

Royal Palms Beach Hotels PLC

Annual Report 2020/21

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Financial Highlights

Year Ended 31 st March	2021 Rs.' 000	2020 Rs.' 000	% Change
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Results for the Year

Gross Revenue	150,953	617,604	(75.56)
Cost of Sales	(50,579)	(164,621)	(69.28)
Operating Profit/(Loss) Before Interest & Tax	(158,864)	58,596	(371.12)
Finance Income	39,579	38,731	2.19
Interest Expense	(636)	(321)	98.13
Profit/(Loss) Before Tax	(119,921)	97,006	(223.62)
Income Tax Expense	(8,936)	(27,894)	(67.96)
Profit/(Loss) After Tax	(128,857)	69,111	(286.45)
Profit/(Loss) Attributable to Shareholders	(128,857)	69,111	(286.45)
Dividend Paid	-	50,000	(100.00)

Financial Position at the End of the Year

Shareholder's Funds (Stated Capital & Reserves)	2,363,773	2,491,186	(5.11)
Total Assets	2,765,295	2,892,303	(4.39)
Number of Shares in Issues (In Million)	50	50	-
Information per Ordinary Share			
Earnings per Share (Rs.)	(2.58)	1.38	(286.96)
Dividend per Share (Rs.)	-	1.00	(100.00)
Net Assets per Share (Rs.)	47.28	49.82	(5.10)

Ratios

Return on Shareholders' Funds (%)	(5.45)	2.77	(8.22)
Return on Total Assets (%)	(4.66)	2.39	(7.05)
Year on Year EPS Growth (%)	(286.96)	(45.67)	(241.29)
Interest Cover (Times)	(189.48)	302.86	(162.57)
Dividend Cover (Times)	-	1.38	(100.00)
Equity : Assets (%)	85.48	86.13	(0.65)
Current Ratio (Times)	8.08	7.43	8.89
Gearing Ratio (%)	1.06	-	1.06

Market Shareholder Information

Market Price Per Share as at 31 st March (Rs.)	14.30	12.70	12.60
Market Capitalization (Rs. '000)	715,000	635,000	12.60
Price Earnings Ratio - (Times)	(5.54)	9.20	(160.23)

Chairperson & Managing Director's Review

The year 2020 was like no other. It tested the individual and corporate resilience as the whole world grappled with the effects of Covid-19 on lives and livelihoods. This was over and above other challenges including economic headwinds, geopolitical risks, climate change, political and social unrest.

Dear Shareholders,

At the start of 2020, we were recovering from setbacks from 2019 terror attacks, while realizing significant efficiencies and cost savings from our work in prior years. Nothing prepared us for the impact of the global pandemic with the extent and duration of the lockdowns that followed. Globally, the tourism and hospitality industry was decimated, with predictions that the virus has cost global tourism US dollars 1.2 trillion in 2020.

In an environment where travel is restricted and borders are closed, the impact on our sector is severe. Reports are that business revenues in the tourism sectors have more than halved. Despite the easing of lockdown restrictions and the resumption of travel under strict conditions, concerns over health, safety and future spikes in infections continue to stifle international travel. The global rollout of vaccines, albeit at varying stages per country, should help the sector recover, but it will happen slowly. Businesses and individuals will have to brace themselves for tough times still ahead. The saying that 'the ultimate measure of a man is not where he stands in moments of comfort and convenience, but where he stands at times of challenge and controversy' feels appropriate for our current operating environment.

In Sri Lanka, as in other countries, the loss of jobs and incomes incurred by the pandemic has been severe. While workers in almost every sector have been affected, informal workers who make up about 70 per cent of the workforce, and especially those in the industries and low-end services such as trade, are likely to be the most affected. The apparel industry, which employs about half a million workers, has been reportedly forced to cut a significant number of jobs. Tourism, an emerging driver of jobs and growth in recent years, has taken a sizeable hit.

Sri Lankan Economy

Amidst the global economic downturn induced by the pandemic, the Sri Lankan economy had contracted by 3.6 per cent in real terms in 2020, thereby recording the deepest recession since independence. Mobility restrictions and other containment measures imposed locally and internationally, with a view to preventing the spread of COVID-19, hampered real economic activity across all sectors. The sharp contraction observed in Industry activities during the year was driven by the significant slowdown in construction and manufacturing activities. Service activities also registered a notable contraction due to the pandemic driven deceleration in transportation, other personal services, accommodation and food & beverage services. The Agriculture sector, too, registered a contraction during the year as the impact of the pandemic outweighed the positive effects of timely policy support and favorable weather conditions.

Investment expenditure contracted in 2020, reflecting subdued investor sentiments, while consumption expenditure displayed a marginal growth. The contraction of investment expenditure exceeded the reduction in national savings, resulting in a decline in the savings-investment differential in 2020. Meanwhile, the unemployment rate rose above 5 per cent for the first time since 2009, with a decline in the labor force participation rate, in the wake of uncertainties surrounding the pandemic.

Reflecting the combined effect of the contraction in Gross Domestic Product (GDP) at current market prices and the depreciation of the Sri Lankan rupee against the US dollar, GDP per capita declined to US dollars 3,682 in 2020 from US dollars 3,852 in the previous year.

Global Economic Environment and Outlook

Extensive policy support at national and multilateral levels and the successful rollout of the COVID-19 vaccination program have raised optimism about the expeditious recovery of global economic activities, despite uncertainties. Projections for global growth for the next few years have been revised upward by the IMF to 6.0 per cent in 2021 and 4.4 per cent in 2022, reflecting a stronger-than-expected recovery from the pandemic.

Chairperson & Managing Director's Review....

However, the global economic recovery is expected to vary across and within regions, attributed to variations in the magnitude of disruptions, the size and effectiveness of policies, pre-pandemic fiscal and socioeconomic conditions, and coverage of vaccine rollout.

Advanced economies are expected to recover faster than most emerging market economies, due to increased access to vaccines and large policy space available to maintain accommodative macroeconomic policies for an extended period.

Sri Lankan Tourism

Earnings from tourism in Sri Lanka had recorded a sharp decline in 2020, with the suspension of all passenger flights and ship arrivals from 18th March 2020 together with the issuance of tourist visas. During the year, the total number of tourist arrivals was limited to 507,704, which comprised 507,311 tourists that arrived during the first three months of 2020, and a group of 393 tourists from Ukraine, who arrived under a pilot project based on the 'bio bubbles' concept in December 2020. Accordingly, tourist arrivals recorded a decline of 73.5 per cent compared to the previous year. Earnings from tourism in 2020, which are estimated based on tourist arrivals, recorded a decline of 81.1 per cent to US dollars 682 million.

Several measures were taken by the Government and the Central Bank to support the stakeholders in the tourism sector who were affected by the COVID-19 pandemic, including measures to extend relief granted following the Easter Sunday attacks in 2019. The debt moratoria granted by Licensed Banks, Licensed Finance Companies and Specialized Leasing Companies at the request of the Central Bank on account of the Easter Sunday attacks, which were initially effective until 31st March 2020, were extended until 31st March 2021 in view of the continued adverse effects on the sector from the pandemic. These moratoria were extended again by another six months from 01st April 2021. Moratoria on lease rentals of tourism related vehicles were also provided and extended in tandem with the debt moratoria. Furthermore, businesses and individuals involved in the sector were able to avail of concessionary

loans under the "Saubagya COVID-19 Renaissance Facility" implemented by the Central Bank, which helped a range of tourism sector entities to manage their liquidity, solvency and sustain employment of its' staff.

The Government also provided a host of relief measures to various parties involved in the sector. The Government allowed the tourism sector to operate quarantine centers and implemented health and safety standards and checks, which helped the tourism sector to a great extent during this period.

Hotel Operations

Ensuring Our Sustainability

We understand that our operations contribute to the livelihoods of our wider base of stakeholders – from our employees and suppliers to our communities and investors. Decisive action was required and we reacted swiftly to safeguard our business. Our immediate focus is on protecting the sustainability of the business and ensuring that we have the financial and operational resilience to survive the lockdown. We immediately implemented health protocols and control measures to safeguard our employees. We engaged with employees to share the anticipated impact of the lockdown on our business. We consulted extensively with employees to reach an agreement about the necessary temporary layoffs of staff and post-year-end, a skeletal operating structure was established.

The Royal Palms remains committed to improve its' offering and delivering great experiences to the guests. We invest continuously in the capital expenditure ('capex') required to keep the hotels in optimal operating condition. While we invested in the appropriate planned capex during the year, as part of our COVID-19 response plan, the Royal Palms suspended all new capex. Only emergency capex, and repairs and maintenance, will be considered in order to preserve liquidity.

Chairperson & Managing Director's Review....

Delivering Financial Value in a Challenging Time

From a financial performance perspective, the business delivered solid results in an environment that was challenging before the arrival of COVID-19 in Sri Lanka.

COVID-19 had a marked impact on the Company's trading in the fourth quarter of 2020/21. The initial international travel regulations and the subsequent total ban on inter-provincial travel resulted in a significant decrease of revenue in March 2021. Managing the costs remains with paramount importance and despite the strict cost controls implemented during the year, the above-inflationary increases in administered costs, including food ingredients and utilities, continued to place pressure on our business.

The Company turnover decreased during the year under review by 76 per cent, with a record Rs. 150.9 Million compared to Rs. 617.6 Million of the previous year. This decrease is mainly due to drop in occupancy level from 60.3 per cent to 18.3 per cent as a result of the global pandemic COVID-19. The Net Loss after Tax of the Company for the year under review was Rs. 128.8 Million as against profit of Rs. 69.1 Million in the previous year. This is a result of decrease in the occupancy. The Company's Earnings per Share (EPS) in the period under review was Rs. 2.58 negative as against Rs. 1.38 positive in 2019/2020. The decrease in EPS was due to decrease in profits for the financial year.

Outlook and Appreciation

As we look ahead, we know that the worst is not yet behind us. The short-term outlook is not positive and in the current circumstances it is nearly impossible to predict how the COVID-19 crisis will unfold.

In spite of this, as mentioned, there have been some positive developments subsequent to our year end, which we believe will stand the business in good stead once trading normalizes. We remain supportive of the Government's efforts to halt the spread of the virus. As we have highlighted, no industry can survive an extended period without revenue. We welcome

the opportunity to continue to engage with Government and regulators to find ways to continue to open the economy as quickly as possible with due regard for safety.

On behalf of the entire leadership team, we extend our appreciation to our stakeholders for their support and collaboration as we all navigate this crisis. Thank you to our teams for your understanding and, while the future is uncertain, we remain committed to ensure the sustainability of our operations.



Angelina Ondaatjie
Chairperson & Managing Director

9th August 2021

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) Limited 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) Limited, Fair View Hotel (Pvt) Limited and Lighthouse Hotel PLC. She is presently the Vice President of Tourist Hotels Association and Director of 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) Limited, Mercantile Fortunes (Pvt) Limited and Nilaveli Beach Hotels (Pvt) Limited. He is also the Deputy Chairman of The Nuwara Eliya Hotels Co. PLC (Grand Hotel) and a Director of Tangerine Beach Hotels PLC. He is presently a Member of the Commission on the Simplification of Existing Laws and Regulations in the Interest of the people and a Member of the Colombo Port City Economic Commission.

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) Limited 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) Limited.

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 Tangerine Beach Hotels PLC, Blue Oceanic Beach Hotels Limited, Yala Safari Beach Hotels Limited, Yala Properties (Private) Limited, Ceylon Electro Mechanical Services (Private) Limited, South Asia Economic and Trade Corporation (Private) Limited, Koggala Beach Hotel (Private) Limited, Desano Investments (Private) Limited and Tisara Hotels (Private) Limited, Thisara Investments (Private) Limited Ranyan Industries (Private) Limited, Ranali Marketing (Private) Limited and Janath Trading & Investments (Private) Limited.

Mr. Hasantha Perera is a Non-Executive Director of Tangerine Beach Hotels PLC which is a group company 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.

Board of Directors....

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 (RIBA) and a Member of the American Institute of Architects (AIA). 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) Limited 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.

M.U. MANIKU (contd...)

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, Mr. 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 the Asia's largest private charitable foundations. Dilmah Conservation extends his founding principle of making business a matter of human service, to the environment.

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.

Board of Directors....

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) Limited and Trelleborg Tyres Lanka (Pvt) Limited.

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) Limited.

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 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.

This report sets out the Company’s Corporate Governance practices and processes for the financial year 2020/21 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 establish governance related laws, regulations and best practices.

Committees

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

Corporate Governance....

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).

Directors Attendance

Name of Director	Attendance at Board Meetings			
	31 st March 2021	11 th Sept. 2020	Meetings Attended	Percentage Attended
Executive Directors				
Ms. A.M. Ondaatjie	√	√	2/2	100%
Mr. T. J. Ondaatjie	0	√	1/2	50%
Mr. J.D. Vaz	√	√	2/2	100%
Non-Executive Independent Directors				
Mr. N.H.V. Perera	√	√	2/2	100%
Mr. M. Keerthiratne	√	√	2/2	100%
Mr. M.U. Maniku (Alternate Mr.W.P. Hettiaratchi)	0	0	-	-
Mr. Ajita De Zoyza	√	0	1/2	50%
Mr. M.J. Fernando (Alternate Mr. D.C. Fernando)	0	0	-	-
Mr. P.S.R. Casie Chitty	√	√	2/2	100%
Non-Executive Non-Independent Directors				
Mr. G.G. Ondaatjie	0	√	1/2	50%

Corporate Governance....

A.1.5 Directors' Independence

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 Shareholding	Management	Material Business Relationship	Employee of the Company	Financially Dependent Family Member is a Director	Nine Years of Continuous Service
Non-Executive Independent Directors						
Mr. N.H.V. Perera	No	No	No	No	No	Yes
Mr. M. Keerthiratne	No	No	No	No	No	Yes
Mr. 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
Non-Executive Non-Independent Directors						
Mr. G.G. Ondaatje	No	No	No	No	No	Yes

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

Composition of the Board as at 31st March 2021 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

Corporate Governance....

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 2021 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.

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.

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 to 7
Expertise in Functional Areas	Board of Directors	5 to 7
Material Business Relationships	A.5.3, A.5.4 & A.5.5	10 & 11
Executive, Non-Executive & Independence	A.1 & A.5	9 to 11
Other Directorships	Board of Directors	5 to 7
Attendance at Board Meetings	A.1	9
Sub-Committee Representation	Audit / Remuneration / Related Party Transactions Committee	30 to 32

Corporate Governance....

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 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.

Attendance at Remuneration Committee Meeting				
Name of Director	Position	09 th Feb. 2021	Meetings Attended	%
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.

Corporate Governance....

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, 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.

Corporate Governance....

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 uphold 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.

Corporate Governance....

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 27 of the Annual Report of the Board of Directors section.

D.1.6 Serious Loss of Capital – Not Applicable

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

D.1.7 Disclosure of Related Party Transactions – Compliant

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

Related Party Transactions Review Committee

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

- Mr. N.H.V. Perera – Chairman (NID)
- Mr. J.D. Vaz (ED)
- Mr. P.S.R. Casie Chitty (NID)

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

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

A report of the Related Party Transactions Review Committee is given on page 32.

Corporate Governance....

The Related Party Transactions Review Committee met three (03) times during the financial year.

Name of Director	Position	Attendance at Related Party Transactions Review Committee Meeting			Meetings Attended	Percentage Attended
		10 th Aug 2020	09 th Nov. 2020	09 th Feb. 2021		
N.H.V. Perera	Chairman	√	√	√	3/3	100%
J.D. Vaz	Member	-	√	√	2/3	66%
P.S.R. Casie Chitty	Member	√	√	√	3/3	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.

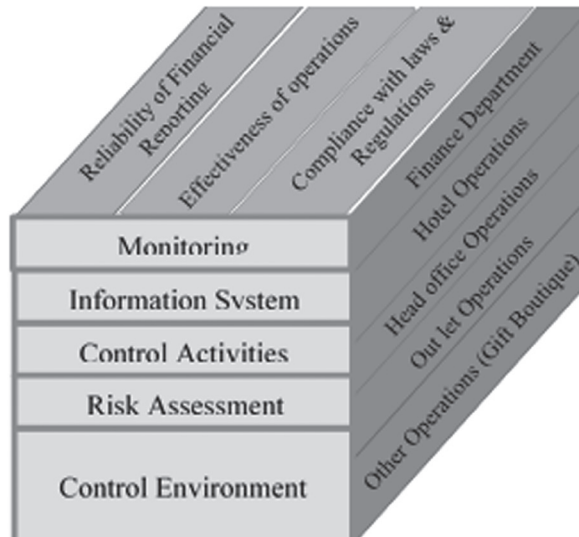
Principal D.2 Internal Controls

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:

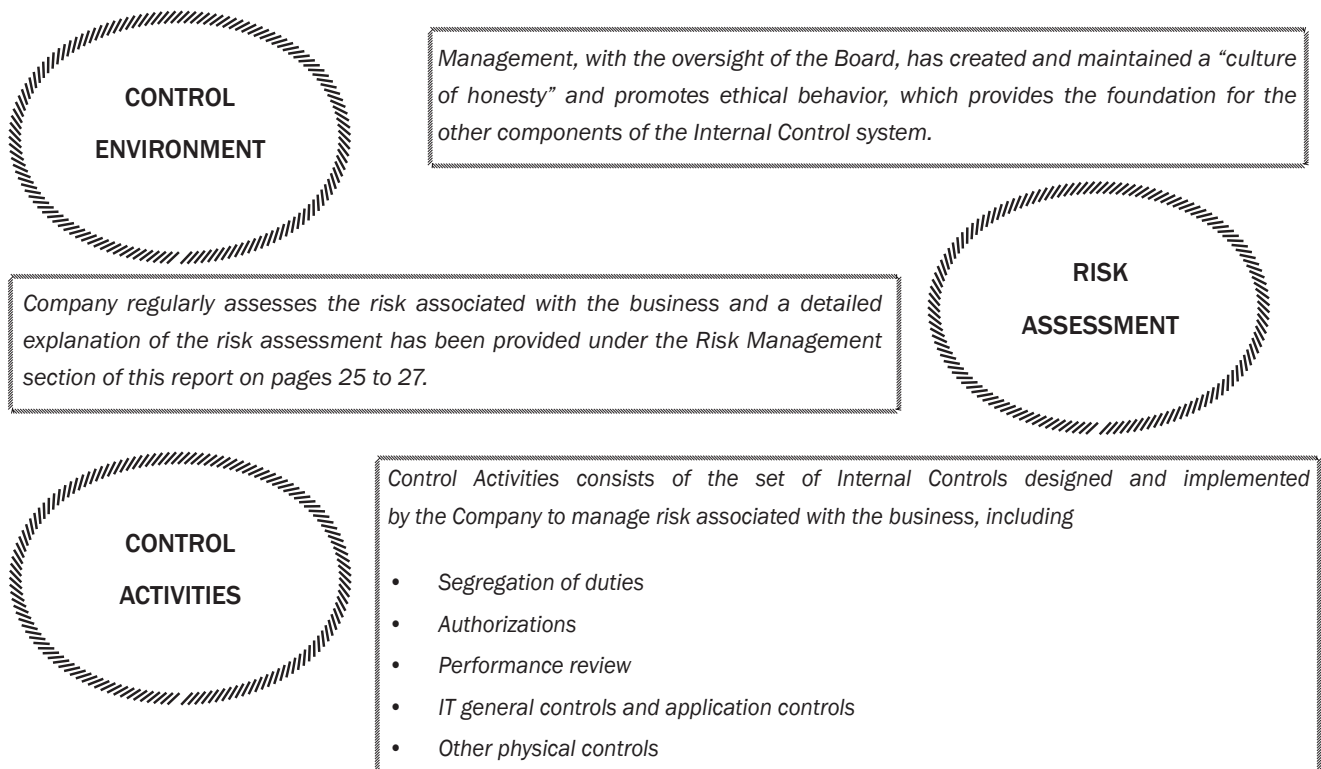
Corporate Governance....



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....

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



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

Departments / Business Units

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

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

D.2.2 & D.2.3 Internal Audit Function & 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 29 provides the declaration made by Directors accepting the responsibility to ensure that the Company is equipped with a sound system of internal controls.

Corporate Governance....

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.

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 30.

The Audit Committee met three (03) times during the year, holding one meeting per quarter according to a predetermined agenda.

Name of Director	Position	Attendance at Audit Committee Meetings			Meetings Attended	Percentage Attended
		10 th Aug. 2020	09 th Nov. 2020	09 th Feb 2021		
N.H.V. Perera	Chairman	√	√	√	3/3	100%
P.S.R. Casie Chitty	Member	√	√	√	3/3	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 30 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 8 to 23 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.

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-Independence in the prescribed format	Compliant	Available with the Secretaries for review
7.10.3 (a)	Disclosure relating to Directors	<ul style="list-style-type: none"> • The Board shall annually make a determination as to the Independence or other wise of the Non-Executive Directors • Names of Independent Directors should be disclosed in the Annual Report 	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"> • Name of Directors comprising of the Remuneration Committee • Statement of Remuneration Policy • Aggregated Remuneration paid to Director 	Compliant Compliant Compliant	Corporate Governance Corporate Governance Notes to the Financial Statements
7.10.6	Audit Committee	The Company shall have an Audit Committee	Compliant	Corporate Governance and The Audit Committee Report
7.10.6 (a)	Composition of Audit Committee	<ul style="list-style-type: none"> • Shall comprise of Non-Executive Directors a majority of whom will be independent 	Compliant	Corporate Governance and The Audit Committee Report
		<ul style="list-style-type: none"> • A Non-Executive Director shall be appointed as the Chairman of the Committee 	Compliant	Corporate Governance and The Audit Committee Report
		<ul style="list-style-type: none"> • CEO (Managing Director) & Chief Financial Officer shall attend Audit Committee Meetings 	Compliant	Corporate Governance and The Audit Committee Report
		<ul style="list-style-type: none"> • The Chairman of the Audit Committee or one member should be a member of a professional accounting body 	Compliant	Corporate Governance and The Audit Committee Report

Corporate Governance....

Reference to SEC & ICASL Code 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"> Preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Financial Reporting Standards Compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements 	Compliant	Corporate Governance and The Audit Committee Report
		<ul style="list-style-type: none"> Processes to ensure that the Internal Controls and Risk Management are adequate to meet the requirements of the Sri Lanka Auditing Standards Assessment of the independence and performance of the External Auditors Make recommendations to the Board pertaining to appointment, re – appointment and removal of External Auditors, and approve the remuneration and terms of engagement of the External Auditors 	Compliant	Corporate Governance and The Audit Committee Report
7.10.6 (c)	Disclosure in the Annual Report relating to Audit Committee	<ul style="list-style-type: none"> Names of Directors comprising the Audit Committee 	Compliant	Corporate Governance and The Audit Committee Report
		<ul style="list-style-type: none"> The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination 	Compliant	Corporate Governance and The Audit Committee Report
		<ul style="list-style-type: none"> The Annual Report shall contain a Report of the Audit Committee setting out the manner of compliance with their functions 	Compliant	Corporate Governance and The Audit Committee Report
D.1.7	Related party Transactions.	<ul style="list-style-type: none"> Disclosure of Related Party Transactions 	Compliant	Notes to the Financial Statements

Risk Management

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

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

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

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

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

The benefit of identifying, managing and mitigating risks is immense for the diverse hospitality industry in which Royal Palms Beach Hotels 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 ensure 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 31st March 2021.

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 8 to 23.

Turnover

The net turnover for the year was Rs. 150,953,434/- (2019/20 - Rs. 617,604,005/-).

Profit & Loss Account

	31.03.2021 Rs.	31.03.2020 Rs.
Net Profit/(Loss) for the Year	(119,920,941)	97,005,534
Less: Provision for Taxation	(8,936,546)	(27,894,491)
Net Profit/(Loss) for the Year	(128,857,487)	69,111,043
Inappropriated Profit Brought Forward	856,087,467	812,089,838
Divident Paid	-	(50,000,000)
Actuarial Gain/(Loss)	(1,338,440)	6,319,370
Income Tax Effect on Actuarial Gain/(Loss)	187,382	(884,712)
Transfer to Retained Earnings from Revaluation Reserves	19,156,588	19,451,928
Profit Available for Appropriation	745,235,511	856,087,467

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. 34,007,104/- (2020 - Rs. 66,994,910/-) 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 41.

Donations

During the year donations amounting to Rs. 96,420/- (2020 - Rs. 82,160/-) were made to various charities by the Company.

Post Balance Sheet Events

No Circumstances have arisen since the reporting 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. T.J. Ondaatjie 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 30 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 32.

Directors Remuneration

The aggregate emoluments paid to the Directors during year, amounted to Rs. 330,000/-.

Directors Shareholdings

As at 31 st March	2021 No. of Shares	2020 No. of 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 2021 was 6,990,461 shares (2020 - 6,990,461), which amounted to 13.98% (2020 - 13.98%) of issued ordinary shares of the Company.

The number of public shareholders as at 31st March 2021 - 1,625.

Float adjusted Market Capitalisation as at 31st March 2021 - Rs. 99,957,000/-.

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 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

9th August 2021

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 34 to 37.

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 38 to 76 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

9th August 2021

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 three (03) 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 Meeting			Meetings Attended	Percentage Attended
		10 th Aug. 2020	09 th Nov. 2020	09 th Feb. 2021		
N.H.V. Perera	Chairman	√	√	√	3/3	100%
P.S.R. Casie Chitty	Member	√	√	√	3/3	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 2022, subject to the approval of the shareholders at the Annual General Meeting.



N.H.V. Perera
Chairman
Audit Committee

9th August 2021

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

9th August 2021

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

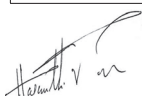
(4) Policies and Procedures

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 three (03) meetings during the last financial year ending 31st March 2021. The committee reviewed the related party transactions on quarterly basis.

Name of Director	Position	Attendance at Related Party Transactions Review Committee Meeting			Meeting Attendance	Percentage Attended
		10 th Aug. 2020	09 th Nov. 2020	09 th Feb. 2021		
N.H.V. Perera	Chairman	√	√	√	3/3	100%
J.D. Vaz	Member	-	√	√	2/3	66%
P.S.R. Casie Chitty	Member	√	√	√	3/3	100%



N.H.V. Perera

Chairman

Related Party Transactions Review Committee

9th August 2021

Financial Calendar

Interim Reporting

1 st Quarter	10 th August 2020
2 nd Quarter	09 th November 2020
3 rd Quarter	09 th February 2021
4 th Quarter	24 th May 2021

Annual Reports

2020/2021	09 th August 2021
2019/2020	27 th August 2020

Meetings

29 th Annual General Meeting	28 th September 2021
28 th Annual General Meeting	29 th September 2020

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Independent Auditors' Report



Ernst & Young
Chartered Accountants
201 De Saram Place
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Colombo 10
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 Royal Palms Beach Hotels PLC (“the Company”), which comprise the statement of financial position as at 31 March 2021, 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 2021, 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 : H M A Jayasinghe FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA W R H De Silva ACA ACMA Ms. Y A De Silva FCA Ms. K R M Fernando FCA ACMA
N Y R L Fernando ACA W K B S P Fernando FCA FCMA Ms. L K H L Fonseka FCA D N Gamage ACA ACMA A P A Gunasekera FCA FCMA A Herath FCA
D K Hulangamuwa FCA FCMA LLB (Lond) Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA A A J R Perera ACA ACMA Ms. P V K N Sajeewani FCA
N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA

Principals : G B Goudian ACMA Ms. P S Paranavitane ACMA LLB (Colombo) T P M Ruberu FCMA FCCA CA Yalagala ACMA

Independent Auditors' Report....

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
<p>Impairment testing of significant Non-Current Assets</p> <p>As at 31 March 2021 the Company reported Property, Plant & Equipment which included Land and Buildings amounting to Rs 2,143 Mn which accounted for 69% of the Total Assets of the Company.</p> <p>The continuing impacts of COVID-19 on the Company's results, have been considered a trigger for impairment testing of these Non-Current Assets. The Company tested such significant Non-Current Assets for impairment based on the recoverable amount determined using fair value less cost to sell.</p> <p>Impairment testing of significant non-current assets was a key audit matter due to;</p> <ul style="list-style-type: none"> - the degree of assumptions, judgements and estimation uncertainties associated with fair valuation of Land and Buildings including the impacts of COVID-19. The fair valuation this year contains higher estimation uncertainties as there were fewer market transactions (as a consequence of the prevailing pandemic), which are ordinarily a strong source of evidence regarding fair value. - key areas of significant judgments, estimates and assumptions included the following; <ul style="list-style-type: none"> • estimate of per perch value of the land and per square foot value of buildings. 	<p>Our Audit Procedures included the following;</p> <ul style="list-style-type: none"> • We read the reports of the external valuer and understood the key estimates made and the approach taken by the valuer in determining the valuation of land & buildings. • We engaged our internal resources to assist us in; <ul style="list-style-type: none"> ▶ assessing the appropriateness of the valuation methods used and the reasonableness of the significant judgements and assumptions such as per perch price and value per square foot used by the valuer. • we discussed with the external valuer and those charged with governance, the external valuer's judgments, assumptions and estimates used by the external valuer and compared the same with relevant published data; and <p>We have also assessed the adequacy of the disclosures made in Note 10 and 29.4 to the financial statements.</p>

Independent Auditors' Report....

Other information included in the 2021 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.

Independent Auditors' Report....

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.
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 2021
Colombo

Statement of Financial Position

As at 31 st March	Note	2021 Rs.	2020 Rs.
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	9	2,142,744,742	2,176,907,964
Intangible Assets	10	530,196	822,132
Investment	15.1	18,000,000	18,000,000
Right-of-Use Assets	13	10,706,102	1,383,065
		2,171,981,040	2,197,113,161
Current Assets			
Inventories	11	12,614,365	14,462,472
Trade and Other Receivables	12	7,375,462	174,962,443
Other Non-Financial Assets	14	11,843,325	11,369,782
Income Tax Receivable		2,833,309	162,319
Amounts Due from Related Parties - Other Financial Assets	15.3	2,097,518	3,744,990
Short-Term Investments - Other Financial Assets	15.2	440,804,690	338,234,461
Cash and Bank Balances	16	115,745,363	152,253,484
		593,314,032	695,189,950
Total Assets		2,765,295,072	2,892,303,111
EQUITY AND LIABILITIES			
Capital and Reserve			
Stated Capital	17	521,583,448	521,583,448
Revaluation Reserve	18	1,096,954,361	1,113,514,683
Retained Earnings		745,235,511	856,087,467
Total Equity		2,363,773,320	2,491,185,598
Non-Current Liabilities			
Interest Bearing Loans & Borrowings	22	9,999,997	-
Deferred Tax Liabilities	8.2	268,228,758	271,506,503
Lease Liability	24	9,146,102	-
Post Employment Benefit Liability	21	40,675,027	35,872,820
		328,049,884	307,379,323
Current Liabilities			
Trade and Other Payables	19	44,413,794	60,560,434
Amounts Due to Related Parties	20	2,212,962	9,284,635
Lease Liability	24	1,560,000	1,464,422
Interest Bearing Loans and Borrowings	22	25,285,113	22,428,699
		73,471,869	93,738,190
Total Equity and Liabilities		2,765,295,072	2,892,303,111

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. Ondaatjie
Chairperson & Managing Director



T.J. Ondaatjie
Director

The Accounting Policies and Notes as set out in pages 43 to 76 form an integral part of these Financial Statements.

Income Statement

Year ended 31 st March	Note	2021 Rs.	2020 Rs.
Revenue	3	150,953,434	617,604,005
Cost of Sales		(50,579,079)	(164,621,488)
Gross Profit		100,374,355	452,982,517
Other Income	4	22,075,356	16,197,772
Selling and Distribution Costs		(5,357,519)	(15,626,384)
Administrative Expenses		(274,011,118)	(391,536,040)
Loss from Derecognition of Property, Plant & Equipment		(1,321,171)	(1,405,616)
Other Expenses		(623,669)	(2,015,887)
Finance Income	6	39,579,062	38,730,534
Finance Cost	6	(636,237)	(321,362)
Profit/(Loss) Before Taxation	5	(119,920,941)	97,005,534
Income Tax Expense	8	(8,936,546)	(27,894,491)
Profit/(Loss) for the Year		(128,857,487)	69,111,043
<hr/>			
Earnings Per Share - Basic	7	(2.58)	1.38

The Accounting Policies and Notes as set out in pages 43 to 76 form an integral part of these Financial Statements.

Statement of Comprehensive Income

Year ended 31 st March	Note	2021 Rs.	2020 Rs.
Profit/(Loss) for the Year		(128,857,487)	69,111,043
Other Comprehensive Income			
Other Comprehensive Income to be Reclassified to Profit or Loss in Subsequent Periods (Net of Tax)		-	-
Other Comprehensive Income not to be Reclassified to Profit or Loss in subsequent periods (net of tax):			
Actuarial Gains/(Losses) on Defined Benefit Plans	21.1	(1,338,440)	6,319,370
Income Tax Effect on Actuarial Gains/(Losses) on Defined Benefit Plans		187,382	(884,712)
Revaluation of Land & Buildings		-	-
Income Tax Effect on Revaluation of Land and Buildings	18	-	-
Other Comprehensive Income/(Loss) for the Year		(1,151,058)	5,434,658
Total Comprehensive Income/(Loss) for the Year		(130,008,545)	74,545,701

The Accounting Policies and Notes as set out in pages 43 to 76 form an integral part of these Financial Statements.

Statement of Changes in Equity

Year ended 31 st March	Stated Capital Rs.	Revaluation Surplus Rs.	Retained Earnings Rs.	Total Rs.
As at 1 st April 2019	521,583,448	1,130,327,353	812,089,838	2,464,000,639
Net Profit for the Year	-	-	69,111,043	69,111,043
Other Comprehensive Income				
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)
Total Comprehensive Income	-	-	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)
As at 31st March 2020	521,583,448	1,113,514,683	856,087,467	2,491,185,598
Net Profit/(Loss) for the Year			(128,857,487)	(128,857,487)
Other Comprehensive Income				
Actuarial Gain/(Loss)	-	-	(1,338,440)	(1,338,440)
Income Tax Effect on Actuarial Gain/(Loss)	-	-	187,382	187,382
Total Comprehensive Income	-	-	(130,008,545)	(130,008,545)
Transfer to Retained Earnings from Revaluation Reserve	-	(19,156,588)	19,156,588	-
Deferred Tax on Transfer	-	2,596,266	-	2,596,266
As at 31st March 2021	521,583,448	1,096,954,361	745,235,511	2,363,773,320

The Accounting Policies and Notes as set out in pages 43 to 76 form an integral part of these Financial Statements.

Statement of Cash Flows

Year ended 31 st March	Note	2021 Rs.	2020 Rs.
Cash Flows From Operating Activities			
Profit/(Loss) Before Taxation		(119,920,941)	97,005,534
Adjustments for:			
Depreciation	9	67,697,503	67,240,507
Amortisation	10.1	291,936	293,352
Finance Income	6	(39,579,062)	(38,730,534)
Finance Costs	6	636,237	321,362
Loss from Derecognition of Property, Plant and Equipment		1,321,171	1,405,616
(Gain)/Loss on Disposal of Property, Plant and Equipment		(5,464,708)	732,507
Provision for Retirement Benefit Obligations	21	6,606,851	6,594,121
Operating Profit/(Loss) Before Working Capital Changes		(88,411,013)	134,862,466
(Increase)/Decrease in Inventories		1,848,107	2,174,576
(Increase)/Decrease in Trade and Other Receivables		155,357,990	(22,536,419)
(Increase)/Decrease in Other Non-Financial Assets		(473,543)	(1,889,445)
(Increase)/Decrease in Amounts Due from Related Parties		1,647,473	(1,643,609)
Increase/(Decrease) in Trade and Other Payables		(16,146,640)	(13,012,741)
Increase/(Decrease) in amounts Due to Related Parties		(7,071,672)	4,042,224
Cash Generated from Operations		46,750,701	101,997,051
Income Tax Paid		(12,101,633)	(20,890,958)
Finance Costs Paid		(540,659)	(63,070)
Retirement Benefit Costs Paid	21	(3,143,085)	(722,843)
Net Cash From Operating Activities		30,965,325	80,320,180
Cash Flows from/(Used in) Investing Activities			
Acquisition of Property, Plant and Equipment	9	(34,007,104)	(66,994,910)
Investments in Fixed Deposits		(105,041,834)	(49,201,349)
Interest Received		42,050,667	36,646,485
Proceeds on disposal of Property, Plant and Equipment		5,999,425	1,840,475
Net Cash Flows Used in Investing Activities		(90,998,847)	(77,709,299)
Cash Flows from/(Used in) Financing Activities			
Obtained of Interest Bearing Loans & Borrowings	22.1	25,000,000	-
Lease Rent Payment		(1,560,000)	(1,560,000)
Dividends Paid-on Ordinary Shares		-	(50,000,000)
Net Cash Flows from/(Used in) Financing Activities		23,440,000	(51,560,000)
Net Increase/(Decrease) in Cash and Cash Equivalents		(36,593,522)	(48,949,119)
Effect of Exchange Rate Changes on Cash and Cash Equivalents		12,228,991	5,778,945
Cash and Cash Equivalents at the Beginning of the Year	16	129,824,784	172,994,959
Cash and Cash Equivalents at the End of the Year	16	105,460,253	129,824,784

The Accounting Policies and Notes as set out in pages 43 to 76 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 31st March 2021 were authorized for issue in accordance with a resolution of the Board of Directors on 9th August 2021.

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. 07 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 and Equipment, the Company determined the cost of derecognised assets based on the quantity surveyor's valuation.

Defined Benefit Plans

The Defined Benefit Obligation and the related charge for the year are determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, future salary increases, mortality rates etc. Due to the long term nature of such obligations these estimates are subject to significant uncertainty. Further details are given in Note 24.

Useful lives of Property, Plant and Equipment

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

Useful life of Intangible Asset

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

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

The principal Accounting Policies applied in the preparation of the Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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.

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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 and 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.

f) 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.

2.3.3 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.

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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) IFRIC 23 Uncertainty Over Income Tax Treatments

The IFRIC 23 interpretation on Uncertainty over income tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes specifically determination of taxable profit/(loss), tax bases, unused tax losses, unused tax credits and tax rates. 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 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.

d) 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/(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 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.

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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 accumulated depreciation and impairment losses recognised after the date of revaluation. 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:

	2021	2020
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.

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.

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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.

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.

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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 into 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.

A gain 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.

2.3.9 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated 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-

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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.

2.3.10 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.

2.3.11 Capital Commitments and Contingencies

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

2.3.12 Retirement Benefit Obligations

a) Defined Benefit Plans – Gratuity

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

The Company measures the present value of the promised retirement benefits of gratuity, which is a defined benefit plan with the advice of an independent professional actuary once in every year using the Projected Unit Credit method. Actuarial gains and losses are 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.

2.3.13 Impairment of Non-Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or 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

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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.

2.3.14 Leases

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.

2.3.14.1 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.

2.3.14.2 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.

2.3.14.3 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.

2.3.14.4 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.

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2.3.14.5 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.

2.4 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.

SLFRS 17 - Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace IFRS 4 Insurance Contracts (SLFRS 4). SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

SLFRS 17 is effective for annual reporting periods beginning on or after 1st January 2023.

2.4.1 Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 – Interest Rate Benchmark Reform (Phase 1 & 2)

The amendments to SLFRS 9 & LKAS 39 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

IBOR reforms Phase 2 include number of reliefs and additional disclosures. Amendments supports companies in applying SLFRS when changes are made to contractual cash flows or hedging relationships because of the reform.

These amendments to various standards are effective for the annual reporting periods beginning on or after 1st January 2021.

2.4.2 Amendments to SLFRS 16 - COVID-19 Related Rent Concessions

The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 Pandemic.

As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from Covid-19 related rent concession the same way it would account for the change under SLFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1st June 2020.

2.4.3 Amendments to SLFRS 3

The amendments update SLFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to SLFRS 3 a requirement that, for obligations within the scope of LKAS 37, an acquirer applies LKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1st January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

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2.4.4 Property, Plant and Equipment: Proceeds Before Intended Use – Amendments to LKAS 16

In March 2021, the ICASL adopted amendments to LKAS 16 - Property, Plant and Equipment – Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1st January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

2.4.5 Onerous Contracts – Costs of Fulfilling a Contract – Amendments to LKAS 37

In March 2021, the ICASL adopted amendments to LKAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1st January 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

2.4.6 Amendments to LKAS 1: Classification of Liabilities as Current or Non-current

In March 2021, ICASL adopted amendments to paragraphs 69 to 76 of LKAS 1 which specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1st January 2022 and must be applied retrospectively.

None of the new or amended pronouncements are expected to have a material impact on the Financial Statements of the Company in the foreseeable future.

Notes to the Financial Statements....

Year ended 31 st March	2021 Rs.	2020 Rs.
3. REVENUE		
Room Revenue	19,084,231	192,349,073
Food and Beverage Revenue	126,073,844	401,936,590
Other Hotel Related Revenue	5,795,358	23,318,342
	150,953,433	617,604,005
4. OTHER INCOME		
Surplus at the year end foreign currency conversion	16,558,576	15,492,808
Profit from Disposal of Property, Plant and Equipment	5,464,708	-
Income from Staff Meals	52,072	704,964
	22,075,356	16,197,772
5. PROFIT BEFORE TAXATION		
Stated After Charging/(Crediting)		
Depreciation	66,314,438	65,857,442
Amortisation of Intangible Assets	291,936	293,352
Auditors' Remuneration (Fees & Expenses)	462,200	462,200
Operation and Marketing Fee - Related Party	4,844,255	21,087,521
Staff Costs		
- Wages and Salaries	109,503,021	146,881,613
- Cost of Meals	10,558,767	12,417,931
- Defined Benefit Plan Costs - Gratuity	6,606,851	6,594,120
- Defined Contribution Plan Costs - EPF & ETF	13,696,386	15,535,428
Donations/CSR	96,420	82,160
Directors' Fee	330,000	390,000
Marketing and Promotional Fees	3,506,096	7,147,970
Power and Energy Expenditure	25,489,679	47,998,993
Repair and Maintenance Expenditure	14,434,347	29,905,233
(Profit)/Loss on Disposal of Property, Plant and Equipment	(5,464,708)	732,507
Nations Building Tax	-	5,809,536
6. NET FINANCE INCOME/(EXPENSES)		
6.1 Interest Income - Related Party	35,750,908	33,207,031
Interest Income - Other	3,828,154	5,523,503
	39,579,062	38,730,534
6.2 Interest on Bank Overdrafts	(6,412)	(63,070)
Interest on Term Loan	(534,247)	-
Interest on Lease	(95,578)	(258,292)
	(636,237)	(321,362)
	38,942,825	38,409,171

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.

	2021	2020
	Rs.	Rs.
Amount Used as the Numerator:		
Net Profit for the Period	(128,857,487)	69,111,043
Net Profit Attributable to Ordinary Shareholders for Basic Earnings Per Share	(128,857,487)	69,111,043
Number of Ordinary Shares Used as Denominator	Number	Number
Weighted average number of Ordinary Shares Applicable to Basic Earnings Per Share	50,000,000	50,000,000
Earnings Per Share	(2.58)	1.38

8. INCOME TAX

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

Income Statement

Current Income Tax

	2021	2020
	Rs.	Rs.
Current Income Tax charge (Note 8.1)	9,239,628	17,692,862
Under/(Over) Provision of Current Taxes in Respect of Prior Years	191,015	(97,225)
	9,430,643	17,595,637

Deferred Income Tax

Deferred Taxation Charge/(Reversal) (Note 8.2)	(494,097)	10,298,854
Income Tax Expense Reported in the Income Statement	8,936,546	27,894,491

Statement of Changes in Equity

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

Income Tax Expense Reported in Equity	187,382	(884,712)
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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 :

	2021	2020
	Rs.	Rs.
Accounting Profit/(Loss) Before Tax	(119,920,941)	97,005,534
Disallowable Expenses	84,640,894	85,790,057
Allowable Expenses	(69,311,142)	(56,418,005)
Tax Losses Not Utilised in the Current Financial Year	143,089,637	-
Taxable Income	38,498,448	126,377,587

Current Tax Charged at:

Standard Rate of 24% (2020 - 28%)	9,239,628	-
Concessionary Rate of 14% (2020 - 14%)	-	17,692,862
Current Tax Charge	9,239,628	17,692,862

Notes to the Financial Statements....

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

	Statement of Financial Position		Income Statement	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
Deferred Tax Liability				
Capital Allowances for Tax Purposes	103,886,757	104,467,389	(580,632)	11,326,723
	103,886,757	104,467,389	(580,632)	11,326,723
Deferred Tax Assets				
Defined Benefit Plans - Recognised through Income Statement	(5,507,122)	(5,906,907)	399,785	(739,819)
Right of Use Assets - Recognised through Income Statement	-	(11,390)	11,390	(11,390)
General Provisions -				
Allowances for Doubtful Receivables	(612,629)	(395,691)	(216,938)	(222,579)
Allowances for Obsolete Inventories	(467,089)	(359,387)	(107,702)	(54,081)
	(6,586,840)	(6,673,375)		
Deferred Tax Expense			(494,097)	10,298,854
Statement of Other Comprehensive Income				
			2021	2020
			Rs.	Rs.
Defined Benefit Plans - Recognised Through OCI	296,472	483,854	(187,382)	884,712
Revaluation of Land and Building	176,100,507	176,100,507	-	-
	176,396,979	176,584,361	(187,382)	884,712
Statement of Changes in Equity				
			2021	2020
			Rs.	Rs.
Deferred Tax Impact on SLFRS 9 (2018)	(232,614)	(232,614)	-	-
Deferred Tax on Amount Transferred to Revaluation Reserves	(5,235,524)	(2,639,258)	(2,596,266)	(2,639,258)
	(5,468,138)	(2,871,872)	(2,596,266)	(2,639,258)
Net Deferred Tax Liability	268,228,758	271,506,503		

Notes to the Financial Statements....

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

	2021 Rs.	2020 Rs.
Deferred Tax Assets		
As at 1st April	6,905,989	5,878,120
Income Statement Release/(Charge)	(86,535)	1,027,869
Tax Income Recognized in Other Comprehensive Income	-	-
Tax Income Recognized in Equity Statement	-	-
As at 31st March	6,819,454	6,905,989
Deferred Tax Liabilities		
As at 1st April	278,412,492	268,840,315
Income Statement Charge/(Release)	(580,632)	11,326,723
Tax Income Recognized in Other Comprehensive Income	(187,382)	884,712
	277,644,478	281,051,750
Deferred Tax on Amount Transferred from Revaluation Reserve (Note 18)	(2,596,266)	(2,639,258)
As at 31st March	275,048,212	278,412,492
Deferred Tax Liabilities (Net)	268,228,758	271,506,503

9. PROPERTY, PLANT AND EQUIPMENT

9.1 Gross Carrying Amounts

	Balance As At 01.04.2020 Rs.	Additions Rs.	Disposals / Transfers Rs.	Derecognition of Assets Rs.	Balance As At 31.03.2021 Rs.
At Cost or Valuation					
Freehold Land	622,851,250	-	-	-	622,851,250
Buildings on Freehold Land	1,319,111,863	28,385,789	-	(1,433,135)	1,346,064,517
Motor Vehicles	39,550,823	-	(10,000,000)	-	29,550,823
Kitchen Equipment	54,980,456	-	(1,066,314)	-	53,914,142
Furniture and Fittings	125,136,433	840,666	(705,648)	-	125,271,451
Office Equipment	1,950,702	-	(107,000)	-	1,843,702
Recreational Equipment	7,729,871	-	-	-	7,729,871
Hotel Equipment	173,106,968	3,857,787	(1,649,348)	-	175,315,407
Air-Condition & Ventilation System	53,655,071	910,334	-	-	54,565,405
Solar Water Heater System	4,262,028	-	-	-	4,262,028
Computer Equipment	11,681,465	-	(89,613)	-	11,591,852
Linen & Furnishing	29,122,393	-	(589,372)	-	28,533,021
Cutlery, Crockery & Glassware	7,193,910	12,528	(200,778)	-	7,005,660
Gross Carrying Amounts	2,450,333,233	34,007,104	(14,408,073)	(1,433,135)	2,468,499,129

Notes to the Financial Statements....

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

9.2 Depreciation

	Balance As at 01.04.2020 Rs.	Charge for the Year Rs.	Disposals Rs.	Derecognition of Assets Rs.	Balance As at 31.03.2021 Rs.
At Cost or Valuation					
Buildings on Freehold Land	33,434,766	33,826,073	-	(111,964)	67,148,875
Motor Vehicles	24,878,114	3,689,105	(10,000,000)	-	18,567,219
Kitchen Equipment	24,442,336	2,287,157	(1,066,314)	-	25,663,179
Furniture and Fittings	51,711,825	5,900,533	(508,515)	-	57,103,843
Office Equipment	913,432	72,562	(47,704)	-	938,290
Recreational Equipment	6,514,379	208,212	-	-	6,722,591
Hotel Equipment	59,550,595	8,540,525	(1,371,060)	-	66,720,060
Air Condition & Ventilation System	32,295,511	5,431,948	-	-	37,727,459
Solar Water Heater System	1,633,778	426,204	-	-	2,059,982
Computer Equipment	9,769,812	783,217	(89,613)	-	10,463,416
Linen & Furnishing	23,725,070	3,756,750	(589,372)	-	26,892,448
Cutlery, Crockery & Glassware	4,555,651	1,392,152	(200,778)	-	5,747,025
Total Depreciation	273,425,269	66,314,438	(13,873,356)	(111,964)	325,754,387

9.3 Net Book Values

	2021 Rs.	2020 Rs.
At Cost or Valuation		
Freehold Land	622,851,250	622,851,250
Buildings on Freehold Land	1,278,915,642	1,285,677,097
Motor Vehicles	10,983,604	14,672,709
Kitchen Equipment	28,250,963	30,538,120
Furniture and Fittings	68,167,608	73,424,608
Office Equipment	905,412	1,037,270
Recreational Equipment	1,007,280	1,215,492
Hotel Equipment	108,595,347	113,556,373
Air Condition & Ventilation System	16,837,946	21,359,560
Solar Water Heater System	2,202,046	2,628,250
Computer Equipment	1,128,436	1,911,653
Linen & Furnishing	1,640,573	5,397,323
Cutlery, Crockery & Glassware	1,258,635	2,638,259
Total Net Carrying Amount of Property, Plant and Equipment	2,142,744,742	2,176,907,964

- 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 31st 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....

9.4 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 2021	Net Carrying Amount 2020
	Rs.	Rs.	Rs.	Rs.
Freehold Land	72,204,611	-	72,204,611	72,204,611
Buildings on Freehold Land	779,508,439	170,410,324	609,098,115	597,314,811
	851,713,050	170,410,324	681,302,726	669,519,422

9.5 During the financial year, the Company acquired Property, Plant & Equipment to the aggregate value of Rs. 34,007,104/- (2020 - Rs. 66,994,910/-) for cash consideration.

9.6 Property, Plant and Equipment includes fully depreciated assets which are still in use having a gross carrying amount of Rs. 73,890,703/- (2020 - Rs. 77,026,534/-).

9.7 With effect from 1st April 2012, the Company reviewed the useful life of each significant component of buildings. In the review process, the Company has taken the assistance of an independent professional valuer. Accordingly, depreciation was calculated for the year ended 31st March 2021 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 As a part of the process used to assess whether there is any impairment of our Property, Plant and Equipment carried under the cost model, we have exercised judgement to determine if there are any indicators of impairment present. Factors we have considered include (but not limited to) assessing the overall effect of trends in the hospitality industry and the general economy of Sri Lanka and globally, prevailing industry conditions, our historical experience, measures to control the spread of the COVID-19 pandemic and its effect on our business operations and other information specific to the hotel property, based on information available as at date of our assessment. We have not identified any impairment of such Property, Plant & Equipment as at the year end.

Notes to the Financial Statements....

10. INTANGIBLE ASSETS

10.1 Cost

	Computer Software	
	2021	2020
	Rs.	Rs.
As at the Beginning of the Year	6,301,406	6,301,406
Incurred During the Year	-	-
As at the End of the Year	6,301,406	6,301,406
Amortisation		
As at the Beginning of the Year	5,479,274	5,185,922
Amortised During the Year	291,936	293,352
As at the End of the Year	5,771,210	5,479,274
Net Book Value		
As at the Beginning of the Year	822,132	1,115,484
As at the End of the Year	530,196	822,132

11. INVENTORIES

	2021	2020
	Rs.	Rs.
Food and Beverage Inventories	5,367,138	6,948,898
Housekeeping and General Inventories	1,363,039	1,526,251
Uniforms	3,752,402	3,399,750
Others Consumables	4,158,832	3,801,844
Gift Boutique Inventories	1,309,306	1,352,782
	15,950,717	17,029,525
Less: Allowances for Obsolete Inventories	(3,336,352)	(2,567,053)
	12,614,365	14,462,472

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

	2021	2020
	Rs.	Rs.
Trade Receivables - Related Party (Note 12.1)	4,126,914	61,760,396
- Other	6,502,153	113,849,847
Less : Allowances for Doubtful Trade Receivables (Note 12.2)	(4,375,922)	(2,826,361)
	6,253,145	172,783,882
Other Receivables	675,467	1,602,102
Loans to Company Officers	446,850	576,459
	7,375,462	174,962,443

12.1 Trade Due from Related Parties

Name of the Company	Relationship		
Tangerine Tours (Pvt) Limited	Other Related Party	4,126,914	61,760,396
		4,126,914	61,760,396

Notes to the Financial Statements....

12.2 Total Allowance for Impairment on Trade Debtors

	2021 Rs.	2020 Rs.
Balance as at Beginning of the Year	2,826,361	3,219,943
Charge/(Reversal) for the Year	1,549,561	(393,582)
Balance as the End of the Year	4,375,922	2,826,361

Impact of COVID-19 pandemic on trade and other receivable balance as at 31st March 2021 is elaborated in detail in Note 29 - Risk management.

13. RIGHT-OF-USE ASSETS

	Right-of-Use Buildings	
	2021 Rs.	2020 Rs.
Movement During the Year		
Cost		
Balance as at Beginning of the Year	2,766,130	-
Recognition of Operating Leases Under SLFRS 16	10,706,102	2,766,130
Additions	-	-
Balance as at the End of the Year	13,472,232	2,766,130
Accumulated Depreciation/Impairment		
Balance as at Beginning of the Year	1,383,065	-
Charge for the Year	1,383,065	1,383,065
Balance as at the End of the Year	2,766,130	1,383,065
Net Book Value		
As at the Beginning of the Year	1,383,065	2,766,130
As at the End of the Year	10,706,102	1,383,065

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 31.03.2021
Building - 898.44 Sq.Ft.	Colombo 03	10 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%	(35,941)	(35,941)
Decreased -1%	36,140	36,140

14. OTHER NON-FINANCIAL ASSETS

	2021 Rs.	2020 Rs.
Prepayments and Advances	4,357,664	7,494,481
Other Receivables	7,485,661	3,875,300
	11,843,325	11,369,781

Notes to the Financial Statements....

15. OTHER FINANCIAL ASSETS

15.1 Measured at Fair Value Through OCI

	No. of Shares		Cost	Directors	Cost	Directors
	2021	2020	2021	Valuation **	2020	Valuation **
			Rs.	Rs.	Rs.	Rs.
Non-Quoted Equity Securities with Non-Related Parties						
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 2021 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

			2021	2020
			Rs.	Rs.
	Company	Relationship		
Fixed Deposits	Mercantile Investments and Finance PLC	Other Related Party	411,885,590	316,894,096
	Commercial Bank PLC		28,919,101	21,340,365
			440,804,691	338,234,461

15.3 Measured at Amortised Cost

Other Receivable Due from Related Parties

Name of the Company	Relationship	2021	2020
		Rs.	Rs.
Tangerine Beach Hotels PLC	Significant Investor	1,533,055	2,918,672
The Nuwara Eliya Hotels Co. PLC	Other Related Party	564,463	826,318
		2,097,518	3,744,990

16. CASH AND BANK BALANCES

	2021	2020
	Rs.	Rs.
Cash at Bank and in Hand	115,745,363	152,253,484
	115,745,363	152,253,484

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

Cash and Bank Balances	115,745,363	152,253,484
Bank Overdraft (Note 22)	(10,285,110)	(22,428,699)
	105,460,253	129,824,784

Notes to the Financial Statements....

17. STATED CAPITAL

	Number of Shares	Ordinary Shares Rs.
At 31 st March 2021	50,000,000	521,583,448
At 31 st March 2020	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

	2021 Rs.	2020 Rs.
On: Property, Plant and Equipment		
As at the Beginning of the Year	1,113,514,683	1,130,327,353
Transfer to Retained Earning*	(19,156,588)	(19,451,928)
Deferred Tax on Transfers to Retained Earnings	2,596,266	2,639,258
As at the End of the Year	1,096,954,361	1,113,514,683

* 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

	2021 Rs.	2020 Rs.
Financial Liabilities (Note 19.1)	22,925,489	32,592,361
Non-Financial Liabilities (Note 19.2)	21,488,305	27,968,073
	44,413,794	60,560,434

19.1 Financial Liabilities

	2021 Rs.	2020 Rs.
Trade Payables	16,242,443	22,116,029
Service Charge Payable	1,538,494	5,052,079
Other Payables	5,144,552	5,424,253
	22,925,489	32,592,361

Notes to the Financial Statements....

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

19.2 Non-Financial Liabilities

	2021 Rs.	2020 Rs.
Advanced Received for Reservation	5,756,401	8,551,775
Accrued Expenses	1,920,811	2,840,839
EPF & ETF Payable	1,638,762	2,009,707
TDL Payable	4,223,494	4,342,705
Refundable Deposits	500,000	1,000,000
Other Payables	7,448,837	9,223,047
	21,488,305	27,968,073

20. AMOUNTS DUE TO RELATED PARTIES

	2021 Rs.	2020 Rs.
Name of the Related Party		
	Relationship	
Security Ceylon (Pvt) Ltd.	602,479	544,366
Tangerine Tours (Pvt) Ltd.	1,480,580	8,600,876
Mercantile Investments & Finance PLC	129,903	139,393
	2,212,962	9,284,635

21. EMPLOYEE BENEFIT LIABILITY

	2021 Rs.	2020 Rs.
Balance as at the Beginning of the Year	35,872,820	36,320,912
Charge for the Year (Note 21.1)	7,945,291	274,751
Payments During the Year	(3,143,085)	(722,843)
Balance as at the End of the Year	40,675,026	35,872,820

21.1 Expenses on Defined Benefit Plan

	2021 Rs.	2020 Rs.
Current Service Cost for the Year	3,163,060	2,598,820
Actuarial (Gain)/Loss	1,338,440	(6,319,370)
Interest Cost for the Year	3,443,791	3,995,301
	7,945,291	274,751

Notes to the Financial Statements....

21.2 Actuarial Assumptions

	2021	2019
Discount Rate	7.5%	9.6%
Salary Increment	7.0%	7.0%
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 : 7.00% 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 2021 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
31st March 2021		
Increase/(Decrease) in Discount Rate		
1%	2,050,000	(2,050,000)
-1%	(2,266,130)	2,266,130
Increase/(Decrease) in Salary Increment		
1%	(2,031,005)	2,031,005
-1%	1,872,207	(1,872,207)
31st March 2020		
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)

Notes to the Financial Statements....

21.4 Maturity Profile

	2021 Rs.	2020 Rs.
Distribution of defined benefit obligation over the future working life time		
Less than or Equal 1 Year	6,325,694	6,458,440
Over 1 Year and Less than or Equal 2 Years	9,619,468	7,886,356
Over 2 Years and Less than or Equal 5 Years	10,145,568	6,801,388
Over 5 Years and Less than or Equal 10 Years	8,796,162	10,687,186
Over 10 Years	5,788,135	4,039,450
Total	40,675,027	35,872,820

22. INTEREST BEARING LOANS AND BORROWINGS

	2021 Rs.	2020 Rs.
Current		
Bank Overdraft	10,285,110	22,428,699
Term Loan - Saubagya Covid-19 Loan	15,000,003	-
	25,285,113	22,428,699
Non-current		
Term Loan - Saubagya Covid-19 Loan	9,999,997	-
	9,999,997	-
	35,285,110	22,428,699

22.1 Term Loan - Saubagya Covid-19 Loan

	2021 Rs.	2020 Rs.
Balance as at Beginning of the Year	-	-
Obtained During the Year	25,000,000	-
Repayment During the Year	-	-
Balance as at the End of the Year	25,000,000	-

22.2 Details of Loan - Terms and conditions

Purpose	To finance 02 months working capital requirement of the company.
Loan amount	Rs 25,000,000/- (Rupees Twenty Five Million only)
Commencement date	09th of September 2020
Grace Period	09 months Grace period
Repayment of Loan	Capital to be repaid 14 equal monthly installements of Rs. 1,666,667/- and the final installement of Rs. 1,666,662/- together with interest, after the grace period.
Interest Rate	4%
Term	02 Years
Security	Company had pledged Fixed Deposit of Rs. 28,000,000 as security.

Notes to the Financial Statements....

23. COMMITMENTS

23.1 Financial Guarantees

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

23.2 Capital Expenditure Commitments

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

24. LEASE LIABILITIES

24.1 Movement of Lease Liabilities

	2021 Rs.	2019 Rs.
Balance as at the Beginning of the Year	1,464,422	-
Recognition of Operating Lease Liability Under SLFRS 16	10,706,102	2,766,130
Payment of Lease Liabilities	(1,560,000)	(1,560,000)
Interest Expense	95,578	258,292
Balance as at the End of the Year	10,706,102	1,464,422
Current portion of Lease Liabilities	1,560,000	1,464,422
Non-Current Portion of Lease Liabilities	9,146,102	-

** The Company use 8.32% as Incremental Borrowing Rate

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

	2021 Rs.	2020 Rs.
Depreciation Expenses of Right of Use Assets	1,383,065	1,383,065
Interest Expense on Lease Liability	95,578	258,292
Total Amount Recognized in Profit and Loss	1,478,643	1,641,357

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	6,240,000	7,800,000

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 31 st March	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Staff Quarters Rent	Market Terms	(600,000)	(608,163)	1,533,055	2,918,672
Swerage Treatment Plant Rent	Market Terms	(2,219,203)	(2,490,318)		
Staff Meals	Market Terms	(20,350)	13,321,878		
Laundry Charges	Market Terms	3,982,511	14,096,266		
Water Bottles	Market Terms	(39,180)	(476,481)		
Over Booking Transfer	Market Terms	-	(64,000)		
Reimbursement of Expenses - (Net)		2,260,292	1,814,929		
Funds Transfers for Settlements		(4,749,687)	(24,097,290)		

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

	2021 Rs.	2020 Rs.
Short-Term Post Employment Benefits	10,299,426	13,990,500

Notes to the Financial Statements....

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 31 st March	
				2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Security Ceylon (Pvt.) Ltd.	Other Related Company	Security Services	As per Agreement	(10,307,172)	(12,322,654)	(602,479)	(544,366)
		Security Staff Meals	Market Terms	1,093,522	1,482,257		
		Reimbursement of Expenses		25,023	-		
		Settlements		9,130,514	11,182,427		
Tangerine Tours (Pvt.) Ltd.	Other Related Company	Tour Operation	As per Agreement	184,500	125,717,349	2,646,334	53,159,520
		Operation & Marketing Fee	As per Agreement	(4,844,255)	(21,087,522)		
		Reimbursement of Expenses		(4,272,824)	(4,936,562)		
		Settlements - Net		(41,580,608)	(56,961,621)		
Mercantile Investments & Finance PLC	Other Related Company	Repairs & Services to Motor Vehicles	Market Terms	(184,988)	(679,946)	(129,904)	(139,393)
		Head Office Rent	As per Agreement	(1,560,000)	(1,581,216)		
		Reimbursement of Expenses		(1,463,823)	(1,689,049)		
		Settlements - Net		3,218,299	3,938,753		
		Net Movement of Fixed Deposits Investments	Market Terms	94,991,494	67,657,534	411,885,590	316,894,096
		Interest Income	Market Terms	35,750,908	33,207,031		
The Nuwara Eliya Hotels Co. PLC	Other Related Company	Reimbursement of Expenses		3,184,578	4,094,354	564,463	826,318
		Settlements		(3,446,434)	(3,947,565)		

Notes to the Financial Statements....

27. RECLASSIFICATION OF COST OF SALES AND ADMINISTRATIVE EXPENSES

The department salaries total of Rs. 68,010,011/- for year ended 31st March 2020 presented under cost of sale category has been reclassified for better presentation purpose for Administrative expenses category.

Expense Category	Previously Presented	Adjustment	Current Presentation
	Rs.	Rs.	Rs.
Cost of Sales	232,631,499	(68,010,011)	164,621,488
Administrative Expenses	323,526,029	68,010,011	391,536,040

28. GOING CONCERN

Royal Palms Beach Hotels PLC, faced a drastic drop in tourist arrivals and booking cancellations during 2020/2021 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 only have the Tourist Board granted borrowing which is Saubagya Term loan and company's has healthy liquidity position as the current assets exceeds its current liabilities by Rs. 519,842,163/- 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 believes that company's resources including cash and short-term deposits amounting to Rs. 556,550,053/- 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.

29. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

29.1 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....

29.1 Carrying Amounts and Fair Values of Financial Instruments (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.
31st March 2021					
Financial Assets					
Current Assets					
Trade & Other Receivables	7,375,462	-	-	7,375,462	7,375,462
Cash and Short-Term Deposits	556,550,053	-	-	556,550,053	556,550,053
Amounts Due from Related Parties	2,097,518	-	-	2,097,518	2,097,518
	566,023,033	-	-	566,023,033	566,023,033
Non-Current Assets					
Investments	-	-	18,000,000	18,000,000	18,000,000
	-	-	18,000,000	18,000,000	18,000,000
Financial Liabilities					
Current Liabilities					
Trade and Other Payables	44,413,794	-	-	44,413,794	44,413,794
Amounts Due to Related Parties	2,212,962	-	-	2,212,962	2,212,962
Bank Overdrafts	10,285,110	-	-	10,285,110	10,285,110
Interest-bearing Loans and Borrowings	15,000,003	-	-	15,000,003	15,000,003
	71,911,869	-	-	71,911,869	71,911,869
Non-Current Assets					
Interest-Bearing Loans and Borrowings	9,999,997	-	-	9,999,997	9,999,997
	9,999,997	-	-	9,999,997	9,999,997
31st March 2020					
Financial Assets					
Current Assets					
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
	669,195,378	-	-	669,195,378	669,195,378
Non-Current Assets					
Investments	-	-	18,000,000	18,000,000	18,000,000
	-	-	18,000,000	18,000,000	18,000,000
Financial Liabilities					
Current Liabilities					
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
	92,273,768	-	-	92,273,768	92,273,768

Notes to the Financial Statements....

29.2 Determination of Fair Value and Fair Value Hierarchy

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

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

29.3 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.

	2021		2020	
	Carrying Value Rs.	Fair Value Rs.	Carrying Value Rs.	Fair Value Rs.
Current Assets				
Trade and Other Receivables	7,375,462	7,375,462	174,962,443	174,962,443
Amounts Due from Related Parties	2,097,518	2,097,518	3,744,990	3,744,990
Other Non-Financial Assets	11,843,325	11,843,325	11,369,781	11,369,781
Short-term Deposits	440,804,690	440,804,690	338,234,461	338,234,461
Cash at Bank and Cash in Hand	115,745,363	115,745,363	152,253,484	152,253,484
	577,866,358	577,866,358	680,565,159	680,565,159
Current Liabilities				
Trade and Other Payables	44,413,794	44,413,794	60,560,434	60,560,434
Amounts Due to Related Parties	2,212,962	2,212,962	9,284,635	9,284,635
Interest-Bearing Loans and Borrowings	25,285,113	25,285,113	22,428,699	22,428,699
	71,911,869	71,911,869	92,273,767	92,273,767

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....

29.3 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	2021		2020	
		Carrying Value Rs.	Fair Value Rs.	Carrying Value Rs.	Fair Value Rs.
Financial Liabilities					
Interest-Bearing Loans and Borrowings (Note 22)	Level 2	35,285,110	35,285,110	22,428,699	22,428,699
		35,285,110	35,285,110	22,428,699	22,428,699

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.

29.4 Non-Financial Assets Disclosed at Fair Value

	Method	Date of Valuation	Level **	Value	Unobservable Inputs	Average Price per Perch/Sq.ft
2021						
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
2020						
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).

30. RISK MANAGEMENT

30.1 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....

30.2 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	2021 Rs.	2020 Rs.
Cash and Cash Equivalents	16	115,745,363	152,253,484
Trade and Other Receivables	13	7,375,462	174,962,443
Fixed Deposits	15.2	440,804,690	338,234,461
Amounts Due from Related Parties	15.3	2,097,518	3,744,990
		566,023,033	669,195,378

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

	2021 Rs.	2020 Rs.
Gross Receivable		
Not Past Due	-	-
Past due 0-30 days	171,060	60,326,405
Past due 31-60 days	103,685	66,034,874
Past due 61-90 days	-	45,547,820
Past due 90-120 days	-	2,040,334
Past due 120-180 days	-	1,006,859
More than 180 days	10,354,322	653,951
Total Gross Receivable	10,629,067	175,610,243
Impairment Allowance*		
Allowance for Impairment	(4,375,922)	(2,826,361)
Carrying Value	6,253,145	172,783,882
* Movement in the Impairment Allowance		
Balances at 1 st April	2,826,361	3,219,943
Impairment Recognised	1,549,561	(393,582)
Balances at 31 st March	4,375,922	2,826,361

Notes to the Financial Statements....

30.3 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:

31 st March 2021	Contractual Maturities of Financial Liabilities				
	Total	Up to 3 Months	3-12 Months	1-5 Years	More than 5 Years
	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Liabilities	22,925,489	22,925,489	-	-	-
Bank Overdraft	10,285,110	10,285,110	-	-	-
Amounts Due to Related Parties	2,212,962	2,212,962	-	-	-
Interest - Bearing Loans and Borrowings	25,919,452	252,055	15,549,957	10,117,440	-
	61,343,013	35,675,615	15,549,957	10,117,440	-

31 st March 2020	Contractual Maturities of Financial Liabilities				
	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	-	-	-

(c) Undrawn Committed Borrowing Facilities

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

30.4 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 impact of the second wave of the pandemic resulted in an unfavorable winter season for the tourism sector. January and February 2021 proved better and Royal Palms Beach Hotel PLC was optimistic in expecting an inflow by July 2021, however, the third wave proved its devastating magnitude towards human lives, livelihoods and the economy.

Currently the Company is in operation with the highest possible Health & Safety standards in place to ensure the continuity of the business in these challenging times. The Company started to provide Quarantine Operations during this COVID-19 period to mitigate the making of operating losses due to the COVID-19 impact.

Notes to the Financial Statements....

30.4 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 2021 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 (€)	634,569	(634,569)
Dollar (\$)	177,613	(177,613)
Sterling Pound (£)	77,910	(77,910)
	890,092	(890,092)

(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.

31. 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.

32. EVENTS OCCURRING AFTER THE REPORTING DATE

There have been no events subsequent to the reporting date, which require disclosure in the Financial Statements, However the impact from 3rd wave of COVID-19 pandemic resulted substantive travel restrictions in the country which necessitated the Company to closely monitor the impact of the development of COVID-19 on the Company's business operations and the Company has taken numerous measures for the safety of staff employed, adhering to all Government and Health Authority rules and guidelines and also closely monitoring the liquidity positions and has been serving the existing debt requirements while managing the working capital requirements.

Statement of Value Added

Year ended 31 st March	2021 Rs.	2020 Rs.
Turnover	150,953,434	617,604,005
Less: Cost of Sales	(140,860,131)	(344,296,025)
Value Added	10,093,303	273,307,980
Other Income	61,654,418	54,928,306
Total Investment Created	71,747,721	328,236,286
Value Added to Employees	120,061,788	159,299,544
Providers of Capital	-	50,000,000
To Government	13,937,046	33,674,905
	133,998,834	242,974,449
For Expansion and Growth		
Retained Earnings	(128,857,487)	19,111,043
Depreciation	66,606,374	66,150,794
	(62,251,113)	85,261,837
	71,747,721	328,236,286

Shareholders Information

Shareholding	No. of Members	Shareholding	%
1 - 1,000	1307	203,158	0.41
1,001 - 10,000	225	866,296	1.73
10,001 - 100,000	85	2,606,233	5.21
100,001 - 1,000,000	27	7,883,612	15.77
Over 1,000,000	7	38,440,701	76.88
	1651	50,000,000	100.00

Category	As at 31 st March 2021		As at 31 st March 2020	
	Shareholding	%	Shareholding	%
Resident	47,306,775	94.61	47,306,775	94.61
Non-Resident	2,693,225	5.39	2,693,225	5.39
Total	50,000,000	100	50,000,000	100.00

Category	As at 31 st March 2021		As at 31 st March 2020	
	Shareholding	%	Shareholding	%
Individuals	15,239,130	30.48	15,094,299	30.19
Corporate	34,760,870	69.52	34,905,701	69.81
Total	50,000,000	100.00	50,000,000	100.00

Shareholding	2021 Rs.	2020 Rs.
Market Value Per Share as at 31 st March	14.30	12.70
Highest Market Value Per Share During the Year	22.50	19.00
Lowest Market Value Per Share During the Year	12.00	12.70
Public Holding		
No. of Ordinary Shares	6,990,461	6,990,461
Percentage	13.98%	13.98%

Shareholders Information....

20 Largest Shareholders

	2021		2020	
	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	3,966,289	7.93
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	247,900	0.50
Renuka Consultants & Services Ltd.	239,547	0.48	239,547	0.48

Real Estate Portfolio

Company and Location	Buildings (in Sq.Ft.)		No. of Buildings		Land in Acres		Net Book Value	
	2020/21	2019/20	2020/21	2019/20	Freehold Propoerty		Rs.'000	Rs.'000
					2020/21	2019/20	2020/21	2019/20
Royal Palms Beach Hotels PLC, No. 35, Off De Abrew Drive, Kalutara North, Maha Waskaduwa, Kalutara.	184,563	184,563	11	11	6.55	6.55	1,901,767	1,908,528

Notice of Meeting

NOTICE IS HEREBY GIVEN that the 29th Annual General Meeting of Royal Palms Beach Hotels PLC. will be held as a virtual meeting on 28th September 2021 at 1.30 p.m. assembled at 236, Galle Road, Colombo 3 to transact the following business.

1. To receive and adopt the Report of the Directors and the Statement of Accounts for the year ended 31st March 2021, with the Report of the Auditors thereon.
2. To elect Mr. T.J. Ondaatje 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 90 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 80 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 77 years of age and whose appointment as a Director of the Company be and is hereby approved and who is elected a Director of the Company notwithstanding the provisions of the said Section 210 of the Companies Act.

(d) Resolved that the age limit of 70 years referred to in Sections 210 of the Companies Act No.07 of 2007 shall not be applicable to Mr. 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 2021/22.

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

9th August 2021
Colombo.



Notes: A member entitled to attend and vote at the meeting is entitled to appoint a proxy whether a 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.

For information on how to participate by virtual means in the above meeting please refer the supplementary notice to shareholders.

Supplementary Notice

Supplementary Notice to Shareholders

Dear Shareholder,

Please be informed that taking into consideration the current regulations/restrictions prevailing in the country due to the COVID-19 pandemic and the guidance and regulations issued by the Ministry of Health, and also the wellbeing of Shareholders, Directors and Other Attendees, the Board of Directors of Royal Palms Beach Hotels PLC (Company) has decided as per the issuance of guidelines by the CSE to proceed with the AGM using audio visual technology on 28th September 2021 as per the Notice of Meeting of the AGM.

Please note the following procedure to be adopted in terms of same:

1. Notice of Meeting, Form of Proxy, Form of Registration and Request Form for printed copy of Annual Report are enclosed herewith.
2. The AGM will be held in compliance with the principals set out in the Guidelines issued by CSE for hosting of virtual Annual General Meeting.
3. Only the key officials who are essential for the administration of the formalities of the meeting will be physically present at the venue. All shareholders will participate via online meeting platform. This measure is being adopted to observe "social distancing" requirements to mitigate the danger of spreading the COVID-19 virus.
4. Shareholders who wish to participate in AGM through audio visual means should forward the duly perfected Registration Form (Annexure 1) to Mercantile Investments and Finance PLC, Secretaries, 236, Galle Road, Colombo 3 or by email to mercantile@mi.com.lk at least 48 hours before the time fixed for the meeting.
5. Adequate arrangements will be made for Shareholders who wish to participate in the AGM via the online meeting platform with log in information being forwarded to shareholders in advance of the meeting upon verification of registration details. Only Shareholders or their duly appointed Proxy Holders are requested to log in to the virtual meeting platform. It is recommended that Shareholders/ Proxy Holders join the AGM at least 15 minutes before the start of the AGM. The digital Platform will be active 30 minutes before the start of the AGM. The Company will not be responsible or liable for misuse and/or unauthorized use of the login information.

6. Shareholders will be given the opportunity to raise any questions or comments on the matters listed on the Agenda for the meeting or forward the questions in advance to the email:
mercantile@mi.com.lk

7. Voting on items listed on the Agenda will be registered using an online platform. Shareholders/Proxy Holders will be briefed on the procedure for voting prior to the commencement of the AGM.

In the event the Company is required to take any further action in relation to the Meeting 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

The Board wishes to thank the Shareholders of the Company for their corporation and support to ensure a smooth and uninterrupted process at the Annual General Meeting of the Company and look forward to their virtual attendance.

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

9th August 2021
Colombo.

Registration Form

Annexure 1

To: Mercantile Investments and Finance PLC
Secretaries
236, Galle Road
Colombo 3.

Full Name of Shareholder

Address of Shareholder
.....

Shareholder's NIC No./Passport No./Co. Reg No.

Membership No./ CDS Account No.

Shareholder's Contact Nos. - ResidenceMobile

Shareholder's e-mail Address
(Please type clearly, mandatory)

If Proxy is Appointed

Full Name of Proxy

Proxy Holder's NIC No./Passport No.

Telephone Nos. - Residence Mobile

e-mail Address(Please type clearly, mandatory)

.....
Shareholder's
Signature/Date

.....
1st Joint Holder's
Signature/Date

.....
2nd Joint Holder's
Signature/Date

Notes: Instructions as to completion are noted on the reverse hereof.

Registration Form...

Instructions as to Completion

1. Shareholders are advised to complete the form legibly in order to facilitate their participation through the online platform
2. The "Web Link" for participation at the AGM through the online platform will be forwarded to the Shareholder's above noted email address.
3. In the case of a Company/Corporation, the Registration Form must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.
4. If the Registration 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.
5. The completed Registration Form should be deposited at the Secretaries office at No. 236, Galle Road, Colombo 3 or emailed to mercantile@mi.com.lk 48 hours before the time appointed for the meeting.

Form of Request

Dear Valued Shareholder,

We enclose herewith the Notice of Meeting, the Form of Proxy, Supplementary Notice to Shareholders and Registration Form for the 29th Annual General Meeting for your kind attention.

Please note that the Annual Report 2020/21 of the Company is published and available for download on our corporate website at www.cse.lk. **You may also scan the QR Code given below to directly access the Royal Palms Beach Hotels PLC Annual Report 2020/21.**

However if you wish to receive a printed copy of the Annual Report 2020/21, please complete the appended Form of Request and forward it to the undersigned in accordance with the instructions given therein. A printed copy of the Annual Report will be forwarded to you within eight (08) market days from the date of receipt of your duly completed Form of Request.

Should you have any queries in relation to this letter or the documents enclosed herewith, or require any assistance, you may contact the following persons during working hours on the numbers below:

- Ms. Sonali Pethiyagoda - 0112343720/7 Ext 206
- Mr. Ravi Fernando - 0112343720/7 Ext 401

Yours Faithfully,

By Order of the Board,

For Royal Palms Beach Hotels PLC

Mercantile Investments and Finance PLC

Secretarie

9th August 2021



**FORM OF REQUEST
FOR A PRINTED COPY OF THE ANNUAL REPORT 2021 OF ROYAL PALMS BEACH HOTELS PLC**

I would like to receive the printed version of the Annual Report 2021 of Royal Palms Beach Hotels PLC.

SHAREHOLDERS DETAILS		
Full Name of Shareholder		
Shareholder's NIC/Passport/ Company Registration No.		
Contact Number		
Signature	Date	

Notes:

1. Please complete the Form of Request by filling in legibly the required information /Date and signing in the space provided.
2. In the event the shareholder is a Company, the Form of Request should be signed under its Common Seal or by a duly authorised officer of the Company in accordance with its Articles of Association.
3. Please forward the completed Form of Request to the Secretaries in one of the following methods :

By Post /Delivered by Hand - Secretaries
Mercantile Investments and Finance PLC
236, Galle Road, Colombo 03.

By Fax - 0112434524 By email - mercantile@mi.com.lk

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. Merrill 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 on 28th September 2021 at 1.30 p.m. **as a virtual meeting** assembled at 236, Galle Road, Colombo 3 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 st March 2021, with the Report of the Auditors there on.	<input type="checkbox"/>	<input type="checkbox"/>
2) To elect Mr. T.J. Ondaatjie 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 2021/22.	<input type="checkbox"/>	<input type="checkbox"/>

As witness *my/our hand thisday of2021.

.....
Signature of Shareholder/s

Note : *Please delete the inappropriate words.

(Instructions as to completion are noted on the reverse hereof)

Form of Proxy....

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@royalpams.lk

BANKERS

- Hatton National Bank PLC
- Commercial Bank of Ceylon PLC

SECRETARIES

Mercantile Investments & Finance PLC

INTERNAL AUDITORS

SJMS Associates

Chartered Accountants

EXTERNAL AUDITORS

Ernst & Young Chartered Accountants

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 |
| • 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 |

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



www.tangerinehotels.com