

**Royal Palms Beach Hotels PLC**

**Annual Report 2019/20**

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## FINANCIAL HIGHLIGHTS

Year Ended 31st March	2020 Rs.' 000	2019 Rs.' 000	% Change
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### Results for the Year

Gross Revenue	617,604	754,840	(18.18)
Cost of Sales	(232,631)	(259,259)	(10.27)
Operating Profit Before Interest & Tax	58,596	131,961	(55.60)
Finance Income	38,731	31,057	24.71
Interest Expense	(321)	(27)	(1,088.89)
Profit /(Loss) Before Tax	97,006	162,991	(40.48)
Income Tax Expense	(27,894)	(36,067)	(22.66)
Profit /(Loss) After Tax	69,111	126,924	(45.55)
Profit /(Loss) Attributable to Shareholders	69,111	126,924	(45.55)
Dividend Paid	50,000	50,000	-

### Financial Position at the End of the Year

Shareholder's Funds (Stated Capital & Reserves)	2,491,186	2,464,001	1.10
Total Assets	2,892,303	2,867,842	0.85
Number of Shares in Issues (In Million)	50	50	-
<b>Information per Ordinary share</b>			
Earnings per Share (Rs.)	1.38	2.54	(45.67)
Dividend per Share (Rs.)	1.00	1.00	-
Net Assets per Share (Rs.)	49.82	49.28	1.10

### Ratios

Return on Shareholders' Funds (%)	2.77	5.15	(2.38)
Return on Total Assets (%)	2.39	4.43	(2.04)
Year on Year EPS Increase / (Decrease) (%)	(45.67)	46.82	(92.49)
Interest Cover (Times)	302.86	6,101.66	(95.04)
Dividend Cover (Times)	1.38	2.54	(45.67)
Equity : Assets (%)	86.13	85.92	0.21
Current Ratio (Times)	7.43	6.40	16.14
Gearing Ratio (Times)	-	-	-

### Market Shareholder Information

Market Price Per Share as at 31 March (Rs.)	12.70	16.10	(21.12)
Market Capitalization (Rs. '000)	635,000	805,000	(21.12)
Price Earnings Ratio - (Times)	9.20	6.34	(45.19)

## CHAIRPERSON & MANAGING DIRECTOR'S REVIEW

### Dear Shareholders,

It is my pleasure to present the Annual Report and the Audited Financial Statements of Royal Palms Beach Hotels PLC for the year ended 31st March 2020.

Since the year-end, the whole world has been grappled by the COVID-19 pandemic, which has a significant impact on the hospitality industry and Royal Palms is no exception. However, given this unprecedented situation and the significant uncertainties impacting the Company and its markets, a number of decisive actions were taken to reduce the cash outflow during this period. Going forward, we will take all the appropriate actions to put our business in a good position to win when the crisis abates.

Decisive action to protect the business and preserve cash at Royal Palms, we have adopted a well-thought out set of contingency plans. As the global pandemic progressed throughout February 2020, and then rapidly escalated in March 2020, we deployed the contingency plans in full response to COVID-19. Following the series of Government announcements on social distancing in the week commencing 16 March 2020 and also the further announcements and guidance from the medical authorities on 23 March 2020, we had implemented a range of operational actions to prioritise the safety and well-being of our guests and staff.

I am proud of the way Royal Palm's team have come together in such trying times to look after each other and their local communities and, of course, to play a key part in making sure that the Company emerges from the crisis with the strength to succeed in delivering its strategic priorities.

Throughout this period, as always, the health and safety of our staff members and guests has been paramount in our decision-making. We are focused on steering a sensible course through the current crisis so that we can emerge well-positioned to succeed as our markets re-open.

### Sri Lankan Economy

During the year 2019, Sri Lanka's dismal performance continued in terms of real economic growth, although macroeconomic stabilisation measures helped to correct the external sector imbalances to some extent, while inflation pressures remained muted on average. The Easter Sunday attacks had a severe impact on the tourism sector, and their adverse spill over effects were felt across the economy, worsening the sluggish growth

of the economy and further dampening business confidence. Policy measures aimed at reducing pressures on the balance of payments and the exchange rate continued in 2019, which together with steps taken to revive the economy, contributed to notable slippages in the fiscal sector. Subdued demand conditions allowed the continuation of low inflation during the year, although extreme weather conditions and resultant disruptions to domestic food supplies caused some volatility in consumer prices. Growth of credit to the private sector decelerated sharply, driven by subdued economic activity and weak business confidence, affecting the performance of the financial sector.

### Sri Lanka Tourism

Tourist arrivals, which recorded the highest ever quarterly arrivals during the first quarter of 2019, recorded an overall decline of 18% to 1,913,702 arrivals in 2019, in comparison to 2,333,796 arrivals recorded in 2018. A notable decline was observed in tourist arrivals following the issuance of travel advisories by main countries of tourist origins following the Easter Sunday attacks.

The Asia Pacific region recorded the second highest arrivals in 2019 with 839,470 tourists, accounting for 43.9% of total tourist arrivals, despite the overall decline of 23%. This decline of tourists from the Asia Pacific region made the largest contribution to the decline in total arrivals in 2019.

Tourist arrivals from all major regions, declined in 2019. Europe continued to be the largest tourist origin for Sri Lanka with 887,572 arrivals, accounting for 46.4 per cent of total tourist arrivals.

### Global Tourism

A total of 1.5 billion international tourist arrivals were recorded during the 2019, globally. This was a 4% increase compared to the previous year. Against a backdrop of global economic slowdown, tourism spending continued to grow, most notably among the world's top ten spenders. All regions saw a rise in international arrivals in 2019. However, uncertainty surrounding Brexit, the collapse of Thomas Cook, geopolitical and social tensions and the global economic slowdown all contributed to a slower growth in 2019, when compared to the exceptional rates of 2017 and 2018. This year, Asia again recorded the highest growth in international travel, while Latin America saw a decline.

## CHAIRPERSON & MANAGING DIRECTOR'S REVIEW....

Leisure travel was the main purpose of visit in all world regions except the Middle East, where visiting friends and relatives, for health or religious purposes predominate. So far, the drivers of these results have been a strong economy, affordable air travel, increased air connectivity and enhanced visa facilitation.

### Financial Review

The Company turnover decreased during the year under review by 18%, with a record Rs 618 million compared to Rs. 755 million of the previous year. This decrease is mainly due to drop in occupancy level from 81% to 60% as a result of the Easter Sunday Attack.

The Net Profit after Tax of the Company for the year under review was Rs. 69 Million as against Rs. 127 Million in the previous year. This represents a decrease of Rs. 58 Million or 46% lesser the preceding year. This is a result of decrease in the occupancy.

Company Earnings per Share (EPS) in the period under review was Rs 1.38 as against Rs 2.54 in 2019. The decrease in EPS was due to decrease in profits for the financial year.

### Performance

In spite of many draw backs at the early financial year we managed to take this time to invest in renovating facilities. We invested to renovate the entire lobby and car porch roof and also made a state of art generator room.

### Human Capital

Although there were of heavy losses during first six month we managed to keep all staff and used this turbulent time to trained and boost their morals during this difficult time.

### Sustainability

Year on year we have invested in our commitment towards the environmental preservation by reducing carbon emissions. CFC free equipped mini bar and installation of digital thermostat controls in rooms are noteworthy implementations for this year.

### Operational and Market Activity

I am pleased to state in spite of the unfortunate incidents and travel restrictions during May to July 2019, the hotel recorded an average occupancy of 60% at the Royal Palms Beach Hotel for the last 2019/2020 financial year.

Our success was solely due to the proactive approach on social media by posting guest comments and videos about their stay at the hotel. Meanwhile, we extended special offers to our tour operators overseas and locally and implemented an aggressive online strategy. The partner support from our suppliers mainly from West and Eastern Europe, UK and Russia and CIS countries promoted the destination with the travel restrictions being eased, while the India and China markets filled the gaps on availability.

We also benefited with Sri Lanka being voted as the No. 01 destination to visit on 'Lonely Planet' and the 'Forbes' magazine highlighting the train ride to the hills and tea country as a must do; on anyone's bucket list when visiting Sri Lanka.

Flight frequencies were reduced last year as we are heavily dependent on Middle Eastern airlines as load carriers but the arrivals gradually picked up after the presidential elections.

Overall rating of the hotel has gone up on the German speaking site -Holiday Check.de averaging 94%. With newer hotels opening up, we did lose market share due to more competitive rates being offered, but we have regained the market share in the German, Dutch and French markets, with Indian and Chinese markets filling up on a last minute The hotel has been rated as Top seller by the following tour operators.

- Anex Ukraine – Best-selling hotel
- Rainbow Poland – Best-selling hotel
- NRV Holland – Best-selling hotel
- Schauinsland Touristik – 03rd Best-selling hotel
- FTI Touristik – 03rd Best-selling hotel

The hype and the growth during the latter part of the financial year was affected with the COVID19 pandemic with countries announcing lockdown.

On a positive note we have secured some new accounts from the European markets for Winter 2020/2021 already for the Royal Palms Beach hotels. FTI –Sonenklar TV - Germany was going live today speaking about the destination and highlighting their top partner hotels.

### Achievements Operational Performance

This year started with many challenges with the Easter attack on 21st April 2019. This attack created negative impact for the

## CHAIRPERSON & MANAGING DIRECTOR'S REVIEW....

tourism industry not only among the local tourism but also on the international arrivals. In spite of many challenges with this attack we managed to survive during this turbulent time to recover the business confident within the first six months.

During these turbulent times we managed to maintain our business excellence by achieving many awards and accolades during this financial year.

### Awards

- **South Asian Travel Awards 2019**

We are proud to state that for the 04th consecutive year we owned the South Asian Travel award as the Best Corporate social responsible hotel in Sri Lanka.

- **National Business Excellence Awards 2019**

Royal Palms secured Merit certificate for the hospitality and tourism category at the National Business Excellence award 2019 which was organized by the National Chamber of Commerce – Sri Lanka.

- **National Cleaner Production Awards 2019**

This award was presented for our commitment and contribution towards environmentally friendly practices implemented by the hotel. We are a proud winner of the silver award for service category organized by National Cleaner production Center (NCPC) – Sri Lanka.

- **Holiday Check Award 2019/2020**

Holiday Check group AG is an exchange listed internet group in Munich Germany which provide an online portal for travel reviews and bookings in Germany, Austria and Switzerland under holiday check brand. We are proud to announce having the best customer reviews above 95% and winning this prestige's holiday check award 2019/2020.

- **Travelife Gold Award 2019/2020**

Travelife is an internationality recognized accommodation sustainability programme in over 50 countries having 1500 members. Royal Palms won the gold category out of 23 hotels in Sri Lanka.

### Future Outlook

Given the unprecedented situation and the material adverse impact on cash flows to date, it is not possible to accurately forecast the full-year's impact on the business's revenues. Our internal scenario planning assumes that our hotel and internal outlets had limited operations during lockdown. Our team has been focussing on serving the local market with exceptional service standards as until the airports reopen we cannot expect tourist arrivals. Demand recovery is expected to be slow with the social distancing restrictions being gradually relaxed. While the near-term outlook is uncertain, we believe the business is well-placed to overcome these challenges. However, until the Airports are open globally we cannot expect tourist arrivals till 2021.

Sri Lanka being a very resilient nation, we will bounce back faster than most other destinations. All tour operator partners have resumed business, but they are only promoting short haul surface travel holidays. However it is still premature to assess the demand for the destination with other competitor destinations like Vietnam and Cambodia, Thailand, Indonesia and Mauritius. Once the airports recommence in our feeder markets, and the airlines resume operations, Sri Lanka is expected to bring down social media influencers once again to create the hype highlighting the COVID19 health and safety protocols that are in place in Sri Lanka which is the most positive factor in the whole process. Sri Lanka has performed better than its neighbours in handling the COVID19 pandemic and we have been awarded the WTTC certification for world travel.

### Conclusion

I take this opportunity to thank my colleagues on the Board for their strategic guidance and counsel provided during the year. I extend my sincere appreciation to the Royal Palms management and staff for their commitment during this challenging period. On behalf of the Board, I would like to acknowledge all our multiple stakeholders—our valued customers, distributors, suppliers, business partners, share-holders, amongst others for their continued trust and loyalty.



**Angelina Ondaatje**

Chairperson & Managing Director

27th August 2020

## BOARD OF DIRECTORS

### **A.M. ONDAATJIE**

#### **CHAIRPERSON & MANAGING DIRECTOR**

Ms. Angeline Ondaatjie was appointed to the Board in 1994 and appointed as Chairperson and Managing Director on 13th May 2019. She has over 20 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 Chairperson & Managing Director of Tangerine Tours (Pvt) Ltd and 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**

#### **NON-EXECUTIVE DIRECTOR**

Mr. Gerard Ondaatjie was appointed to the Board in 1994. He has over 20 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, Chairman of several companies including Fair View Hotel (Pvt) Ltd, Mercantile Fortunes (Pvt) Ltd and Nilaveli Beach Hotels (Pvt) Ltd. He is also the Deputy Chairman of The Nuwara Eliya Hotels Co. PLC (Grand Hotel) and a Director Tangerine Beach Hotels PLC.

### **T.J. ONDAATJIE**

#### **EXECUTIVE DIRECTOR**

Mr. Travice Ondaatjie was appointed to the Board in 1998. He has over 20 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.

### **N.H.V. PERERA**

#### **NON-EXECUTIVE INDEPENDENT DIRECTOR**

Mr. Hasantha 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 ten 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 (Pvt) Ltd, South Asia Economic and Trade Corporation ( Private ) Limited, Koggala Beach Hotel (Private) Limited, Desano Investments (Private) Limited and Tisara Hotels ( Private ) Limited, Thisara Investments (Pvt) Ltd, Ranyan Industries (Pvt) Ltd, Ranali Marketing (Pvt) Ltd, and Janath Trading & Investments (Pvt) Ltd.

## **BOARD OF DIRECTORS....**

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

### **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 nine 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.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 eight 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 nine 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**

Appointed to the Board in 1997, Merrill Fernando is the founder of DILMAH Tea. He defined business ethics in tea when he launched the first producer owned tea brand in the world in 1988 and pledge to share his success with those in need. In fulfilment of his commitment to a purpose beyond profit, Mr. Fernando established the MJF Charitable Foundation, one of Asia's largest private charitable foundations. Dilmah Conservation extends his founding principle of making business a matter of human service, to the environment.



## BOARD OF DIRECTORS....

He was honoured for service to humanity with the Oslo Business for Peace Award in 2015 by the Committee of Nobel Peace laureates, the First Award for Responsible Capitalism in 2016 and in 2019 with an Honorary Doctorate by New Zealand's Massey University. In 2019 he was honoured by the Government of Sri Lanka with the National Honour of Deshamanya.

Mr. Merrill J. Fernando has been a Director of the Company for a period of over nine 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. 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 nine 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 05th 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, DIP (HOTEL MGT.) SWISS  
GENERAL MANAGER**

Graduate from International Hotel Management Institute, Lucerne, Switzerland. Over 21 years of service in the hospitality industry having worked at Aitken Spence Co., Carsons Cumber Batch and Confifi Group. Also served as a President, Kalutara Hoteliers Association for the past 5 Years.

**M.I. SHAHABDEEN, FCA, CGMA, ACMA, MIH, ACQI, CPA  
GROUP FINANCIAL CONTROLLER**

Group Financial Controller of Tangerine Group of Hotels since 02nd 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 & 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 to an array of three 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.

**RAVI FERNANDO, MBA (UK), M.Sc. App Fin (Sjp), FMAAT, AFA, MCSI, CBA, ACMI  
GROUP ACCOUNTANT**

Ravi Fernando Joined Tangerine Group of Hotels on 1st June 2003 as Group Accountant with overall responsibility for the Group's Finance and Accounting function in addition He is involved in New City hotel Project. Ravi Fernando holds a Master of Business Administration from University of Lincoln UK, Master of Applied Finance from University of Sri Jayewardenepura, 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 & Investments UK and Associate Chartered Management Institute of UK.

He has over Three 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, Ceylinco Insurance PLC, and Commercial Credit PLC.

He was appointed as the Finance Director of Fair View Hotel (Pvt) Ltd., on 11th July 2016 and also was appointed as a Director of Security Ceylon (Pvt) Ltd., on 26th February 2019.

## CORPORATE MANAGEMENT....

### **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 Profile of Board of Directors (Page No. 7).

### **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 I have gathered an extensive insight within this area. Contributed implementation of PMS programs in all hotels served in last three decades. Past 11 years served as a Financial controller in Amanresorts , 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, HNSA, CMA** **CHIEF ACCOUNTANT**

Menaka Fernando is the Chief Accountant 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 20 years' experience in the Hospitality industry in Accounting, Taxation & General Management.

# CORPORATE GOVERNANCE

## 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 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.

## Committees

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

This report sets out the Company’s Corporate Governance practices and processes for the financial year 2019/20 and the extent of compliance with same.

## 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.

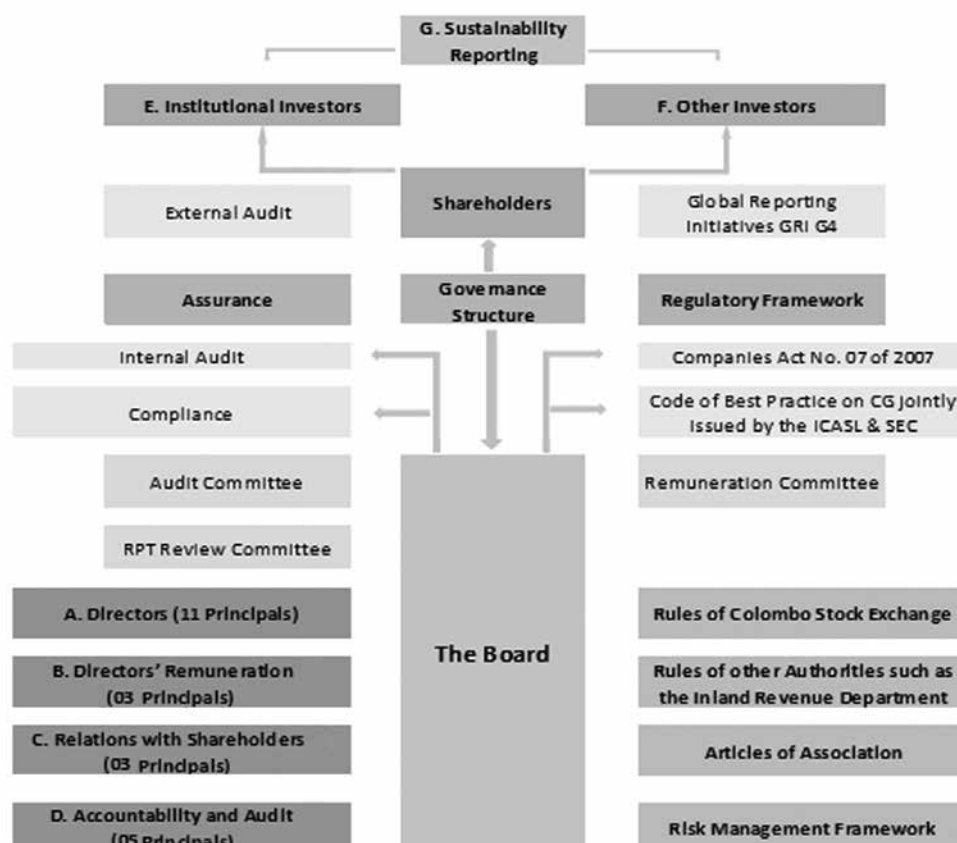
## Assurance

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.

## CORPORATE GOVERNANCE....



### 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,

- Three Executive Directors (ED) – includes the Chairperson/ Managing Director.
- Six Non-Executive Independent Directors (NED/ID).
- One Non-Executive Non-Independent Director (NED/ID).

#### A.1.1 Board Meetings - Compliant

One Board Meeting was held during the year and the Company is compliant with the Code of Best Practice as the Board has met once for the financial year 2019/20. 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.

## CORPORATE GOVERNANCE....

### ATTENDANCE AT BOARD MEETINGS

Name of Director	26/11/2019	Meeting Attendance	Percentage Attended
<b>Executive Directors</b>			
Ms. A.M. Ondaatjie	√	1/1	100%
Mr. T. J. Ondaatjie	√	1/1	100%
Mr. J.D. Vaz	√	1/1	100%
<b>Non-Executive Independent Directors</b>			
Mr. N.H.V. Perera	√	1/1	100%
Mr. M. Keerthiratne	0	0/1	-
Mr. M.U. Maniku (Alternate Mr.W.P. Hettiaratchi)	0	0/1	-
Mr. Ajita De Zoyza	0	0/1	-
Mr. M.J. Fernando (Alternate Mr. D.C. Fernando )	0	0/1	-
Mr. P.S.R. Casie Chitty	√	1/1	100%
<b>Non-Executive Non-Independent Directors</b>			
Mr. G.G. Ondaatjie	0	0/1	-

#### A.1.2 Board Responsibilities – Compliant

The Board of Directors of Palms Beach Hotels PLC bears the responsibility for providing strategic direction, achieving objectives, responsible corporate behavior, risk management, utilization 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,

- a. Providing the leadership for formulation and implementation of an effective business strategy, by emphasizing on sustainable development in Corporate Strategy, decisions and business activities, whilst ensuring all stakeholder interests are considered in corporate decisions.

- b. Ensuring that the Managing Director and the Management Team possesses sufficient skills, competencies, experience and knowledge to implement company strategies.
- c. Ensuring that the business practices are in compliance with the laws, regulations and Company's code of ethics.
- d. Establishment of effective internal controls, risk management and business continuity practices, ensuring that the adoption of appropriate accounting policies and compliance with financial regulations.
- e. 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....

### A.1.3 Compliance with Laws and access to Professional Advice – Compliant

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 – Compliant

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 judgment 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 Shareholdnig	Management	Material Business Relationship	Employee of the Company	Financially Dependent Family Member is a Director	Nine Years of Continuous Service
<b>Non-Executive Independent Directors</b>						
Mr. N.H.V. Perera	No	No	No	No	No	Yes
Mr. M. Keerthiratne	No	No	No	No	No	Yes
Mr. M.U. Maniku (Alternate Mr. W.P. Hettiaratchi)	Yes	No	No	No	No	Yes
Mr. Ajita De Zoyza	No	No	No	No	No	Yes
Mr. M.J. Fernando (Alternate Mr. D C Fernando )	Yes	No	No	No	No	Yes
Mr. P.S.R. Casie Chitty	No	No	No	No	No	No
<b>Non-Executive Non-Independent Directors</b>						
Mr. G.G. Ondaatjie	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.

## CORPORATE GOVERNANCE....

Composition of the Board as at 31st March 2020 was as follows:

No. of Members	Executives	Non-Executive	Independent	Non-Independent	Gender Representation		Age Distribution (Yrs.)				
					Male	Female	Below 50	51-60	61-70	71-80	Above 81
10	03	07	06	01	9	01	02	03	01	03	01

### 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 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,

- Access to internal and external experts and professionals, on Tax, Legal, Finance, Investments and other important business affairs.
- Detailed periodic reports on the performance of the hotels, its outlets and other activities.
- Updates on contemporary developments in areas such as law, industry best practices and the domestic economy.
- 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 two experienced Senior Accounting Professionals, including

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 three Executive Directors, six Non-executives Independent Directors and one Non-executives 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 judgment. 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.

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

The Board comprised of three Executive and seven Non-executive Directors, with Four Non-independent Directors and Six 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 judgment. 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 2020 in accordance with section 07 of the CSE listing regulations on Corporate Governance. The biographical details of the Directors are set out on pages 5 to 7 of this report.



## CORPORATE GOVERNANCE....

### 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 2020 by the shareholders and the proposals for re-election are specified in Notice of Meeting section on page 83.

### 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 No.
Name & Brief Profile	Board of Directors	5-7
Expertise in Functional Areas	Board of Directors	5-7
Material Business Relationships	A.5.3, A.5.4 & A.5.5	14
Executive, Non-Executive & Independence	A.1 & A.5	11 & 14
Other Directorships	Board of Directors	5-7
Attendance at Board Meetings	A.9	12
Sub-Committee Representation	Audit/Remuneration/ Related Party Transactions Committee	31-33

### Principal A.11: Appraisal of Managing Director (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 Managing Director. However the evaluation of the performance of the 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 Two Non-executive Directors namely:

- Mr. N.H.V. Perera - (NED / ID) - Chairman
- Mr. P.S.R. Casie Chitty - (NED / ID)

The Group Financial Controller assists the committee by providing the relevant information and participating in the analysis and deliberations, in addition to the consultations

## CORPORATE GOVERNANCE....

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	Position	Attendance at Remuneration Committee Meetings		
		10th Feb. 2020	Meeting Attendance	%
N.H.V. Perera	Chairman	√	1/1	100%
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 32.

### 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 55 under the Note 5 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,

## CORPORATE GOVERNANCE....

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.

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

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

Compliance with laws and regulations,

- Directors' Interests have been disclosed in accordance with the provisions in the Companies Act No. 07 of 2007.
- Equitable treatment to shareholders.
- Appropriateness of the going concern assumption.
- 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 28 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.

## CORPORATE GOVERNANCE....

### 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 33.

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 2019	09-Aug 2019	08-Nov 2019	10-Feb 2020	Meeting Attendance	Percentage Attended
N.H.V. Perera	Chairman	√	√	√	√	4/4	100%
J.D. Vaz	Member	√	-	√	√	3/4	75%
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

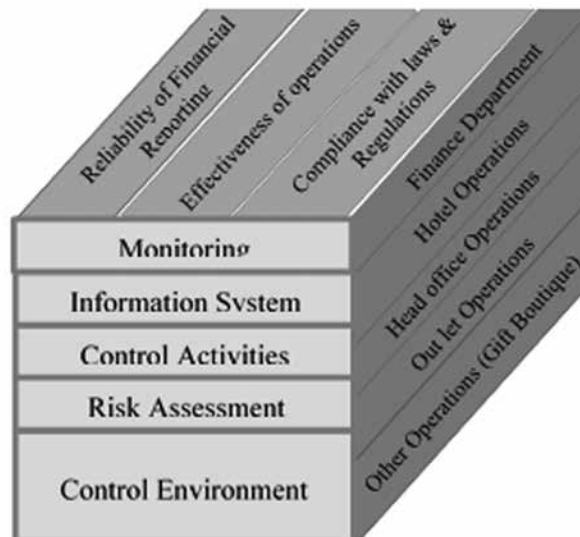
#### D.2.1 Effective System of Internal Controls & Risk Review – Compliant

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 judgment 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:

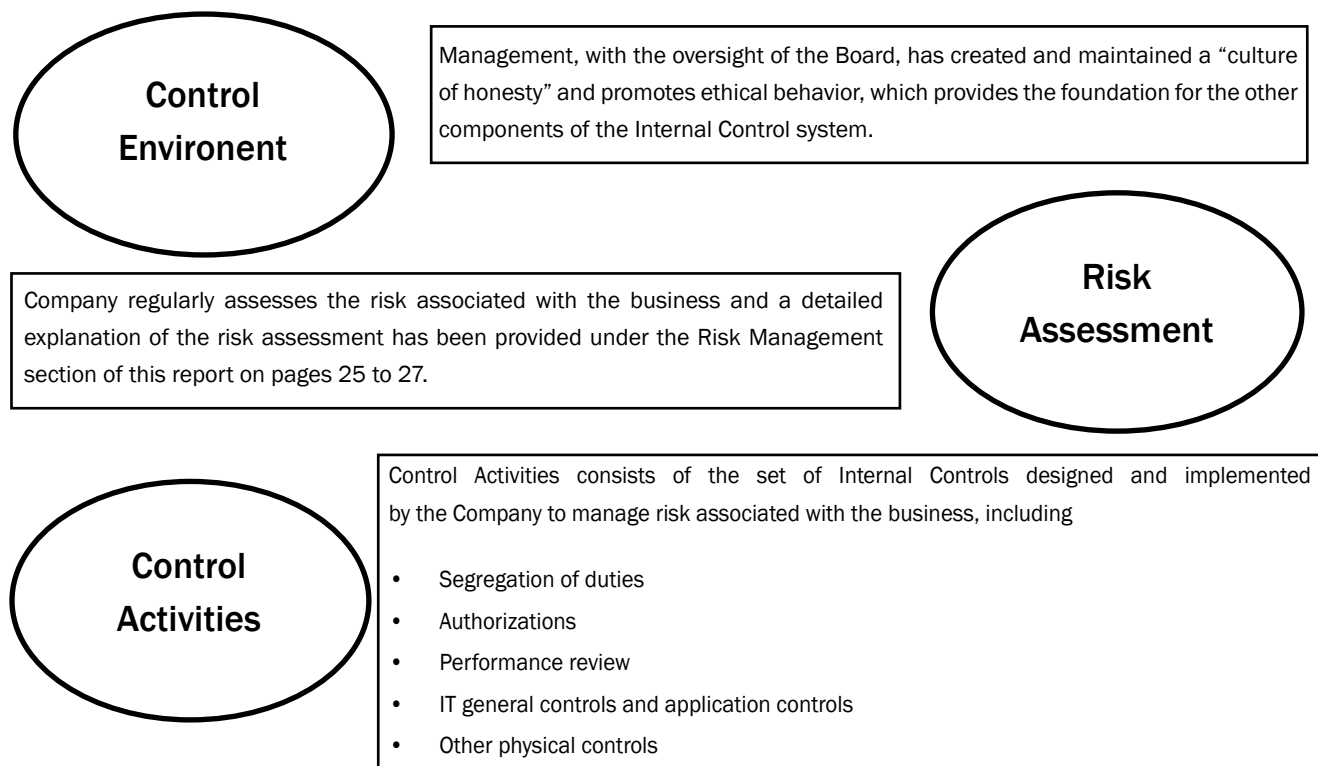
## CORPORATE GOVERNANCE....



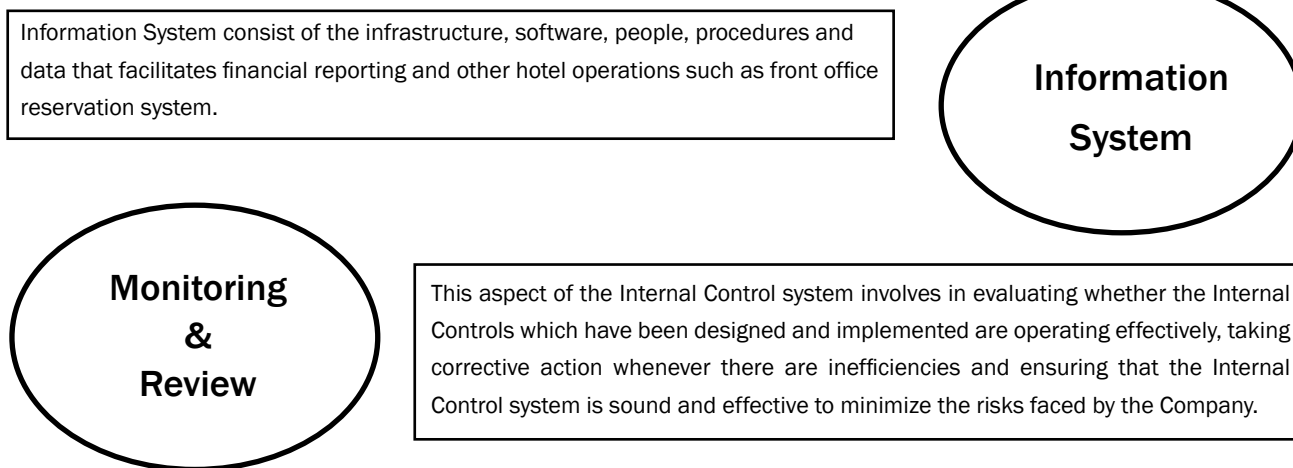
The three main objectives of Internal Controls of the Company are:

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

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



## CORPORATE GOVERNANCE....



### 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 & 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 30 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 Independent Non-executive Director and a Consultant (Chartered Accountant).

The members of the Audit Committee are as follows:

- Mr. N.H.V. Perera - Chairman
- 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.

## CORPORATE GOVERNANCE....

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 31.

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

Name of Director	Position	Attendance at Audit Committee Meetings					
		24-May 2019	09-Aug 2019	08-Nov 2019	10-Feb 2020	Meeting Attended	Percentage Attended
N.H.V. Perera	Chairman	√	√	√	√	4/4	100%
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 31 of the Annual Report.

#### Principal D.4: Code of Business Conduct & Ethics

D.4.1 & D.4.2 Adoption of Code of Business Conduct & 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.

#### Principal D.5: Corporate Governance Disclosure – Compliant

The Corporate Governance section of the annual report from pages 10 to 24 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.

### E. Institutional Investors

#### 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.

## CORPORATE GOVERNANCE....

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

Reference to SEC & ICASL Code CSE Listing 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-ndependence 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"> <li>• The Board shall annually make a determination as to the independence or other wise of the Non-Executive Directors</li> <li>• Names of Independent Directors should be disclosed in the Annual Report</li> </ul>	Compliant	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	Board of Directors' Profile
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



## CORPORATE GOVERNANCE....

Reference to SEC & ICASL Code CSE Listing Rules No.	Subject	Applicable Requirement	Compliance Status	Applicable Section in the Annual Report
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"> <li>Name of Directors comprising of the Remuneration Committee</li> <li>Statement of Remuneration Policy</li> <li>Aggregated Remuneration paid to Director</li> </ul>	Compliant Compliant Compliant	Corporate Governance Corporate Governance Corporate Governance
7.10.6	Audit Committee	The Company shall have an Audit Committee	Compliant	Corporate Governance and The Audit Committee Report
7.10.6 (a)	Composition of Audit Committee	<ul style="list-style-type: none"> <li>Shall comprise of Non-Executive Directors a majority of whom will be independent</li> </ul>	Compliant	Corporate Governance and The Audit Committee Report
		<ul style="list-style-type: none"> <li>A Non-Executive Director shall be appointed as the Chairman of the Committee</li> </ul>	Compliant	Corporate Governance and The Audit Committee Report
		<ul style="list-style-type: none"> <li>CEO (Managing Director) &amp; Chief Financial Officer shall attend Audit Committee Meetings</li> </ul>	Compliant	Corporate Governance and The Audit Committee Report
		<ul style="list-style-type: none"> <li>The Chairman of the Audit Committee or one member should be a member of a professional accounting body</li> </ul>	Compliant	Corporate Governance and The Audit Committee Report

## CORPORATE GOVERNANCE....

Reference to SEC & ICASLCode CSE Listing Rules No.	Subject	Applicable Requirement	Compliance Status	Applicable Section in the Annual Report
7.10.6 (b)	Audit Committee Functions	<p>Functions shall include:</p> <p>Overseeing of the –</p> <ul style="list-style-type: none"> <li>Preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Financial Reporting Standards</li> <li>Compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements</li> </ul>	Compliant	Corporate Governance and The Audit Committee Report
		<ul style="list-style-type: none"> <li>Processes to ensure that the Internal Controls and Risk Management are adequate to meet the requirements of the Sri Lanka Auditing Standards</li> <li>Assessment of the independence and performance of the External Auditors</li> <li>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</li> </ul>	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"> <li>Names of Directors comprising the Audit Committee</li> </ul>	Compliant	Corporate Governance and The Audit Committee Report
		<ul style="list-style-type: none"> <li>The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination</li> </ul>	Compliant	Corporate Governance and The Audit Committee Report
		<ul style="list-style-type: none"> <li>The Annual Report shall contain a Report of the Audit Committee setting out the manner of compliance with their functions</li> </ul>	Compliant	Corporate Governance and The Audit Committee Report
D.1.7	Related party Transactions.	<ul style="list-style-type: none"> <li>Disclosure of Related Party Transactions</li> </ul>	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** 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** 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.
- 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** 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 & Euro which are

## RISK MANAGEMENT...

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 maximize gains.

★ **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 & 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 centralized 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** 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 minimizes 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** is caused by unhealthy and dangerous work practices. This could be of two fold, 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** 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.

## RISK MANAGEMENT...

### 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.

# 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 31 March 2020.

## Review of the Year

The Chairperson's Review on pages 2 to 4 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 10 to 24.

## Turnover

The net turnover for the year was Rs. 617,604,005/- (2018/19 - Rs.754,839,821/-).

## Profit & Loss Account

	31.03.2020	31.03.2019
Profit Before Taxation	97,005,534	162,991,069
Less: Provision for Taxation	(27,894,491)	(36,067,327)
Net Profit /(Loss) for the Year	69,111,043	126,923,742
Inappropriated Profit Brought Forward	812,089,838	736,090,316
Divident Paid	(50,000,000)	(50,000,000)
Allowance for Trade Debtors	-	(1,661,529)
Deferred Tax Impact on Transition Adjustment	-	232,614
Actuarial Gain/(Loss)	6,319,370	586,855
Income Tax Effect on Actuarial Gain/(Loss)	(884,712)	(82,160)
Transfer to Retained Earnings from Revaluation Reserves	19,451,928	-
Profit Available for Appropriation	856,087,467	812,089,838

## Dividends

The Directors do not recommended a dividned for this financial year.

## Capital Expenditure

The total capital expenditure incurred on the acquisition of fixed assets during the year amounted to Rs. 66,994,910/- (2019 - Rs. 55,026,276/-) details of which are given in Note 9 to the financial statements

## Property Plant and Equipment

The details of property, plant and equipment of the Company are shown in Note 9 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 42.

## Donations

During the year donations amounting to Rs. 82,160/- (2019 - Rs. 15,000/-) 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 5 to 7.

In terms of Section 88(i) of the Articles of Association, Mr. P.S.R. Casie Chitty retires by rotation and being eligible offers himself 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. .MJ. 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
- Mr. P.S.R. Casie Chitty

The Report of the Audit Committee is given on page 31 of this report.

## ANNUAL REPORT OF THE BOARD OF DIRECTORS ....

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

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

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

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

The Board affirms that the Company has complied with the requirements of the listing rules of Colombo Stock Exchange on Related Party Transactions.

### 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 pages 69 & 70.

### Directors Remuneration

The aggregate emoluments paid to the Directors during year, amounted to Rs. 390,000/-.

### Directors Shareholdings

As at 31st March	2020 Shares	2019 Shares
Ms. A.M. Ondaatjie	212,500	212,500
Mr. G.G. Ondaatjie	167,500	167,500
Mr. T.J. Ondaatjie	500,000	500,000
Mr. M. Keerthiratne	220,000	220,000
Mr. 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	-	-

Ms. A.M. Ondaatjie serve as Chairperson & Managing Director of the Company.

### Public Holding

The number of Ordinary Shares held by the public as at 31st March 2020 was 6,990,461 shares (2019 - 7,049,175), which amounted to 13.98% (2019 -14.10%) of issued ordinary shares of the Company.

The number of public shareholders as at 31st March 2020 - 1,581

Float adjusted Market Capitalisation as at 31st March 2020 - Rs. 88,773,000.00.

The Company is compliant with the minimum public holding requirement under option 2 of 7.13.1(b).

Number of shares representing the Stated Capital is 50,000,000.

### Auditors

Messrs. Ernst & Young Chartered Accountants are deemed re-appointed in terms of Section 158 of the Companies Act No. 07 of 2007 as the Auditors of the Company. A resolution proposing the Directors be authorized to determine the remuneration of the Auditors will be submitted to the Annual General Meeting.

The Auditors Messrs. Ernst & Young were paid Rs. 462,200/- as audit fees and non-audit services of Rs. 420,037/- was also incurred 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  
Chairperson & Managing Director



T.J. Ondaatjie  
Director

(Sgd.)

Mercantile Investments and Finance PLC  
Secretaries

27th August 2020

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 pages 35 to 38.

As per the provisions of the Companies Act No. 07 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 pages 44 to 78 appropriate Accounting Policies have been selected and applied in a consistent manner, supported by reasonable and prudent judgment 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. 07 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 Reporting date have been paid or where relevant, provided for.

By Order of the Board,  
**Mercantile Investments & Finance PLC**  
Secretaries  
Colombo

27th August 2020



## 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 two Non-Executive Independent Directors namely Mr. Hasantha Perera 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, Financial Controller, Chief Accountant and the General Manager also attend these meetings on invitation.

Name of Director	Position	Attendance at Audit Committee Meetings				Meeting Attendance	Percentage Attended
		24/05/2019	09/08/2019	08/11/2019	10/02/2020		
N.H.V. Perera	Chairman	√	√	√	√	4/4	100%
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 Associates 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 2021, subject to the approval of the shareholders at the Annual General Meeting.



**N.H.V. Perera**

Chairman

Audit Committee

27th August 2020

## REMUNERATION COMMITTEE REPORT

The Remuneration Committee, appointed by and responsible to the Board of Directors, consists of two Non-Executives Independent Directors - Mr. N.H.V. Perera, and Mr. 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.

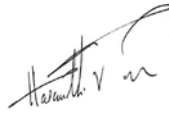
### REMUNERATION POLICY

Remuneration policies and practices are designed to support strategy and promote long-term sustainable success of the Company;

- Executive remuneration is aligned to the Company's purpose and values, and is clearly linked to the successful delivery of the Company's long-term strategy;
- Determine the remuneration of senior management.
- Executive EPF & ETF contributions are in line with those available to the rest of the workforce; and provide enhanced reporting in the Company's annual report and accounts.

In reviewing the remuneration, account is taken of market conditions, significant changes in role, pay and conditions elsewhere, inflation and budgets.

Remuneration is a key component of the reward package in attracting, motivating and retaining executives who are instrumental in driving and growing the business and delivering the Company's strategic goals.



**N.H.V. Perera**  
Chairman  
Remuneration Committee

27th August 2020

## 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) Policies and Procedures

The members of the Board of Directors of the Company have been identified Key Management Personnel. In accordance with the Related Party Transaction Policy, the declarations are obtained from each Key Management Personnel of the Company for the purpose of identifying parties related to them. Based on the informatiion furnished in these declarations, the Company retrieves data on related party transactions from the database of the Company. Further all Related Party Transactions in accordance with Sri Lanka Accounting Standard 24 (LKAS 24) - Related Party Transactions are disclosed under Note 26 to the Financial Statements.

### (5) Meetings

The Related Party Transactions Committee held four meetings during the last financial year ending 31st March 2020. The committee reviewed the related party transactions on quarterly basis.

Name of Director	Position	Attendance at Audit Committee Meetings				Meeting Attendance	Percentage Attended
		24/05/2019	09/08/2019	08/11/2019	10/02/2020		
N.H.V. Perera	Chairman	√	√	√	√	4/4	100%
J.D. Vaz	Member	√	-	√	√	3/4	75%
P.S.R. Casie Chitty	Member	√	√	√	√	4/4	100%



**N.H.V. Perera**

Chairman

Related Party Transactions Review Committee

27th August 2020

# FINANCIAL CALENDAR

## INTERIM REPORTING

1st Quarter	09th August 2019
2nd Quarter	08th November 2019
3rd Quarter	10th February 2020
4th Quarter	10th August 2020

## ANNUAL REPORTS

2019/2020	27th August 2020
2018/2019	16th August 2019

## MEETINGS

28th Annual General Meeting	29th September 2020
27th Annual General Meeting	25th September 2019

# FINANCIAL REPORTS

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43	STATEMENT OF CASH FLOWS
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# INDEPENDENT AUDITORS' REPORT



Ernst & Young  
Chartered Accountants  
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Sri Lanka

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## TO THE SHAREHOLDERS OF ROYAL PALMS BEACH HOTELS PLC

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Tangerine Beach Hotels PLC (“the Company”), which comprise the statement of financial position as at 31 March 2020, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements gives a true and fair view of the financial position of the Company as at 31 March 2020, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the

audit of the financial statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor’s responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Partners: W R H Fernando FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H 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 Ms. P V K N Sajewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA  
Principal G B Goudian ACMA A A J R Perera ACA ACMA T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

## INDEPENDENT AUDITORS' REPORT....

Key Audit Matter	How our Audit Addressed the Key Audit Matter
<p><b>Management's Assessment of the probable impact of the COVID-19 pandemic on the operations of the Company</b></p> <p>We considered management's assessment of the going concern of the company in the wake of the impact of COVID-19 pandemic as a key audit matter since it involved the use of significant management judgments and estimates considering future events, circumstances and impacts on cash flows, profit and assets.</p> <p>The availability of sufficient funding and management's assessment of whether the Company will be able to continue meeting its obligations when they fall due were important for the going concern assumption and, as such, were significant aspects of our audit.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• We gained an understanding of Management's assessment of the probable impacts of the COVID-19 pandemic on the operations of the Company and thereby on the assessment of its going concern.</li> <li>• We obtained an understanding of the procedures adopted by the management to manage and mitigate the prevailing business interruption which are disclosed in Note 27.</li> <li>• We engaged our internal specialized resources to assist us in: <ul style="list-style-type: none"> <li>- assessing the reasonableness of the significant assumptions such as occupancy levels, anticipated average room rates and cost management measures in such cashflow projections, and</li> <li>- evaluating the sensitivity of the projected available funding by considering assumed scenarios together with reasonable changes to the key assumptions.</li> </ul> </li> <li>• In addition, we evaluated the overall appropriateness of the related financial statement disclosures in Notes 27 and 29.4 in the financial statements.</li> </ul>
<p><b>Revenue Recognition</b></p> <p>Revenue represents the company's gross inflow of economic benefits in terms of cash, receivables or other assets arising from the operating activities.</p> <p>The total revenue for the 2019/20 year amounted to Rs. 618 Mn.</p> <p>Based on the business model the company has large volumes of sales from multiple revenue streams which include room sales, food and beverage sales as well as other hotel related revenue and is routed through travel agents, free individual travellers and online platforms.</p> <p>Such streams carry different pricing schemes and terms and conditions that would require details analysis regarding the timing of revenue recognition as well as analysis of gross/net revenue analysis. Considering these facts revenue recognition has been identified as a Key Audit Matter.</p>	<p>Our audit procedures focused on the appropriateness of the Company's revenue recognition, and included the following procedures:</p> <ul style="list-style-type: none"> <li>• Testing the design and operating effectiveness of critical controls over revenue recognition, including reviewing agreements with travel agents.</li> <li>• Reviewing the revenue recognition policy applied by the Company to ensure its compliance with Sri Lanka Accounting Standards.</li> <li>• Performing substantive analytical procedure on monthly disaggregated revenue to assess the reasonability of revenue recognized.</li> <li>• Performing test of details throughout the audit period by vouching a sample of invoices.</li> <li>• Performing cut-off testing procedures (by selecting a sample of transactions either side of year-end) to check that revenue had been recognized in the appropriate accounting period.</li> <li>• Performing journal entry testing procedures and investigating any manual sales entries which were not recorded in the course of month-end closing procedures.</li> </ul>

## INDEPENDENT AUDITORS' REPORT....

### Other Information Included in the 2020 Annual Report of the Company

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable

assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit 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 company's internal controls.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

## INDEPENDENT AUDITORS' REPORT....

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

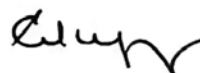
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or

when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1884.



31 August 2020  
Colombo.



## STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	2020 Rs.	2019 Rs.
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, Plant and Equipment	9	2,176,907,964	2,179,749,094
Intangible Assets	10	822,132	1,115,484
Investment	15.1	18,000,000	18,000,000
		<b>2,195,730,096</b>	<b>2,198,864,578</b>
<b>Current Assets</b>			
Inventories	11	14,462,472	16,637,048
Right-of-Use Assets	13	1,383,065	-
Trade and Other Receivables	12	174,962,443	158,204,968
Other Non-Financial Assets	14	11,369,781	9,480,337
Income Tax Receivable		162,319	-
Amounts Due from Related Parties- Other Financial Assets	15.3	3,744,990	2,101,381
Short-Term Investments - Other Financial Assets	15.2	338,234,461	286,949,063
Cash and Bank Balances	16	152,253,484	195,604,246
		<b>696,573,015</b>	<b>668,977,043</b>
<b>Total Assets</b>		<b>2,892,303,111</b>	<b>2,867,841,621</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserve</b>			
Stated Capital	17	521,583,448	521,583,448
Revaluation Reserve	18	1,113,514,683	1,130,327,353
Retained Earnings		856,087,467	812,089,838
<b>Total Equity</b>		<b>2,491,185,598</b>	<b>2,464,000,639</b>
<b>Non-Current Liabilities</b>			
Deferred Tax Liabilities	8.2	271,506,503	262,962,195
Post Employment Benefit Liability	21	35,872,820	36,320,912
		<b>307,379,323</b>	<b>299,283,107</b>
<b>Current Liabilities</b>			
Trade and Other Payables	19	60,560,434	73,573,175
Income Tax Payable		-	3,133,002
Amounts Due to Related Parties	20	9,284,635	5,242,411
Lease Liabilities	24	1,464,422	-
Interest Bearing Loans and Borrowings	22	22,428,699	22,609,287
		<b>93,738,190</b>	<b>104,557,875</b>
<b>Total Equity and Liabilities</b>		<b>2,892,303,111</b>	<b>2,867,841,621</b>

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



**M.I. Shahabdeen**  
Group Financial Controller

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



**A.M. Ondaatje**  
Chairperson & Managing Director



**T.J. Ondaatje**  
Director

The Accounting Policies and Notes as set out in pages 44 to 78 form an integral part of these Financial Statements.

27 August 2020  
Colombo

## INCOME STATEMENT

Year ended 31 <sup>st</sup> March	Note	2020 Rs.	2019 Rs.
Revenue	3	617,604,005	754,839,821
Cost of Sales		(232,631,499)	(259,258,894)
Gross Profit		384,972,506	495,580,927
Other Income	4	16,197,772	3,524,198
Selling and Distribution Costs		(15,626,384)	(24,524,547)
Administrative Expenses		(323,526,029)	(336,856,192)
Loss from Derecognition of Property, Plant & Equipment		(1,405,616)	-
Other Expenses		(2,015,887)	(5,763,836)
Finance Income	6	38,730,534	31,057,236
Finance Cost	6	(321,362)	(26,717)
Profit Before Taxation	5	97,005,534	162,991,069
Income Tax Expense	8	(27,894,491)	(36,067,327)
Profit for the Year		69,111,043	126,923,742
Earnings Per Share - Basic	7	1.38	2.54

The Accounting Policies and Notes as set out in pages 44 to 78 form an integral part of these Financial Statements.

## STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 <sup>st</sup> March	Note	2020 Rs.	2019 Rs.
<b>Profit for the Year</b>		<b>69,111,043</b>	126,923,742
<b>Other Comprehensive Income</b>			
<b>Other Comprehensive Income to be Reclassified to Profit or Loss in Subsequent Periods (Net of Tax)</b>		-	-
<b>Other Comprehensive Income not to be Reclassified to Profit or Loss in subsequent periods (net of tax):</b>			
Actuarial Gains/(Losses) on Defined Benefit Plans	21.1	6,319,370	586,855
Income Tax Effect on Actuarial Gains/(Losses) on Defined Benefit Plans		(884,712)	(82,160)
Revaluation of Land & Buildings		-	192,192,588
Income Tax Effect on Revaluation of Land and Buildings	18	-	(24,666,920)
Other Comprehensive Income/(Loss) for the Year		5,434,658	168,030,363
<b>Total Comprehensive Income for the Year</b>		<b>74,545,701</b>	<b>294,954,105</b>

The Accounting Policies and Notes as set out in pages 44 to 78 form an integral part of these Financial Statements.

## STATEMENT OF CHANGES IN EQUITY

Year ended 31 <sup>st</sup> March	Stated Capital Rs.	Revaluation Surplus Rs.	Retained Earnings Rs.	Total Rs.
As at 01 April 2018	521,583,448	962,801,685	736,090,316	2,220,475,449
<b>Transition impact on adoption of SLFRS 9:</b>				
Allowance for Trade Debtors	-	-	(1,661,529)	(1,661,529)
Deferred tax impact on transition adjustment	-	-	232,614	232,614
Restated Opening Balance under SLFRS 9	521,583,448	962,801,685	734,661,401	2,219,046,534
Net Profit for the Year	-	-	126,923,742	126,923,742
<b>Other Comprehensive Income</b>				
Revaluation of Land & Buildings	-	192,192,588	-	192,192,588
Income Tax effect on Revaluation of Land & Buildings	-	(24,666,920)	-	(24,666,920)
Actuarial Gain / (Loss)	-	-	586,855	586,855
Income Tax effect on Actuarial Gain / (Loss)	-	-	(82,160)	(82,160)
<b>Total Comprehensive Income</b>	-	167,525,668	127,428,437	294,954,105
Ordinary Dividends - 2017/2018 (Rs. 1.00 Per Share)	-	-	(50,000,000)	(50,000,000)
<b>As at 31 March 2019</b>	<b>521,583,448</b>	<b>1,130,327,353</b>	<b>812,089,838</b>	<b>2,464,000,639</b>
Net Profit for the Year	-	-	69,111,043	69,111,043
<b>Other Comprehensive Income</b>				
Income Tax effect on Revaluation of Land & Buildings	-	-	-	-
Actuarial Gain / (Loss)	-	-	6,319,370	6,319,370
Income Tax effect on Actuarial Gain / (Loss)	-	-	(884,712)	(884,712)
<b>Total Comprehensive Income</b>	-	-	74,545,701	74,545,701
Transfer to retained earnings from Revaluation reserve	-	(19,451,928)	19,451,928	-
Deferred tax on transfer	-	2,639,258	-	2,639,258
Ordinary Dividends - 2018/2019 (Rs. 1.00 Per Share)	-	-	(50,000,000)	(50,000,000)
<b>As at 31 March 2020</b>	<b>521,583,448</b>	<b>1,113,514,683</b>	<b>856,087,467</b>	<b>2,491,185,598</b>

The Accounting Policies and Notes as set out in pages 44 to 78 form an integral part of these Financial Statements.

## STATEMENT OF CASH FLOWS

Year ended 31 <sup>st</sup> March	Note	2020 Rs.	2019 Rs.
<b>Cash Flows From Operating Activities</b>			
Profit Before Taxation		97,005,534	162,991,069
Adjustments for:			
Depreciation	9	67,240,507	61,898,692
Amortisation	10.1	293,352	549,224
Finance Income	6	(38,730,534)	(31,057,236)
Finance Costs	6	321,362	26,717
Loss from Derecognition of Property, Plant and Equipment		1,405,616	-
(Gain) / Loss on Disposal of Property, Plant and Equipment		732,507	4,361,198
Provision for Retirement Benefit Obligations	21	6,594,121	5,987,672
Operating Profit before Working Capital Changes		134,862,466	204,757,336
(Increase) / Decrease in Inventories		2,174,576	604,360
(Increase) / Decrease in Trade and Other Receivables		(22,536,419)	(12,627,116)
(Increase) / Decrease in Other Non Financial Assets		(1,889,445)	3,350,379
(Increase) / Decrease in Amounts Due from Related Parties		(1,643,609)	(2,101,381)
Increase / (Decrease) in Trade and Other Payables		(13,012,741)	4,072,259
Increase / (Decrease) in amounts Due to Related Parties		4,042,224	(1,200,105)
Cash Generated from Operations		101,997,051	196,855,732
Income Tax Paid		(20,890,958)	(23,710,402)
Finance Costs Paid		(63,070)	(26,717)
Retirement Benefit Costs Paid	21	(722,843)	(922,828)
Net Cash From Operating Activities		80,320,180	172,195,785
<b>Cash Flows from / (Used in) Investing Activities</b>			
Acquisition of Property, Plant and Equipment	9	(66,994,910)	(55,026,276)
Acquisition of Intangible Assets		-	(1,156,754)
Investments in Fixed Deposits		(49,201,349)	(87,634,042)
Interest Received		36,646,485	25,912,749
Proceeds on disposal of Property, Plant and Equipment		1,840,475	822,095
Net Cash Flows Used in Investing Activities		(77,709,299)	(117,082,228)
<b>Cash Flows Used in Financing Activities</b>			
Repayment of Interest Bearing Loans & Borrowings	22.1	-	(478,414)
Lease rent payment		(1,560,000)	-
Dividends Paid-on Ordinary share		(50,000,000)	(50,000,000)
Net Cash Flows Used in Financing Activities		(51,560,000)	(50,478,414)
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>		<b>(48,949,119)</b>	<b>4,635,143</b>
<b>Effect of Exchange rate Changes on Cash and Cash Equivalents</b>		<b>5,778,945</b>	<b>2,271,995</b>
<b>Cash and Cash Equivalents at the Beginning of the Year</b>	16	<b>172,994,959</b>	<b>166,087,821</b>
<b>Cash and Cash Equivalents at the End of the Year</b>	16	<b>129,824,784</b>	<b>172,994,959</b>

The Accounting Policies and Notes as set out in pages 44 to 78 form an integral part of these 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 Authorization for Issue

The financial statements of Royal Palms Beach Hotels PLC for the year ended 31 March 2020 were authorized for issue in accordance with a resolution of the Board of Directors on 27 August 2020.

## 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 Cash Flows statement, 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 Building and Financial Instruments at amortized cost 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 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 Judgments, Estimates and Assumptions

#### Judgments

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 recognized 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 12.

#### Critical Accounting Estimates and Assumptions

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

#### Fair Value of Property, Plant and Equipment:

The Land and 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

## NOTES TO THE FINANCIAL STATEMENTS....

that can be attributed as fair values, with the assistance of an independent valuer. Further details are given in Note 9.4.

### Components of Buildings

In determining the depreciation expense, the Company with the assistance of an independent professional valuer determined the components of buildings that have varying useful lives. Approximation techniques and appropriate groupings were used in such determination as well as in the assessment of the useful lives of each component.

### De-recognition of Property Plant and Equipments subject to refurbishments:

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

### Leases – Estimating the Incremental Borrowing Rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its Incremental Borrowing Rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

## 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 recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements.

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

#### a) Room Revenue

Revenue is recognized on the rooms occupied on daily basis.

#### b) Food & Beverage Revenue

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

#### c) Other Hotel Related Revenue

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

#### d) Interest

Interest Income is 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 Statement of profit or loss, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses. Gains and losses arising from incidental activities to main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

## NOTES TO THE FINANCIAL STATEMENTS....

### 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 statement of profit or loss.

#### 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, except to the extent that the deferred tax liability arises from the initial recognition of goodwill or initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

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



## NOTES TO THE FINANCIAL STATEMENTS....

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.

Land and building is measured at fair value, 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 profit or loss, 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.

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:

	2020	2019
Buildings and Building Integrals	50-70 years	50-70 years
Motor Vehicles	05-10 Years	05-10 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	05-10 Years	05-10 Years
Hotel Equipment	10-20 Years	10-20 Years
Air Condition and Ventilation	10-15 Years	10-15 Years
Computer Equipment	03-10 Years	03-10 Years
Linen & Furnishing	01-3 Years	01-03 Years
Cutlery, Crockery & Glassware	01-3 Years	01-03 Years
Solar Water Heater System	10 Years	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.

## NOTES TO THE FINANCIAL STATEMENTS....

### 2.3.8 Financial Assets and Liabilities

#### Initial Recognition of Financial Assets and Financial Liabilities

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them.

For a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

#### Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

#### Financial Assets at Amortised Cost (Debt Instruments)

The Company measures financial assets at amortised cost if both of the following conditions are met:

The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows:

And

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes following:

Trade receivables and Other current financial assets are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Debt instruments at amortised cost.

Equity investments in non-listed companies are classified and measured as Equity instruments designated at fair value through OCI. The Company elected to classify irrevocably its non-listed equity investments under this category at the date of initial application as equity instrument fair value through OCI, since it intends to hold these investments for the foreseeable future. There were no impairment losses recognised in profit or loss for these investments in prior periods.

#### Debt Instrument at Fair Value Through OCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;

And

- The contractual terms of the financial assets give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

FVOCI debt instruments are subsequently measured at fair value with gains or losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses and ECL and reversals are recognised in profit or loss. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS....

### Derecognition of Financial Assets

A financial asset is primarily 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 has 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.

### Impairment of Financial Assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss which includes trade receivables.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the company applies a simplified approach in calculating ECLs. Therefore, the company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

### Financial Liabilities

#### Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable

transaction costs. The financial liabilities of the Company include loans and borrowings, Trade and other payables and Amount due to related parties.

#### Subsequent Measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

The Company does not have any Financial liabilities at fair value through profit or loss.

#### Financial Liabilities at Amortised Cost (Loans and Borrowings)

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the 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 as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

#### Derecognition of Financial Liabilities

The Company may remove a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished—i.e when the obligation specified in the contract is discharged or cancelled or expires.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in profit or loss.

Again or loss on a financial liability that is measured at amortised cost and is not part of a hedging relationship be recognised in profit or loss when the financial liability is derecognised and through the amortisation process.

## NOTES TO THE FINANCIAL STATEMENTS....

### 2.3.9 SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 established a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. SLFRS 15 required the Company to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Company carried out an impact analysis of the possible impact from adoption of the SLFRS 15 across all the services offered by the Hotel. The key aspects covered are as follows.

Identified all the goods or services, or contract deliverables, which have been promised within usual course of carrying out services of the Hotel. In determining this, the management looked at implicitly or explicitly promised services including customary business practices or policies of the hotel. Having considered the same, hotel then determined that in all principle services rendered, there was one distinct performance obligation rather than many.

In connection with contracts with travel agents, tour operators, on-line travel agents, corporate customers and free-individual-travelers, the company identified certain principal vs agent considerations. In recognising revenue from these transactions, the company considered whether the nature of its promise is a performance obligation to provide the hotel services itself (acting as a principal) or to arrange for the other party to provide those such services (acting as an agent). In particular, certain on-line travel agent agreements had terms indicative that the Hotel was in fact the principal, while in certain other circumstances, considerations that were suggestive of agency considerations were present. Company does not have any outsourced other hotel related services. Accordingly, this aspect of principal versus agent did not result in material changes to the reported figures, despite the analysis and effort carried out by the Company.

### 2.3.10 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated

intangible assets, except capitalized development costs, are not capitalized and expenditure is recognized in the income statement when it is incurred.

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

### 2.3.11 Provisions

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

## NOTES TO THE FINANCIAL STATEMENTS....

### 2.3.12 Capital Commitments and Contingencies

Capital commitments and contingent liabilities of the company are disclosed in Note No. 23 & 25.

### 2.3.13 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 recognized in full in the period in which they occur in Other Comprehensive Income and current service cost and interest costs at the income statement.

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.

### 2.3.14 Impairment of Non-Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the

asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or 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.

## 2.4 Changes In Accounting Policies

The accounting policies adopted by the Company are consistent with those of the previous financial year except for the following:

### New and Amended Standards and Interpretations

The following are the new significant accounting policies applied by the Company in preparing its Financial Statements. Several

## NOTES TO THE FINANCIAL STATEMENTS....

other amendments and interpretations apply for the first time in financial year 2019/20, but do not have an impact on the financial statements of the company. The Company has not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective.

### I. SLFRS 16 - Leases

SLFRS 16 supersedes LKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

The Company applied SLFRS 16 – Leases using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 01st April 2019. Accordingly, the comparative information for 2018/19 is presented as previously reported, under LKAS 17 – Leases and related interpretations. Furthermore, the disclosure requirements in SLFRS 16 – Leases is not provided for comparative information. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

Upon adoption of SLFRS 16, the Company applied a single recognition and measurement approach for all leases for which it is the lessee, except for short-term leases and leases of low-value assets. The Company recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### Policy Applicable After 01st April 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognises a right-of-use asset representing the right to use the underlying asset and a lease liability at the lease commencement date.

#### Right-of-Use Asset

The right-of-use asset is initially measured at cost. This comprises of the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. After the commencement date, Company measures the right-of-use asset on cost model.

#### Depreciation

Right-of-use assets are depreciated using the straight-line method over the shorter of the lease term and the estimated useful life of the underlying asset.

If the ownership of the leased asset transfers to the Company at the end of the lease term, or the cost of the right-of-use asset reflects the exercise a purchase option, the asset is depreciated over the useful life of the underlying asset.

The right-of-use assets are subject to impairment.

#### Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, on initial application the Company used the incremental borrowing rate as the discount rate to determine the lease liability.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

The lease liability is measured at amortised cost using the effective interest method. After the commencement date, the Company measures the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

## NOTES TO THE FINANCIAL STATEMENTS....

### Short-Term Leases and Leases of Low-Value Assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the term of the lease or any other basis more representative of the time pattern of the benefits derived from the lease.

### Presentation in the Statement of Financial Position

The Company presents right-of-use assets separately from other assets and lease liabilities separately from other liabilities in its 'statement of financial position.

### Policy Applicable Before 01st April 2019

Accounting policies under LKAS 17 - "Leases" and IFRIC 4 - "Determining Whether an Arrangement Contains a Lease".

### Finance Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership were classified as finance leases. On initial recognition, the leased assets under property, plant and equipment, were measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, the asset was accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments under finance leases were apportioned between the finance expense and the reduction of the outstanding liability. The finance expense was allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### Operating Leases

Leases where the lessor effectively retains substantially all the risks and rewards of ownership over the assets were classified as operating leases. Payments under operating leases were recognised as an expense in the income statement on a straight line basis over the term of the lease or any other basis more representative of the time pattern of the benefits derived from the lease.

The initial cost of acquiring a leasehold property treated as an operating lease was recognised as a non-current asset and was amortised over the period of the lease in accordance

with the pattern of benefits expected to be derived from the lease. The carrying amount of leasehold property was tested for impairment annually.

### II. IFRIC 23 Uncertainty Over Income Tax Treatments

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Company applies significant judgement in identifying uncertainties over income tax treatments.

Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company determined, based on its tax compliance and transfer pricing study that it is probable that its tax treatments will be accepted by the taxation authorities. The Interpretation did not have an impact on the financial statements of the Company.

### 2.5 Standards Issued But Not Yet Effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

#### I. Amendments to SLFRS 3: Definition of a Business

Amendments to the definition of a business in SLFRS 3 Business Combinations are made to help the entities determine whether an acquired set of activities and assets is a business or not.

## NOTES TO THE FINANCIAL STATEMENTS....

They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definition of a business and of outputs, and introduce an optional fair value concentration test.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

### **II. Amendments to LKAS1 and IAS 8: Definition of Material**

Amendments to LKAS 1 Presentation of Financial Statements and LKAS 8 Accounting policies, Changes in accounting Estimates and Errors are made to align the definition of "material" across the standard and to clarify certain aspects of the definition. The new definition states that, "information is material if omitting or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments are applied prospectively for the annual periods beginning on or after 1 January 2020 with early application permitted.

### **III. Amendments to References to the Conceptual Framework in SLFRS Standards**

Revisions to the Conceptual Framework were made because some important issues were not covered, and some guidance was unclear or out of date. The revised Conceptual Framework includes: a new chapter on measurement; guidance on reporting financial performance; improved definitions of an asset and a liability, and guidance supporting these definitions; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The amendments are effective for annual periods beginning on or after 1 January 2020, with early application permitted.



## NOTES TO THE FINANCIAL STATEMENTS....

Year ended 31 March	2020 Rs.	2019 Rs.
<b>3. REVENUE</b>		
Room Revenue	192,349,073	232,345,598
Food and Beverage Revenue	401,936,590	488,943,165
Other Hotel Related Revenue	23,318,342	33,551,058
	<b>617,604,005</b>	<b>754,839,821</b>
<b>4. OTHER INCOME</b>		
Surplus at the Year End Foreign Currency Conversion	15,492,808	2,852,303
Income from Staff Meals	704,964	671,895
	<b>16,197,772</b>	<b>3,524,198</b>
<b>5. PROFIT BEFORE TAXATION</b>		
<b>Stated After Charging / (Crediting)</b>		
Depreciation	65,857,442	61,898,692
Amortisation of Intangible Assets	293,352	549,224
Auditors' Remuneration (Fees & Expenses)	462,200	462,200
Operation and Marketing Fee - Related Party	21,087,521	28,365,335
Staff Costs		
- Wages and Salaries	146,881,613	139,228,159
- Cost of Meals	12,417,931	12,695,106
- Defined Benefit Plan Costs - Gratuity	6,594,120	5,987,672
- Defined Contribution Plan Costs - EPF & ETF	15,535,428	15,326,856
Donations / CSR	82,160	466,961
Directors' Fee	390,000	501,000
Marketing and Promotional Fees	7,147,970	13,742,443
Power and Energy Expenditure	47,998,993	54,042,934
Repair and Maintenance Expenditure	29,905,233	33,491,765
(Profit) / Loss on Disposal of Property, Plant and Equipment	732,507	4,361,198
Nations Building Tax	5,809,536	15,039,141
<b>6. NET FINANCE INCOME/(EXPENSES)</b>		
<b>6.1</b> Interest Income - Related Party	33,207,031	25,766,408
Interest Income - Other	5,523,503	5,290,828
	<b>38,730,534</b>	<b>31,057,236</b>
<b>6.2</b> Interest on Bank Overdrafts	(63,070)	(21,951)
Interest on Term Loan	-	(4,766)
Interest on Lease	(258,292)	-
	<b>(321,362)</b>	<b>(26,717)</b>
	<b>38,409,171</b>	<b>31,030,519</b>

## NOTES TO THE FINANCIAL STATEMENTS....

### 7. 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.

	2020	2019
	Rs.	Rs.
<b>Amount Used as the Numerator:</b>		
Net Profit for the period	69,111,043	126,923,742
Net Profit Attributable to Ordinary Shareholders for Basic Earnings Per Share	69,111,043	126,923,742
<b>Number of Ordinary Shares Used as Denominator</b>	<b>Number</b>	<b>Number</b>
Weighted average number of Ordinary Shares Applicable to Basic Earnings Per Share	50,000,000	50,000,000
<b>Earnings Per Share</b>	1.38	2.54

### 8. INCOME TAX

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

#### Income Statement

##### Current Income Tax

	2020	2019
	Rs.	Rs.
Current Income Tax charge	17,692,862	26,157,237
Under / (Over) Provision of Current Taxes in Respect of Prior Years	(97,225)	3,435
	17,595,637	26,160,672

##### Deferred Income Tax

Deferred Taxation Charge / (Reversal) (Note 8.2)	10,298,854	9,906,655
<b>Income Tax Expense Reported in the Income Statement</b>	<b>27,894,491</b>	<b>36,067,327</b>

#### Statement of Changes in Equity

##### Deferred Income Tax Related to Items Charged or Credited Directly to Equity :

Income Tax Expense Reported in Equity	(884,712)	(24,749,080)
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### 8.1 A reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows :

	2020	2019
	Rs.	Rs.
Accounting Profit Before Tax	97,005,534	162,991,069
<b>Income Tax Expense at the Statutory Income Tax Rate of 14% (2019 :14%)</b>	<b>13,580,775</b>	<b>22,818,750</b>
Adjustments in Respect to Current Income Tax of Previous Year	(97,225)	3,435
Tax Effect of Disallowable Expenses	11,692,528	10,588,917
Tax Effect of Income Exempt from Income Tax and Other Allowable Credits	(7,580,441)	(7,250,430)
Tax Expense on Higher Tax Rates ( Other than the Business Income )	-	-
	17,595,637	26,160,672
Deferred Taxation Charge / Reversal (Note 8.2)	10,298,854	9,906,655
<b>Income Tax Expense at the Effective Income Tax Rate of 28.76% (2019 : 22.13%)</b>	<b>27,894,491</b>	<b>36,067,327</b>

## NOTES TO THE FINANCIAL STATEMENTS....

### 8.2 Deferred Tax Assets, Liabilities and Income Tax Relate to the followings:

	Statement of Financial Position		Income Statement	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
<b>Deferred Tax Liability</b>				
Capital Allowances for Tax Purposes	104,467,389	93,140,666	<b>11,326,723</b>	11,003,107
	104,467,389	93,140,666	<b>11,326,723</b>	11,003,107
<b>Deferred Tax Assets</b>				
Defined Benefit Plans - Recognised through Income Statement	(5,906,907)	(5,167,088)	<b>(739,819)</b>	(1,192,097)
Right of Use Assets - Recognised through Income Statement	(11,390)	-	<b>(11,390)</b>	-
General Provisions -				
Allowances for Doubtful Receivables	(395,691)	(173,112)	<b>(222,579)</b>	62,403
Allowances for Obsolete Inventories	(359,387)	(305,306)	<b>(54,081)</b>	33,242
	(6,673,375)	(5,645,506)		
Deferred Tax Expense			<b>10,298,854</b>	9,906,655
<b>Statement of Other Comprehensive Income</b>				
			<b>2020</b>	<b>2019</b>
			Rs.	Rs.
Defined Benefit Plans - Recognised Through OCI	483,854	(400,858)	884,712	82,160
Revaluation of Land and Building	176,100,507	176,100,507	-	24,666,920
	176,584,361	175,699,649	884,712	24,749,080
<b>Statement of Changes in Equity</b>				
			<b>2020</b>	<b>2019</b>
			Rs.	Rs.
Deferred Tax Impact on SLFRS 9 (2018)	(232,614)	(232,614)	-	(232,614)
Deferred Tax on Amount Transferred to Revaluation Reserves	(2,639,258)	-	(2,639,258)	-
	(2,871,872)	(232,614)	(2,639,258)	(232,614)
<b>Net Deferred Tax Liability</b>	<b>271,506,503</b>	<b>262,962,195</b>		

## NOTES TO THE FINANCIAL STATEMENTS....

### 8.3 The Movement on the Deferred Income Tax Account is as Follows:

	2020 Rs.	2019 Rs.
<b>Deferred Tax Assets</b>		
<b>As at 01 April</b>	<b>5,878,120</b>	4,549,054
Income Statement Release	1,027,869	1,096,452
Tax Income Recognized in Other Comprehensive Income	-	-
Tax Income Recognized in Equity Satatement	-	232,614
<b>As at 31 March</b>	<b>6,905,989</b>	5,878,120
<b>Deferred Tax Liabilities</b>		
<b>As at 01 April</b>	<b>268,840,315</b>	233,088,128
Income Statement Charge	11,326,723	11,003,107
Tax Income Recognized in Other Comprehensive Income	884,712	24,749,080
	<b>281,051,750</b>	268,840,315
Deferred Tax on Amount Transferred from Revaluation Reserve (Note 18)	(2,639,258)	-
<b>As at 31 March</b>	<b>278,412,492</b>	268,840,315
<b>Deferred Tax Liabilities (Net)</b>	<b>271,506,503</b>	262,962,195

## 9. PROPERTY, PLANT AND EQUIPMENT

### 9.1 Gross Carrying Amounts

	Balance As At 01.04.2019 Rs.	Additions Rs.	Disposals / Transfers Rs.	Derecognition of Assets Rs.	Balance As At 31.03.2020 Rs.
<b>At Cost or Valuation</b>					
Freehold Land	622,851,250	-	-	-	<b>622,851,250</b>
Buildings on Freehold Land	1,308,048,750	12,468,729	-	(1,405,616)	<b>1,319,111,863</b>
Motor Vehicles	39,550,823	-	-	-	<b>39,550,823</b>
Kitchen Equipment	54,671,611	1,704,131	(1,395,286)	-	<b>54,980,456</b>
Furniture and Fittings	125,143,457	69,700	(76,724)	-	<b>125,136,433</b>
Office Equipment	1,950,702	-	-	-	<b>1,950,702</b>
Recreational Equipment	7,469,871	260,000	-	-	<b>7,729,871</b>
Hotel Equipment	137,945,485	43,083,544	(7,922,061)	-	<b>173,106,968</b>
Air Condition & Ventalation System	46,488,474	7,166,597	-	-	<b>53,655,071</b>
Solar Water Heater System	4,262,028	-	-	-	<b>4,262,028</b>
Computer Equipment	11,482,105	370,900	(171,540)	-	<b>11,681,465</b>
Linen & Furnishing	32,418,378	218,860	(3,514,845)	-	<b>29,122,393</b>
Cutlery, Crockery & Glassware	6,612,557	1,652,449	(1,071,096)	-	<b>7,193,910</b>
<b>Gross Carrying Amounts</b>	<b>2,398,895,491</b>	<b>66,994,910</b>	<b>(14,151,552)</b>	<b>(1,405,616)</b>	<b>2,450,333,233</b>

## NOTES TO THE FINANCIAL STATEMENTS....

### 9. PROPERTY, PLANT AND EQUIPMENT (Contd...)

#### 9.2 Depreciation

	Balance As at 01.04.2019 Rs.	Charge for the year Rs.	Disposals Rs.	Derecognition of Assets Rs.	Balance As at 31.03.2020 Rs.
<b>At Cost or Valuation</b>					
Buildings on Freehold Land	-	33,434,766	-	-	33,434,766
Motor Vehicles	20,635,646	4,242,468	-	-	24,878,114
Kitchen Equipment	23,549,753	2,287,869	(1,395,286)	-	24,442,336
Furniture and Fittings	45,877,426	5,895,755	(61,356)	-	51,711,825
Office Equipment	834,256	79,176	-	-	913,432
Recreational Equipment	6,324,006	190,373	-	-	6,514,379
Hotel Equipment	58,016,418	6,898,624	(5,364,447)	-	59,550,595
Air Condition & Ventilation System	27,332,536	4,962,975	-	-	32,295,511
Solar Water Heater System	1,207,575	426,203	-	-	1,633,778
Computer Equipment	9,047,773	893,579	(171,540)	-	9,769,812
Linen & Furnishing	22,147,576	5,092,339	(3,514,845)	-	23,725,070
Cutlery, Crockery & Glassware	4,173,432	1,453,315	(1,071,096)	-	4,555,651
<b>Total Depreciation</b>	<b>219,146,397</b>	<b>65,857,442</b>	<b>(11,578,570)</b>	<b>-</b>	<b>273,425,269</b>

#### 9.3 Net Book Values

	2020 Rs.	2019 Rs.
<b>At Cost or Valuation</b>		
Freehold Land	622,851,250	622,851,250
Buildings on Freehold Land	1,285,677,097	1,308,048,750
Motor Vehicles	14,672,709	18,915,177
Kitchen Equipment	30,538,120	31,121,858
Furniture and Fittings	73,424,608	79,266,031
Office Equipment	1,037,270	1,116,446
Recreational Equipment	1,215,492	1,145,865
Hotel Equipment	113,556,373	79,929,067
Air Condition & Ventilation System	21,359,560	19,155,938
Solar Water Heater System	2,628,250	3,054,453
Computer Equipment	1,911,653	2,434,332
Linen & Furnishing	5,397,323	10,270,802
Cutlery, Crockery & Glassware	2,638,259	2,439,125
<b>Total Net Carrying Amount of Property, Plant and Equipment</b>	<b>2,176,907,964</b>	<b>2,179,749,094</b>

- 9.4 a) The fair value of land and buildings was determined by means of a revaluation during the financial year 2018/2019 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 2019. The surplus arising from the revaluation had also been transferred to a revaluation reserve as at that date.

## NOTES TO THE FINANCIAL STATEMENTS....

- b) 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 2020	Net Carrying Amount 2019
	Rs.	Rs.	Rs.	Rs.
Freehold Land	72,204,611	-	72,204,611	72,204,611
Buildings on Freehold Land	751,943,954	154,629,143	597,314,811	600,834,618
	824,148,565	154,629,143	669,519,422	673,039,229

9.5 During the financial year, the Company acquired Property, Plant & Equipment to the aggregate value of Rs. 66,994,910/- (2019 - Rs. 55,026,276/-) for cash consideration.

9.6 Property, Plant & Equipment includes fully depreciated assets which are still in use having a gross carrying amount of Rs.77,026,534/- (2019 - Rs.77,333,581/-).

9.7 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 2020 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

### 9.8 Impairment

The company does not foresee any indications of impairment as at the reporting date due to the COVID-19 pandemic, allowing Hotel operations to function, whilst strictly adhering to and supporting government directives.

## 10. INTANGIBLE ASSETS

### 10.1 Cost

	Computer Software	
	2020 Rs.	2020 Rs.
As at the Beginning of the Year	6,301,406	5,144,652
Incurred During the Year	-	1,156,754
As at the End of the Year	6,301,406	6,301,406
<b>Amortisation</b>		
As at the Beginning of the Year	5,185,922	4,636,698
Amortised During the Year	293,352	549,224
As at the End of the Year	5,479,274	5,185,922
<b>Net Book Value</b>		
As at the Beginning of the Year	1,115,484	507,954
As at the End of the Year	822,132	1,115,484

## NOTES TO THE FINANCIAL STATEMENTS....

### 11. INVENTORIES

	2020 Rs.	2019 Rs.
Food and Beverage Inventories	6,948,898	8,492,252
Housekeeping and General Inventories	1,526,251	1,460,860
Uniforms	3,399,750	3,120,027
Others Consumables	3,801,844	4,070,766
Gift Boutique Inventories	1,352,782	1,673,898
	<b>17,029,525</b>	<b>18,817,803</b>
Less: Allowances for Obsolete Inventories	<b>(2,567,053)</b>	<b>(2,180,755)</b>
	<b>14,462,472</b>	<b>16,637,048</b>

The Company evaluated the COVID-19 related revenue declines and/or the nature of the inventories carried and assessed whether it was required to adjust the carrying value of the inventory prior to reflecting them at the lower of cost or net realisable value. Where applicable, declines in inventory values were recognised in the income statement.

### 12. TRADE AND OTHER RECEIVABLES

	2020 Rs.	2019 Rs.
Trade Receivables - Related Party (Note 12.1)	61,760,396	14,655,967
- Other	113,849,847	145,266,204
Less : Allowances for Doubtful Trade Receivables ( Note 12.2)	<b>(2,826,361)</b>	<b>(3,219,943)</b>
	<b>172,783,882</b>	<b>156,702,228</b>
Other Receivables	1,602,102	920,149
Loans to Company Officers	576,459	582,591
	<b>174,962,443</b>	<b>158,204,968</b>

#### 12.1 Trade Due from Related Parties

Name of the Company	Relationship	2020 Rs.	2019 Rs.
Tangerine Tours (Pvt) Limited	Other Related Party	61,760,396	14,655,967
		<b>61,760,396</b>	<b>14,655,967</b>

#### 12.2 Total Allowance for Impairment on Trade Debtors

	2020 Rs.	2019 Rs.
Balance as at Beginning of the Year	3,219,943	1,682,252
Impact of Adapting SLFRS 9 "Financial Instruments"	-	1,661,529
Balance as at Beginning of the Year(As per SLFRS 09)	3,219,943	3,343,781
Charge/(Reversal) for the Year	<b>(393,582)</b>	<b>(123,838)</b>
Balance as the End of the Year	<b>2,826,361</b>	<b>3,219,943</b>

Impact of COVID-19 pandemic on trade and other receivable balance as at 31st March 2020 is elaborated in detail in Note 29 - Risk management.

## NOTES TO THE FINANCIAL STATEMENTS....

### 13. RIGHT-OF-USE ASSETS

	Right-of-Use Buildings Rs.	Total Rs.
<b>Movement During the Year</b>		
<b>Cost</b>		
Balance as at 01st April 2019	-	-
Recognition of Operating Leases Under SLFRS 16	2,766,130	2,766,130
Exchange Differences	-	-
Additions	-	-
Transfer	-	-
<b>At 31 March 2020</b>	<b>2,766,130</b>	<b>2,766,130</b>
<b>Accumulated Depreciation</b>		
Balance as at 01st April 2019	-	-
Recognition of Operating Leases Under SLFRS 16	-	-
Exchange Difference	-	-
Charge for the Year	1,383,065	1,383,065
Transfers	-	-
<b>At 31 March 2020</b>	<b>1,383,065</b>	<b>1,383,065</b>
<b>Net Book Value</b>		
<b>At 31 March 2020</b>	<b>1,383,065</b>	<b>1,383,065</b>
At 31 March 2019	2,766,130	2,766,130

#### Details of Right-of-use Asset Relating to Leased Property

Nature of the Leasing Activity	Location of the Leased Property	Unexpired Lease Period as at 31.03.2020
Building - 898.44 Sq.Ft.	Colombo 03	01 Year

#### 13.1 Sensitivity of Right-of-Use Assets / Lease Liability to Key Assumption

Sensitivity to Discount Rate/ Incremental Borrowing Rates	ROU Asset	Lease Liability
Increased - 1%	1,477	830
Decreased -1%	(1,604)	(901)

### 14. OTHER NON-FINANCIAL ASSETS

	2020 Rs.	2019 Rs.
Prepayments and Advances	7,494,481	7,324,023
Other Receivables	3,875,300	2,156,314
	<b>11,369,781</b>	<b>9,480,337</b>



## NOTES TO THE FINANCIAL STATEMENTS....

### 15. OTHER FINANCIAL ASSETS

#### 15.1 Measured at Fair Value Through OCI

	No. of Shares		Cost	Directors	Cost	Directors
	2020	2019	2020	Valuation **	2019	Valuation **
			Rs.	Rs.	Rs.	Rs.
<b>Non-Quoted Equity Securities with Non-Related Parties</b>						
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.

\*\* Directors of the Company assessed the fair values of the unquoted share investments held by the Company as at 31st March 2020 and concluded that the carrying value as at that date is a reasonable approximation of the fair value.

#### 15.2 Measured at Amortised Cost

##### Short-Term Investments - Fixed Deposits

			2020	2019
			Rs.	Rs.
	Company	Relationship		
Fixed Deposits	Mercantile Investments and Finance PLC	Other Related Party	316,894,096	249,236,563
	Commercial Bank PLC		21,340,365	37,712,500
			338,234,461	286,949,063

#### 15.3 Measured at Amortised Cost

##### Other Receivable Due from Related Parties

Name of the Company	Relationship	2020	2019
		Rs.	Rs.
Tangerine Beach Hotels PLC	Significant Investor	2,918,672	1,421,853
The Nuwara Eliya Hotels Co. PLC	Other Related Party	826,318	679,529
		3,744,990	2,101,381

### 16. CASH AND BANK BALANCES

	2020	2019
	Rs.	Rs.
Cash at Bank and in Hand	152,253,484	195,604,246
	152,253,484	195,604,246

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

Cash and Bank Balances	152,253,484	195,604,246
Bank Overdraft (Note 21)	(22,428,699)	(22,609,287)
	129,824,784	172,994,959

## NOTES TO THE FINANCIAL STATEMENTS....

### 17. STATED CAPITAL

	Number of Shares	Ordinary Shares Rs.
At 31 March 2020	50,000,000	521,583,448
At 31 March 2019	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

	2020 Rs.	2019 Rs.
<b>On: Property, Plant and Equipment</b>		
As at the Beginning of the Year	1,130,327,353	962,801,685
Revaluations During the Year	-	192,192,588
Transfer to Retained Earning*	(19,451,928)	-
Tax Effect on Surplus on Revaluation	-	(24,666,920)
Deferred Tax on Transfers to Retained Earnings	2,639,258	-
Effect on Difference Tax rate	-	-
<b>As at the End of the Year</b>	<b>1,113,514,683</b>	<b>1,130,327,353</b>

\* The amount transfer to retained earnings represents current year depreciation effect of the revaluation gain of previous years and the revaluation gain of those assets which were disposed or de-recognised during the year.

### 19. TRADE AND OTHER PAYABLES

	2020 Rs.	2019 Rs.
Financial Liabilities (Note 19.1)	32,592,361	31,334,707
Non-Financial Liabilities (Note 19.2)	27,968,073	42,238,467
	<b>60,560,434</b>	<b>73,573,175</b>

#### 19.1 Financial Liabilities

	2020 Rs.	2019 Rs.
Trade Payables	22,116,029	18,266,350
Service Charge Payable	5,052,079	7,679,482
Other Payables	5,424,253	5,388,875
	<b>32,592,361</b>	<b>31,334,707</b>

## NOTES TO THE FINANCIAL STATEMENTS....

### 19. TRADE AND OTHER PAYABLES (Contd...)

#### 19.2 Non-Financial Liabilities

	2020 Rs.	2019 Rs.
Advanced Received for Reservation	8,551,775	15,941,194
Accrued Expenses	2,840,839	3,122,554
VAT Payable	-	6,002,842
NBT Payable	-	1,970,015
EPF & ETF Payable	2,009,707	1,963,324
TDL Payable	4,342,705	2,728,135
Refundable Deposits	1,000,000	1,000,000
Other Payables	9,223,047	9,510,403
	<b>27,968,073</b>	<b>42,238,467</b>

### 20. AMOUNTS DUE TO RELATED PARTIES

		2020 Rs.	2019 Rs.
<b>Name of the Related Party</b>	<b>Relationship</b>		
Security Ceylon (Pvt) Ltd.	Other Related Party	544,366	886,396
Tangerine Tours (Pvt) Ltd.	Other Related Party	8,600,876	4,228,079
Mercantile Investments & Finance PLC	Other Related Party	139,393	127,936
		<b>9,284,635</b>	<b>5,242,411</b>

### 21. EMPLOYEE BENEFIT LIABILITY

	2020 Rs.	2019 Rs.
Balance as at the Beginning of the Year	36,320,912	31,842,923
Charge for the Year (Note 21.1)	274,751	5,400,817
Payments During the Year	(722,843)	(922,828)
Balance as at the End of the Year	<b>35,872,820</b>	<b>36,320,912</b>

#### 21.1 Expenses on Defined Benefit Plan

	2020 Rs.	2019 Rs.
Current Service Cost for the Year	2,598,820	2,771,537
Actuarial (Gain) / Loss	(6,319,370)	(586,855)
Interest Cost for the Year	3,995,301	3,216,135
	<b>274,751</b>	<b>5,400,817</b>

## NOTES TO THE FINANCIAL STATEMENTS....

### 21.2 Actuarial Assumptions

	2020	2019
Discount Rate	9.6%	11.0%
Salary Increment	7.0%	10.0%
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 Turnover Rate Used in the Valuation:		
CAT 1 : 8.00% up to Age 49 and thereafter Zero		
CAT 2 : 6.00% up to age 49 and thereafter Zero		

An actuarial valuation of the gratuity was carried out as at 31 March 2020 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.

	Sensitivity Effect on Comprehensive Income Statement Increase / (Reduction) in Results for the Year	Sensitivity Effect on Employee Benefit Obligation Increase / (Reduction) in the Liability
<b>31st March 2020</b>		
Increase / (Decrease) in Discount Rate		
1%	1,676,626	(1,676,626)
-1%	(1,840,729)	1,840,729
Increase / (Decrease) in Salary Increment		
1%	(1,676,412)	1,676,412
-1%	1,553,658	(1,553,658)
<b>31st March 2019</b>		
Increase / (Decrease) in Discount Rate		
1%	1,793,650	(1,793,650)
-1%	(1,972,120)	1,972,120
Increase / (Decrease) in Salary Increment		
1%	(2,130,574)	2,130,574
-1%	1,968,586	(1,968,586)

## NOTES TO THE FINANCIAL STATEMENTS....

### 21.4 Maturity Profile

	2020 Rs.	2019 Rs.
Distribution of defined benefit obligation over the future working life time		
Less than or Equal 1 Year	6,458,440	5,144,394
Over 1 Year and Less than or Equal 2 Years	7,886,356	6,800,502
Over 2 Years and Less than or Equal 5 Years	6,801,388	9,800,386
Over 5 Years and Less than or Equal 10 Years	10,687,186	9,838,200
Over 10 Years	4,039,450	4,737,430
<b>Total</b>	<b>35,872,820</b>	<b>36,320,912</b>

### 22. INTEREST BEARING LOANS AND BORROWINGS

	2020 Rs.	2019 Rs.
<b>Current</b>		
Bank Overdraft	22,428,699	22,609,287
Term Loans from Related Parties	-	-
	<b>22,428,699</b>	<b>22,609,287</b>

#### 22.1 Term Loan - Mercantile Investments PLC - Related Party

	2020 Rs.	2019 Rs.
Balance as at Beginning of the Year	-	478,414
Repayment During the Year	-	(478,414)
Balance as at the End of the Year	-	-
Loan Obtained	20,000,000	
Interest Rate	6%	
Term	102 Months	

#### Security

Company had pledged its land and premises as security, by way of a primary mortgage to Mercantile Investment PLC, now known as Mercantile Investments & 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.

## NOTES TO THE FINANCIAL STATEMENTS....

### 24. LEASE LIABILITIES

#### 24.1 Movement of Lease Liabilities

	2020 Rs.	2019 Rs.
Balance as at 01.04.2019	-	-
Recognition of Operating Lease Liability Under SLFRS 16	2,766,130	-
Payment of Lease Liabilities	(1,560,000)	-
New Leases During the Period	-	-
Impact on Exchange Rate Fluctuation	-	-
Interest Expense	258,292	-
<b>Balance as at 31.03.2020</b>	<b>1,464,422</b>	<b>-</b>
<b>Current portion of lease liabilities</b>	<b>1,464,422</b>	<b>-</b>
<b>Non-Current portion of lease liabilities</b>	<b>-</b>	<b>-</b>

\*\* The Company use 12.5% as Incremental Borrowing Rate

#### 24.2 The Following are the Amount Recognized in Profit or Loss:

	2020 Rs.	2019 Rs.
Depreciation Expenses of Right of Use Assets	1,383,065	-
Interest Expense on Lease Liability	258,292	-
<b>Total Amount Recognized in Profit and Loss</b>	<b>1,641,357</b>	<b>-</b>

#### 24.3 Following is the Maturity Lease Liability for Future Periods with Interest Cost

	0-3 Months	3-12 Months	1 to 5 Years	5 Year and above
Lease Liability - Rs.	390,000	1,170,000	-	-

### 25. CONTINGENCIES

There are no significant contingencies as at the reporting date.

## NOTES TO THE FINANCIAL STATEMENTS....

### 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

Transaction with entities having significant influence over the company - Recurring transactions

Tangerine Beach Hotels PLC - Significant Investor

Nature of Transactions	Terms of Transaction	Amount		Balance as at 31st March	
		2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Staff Quarters Rent	Market Terms	(608,163)	(612,245)	2,918,672	1,421,853
Sewerage Treatment Plant rent	Market Terms	(2,490,318)	(2,292,403)		
Staff Meals	Market Terms	13,321,878	12,853,033		
Laundry Charges	Market Terms	14,096,266	17,020,662		
Water Bottles	Market Terms	(476,481)	(803,272)		
Over Booking Transfer	Market Terms	(64,000)	(1,530,000)		
Reimbursement of Expenses - (Net)		1,814,929	4,303,823		
Funds Transfers for settlements		(24,097,290)	(26,184,231)		

#### 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

	2020 Rs.	2019 Rs.
Short-Term Post Employment Benefits	13,990,500	12,861,500

## NOTES TO THE FINANCIAL STATEMENTS....

### 26. RELATED PARTY DISCLOSURES (Contd...)

#### 26.3 Transaction with Other Related Parties - Recurring Transactions

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.

Name of Related Party	Relationship	Nature of Transactions	Terms of Transactions	Amount		Balance as at 31st March	
				2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Security Ceylon (Pvt.) Ltd.	Other Related Company	Security Services	As per Agreement	(12,322,654)	(10,338,775)	(544,366)	(886,396)
		Security Staff Meals	Market Terms	1,482,257	1,256,772		
		Settlements		11,182,427	9,063,346		
Tangerine Tours ( Pvt.) Ltd.	Other Related Company	Tour Operation	As per Agreement	125,717,349	56,107,997	53,159,520	10,427,876
		Operation & Marketing Fee	As per Agreement	(21,087,522)	(28,365,335)		
		Reimbursement of Expenses		(4,936,562)	(5,382,564)		
		Settlements - Net		(56,961,621)	(20,372,512)		
Mercantile Investments & Finance PLC	Other Related Company	Repairs & Services to Motor Vehicles	Market Terms	(679,946)	(953,621)	(139,393)	(127,936)
		Head Office Rent	As per Agreement	(1,581,216)	(1,530,600)		
		Reimbursement of Expenses		(1,689,049)	(1,575,661)		
		Finance Arrangement	As per Agreement	-	466,150		
		Interest Expenses	As per Agreement	-	(4,766)		
		Settlements - Net		3,938,753	4,064,568		
		Net Movement of Fixed Deposits Investments	Market Terms	67,657,534	55,066,029	316,894,096	249,236,562
Interest Income	Market Terms	33,207,031	25,766,408				
The Nuwara Eliya Hotels Co. PLC	Other Related Company	Reimbursement of Expenses		4,094,354	3,309,190	826,318	679,529
		Settlements		(3,947,565)	(2,629,658)		



## NOTES TO THE FINANCIAL STATEMENTS....

### 27. GOING CONCERN

Royal Palms Beach Hotels PLC, faced a drastic drop in tourist arrivals and booking cancellations during the last month of 2019/2020 Financial Year due to COVID -19 Pandemic. Travel restrictions imposed during the period and health & safety scares within the country resulted in the temporarily suspension of operations as the Government issued a series of lockdown guidelines.

Having anticipated the financial impact and consequent adverse effects, the Company undertook rigorous cost management measures for the Financial Year 2020/2021, and alternate revenue generating avenues were also introduced to ensure business continuity.

The Company does not have any external borrowings and company has healthy liquidity position as the current assets exceeds its current liabilities by Rs. 602,834,825/- as at the reporting date. Accordingly, the company will have sufficient liquidity to meet its liabilities when they are due, under both normal and difficult conditions, without incurring unacceptable losses. The management has forecasted the working capital requirements for ensuing year based on the different scenarios and if necessary, the company expects to withdraw short-term deposits in a strategic manner to meet the funding requirements.

The Board of Directors believes that Company's resources including cash and short-term deposits amounting to Rs. 490,487,945/- is adequate to carry out the operations of the company for the foreseeable future and the Board of Directors are of the view that there is no material uncertainty about the company's ability to continue as going concern.

### 28. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

#### 28.1 Carrying Amounts and Fair Values of Financial Instruments

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.

## NOTES TO THE FINANCIAL STATEMENTS....

### 28. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (cont.)

Fair values of financial assets and financial liabilities, together with the carrying amounts in the statement of financial position, are as follows:

	Amortized Cost  Rs.	Fair Value Through Profit & Loss  Rs.	Fair Value Through Other Comprehensive Income  Rs.	Total Carrying Amount  Rs.	Fair Value  Rs.
<b>31st March 2020</b>					
<b>Financial Assets</b>					
<b>Current Assets</b>					
Trade & Other Receivables	174,962,443	-	-	174,962,443	174,962,443
Cash and Short-Term Deposits	490,487,945	-	-	490,487,945	490,487,945
Amounts Due from Related Parties	3,744,990	-	-	3,744,990	3,744,990
	<b>669,195,378</b>	-	-	<b>669,195,378</b>	<b>669,195,378</b>
<b>Non-Current Assets</b>					
Investments	-	-	18,000,000	18,000,000	18,000,000
	-	-	<b>18,000,000</b>	<b>18,000,000</b>	<b>18,000,000</b>
<b>Financial Liabilities</b>					
<b>Current Liabilities</b>					
Trade and Other Payables	60,560,434	-	-	60,560,434	60,560,434
Amounts Due to Related Parties	9,284,635	-	-	9,284,635	9,284,635
Bank Overdrafts	22,428,699	-	-	22,428,699	22,428,699
	<b>92,273,768</b>	-	-	<b>92,273,768</b>	<b>92,273,768</b>
<b>31st March 2019</b>					
<b>Financial Assets</b>					
<b>Current Assets</b>					
Trade & Other Receivables	158,204,968	-	-	158,204,968	158,204,968
Cash and Short-Term Deposits	482,553,309	-	-	482,553,309	482,553,309
Amounts Due from Related Parties	2,101,381	-	-	2,101,381	2,101,381
	<b>642,859,658</b>	-	-	<b>642,859,658</b>	<b>642,859,658</b>
<b>Non-Current Assets</b>					
Investments	-	-	18,000,000	18,000,000	18,000,000
	-	-	<b>18,000,000</b>	<b>18,000,000</b>	<b>18,000,000</b>
<b>Financial Liabilities</b>					
<b>Current Liabilities</b>					
Trade and Other Payables	73,573,175	-	-	73,573,175	73,573,175
Amounts Due to Related Parties	5,242,411	-	-	5,242,411	5,242,411
Bank Overdrafts	22,609,287	-	-	22,609,287	22,609,287
	<b>101,424,873</b>	-	-	<b>101,424,873</b>	<b>101,424,873</b>

## NOTES TO THE FINANCIAL STATEMENTS....

### 28.2 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:

<b>Level 1:</b>	quoted (unadjusted) prices in active markets for identical assets or liabilities
<b>Level 2:</b>	other techniques for which all inputs which have a significant effect on the disclosed fair value are observable, either directly or indirectly
<b>Level 3:</b>	techniques which use inputs that have a significant effect on the disclosed fair value that are not based on observable market data

### 28.3 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.

	2020		2019	
	Carrying Value Rs.	Fair Value Rs.	Carrying Value Rs.	Fair Value Rs.
<b>Current Assets</b>				
Trade and Other Receivables	174,962,443	174,962,443	158,204,968	158,204,968
Amounts Due from Related Parties	3,744,990	3,744,990	2,101,381	2,101,381
Other Non-Financial Assets	11,369,781	11,369,781	9,480,337	9,480,337
Short-term Deposits	338,234,461	338,234,461	286,949,063	286,949,063
Cash at Bank and Cash in Hand	152,253,484	152,253,484	195,604,246	195,604,246
	<b>680,565,159</b>	<b>680,565,159</b>	<b>652,339,995</b>	<b>652,339,995</b>
<b>Current Liabilities</b>				
Trade and Other Payables	60,560,434	60,560,434	73,573,175	73,573,175
Amounts Due to Related Parties	9,284,635	9,284,635	5,242,411	5,242,411
Interest-Bearing Loans and Borrowings	22,428,699	22,428,699	22,609,287	22,609,287
	<b>92,273,768</b>	<b>92,273,768</b>	<b>101,424,873</b>	<b>101,424,873</b>

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:

#### Trade and Other Receivables

For the above instruments with maturities of less than 12 months, the carrying value closely approximates with its fair values.

#### Trade and Other Payables

For the above instruments with maturities of less than 12 months, the carrying value is reasonably estimate of its fair values.

## NOTES TO THE FINANCIAL STATEMENTS....

### 28.3 Financial Instruments Not Carried at Fair Value (Contd...)

#### Interest-Bearing Loans and Borrowings

All the borrowings are obtained at variable interest rates. Hence the carrying value reasonably approximates of its fair values.

	Level	2020		2019	
		Carrying Value Rs.	Fair Value Rs.	Carrying Value Rs.	Fair Value Rs.
<b>Financial Liabilities</b>					
Interest-Bearing Loans and Borrowings (Note 22)	Level 2	22,428,699	22,428,699	22,609,287	22,609,287
		22,428,699	22,428,699	22,609,287	22,609,287

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.

### 28.4 Non-Financial Assets Disclosed at Fair Value

	Method	Date of Valuation	Level **	Value	Unobservable Inputs	Average Price per Perch/Sq.ft
<b>2020</b>						
Freehold Land	Market Approach	31.03.2019	03	576,101,250	Estimated Price per Perch	550,000
Buildings	Market Approach	31.03.2019	03	1,292,119,665	Estimated Price per Sq.ft	10,000
<b>2019</b>						
Freehold Land	Market Approach	31.03.2019	03	576,101,250	Estimated Price per Perch	550,000
Buildings	Market Approach	31.03.2019	03	1,292,119,665	Estimated Price per Sq.ft	10,000

\*\* 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).

## 29. RISK MANAGEMENT

### 29.1 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.

## NOTES TO THE FINANCIAL STATEMENTS....

### 29.2 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	2020 Rs.	2019 Rs.
Cash and Cash Equivalents	16	152,253,484	195,604,246
Trade and Other Receivables	12	174,962,443	158,204,968
Fixed Deposits	15.2	338,234,461	286,949,063
Amounts Due from Related Parties	15.3	3,744,990	2,101,381
		<b>669,195,378</b>	<b>642,859,659</b>

#### Expected Credit Loss Assessment

The Company adopted Expected Credit Loss (ECL) approach to impairment of its financial assets. This enables better credit risk reporting of financial instruments by carrying reasonably quantified default risk adjusted value of assets in the balance sheet and minimising the timing difference in recognition of future default loss.

ECL measurement approach that is best suited for each class of asset is determined based on underlying risk characteristics of the asset. Subsequent to selection between general and simplified approaches to measurement, the company assesses financial assets using data that is determined to be predictive of default risk, including but not limited to external ratings, historical payment patterns, audited financial statements and cash flow projections.

The Company re-evaluated its approach to measurement of ECL in the light of the COVID-19 pandemic, as the consequent unexpected deterioration in credit quality of loan portfolios (Financial institutions) and trade receivables (Non-financial institutions), will have a significant impact on the ECL measurement. The company considered all reasonable and supportable information available without undue cost or effort at the reporting date as well as practical expedients made available. Economic Factor Adjustment (EFA) updated to reflect the impact of COVID-19 was incorporated in measuring ECL while information used for Probability of Default (PD) and Loss Given Default (LGD) were used without modification due to insufficiency of updated information relating to borrowers repayment ability, resource constraints and various government relief measures as a result of the outbreak.

The Company also assessed its financial instruments for Significant Increase in Credit Risk (SICR) with available, reasonable and supportable information including economic support and relief measures provided to counterparties.

#### (c) The Ageing of the Trade Receivable as at the Reporting Date

	2020 Rs.	2019 Rs.
<b>Gross Receivable</b>		
Not Past Due	-	19,573,133
Past due 0-30 days	60,326,405	80,938,919
Past due 31-60 days	66,034,874	42,506,816
Past due 61-90 days	45,547,820	8,915,329
Past due 90-120 days	2,040,334	1,052,280
Past due 120-180 days	1,006,859	5,446,643
More than 180 days	653,951	1,489,051
<b>Total Gross Receivable</b>	<b>175,610,243</b>	<b>159,922,171</b>
<b>Impairment Allowance*</b>		
Allowance for Impairment	(2,826,361)	(3,219,943)
Carrying Value	<b>172,783,882</b>	<b>156,702,228</b>
<b>* Movement in the Impairment Allowance</b>		
Balances at 01 April	3,219,943	1,682,252
Impairment Recognised	(393,582)	1,537,691
Balances at 31 March	<b>2,826,361</b>	<b>3,219,943</b>

## NOTES TO THE FINANCIAL STATEMENTS....

### 29.3 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 summarises the maturity profile of the company's financial liabilities based on contractual undiscounted payments:

Contractual Maturities of Financial Liabilities					
31 March 2020	Total	Up to 3 Months	3-12 Months	1-5 Years	More than 5 Years
	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Liabilities	32,592,361	32,592,361	-	-	-
Bank Overdraft	22,428,699	22,428,699	-	-	-
Amounts Due to Related Parties	9,284,635	9,284,635	-	-	-
	64,305,695	64,305,695	-	-	-

Contractual Maturities of Financial Liabilities					
31 March 2019	Total	Up to 3 Months	3-12 Months	1-5 Years	More than 5 Years
	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Liabilities	31,334,707	31,334,707	-	-	-
Bank Overdraft	22,609,287	22,609,287	-	-	-
Amounts Due to Related Parties	5,242,411	5,242,411	-	-	-
	59,186,405	59,186,405	-	-	-

#### (c) Undrawn Committed Borrowing Facilities

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

### 29.4 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.

#### COVID-19 On Our Business

The most pronounced impact of the pandemic has been felt by the Tourism sector in Sri Lanka, which is a driving force within the economy. The Royal Palms Beach Hotels PLC also faced the impact with the drastic drop in tourist arrivals from the beginning of the year 2020, furthermore many travel restrictions imposed during the period and the health & safety scares within the country resulted in temporarily halting of operations by mid-March 2020 as per Government issued guidelines.

In ensuring continuity of business in these challenging times, and having looked in to new revenue generation avenues whilst taking all required health and safety guidelines for future hotel operations based on the advice of the World Health Organization and the Ministry of Health in order to make sure the safety of the guests and the staff of the hotel.

## NOTES TO THE FINANCIAL STATEMENTS....

### 29.4 Market Risk (Contd...)

#### (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.

The Sri Lankan Rupee is depreciating against the US Dollar in March 2020 on the back of economic turmoil in global, regional and local markets resulting from the COVID-19 pandemic. The Company exposed to foreign currency denominated payments with local currency revenues are adversely impacted to undue fluctuations in exchange rates.

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 (€)	1,720,125	(1,720,125)
Dollar (\$)	230,499	(230,499)
Sterling Pound (£)	133,830	(133,830)
	<b>2,084,454</b>	<b>(2,084,454)</b>

#### (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.

### 30. CAPITAL MANAGEMENT

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

### 31. EVENTS OCCURRING AFTER THE REPORTING DATE

There were no significant events subsequent to the balance sheet date which is required to be disclosed in the Financial Statements. However, the management is closely monitoring the continuous impact and development of COVID 19 affecting the operations of the Hotel.

After a strictly controlled Government enforced curfew period of over two months to control the spread of the pandemic, the Government lifted the stringent controls partially or fully to some parts of the country during the month of May 2020.

The management having reviewed and evaluated a guidelines issued by the Government and the health sectors recommend to commence partial operations at the hotel under strict supervision. The Company bears a positive outlook about it's ability to bounce back and is currently taking every effort to ensure a smooth operation and business continuity.

## NOTES TO THE FINANCIAL STATEMENTS....

### 32. TRANSITION NOTE TO SLFRS 16 -"LEASES"

#### Initial Application of SLFRS 16 - Leases

The Company initially applied SLFRS 16 "Leases" from 1st April 2019. A number of other new standards are also effective from 1st April 2019 but they do not have a material effect on the Company's financial statements.

SLFRS 16 Leases, replaces the previous leasing guidance, including LKAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC -15 Operating leases – Incentives and SIC-27 Evaluating the Substance of transactions involving the legal form of a lease. SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a one single balance sheet model similar to the accounting for finance leases under LKAS 17.

As prescribed by this standard, the Company recognised an asset (right-of-use asset) representing its right to use the underlying assets and lease liability representing its obligation to make lease payments. Subsequently on an on going basis the Company will be recognising the interest expense on the lease liability and the depreciation expense on the right-of-use asset, separately.

The Company has adopted SLFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at the date of initial application (i.e. 01 April 2019). Accordingly the information presented for 2018/2019 has not been restated, i.e. it is presented, as previously reported, under LKAS 17 and related interpretations. Additionally, the disclosure requirements in SLFRS 16 have not generally been applied to comparative information.

#### 32.1 Leases Previously Accounted for as Operating Leases

The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognised on the initial application based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

#### 32.2 Impact of Adopting SLFRS 16 - "Leases" on transition

The following table summarises the impact, of transition to SLFRS 16 - "Leases" as at 01 April 2019.

	Rs.
<b>Assets</b>	
Right-of-Use Assets	2,766,130
<b>Total Assets</b>	<b>2,766,130</b>
<b>Equity</b>	
Retained earnings	-
<b>Liabilities</b>	
Interest Bearing Liabilities	2,766,130
	2,766,130
<b>Total Equity &amp; Liabilities</b>	<b>2,766,130</b>

#### Impact of SLFRS 16 to Retained Earnings

Retained Earnings	-
Deferred Tax Charge Relating to ROU Asset	-
<b>Total Adjustment for Initial Application of SLFRS -16</b>	<b>-</b>



## REAL ESTATE PORTFOLIO

Company and Location	Buildings (in Sq.Ft.)		No. of Buildings		Land in Acres		Net Book Value	
	2019/20	2018/19	2019/20	2018/19	Freehold Propoerty		Rs.'000	Rs.'000
					2019/20	2018/19	2019/20	2018/19
Royal Palms Beach Hotels PLC, No. 35, Off De Abrew Drive, Kalutara North, Maha Waskaduwa, Kalutara.	<b>184,563</b>	183,713	<b>11</b>	10	<b>6.55</b>	6.55	<b>1,908,528</b>	1,930,900

## STATEMENT OF VALUE ADDED

Year ended 31st March	2020 Rs.	2019 Rs.
<b>Turnover</b>	<b>617,604,005</b>	754,839,822
Less: Cost of Sales	<b>(344,296,025)</b>	(401,156,640)
Value Added	<b>273,307,980</b>	353,683,182
Other Income	<b>54,928,306</b>	34,581,434
<b>Total Investment Created</b>	<b>328,236,286</b>	388,264,616
Value Added to Employees	<b>159,299,544</b>	151,923,265
Providers of Capital	<b>50,000,000</b>	50,000,000
To Government	<b>33,674,905</b>	46,969,693
	<b>242,974,449</b>	248,892,958
<b>For Expansion and Growth</b>		
Retained Earnings	<b>19,111,043</b>	76,923,742
Depreciation	<b>66,150,794</b>	62,447,916
	<b>85,261,837</b>	139,371,658
	<b>328,236,286</b>	388,264,616

## SHAREHOLDERS INFORMATION

Shareholding	No. of Members	Shareholding	%
1 - 1,000	1297	190,241	0.38
1,001 - 10,000	193	734,993	1.47
10,001 - 100,000	81	2,466,754	4.93
100,001 - 1,000,000	29	8,167,311	16.33
Over 1,000,000	07	38,440,701	76.88
	1607	50,000,000	100.00

Category	As at 31st March 2020		As at 31st March 2019	
	Shareholding	%	Shareholding	%
Resident	47,306,775	94.61	47,282,181	94.56
Non-Resident	2,693,225	5.39	2,717,819	5.44
<b>Total</b>	<b>50,000,000</b>	<b>100</b>	<b>50,000,000</b>	<b>100</b>

Category	As at 31st March 2020		As at 31s March 2019	
	Shareholding	%	Shareholding	%
Individuals	15,094,299	30.19	15,134,421	30.27
Corporate	34,905,701	69.81	34,865,579	69.73
<b>Total</b>	<b>50,000,000</b>	<b>100</b>	<b>50,000,000</b>	<b>100</b>

Shareholding	2020 Rs.	2019 Rs.
Market Value Per Share as at 31st March	12.70	16.10
Highest Market Value Per Share During the Year	19.00	19.80
Lowest Market Value Per Share During the Year	12.70	14.00
<b>Public Holding</b>		
No. of Ordinary Shares	6,990,461	7,049,175
Percentage	13.98%	14.10%

## SHAREHOLDERS INFORMATION....

### 20 Largest Shareholders

	2020		2019	
	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.	3,966,289	7.93%	3,907,575	7.82%
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 (Deceased)	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. Adhihetty	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%
People's Leasing & Finance PLC / Mr. L.P. Hapangama	247,900	0.50%	250,800	0.50%
Renuka Consultants & Services Ltd.	239,547	0.48%	239,547	0.48%

## NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the 28th Annual General Meeting of Royal Palms Beach Hotels PLC, will be held at Tangerine Beach Hotel, Kalutara on 29th September 2020 at 3.30 p.m. to transact the following business:

1. To receive and adopt the Report of the Directors and the Statement of Accounts for the year ended 31<sup>st</sup> March 2020, with the Report of the Auditors thereon.
2. To elect Mr. P.S.R. Casie Chitty who retires in terms of Article 88(i) of the Articles of Association of the Company.
3. To elect 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. Merrill Joseph Fernando who is 89 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. Mihindu Keerthiratne who is 79 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. Ajita de Zoysa who is 76 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. Mohamed Umar Maniku who is 73 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 re-appoint Messrs. Ernst & Young who are deemed to be re-appointed as Auditors of the Company in terms of Section 158 of the Companies Act No. 07 of 2007 and to authorize the Directors to determine their remuneration.
5. To authorize the Directors to determine payments for charitable and other purposes for year 2020/21.

By Order of the Board,  
For Royal Palms Beach Hotels PLC  
**Mercantile Investments and Finance PLC**  
Secretaries  
Colombo.

27th August 2020

### 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.*

## IMPORTANT GUIDANCE NOTES

### 1. Health and Safety

The meeting will be held in compliance with the Health and Safety guidelines issued by the Ministry of Health and Indigenous Medical Services (Ministry of Health) and standards imposed by the venue to ensure the safety and well-being of all Meeting attendees. Please note that in compliance with such guidelines and standards:

- a) All attendees will have to undergo a temperature check.
- b) Persons who record temperatures in excess of norms prescribed by the Ministry of Health will not be permitted into the Meeting.
- c) Persons with respiratory infections of any type including cough, cold, sore throat or exhibiting any other similar symptoms will not be permitted into the Meeting.
- d) No food and beverages will be served in keeping with health and safety guidelines and regulations.
- e) Physical contact such as shaking hands will not be permitted and attendees will not be permitted to linger or remain after the conclusion of the Meeting.
- f) Any person not adhering to the health and safety guidelines and standards, **including wearing a mask** and maintaining the minimum social distance required, will be requested to leave the meeting.
- g) **As social distancing measures will be implemented and the hall capacity is required to be maintained as per relevant Government Guidelines, Shareholders are required to call one of the following numbers or email and reserve a seat with the Secretaries by 10.00 a.m. on 25<sup>th</sup> September 2020. Once the hall capacity is reached no further reservations will be taken. Shareholders are kindly requested to assure their attendance after reserving a seat as your failure to be present will deprive another shareholder from attending the meeting.**
  - Sonali Pethiyagoda – 011 2343720-7 ext 206,  
email : mercantile@mi.com.lk
  - Ruvini Hettiarachchi – 011 2343720 -7 ext 227  
email : ruvini.h@mi.com.lk
- h) Shareholders who are unable to attend the AGM due to the relevant Government Guidelines being carried out, may submit any clarifications or concerns if any on the published performance for the year ended 31<sup>st</sup> March 2020 via email to the above mentioned email addresses by **27<sup>th</sup> September 2020**. The Chair shall ensure such matters deemed relevant and expedient are sufficiently discussed at the AGM.

### 2. Voting by Proxy

Members are encouraged to vote by Proxy through the appointment of a member of the Board of Directors to represent them and vote on their behalf. Members are advised to complete the Form of Proxy and their voting preference on the specified resolutions to be taken up at the Meeting and submit same to the Company in accordance with the instructions given thereto.

### 3. Attending the Meeting

Should a member wish to attend the Meeting in person or through a Proxy (who is not a Director of the Company), such Member or Proxy is requested to:

- a) Arrive early to carry out mandatory health checks and avoid crowding
- b) Wear a suitable mask when attending the meeting
- c) Co-operate with health and safety measures implemented by the Company and the venue.

Members and/or their Proxies are requested not to attend the Meeting if they are feeling unwell, exhibiting any signs or symptoms of COVID 19 or have been placed on quarantine or stay-at-home notices.

In the event the Company is required to take any further action in relation to the Meeting, in the best interest of the Meeting attendees due to the COVID 19 pandemic; and/or other communications, guidelines, directives or orders issued by the Government of Sri Lanka, Notice of such action shall be given by way of an announcement to the Colombo Stock Exchange and/or publication on the Company website [www.tangerinehotels.com](http://www.tangerinehotels.com)

By Order of the Board,  
For Royal Palms Beach Hotels PLC  
**Mercantile Investments and Finance PLC**  
Secretaries  
Colombo.

27th August 2020







# FORM OF PROXY

## FORM OF PROXY

\*I/We .....

of .....

being a \*member/members of ROYAL PALMS BEACH HOTELS PLC, do hereby appoint;

..... of ..... or failing \*him/her

- |  |                |
|--|----------------|
| Ms. Angeline Myrese Ondaatjie          | or failing her |
| Mr. Gerard George Ondaatjie            | or failing him |
| Mr. Travice John Ondaatjie             | or failing him |
| Mr. Nawagamuwage Hasantha Viraj Perera | or failing him |
| Mr. Mohamed Umar Maniku                | or failing him |
| Mr. Merill Joseph Fernando             | or failing him |
| Mr. Ajita de Zoysa                     | or failing him |
| Mr. Mihindu Keerthiratne               | or failing him |
| Mr. John Damasene Vaz                  | or failing him |
| Mr. 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 at Tangerine Beach Hotel, Kalutara on 29<sup>th</sup> September 2020 at 3.30 p.m. 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 31 <sup>st</sup> March 2020, with the Report of the Auditors there on.	<input type="checkbox"/>	<input type="checkbox"/>
2) To elect Mr. P.S.R. Casie Chitty retiring in terms of Article 88(i) of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3) To elect Mr. M.J. Fernando in terms of Section 211 of the Companies Act No. 07 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>
4) To elect Mr. M. Keerthiratne in terms of Section 211 of the Companies Act No. 07 of 2007	<input type="checkbox"/>	<input type="checkbox"/>
5) To elect Mr. A. de Zoysa in terms of Section 211 of the Companies Act No. 07 of 2007	<input type="checkbox"/>	<input type="checkbox"/>
6) To elect Mr. M.U. Maniku in terms of Section 211 of the Companies Act No. 07 of 2007	<input type="checkbox"/>	<input type="checkbox"/>
7) To re-appoint Messrs. Ernst & Young, who are deemed to be re-appointed as Auditors of the Company in terms of Section 158 of the Companies Act No. 07 of 2007 and to authorize Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
8) To authorize the Directors to determine payments for charitable and other purposes for the year 2020/21.	<input type="checkbox"/>	<input type="checkbox"/>

As witness my/our hand this .....day of .....2020.

.....  
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.

## COMPANY REGISTRATION NO.

PQ 167

## STATUS & LEGAL FORM

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

## TAX PAYER IDENTIFICATION NUMBER

114092118

## VAT REGISTRATION NO.

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: tangerine@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 : info@royalpalms.lk

## SECRETARIES

Mercantile Investments & Finance PLC

## REMUNERATION COMMITTEE

N.H.V. Perera - Chairman

P.S.R. Casie Chitty

## AUDIT COMMITTEE

N.H.V. Perera - Chairman

P.S.R. Casie Chitty

## RELATED PARTY TRANSACTION REVIEW COMMITTEE

N.H.V. Perera - Chairman

P.S.R. Casie Chitty

J.D. Vaz

## 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

A.M. Ondaatjie - Chairperson & Managing Director

G.G. Ondaatjie

T.J. Ondaatjie

N.H.V. Perera

M. Keerthiratne

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

Financial Controller

J.D. Vaz

Director/Manager Finance & Administration

Menaka Fernando

Chief Accountant

## MANAGEMENT TEAM

Ravi Kurukulasooriya

General Manager

Nelson Mayadunnage

Financial Controller

Menaka Fernando

Chief Accountant

Y.D.K.Chandrasiri

Maintenance Engineer

Anjana Gunawardene

Front Office Manager

Bandula Priyantha

Executive Chef

Janatha Kumara

Executive Housekeeper

Praboth Jayaweera

Credit Manager

Priyanka Liyanage

Cluster Cost Controller



[www.tangerinehotels.com](http://www.tangerinehotels.com)