Sales Promotions, Advertising and Entertainment and other Marketing related expenses. Selling and Distribution Expenses have increased by 3.38% and amounting 0.57 Million. This was mainly due to increase in Sales Promotion Expenses.

Other Expenses

Other Expenses have increased by 15.4% from Rs. 0.54 Million to Rs. 0.62 Million during the financial period. This was mainly due to increase in Donations during the year.

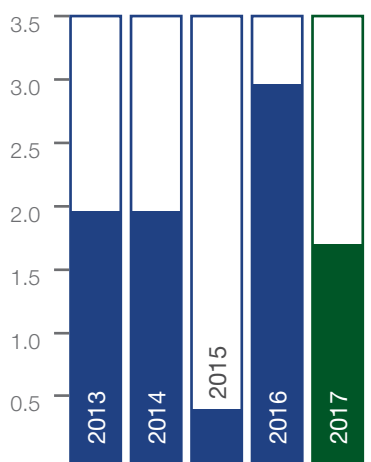
Finance Cost

(Rs. Mn)



Earnings Per Share

(Rs.)



Finance Cost

Finance Costs of the Company decreased from Rs. 0.361 Million to Rs. 0.266 Million an overall decrease of 26.3%. This was due to reduction in the interest component of the Susahanaya Loan, which is a term loan the Company borrowed during Tsunami period.

Earnings per Share

Company Earnings per Share (EPS) in the period under review was Rs. 1.73 as against Rs 2.97 in 2016. The decrease in EPS was due to decrease in profits for the financial year.

Financial Review contd.

Price Earnings Ratio

The Price Earnings Ratio of the Company as at 31st March 2017 was 12.66 as against 10.27 as at 31st March 2016. During the Financial Year 2016/17, the market price of the Company shares ranged between Rs. 19.60 to Rs. 26.50.

Return on Equity

Return on Company Equity has decreased to 3.86% from 6.75% from the preceding year due to decrease in profit growth.

Non-Current Assets

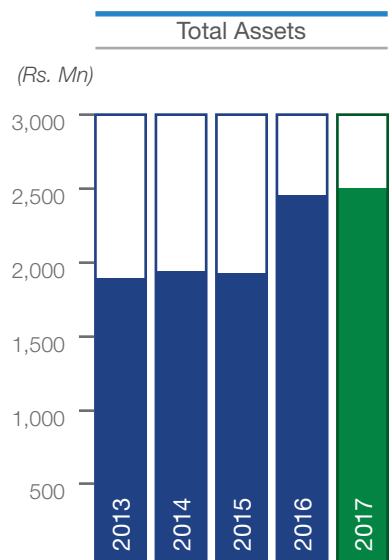
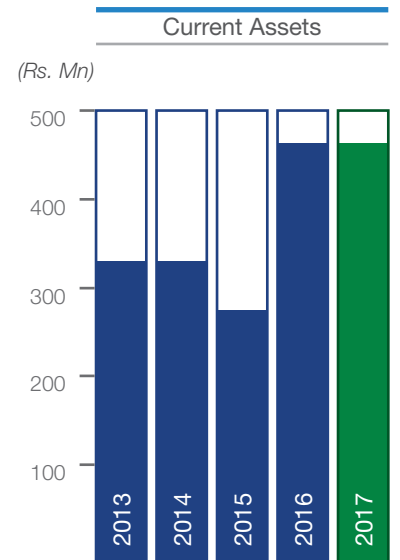
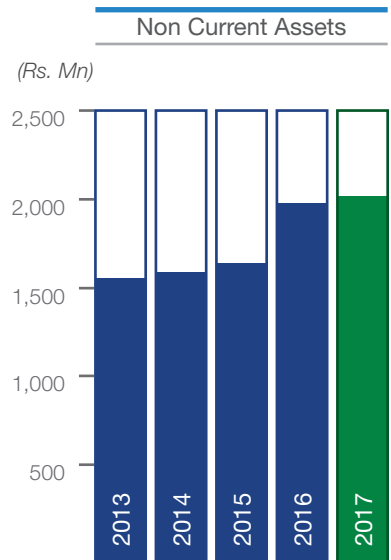
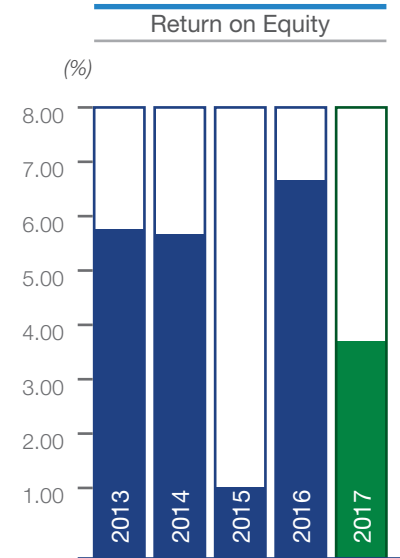
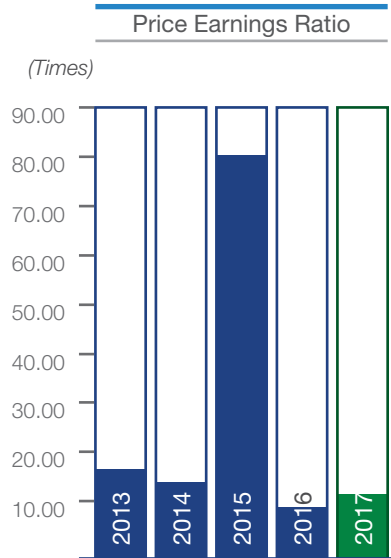
Non- Current Assets of the Company increased from Rs. 1,992 Million in 2016 to Rs. 2,035 Million in 2017, an overall increase of Rs. 43 Million. In percentage this is an increase of 2.1% from the previous year. Non-Current Assets increased mainly due to additions to Property, Plant and Equipment by Rs. 106 Million during the year.

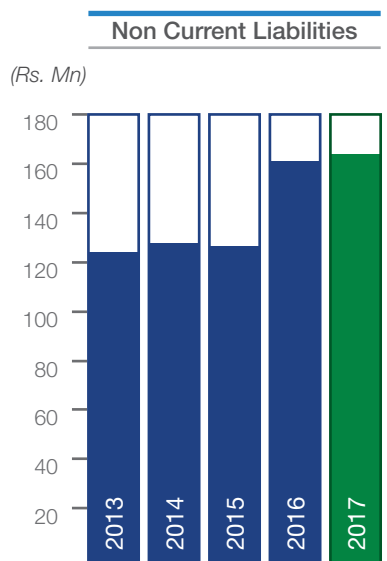
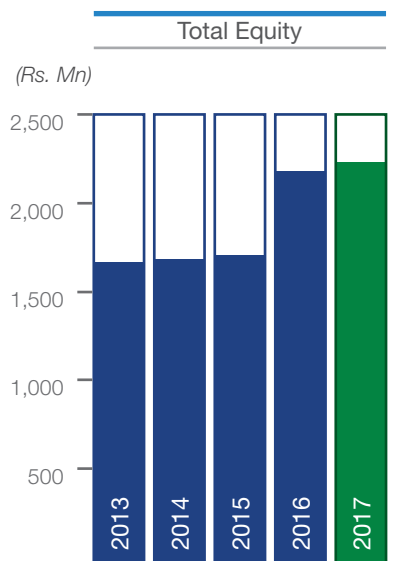
Current Assets

Current Assets of the Company during the financial year under review increased from Rs. 464 Million in 2016 to Rs. 466 Million in 2017. Increase of Rs. 1.5 Million or 0.3% compared to the previous year.

Total Assets

Total Assets of the Company increased by 1.8% from Rs. 2, 456 Million to Rs. 2, 500 Million which is an increase of Rs. 44 Million compared to the figures as at 31st March 2016.



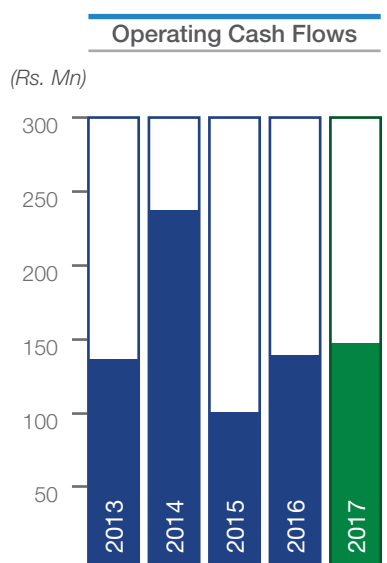
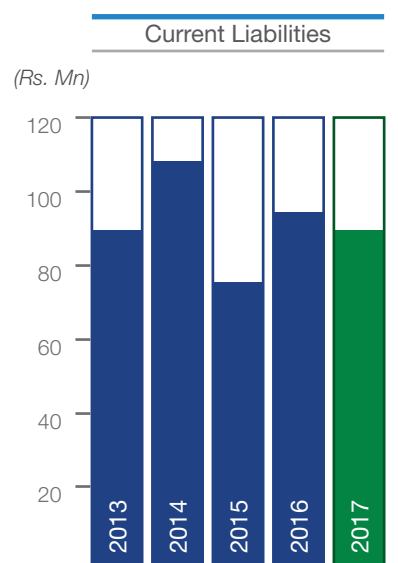


Total Equity

The increase in Total Equity was due to increase in Retained Earnings and Revaluation Reserve over the previous year. Total Equity increased from Rs. 2,200 Million to Rs. 2,247 Million in 2016. This accounted for a 2.1% increase in comparison to the previous financial year.

Non- Current Liabilities

Non-Current Liabilities of the company increased slightly from Rs. 161 Million to Rs. 164 Million. The current period figures increased mainly due to increase in the Post Employment Benefit Liability.



Current Liabilities

Current Liabilities of the Company decreased from Rs. 94 Million in 2016 to Rs. 89 Million as at 31st March 2017.

Operating Cash Flows

Company Net Cash Flows from operating activities during the year was Rs.149 Million as against that of prior year was Rs.142 Million. This is mainly due to trade and other receivables decreased by Rs. 29 Million.

Board of Directors



Desabandu G L A Ondaatjie
Chairman & Joint Managing Director

Mr. George Ondaatjie is a pioneer in the tourism sector and is the Founder of Mercantile Investments Group of Companies. He counts over 40 years extensive experience in the Financial services, Tourism and Trading sectors. He is presently the Chairman of several Companies which include Tangerine Beach Hotels PLC, The Nuwara Eliya Hotels Co. PLC and Nilaveli Beach Hotels (Pvt) Ltd which was the first planned hotel development on the East Coast of Sri Lanka. He has been the Past Chairman of the Tourist Hotels Association, Pacific Asia Travel Association – Sri Lanka Chapter and Finance Houses Association. He has also been a Past Director of the Colombo Stock Exchange and the Pacific Asia Travel Association - International Chapter. He was awarded the prestigious “Desabandu” title by the Government of Sri Lanka in 1994 for his pioneering efforts as an entrepreneur, financier and hotelier. He was also the recipient of the “Pioneer Award” at the presidential Awards for Travel & Tourism 2008.



A M Ondaatjie
Joint Managing Director

Ms. Angeline Ondaatjie was appointed to the Board in 1994 and appointed as Joint Managing Director on 01st May 2005. She has over 15 years experience in the Tourism, Financial services and Manufacturing sectors. She holds a Masters Degree from the University of Texas in Austin, USA and a BSc Degree from the Massachusetts Institute of Technology (MIT) USA. She is presently the Managing Director of Tangerine Tours (Pvt) Ltd and Joint Managing Director of Tangerine Beach Hotels PLC. She holds directorship in several other companies including Mercantile Investments and Finance PLC, The Nuwara Eliya Hotels Co. PLC (Grand Hotel), Nilaveli Beach Hotels (Pvt) Ltd., Fair View Hotel (Pvt) Ltd and Lighthouse Hotel PLC. She is presently the Vice President Tourist Hotels Association and Director Sri Lanka Tourism Promotion Bureau and serves on the Education Council of MIT.



G G Ondaatjie
Executive Director

Mr. Gerard Ondaatjie was appointed to the Board in 1994. He has over 15 years experience in the Tourism, Financial services and Trading sectors. He holds a BSc Degree in Accountancy from the Arizona State University, USA. He is presently the Managing Director of Mercantile Investments and Finance PLC, The Nuwara Eliya Hotels Co. PLC (Grand Hotel) and Mercantile Fortunes (Pvt) Ltd and Chairman & Managing Director of Fair View Hotel (Pvt) Ltd. He is also the Executive Deputy Chairman of Nilaveli Beach Hotels (Pvt) Ltd and a Director of several other companies which includes Tangerine Beach Hotels PLC.



T J Ondaatjie
Executive Director

Mr. Travice Ondaatjie was appointed to the Board in 1998. He has over 15 years experience in the Tourism and the Financial services sectors. He holds a BSc Degree from the Arizona State University USA. He is presently the Managing Director of Nilaveli Beach Hotels (Pvt) Ltd and a Director of several other companies which include Mercantile Investments and Finance PLC, Tangerine Beach Hotels PLC, The Nuwara Eliya Hotels Co. PLC (Grand Hotel) and Fair View Hotel (Pvt) Ltd.



R S Weerawardena
Non-Executive Independent Director

Mr. Ranjan Weerawardena was appointed to the Board in 1994. He is a holder of a Diploma in Polymer Science & Rubber Technology from the National College of Rubber Technology, London, UK. He has over 15 years experience in the service sector and is presently managing property and estates owned by the family.

Mr. Weerawardena has been a Director of the company for a period of over 9 years and the Board taking account of all the circumstances is of the opinion that he should be considered as a Non-Executive Independent Director.



N H V Perera
Non-Executive Independent Director

Mr. Hasantha V. Perera was appointed to the Board on 25th November 1999. He is and has been attached to Lucian Perera Associates, a legal firm, for over a period of 15 years. He is a Director of Mercantile Investments and Finance PLC, Tangerine Beach Hotels PLC, Blue Oceanic Beach Hotels Limited, Yala Safari Beach Hotels Limited, Yala Properties (Private) Limited, Ceylon Electro Mechanical Services (Private) Limited, South Asia Economic and Trade Corporation (Private) Limited, Koggala Beach Hotel (Private) Limited, Desano Investments (Private) Limited, Tisara Hotels (Private) Limited and Tisara Investments (Private) Limited.

Mr. Hasantha Perera is a Non-Executive Director of Tangerine Beach Hotels PLC and Mercantile Investments and Finance PLC, which are group companies and has been a Director of the company for a period of over 9 years. The Board taking account of all the circumstances is of the opinion that he should be considered as a Non-Executive Independent Director.

Board of Directors contd.



M Keerthiratne

Non-Executive Independent Director.

Mr. Mihindu Keerthiratne was appointed to the Board in 1994. He is a Chartered Architect by profession and the Chairman & Managing Director of Mihindu Keerthiratne Associates (Chartered Architects, Engineers & Urban Planners). He is a holder of a Bachelor's Degree in Architecture from the University of Hongkong and is an Honorary Fellow of the Sri Lanka Institute of Architects and has also served twice as the President of the Sri Lanka Institute of Architects. He is an Associate of the Indian Institute of Interior Designers, Associate of the Royal Institute of British Architects and a Member of the American Institute of Architects. He is the founder Chairman of South Asian Association for Regional Co-operation of Architects (SAARCH). Mr. Keerthiratne was awarded the prestigious gold medal, of the Sri Lanka Institute of Architects, by his excellency the President in February 2014 for his achievements. Mr. Keerthiratne is the founder of MIKE group of Companies and is the Chairman and Managing Director of several affiliated companies.

Mr. Keerthiratne has been a Director of the Royal Palms Beach Hotels PLC for a period of over 9 years and the Board taking account of all the circumstances is of the opinion that he should be considered as a Non Executive Independent Director.



A N Esufally

Non-Executive Director

Mr. Abbas Esufally was appointed to the Board in 1994. He is a Fellow Member of the Institute of Chartered Accountants (England & Wales) and The Institute of Chartered Accountants of Sri Lanka. He is an all Island Justice of Peace. He is also the Honorary Consul for Bhutan in Sri Lanka. He counts over 40 years' experience in the Tourism Industry. He is the Chairman of Serendib Hotels PLC, Dolphin Hotels PLC, Hotel Sigiriya PLC and the Deputy Chairman of Printcare PLC. He is also a Director of several other companies including Hemas Holdings PLC and Mahaweli Reach Hotels PLC. He has been a past President of the "Association of Group Tour Agencies". He currently serves as Chairman of the Mercantile Service Provident Society. He is a member of the Tourism Advisory Council appointed by the Hon. Minister of Tourism and a Member of the Tourism Task Force appointed by the Hon. Prime Minister of Sri Lanka.

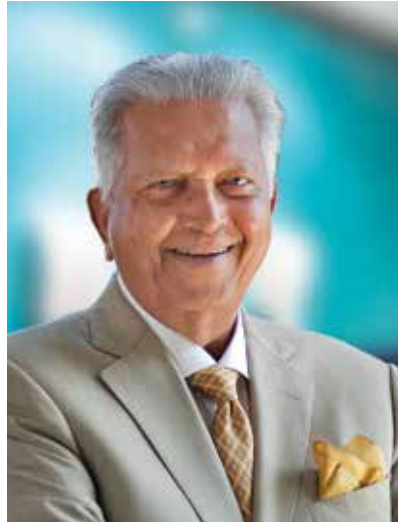


M U Maniku

Non-Executive Independent Director

Mr. Maniku was appointed to the Board in 1994. He holds a Masters Degree in Agriculture from the University of Bangladesh. He is the Chairman of Universal Enterprises (Pvt) Ltd a company that owns and operates 8 tourist resorts in the Maldives and La-breeze Seychelles. Mr. Maniku is the Chairman of the Maldives Association of Tourism Industry of the Republic of Maldives. He has over 35 years experience in the Hospitality Industry and is being considered as the pioneer in the development of tourism in the Maldives.

Mr. Maniku has been a Director of the company for a period of over 9 years and the Board taking account of all the circumstances is of the opinion that he should be considered as a Non Executive Independent Director.



M J Fernando

Non-Executive Independent Director

Mr. Merrill J Fernando was appointed to the Board in 1997. He is the Chairman of MJF Holdings Limited and one of Sri Lanka's first tea tasters in the then British-dominated trade. He is the Founder of "DILMAH TEA" brand name which re-launched, redefined and re-established the quality of Ceylon tea. DILMAH is a much respected global name, renowned for its philosophy of caring for and sharing with the community.

Mr. Fernando incorporated the MJF Charitable Foundation, to fulfil his pledge to make his business a matter of human service. His Foundation and linked Dilmah Conservation use a significant share of the earning from the sale of Dilmah to create better conditions for plantation workers and the underprivileged in the wider community whilst implementing positive and sustainable environmental interventions. He was chosen by an award committee of Nobel Laureates as one amongst five Honourees of the Oslo Business for Peace Award in 2015.

Mr. Merrill J Fernando has been a Director of the company for a period of over 9 years and the Board taking account of all the circumstances is of the opinion that he should be considered as a Non Executive Independent Director.

Board of Directors contd.



A de Zoysa

Non-Executive Independent Director

Mr. Ajita de Zoysa was appointed to the Board in 1999. He is the Chairman of Associated Electrical Corporation Ltd. Mr. de Zoysa has held a series of leadership roles in the field of Manufacturing, Trading, and Financial services. He was the former Chairman of AMW Group of Companies, Sathosa Motors PLC and Union Bank of Colombo PLC. He is a Director of Trelleborg Lanka (Pvt) Ltd., and Trelleborg Tyres Lanka (Pvt) Ltd.

Mr. de Zoysa has been a Director of the company for a period of over 9 years and the Board taking account of all the circumstances is of the opinion that he should be considered as a Non Executive Independent Director.



J D Vaz

Executive Director

Mr. J D Vaz was appointed to the Board on 20th December 2007. He has over 45 years' experience in the Finance & Administration field in the tourism sector. He is the Executive Director at Nilaveli Beach Hotels (Pvt) Ltd and presently the Finance & Administration Manager at Tangerine Beach Hotel and Royal Palms Beach Hotel.



P S R Casie Chitty

Non-Executive Independent Director

Mr. Rajiv Casie Chitty was appointed to the Board of Royal Palms Beach Hotels PLC on 5th February 2013. He is presently the Chief Operating Officer of the Commercial Credit and Finance PLC. He is also a Non-Executive Independent Director at ACL Cables PLC, Tangerine Beach Hotels PLC and in some companies of the Ceylon Printers Group. Mr. Casie Chitty is immediate Past President of the Association of Chartered Certified Accountants (ACCA) Sri Lanka Branch.

Mr. Cassie Chitty who holds a Master in Economics, University of Colombo is also a Fellow of the Association of Chartered Certified Accountants (ACCA) UK, an Associate Member of the Chartered Institute of Management Accountants (CIMA) UK, and is a Chartered Financial Analyst, USA.

Corporate Management

Ravi Kurukulasooriya

*Higher DIP (Hot. Mgt.) Switzerland
General Manager*

Graduate from International Hotel Management Institute, Lucerne, Switzerland. Over 23 years of service in the Hospitality industry having worked at Aitken Spence Co., Carsons Cumberbatch and Confiffi Group. Also served as a President, Kalutara Hoteliers Association for the past 5 Years.

M. I. Shahabdeen

*FCA, ACMA (UK), CGMA, ASCMA,
MIH (UK), ACQI (UK), CPA
Group Financial Controller*

Group Financial Controller of Tangerine Group of Hotels since 2nd February 2005 with overall responsibility for the Group's Finance and Accounting, Taxation, Corporate Finance, Treasury and the Information Technology functions.

He has over three decades of Finance and General Management experience in Sri Lanka and abroad in Senior Management Positions in the Hoteliering Sector both in Five Star and Resort hotels and also in the Catering and Support Services Sector at Greyhound Services Saudi Arabia Ltd., a subsidiary of Greyhound Support Services Incorporated, USA. Prior to joining the Tangerine Group, he had been with Trans Asia Hotel PLC for a period of 17 years, holding Senior Management positions throughout. During this period, Trans Asia Hotels PLC was managed by Ramada International (Germany), General Hotel Management (Singapore) and by John Keells Holdings PLC and had the opportunity of experiencing to a wide and varied Five Star Hotel Management Systems and Procedures including an array of 3 decades of exposure in the Information Technology.

He is a Fellow of the Institute of Chartered Accountants, Sri Lanka, Associate of the Chartered Institute of Management Accountants, UK, Member of the Institute of Certified Public Accountants, Sri Lanka, Member of the Institute of Hospitality, UK, Associate of the Chartered Institute of Quality Assurance, UK, Associate of the Society of Certified Management Accountants, Sri Lanka and Member of the Sri Lanka Institute of Directors.

He is also a Director of Security Ceylon (Pvt) Limited.

Ravindra Fernando

*MBA, M.Sc., AFA, FMAAT, CBA MCSI, ACMI
Group Accountant*

Ravindra Fernando joined Tangerine Group of Hotels on 1st June 2003 as Group Accountant with overall responsibility for the Group's Finance and Accounting function.

He holds a Master of Business Administration degree from University of Lincoln UK, Master of Applied Finance degree from University of Sri Jayawardanepura, Associate Member of Institute of Financial Accountants UK, Fellow Member of Association of Accounting Technicians, Certified Business Accountant of CA Sri Lanka, Member of Chartered Securities and Investments UK, Associate Chartered of Management Institute of UK.

He has over 03 decades of experience and expertise in Financial and Auditing, Insurance, Leisure Sectors and held key positions as Finance Manager at Kandy Hotels Company PLC, the Accountant at Aitken Spence Hotels, Ceylincos Insurance PLC, and Commercial Credit PLC.

He is also the Finance Director of Fair View Hotel Pvt Ltd.

M K K K B Galagoda

Group Engineer

Presently the Group Engineer of Mercantile Investments & Finance PLC and a Director at Nilaveli Beach Hotels (Pvt) Limited. He has over 25 years' experience in the hotel industry in Sri Lanka and overseas including in Ramada Group of Hotels and in the Holiday Inn Group. He holds a Diploma in Electrical and Electronics Engineering from the University of Katubedda, Moratuwa.

J D Vaz

Manager Finance & Administration

Please refer Board of Directors profile.

Nelson Mayadunnage

Financial Controller

Possessing of 29 years' experience in hospitality industry Five Stars and Resort sector diverse financial positions with multiple international chain hotels, such as Intercontinental, Accor, Taj and Aman Resorts he has gathered an extensive insight within this area. Contributed implementation of PMS programs in all hotels served in last 3 decades. For the Past 11 years served as a Financial Controller in Aman Resorts, expertise-all aspects of financial management, including corporate accounting, regulatory and fiscal reporting, budget and forecasts preparation, as well as implementation of internal control policies and procedures.

Menaka Fernando

HNDA, CBA

Chief Accountant

Menaka Fernando is the Chief Accountant at Royal Palms Beach Hotels PLC and Tangerine Beach Hotels PLC. She holds the Higher National Diploma in Accountancy and Certified Business Accountant of Institute of Chartered Accountants of Sri Lanka. She has over 25 years' experience in the Hospitality industry in Accounting, Taxation & General Management.



INIMITABLE OPULENCE





Each of the hotel's 129 lavish and spacious rooms and 7 suites combine subtle traditional elegance with an array of modern amenities and touches to ensure guests are equipped with everything they need for a comfortable stay. From accommodation to dining and recreation, each guest is offered a personalised service bar none. With your every need catered to, you will want for nothing.



Our Business Model



Our Material Issues

Inputs gathered from the key sources such as the external environment, regulatory environment and independent bodies, stakeholder engagement were assessed, analysed and summarised prior to being presented to the board for its approval of the critical material issues to be included in this Integrated Report.

The issues material issues identified as a result of the above exercise along with mitigating strategies are as follows.

Material Issues	Description	Mitigating Strategy
1. Intense competition	The increased rooms and restaurant capacity in down south region of the country has created an oversupply of rooms and thereby the competition among the hotels have increased rapidly over the past few years.	The pricing strategy has to be developed carefully and be vigilant on the competitor behavior. Product differentiation will be pursued to deliver more value so that the competition will be warded off.
2. Environmental sustainability	Design and implementation of sustainable operations and environmentally friendly business practices has become one of the main concerns of the stakeholders.	Regular monitoring and decision-making by the Environmental sustainability committee.
3. Changing needs of guests	Technological advancements and changes in the economical and demographical factors with regard to the guests has resulted in changing guest expectations. E.g; Generation Y, Budget travellers etc.	Offering Wi-Fi facilities, free internet services in the lobby area as part of the services and products is already in place.
4. Informal Tourist sector:	The rapid expansion of the informal sector has become one of the major problems in Sri Lanka's hospitality industry today. The adverse impact to the economy and tourism are as follows, a. Tax evasion b. Poor Human Resource practices c. Low standard of guest services. d. Increase in illegal activities such as prostitution. e. Unfair competition f. Reduction in room rates.	The Group standards and accountability policies will be communicated to the market creating awareness of same to differentiate the market segments.
5. The Bootleggers/ "Beach Boys"	"Beach Boys" have become one of the serious issues faced by the hotels in the coastline. Sale of illegal drugs, prostitution, black-market goods has resulted drop in sales of the hotels as well as it has led to conflicts, which hinder the operations of the hotel. Further it has also caused a serious threat to the guest health and safety.	Regularly advising guests regarding the threat to their health and safety as a result of dealing with "Beach Boys" and managing "Beach Boys" to ensure that the guest health and safety is protected.
6. Use of Social Media	Social Media has become one of the most important methods of marketing the hotel.	Constantly reviewing the methods of how to implement and integrate new customer engagement channels, notably through Social Media with efficiency.

Sustainability Report



“
Sustainability is a key part of our transformation; influencing the ways we interact with our customers and our impact on the global communities in which we work.
”

Managing Director's Message

Sustainability is a key part of our transformation; influencing the ways we interact with our customers and our impact on the global communities in which we work. Therefore, we have refreshed our approach to sustainability across the company. By refining what is important to the business and to our stakeholders, we have renewed our focus to build a successful business in the long term and to minimise our impact on the environment and communities around the world. Royal Palms is entering a new customer focused era. We are committed to putting customers at the heart of our business to deliver the best possible service and unforgettable experiences they expect from us. This commitment also extends to ensuring that we do the right thing for everyone that we work with, from providing a safe and secure environment for every customer on Royal Palms, to reducing our impact on the environment, and enabling local employment opportunities in our destinations.

We are determined to make every holiday more sustainable and to drive incremental change to our ever growing, hotel industry. We understand that we cannot make the changes we want without working with our people, and we are proud to work with both members of our supply chain and our competitors to share best practice and to tackle common industry challenges together.

This report provides an insight into the exciting work we are undertaking in sustainability, including new activities from the year as well as updates to our ongoing longer-term projects. I am very proud that colleagues from Royal Palms are working together to priorities and achieve our sustainability goals.

Our good work reap the harvest by winning South Asian travel awards for Corporate Social Responsibility award for Sri Lanka and South Asia for the first time, also winning the travel life gold award for sustainable tourism and ISO 14001: 2015 for our dedicated work towards the sustainability work

We plan to continue and expand our work through 2017/18 and hope to make significant progress towards our new targets over the next 12 months. I'm committed to leading our Company in this work as we create a stronger and more responsible Royal Palms together.

Angeline Ondaatjie
Joint Managing Director

Scope and Boundaries of this Sustainability Report

Our Environment Policy

We at Royal Palms are not just a hospitality service provider but a team of dedicated individuals who have a passion of contributing positively to our mother earth and protect it for our future generations.

We always strive to mitigate negative impacts created due to our operations and positively participate in developing environmental friendly practices within and outside our premises.

We are dedicated towards creating awareness among our staff, guests and visitors while meeting statutory, regulatory and other requirements all the time and continually improving our good environmental practices.

We consider the wider global impact of all our activities including those of our supplier's customers and other stakeholders.

We educate, train and motivate our employees to carry out tasks in an environmentally responsible manner and ensure that a continuous professional development strategy remains core to our business goals.

We encourage environmental protection among suppliers and subcontractors.

We investigate the feasibility of influencing our suppliers, customers and third parties with consideration to life cycle impacts of their aspects and activities.

We encourage and enhance biodiversity and ecology.

Our Occupational Health and Safety Policy

We consider our staff, guests and visitors to be our most important stakeholders who patronise our products and services.

We believe that providing a safe place for all of them is our core responsibility and therefore, we take measures to ensure safety at all times.

We strongly believe that our success and future is all about our health and safety while passionate about quality, environment and service standards.

We continually improve our health and safety standards and maintained as per regulatory requirements and educate all stakeholders every possible way and time.

Our Food Safety Policy

We strongly believe that serving safe food is not an option, But a moral and legal obligation towards our guests and staff.

The quality that they experience at Royal Palms is the result of that belief.

We achieve this by implementing and continually improving an effective Food Safety Management System, Staff training and infrastructure development of our facilities in par with HACCP/ISO 22000 Principles.

Our Child Protection Policy

A child is defined by the Convention on the Rights of the Child (CRC) as "Every human being below the age of 18 years unless under the law applicable under the child majority is attained earlier". (WHO) Therefore we at Royal Palms recruit only candidates who have completed the age of 18 years.

Child abuse is defined as constituting all forms of physical and/or emotional ill-treatment, sexual abuse, neglect or negligent treatment or commercial or

other exploitation, resulting in actual or potential harm to the child's health, survival, development or dignity in the context of a relationship of responsibility, trust or power. 'Child Abuse' has serious physical and psychosocial consequences which adversely affects the child.

Royal Palms Beach Hotel as a responsible hospitality entity, our golden aim is to deny all sorts of child labour and generate awareness on child abuse in the industry, which our policy is to make it zero at all times & adhere to the legal framework that relates to child abuse & child labour.

Our Corporate Social Responsibility Policy

We recognize and strive to integrate our business values and operations to meet the expectations of our communities, recognizing our responsibility to work in partnership with the communities in which we operate.

We recognise our business presence in the community and to enhance our presence to the betterment of the community to safe guard their respect and offer our maximum support in up lift their living standards, cultures and religious habits by actively participating in open dialogue to ensure that we fulfill the requirements outlined within this policy.

We shall be open and honest in communicating our strategies, targets, performance and governance to our communities in our continual commitment to sustainable development.

Royal Palms Beach Hotel is responsible for the implementation of this policy and will make the necessary resources available to realise our corporate responsibilities. The responsibility for our performance on this policy rests with all employees throughout the company.

Sustainability Report Contd.

Royal Palms Beach Hotel is responsible for the implementation of this policy and will make the necessary resources available to realise our corporate responsibilities. The responsibility for our performance on this policy rests with all employees throughout the company.

THE SUSTAINABILITY REPORT

1. OUR GUESTS

We always do our utmost to exceed guests' expectations. We will encourage our employees to ensure guests' satisfaction and safety at all times. We inform and make it easy for our guests to participate in Responsible Business Activities at our hotel.



2. OUR PEOPLE

We believe in our employees. We create a safe and inspiring environment for our employees to develop their skills, and in turn enabling them to contribute to the further development and growth of our organization.

3. ENVIRONMENT

We derive a vast amount of resources from the environment to sustain our operations. When we derive such resources, we have to be reasonable and have to recognise our responsibility to future generations to preserve such resources.



4. HEALTH AND SAFETY

We consider health and safety to be a top priority for our company. We are committed to the continual improvement of our performance in health and safety for all our stakeholders and everyone involved with our activities, including the general public.

5. SUPPLY CHAIN

We procure responsibly. We treat our supply chain partners honestly and responsibly. We work with suppliers, contractors to ensure that they operate in a safe and environmentally-conscious way.



6. COMMUNITY

We promote good contacts with the local community. By its very nature, our operations have an impact on the local community, occupiers, and other users of buildings and infrastructure, and society as a whole.

1. OUR GUESTS

The Royal Palms Beach Hotel enjoys an unrivalled position in Sri Lanka that blend a glorious coast line and contemporary settings.

Our guests celebrate anniversaries, birthdays and other functions in inimitable style. They are photographed furtively most of the time and copies are given at the time of departure as a pleasant surprise. Guests experience awe inspiring moments during their anniversaries, birthdays etc., The Guest Relations Officers culminate the day with cakes, well-crafted chocolates and bouquets.

The Royal Palms Beach Hotel understands that each guest has different needs and we aim to make our hotel facilities available and accessible to all of our guests equally. In rare instances where this is not possible we will endeavour to offer a range of facilities for guests with a perspective on disability including:

- Designated car parking, accessible entrance, WC, accessible bedrooms.
- Induction loops can be arranged with advanced requests.
- Assistance dogs are welcome.
- Dedicated welcome desk and assistance with registration and portorage.
- Conference and banqueting facilities.

	2014/15	2015/16	2016/17
Repeat Guests	106	129	178
Guest Satisfied	2011	2572	2213
Guest Dissatisfied	106	135	116
Total Questionnaire	2117	2707	2329
Guest Satisfaction	95%	95%	95%
Guest Dissatisfaction	5%	5%	5%
Sri Lankan Guest Nights	2184	2097	2631
Sri Lankan Room Nights	1456	1398	1754
Total Room Nights	28220	36098	31056
Total Guest Nights	58249	74617	63646

31st Night Celebration 2016



President's and PM's Visit June 2016



Repeaters Dinner



Valentines Day



Guinness World Record Holder
Mr. Price's Birthday Party



Sustainability Report Contd.

2. OUR PEOPLE

Promoting a positive Workplace Culture

Looking after the health, welfare and well-being of our employees is a key priority and we aim to provide the best working environment for all our people. All our businesses provide relevant safety training to our people throughout the year and work closely with local governing bodies to co-ordinate activities, where appropriate. We raise awareness and provide training on general safety issues, and also provide in-depth vocational training for those in specific relevant roles. We regularly review the risks at all our workplaces and all aspects of our operation, and provide safe working procedures and appropriate safety equipment together with relevant training. We record details of any accidents or incidents experienced by our staff and our customers.

Our Board of Directors has ultimate responsibility for health and safety, supported by the Health, Safety & Environmental Committee. Hotel Human Resources teams are responsible for managing activities to ensure the safety of our people and we have segment level health and safety committees and consultative forums which monitor results, implement corrective actions and recommend measures for improvement.

Anti - Discrimination and Anti - Harassment Policy

Royal Palms Beach Hotel PLC is committed to promoting equal employment opportunities and a workplace that is free of all forms of discrimination and harassment. Equal opportunity means that all staff experience fairness, impartiality and equal access to all career initiatives in the hotel. The commitment to equal opportunity promotes an inclusive work environment that values and accepts the diverse cultural and social backgrounds of its staff. Anti-Discrimination (Act No. 45 of 1971) and Anti-Harassment (Act No. 22 of 1995) Policy is consistent with the Human Resources pursuit of excellence of the hotel. This policy is underpinned by a set of values and key guiding principles in the building of a community of all employees in the hotel environment.

Disciplinary Procedure

Royal Palms Beach Hotel PLC believes that employee discipline a must for well-being of the hotel as well as each employee. The hotel always encourages self-discipline, which is the ability of an employee to control himself / herself and make himself/ herself behave in the desired way without needing anyone else to tell himself / herself on how to behave.

- It is the responsibility of the Management to communicate all the rules of behaviour to all employees of the hotel.
- It is the employee's responsibility to ensure that he / she adheres to all these rules.
- Except serious offenses in the first place, the management will seek to remedy an employee's wrongful behaviour through informal talk by his / her immediate Executive.
- After the informal talk / counseling, if the employee continues rule of violation, the management will have to take disciplinary action(s) to stop the rule of violation(s).
- The Management does accept that no disciplinary action is taken against an employee without a sufficient and fair investigation.
- The hotel believes in that severity of a disciplinary action is equal to the gravity of the offense and discipline that does not discriminate any person, i.e., whoever violates a rule she / he will be punished.
- The management will act consistently and fairly and also condemn acts of misconduct rule violation not the person who commits such acts when administering discipline.

Staff Day



Cocktail Comp



Training - ISO



Training - Sell to win



20th Anniversary Celebration



Kalutara Hotelier's Association Karaoke Competition



Pirith Ceremony



Sustainability Report Contd.

Departmental Risk Assessment

Risk Assessment Register													
Department/ Location	Engineering			Risk Assessment									Additional Control
Operation	Risk/Hazard	Harm	People at Risk	Legal compliance	Severity	Frequency of Tasks	Significant Index	Existing Controls	Likelihood of Accidents	Residual Risk	Significance		
								Control					
Welding	Contact with electricity	Electric shock	maintenance staff	No	VH	32	4	128	Operational control procedure for electrical safety , Training and awareness	1	128	No	
	welders may be exposed to the Welding Arc while welding	Eye damage	welders, people near by	No	H	16	4	64	competent people, Training and awareness, using PPE	1	64	No	
	welders may be exposed to UV Radiation that is emitted during welding	Eye damage	welders, people near by	No	M	16	4	64	competent people, Training and awareness, using PPE	1	64	No	
	scattering of hot particles while hammering or welding	Eye damage/ burn injuries	welders, people near by	No	M	16	4	64	competent people, Training and awareness, using PPE	1	64	No	
	welders may expose to Toxic fumes and gas	respiratory problems	welders, people near by	No	M	4	4	16	competent people, Training and awareness	1	16	No	
	clash with objects due to dis-arrangement of the area	Injuries	person performing task	No	M	16	3	64	awareness, PPE	2	96	No	
	When performing work, stay in one position for a long time	Back pains, kneel pains	person performing task	No	M	4	4	16	Changing position , work break	2	32	No	
	accidentally touch the hot surface	Burning injuries	welders, people near by	No	M	2	4	8	competent people, Training and awareness	4	32	No	

Risk Assessment Register													
Department/ Location	Engineering			Risk Assessment									Additional Control
Operation	Risk/Hazard	Harm	People at Risk	Legal compliance	Severity	Frequency of Tasks	Significant Index	Existing Controls	Likelihood of Accidents	Residual Risk	Significance		
								Control					
Grinding	Contact with electricity	Electric shock	maintenance staff	No	M	2	4	8	competent people, Training and awareness	2	16	No	
	accidentally touching the high speed wheel while grinding	cuts and other injuries	person performing task	No	H	4	4	16	competent people, Training and awareness	1	16	No	
	exposure to excessive noise while grinding	hearing problems	person performing task	yes	M	2	4	8	machine being used in less frequent, use PPEs	4	32	No	
	losing control	cuts and other injuries	person performing task	No	H	4	4	16	competent people, Training and awareness, PPE	1	16	No	
	When performing work, staying in one position for a long time	Back pains, knee pains	person performing task	No	M	4	4	16	Changing position , work break	2	32	No	
	scattering particles and chips could irritate their eyes	eye injuries	person performing task	No	M	4	4	16	competent people, Training and awareness, PPE	1	16	No	

Sustainability Report Contd.

Risk Assessment Register													
Department/ Location	Engineering			Risk Assessment									Additional Control
Operation	Risk/Hazard	Harm	People at Risk	Legal compliance	Severity	Frequency of Tasks	Significant Index	Existing Controls	Likelihood of Accidents	Residual Risk	Significance		
								Control					
Cutting	Contact with electricity	Electric shock	person performing task	No	H	8	4	32	competent people, Training and awareness	1	32	No	
	High speed particles could get into their eye	eye damage	person performing task	No	M	4	4	16	competent people, Training and awareness, PPE	1	16	No	
	employees may inhale Dust while cutting wooden items	respiratory problems	person performing task, persons nearby	No	M	3	4	12	competent people, Training and awareness	4	48	No	
Work on roof	work at height	fall and injury	person performing task	No	H	16	3	48	Work permits, competent people, Training and awareness/ PPE	1	48	No	
Painting	Inhalation of dust while scrubbing old paint	respiratory problems	person performing task	No	M	4	3	12	competent people, Training and awareness ,PPE	1	12	No	
	work at height	fall and injury	person performing task	No	H	16	3	48	Work permits, competent people, Training and awareness	1	48	No	
	splashing of paint while painting and paint mixing	eye damage	person performing task	No	M	4	3	12	competent people, Training and awareness	1	12	No	

Risk Assessment Register													
Department/ Location	Engineering			Risk Assessment									Additional Control
Operation	Risk/Hazard	Harm	People at Risk	Legal compliance	Severity	Frequency of Tasks	Significant Index	Existing Controls	Likelihood of Accidents	Residual Risk	Significance		
								Control					
Tile cutting	scattering Particles and chips could get into eye	eye damage	person performing task	No	M	4	3	12	competent people, Training and awareness, PPE	1	12	No	
	Contact with electricity	Electric shock	person performing task	No	H	8	4	32	competent people, Training and awareness	1	32	No	
	Inhalation of dust while cutting	respiratory problems	person performing task	No	M	4	3	12	competent people, Training and awareness, PPE	2	24	No	
	accidentally touching the fast moving blade	cut injuries	person performing task	No	H	8	3	24	competent people, Training and awareness, PPE	1	24	No	
Electric work	contact with electricity during repair	electric shock	person performing task	No	VH	32	5	160	Operational control procedure for electrical safety , Training and awareness	1	160	No	
civil work	skin irritation due to handling cement for Civil construction work	skin irritation	person performing task	No	M	2	3	6	competent people, Training and awareness, PPE	2	12	No	
panel board maintenance and inspection	employees may accidentally touch uncovered electric wires and electrocution	electric shock, electrocution, death,	person performing task	No	VH	32	3	96	Operational control procedure for electrical safety , Training and awareness	1	96	No	

Sustainability Report Contd.

Risk Assessment Register													
Department/ Location	Engineering			Risk Assessment									Additional Control
Operation	Risk/Hazard	Harm	People at Risk	Legal compliance	Severity	Frequency of Tasks	Significant Index	Existing Controls	Likelihood of Accidents	Residual Risk	Significance		
								Control					
Sewerage sump	Slips, Trips and Falls	injuries	person performing task	No	M	2	4	8	competent people, Training and awareness, PPE	1	8	No	
	Exposure to strong odour during inspection	respiratory problems	person performing task	No	M	4	4	16	competent people, Training and awareness, PPE	4	64	No	
	employees could fall from height during inspection	injuries	person performing task	No	H	8	4	32	competent people, Training and awareness,	2	64	No	
	enter into confined spaces when cleaning sewerage sump	Death	person performing task	No	VH	32	2	64	Operational control procedure for confined space entry, work permits, Training and awareness, PPE	1	64	No	
Generator	Exposure to loud noise during the Generator's operation	hearing problems	person performing task	Yes	M	4	4	16	competent people, Training and awareness, PPE, ear protectors	4	64	Yes	Refer the Management Program
	Exposure to Fumes and Toxic Gases	Death	person performing task	Yes	VH	1	4	4	competent people, Training and awareness,	1	4	No	
	contact with electricity during the panel board inspection	electric shock/ death	person performing task	No	VH	32	3	96	Operational control procedure for electrical safety , Training and awareness	1	96	No	

Risk Assessment Register													
Department/ Location	Engineering			Risk Assessment									Additional Control
Operation	Risk/Hazard	Harm	People at Risk	Legal compliance	Severity	Frequency of Tasks	Significant Index	Existing Controls	Likelihood of Accidents	Residual Risk	Significance		
								Control					
	Electrical hazard involved in the maintenance of the generator	electric shock/ death	person performing task	No	VH	32	3	96	Operational control procedure for electrical safety , Training and awareness	1	96	No	
Chiller	Exposure to loud noise	hearing problems	person performing task	Yes	M	4	4	16	competent people, Training and awareness, PPE, ear protectors	4	64	No	
	Contact with electricity	Electric shock	maintenance staff	No	H	8	4	32	competent people, Training and awareness	1	32	No	
	work at height	fall and injury	person performing task	Yes	H	16	3	48	Work permits, competent people, Training and awareness	1	48	No	
	Slips, Trips and Falls	injuries	person performing task	No	M	2	4	8	competent people, Training and awareness, PPE	1	8	No	
Boiler Operation	Exposure to loud noise	hearing problems	person performing task	Yes	M	4	4	16	competent people, Training and awareness, PPE, ear protectors	4	64	No	
	Contact with electricity	Electric shock	maintenance staff	No	H	8	4	32	competent people, Training and awareness	1	32	No	
	Slips, trips and falls	injuries	person performing task	No	M	2	4	8	competent people, Training and awareness, PPE	1	8	No	

Sustainability Report Contd.

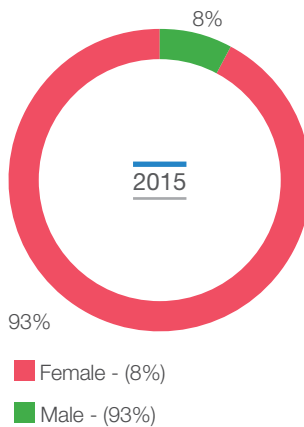
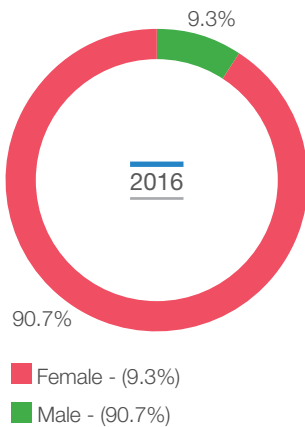
Risk Assessment Register													
Department/ Location	Engineering			Risk Assessment									Additional Control
Operation	Risk/Hazard	Harm	People at Risk	Legal compliance	Severity	Frequency of Tasks	Significant Index	Existing Controls	Likelihood of Accidents	Residual Risk	Significance		
								Control					
Boiler Operation Contd.	Explosion	Death	people near by	Yes	VH	32	1	32	Operational control procedure for electrical safety , Training and awareness	1	36	No	
	Exposure to an extremely Hot environment	Dehydration	person performing task	Yes	H	8	4	32	competent people, Training and awareness, PPE	2	64	No	
	Checking air pressure	fall and injury	Person performing work	Yes	M	4	3	12	ladder provided	4	48	No	
Swimming Pool	Contact with electricity	Electric shock	maintenance staff	No	H	8	4	32	competent people, Training and awareness	1	32	No	
	Slips, Trips and Falls	injuries	person performing task	No	M	2	4	8	competent people, Training and awareness, PPE	1	8	No	
	Contact with Chemicals	Burns. Inhaling toxic fumes	person performing task	No	M	4	3	12	competent people, Training and awareness	1	12	No	
	Grounding	Death	person performing task	No	VH	32	3	96	Operational control procedure for electrical safety , Training and awareness	1	96	No	

Employee Diversity

2016	Female	Male
Numbers	26	253
Average	9.3%	90.7%

2015	Female	Male
Numbers	25	264
Average	8%	93%

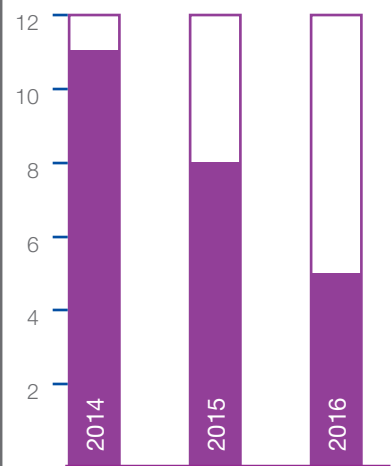
Male & Female Ratio 2015 - 2016



Accident Analyst 2014 – 2015 – 2016

2014	2015	2016
11	8	5

Accident Analyst



Employee Age Policy

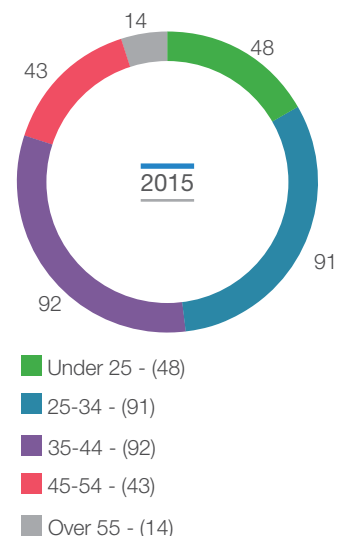
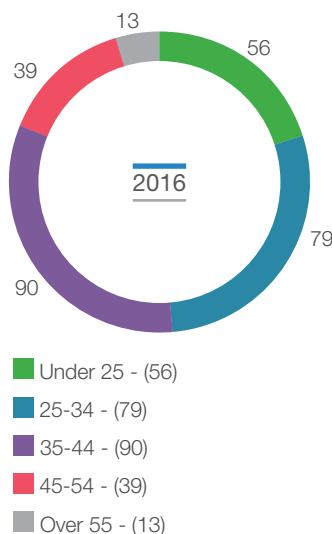
The objective of this policy is to set the recruitment and the retirement age for employees according to the Sri Lankan private sector norms. The guideline on re-employment of retirees and token of appreciation is under the discretion of our Organization (Royal Palms Beach Hotel PLC).

Employees by Age

2016	
Under 25	56
25-34	79
35-44	90
45-54	39
Over 55	13
	277

2015	
Under 25	48
25-34	91
35-44	92
45-54	43
Over 55	14
	288

Employees by Age

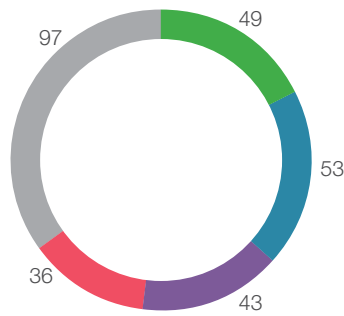


Sustainability Report Contd.

Employees by Seniority 2016

Under 6 month	49
Month 6 and 2 Year	53
Year 2-5	43
Year 5-10	36
Over 10	97
	278

Employees by Seniority 2016



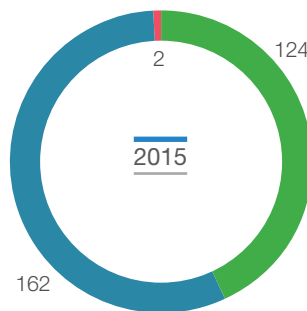
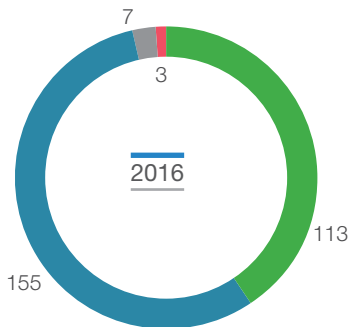
- Under 6 month - (49)
- Month 6 and 2 Year - (53)
- Year 2-5 - (43)
- Year 5-10 - (36)
- Over 10 - (97)

Contract Permanent Analysis 2015-2016

2016	
Contract	113
Permanent	155
Casual	7
NAB	3
	278

2015	
Contract	124
Permanent	162
NAB	2
	288

Contract Permanent Analysis 2015-2016



- Contract - (113)
- Permanent - (155)
- Casual - (7)
- NAB - (3)

- Contract - (124)
- Permanent - (162)
- NAB - (2)

Employee Benefits

Department		Male			Female	
Category	No.	Total Salary	Average	No.	Total Salary	Average
Finance						
Supervisory/Clerical	17	355,847	20,932			
Others	3	49,585	16,528			
Head Office						
Supervisory/Clerical						
Others	1	15,000	15,000			
Human Resource						
Supervisory/Clerical	1	14,650	14,650			
Others						
Gift Boutique						
Supervisory/Clerical						
Others				1	14,625	14,625
Food Beverage						
Supervisory/Clerical	2	41,747	20,874	5	72,470	14,494
Others	27	402,477	14,906			
Front Office						
Supervisory/Clerical	3	58,645	19,548			
Others	9	144,965	16,107	6	90,820	15,137
Garden						
Supervisory/Clerical	1	21,185	21,185			
Others	8	133,440	16,680			
Housekeeping						
Supervisory/Clerical	7	164,075	23,439			
Others	28	453,515	16,197	2	34,715	17,357
Kitchen Stewarding						
Supervisory/Clerical	1	18,900	18,900			
Others	15	207,580	13,839			
Maintenance						
Supervisory/Clerical	3	67,650	22,550			
Others	24	436,925	18,205			
Driver						
Supervisory/Clerical						
Others	4	69,085	17,271			
Laundry						
Supervisory/Clerical	2	41,475	20,737			
Others	14	206,680	14,762			
Kitchen						
Supervisory/Clerical	9	190,180	21,131			
Others	37	559,529	15,122			

Sustainability Report Contd.

Performance and Career Development Reviews

The company conducts a regular performance evaluation on all employees quarterly, half yearly and annually. Based on the results of these evaluations, annual increments and promotions are awarded to employees. Initially employee will assess themselves based on a questionnaire and subsequently there will be an oral discussion with the Head of Department during which the Head of Department will evaluate the self-assessment of the employee as well as the performance of the employee in order to provide his feedback with regard to the performance of the employee.

In addition to the evaluation of the employee performance, the training requirements of the employees will be identified during these oral discussions based on a request made by an employee or evaluation by the Head of Department.

Training of the staff on all aspects of hotel operations including environmental protection, health and safety and guest relations is essential to ensure a sustainable operation. In-house Training programs are carried out from time to time by the Heads of Department and Executives which are a necessity in a dynamic and demanding entity. In addition to in-house training the employees will be provided external training programs as well based on the training requirement

Ensuring sustainability of Company Performance through Staff Training

Training of the staff on all aspects of hotel operations including environmental protection, health and safety and guest relations is essential to ensure a sustainable operation.

In house training programs are carried out from time to time by the Heads of Department and Executives which are a necessity in a dynamic and demanding entity. The Resident Manager of the hotel is conducting training programs for all staff according to a pre scheduled time table periodically.

Training and Development	2015	2016
Number of Days of Training	32	56
Number of Days of Training for Managers	02	01
Number of Days of Training for Non Managers	30	55
Average Number of Day Trainings	02	02

Number of Employees	2015	2016
Total Number of Employees	288	278
Percentage of Male	93%	90.7%
Percentage of Female	8%	9.3%
Average Monthly Employees	280	277
Full time Employees	288	278
Part time Employees	0	0

Employee Safety

The Company's Health and Safety Committee always liaise with the Manager of the Maintenance Section and the Deputy Engineer who are attached with the Management. Employees engaged in hazardous work are provided with suitable personal protective equipment such as gloves, goggles, ear protectors, respirators etc., as necessary.

“The company conducts a regular performance evaluation on all employees quarterly, half yearly and annually. Based on the results of these evaluations, annual increments and promotions are awarded to employees”

3. ENVIRONMENT

Environmental Policy

The Environmental policy of Royal Palms Beach Hotel is to understand the natural environment that it operates and ensure sustainability with the environment with the hotel operations.

Carbon Footprint

Carbon Footprint calculation was done based on energy consumption in year 2015

Project completed 2016 October

Royal Palms had been committed towards sustainable development during the recent past. The hotel has been very successful in introduction of following renewable energy and special measures to reduce the energy consumption and to counteract global warming. Main energy sources of the facility are purchased electricity from national grid as well as diesel for generator, transportation vehicles and boiler. Royal Palms Beach Hotel has taken measures to calculate their current greenhouse gas (GHG) emissions which are having a direct impact to the climate change through global warming. Calculation of the carbon footprint in a hospitality industry is an effective way for the company to collect the information for reducing GHG emissions; identify cost saving opportunities such as reducing energy and resource consumption; incorporate impact of emissions into decision making on material consumption, operations and food preparing processes; demonstrate environmental/corporate responsibility leadership; meet customer demands for information on carbon footprints and differentiate and meet demands from 'green' consumers.

The objectives of this study were to measure the present annual carbon footprint of the hotel operations at Royal Palms Beach Hotel, Sri Lanka, based on the energy sources and other activities and then identify necessary measures for implementation in becoming carbon neutral facilities by 2018.

Scope of the Assessment : An inventory of the total greenhouse gas (GHG) emissions was prepared for hotel. Organisational boundary chosen for calculating the carbon footprint was the Royal Palms Beach Hotel, located in Waskaduwa, Kalutara. The control approach was chosen in excluding and including the relevant GHG emitting activities. Under the control approach, GHG emissions from the operations over which the company has total control, are considered. This approach does not account for GHG emissions from operations in which the company owns an interest but has no control. This greenhouse gas inventory was prepared considering the year 2015 (from 1st January 2015 to 31st December 2015) as the base year, and the data were analysed under the following scopes: Scope 1: Direct GHG emissions occurring from sources that are owned or controlled by the hotel. Scope 2: GHG emissions from the generation of purchased electricity consumed by the hotel.

- Total carbon footprint calculated was 2418.71 tCO₂eq/Year, and it's been set as a baseline value.
- Total carbon footprint per Guest Night (GN) is 33.355 kgCO₂eq/GN

Waste Management

Recycling programmes and initiatives are in place across the business and our employees are actively encouraged to participate. Kitchen waste is one of our main waste streams and our company has been leader in tackling this issue, despite the operational and legislative challenges it brings. Water is a vital part of our business, but water scarcity is now a reality in many parts of the world. Our accommodation suppliers use significant quantities of water and it is our responsibility to help them to reduce the water they consume as well as educate our customers to avoid wasting waste.

Sustainability Report Contd.

Disposal of Garbage

Royal Palms Beach Hotel having won Travel Life Gold and ISO14001:2015 is committed in every aspect of environmental concern. We at Royal Palms Beach Hotel being a responsible organisation we are committed in our day to day disposal of garbage. We ensure garbage disposal is a national issue and we at Royal Palms have implemented the following mechanism in disposing garbage to the environment.

Hotel dispose garbage to the responsible organisations which is certified under Central Environment Authority.

1. CFL, FTL bulbs to Asia Recycle, Homagama

Item	Number of units
Orange FTL	64
New Orange FTL	175

2. E-waste to Green Links, Wattala

Item	Number of units
UPS Battery	06
Hard Disk	01
Keyboard	01
Power Supply Unit	01
Power Supply with Casing	01
Mouse	08
UPS	02
Computer Mother Board	01
Cooling Fan for Processor	01
HP Laser Jet Toner	32

“Royal Palms Beach Hotel having won Travel Life Gold and ISO14001:2015 is committed in every aspect of environmental concern”

3. All Other Dry Garbage to Jaya Stores, Kalutara

Type of Waste	Quantity	Rate	2016										2017			Amount
			Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	
Iron	1kg	40.00		24					36		20	118			61	10,360
Aluminium	1kg	125.00														
Brass	1kg	350.00														
Burn Oil	20L	1,000.00				7			6			9		17		39,000
Cardboard	1kg	11.00		313	215	451	286	238	244		241	411	301		280	32,780
Cast Iron	1kg	25.00														
Coconut Husk	1kg	3.00		780											938	5,154
Copper	1kg	500.00														
G.I Sheets	1kg	15.00			6		128	50								2,760
Glass Bottle	1kg	1.00		597	268	512	381	526	331	408		65	526	602	438	4,654
Glass Pieces	1kg	2.50									373					932.5
Jam Bottle	1 Number	3.00														
Metal Tin	1kg	15.00		109	64		15	24	86		99	27	41	38	55	8,370
Paper	1kg	15.00		35	17	8	15	105	4	10	8	3	5		5	3,225
Magazine	1kg	10.00		100	158	65	95	30	46	80	38	25	52		65	7,540
Plastic Can 1 L	1 Number	9.00														
Plastic Can 2 L	1 Number	12.00														
Plastic Can 4 L	1 Number	10.00		100	97	125	148	120	90	196	132	10	130	154	150	14,520
Plastic Can 25L/20L	1 Number	70.00		25	33	43	42	47	31	27	19	8	41	41	24	26,670
Plastic Water Bottle	1kg	10.00		191	117	239	124	145	125	176	102	12	176	125	131	16,630
Sauce Can	1 Number	11.00														
S/Steel Iron	1kg	52.00														
Coconut Shells	1kg	4.00														
Empty Gel Can	1 Number	30.00														
Newspaper	1Kg															
Total																172,596

Controlling the Impacts on Environment

Reduction of Energy Consumption

Electricity

Source	2014 / 2015		2015 / 2016		2016 / 2017	
	Units	Megajoules	Units	Megajoules	Units	Megajoules
Diesel - boiler-(Lit)	133767	4796884	137909	4945416	116055	4161732
Diesel - gen - (Lit)	10819	387969	10784	386714	9160	328477
Electricity -kwh	2173602	7824967	2200648	7922332	2185288	7867036
LP gas - (Kg)	26987	1322363	29343	1437807	27457	1345393

	2014 / 2015 (MJ)	2015 / 2016 (MJ)	2016 / 2017 (MJ)
Diesel (lit)	5184853	5332130	4490209
Electricity (kwh)	7824967	7922332	7867036
LP gas (Kg)	1322363	1437807	1345393

Sustainability Report Contd.

4. HEALTH AND SAFETY

Workplace Health and Safety

The health and safety of our employees is of paramount importance to us. We believe that being a good employer starts with providing a safe working environment. Therefore, it has been the Group's practice to cultivate an Occupational Safety and Health (OSH) Culture among employees across the company.

Annual Fire Training Program

Assuring Guests' Health and Safety

Creating a healthy and pleasant environment in our hotel is top priorities. A healthy experience in total guest comfort works through air quality, accessibility, food & drink solutions, the fitness and spa options available and choice of guest amenities.

The outer perimeter of the hotel is patrolled, 24 hours, by a specially trained team of security personnel, while ensuring the privacy and comfort of the guest.

All staff members are trained to be alert for any irregularities which have the potential to compromise guest safety. For instance, the movement of non-resident guests in certain areas such as guest rooms, corridors and elevators are monitored by staff on duty and the necessary action is taken by a Supervisor or Executive to ensure safety of guests, guests' belongings and hotel property.



5. SUPPLY CHAIN

Responsible sourcing is a complex issue for a hotel company as we purchase everything from food and beverages, to linens, to amenities, to beds, to energy. Our suppliers span from multiple industries, countries, legal contexts and infrastructure challenges. Our procurement strategy depends largely upon the maturity of local markets and their ability to support our hotel brand with the quantity and quality of supplies necessary.

We recognise an opportunity to extend our commitment to ethical business practices and leverage our purchasing power and vast network of suppliers to improve social, economic and environmental practices.

We work closely with suppliers to identify opportunities to source goods locally when possible. In our team and suppliers identify food products that could be sourced locally and form relationships with area farmers to collect and distribute products to our hotels.



Working with Suppliers

We have been working closely with Travelife to ensure our suppliers are prepared for the challenge of accreditation or have shown good progress since their last inspection to achieve re-accreditation. Participation in Travelife is now a mandatory requirement for our Royal Palms hotel brands. Our Quality Managers have been working with our hotel to encourage them to start their sustainability journey by subscribing to Travelife. We expect as a minimum that our suppliers will meet the legal requirements of our own country. We then require them to address any specific issues of concern that may not be covered in their local laws and use our purchasing guidelines to drive their performance. In order to make sure that our supply chain meets our standards, excursion and land transportation suppliers and the results of these audits are carefully monitored and acted upon to ensure that we drive safety standards in key areas.

Building Local Opportunities

Royal Palms Beach Hotel works to share the benefits of its projects and operations by creating jobs and helping local businesses and economies to develop. At the outset of a project we consider how we can make the best use of local suppliers and locally-produced materials, where possible. We work with suppliers who may need support to meet our standards. In these cases, we may provide training and then monitor the supplier's performance throughout the life of the contract. The training includes making sure that businesses have skilled employees, technical know-how and sustainability awareness.

Sustainability Report Contd.

6. COMMUNITY

Many of our operations have neighboring communities. We aim to share benefits with these communities by helping to develop local economies, creating local jobs and developing skills as well as supporting communities with investment programs, donation of refreshments, lunch packets and other prepared food items to various events:

a. Renovation of Premature Baby unit.

Royal Palms Beach Hotel spearheaded in renovating the entire premature baby unit under the guidance of Dr. Kamani, Deputy Director of Nagoda Base Hospital. We have undertaken the following scope.

- Created a new breastfeeding unit
- Assembling of baby cots to the bed side.
- Colour washing entire unit
- Repairing of all furniture and fixtures.
- Upgrading of dining room for patience
- TVs for the ward.
- Re-organising of counters and wash-up areas.
- Curtaining of the entire ward.
- Electrical repairs.



b. Blood Donation Campaign

A blood donation campaign was organised by the hotel and donated the blood to the Central Blood Bank. Most of our staff members actively participated.



c. University Student's Hotel Visit

An awareness program was organised for university students undergoing Hospitality Management at William Anglis University.



d. Pre - school Trip

An educational tour was organised for the Montessori students of Sumudugama and their guardians which is maintained by Royal Palms Beach Hotel, Kalutara. Their transport, meals, tickets were sponsored for them to spend the entire day.



e. Hotel Training and Donations to STF Training School, Kalutara

Royal Palms Beach Hotel organised a series of trainings on etiquette for the Special Task Force Training College, Kalutara. The hotel also donated crockery for their officers' mess hall.



Sustainability Report Contd.

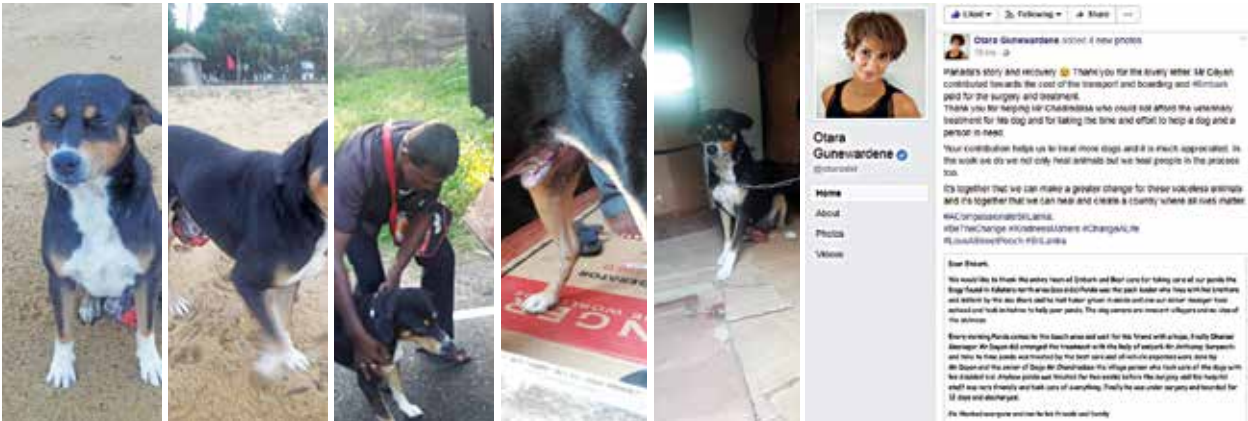
f. Sumudugama Pre-School Concert

Hotel sponsored the Sumudugama Pre- School annual concert and distributed gifts to all students.



g. Saving Panda

A stray dog was spotted on the beach with a tumor and was treated by the hotel and was handed over a forever home.



GRI Report

General Standard Disclosure	Description	External Assurance	Page No.
Strategy and Analysis			
G4 - 1	Provide a statement from the most senior decision maker of the organisation Managing Director about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability.	Managing Director's Review	26
Organisation Profile			
G4 - 3	Report the Name of the organisation	Corporate Information	Inner Back Cover
G4 - 4	Report the primary brands, products, and services	Our Business Model	42
G4 - 5	Report the location of the organisation's headquarters	Corporate Information	Inner Back Cover
G4 - 6	Report the number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report	Our Business Model	42
G4 - 7	Report the nature of ownership and legal form.	Corporate Information	Inner Back Cover
G4 - 8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	Our Business Model	42
G4 - 9	Report the scale of the organisation, including:		
	Total number of employees	CSR Report	44-68
	Total number of operations	Our Business Model	42
	Net sales (for private sector organizations) or net revenues (for public sector organisations)	Financial Statements	109-141
	Total capitalization broken down in terms of debt and equity (for private sector organisations)	Financial Statements	109-141
	Quantity of products or services provided	Our Business Model	42
G4 - 10	a. Report the total number of employees by employment contract and gender. b. Report the total number of permanent employees by employment type and gender. c. Report the total workforce by employees and supervised workers and by gender. d. Report the total workforce by region and gender. e. Report whether a substantial portion of the organisation's work is performed by workers who are legally recognised as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. f. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries)	CSR Report	44-68
G4 - 11	Report the percentage of total employees covered by collective bargaining agreements.	Royal Palms Beach Hotel employees are not unionised. Therefore, there are no collective bargaining agreements in place	

Sustainability Report Contd.

General Standard Disclosure	Description	External Assurance	Page No.
G4 - 12	Describe the organisation's supply chain.	CSR Report	44-68
G4 - 13	Report any significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain including: Changes in the location of, or changes in, operations, including facility openings, closings, and expansions Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organisations). Changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination.	No Significant Changes	
G4 - 14	Report whether and how the precautionary approach or principle is addressed by the organisation	CSR Report	44-68
G4 - 15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	CSR Report	44-68
G4 - 16	List memberships of associations (such as industry associations) and national or international advocacy organisations in which the organisation, Holds a position on the governance body Participates in projects or committees Provides substantive funding beyond routine membership dues Views membership as strategic	Royal Palms Beach Hotel is active in many organisations and associations, particularly those that focus on our core business Hoteliering. Some of our significant and strategic memberships include Member of the Tourist Hotels Association of Sri Lanka Member of the Employers Federation of Ceylon Member of the Ceylon Chamber of Commerce.	
Identified Material Aspects and Boundaries			
G4 - 17	a. List all entities included in the organisation's consolidated financial statements or equivalent documents.	N/A	
	b. Report whether any entity included in the organisation's consolidated financial statements or equivalent documents is not covered by the report.	N/A	
G4 - 18	a. Explain the process for defining the report content and the Aspect Boundaries.	Our Material Issues	43
	b. Explain how the organisation has implemented the Reporting Principles for defining report content.		
G4 - 19	List all the material Aspects identified in the process for defining report content.	Our Material Issues	43

General Standard Disclosure	Description	External Assurance	Page No.
G4 - 20	<p>For each Material Aspect, report the Aspect Boundary within the organization, as follows: Report whether the Aspect is material within the organisation If the Aspect is not material for all entities within the organisation (as described in G4-17), select one of the following two approaches and report either: The list of entities or groups of entities included in G4-17 for which the Aspect is not material or The list of entities or groups of entities included in G4-17 for which the Aspects is material. Report any specific limitation regarding the Aspect Boundary within the organisation.</p>	Our Material Issues	43
G4 - 21	<p>For each material Aspect, report the Aspect Boundary outside the organization, as follows: Report whether the Aspect is material outside of the organisation If the Aspect is material outside of the organisation, identify the entities, groups of entities or elements for which the Aspect is material. In addition, describe the geographical location where the Aspect is material for the entities identified Report any specific limitation regarding the Aspect Boundary outside the organisation</p>	Our Material Issues	43
G4 - 22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	Notes to the Financial Statements	115-141
G4 - 23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	There have been no significant changes to the report scope and aspect boundaries	
Stakeholder Engagement			
G4 - 24	Provide a list of stakeholder groups engaged by the organisation.	CSR Report	44-68
G4 - 25	Report the basis for identification and selection of stakeholders with whom to engage.	CSR Report	44-68
G4 - 26	Report the organisation's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	CSR Report	44-68
G4 - 27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	Our Material Issues	43

Sustainability Report Contd.

General Standard Disclosure	Description	External Assurance	Page No.
Report Profile			
G4 - 28	Reporting period (such as fiscal or calendar year) for information provided.	31st March 2017	
G4 - 29	Date of most recent previous report (if any).	31st March 2016	
G4 - 30	Reporting cycle (such as annual, biennial).	We publish a comprehensive report aligned with the GRI Guidelines.	
G4 - 31	Provide the contact point for questions regarding the report or its contents.	Corporate Information	Inner Back Cover
G4 - 32	<p>"In accordance" option:</p> <p>a. Report the 'in accordance' option the organisation has chosen.</p> <p>b. Report the GRI Content Index for the chosen option.</p> <p>c. Report the reference to the External Assurance Report, if the report has been externally assured.</p> <p>GRI recommends the use of external assurance but it is not a requirement to be "in accordance with the guidelines.</p>	<p>Our Reporting Principles</p> <p>This report contains Standard Disclosures from the GRI Sustainability Reporting Guidelines.</p> <p>Note: Royal Palms Beach Hotel did not seek external assurance for this report</p>	
G4 - 33	<p>Assurance:</p> <p>Report the organisation's policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, the scope and basis of any external assurance provided.</p> <p>Report the relationship between the organisation and the assurance providers.</p> <p>Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report.</p>	Royal Palms Beach Hotel did not seek external assurance for this report	
Governance			
G4 - 34	Report the governance structure of the organisation, including committees of the highest governance body. Identify any committees responsible for decision making on economic, environmental and social impacts	Corporate Governance	78-96
G4 - 35	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	Corporate Governance CSR Report	78-96 44-68
G4 - 36	Report whether the organisation has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	Corporate Governance CSR Report	78-96 44-68
G4 - 37	Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.	Corporate Governance CSR Report	78-96 44-68

General Standard Disclosure	Description	External Assurance	Page No.
G4 - 38	<p>Report the composition of the highest governance body and its committees by:</p> <ul style="list-style-type: none"> • Executive or Non-Executive • Independence • Tenure on the governance body • Number of each individual's other significant positions and commitments, and the nature of the commitments • Gender • Membership of under-represented social groups • Competencies relating to economic, environmental and social impacts • Stakeholder representation 	Corporate Governance	78-96
G4 - 39	<p>Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organisation's management and the reasons for this arrangement)</p>	Corporate Governance	78-96
G4 - 40	<p>Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members, including:</p> <ul style="list-style-type: none"> • Whether and how diversity is considered • Whether and how independence is considered • Whether and how expertise and experience relating to economic, environmental and social topics are considered • Whether and how stakeholders (including shareholders) are involved 	Corporate Governance	78-96
G4 - 41	<p>Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders, including, as a minimum:</p> <ul style="list-style-type: none"> • Cross-board membership • Cross-shareholding with suppliers and other stakeholders • Existence of controlling shareholder • Related party disclosures 	Corporate Governance	78-96
G4 - 42	<p>Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organisation's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.</p>	Corporate Governance	78-96
G4 - 43	<p>Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.</p>	Corporate Governance	78-96

Sustainability Report Contd.

General Standard Disclosure	Description	External Assurance	Page No.
G4 - 44	<p>a. Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment.</p> <p>b. Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organisational practice.</p>	Corporate Governance	78-96
G4 - 45	<p>a. Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes.</p> <p>b. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities.</p>	Corporate Governance	78-96
G4 - 46	Report the highest governance body's role in reviewing the effectiveness of the organisation's risk management processes for economic, environmental and social topics Report the highest governance body's role in reviewing the effectiveness of the organisation's risk management processes for economic, environmental and social topics	Risk Management	97-99
G4 - 47	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	CSR Report	44-68
G4 - 48	Report the highest committee or position that formally reviews and approves the organisation's CSR report and ensures that all Material Aspects are covered.	Managing Director's Review	26-29
G4 - 49	Report the process for communicating critical concerns to the highest governance body	Our Material Issues	43
G4 - 50	Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them	Our Material Issues	43

General Standard Disclosure	Description	External Assurance	Page No.
G4 - 51	<p>a. Report the remuneration policies for the highest governance body and senior executives for the below types of remuneration:</p> <ul style="list-style-type: none"> • Fixed pay and variable pay: • Performance-based pay • Equity-based pay • Bonuses • Deferred or vested shares • Sign-on bonuses or recruitment incentive payments • Termination payments • Clawbacks • Retirement benefits, including the difference between benefit schemes and contribution rates for the highest governance body, senior executives, and all other employees <p>b. Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives.</p>	CSR Report	44-68
G4 - 52	Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organisation.	Remuneration Committee Report	107
G4 - 53	Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable	CSR Report	44-68
G4- 54	Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.	N/A	
G4 - 55	Report the ratio of percentage increase in annual total compensation for the organisation's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country	N/A	
Ethics and Integrity			
G4 - 56	Describe the organisation's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	Corporate Governance	78-96
G4 - 57	Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organisational integrity, such as helplines or advice lines.	CSR Report	44-68
G4 - 58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organisational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines	CSR Report	44-68



A STAY FIT FOR ROYALTY





The ultimate in five star luxury awaits you at this lush resort, just 40km south of Colombo on the vast sands of the South Western coastline. From exquisite gourmet fare to decadently decorated rooms and a plethora of facilities ranging from a large free-form pool, with massage jets, a jacuzzi and a swim-up bar to a fully equipped fitness center, sauna and spa, satiating our guests' desires has always been our raison d'être. Our dedicated staff are professionally trained and delight in waiting on our guests hand and foot to ascertain a holiday getaway for each of them that is fit for royalty.



Corporate Governance

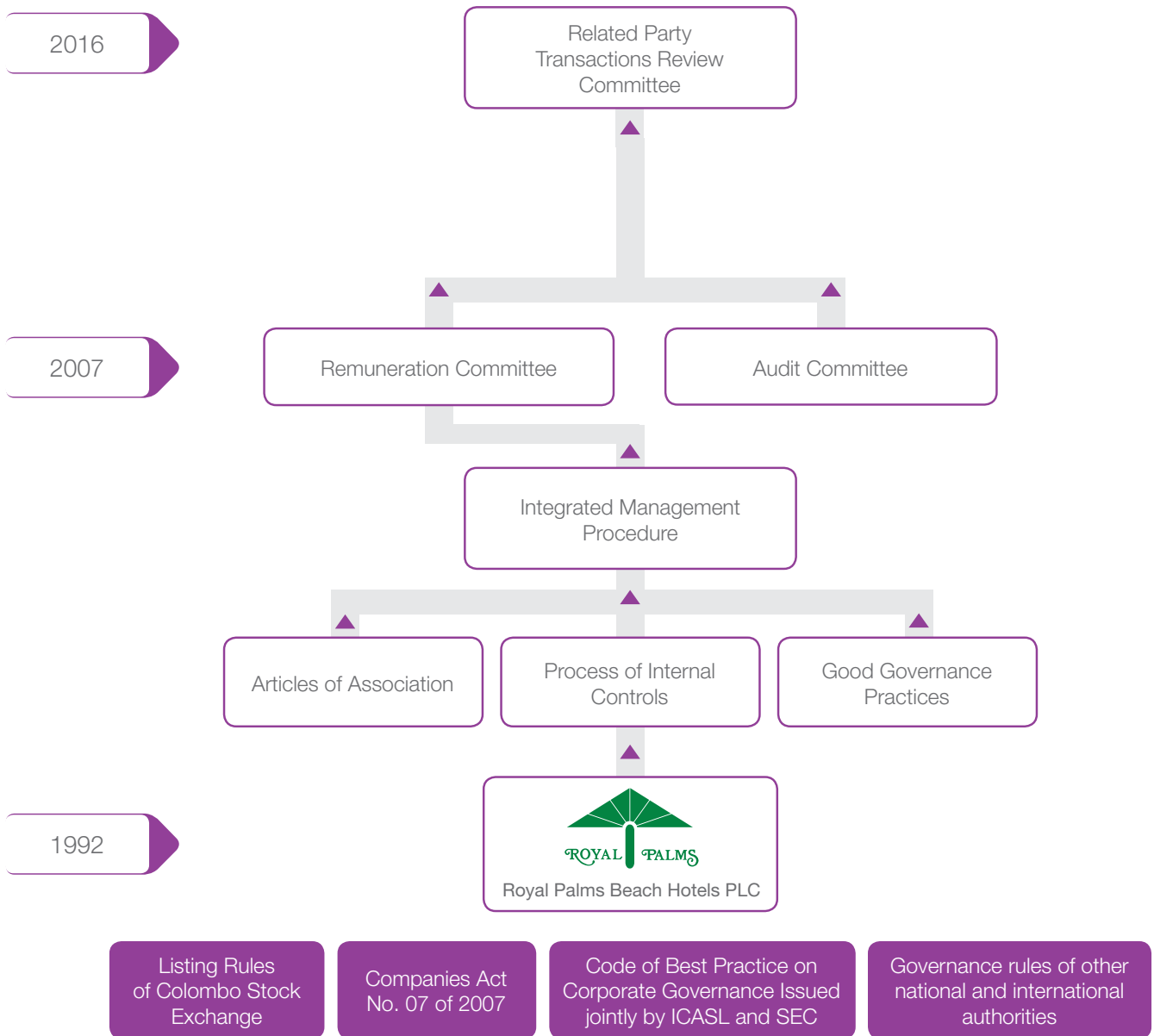
“We intend to commit considerable resources for continuous improvement of our Corporate Governance system and practices, recognizing our stewardship responsibilities towards the investors, employees, guests and the public at large; facilitating positive relationships between Company’s management, its Board, its shareholders and other stakeholders by aligning the interests of different stakeholders”

Governance Structure

The “Royal Palms Beach Hotel” commitment towards Corporate Governance has been a key element for consistent organizational performance over the years, sustainability as well as in enhancing corporate image and stakeholder confidence. At Royal Palms Beach Hotel., our system of Corporate Governance provides the basis for effective, accountable, transparent and performance-oriented management, control and direction which is aimed towards sustainable value creation. With the guidance and direction of the highest decision making body, the Board; Company is equipped with a strong structure, processes and diligent practices of corporate governance which is imperative to stimulate organizational performance, inspire stakeholder confidence, and reduce opportunity for fraud thus creating a stable and robust organizational environment. We intend to commit considerable resources for continuous improvement of our Corporate Governance system and practices, recognizing our stewardship responsibilities towards the investors, employees, guests and the public at large; facilitating positive relationships between Company’s management, its Board, its shareholders and other stakeholders by aligning the interests of different stakeholders, while concentrating on risk management in achievement of the organizational objectives.

The Company is fully compliant with the Code of Best Practices on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka, and the Securities and Exchange Commission of Sri Lanka, as well as the rules on Corporate Governance published by the Colombo Stock Exchange and Global Reporting Initiatives G4 guidelines.

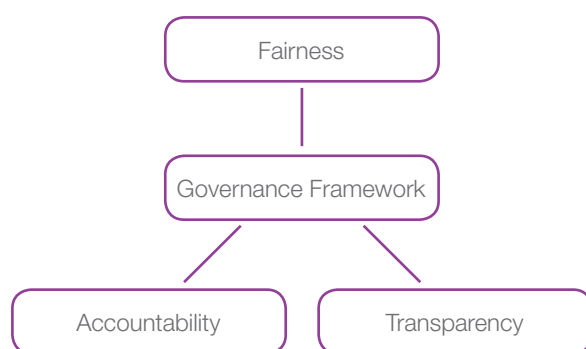
This report sets out the Company’s Corporate Governance practices and processes for the financial year 2016/17 and the extent of compliance with same.



Corporate Governance contd.

Governance Framework

The Corporate Governance framework of Royal Palms Beach Hotels PLC consists of a governance structure that promotes corporate fairness, transparency and accountability. The framework sets out the board committees and management committees, while demonstrating the communications among board committees, auditors, and our shareholders facilitated by a regulatory framework and an audit, assurance and certification process in a logical arrangement that is in line with the Code of Best Practice and rules on Corporate Governance.



Governance Structure

Components embedded within the Company that is aligned to the Code of Best Practice in order to execute governance related initiatives, systems and processes.

Assurance

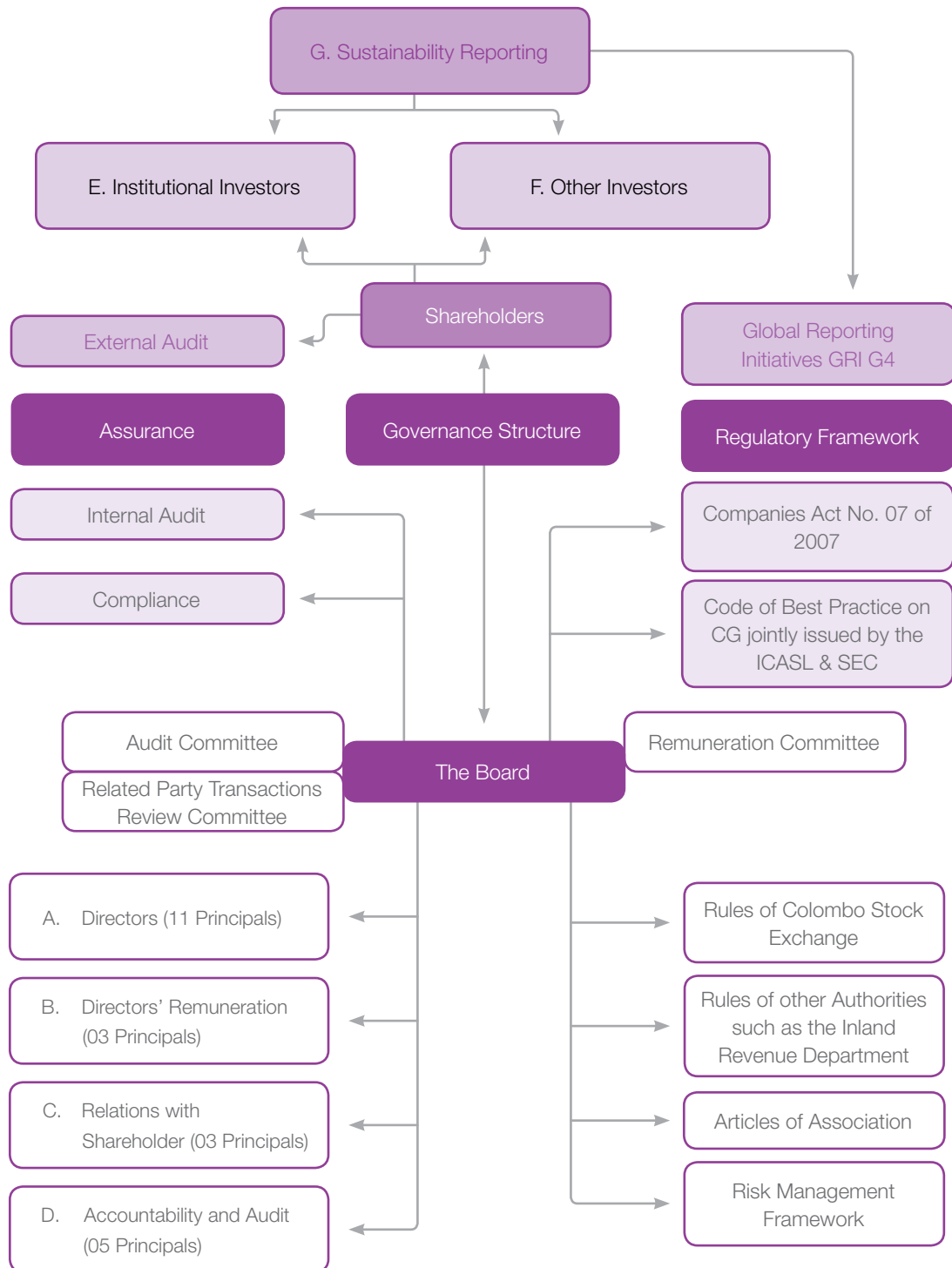
Supervisory element of the Corporate Governance Framework, that assures the compliance with laws, regulations and best practices.

Regulatory Framework

Regulatory structure within which the Company operates towards conforming to established governance related laws, regulations and best practices.

Committees

Audit Committee	Remuneration Committee	Related Party Transactions Review Committee
<ul style="list-style-type: none"> • Reviews and monitors full year and interim results; • Monitors internal financial controls; • Oversees external audit relationship; and • Oversees risk management. 	<ul style="list-style-type: none"> • Sets remuneration policy; • Sets executive director remuneration and incentives; • Approves annual performance objectives; and • Approves granting of long-term incentives 	<ul style="list-style-type: none"> • Review Related Party Transactions of the Company; • Ensuring the compliance rules and other requirements with regard to the Related Party Transactions; • Overseeing existing policies and making recommendations with regard to Related Party Transactions.



Corporate Governance contd.

A. Directors (11 Principals)

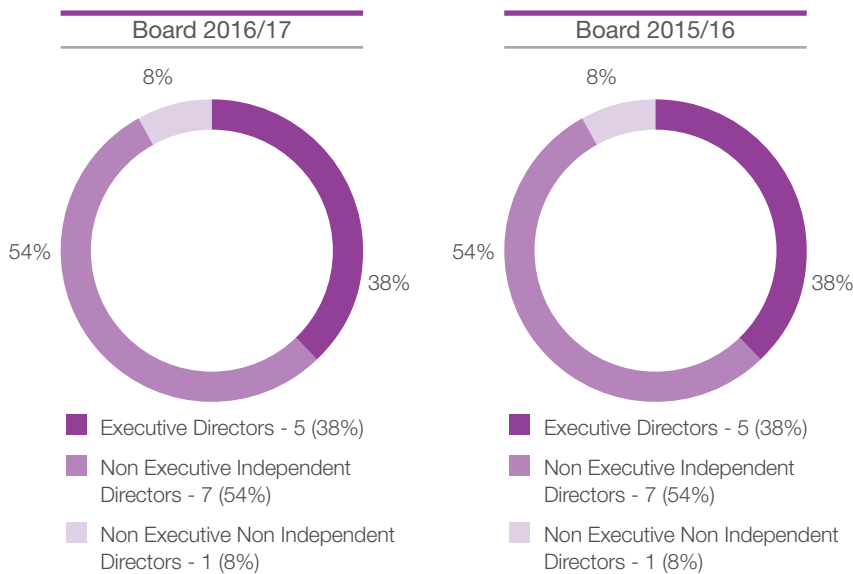
Principal A.1: The Board

Royal Palms Beach Hotels PLC is headed by an effective board, which is responsible for the Leadership, Stewardship and Governance of the Company. The Board of Directors comprises of,

Five Executive Directors (ED) – includes the Chairman and Joint Managing Director

Seven Non-Executive Independent Directors (NED/ID)

One Non Executive Non Independent Director (NED/NID)



A.1.1 Board Meetings - **Complaint**

Two Board Meetings were held during the year and the Company is compliant with the Code of Best Practice as the Board has met in every Six Months of the financial year 2016/17. The Board meets as a practice as and when required. Agendas and papers are circulated in advance to enable informed deliberation at meetings and decisions are made by consensus. The Board met on key matters of importance to the Company, including the approval of strategic and operating plans, capital expenditure, Financial Statements by giving due attention to accounting standards and policies, ensuring compliance with legal and ethical standards, ensuring effective risk management and audit systems and addressing matters that have a material effect on the Company.

Name of Director	Attendance at Board Meetings			
	30-Nov 2016	22-Mar-2017	Meetings Attended	Percentage Attended
Executive Directors				
Mr. G.L.A. Ondaatjie	0	0	0/2	0%
Ms. A.M. Ondaatjie	✓	✓	2/2	100%
Mr. G.G. Ondaatjie	0	0	0/2	0%
Mr. T.J. Ondaatjie	✓	✓	2/2	100%
Mr. J.D. Vaz	✓	✓	2/2	100%
Non-Executive Independent Directors				
Mr. N.H.V Perera	✓	✓	2/2	100%
Mr. M. Keerthiratne	✓	✓	2/2	100%
Mr. R.S. Weerawardane	0	0	0/2	0%
Mr. M.U.Maniku (Alternate Mr. W.P. Hettiaratchi)	0	0	0/2	0%
Mr. Ajita De Zoysa	0	0	0/2	0%
Mr. M.J. Fernando	0	0	0/2	0%
Mr. P.S.R. Casie Chitty	✓	✓	2/2	100%
Non-Executive Non Independent Director				
Mr. A.N. Esufally	0	0	0/2	0%

A.1.2 Board Responsibilities – Complaint

The Board of Directors of Royal Palms Beach Hotels PLC bears the responsibility for providing strategic direction, achieving objectives, responsible corporate behavior, risk management, utilisation of resources responsibly, for ensuring leadership through effective oversight and review, whilst setting the strategic direction and delivering sustainable shareholder value over the long term. The Board seeks to achieve this through setting out its strategy, monitoring its strategic objectives and providing oversight of its implementation by the management team. In establishing and monitoring its strategy, the Board considers the impact of its decisions on wider stakeholders including employees, suppliers and the environment. Effective Corporate Governance is central to the Company's ability to operate successfully, as a Board, we take seriously our responsibility for setting high standards of accountability & ethical behavior. In performing its role, the Board is responsible for,

- Providing the leadership for formulation and implementation of an effective business strategy, by emphasising on sustainable development in Corporate Strategy, decisions and business activities, whilst ensuring all stakeholder interests are considered in corporate decisions.
- Ensuring that the Managing Director and the Management Team possesses sufficient skills, competencies, experience and knowledge to implement company strategies
- Ensuring that the business practices are in compliance with the laws, regulations and Company's code of ethics.
- Establishment of effective internal controls, risk management and business continuity practices, ensuring that the adoption of appropriate accounting policies and compliance with financial regulations.
- Reviewing, Monitoring and taking corrective action with regard to the achievement of the corporate strategies.

Key decisions are reserved for the Board's approval and are not delegated to management. These include matters relating to the Company's strategy, approval of major acquisitions, disposals, capital expenditure, financial results and overseeing the Company's systems of internal control, governance and risk management. The Board delegates certain responsibilities to the management, to assist it in carrying out its functions of ensuring independent oversight.

Corporate Governance contd.

A.1.3 Compliance with Laws and access to Professional Advice – **Complaint**

The Board acts in conformity with the laws of the country and the Board and the Audit Committee is tabled a compliance statement on statutory requirements on quarterly basis at the Audit Committee meeting.

The Board of Directors are provided with the opportunity of seeking professional advice at the expense of the Company, whenever it is necessary; with regard to certain technical matters and other business affairs ensuring that the Directors possess sufficient knowledge and experience in making high quality and independent decisions.

A.1.4 Company Secretary – **Complaint**

Mercantile Investments & Finance Plc. functions as Secretaries to the Board. They ensure that appropriate Board processes are adopted, Board procedures and applicable rules and regulations adhered to and details and documents are made available to the Directors and Senior Management for effective decision making at the meetings. Further Company Secretary acts as the mediator between Directors, Auditors and Sub-committees of the Board facilitating the communication and information flow among above parties.

A.1.5 Directors' Independence – **Complaint**

The objectivity and independent judgement in all decisions of the Directors are established by ensuring that the Board acts unrestrictedly from undue influence of other parties or circumstances.

Name of Director /Capacity	Significant Shareholding	Management	Material Business Relationship	Employee Of the Company	Family Member Director	Nine years Of continuous Service
Non-Executive Independent Directors						
Mr. N.H.V Perera	No	No	No	No	No	Yes
Mr. M. Keerthiratne	No	No	No	No	No	Yes
Mr. R.S. Weerawardane	No	No	No	No	No	Yes
Mr. M.U. Maniku (Alternate Mr. W.P. Hettiaratchi)	Yes	No	No	No	No	Yes
Mr. Ajita De Zoysa	No	No	No	No	No	Yes
Mr. M.J. Fernando	Yes	No	No	No	No	Yes
Mr. P.S.R. Casie Chitty	No	No	No	No	No	No
Non-Executive Non Independent Director						
Mr. A.N. Esufally	No	No	No	No	No	Yes

- Shareholding carrying not less than 5% of the voting rights of the Company.
- Persons having authority and responsibility for key management decisions of the entity.
- Relationships that result in income/non-cash benefits equivalent to 10% of director's annual income.
- Close family member or any person who is financially dependent on such director.

Composition of the Board as at 31st March 2017 was as follows.

No. of Members	Executive	Non-Executive	Independent	Non-Independent	Gender Representation		Age Distribution				
					Male	Female	Below 50	51-60	61-70	71-80	Above 81
13	05	08	07	01	12	01	4	1	4	2	2

A.1.6 Adequate Time and Effort from Directors - **Compliant**

Board of Directors dedicates adequate time and effort to discharge their duties and responsibilities owed to the Company. The Board papers are distributed to the Directors ahead of the meetings, providing the opportunity to call for additional information and clarifications before the meeting.

The Board has delegated the authority of directing the routine operations of the Company to the Joint Managing Director and the Executive Directors of the Company.

A.1.7 Training for Directors – **Compliant**

Existing Directors are encouraged to improve their knowledge base and skills on a continuous basis and the newly appointed Directors are introduced to the Board and the Senior Management after induction sessions conducted on Governance Framework, Company's culture and values, business model and strategy, duties and responsibilities of the Directors, current laws and regulations applicable to the tourism and hotel industry and important matters that were discussed during prior meetings.

Training for Directors are provided via,

- a. Access to internal and external experts and professionals, on Tax, Legal, Finance, Investments and other important business affairs.
- b. Detailed periodic reports on the performance of the hotels, its outlets and other activities.
- c. Updates on contemporary developments in areas such as law, industry best practices and the domestic economy.
- d. The services of the Company Secretary and other internal departments such as the Legal department.

Principal A.4: Financial Acumen – **Compliant**

The Board of Directors of Royal Palms Beach Hotel comprise of three experienced Senior Accounting Professionals, one of whom is an Executive Director, including a Fellow member of the Institute of Chartered Accountants of Sri Lanka and a Fellow member of the Institute of Chartered Certified Accountants (ACCA) UK. Hence the Board possesses sufficient financial acumen, knowledge and expertise to provide guidance on matters of finance.

Principal A.5: Board Balance – **Compliant**

The Board comprises of five Executive Directors and eight Non-Executives Directors out of which seven are Independent Directors and one Non-independent Director ensuring that no individual or small Company can dominate the Board's decisions.

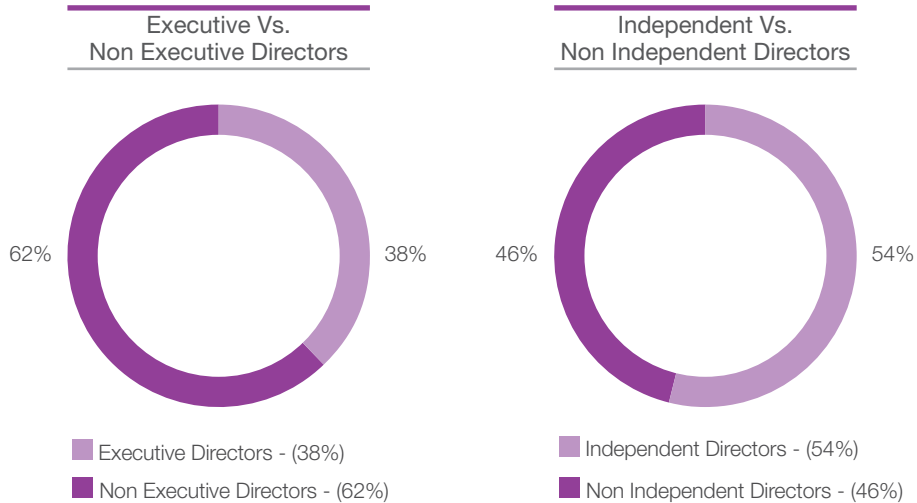
A.5.1: Board Balance – **Compliant**

The present composition of the Board is at a healthy balance between executive expediency and independent judgement. The Board is comprised of experienced and influential individuals with diverse backgrounds and expertise. Their mix of skills and business experience is a major contributor to the proper functioning of the Board and its committees. The Non-Executive Directors possess vast experience in business and strong financial acumen, through their membership on external boards, and thereby, are able to assess the financial reporting systems and internal controls, review and suggests any changes in keeping with best practice.

Corporate Governance contd.

A.5.2 Number of Independent Directors – **Compliant**

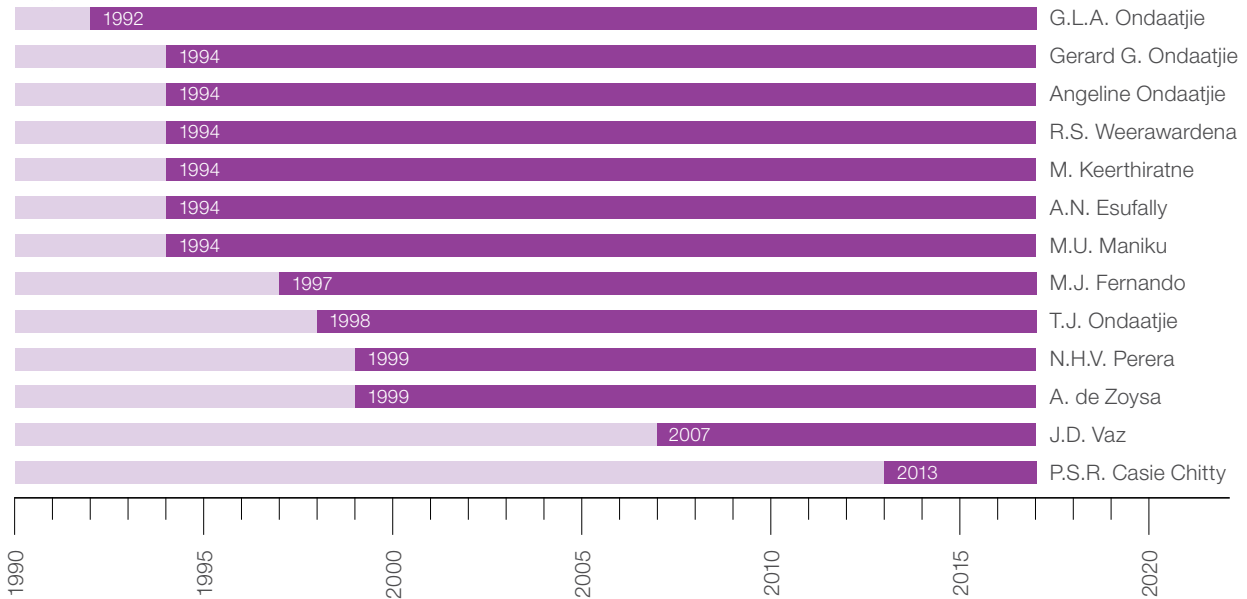
The Board remained the same from the previous financial year, 2015/16; which comprised of five Executive and eight Non-executive Directors, with six Non-independent Directors and seven Independent Directors.



A.5.3, A.5.4 & A.5.5 Independence of Non-Executive Directors – **Compliant**

The presence of Non-Executive Independent Directors enables independent judgement. None of the Independent Directors have held executive responsibilities in their capacity as Independent Directors and have submitted a declaration confirming their Independence as at 31st March 2017 in accordance with section 07 of the CSE listing regulations on Corporate Governance. The biographical details of the Directors are set out on page 34 to 38 of this report.

Length of Appointment of Executive & Non-Executive Directors



A.5.10 Minutes on Directors Concerns – **Compliant**

Any concerns of Directors on matters of the Company that cannot be unanimously resolved will be recorded in Board Minutes, as and when such concern arises.

Principal A.6: Supply of Information

A.6.1 & A.6.2 Provision of Adequate Information on a Timely Basis to the Board – **Compliant**

The minutes, agenda and the Board papers required for the Board meetings are provided to the Directors at least seven days before the meeting and management is obliged to provide the Board with relevant and timely information for effective decision making. Directors are also provided the opportunity to make enquiries from industry experts and professionals, senior management, auditors, central internal departments and the Company Secretary for further details and information as and when necessary.

Principal A.7: Appointments to the Board – **Compliant**

Royal Palms Beach Hotels PLC has a formal and transparent procedure for the appointment of Directors to the Board.

Principal A.8: Re-election

A.8.1 & A.8.2 Approval from Shareholders for Election and Re-election of Directors - **Compliant**

All Directors including the Chairman over the age of seventy years and the Directors retiring by rotation in terms of the Articles of Association of the Company, submit themselves to be re-elected at the AGM to be held on the 29th of September 2017 by the shareholders and the proposals for re-election are specified in Notice of Meeting section on page 147.

A.10: Disclosure of Information in Respect of Directors – **Compliant**

Information in respect of Directors is specified in the below sections of this Annual Report, in line with requirements of the Code of Best Practice:

Information	Section	Page number
Name & brief Profile	Board of Directors	34-38
Expertise in functional areas	Board of Directors	34-38
Material Business Relationships	A.5.3, A.5.4 & A.5.5	86
Executive, Non-Executive & independence	A.1 & A.5	82-86
Other Directorships	Board of Directors	34-38
Attendance at Board meetings	A.1	83
Sub-committee representation	Audit /Remuneration/Related Party Transactions Committee	106-108

Principal A.11: Appraisal of Joint Managing Directors (CEO)

A.11.1 & A.11.2 Short, Medium and Long-term Objective and Evaluation of MD's Performance

The Board sets out the short, medium and long term, financial and non-financial objectives at the commencement of each financial year, in consultation with the Joint Managing Director. However the evaluation of the performance of the Joint Managing Director in respect of the achievement of such set targets is yet to be compliant with.

B. Directors Remuneration (03 Principals)

Principal B.1: Remuneration Procedure – **Compliant**

B.1.1, B.1.2, B.1.3 & B.1.5 Remuneration Committee, its composition and access to professional advice on determining the remuneration of Executive Directors – **Compliant**

Royal Palms Beach Hotels PLC has established a formal and transparent procedure for determining the remuneration packages of the Directors, by delegating the responsibility and the authority to a sub-committee of the Board.

The Remuneration Committee of the Company consists of Three Non-Executive Directors namely:

Mr. N.H.V. Perera - (NED / ID) - Chairman

Mr. R.S. Weerawaradane (NED / ID)

Mr. P.S.R. Casie Chitty (NED /ID)

Corporate Governance contd.

The Group Financial Controller assists the committee by providing the relevant information and participating in the analysis and deliberations, in addition to the consultations done by the remuneration committee from the Joint Managing Director, on proposals relating to the remuneration of Executive Directors. Further, the remuneration committee is provided the access to professional advice on such proposal whenever it is necessary.

The objective of the Remuneration Committee is to review and recommend the remuneration payable to the Executive Directors.

The Remuneration Committee met once during the financial year.

Name of Director	Attendance at Remuneration Committee Meeting			
	Position	08-Feb-2017	Meetings Attended	Percentage Attended
Mr. N.H.V. Perera	Chairman	✓	1/1	100%
Mr. R.S. Weerawaradane	Member	-	0/1	0%
Mr. P.S.R. Casie Chitty	Member	✓	1/1	100%

B.1.4 Remuneration of Non-Executive Directors – **Compliant**

The Board as a whole determines the remuneration of the Non-executive Directors, including the members of the Remuneration Committee, based on the Articles of Association of the Company.

B.2: The Level and make up of Remuneration – **Compliant**

B.2.1, B.2.2, B.2.3, & B.2.4 The Level and Determinants Executive Directors' Remuneration – **Compliant**

The objective of the Remuneration Committee at "Royal Palms" is to determine the optimal level of remuneration, which is sufficient enough to attract, retain and motivate the Executive Directors, by ensuring that the Directors are not remunerated over and above the level that is required.

The Remuneration Committee reviews the remuneration levels of other similar companies, macro-economic factors such as inflation and other industry norms in determining annual salary increments.

However, in order to avoid over remuneration/payment, compared to the services, time and effort rendered by the Directors, the remuneration policy has been incorporated with performance-related elements, which serves as an incentive for the Directors to perform at the highest level as well as to link the rewards to corporate and individual performance.

B.2.5 Executive Share Options – **Not Applicable**

This section is not applicable to the Company as, there were no share option schemes in effect during the financial period under review.

B.2.6 Remuneration Policy – **Compliant**

The design of the remuneration scheme, components of Directors' remuneration and the details of the amendments done to the existing remuneration have been set out in the Remuneration Committee Report on page 107.

B.2.7 & B.2.8 Compensation on early termination – **Compliant**

Compensation paid on early termination of Directors will be determined based on the initial contract/Articles of Association of the company, where the initial contract does not provide directions for compensation commitments.

B.2.9 Levels of remuneration for Non-Executive Directors – **Compliant**

The Non-Executive Directors will be paid a fee for attendance at the Board meetings and the Audit Committee meetings. The fee will be determined by the Board on an annual basis.

B.3: Disclosure of Remuneration – Compliant

The aggregate remuneration paid to Directors is disclosed on page 123 under the Note no 05 as a part of the Financial Statements of this report.

C. Relations with Shareholders (03 Principals)

Principal C.1: Constructive use of the AGM and General Meetings – Compliant

Principal C.1.1 – C.1.5 Constructive use of the AGM and General Meetings – Compliant

The Company uses the AGM to effectively communicate and enhance the relationship with shareholders. The Shareholders have the right to voice their concerns to Board of Directors and exercise their votes at Annual General Meetings/ Extraordinary General Meetings of the Company. The notice of the meeting, a summary of the procedures governing the voting process at the meeting, and other relevant documents as required by the Companies Act No.07 of 2007 and Listing Rules of Colombo Stock Exchange are circulated to all the shareholders within the time frame stipulated in the relevant statutes.

Separate resolutions shall be proposed for each substantially separate issue, including a resolution for the adoption of the report and the accounts.

The Chairman of the Audit and Remuneration Committee will be present to clarify and provide explanations for the questions raised by the shareholders.

Principal C.2: Communication with Shareholders

Principal C.2.1 – C.2.7 Communication with Shareholders – Compliant

Mercantile Investments & Finance Plc. functions as Secretaries of the Company, and the shareholders are provided a channel to communicate with the Board/individual Directors effectively via the Company Secretaries.

All matters in relation to shareholders should be communicated to the Company Secretary and in absence; such matter can be referred to the Joint Managing Director.

The Company Secretary shall maintain all correspondence with the shareholders and disseminate timely responses to the shareholders.

Principal C.3: Major and Material Transactions – Compliant

There were no major transactions during the period under review that would materially affect the Company net asset base.

D. Accountability and Audit (05 Principals)

Principal D.1: Financial Reporting

D.1.1 Balanced Presentation of Financial Statements – Compliant

The Board is responsible for the preparation of Financial Statements that gives a true and fair assessment of the Company's financial, position, performance and prospects, in accordance with the Companies Act No. 07 of 2007, Sri Lanka Financial Reporting Standards (SLFRS)/Sri Lanka Accounting Standards (LKAS) and listing rules of the Colombo Stock Exchange.

The Board is conscious of its responsibility to the Shareholders, the Government and the Society at large, in which it operates and is unequivocally committed to upholding ethical behavior in conducting its business. The Board, through the Company's Administrative and Finance Divisions, strives to ensure that the businesses of the Company and its subsidiary comply with the laws and regulations of the country.

Corporate Governance contd.

D.1.2 Annual Report of the Directors – **Compliant**

The Annual Report of the Board of Directors sets out the,

- a. Compliance with laws and regulations
- b. Directors' Interests have been disclosed in accordance with the provisions in the Companies Act No. 07 of 2007.
- c. Equitable treatment to shareholders.
- d. Appropriateness of the going concern assumption.
- e. Appropriateness of the Company's Internal Control system.

D.1.3 Directors' responsibility for preparation and presentation of Financial Statements – **Compliant**

The Annual Report of the Directors as well as the Independent Auditors' Report declares the responsibility of the Board for the preparation and presentation of Financial Statements. The Financial Statements of the company were audited by Messrs Ernst and Young, Chartered Accountants.

D.1.5 Going Concern of the business – **Compliant**

Directors have declared the appropriateness of the using going concern basis with supporting assumptions on page 101 of the Annual Report of the Board of Directors section.

D.1.6 Serious loss of capital – **Not Applicable**

This principal is not applicable as the net assets of the Company remained higher than 50% of the value of the Company's shareholders' funds during the period under review.

D.1.7 Disclosure of Related Party Transactions – **Compliant**

The Related Party Transactions Review Committee, which is a sub-committee of the Board, is responsible for review and disclosure of Related Party Transactions.

Related Party Transactions Review Committee

The Related Party Transactions Review Committee consists of two Non-Executive Independent Directors and one Executive Director, namely:

Mr. N.H.V. Perera – Chairman (NID)

Mr. J.D. Vaz (ED)

Mr. P.S.R. Casie Chitty (NID)

The Group Financial Controller assists the committee by providing the relevant information and participating in the analysis and deliberations.

The objective of the Related Party Transactions Review Committee is to be consistent with the Code of Best Practices on Related Party transactions issued by the Securities & Exchange Commission.

A Report of the Related Party Transactions Review Committee is given on page 108.

The Related Party Transactions Review Committee met four (4) times during the financial year.

Name of Director	Position	Attendance at Related Party Transactions Review Committee Meeting					
		24-May 2016	05-Aug 2016	11-Nov 2016	08-Feb 2017	Meetings Attended	Percentage Attended
Mr. N.H.V. Perera	Chairman	✓	✓	✓	✓	4/4	100%
Mr. J.D. Vaz	Member	✓	-	-	-	1/4	25%
Mr. P.S.R. Casie Chitty	Member	✓	✓	✓	✓	4/4	100%

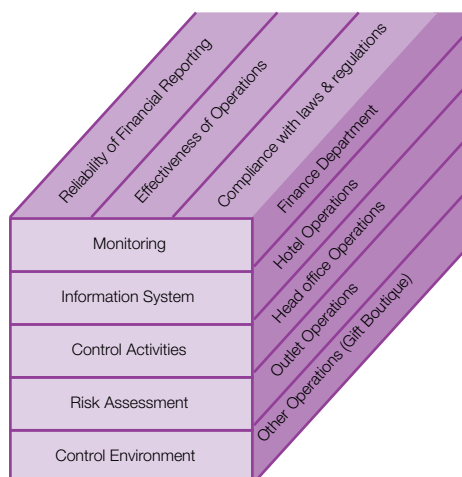
The Company maintains a Directors' Interest Register and all Directors of the Company have disclosed their interests in other Companies, conforming to the provisions of the Companies Act No. 07 of 2007. Further all related party transactions in accordance with Sri Lanka Accounting Standard 24 – (LKAS 24) – Related Party Transactions are disclosed under Note no. 26 to the Financial Statements.

Principal D.2: Internal Controls

D.2.1 Effective System of Internal Controls and Risk Review – **Compliant**

The Board is responsible for the formulation of appropriate systems of internal controls for the Company and ensuring its effectiveness. The Board acknowledges its responsibilities for the system of internal control to facilitate the identification, assessment and management of risk, the protection of shareholders' investments and the Company's assets. The Directors recognize that they are responsible for providing return to shareholders, which is consistent with the responsible assessment and mitigation of risk. The Board is aware that any internal control systems contains inherent limitations and no system of internal control can provide absolute assurance against the occurrence of material errors, poor judgement in decision making, human errors, loss, frauds or other irregularities. Therefore, the Board takes appropriate action to minimize such situations.

There is an on-going process for identifying, evaluating and managing the significant risks faced by the Company which has been in place during the financial year and up to the date of approval of the Annual Report and Accounts. The Board regularly reviews this process. Internal Control process of the Company can be demonstrated in detail as below;



The three main objectives of Internal Controls of the company are,

1. Ensuring the reliability of Financial Reporting
2. Improving the effectiveness and the efficiency of hotel operations.
3. Compliance with the laws and regulations.

Corporate Governance contd.

In achieving the above objectives Company has organized its Internal Controls system as follows,

1. Control Environment

Management, with the oversight of the Board, has created and maintained a “culture of honesty” and promotes ethical behavior, which provides the foundation for the other components of the Internal Control system.

2. Risk Assessment

Company regularly assesses the risk associated with the business and a detailed explanation of the risk assessment has been provided under the Risk Management section of this report on page 97 to 99.

3. Control Activities

Control Activities consists of the set of Internal Controls designed and implemented by the Company to manage risk associated with the business, including;

- a. Segregation of duties
- b. Authorisations
- c. Performance review
- d. IT general controls and application controls
- e. Other physical controls

4. Information System

Information System consist of the infrastructure, software, people, procedures and data that facilitates financial reporting and other hotel operations such as front office reservation system.

5. Monitoring and Review

This aspect of the Internal Control system involves in evaluating whether the Internal Controls which have been designed and implemented are operating effectively, taking corrective action whenever there are inefficiencies and ensuring that the Internal Control system is sound and effective to minimize the risks faced by the Company.

Departments / Business Units

Internal Controls are designed and implemented over different departments/units of the Company, such as the finance, hotel operations, head office functions, outlet operations, gift boutique operations and other operations in achieving the three main objectives aforementioned.

The Company may be exposed to certain external and internal risks and recognizes the importance of controlling these risks and minimizing the possibility of any negative impact to the Company. The control systems are designed to safeguard the Company's assets and maintain proper accounting records. Further Internal Audit Reports are reviewed and discussed at management level and thereafter forwarded to the Audit committee. Internal Audit Reports are structured in a way that it facilitates the resolution of the concerns highlighted and follow up action is monitored by the Board on an ongoing basis.

D.2.2 & D.2.3 Internal Audit Function and Audit Committee review of Internal Control System – **Compliant**

The Audit Committee oversees the Internal Audit Function of the Company by agreeing on an annual work plan, reviewing its performance and ensuring that the internal audit function has sufficient and appropriate resources to perform their duties effectively and efficiently in maintenance of a sound risk management process and internal control system.

D.2.4 Responsibilities of the Directors in maintaining a sound system of Internal Controls – **Compliant**

The “Statement of Directors' Responsibility” on page 103 provides the declaration made by Directors accepting the responsibility to ensure that the Company is equipped with a sound system of internal controls.

Principal D.3: Audit Committee

D.3.1, D.3.2 & D.3.3 Composition and the Duties of the Audit Committee – Compliant

The Audit Committee comprises of three Independent Non-Executive Directors.

The members of the Audit Committee are as follows:

Mr. N.H.V. Perera - Chairman
Mr. R.S. Weerawaradane
Mr. P.S.R. Casie Chitty

As prescribed in the listing rules of the Colombo Stock Exchange one member of the Audit Committee is member of a professional accounting body. Mr. P.S.R. Casie Chitty is a fellow member of the Association of Chartered Certified Accountants of (ACCA) UK. The External Auditors, the General Manager and Group Financial Controller attend the Audit Committee meetings by invitation.

The Audit Committee focuses principally in assisting the Board to fulfill its duties by providing an independent and objective view of the financial reporting process, internal controls, risk review and the audit function. The Audit Committee is assisted by the Internal Audit. Internal Controls have been designed to ensure transparency and good governance within the Company. The Committee is responsible for the consideration and recommendation of External Auditors. A report of the Audit Committee is given on page 106.

The Audit Committee met four (4) times during the year, holding one meeting per quarter according to a predetermined agenda.

Name of Member	Position	Attendance at Audit Committee Meetings					
		24-May 2016	05-Aug 2016	11-Nov 2016	08-Feb 2017	Meetings Attended	Percentage Attended
Mr. N.H.V. Perera	Chairman	✓	✓	✓	✓	4/4	100%
Mr. R.S. Weerawaradane	Member	-	-	-	-	0/4	0%
Mr. P.S.R. Casie Chitty	Member	✓	✓	✓	✓	4/4	100%

D.3.4 Disclosure of the names of the Audit Committee and the Audit Committee Report – Compliant

The names of Directors in the Audit Committee are disclosed in the D.3.1 section and the manner of compliance with the Code of Best Practice by the Company is set out in the Audit Committee Report on page 106 of the annual report.

Principal D.4: Code of Business Conduct & Ethics

D.4.1 & D.4.2 Adoption of Code of Business Conduct and Ethics and Chairman's affirmation –

Adoption of a Code of Business Conduct and Ethics for Directors and members of senior management team is yet to be complied by the Company.

E. Institutional Investors

The Corporate Governance section of the annual report from pages 78 to 96 sets out the manner and extent to which the company has adopted the principals and provisions of the Code of Best Practice on Corporate Governance.

The Company ensures that all shareholder rights are properly observed. Permanent procedures are carried out in line with the rules and regulations of the Colombo Stock Exchange, as well as the related laws.

The Company is committed to create long-term growth and returns to the shareholders and to conduct its business in a transparent manner.

Corporate Governance contd.

Principal E.1: Shareholder voting

E.1.1 Structured dialogue with shareholders – **Compliant**

A regular and structured dialogue shall be conducted with shareholders and the outcome of such dialogue should be communicated to the Board by the Chairman.

Principal E.2: Evaluation of governance disclosures by institutional investors – **Compliant**

Institutional investors are being encouraged to consider the relevant factors drawn to their attention with regard to board structure and composition.

F. Other Investors

Principal F.1: Investing/Divesting Decision – **Compliant**

Individual shareholders are encouraged to carry out adequate analysis and seek professional advice when making their investment / divestment decisions.

Principal F.2: Shareholder Voting – **Compliant**

Individual shareholders are encouraged to participate and exercise their voting rights.

G. Sustainability Reporting

Principal G.1: Principals of Sustainability Reporting

G.1.1 Economic Sustainability – **Compliant**

Set out on page 144 of the 'Value Added Statement'.

G.1.2 The Environment – **Compliant**

Set out on pages 61 to 63 of the 'Sustainability Report'.

G.1.3 Labour Practice – **Compliant**

Set out on pages 48 to 60 of the 'Sustainability Report'.

G.1.4 Society – **Compliant**

Set out on pages 66 to 68 of the 'Sustainability Report'.

G.1.5 Product Responsibility – **Compliant**

Set out on page 47 of the 'Sustainability Report'.

G.1.6 Stakeholder identification, engagement and effective communication – **Compliant**

Set out on pages 44 to 75 of the 'Sustainability Report'.

G.1.1 Sustainability Reporting – **Compliant**

Set out on pages 44 to 75 of the 'Sustainability Report'.

Levels of compliance with the CSE's New Listing Rules- Section 7.10, Rules on Corporate Governance are given in the following table.

Rules No.	Subject	Applicable requirement	Compliance Status	Applicable Section in the Annual Report
7.10. 1 (a)	Non-Executive Directors	Two or at least one third of the total number of Directors should be Non-Executive Directors	Compliant	Corporate Governance
7.10.2 (a)	Independent Directors	Two or one third of Non- Executive Directors, whichever is higher should be Independent	Compliant	Corporate Governance
7.10.2 (b)	Independent Directors	Each Non-Executive Director should submit a Declaration of independence/ Non-independence in the prescribed format	Compliant	Available with the Secretaries for Review
7.10.3 (a)	Disclosure relating to Directors	<ul style="list-style-type: none"> The Board shall annually make a determination as to the independence or otherwise of the Non-Executive Directors Names of Independent Directors should be disclosed in the Annual Report 	Compliant	Corporate Governance Corporate Governance / Board of Directors' - Profile
7.10.3 (b)	Disclosure relating to Directors	The basis for the Board to determine a Director is independent, if criteria specified for independence is not met.	Compliant	Corporate Governance
7.10.3 (c)	Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report including the areas of Expertise	Compliant	Board of Directors' - Profile
7.10.3 (d)	Disclosure relating to Directors	Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3 (a),(b) and (c) to the Exchange	Not Applicable	No new Directors were appointed during the period
7.10.4 (a-h)	Determination of Independence	Requirements of meeting criteria	Compliant	Corporate Governance
7.10.5	Remuneration Committee	A listed company shall have a Remuneration Committee	Compliant	Corporate Governance
7.10.5 (a)	Composition of Remuneration Committee	Shall comprise of Non-Executive Directors, a majority of whom will be Independent	Compliant	Corporate Governance
7.10.5 (b)	Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Executive Directors	Compliant	Corporate Governance
7.10.5 (c)	Disclosure in the Annual Report relating to Remuneration Committee	<ul style="list-style-type: none"> Names of Directors comprising the Remuneration Committee Statement of Remuneration Policy Aggregated Remuneration paid to Directors 	Compliant Compliant Compliant	Corporate Governance Corporate Governance Notes to the Financial Statements
7.10 .6	Audit Committee	The Company shall have an Audit Committee	Compliant	Corporate Governance and The Audit Committee Report

Corporate Governance contd.

Rules No.	Subject	Applicable requirement	Compliance Status	Applicable Section in the Annual Report
7.10.6 (a)	Composition of Audit Committee	<ul style="list-style-type: none"> Shall comprise of Non- Executive Directors a majority of whom will be Independent 	Compliant	Corporate Governance and The Audit Committee Report
		<ul style="list-style-type: none"> A Non-Executive Director shall be appointed as the Chairman of the Committee 	Compliant	Corporate Governance and The Audit Committee Report
		<ul style="list-style-type: none"> General Manager and Chief Financial Officer shall attend Audit Committee Meetings 	Compliant	Corporate Governance and The Audit Committee Report
		<ul style="list-style-type: none"> The Chairman of the Audit Committee or one member should be a member of a professional accounting body 	Compliant	Corporate Governance and The Audit Committee Report
7.10.6 (b)	Audit Committee Functions	Functions shall include: Overseeing of the – <ul style="list-style-type: none"> Preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Financial Reporting Standards Compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements 	Compliant	Corporate Governance and The Audit Committee Report
		<ul style="list-style-type: none"> Processes to ensure that the Internal Controls and Risk Management are adequate to meet the requirements of the Sri Lanka Auditing Standards Assessment of the independence and performance of the External Auditors Make recommendations to the Board pertaining to appointment, re – appointment and removal of External Auditors, and approve the remuneration and terms of engagement of the External Auditors 	Compliant	Corporate Governance and The Audit Committee Report
7.10.6 (c)	Disclosure in the Annual Report relating to Audit Committee	<ul style="list-style-type: none"> Names of Directors comprising the Audit Committee 	Compliant	Corporate Governance and The Audit Committee Report
		<ul style="list-style-type: none"> The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination 	Compliant	Corporate Governance and The Audit Committee Report
		<ul style="list-style-type: none"> The Annual Report shall contain a Report of the Audit Committee setting out the manner of compliance with their functions 	Compliant	Corporate Governance and The Audit Committee Report
D 1.7	Related party Transactions	Disclosure of Related Party Transactions	Compliant	Notes to the Financial Statements

Risk Management

Risk Management is the process of identifying, quantifying, and managing the risks that an organisation faces. As the outcomes of business activities are uncertain, they are said to have some element of risk.

It is important that they properly understand and manage the risks that they are willing to accept in the context of the overall corporate strategy.

Royal Palms Beach Hotels PLC effectively manage both risk and reward. The hotel believes that in order to ensure reward, risk needs to be managed effectively. The risk framework involves risk identification, risk assessment and risk mitigation.

Risk is the probability of an undesirable outcome occurring due to a chosen activity or action.

The process of identifying potential risks and developing strategies to mitigate those risks is known as Risk Management.

The benefit of identifying, managing and mitigating risks is immense for the diverse hospitality industry in which Royal Palms Beach Hotel operates.



Listed below are some of the risks and risk mitigation strategies used by Royal Palms Beach Hotels PLC:

Business Risk

Business Risk results from the adverse impact on the Company's revenue and profitability. If business risk is not effectively managed, the revenues and cash flows will reduce. As a result, Royal Palms Beach Hotel may not be able to achieve its business objectives and grow as it will lose its competitiveness within the industry.

Control Measures

- Royal Palms Beach Hotel manages its business risk by strategizing on increasing its market share and constantly seeking to tap emerging markets. The Company boasts of an impressive foreign clientele consisting of Russian, Ukraine, Germany and UK clients apart from its local market.

- The business also utilizes the aid of various booking engines such as Agoda.com and Booking.com to increase its revenue and market position worldwide.
- Internal measures are taken by the Company as well to constantly review and streamline its costs and expenditure. This internal exercise helps the Company to revise rates and increase profitability while maintaining its competitive position.

Economic Risk

Economic Risk emerges from changes in economic variables such as inflation rates and interest rates which may distort the Company's growth as a result. Higher inflation rates may cause costs to increase and lower profitability for the Company. On the other hand, an increase in interest rates may increase finance costs and result in inability to repay debt.

Control Measures

- Royal Palms Beach Hotel exercises regular cost reviews and places strict cost controls while maintaining quality concurrently. Maintaining high quality and improving its impressive brand image enables the hotel to maintain its rates in a competent manner enabling any adverse effects of inflation to even out.
- Though higher interest rates are detrimental to the finance costs payable by the Company, Royal Palms Beach Hotel uses these increased rates to invest its excess funds. Thus, the Company benefits from matching payments against receipts.

Risk Management Contd.

- The hotel is cautious in investing its funds or entering into loans and takes into account both reliability and the most beneficial rates. The hotel manages to do this effectively using the strength of its associate company Mercantile Investments and Finance PLC.

Foreign Exchange Risk

Foreign Exchange Risk disrupts revenue due to exposure to fluctuations in foreign currency. Royal Palms Beach Hotel deals with a wide foreign clientele. Volatility in foreign exchange rates can cause a fall in revenue for the Company when translating its foreign currency payments to rupees.

Control Measures

- The hotel seeks to denominate most of its foreign sales contracts in the stable US Dollar and Euro which are considered safe currencies. The recent hike in the US Dollar due to the devaluation of the rupee was immensely beneficial with regard to foreign currency receipts.
- The Company is also able to monitor Foreign Exchange movements through its head office treasury function. The treasury function enables the Company to review and convert foreign currency at the best rates and thereby maximise gains.

Natural Disaster Risk

Natural Disaster Risk is the damage any natural hazards could cause to the business. Several examples of natural disasters that could affect the hotel include fire, tsunami and floods.

Control Measures

- The Company has taken numerous measures to transfer the risk to third parties in the form of insurance policies. These insurance policies cover the risk of the Company's assets being damaged due to natural hazards.
- The hotel has invested in physical security and contingency measures in the hotel premises such as emergency exits, fire hoses, fire extinguishers and fire alarms to safeguard the assets of the company.

Legal and Statutory Risk

Legal & Statutory Risk is borne through litigation by the Government, customers and business partners as a result of the Company being unable to comply with legal and statutory requirements. This could result in losses arising from non-compliance with statutes and flawed contracts.

Control Measures

- The Company obtains assistance from the centralised legal division in all legal proceedings. The division provides guidance, direction and advice to the hotel upon entering business contracts and signing agreements. Hence, the hotel is safeguarded from incurring unexpected losses as a result
- Statutory compliance is given high priority and is regularly monitored and reviewed by the management. The quarterly internal audit program scopes in statutory compliance. A compliance certification is handed over to the Audit Committee for review by the management.

Operational Risk

Operational Risk results through slack in internal controls, inefficient business processes, fraud, undue care and system breakdowns. The Company would face several implications in the form of disrupted operations, losses and ineffective use of resources.

Control Measures

- The hotel has laid down clear systems and procedures with regard to ensuring compliance with its internal controls. The hotel uses a formal process where internal auditors are appointed to help detect the above mentioned operational risks by means of quarterly internal audits.
- The auditors review the processes for its efficiency and effectiveness. More stringent internal controls are placed if deemed necessary. This process promotes transparency and minimises the risks associated with the Company operations.
- Further, there are CCTV cameras attached to key locations in the hotel premises to detect fraud and negligence.

Health and Safety Risk

Health and Safety Risk is caused by unhealthy and dangerous work practices. This could be of twofold, health and safety of customers and health and safety of the workers in the Company.

Control Measures

- The Company does constant maintenance to its chillers, elevators and the other assets it owns to ensure safe use. The hotel also carries out constant refurbishment of its premises to ensure safety for both its customers and workers.
- The hotel has taken contingency measures and have ensured the availability of emergency exits and safety warnings.

Competition Risk

Competition Risk results through strong competitive actions from new entrants and existing players in the market. The risk of competition involves the threat of new entrants as well.

Control Measures

- Royal Palms Beach Hotels PLC places significant emphasis on maintaining its competitive position in the market. The excellent brand quality, unique interior and superlative service by the staff remain exclusive to the hotel, hence giving Royal Palms Beach a competitive edge over new and existing players in the market.

- To take further advantage of its attractive brand, Royal Palms enhances its brand standard through regular refurbishment of the hotel property and upgrading of the facilities being offered. This helps the hotel to remain consumer focused and blend in innovative changes to suit the various tastes of its guests and make their visits memorable and repeated.
- Another measure the Hotel takes to maintain its competitive position is through support from its associate travel arm Tangerine Tours (Pvt) Ltd. Besides this, long term affable relationships with other major tour operators are maintained to ensure successful business relationships. The hotel also maintains constant monitoring of its main competitors in the market as this enables them to respond faster to competitive strategies.

SWOT Analysis



Strengths

- I. Product
- II. Banquets
- III. Garden
- IV. Swimming pool
- V. Close to Colombo and on the Beach
- VI. Food
- VII. Dining options
- VIII. Staff



Weaknesses

- I. Lack of skilled staff
- II. Attracting female staff
- III. Facilities for differently able guest
- IV. Railway lines
- V. Staff Accommodation
- VI. Brand awareness



Opportunities

- I. Training and Development
- II. SOP's (Minimum service standards)
- III. Restructuring
- IV. Job description
- V. Employee performance evaluation
- VI. Empowerment
- VII. Two products in the premises
- VIII. Attracting wedding MICE market
- IX. Promoting excursion



Threats

- I. Sea erosion
- II. Harassments to guests
- III. Retaining of skilled staff
- IV. Increasing number of hotels
- V. Informal sector
- VI. Competition/Trends

Annual Report of the Board of Directors

The Directors have pleasure in submitting their report, together with the Audited Accounts for the financial year ended 31st March 2017.

Review of the year

The Chairman's Report on page 24 contains a review of the operations during the financial year.

Principal Activity

The principal activity of the Company, which is hotelling, remained unchanged.

Corporate Governance

The Board of Directors of the Company is responsible for the governance of the company, which include setting out strategic aims, providing leadership and supervising the management. The corporate governance practices of the Company are given on Pages 78 to 96.

Turnover

The net turnover for the year was Rs. 582,319,231/- (2015/16 Rs.637,372,326/-)

Profit & Loss Account

	31.03.2017	31.03.2016
Net profit for the year amounts to	96,744,309	173,763,937
Less: Provision for Taxation	(10,004,994)	(25,246,464)
Net profit/(Loss) for the year	86,739,315	148,517,473
Unappropriated profit brought forward	646,207,122	519,980,914
Dividend Paid	(40,000,000)	(25,000,000)
Effect on Revaluation Surplus of Derecognised of Property, Plant & Equipment	421,584	-
Actuarial Gain/(Loss)	(2,083,537)	2,708,735
Profit Available for Appropriation	691,284,482	646,207,122

Dividends

The Directors approved a first and final dividend of Rs. 0.80 for the ordinary Shareholders for the financial year 2016/17.

Capital Expenditure

The total capital expenditure incurred on the acquisition of fixed assets during the year amounted to Rs.105,994,405/- (2016 Rs.12,040,519/-) details of which are given in Note no 10.5 to the Financial Statements.

Property, Plant & Equipment

The details of property, plant & equipment of the Company are shown in Note no 10 to the Financial Statements.

Reserves

The movements during the year of Capital and Revenue Reserves are shown in the Statement of Changes in Equity on page 130.

Donations

During the year donations amounting to Rs. 170,000/- (2016 – Rs.50,500) were made to various charities by the Company.

Post Balance Sheet Events

No circumstances have arisen since the Balance Sheet date, which would require adjustment to or disclosure in the Accounts.

Directors

The names of the Directors are shown on pages 34-38

In terms of Section 88(i) of the Articles of Association, Mr. P S R Casie Chitty and Mr. T J Ondaatjie retire by rotation and being eligible offer themselves for re-election.

Special notice has been given of the intention to propose ordinary resolutions as set out in the notice of meeting to re-elect Mr. G L A Ondaatjie, Mr. M J Fernando, Mr. M Keerthiratne, Mr. A de Zoysa and Mr. M U Maniku as Directors of the company in terms of Section 211 of the Companies Act No. 07 of 2007.

Board Committees

The following members of the Board serve on the Audit Committee.

Mr. N.H.V. Perera - Chairman
Mr. R.S. Weerawardane
Mr. P.S.R. Casie Chitty

The report of the audit committee is given on page 106 of this report.

The following members of the Board serve on the Remuneration Committee.

Mr. N.H.V. Perera - Chairman
Mr. R.S. Weerawardana
Mr. P.S.R. Casie Chitty

Annual Report of the Board of Directors Contd.

The following members of the Board serve on the Related Party Transactions Review Committee

Mr. N.H.V. Perera - Chairman
Mr. P.S.R. Casie Chitty
Mr. J.D. Vaz

Directors' Interests Register

The Company maintains an Interest Register in compliance with the Companies Act No.07 of 2007.

Directors Interest in Contracts

The Directors of the Company have made the general disclosures provided for in Section 192(2) of the Companies Act No.07 of 2007. The related party disclosures and the Directors of each of those related parties are given on page 135.

Directors Remuneration

The aggregate emoluments paid to the Directors during year, amounted to Rs. 564,000/-.

Directors Shareholdings

As at 31st March	2017	2016
Mr. G L A Ondaatjie	2,742,700	2,742,700
Ms. A M Ondaatjie	212,500	197,500
Mr. G G Ondaatjie	167,500	167,500
Mr. T J Ondaatjie	500,000	500,000
Mr. M Keerthiratne	220,000	220,000
Mr. R S Weerawardena	192,775	192,775
Mr. A N Esufally	232,138	232,138
Mr. M U Maniku	2,552,823	2,552,823
Mr. M J Fernando	3,649,403	3,649,403
Mr. A de Zoysa	625	625
Mr. N H V Perera	265,795	265,795
Mr. J D Vaz	33	33
Mr. P S R Casie Chitty	-	-

Mr. G L A Ondaatjie and Ms. A M Ondaatjie serve as Joint Managing Directors of the Company.

Public Holding

The number of Ordinary Shares held by the public as at 31st March 2017 was 6,499,077 shares (2016- 6,539,077), which amounted to 13% (2016-13.08%) of the issued ordinary shares of the Company.

The number of public shareholders as at 31st March 2017 was 1,434.

Auditors

Messrs. Ernst & Young Chartered Accountants are deemed re-appointed in terms of Section 158 of the Companies Act No.7 of 2007 as the Auditors of the Company. A resolution proposing the Directors be authorised to determine the remuneration of the Auditors will be submitted to the Annual General Meeting.

The Auditors Messrs. Ernst & Young were paid Rs. 375,100/- as audit fees by the Company.

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

For and behalf of the Board



A.M. Ondaatjie
Joint Managing Director



T.J. Ondaatjie
Director

(Sgd.)
Mercantile Investments
and Finance PLC
Secretaries

22nd August 2017

Statement of the Directors' Responsibilities in Relation to the Financial Statements

The responsibilities of the Directors, in relation to the Financial Statements of the Company differ from the responsibilities of the Auditors, which are set out in the Report of the Auditors on Page no. 109 .

As per the provisions of the Companies Act No. 7 of 2007 the Directors are required to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company as at the end of the financial year and of the results of its operations for the financial year.

The Directors consider that, in preparing these Financial Statements set out through page 109 to 141 appropriate Accounting Policies have been selected and applied in a consistent manner, supported by reasonable and prudent judgement and that all applicable Accounting Standards, as relevant, have been followed.

The Directors are confident that the Company has adequate resources to continue in operation and have applied the going concern basis in preparing these Financial Statements. Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose with reasonable accuracy, the financial position of the Company and to ensure that the Financial Statements presented comply with the Companies Act No. 7 of 2007.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and in this regard to give proper consideration to the establishment of appropriate internal control systems to prevent and detect fraud and other irregularities.


The Directors are confident that they have discharged their responsibilities as set out in the statement. The Directors also confirm that to the best of their knowledge, all statutory payments payable by the Company as at the Balance Sheet date have been paid or where relevant, provided for.

By Order of the Board

(Sgd.)

Mercantile Investments & Finance PLC
Secretaries

Colombo
22nd August 2017



Financial Calendar

Interim Reporting

1st Quarter	30th June 2016	05th August 2016
2nd Quarter	30th September 2016	11th Nov 2016
3rd Quarter	31st December 2016	08th Feb 2017
4th Quarter	31st March 2017	24th May 2017

Annual Reports

2016/17	22nd August 2017
2015/16	22nd August 2016

Meetings

25th Annual General Meeting	29th September 2017
24th Annual General Meeting	30th September 2016



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Audit Committee Report

Functions

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its overall responsibilities. The Audit Committee functions include the review of Financial Statements, internal control procedures, compliance with accounting standards and statutory compliance. The Audit Committee assists the Board of Directors in discharging their duties. Where necessary the Audit Committee makes suggestions and recommendations to the Board in areas within its purview.

Members of the Audit Committee

The Audit Committee consists of three Non-Executive Independent Directors namely Mr. Hasantha Perera, Mr. R.S Weerawardena and Mr. P.S.R Casie Chitty.

Meetings

The Audit Committee held 04 meetings during the year under review. The Statutory Auditors, the Group Financial Controller, Finance Controller, Chief Accountant and the General Manager also attend these meetings on invitation.

Name of Member	Position	Attendance at Audit Committee Meetings					
		24-May 2016	05-Aug 2016	11-Nov 2016	08-Feb 2017	Meetings Attended	Percentage Attended
Mr. N.H.V. Perera	Chairman	✓	✓	✓	✓	4/4	100%
Mr. R.S. Weerawaradane	Member	-	-	-	-	0/4	0%
Mr. P.S.R. Casie Chitty	Member	✓	✓	✓	✓	4/4	100%

Internal Audit Function

The Committee reviews the internal audit reports to ensure that the Company's systems and procedures are effective and that the internal controls provide reasonable assurance to the Directors that assets are safeguarded and that the financial reporting system can be relied upon in preparation and presentation. The Internal Audit function has been outsourced to Messrs SJMS Chartered Accountants. Generally, the audits are carried out on a quarterly basis. Based on the audit findings and recommendations of the Internal Auditors, the Audit Committee after discussing with the management recommends the implementation of those recommendations that are considered to be practical and necessary.

Financial Statements

The Audit Committee assists the Board in assuring the integrity of the Financial Statements and disclosures. The Committee discusses matters relating to the Financial Statements with the External Auditors before recommending to the Board the adoption of the Financial Statements.

External Auditors

The Audit Committee has determined that Messrs Ernst & Young, Auditors are independent on the basis that they do not carry out any management related functions of the Company. The Audit Committee has recommended the Board of Directors the re-appointment of Messrs Ernst & Young (Chartered Accountants), for the financial year ending 31st March 2018, subject to the approval of the shareholders at the Annual General Meeting.




N.H.V. Perera
Chairman - Audit Committee

22nd August 2017

Remuneration Committee Report

The Remuneration Committee, appointed by and responsible to the Board of Directors, consists of three independent Non-Executive Directors N.H.V. Perera, R.S. Weerawardena and P.S.R. Casie Chitty. The Committee is chaired by Mr. N.H.V Perera. The Committee met once during the financial year. The Group Financial Controller assists the committee by providing relevant information required by the committee.



N.H.V. Perera

Chairman - Remuneration Committee

22nd August 2017

Related Party Transactions Review Committee Report

The Royal Palms Beach Hotels PLC established the Related Party Transactions Review Committee (RPTRC) and as at the end of the financial year. The RPTRC comprised of the following Directors of the Hotel:

Mr. N.H.V. Perera
Mr. P.S.R. Casie Chitty
Mr. J.D. Vaz

The RPTRC was formed by the Board to assist the Board in reviewing all Related Party Transactions carried out by the Royal Palms Beach Hotels PLC by adopting of the Code of Best Practice on Related Party Transactions as issued by the Securities and Exchange Commission of Sri Lanka (SEC).

The mandate of the Committee includes:

1) The Purpose:

The Committee is an entity under the Board of Directors, and was established to enhance corporate transparency and promote fair transactions. The committee is responsible for reviewing Related Party Transactions.

(2) Composition:

The Related Party Transactions Committee shall comprise of two Non-Executive Independent Directors and one Executive Director. Currently, the committee consists of three Directors. The head of the committee is Mr. N.H.V.Perera - Independent Director.

(3) Responsibilities:

- To seek and receive reports on Related Party Transactions between the Company and its affiliates.
- To review related Party Transactions.
- To recommend corrective measures.

(4) Meetings:

The Related Party Transactions Committee held four meetings during the last financial year ending 31st March 2017. The committee reviewed the Related Party Transactions on quarterly basis.

Name of Director	Position	Attendance at Related Party Transactions Review Committee Meeting					
		24-May 2016	05-Aug 2016	11-Nov 2016	08-Feb 2017	Meetings Attended	Percentage Attended
Mr. N.H.V. Perera	Chairman	✓	✓	✓	✓	4/4	100%
Mr. J.D. Vaz	Member	✓	-	-	-	1/4	25%
Mr. P.S.R. Casie Chitty	Member	✓	✓	✓	✓	4/4	100%



N.H.V. Perera
Chairman
Related Party Transactions Review Committee

22nd August 2017

Independent Auditor's Report



Ernst & Young
Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

Tel : +94 11 2463500
Fax Gen : +94 11 2697369
Tax : +94 11 5578180
eysl@lk.ey.com
ey.com

TO THE SHAREHOLDERS OF ROYAL PALMS BEACH HOTELS PLC

Report on the Financial Statements

We have audited the accompanying Financial Statements of Royal Palms Beach Hotels PLC, ("the Company"), which comprise the statement of financial position as at 31 March 2017, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 115 to 141.

Board's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable

assurance about whether the Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the Financial Statements.

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

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company as at 31 March 2017, and of its

financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

- a) The basis of opinion, scope and limitations of the audit are as stated above.
- b) In our opinion:
 - we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company, and
 - the Financial Statements of the Company comply with the requirements of section 151 of the Companies Act No. 07 of 2007.

22nd August 2017
Colombo

Partners: W R H Fernando FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W K B S P Fernando FCA FCMA
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA

Principal T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

Statement of Financial Position

As at 31 March 2017	Note	2017 Rs.	2016 Rs.
ASSETS			
Non-Current Assets			
Property, Plant & Equipment	10	2,015,801,601	1,972,376,987
Intangible Assets	11	853,977	1,712,781
Investment	15.1	18,000,000	18,000,000
		2,034,655,578	1,992,089,768
Current Assets			
Inventories	12	15,762,869	13,312,857
Trade and Other Receivables	13	136,479,030	165,046,447
Other Non Financial Assets	14	11,370,403	15,628,716
Income Tax Receivables		14,439,810	-
Amounts Due from Related Parties- Other Financial Assets	15.3	2,141,498	7,098,531
Short Term Investments - Other Financial Assets	15.2	170,599,537	164,804,282
Cash and Bank Balances	16	114,805,233	98,211,020
		465,598,380	464,101,853
Total Assets		2,500,253,958	2,456,191,621
EQUITY AND LIABILITIES			
Capital and Reserve			
Stated Capital	17	521,583,448	521,583,448
Revaluation Reserve	18	1,034,216,100	1,032,666,814
Retained Earnings		691,284,484	646,207,122
Total Equity		2,247,084,032	2,200,457,384
Non-Current Liabilities			
Interest Bearing Loans and Borrowings	22	478,414	2,390,182
Deferred Tax Liabilities	9.2	136,087,098	136,220,982
Post Employment Benefit Liability	21	27,428,821	22,810,079
		163,994,333	161,421,243
Current Liabilities			
Trade and Other Payables	19	78,386,632	67,424,362
Income Tax Payables		-	9,763,144
Amounts Due to Related Parties	20	3,827,953	3,901,034
Interest Bearing Loans and Borrowings	22	6,961,008	13,224,455
		89,175,593	94,312,994
Total Equity and Liabilities		2,500,253,958	2,456,191,621

These Financial Statements are in compliance with the requirements of the Companies Act No :07 of 2007.



M.I. Shahabdeen
Group Financial Controller

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Approved and signed for and on behalf of the Board;



A.M. Ondaatjie
Joint Managing Director



T.J. Ondaatjie
Director

The Accounting Policies and notes on pages 115 through 141 form an integral part of the Financial Statements.

Income Statement

Year ended 31 March 2017	Note	2017 Rs.	2016 Rs.
Revenue	3	582,319,231	637,372,326
Cost of Sales		(201,417,878)	(198,364,383)
Gross Profit		380,901,353	439,007,943
Other Income	4	9,304,198	20,974,369
Selling and Distribution Costs		(17,306,535)	(16,740,833)
Administrative Expenses		(292,343,325)	(277,265,379)
Loss from Derecognition of Property, Plant & Equipment	6	(907,800)	-
Other Expenses		(620,577)	(537,973)
Finance Income	7.1	17,982,679	8,686,528
Finance Cost	7.2	(265,684)	(360,717)
Profit Before Taxation	5	96,744,309	173,763,937
Income Tax Expense	9	(10,004,994)	(25,246,464)
Profit for the Year		86,739,315	148,517,473
Earnings Per Share - Basic	8	1.73	2.97

The Accounting Policies and notes on pages 115 through 141 form an integral part of the Financial Statements.

Statement of Comprehensive Income

Year ended 31 March 2017	Note	2017 Rs.	2016 Rs.
Profit for the Year		86,739,315	148,517,473
Other Comprehensive Income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):</i>		-	-
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):</i>			
Revaluation of land and buildings	18	-	373,650,056
Actuarial gains/(Losses) on defined benefit plans	21.1	(2,083,537)	2,708,735
Income tax effect	18	1,970,870	(35,314,002)
Other Comprehensive Income/(Loss) for the Year		(112,667)	341,044,789
Total Comprehensive Income for the Year		86,626,648	489,562,262

The Accounting Policies and notes on pages 115 through 141 form an integral part of the Financial Statements.

Statement of Changes in Equity

For the year ended 31 March 2017	Stated Capital Rs.	Revaluation Surplus Rs.	Retained Earnings Rs.	Total Rs.
As at 01 April 2015	521,583,448	694,330,760	519,980,914	1,735,895,122
Net Profit for the Year	-	-	148,517,473	148,517,473
Other Comprehensive Income				
Revaluation of Land & Building	-	373,650,056	-	373,650,056
Income Tax Effect	-	(35,314,002)	-	(35,314,002)
Actuarial Gain / (Loss)	-	-	2,708,735	2,708,735
Total Comprehensive Income	-	338,336,054	151,226,208	489,562,262
Ordinary Dividends - 2014/2015 (Rs 0.50 Per Share)	-	-	(25,000,000)	(25,000,000)
As at 31 March 2016	521,583,448	1,032,666,814	646,207,122	2,200,457,384
Net Profit for the Year	-	-	86,739,315	86,739,315
Other Comprehensive Income	-	1,970,870	-	1,970,870
Actuarial Gain / (Loss)	-	-	(2,083,537)	(2,083,537)
Total Comprehensive Income	-	1,970,870	84,655,778	86,626,648
Effect on Revaluation Surplus of				
Derecognised Property, Plant & Equipment	-	(421,584)	421,584	-
Ordinary Dividends - 2015/2016 (Rs 0.80 Per Share)	-	-	(40,000,000)	(40,000,000)
As at 31 March 2017	521,583,448	1,034,216,100	691,284,484	2,247,084,032

The Accounting Policies and notes on pages 115 through 141 form an integral part of the Financial Statements.

Cash Flow Statement

Year ended 31 March 2017	Note	2017 Rs.	2016 Rs.
Cash Flows From Operating Activities			
Profit Before Taxation		96,744,309	173,763,937
<i>Adjustments for:</i>			
Depreciation	10	57,728,618	51,220,292
Amortisation	11.1	858,804	968,347
Finance Income	7	(17,982,679)	(8,686,528)
Finance Costs	7	265,684	360,717
Loss from Derecognition of Property, Plant and Equipment	6	907,800	-
(Gain) / Loss on Disposal of Property, Plant and Equipment	4	(6,118,144)	(1,197,625)
Provision for Retirement Benefit Obligations		4,821,306	4,027,665
Operating Profit before Working Capital Changes		137,225,698	220,456,805
(Increase)/ Decrease in Inventories		(2,450,012)	1,752,600
(Increase)/ Decrease in Trade and Other Receivables		29,465,671	(71,722,383)
(Increase)/ Decrease in Other Non Financial Assets		4,258,313	6,126,367
(Increase)/ Decrease in Amounts Due from Related Parties		4,957,033	(2,723,639)
Increase / (Decrease) in Trade and Other Payables		10,962,270	(7,411,378)
Increase / (Decrease) in amounts Due to Related Parties		(73,080)	(792,744)
Cash Generated from Operations		184,345,892	145,685,626
Income Tax paid		(32,370,963)	-
Finance Costs paid		(265,684)	(360,717)
Retirement Benefit Costs paid	21	(2,286,100)	(3,808,546)
Net Cash From Operating Activities		149,423,145	141,516,364
Cash Flows from /(Used in) Investing Activities			
Acquisition of Property, Plant & Equipment	10.1	(105,994,405)	(12,040,519)
Acquisition of Intangible Assets		-	(85,000)
Investments in Fixed Deposits		(3,736,864)	(121,407,347)
Interest Received		15,924,288	5,327,979
Proceeds on disposal of Property, Plant & Equipment		10,051,517	1,987,595
Net Cash Flows Used in Investing Activities		(83,755,464)	(126,217,293)
Cash Flows Used in Financing Activities			
Repayment of Interest Bearing Loans & Borrowings	22.1	(2,230,396)	(1,593,140)
Dividends Paid - on Ordinary share		(40,000,000)	(25,000,000)
Net Cash Flows Used in Financing Activities		(42,230,396)	(26,593,140)
Net increase/(decrease) in Cash and Cash Equivalents		23,437,284	(11,294,069)
Effect of exchange rate changes on Cash and Cash Equivalents		(898,252)	2,192,909
Cash and Cash Equivalents at the beginning of the year	16	87,216,961	96,318,121
Cash and Cash Equivalents at the end of the year	16	109,755,993	87,216,961

The Accounting Policies and notes on pages 115 through 141 form an integral part of the Financial Statements.

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 General

Royal Palms Beach Hotels PLC ("Company") is a PLC limited liability company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at No. 236 Galle Road, Colombo 03, and the principal place of business is situated at St. Abrew's Drive Road, Waskaduwa, Kalutara North.

1.2 Principal Activities and Nature of Operations

During the year, the principal activity of the Company was hoteliering.

1.3 Parent Enterprise and Ultimate Parent Enterprise

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

1.4 Date of Authorisation for Issue

The Financial Statements of Royal Palms Beach Hotels PLC for the year ended 31 March 2017 were authorised for issue in accordance with a resolution of the Board of Directors on 22 August 2017.

2. STATEMENT OF COMPLIANCE

The Financial Statements which comprise the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the Statement of Cash Flow, together with the accounting policies and notes have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirement of the Companies Act No. 7 of 2007.

2.1 Basis of Preparation

2.1.1 Basis of Measurement

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.

2.1.2 Comparative Information

The presentation and classification of the Financial Statements of the previous year has been amended, where relevant for better presentation and to be comparable with those of the current year.

2.1.3 Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

2.2 Significant Accounting Judgements, Estimates and Assumptions

Judgements

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

Going Concern

The directors have made an assessment of the company's ability to continue in business for the foreseeable future. Therefore, the Financial Statements are continued to be prepared in a Going Concern Basis.

Impairment of Trade Debtors:

The Company reviews at each reporting date all receivables to assess whether an allowance should be recorded in the statement of profit or loss. The Management uses judgement in estimating such amounts in the light of the duration of outstanding and any other factors management is aware of, that indicate uncertainty in recovery. Further details are given in Note 13.

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 & Equipment:

The Land and Building 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 10.4.

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

Notes to the Financial Statements contd.

techniques and appropriate groupings were used in such determination as well as in the assessment of the useful lives of each component.

De-recognition of Property Plant & Equipments subject to refurbishments:

In order to comply with the LKAS 16, Property Plant and Equipment, the Company determined the cost of derecognised assets based on the quantity surveyor's valuation.

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 21.

Useful lives of Property, Plant & Equipment

The company reviews the residual values, useful lives and methods of depreciation of Property, Plant & Equipment at each reporting date. Judgement of the management is exercised estimation of these values, rates, methods and hence they are subject to uncertainty.

Useful life of Intangible Asset

The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period.

2.3 Summary of Significant Accounting Policies

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

2.3.2 Revenue Recognition

Revenue is recognised 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 recognised.

a) Room Revenue

Revenue is recognised 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 recognised by using the Effective Interest Rate method.

e) Others

Other income is recognised on an accrual basis.

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

2.3.3 Expenditure Recognition

a) Expenses are recognised in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the Property, Plant and Equipment in a state of efficiency has been charged to income in arriving at the profit for the year.

b) For the purpose of presentation of income statement the directors are of the opinion that function of expenses method presents fairly the elements of the Company's performances, hence such presentation method is adopted.

2.3.4 Taxation

(a) Current Income Taxes

Current income tax assets and liabilities for the current and prior periods 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 by the reporting date.

The provision for income tax is based on the elements of income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the relevant tax legislations.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the Income Statement.

(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 recognised for all taxable temporary differences.

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

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

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

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

2.3.5 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 methods:

Food and Beverage

- At purchase cost on weighted average basis.

Other Inventories

- At purchase cost on weighted average basis.

Uniforms

- At purchase cost

2.3.6 Cash and Short-term Deposits

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with a maturity of three months or less.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

2.3.7 Property, Plant and Equipment

Property, Plant and Equipment (except for land & Building) 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 recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major refurbishment is performed, its cost is recognised in the carrying amount of the Property, Plant and Equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the Income Statement as incurred.

Notes to the Financial Statements contd.

Land and building is measured at fair value less accumulated depreciation on building, less impairment losses. Valuations are performed with sufficient frequency (Once in 3 Years) to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

A revaluation surplus is recognised in the Statement of Other Comprehensive Income and credited to the revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in the Income Statement, in which case the increase is recognised in the Income Statement. A revaluation deficit is recognised in Income Statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

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

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost.

Depreciation is calculated on a straight line basis over the useful lives of the assets.

The useful lives of the assets are estimated as follows;

	2017	2016
Buildings and Building Integrals	50 – 70 years	50 – 70 years
Motor Vehicles	5- 10 Years	5- 10 Years
Kitchen Equipment	10-20 Years	10-20 Years
Furniture and Fittings	10-20 Years	10-20 Years
Office Equipment	10-20 Years	10-20 Years
Recreational Equipment	5-10 Years	5-10 Years
Hotel Equipment	10-20 Years	10-20 Years
Air Condition and Ventilation	10-15 Years	10-15 Years
Computer Equipment	3-10 Years	3-10 Years
Linen & Furnishing	1-3 Years	1-3 Years
Cutlery, Crockery & Glassware	1-3 Years	1-3 Years
Solar Water Heater System	10 Years	-

Depreciation of an asset begin when it is available for use that is when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

2.3.8 Financial Instruments : Initial Recognition and Subsequent Measurement

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 recognised 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:

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Income Statement. The losses arising from impairment are recognised in the Income Statement in finance costs.

Available-for-Sale Financial Investments

Available-for-Sale financial investments held at the reporting date consist of equity securities. Equity investments classified as available-for-sale are those, neither classified as held-for-trading nor designated at fair value through profit or loss. After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the 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 derecognised 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 or assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and either (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

ii. Impairment of Financial Assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed

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

Financial Assets Carried at Amortised Cost

For financial assets carried at amortised cost, the 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, recognised are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future

expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

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

Available-for-Sale Financial Instruments

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

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

Notes to the Financial Statements contd.

Impairment losses on equity investments are not reversed through the Income Statement; increases in their fair value after impairments are recognised 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, which are carried at amortised cost. This includes directly attributable transaction cost.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Income Statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the Income Statement.

Derecognition

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

iv. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset with the net amount reported in the Statement of Financial Position only if there is a current enforceable legal right to offset the recognised amounts and intent to settle on a net basis, or to realise 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:

- Income approach
- Reference to the current fair value of another instrument that is substantially the same
- Discounted cash flow analysis or other valuation models

2.3.9 Intangible Assets

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

The Company's intangible assets include the value of computer software. An intangible asset is

recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Company. Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

- Computer software 5 years

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life 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 amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the 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 recognised in the Income Statement when the asset is derecognised.

2.3.10 Provisions

Provisions are recognised 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 recognised 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.

2.3.11 Capital Commitments and Contingencies

Capital commitments and contingent liabilities of the company are disclosed in Note No. 23 and 24.

2.3.12 Retirement Benefit Obligations

a) *Defined Benefit Plans – Gratuity*

A defined benefit plan is a post – employment benefit plan other than a defined contribution plan.

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 once in every year using the Projected Unit Credit method. Actuarial gains and losses are recognised in full in the period in which they occur in Other Comprehensive Income.

The present value of the defined benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligation are given in Note 21. Any changes in these assumptions will impact the carrying amount of defined benefit obligation.

Provision has been made for retirement gratuities from the first year of service for all employees,

in conformity with LKAS 19 on “Employee Benefits’ However, under the payment of gratuity act no 12 of 1983, the liability to an employee rises only on completion of 5 years of continued service.

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.

2.3.13 Impairment of Non Financial Asset

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 Groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the

asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognised in the 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 recognised in equity up to the amount of any previous revaluation.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the recoverable amount. A previously recognised 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 recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Income Statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Notes to the Financial Statements contd.

2.3.14 Dividend Distributions

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

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

2.4 Standards Issued But Not Yet Effective

Certain new accounting standards and amendments / improvements to existing standards have been published, that are not mandatory for 31 March 2017 reporting periods. None of those have been early adopted by the Company.

SLFRS 9 - Financial Instruments

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

SLFRS 15 - Revenue from Contracts with Customers

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

SLFRS 16 - Leases

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases under a single balance sheet model similar for finance leases under LKAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for the users of Financial Statements to assess the effect that leases have on the financial position. SLFRS 16 is effective for annual reporting periods beginning on or after 01 January 2019, with early adoption permitted.

3. REVENUE

	2017 Rs.	2016 Rs.
Room Revenue	181,381,134	207,661,159
Food and Beverage Revenue	383,203,786	408,065,067
Other Hotel Related Revenue	17,734,311	21,646,100
	582,319,231	637,372,326

4. OTHER INCOME

	2017 Rs.	2016 Rs.
Surplus at the year end foreign currency conversion	2,593,537	19,278,034
Profit from Disposal of Property, Plant & Equipment	6,118,144	1,197,625
Income from Staff Meals	592,517	498,710
	9,304,198	20,974,369

5. PROFIT BEFORE TAXATION

	2017 Rs.	2016 Rs.
Stated after charging / (crediting)		
Depreciation	57,728,618	51,220,292
Amortisation of Intangible Assets	858,804	968,347
Auditors' remuneration	375,100	341,000
Operation and Marketing Fee - Related Party	21,446,915	22,826,049
Staff Costs		
- Salaries and wages	118,520,474	102,506,255
- Cost of meals	9,591,345	10,410,411
- Defined Benefit Plan Costs - Gratuity	4,821,306	4,027,665
- Defined Contribution Plan Costs - EPF & ETF	13,148,181	11,236,779
Donations	170,000	50,500
Directors' Fee	564,000	240,000
Marketing and Promotional Fees	7,231,896	6,315,882
Power and Energy Expenditure	51,236,662	53,950,620
Repair and maintenance expenditure	25,574,885	24,535,962
Profit/(Loss) on Disposal of Property, Plant & Equipment	6,118,144	1,197,625
Nations Building Tax	11,609,030	12,704,853

Notes to the Financial Statements contd.

6. DE-RECOGNITION OF PROPERTY, PLANT AND EQUIPMENT

	2017 Rs.	2016 Rs.
De-recognition of property, plant and equipment	907,800	-
	907,800	-

7. NET FINANCE INCOME/(EXPENSES)

	2017 Rs.	2016 Rs.
7.1 Finance Income		
Interest Income - Related Party	17,855,537	8,669,840
Interest Income - Other	127,142	16,688
	17,982,679	8,686,528
7.2 Finance Expense		
Interest on Bank Overdrafts	(60,026)	(39,594)
Interest on Term Loan	(205,657)	(321,123)
	(265,684)	(360,717)
	17,716,995	8,325,811

8. EARNINGS PER SHARE

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 the previous year are adjusted for events that have changed the number of ordinary shares outstanding.

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

	2017 Rs.	2016 Rs.
Amount Used as the Numerator:		
Net Profit for the period	86,739,315	148,517,473
Net Profit attributable to Ordinary Shareholders for Basic Earnings Per Share	86,739,315	148,517,473
	Number	Number
Number of Ordinary Shares Used as Denominator		
Weighted average number of Ordinary Shares Applicable to Basic Earnings Per Share	50,000,000	50,000,000
Earnings Per Share	1.73	2.97

9. INCOME TAX

The major components of income tax expense for the year ended 31 March are as follows :

Income Statement	2017 Rs.	2016 Rs.
Current Income Tax		
Current Income Tax charge	8,167,996	22,889,903
Under/(Over) Provision of current taxes in respect of prior years	12	(44,803)
	<u>8,168,008</u>	<u>22,845,100</u>
Deferred Income Tax		
Deferred Taxation Charge/(Reversal) (Note 9.2)	1,836,986	2,401,364
Deferred Taxation Charge/(Reversal)	<u>1,836,986</u>	<u>2,401,364</u>
Income tax expense reported in the Income Statement	10,004,994	25,246,464
Statement of Changes in Equity		
Deferred Income Tax related to items charged or credited directly to equity :		
Net gain / (Loss) on revaluation of land and buildings	1,970,870	(35,314,002)
Income tax expense reported in equity	1,970,870	(35,314,002)

9.1 A reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows :

	2017 Rs.	2016 Rs.
Accounting Profit before tax	96,744,309	173,763,937
Income Tax Expense at the statutory income tax rate of 12% (2016 :12%)	11,609,317	20,851,672
Adjustments in respect to current income tax of previous year	12	(44,803)
Tax Effect of Disallowable Expenses	8,011,285	7,496,589
Tax Effect of Income Exempt from Income Tax and Other Allowable Credits	(14,327,007)	(6,845,531)
Tax Expense on Higher Tax Rates (Other than the business income)	2,874,400	1,387,173
	<u>8,168,007</u>	<u>22,845,100</u>
Deferred Taxation Charge / Reversal	1,836,986	2,401,364
Income Tax Expense at the effective income tax rate of 10.3% (2016 : 14.5%)	10,004,994	25,246,464

Notes to the Financial Statements contd.

9.2 Deferred Tax Assets, Liabilities and Income Tax relate to the followings

Deferred Tax Liability	Statement of Financial Position		Statement of Income	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Capital allowances for tax purposes	59,850,235	57,488,032	2,362,203	2,395,120
	59,850,235	57,488,032	2,362,203	2,395,120
Deferred Tax Assets				
Defined Benefit Plans	(3,291,459)	(2,737,209)	(554,250)	298,754
General Provisions				
Allowances for Doubtful Receivables	(309,523)	(291,161)	(18,362)	(253,617)
Allowances for obsolete inventories	(181,327)	(228,722)	47,395	(38,893)
	(3,782,309)	(3,257,092)		
Deferred Tax Expense			1,836,986	2,401,364
			Statement of Changes in Equity	
			2017 Rs.	2016 Rs.
Revaluation of Building	80,019,172	81,990,042	(1,970,870)	35,314,002
			(1,970,870)	35,314,002
Net Deferred Tax Liability	136,087,098	136,220,982		

10. PROPERTY, PLANT AND EQUIPMENT

10.1 Gross Carrying Amounts

	Balance As at 01.04.2016 Rs.	Additions Rs.	Disposals Rs.	Derecognition of Assets Rs.	Balance As at 31.03.2017 Rs.
At Cost or Valuation					
Freehold Land	492,650,000	-	-	-	492,650,000
Buildings on freehold land	1,260,350,000	59,728,880	-	(907,800)	1,319,171,080
Motor Vehicles	24,391,596	8,500,000	(9,291,071)	-	23,600,525
Kitchen Equipment	45,483,094	6,500,606	(1,443,320)	-	50,540,380
Furniture and Fittings	110,287,848	7,915,090	(3,449,105)	-	114,753,833
Office Equipment	1,397,881	160,109	-	-	1,557,990
Recreational Equipment	6,919,871	-	-	-	6,919,871
Hotel Equipment	117,091,797	10,475,251	(405,881)	-	127,161,167
Air Condition & Ventilation System	39,246,377	5,321,153	-	-	44,567,530
Solar Water Heater System	-	4,262,028	-	-	4,262,028
Computer Equipment	9,343,927	1,059,135	(134,500)	-	10,268,562
Linen & Furnishing	30,080,707	1,175,396	(3,393,914)	-	27,862,189
Cutlery, Crockery & Glassware	6,082,348	896,757	(1,209,030)	-	5,770,075
Gross Carrying Amounts	2,143,325,446	105,994,405	(19,326,821)	(907,800)	2,229,085,230

10.2 Depreciation

	Balance As at 01.04.2016 Rs.	Charge for the year Rs.	Disposals Rs.	Derecognition of Assets Rs.	Balance As at 31.03.2017 Rs.
At Cost or Valuation					
Buildings on freehold land	-	29,354,353	-	-	29,354,353
Motor Vehicles	14,651,762	3,134,377	(6,479,844)	-	11,306,295
Kitchen Equipment	20,000,178	2,374,235	(790,125)	-	21,584,288
Furniture and Fittings	35,735,940	5,585,834	(3,214,862)	-	38,106,912
Office Equipment	753,787	73,897	-	-	827,684
Recreational Equipment	5,933,215	127,212	-	-	6,060,427
Hotel Equipment	45,235,074	6,103,526	(186,865)	-	51,151,735
Air Condition & Ventilation System	14,275,191	4,049,254	-	-	18,324,445
Solar Water Heater System	-	355,169	-	-	355,169
Computer Equipment	6,718,605	916,108	(118,808)	-	7,515,905
Linen & Furnishing	23,449,368	4,483,788	(3,393,914)	-	24,539,242
Cutlery, Crockery & Glassware	4,195,339	1,170,865	(1,209,030)	-	4,157,174
Total Depreciation	170,948,459	57,728,618	(15,393,448)	-	213,283,629

10.3 Net Book Values

	2017 Rs.	2016 Rs.
At Cost or Valuation		
Freehold Land	492,650,000	492,650,000
Buildings on freehold land	1,289,816,727	1,260,350,000
Motor Vehicles	12,294,230	9,739,834
Kitchen Equipment	28,956,092	25,482,916
Furniture and Fittings	76,646,921	74,551,908
Office Equipment	730,306	644,094
Recreational Equipment	859,444	986,656
Hotel Equipment	76,009,432	71,856,723
Air Condition & Ventilation System	26,243,085	24,971,186
Solar Water Heater System	3,906,859	-
Computer Equipment	2,752,657	2,625,322
Linen & Furnishing	3,322,947	6,631,339
Cutlery, Crockery & Glassware	1,612,901	1,887,009
Total Net Carrying Amount of Property, Plant & Equipment	2,015,801,601	1,972,376,987

10.4

- The fair value of land and buildings was determined by means of a revaluation during the financial year 2015/2016 by Messrs P.P.T.Mohideen an independent valuer with reference to market based evidence. The results of such evaluation had been incorporated in the Financial Statements from its effective date which is 31 March 2016. The surplus arising from the revaluation had also been transferred to a revaluation reserve as at that date.
- During the year, the Company embarked on a refurbishment of the hotel building (Restaurant & Lounge Bar) that was reflected at a revaluation. In order to derecognise the carrying amount of the items of property plant & equipment that were subject to refurbishment, the management used the quantity surveyer's valuation as cost of replacement , as an indication of the cost of the replaced items.

Notes to the Financial Statements contd.

- c) Accordingly an amount of Rs.907,800/- being the net book value of such items was derecognised as the amount of loss arising due to refurbishment. The related revaluation surplus of such items amounting to Rs.421,584/- included under revaluation reserve was transferred to retained earnings, in accordance with LKAS 16.
- d) The carrying amount of revalued assets that would have been included in the Financial Statements had the assets been carried at cost less depreciation, is as follows:

Class of Asset	Cost	Cumulative Depreciation If assets were at cost	Net Carrying Amount 2017	Net Carrying Amount 2016
	Rs.	Rs.	Rs.	Rs.
Freehold Land	61,805,611	-	61,805,611	61,805,611
Buildings on Freehold Land	733,688,742	110,698,448	622,990,294	577,099,641
	795,494,353	110,698,448	684,795,905	638,905,252

10.5 During the financial year, the Company acquired Property, Plant & Equipment to the aggregate value of Rs. 105,994,405/- (2016 -Rs. 12,040,519/-) for cash consideration.

10.6 Property, Plant & Equipment includes fully depreciated assets which are still in use having a gross carrying amount of Rs.31,768,799/= (2016- Rs. 26,799,208/=)

10.7 Land and Buildings with a carrying value of Rs. 1,739,898,830/- are subject to a primary mortgage to Mercantile Investment and Finance PLC., as more fully described in Note 25.

10.8 With effect from 1 April 2012, the Company reviewed the useful life of each significant component of buildings. In the review process, the Company has taken the assistance of an independent professional valuer. Accordingly, depreciation was calculated for the year ended 31 March 2017 using a straight line method for each individual significant component of building.

Components included in buildings and building integrals:

- Buildings superstructure	70 years
- Bathroom Fittings	25 years
- Roof	40 years
- Flooring	25 years
- Elevators	20 years
- Gazebo Hut	50 years

11. INTANGIBLE ASSETS

11.1 Cost

	Computer Software	
	2017	2016
	Rs.	Rs.
As at the beginning of the year	4,919,652	4,834,652
Incurred during the year	-	85,000
As at the end of the year	4,919,652	4,919,652
Amortisation		
As at the beginning of the year	3,206,871	2,238,524
Amortised during the year	858,804	968,347
As at the end of the year	4,065,675	3,206,871
Net Book Value		
As at the beginning of the year	1,712,781	2,596,128
As at the end of the year	853,977	1,712,781

12. INVENTORIES

	2017	2016
	Rs.	Rs.
Food and Beverage Inventories	7,631,555	6,531,962
Housekeeping and General Inventories	1,085,476	1,097,000
Uniforms	2,637,123	2,203,822
Others Consumables	4,258,375	3,984,793
Gift Boutique Inventories	1,661,398	1,401,296
	17,273,927	15,218,873
Less: Allowances for Obsolete Inventories	(1,511,058)	(1,906,016)
	15,762,869	13,312,857

13. TRADE AND OTHER RECEIVABLES

	2017	2016
	Rs.	Rs.
Trade Receivables - Related Party (Note 13.1)	17,731,084	19,433,966
- Other	119,098,264	145,819,957
Less : Allowances for Doubtful Trade Receivables	(2,579,361)	(2,426,342)
	134,249,987	162,827,581
Other Receivables	1,386,471	1,627,184
Loans to Company Officers	842,573	591,682
	136,479,030	165,046,447

Notes to the Financial Statements contd.

13.1 Trade due from Related Parties

Name of the Company	Relationship	2017 Rs.	2016 Rs.
Tangerine Tours (Pvt.) Limited	Other Related Party	17,731,084	19,433,966
		17,731,084	19,433,966

14. OTHER NON FINANCIAL ASSETS

	2017 Rs.	2016 Rs.
Prepayments and Advances	10,778,394	14,993,611
Other receivables	592,009	635,105
	11,370,403	15,628,716

15. OTHER FINANCIAL ASSETS

15.1 Available for Sale Investments

Non Quoted Equity Securities with Non Related Parties	No. of Shares		Directors Valuation**		Directors Valuation**	
	2017	2016	Cost 2017 Rs.	2017 Rs.	Cost 2016 Rs.	2016 Rs.
Fair view Hotel (Pvt) Ltd- Related Party	1,800,000	1,800,000	18,000,000	18,000,000	18,000,000	18,000,000
Gross Carrying Value of Investments	-	-	18,000,000	18,000,000	18,000,000	18,000,000
Total Current Non Quoted Equity Securities	-	-	18,000,000	-	18,000,000	-

The Company has a 3% share holding in Fair View Hotel (Pvt) Ltd ,which is also involved in the hoteliering business. As this year represents the second year of operations the fair value approximates the carrying value of the investment.

15.2 Loans and Receivables

Short Term Investments

Company	Relationship	2017 Rs.	2016 Rs.
Fixed Deposits	Mercantile Investments and Finance PLC		
	Other Related Party	170,599,537	164,804,282
		170,599,537	164,804,282

15.3 Loans and Receivables

Amount due from Related Parties

Name of the Related Party	Relationship	2017 Rs.	2016 Rs.
Tangerine Beach Hotels PLC	Significant Investor	2,080,972	6,734,650
The Nuwara Eliya Hotels Co. PLC	Other Related Party	60,526	363,881
		2,141,498	7,098,531

16. CASH AND BANK BALANCES

	2017 Rs.	2016 Rs.
Cash at bank and in hand	114,805,233	98,211,020
	114,805,233	98,211,020

For the purposes of the cash flow statement, the year end cash and cash equivalents comprise the following:

Cash and bank balances	114,805,233	98,211,020
Bank overdraft (Note 22)	(5,049,240)	(10,994,059)
	109,755,993	87,216,961

17. STATED CAPITAL

	Number of Shares	Ordinary Shares Rs.
At 31 March 2016	50,000,000	521,583,448
At 31 March 2017	50,000,000	521,583,448

Ordinary Shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time on the residue of Profits and are eligible to participate in any surplus assets in a winding up. They are also entitled to one vote per share at meetings of the Company. There are no other preferences or restrictions on ordinary shares.

18. REVALUATION SURPLUS

	2017 Rs.	2016 Rs.
On: Property, Plant & Equipment		
As at the beginning of the year	1,032,666,814	694,330,760
Revaluations During the year	-	373,650,056
Transfer to retained earning	(421,584)	-
Tax effect on surplus on revaluation	1,970,870	(35,314,002)
Effect on Difference Tax rate	-	-
As at the end of the year	1,034,216,100	1,032,666,814

19. TRADE AND OTHER PAYABLES

	2017 Rs.	2016 Rs.
Financial Liabilities (Note 19.1)	33,645,984	29,729,721
Non Financial Liabilities (Note 19.2)	44,740,648	37,694,641
	78,386,632	67,424,362

Notes to the Financial Statements contd.

19.1 Financial Liabilities

	2017 Rs.	2016 Rs.
Trade Payables	24,519,325	21,131,520
Other Payables	9,126,659	8,598,201
	33,645,984	29,729,721

19.2 Non Financial Liabilities

	2017 Rs.	2016 Rs.
Advanced received for reservation	23,985,110	14,090,158
Accrued expenses	3,394,027	3,321,570
VAT Payable	4,300,902	4,934,507
NBT Payable	1,374,911	1,665,797
EPF & ETF Payable	1,602,150	1,492,434
Other payables	10,083,548	12,190,175
	44,740,648	37,694,641

20. AMOUNTS DUE TO RELATED PARTIES

Name of the Related Party	Relationship	2017 Rs.	2016 Rs.
Security Ceylon (Pvt) Ltd.	Other Related Party	912,139	773,734
Tangerine Tours(Pvt.) Ltd.	Other Related Party	2,915,815	3,127,300
		3,827,953	3,901,034

21. EMPLOYEE BENEFIT LIABILITY

	2017 Rs.	2016 Rs.
Balance as at the beginning of the year	22,810,079	25,299,695
Charge for the year (Note 21.1)	6,904,843	1,318,930
Payments during the year	(2,286,100)	(3,808,546)
Balance as at the end of the year	27,428,822	22,810,079

21.1 Expenses on Defined Benefit Plan

	2017 Rs.	2016 Rs.
Current Service Cost for the year	2,084,097	1,658,701
Actuarial (Gain) / Loss	2,083,537	(2,708,735)
Interest cost for the year	2,737,209	2,368,964
	6,904,843	1,318,930

21.2 Actuarial assumptions

	2017	2016
Discount rate	12.5%	12.0%
Salary increment	10.0%	9.5%
Mortality - A 67/70 Mortality Table issued by the Institute of Actuaries London		
Retirement age	55 years.	55 years.
Disability rate	Simple disability rate	

Staff turnover

The staff turn over rate used in the valuation 11% up to age 49 and thereafter zero for 2016/2017.

An actuarial valuation of the gratuity was carried out as at 31 March 2017 by Actuarial and Management Consultants (Pvt) Limited, a firm of professional actuaries. The valuation method used by the actuaries is the "Projected Unit Credit Method", recommended by LKAS 19 Employee Benefits.

21.3 Sensitivity of assumptions employed in actuary valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measures.

The sensitivity of the Comprehensive Income Statement and the Statement of Financial Position is the effect of the assumed changes in discount rate & salary increment rate on the profit or loss & employment benefit obligation for the year.

Increase/ (decrease) in discount rate	Sensitivity Effect on Comprehensive Income Statement Increase / (Reduction) in results for the year	Sensitivity effect on employee benefit Obligation increase / (Reduction) in the Liability
1%	(1,182,506)	1,182,506
-1%	1,290,231	(1,290,231)

Increase/ (decrease) in salary Increment	Sensitivity Effect on Comprehensive Income Statement Increase / (Reduction) in results for the year	Sensitivity effect on employee benefit Obligation increase / (Reduction) in the Liability
1%	(1,429,153)	1,429,153
-1%	1,329,728	(1,329,728)

21.4 Maturity Profile

	2017 Rs.	2016 Rs.
Distribution of defined benefit obligation over the future working life time		
Less than or equal 1 year	5,511,139	1,272,938
Over 1 year and less than or equal 2 years	5,713,442	1,772,526
Over 2 years and less than or equal 5 years	7,234,081	4,763,522
Over 5 years and less than or equal 10 years	6,101,452	15,001,093
Over 10 years	2,868,707	-
Total	27,428,821	22,810,079

Notes to the Financial Statements contd.

22. INTEREST BEARING LOANS AND BORROWINGS

	2017 Rs.	2016 Rs.
Current		
Bank overdraft	5,049,240	10,994,059
Term Loans from Related Parties	1,911,768	2,230,396
	6,961,008	13,224,455
Non-current		
Term Loans from Related Parties	478,414	2,390,182
	478,414	2,390,182
Total borrowings	7,439,422	15,614,637

22.1 Term Loan - Mercantile Investments PLC - Related Party

	2017 Rs.	2016 Rs.
Balance as at beginning of the year	4,620,578	6,213,718
Repayment during the year	(2,230,396)	(1,593,140)
Balance as at the end of the year	2,390,182	4,620,578

Loan obtained	20,000,000
Interest rate	6%
Term	102 Months

Security:

Company has pledged its land and premises as security, by way of a primary mortgage, as more fully described in Note 25 to Mercantile Investment PLC, now known as Mercantile Investment & Finance PLC.

23. COMMITMENTS**23.1 Financial Guarantees**

There are no financial guarantees given by the company as at the reporting date.

23.2 Capital Expenditure Commitments

There are no capital expenditure commitments as at the reporting date.

24. CONTINGENCIES

There are no significant contingencies as at the reporting date.

25. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

Nature of Assets	Nature of Liability	Carrying Amount Pledged		Included under
		2017 Rs.	2016 Rs.	
Immovable Properties	First Mortgage	1,739,898,830	1,710,000,000	Property, Plant & Equipment

The outstanding balance of the loan to which above assets have been pledged as at 31 March 2017 was Rs. 2,390,182/- (2016- Rs. 4,620,578/-).

26. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

The following table provides the significant amount of transactions, which have been entered into with related parties for the relevant financial year.

26.1 Transactions with Related Parties

Company	Nature of Transactions	2017 Rs.	2016 Rs.
Transaction with entities having significant influence over the company			
Amount Receivable as at 31st March		2,080,972	6,734,650
Tangerine Beach Hotels PLC (Significant Investor)	Staff Quarters Rent	(691,837)	(679,592)
	Sewerage Treatment Plant rent	(2,549,781)	(2,555,579)
	Staff Meals	12,666,482	10,407,831
	Laundry Charges	6,469,593	10,214,659
	Reimbursement of Expenses - (Net)	7,396,487	2,030,180
	Funds Transfers for settlements	(27,944,622)	(16,899,416)

26.2 Transactions with Key Management Personnel

Key Management Personnel (KMPs) are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Key Management Personnel of the Company are the Board of Directors of the Company and personnel holding the Designation General Manager and above. Transactions with Key Management Personnel and transactions with the Close Family Members (CFMs) of the KMPs, if any, also have been taken into consideration in the following disclosure.

a) Key Management Personnel Compensation

	2017 Rs.	2016 Rs.
Short-term employee benefits	6,143,375	5,397,000

Notes to the Financial Statements contd.

26.3 Transaction with Other Related Parties

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, summarised as follows:

The Company carries out transactions with KMPs & their close family members in the ordinary course of its business on standard commercial terms.

Nature of Transaction	2017 Rs.	2016 Rs.
Amount receivable as at 31 March	188,391,147	191,336,779
Amount (payable) as at 31 March	(3,827,953)	(3,901,034)
Tour Operation	107,439,639	121,063,631
Operation & Marketing Fee	21,446,915	22,826,049
Reimbursement of Expenses	10,034,974	8,394,083
Settlement of Liability	42,521,946	39,218,992
Settlement of Receivable	109,142,521	122,700,530
Security Services	10,234,914	9,543,663
Repairs and Services to the Motor Vehicle	517,922	840,957
Head office rent	1,530,600	1,224,480
Finance Arrangements	2,230,396	1,593,140
Net movement in Fixed Deposits investments	3,736,864	121,407,347
Interest Income for Fixed Deposits	17,855,537	8,669,840
Interest Expense for the Loan	205,657	321,123
Installation & Services Rendered	2,759,527	-

* The Company has pledged land and Buildings with a carrying value of Rs. 1,739,898,830/- as security, by way of a primary mortgage, to obtain Rs. 20,000,000/- loan from Mercantile Investments & Finance PLC under concessionary rate of 6% granted by the Central Bank of Sri Lanka for the Tsunami effected hotel.

26.4 Commitments with Other Related Parties

	2017 Rs.	2016 Rs.
Tangerine Beach Hotels PLC (Significant Investor)		
Guarantee Received	-	35Mn

27. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Financial instruments of the Company comprise of financial assets and financial liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The information presented herein represents the determination of fair values as at the reporting date.

27.1 Financial Instruments carried at Fair Value

The Company does not have any financial instruments that are carried at Fair value as at the reporting date.

27.2 Determination of fair value and fair value hierarchy

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

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

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

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

27.3 Financial Instruments not carried at Fair Value

Given below is a comparison, by class, of the carrying amounts and fair values of the company's financial instruments that are not carried at fair value in the Financial Statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

	Level	2017		2016	
		Carrying Value Rs.	Fair Value Rs.	Carrying Value Rs.	Fair Value Rs.
Financial liabilities					
Interest-bearing loans and borrowings (Note 22)	Level 2	7,439,422	7,423,468	15,614,637	15,420,378
		7,439,422	7,423,468	15,614,637	15,420,378

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not recorded at fair value in the Financial Statements:

For financial assets and financial liabilities that have a short term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to trade and other receivables, cash and bank, interest bearing loans and borrowings & trade and other payables without a specific maturity.

Interest-bearing loans and borrowings

Susahanaya Loan from Mercantile Investment and Finance PLC - Related Parties are obtained at the rate of 6%. this loan has been provided by the central bank through refinance scheme for re building of tsunami effected hotels within the country. Company uses discounted cash flow method to workout the the fair value and AWPLR as at the reporting date has been used for the calculation.

27.4 Non Financial Assets Disclosed at Fair value

2017	Method	Date of valuation	Level **	Value Rs.	unobservable Inputs	Average Price per perch/Sq.ft
Freehold land	Market Approach	31.03.2016	03	460,000,000	Estimated Price per Perch	475,000
Buildings	Market Approach	31.03.2016	03	1,250,000,000	Estimated Price per Sq.ft	7,000

2016	Method	Date of valuation	Level **	Value Rs.	unobservable Inputs	Average Price per perch/Sq.ft
Freehold land	Market Approach	31.03.2016	03	460,000,000	Estimated Price per Perch	475,000
Buildings	Market Approach	31.03.2016	03	1,250,000,000	Estimated Price per Sq.ft	7,000

** Fair value measurement sensitivity to unobservable inputs - positive impact to the fair value

Valuation was carried out by professionally qualified independent valuer in compliance with Sri Lanka Accounting Standard - SLFRS 13 (Fair Value Measurement).

Notes to the Financial Statements contd.

28. RISK MANAGEMENT

28.1 Introduction

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

1. Credit Risk
2. Liquidity risk
3. Market risk

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

The Audit Committee oversees how management monitors compliance with the risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by it.

28.2 Credit Risk

(a) Introduction

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.

The maximum exposure to credit risk is represented by the carrying value of each financial asset on the reporting date.

(b) The maximum exposure to credit risk at the reporting date

	Note	2017 Rs.	2016 Rs.
Cash and cash equivalents	16	114,805,233	98,211,020
Trade and other receivables	13	136,479,030	165,046,447
Fixed Deposits	15.2	170,599,537	164,804,282
Amounts Due from Related Parties	15.3	2,141,498	7,098,531
		424,025,297	435,160,280

(c) The ageing of the trade receivable as at the reporting date

	2017 Rs.	2016 Rs.
Gross Receivable		
Not past due	13,468,132	17,806,869
Past due 0-30 days	58,709,832	67,250,289
Past due 31-60 days	44,993,465	46,752,591
Past due 61-90 days	14,182,060	14,314,095
Past due 90-120 days	1,498,007	5,424,137
Past due 120-180 days	1,896,637	5,470,234
More than 180 days	2,081,215	8,235,707
Total Gross Receivable	136,829,348	165,253,923
Impairment Allowance*		
Allowance for Impairment	(2,579,361)	(2,426,342)
Carrying Value	134,249,987	162,827,581
Movement in the Impairment Allowance*		
Balances at 1 April	2,426,342	312,868
Impairment recognised	153,019	2,113,474
Balances at 31 March	2,579,361	2,426,342

28.3 Liquidity Risk

(a) Introduction

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. 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.

(b) The following are the contractual maturities of financial liabilities at its carrying value:

	Total Rs.	Contractual maturities of financial liabilities			More than 5 Years Rs.
		Up to 3 Months Rs.	3-12 Months Rs.	1 - 5 Years Rs.	
31 March 2017					
Financial Liabilities	33,645,984	33,645,984	-	-	-
Term Loan	2,485,427	511,306	1,491,413	482,708	-
Bank Overdraft	5,049,240	5,049,240	-	-	-
Amounts Due to Related Parties	3,827,953	3,827,953	-	-	-
	45,008,604	43,034,483	1,491,413	482,708	-
31 March 2016					
Financial Liabilities	29,729,721	29,729,721	-	-	-
Term Loan	4,918,338	855,389	1,577,522	2,485,427	-
Bank Overdraft	10,994,059	10,994,059	-	-	-
Amounts Due to Related Parties	3,901,034	3,901,034	-	-	-
	49,543,152	45,480,203	1,577,522	2,485,427	-

Notes to the Financial Statements contd.

(c) Undrawn committed borrowing facilities

There are no undrawn borrowing facilities available to the Company as at the reporting date.

28.4 Market Risk

(a) Introduction

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to the changes in market prices. Mainly the 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.

(b) Foreign currency risk

The Company is exposed to foreign currency risk on revenue and receivables and cash deposits denominated in currencies other than the functional currency of the Company. The currencies giving rise to this risk are primarily US dollars, Sterling pounds and Euro. The Company Finance team closely monitors the exchange rate movement, for necessary action.

If market rate appreciate or depreciate by 1% the effect of the same to the exchange gain/(loss) would be:

Currency	Sensitivity Effect on Comprehensive Income increase/ (decrease) in Results for the Year	
	+1%	-1%
Euro (€)	785,663	(785,663)
Dollar (\$)	229,727	(229,727)
Sterling Pound (£)	312,662	(312,662)
	1,328,052	(1,328,052)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's borrowing portfolio consist with fixed rate borrowings thus company does not have an interest rate risk as at the reporting date.

29. CAPITAL MANAGEMENT

The company's capital structure consists comprising share capital, reserves and retained earnings, as disclosed in the Statement of Changes in Equity.

30 COMPARATIVE INFORMATION - COMPANY

The presentation and classification of following items in these Financial Statements are amended to ensure comparability with the current year.

As reported previously :

Financial Liabilities	
Other payable	10,090,153
<hr/>	
Non-Financial Liabilities	
Advanced Received for Reservation	14,090,158
Accrued Expenses	3,321,570
Other payable	28,554,105
	<hr/>
	45,965,833
	<hr/>
	56,055,986
<hr/>	
Current Presentation:	
Financial Liabilities	
Other payable	8,598,201
<hr/>	
Non-Financial Liabilities	
Advanced received for reservation	14,090,158
<hr/>	
Accrued expenses	3,321,570
VAT Payable	4,934,507
NBT Payable	1,665,797
EPF & ETF Payable	1,492,434
Other payables	12,190,175
	<hr/>
	37,694,641
Income Tax Payable	9,763,144
	<hr/>
	56,055,986
<hr/>	

31. EVENTS OCCURRING AFTER THE REPORTING DATE

There have been no material events occurring after the reporting date that require adjustments to or disclosure in the Financial Statements, except for Directors approved a first & final Dividend of Rs. 0.80 per Share for the Ordinary Shareholders for the Financial Year 2016/2017.

Investor Information

Shareholding	No. of Members	Shareholding	%
1 - 1000	1159	180,680	0.36%
1001 - 10000	193	742,918	1.49%
10001 - 100000	73	2,203,330	4.41%
100001 - 1000000	31	8,491,085	16.98%
Over 1000000	7	38,381,987	76.76%
	1463	50,000,000	100.00%

Category	As at 31 March 2017		As at 31 March 2016	
	Shareholding	%	Shareholding	%
Resident	47,311,175	94.62%	47,311,395	94.62%
Non Resident	2,688,825	5.38%	2,688,605	5.38%
	50,000,000	100.00%	50,000,000	100.00%

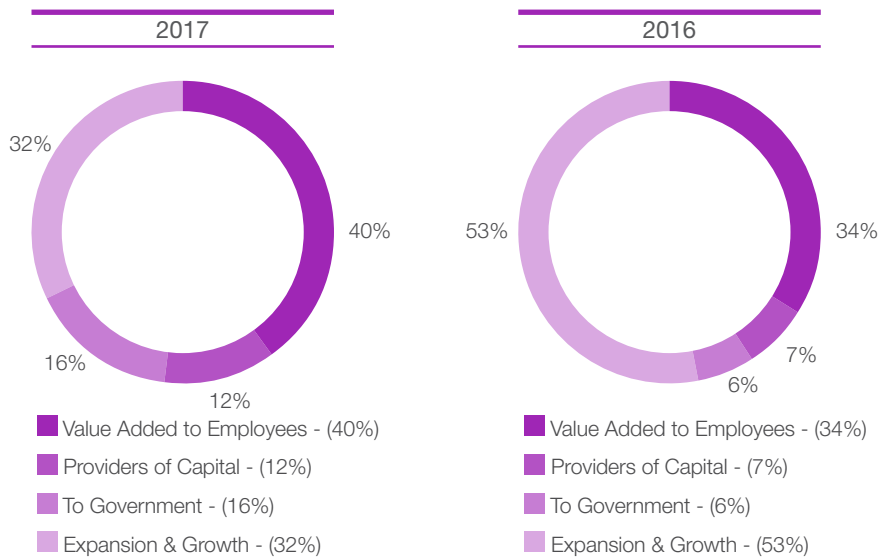
Category	As at 31 March 2017		As at 31 March 2016	
	Shareholding	%	Shareholding	%
Individuals	15,130,131	30.26%	15,157,297	30.31%
Corporate	34,869,869	69.74%	34,842,703	69.69%
	50,000,000	100.00%	50,000,000	100.00%

Shareholding	2017 Rs.	2016 Rs.
Market Value Per Share as at 31st March	21.90	30.50
Highest Market Value Per Share	26.50	32.30
Lowest Market Value Per Share	19.60	22.60
Public Holding		
No. of Ordinary Shares	6,499,077	6,539,077
Percentage	13.00%	13.08%

20 Largest Shareholders	2017		2016	
	No. of Shares held	%	No. of Shares held	%
Tangerine Beach Hotels PLC	14,202,786	28.41%	14,202,786	28.41%
Mercantile Investments and Finance PLC	8,576,700	17.15%	8,576,700	17.15%
Tangerine Tours (Pvt) Ltd	3,907,575	7.82%	3,882,575	7.77%
Mr. M J Fernando	3,649,403	7.30%	3,649,403	7.30%
The Nuwara Eliya Hotels Co. PLC	2,750,000	5.50%	2,750,000	5.50%
Mr. G L A Ondaatjie	2,742,700	5.49%	2,742,700	5.49%
Mr. M U Maniku	2,552,823	5.11%	2,552,823	5.11%
Mercantile Fortunes (Pvt) Ltd	829,870	1.66%	829,870	1.66%
Nilaveli Beach Hotels (Pvt) Ltd	707,375	1.41%	707,375	1.41%
Security Ceylon (Pvt) Ltd	650,000	1.30%	650,000	1.30%
City Properties (Pvt) Ltd	558,428	1.12%	558,428	1.12%
Mr. T J Ondaatjie	500,000	1.00%	500,000	1.00%
Mrs. K M N Perera	414,542	0.83%	414,542	0.83%
N Vaitilingam & Co. (Pvt) Ltd	362,498	0.72%	362,498	0.72%
Mr. J A S S Adhietty	299,050	0.60%	299,050	0.60%
Mr. N H V Perera	265,795	0.53%	265,795	0.53%
Mr. D C Fernando	250,000	0.50%	250,000	0.50%
Ceylon Galvernizing Industries Ltd	249,998	0.50%	249,998	0.50%
Renuka Consultants & Services Limited	239,547	0.48%	239,547	0.48%
People's Leasing & Finance PLC/ L P Hapangama	245,735	0.49%	239,149	0.48%

Value Added Statement

For the Year ended 31st March	2017	2016
Turnover	582,319,231	637,372,326
Less- Cost Of Sales	(285,688,352)	(332,884,226)
Value added	296,630,879	304,488,100
Other Income	27,286,877	29,660,897
Total Investment Created	323,917,756	334,148,997
Value Added to Employees	128,111,819	112,916,666
Providers of Capital	40,000,000	25,000,000
To Government	50,479,201	20,526,218
	218,591,020	158,442,884
For Expansion & Growth		
Retained Earnings	46,739,315	123,517,474
Depreciation & Amortisation	58,587,422	52,188,639
	105,326,737	175,706,113
	323,917,756	334,148,997



Decade at a Glance

Year ended 31st March	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
	Rs. ' 000	Rs. ' 000	Rs. ' 000	Rs. ' 000	Rs. ' 000	Rs. ' 000	Rs. ' 000	Rs. ' 000	Rs. ' 000	Rs. ' 000
Trading Results										
Turnover Net of Tax	582,319	637,372	527,742	640,908	594,593	572,394	462,986	408,497	325,565	284,723
Operating profit/(Loss) before interest exp. and other income	69,723	144,464	19,327	91,003	100,502	125,633	96,570	86,681	42,495	30,706
Profit/(Loss) before Taxation	96,744	173,764	23,565	118,865	114,047	149,340	111,202	95,908	40,301	34,786
Taxation provision	(10,005)	(25,246)	(1,214)	(19,514)	(14,549)	(22,841)	(2,871)	(17,253)	(5,710)	(8,485)
Profit after taxation on Ordinary activities	86,739	148,517	22,351	99,351	99,498	126,499	108,332	78,655	34,591	26,301
Share Capital & Reserve										
Issued Share Capital	521,583	521,583	521,583	521,583	521,583	521,583	521,583	521,583	521,583	521,583
Revaluation Reserve	1,034,216	1,032,667	694,331	705,172	723,237	571,608	575,034	565,727	306,855	306,576
Revenue Reserve	691,284	646,207	519,981	485,335	446,461	371,213	272,422	184,090	136,841	120,718
Total Equity	2,247,084	2,200,457	1,735,895	1,712,091	1,691,281	1,464,405	1,369,039	1,271,400	965,279	948,877
Assets Employed										
Current Assets	465,598	464,102	280,095	334,754	333,982	344,107	256,505	225,046	156,063	136,810
Current Liabilities	(89,176)	(94,313)	(75,386)	(108,003)	(89,383)	(107,888)	(78,749)	(79,912)	(62,181)	(61,580)
Working Capital	376,423	369,789	204,710	226,751	244,599	236,218	177,756	145,134	93,882	75,230
Non Current Assets	2,034,656	1,992,090	1,659,293	1,613,933	1,572,091	1,331,309	1,294,624	1,246,456	967,531	965,954
Non- Current Liabilities	(163,994)	(161,421)	(128,107)	(128,593)	(125,409)	(103,122)	(103,341)	(120,190)	(96,134)	(92,307)
	2,247,084	2,200,457	1,735,895	1,712,091	1,691,281	1,464,405	1,369,039	1,271,400	965,279	948,877
Ratio & Statistics										
Gearing Ratio (Times)	0.00	0.00	0.00	0.00	0.01	0.01	0.01	0.01	0.04	0.06
Current ratio (Times)	5.22	4.92	3.72	3.10	5.25	3.19	3.26	2.82	2.51	2.22
Market Price per Share	21.90	30.50	36.00	30.00	35.00	55.00	70.00	65.50	31.75	40.00
Earnings per Share	1.73	2.97	0.45	1.99	1.99	2.53	2.17	1.55	0.63	0.44
Net assets per Share	44.94	44.01	34.72	34.24	33.83	29.29	27.38	25.43	18.91	18.28
Interest Cover (Times)	365.13	482.34	49.39	203.54	148.74	171.81	95.16	85.58	23.78	26.26
Return on Shareholder's Funds(%)	3.86	6.75	1.29	5.80	5.88	8.64	7.91	6.19	3.65	2.77
Return on Total Assets(%)	3.47	6.05	1.15	5.10	5.22	7.55	6.98	5.42	3.24	2.51
Price Earning Ratio	12.66	10.27	80.00	15.07	17.59	21.74	32.26	42.26	50.40	90.91

Real Estate Portfolio

Company & Location	Building in (Sq.Ft.)		Land in Acres		Net Book Value	
			Freehold Property		Rs.'000	Rs.'000
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
Royal Palms Beach Hotels PLC, No.35,OFF.De Abrew Drive, Kalutara North,Maha Waskaduwa, Kalutara	175,075	175,075	6.0	6.0	1,733,637	1,710,000

Notice of Meeting

NOTICE IS HEREBY GIVEN that the 25th Annual General Meeting of Royal Palms Beach Hotels PLC. will be held on 29th September 2017 at 11.45 a.m. at Tangerine Beach Hotel, Kalutara to transact the following business.

1. To receive and adopt the Report of the Directors and the Statements of Accounts for the year ended 31st March 2017, with the Report of the Auditors thereon.
2. To elect Mr. P S R Casie Chitty and Mr. T J Ondaatjie who retire in terms of Article 88 (i) of the Articles of Association of the Company.
3. To elect Mr. G L A Ondaatjie, Mr. M J Fernando, Mr. M Keerthiratne, Mr. A de Zoysa and Mr. M U Maniku in terms of Section 211 of the Companies Act No.07 of 2007. The Company has received special notice of intention to pass the following resolutions as ordinary resolutions.
 - a. "Resolved that the age limit of 70 years referred to in Sections 210 of the Companies Act No.07 of 2007 shall not be applicable to Mr. George Lawrence Andrew Ondaatjie who is 82 years of age and whose appointment as a Director of the Company be and is hereby approved and who is elected a Director of the Company notwithstanding the provisions of the said Section 210 of the Companies Act."
 - b. Resolved that the age limit of 70 years referred to in Sections 210 of the Companies Act No.07 of 2007 shall not be applicable to Mr. Merrill Joseph Fernando who is 87 years of age and whose appointment as a Director of the Company be and is hereby approved and who is elected a Director of the Company notwithstanding the provisions of the said Section 210 of the Companies Act."
 - c. "Resolved that the age limit of 70 years referred to in Sections 210 of the Companies Act No.07 of 2007 shall not be applicable to Mr. Mihindu Keerthiratne who is 77 years of age and whose appointment as a Director of the Company be and is hereby approved and who is elected a Director of the Company notwithstanding the provisions of the said Section 210 of the Companies Act."
 - d. Resolved that the age limit of 70 years referred to in Sections 210 of the Companies Act No.07 of 2007 shall not be applicable to Mr. Ajita de Zoysa who is 74 years of age and whose appointment as a Director of the Company be and is hereby approved and who is elected a Director of the Company notwithstanding the provisions of the said Section 210 of the Companies Act."
 - e. Resolved that the age limit of 70 years referred to in Sections 210 of the Companies Act No.07 of 2007 shall not be applicable to Mr. Mohamed Umar Maniku who is 70 years of age and whose appointment as a Director of the Company be and is hereby approved and who is elected a Director of the Company notwithstanding the provisions of the said Section 210 of the Companies Act."
4. To authorize the Directors to determine the remuneration of the Auditors, Messrs. Ernst & Young who are deemed to have been reappointed as Auditors in terms of Section 158 of the Companies Act No.7 of 2007.
5. To authorise the Directors to determine payments for charitable and other purposes for year 2017/18

By Order of the Board,
Mercantile Investments and Finance PLC
Secretaries

Colombo
22nd August 2017

Notes:

A member entitled to attend and vote at the meeting is entitled to appoint a proxy (whether a member or not) to attend and vote instead of him. A form of proxy is enclosed with the Report for this purpose and Shareholders who are unable to attend the meeting in person are requested to kindly complete and return such form of proxy in due time, in accordance with the instructions noted on the form of proxy.

Notes

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Notes

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Form of Proxy

I/We
of
being a member/members of ROYAL PALMS BEACH HOTELS PLC, do hereby appoint;
..... of
..... or failing him/her

George Lawrence Andrew Ondaatjie	or failing him
Angeline Myrese Ondaatjie	or failing her
Gerard George Ondaatjie	or failing him
Travice John Ondaatjie	or failing him
Nawagamuwage Hasantha Viraj Perera	or failing him
Mohamed Umar Maniku	or failing him
Ranjan Sri Weerawardena	or failing him
Abbasally Nuruddin Esufally	or failing him
Merill Joseph Fernando	or failing him
Ajita de Zoysa	or failing him
Mihindu Keerthiratne	or failing him
John Damasene Vaz	or failing him
Prasanna Senani Rajiv Casie Chitty	

as my/our proxy to represent me/us and to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 29th September 2017 at 11.45 a.m. at Tangerine Beach Hotel, Kalutara and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

		FOR	AGAINST
(1)	To receive and adopt the Report of Directors and the Statement of Accounts for the year ended 31st March 2017, with the Report of the Auditors there on.		
(2)	To elect Mr. P S R Casie Chitty retiring in terms of Article 88(i) of the Articles of Association of the Company.		
(3)	To elect Mr. T J Ondaatjie retiring in terms of Article 88(i) of the Articles of Association of the Company.		
(4)	To elect Mr. G L A Ondaatjie in terms of Section 211 of the Companies Act No.7 of 2007		
(5)	To elect Mr. M J Fernando in terms of Section 211 of the Companies Act No.7 of 2007.		
(6)	To elect Mr. M Keerthiratne in terms of Section 211 of the Companies Act No.7 of 2007		
(7)	To elect Mr. A de Zoysa in terms of Section 211 of the Companies Act No.7 of 2007		
(8)	To elect Mr. M U Maniku in terms of Section 211 of the Companies Act No.7 of 2007		
(9)	To authorise the Directors to determine the remuneration of the Auditors Messrs. Ernst & Young, Chartered Accountants who are deemed to have been reappointed as Auditors in terms of Section 158 of the Companies Act No.7 of 2007.		
(10)	To authorise the Directors to determine payments for charitable and other purposes for the year 2017/18		

As witness my/our hand thisday of2017

.....
Signature of Shareholder/s

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

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the form of proxy, after filling legibly your full name and address and by signing in the space provided and please fill in the date of signature.
2. If the proxy form is signed by an Attorney, the relative Power of Attorney should also accompany the proxy form for registration, if such Power of Attorney has not already been registered with the Company.
3. In the case of a Company/Corporation, the proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.
4. The completed form of proxy should be deposited at the Registered Office of the Company at No.236, Galle Road, Colombo 3, 48 hours before the time appointed for the meeting.

Corporate Information

Name of the Company

Royal Palms Beach Hotels PLC.

Status & Legal Form

Public quoted company with limited liability
Incorporated in Sri Lanka on 20th May 1992.

Company Registration No.

PQ 167

Tax Payer Identification Number

114092118

VAT Registration Number

114092118 7000

Communication Registered Office

236, Galle Road, Colombo 03, Sri Lanka
P.O. Box 195, Colombo
Tel : 2343720-7
Fax : 2434524, 2448279
E-mail : tangerinetours@mi.com.lk
Website : www.tangerinehotels.com

Hotel

Royal Palms Beach Hotel,
St.Abrew's Road, Nagashandiya,Waskaduwa.
Tel : 034-2228113-7
Fax : 034-2228112
E-mail : tanbch@sltnet.lk

Secretaries

Mercantile Investments & Finance PLC

Remuneration Committee

Chairman – N.H.V.Perera
R.S.Weerawardena
P.S.R. Casie Chitty

Audit Committee

Chairman – N.H.V. Perera
R.S. Weerawardena
P.S.R. Casie Chitty

External Auditors

Ernst & Young.
CHARTERED ACCOUNTANTS

Internal Auditors

SJMS Associates
CHARTERED ACCOUNTANTS

Bankers

Hatton National Bank PLC
Commercial Bank of Ceylon PLC

Board of Directors

Desabandu George L.A. Ondaatjie - Chairman & Joint Managing Director
A.M. Ondaatjie - Joint Managing Director
G.G. Ondaatjie
T.J. Ondaatjie
R.S. Weerawardena
N.H.V. Perera
M. Keerthiratne
A.N. Esufally
M.U. Maniku
M.J. Fernando
A.De. Zoysa
P.S.R. Casie Chitty
J.D. Vaz

Corporate Management

Ravi Kurukulasooriya	General Manager
M.I. Shahabdeen	Group Financial Controller
Manil Galagoda	Group Engineer
Ravi Fernando	Group Accountant
Nelson Mayadunnage	Finance Controller
J.D. Vaz	Director/ Manager Finance & Administration
Menaka Fernando	Chief Accountant

Management Team

Ravi Kurukulasooriya	General Manager
Nelson Mayadunnage	Finance Controller
Menaka Fernando	Chief Accountant
Y.D.K. Chandrasiri	Maintenance Engineer
Anjana Gunawardene	Front Office Manager
Bandula Priyantha	Executive Chef
Janatha Kumara	Executive Housekeeper
Sarath Liyanage	Group Purchasing Manager
Praboth Jayaweera	Credit Manager
Priyanka Liyanage	Cost Controller

