

ROYAL PALMS BEACH HOTELS PLC
Annual Report 2021 / 2022

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FINANCIAL HIGHLIGHTS

Year ended 31st March	2022 Rs.'000	2021 Rs.' 000	% Change
Results for the year			
Gross Revenue	336,870	150,953	123.16
Cost of sales	(108,315)	(50,579)	114.15
Operating Profit/(Loss) Interest & Other Income	(94,595)	(180,939)	(47.72)
Finance Income	27,569	39,579	(30.34)
Interest expense	1,748	(636)	175.00
Profit /(Loss) before tax	(17,776)	(119,921)	(85.18)
Income tax expense	(4,514)	8,936	(49.49)
Profit /(Loss) after tax	(22,290)	(128,857)	(82.70)
Profit /(Loss) attributable to shareholders	(22,290)	(128,857)	(82.70)
Dividend paid	-	-	-
Financial Position at the end of the year			
Shareholders' funds (Stated Capital & Reserves)	2,699,089	2,363,773	14.19
Total assets	3,166,475	2,765,295	14.51
Number of Shares in Issues (In Million)	50	50	-
Information per Ordinary share			
Earnings per share (Rs.)	(0.45)	(2.58)	(82.56)
Dividend per share (Rs.)	-	-	-
Net Asset per share (Rs.)	53.98	47.28	14.19
Ratios			
Return on shareholders' funds (%)	(0.83)	(5.45)	4.63
Return on total assets (%)	(0.70)	(4.66)	3.96
Year on year EPS Growth (%)	(82.56)	(286.96)	204.40
Interest cover (Times)	(9.17)	(189.48)	(95.16)
Dividend cover (Times)	-	-	-
Equity : Assets (%)	85.24	85.48	(0.24)
Current Ratio (Times)	6.95	8.08	(13.96)
Gearing Ratio (%)	1.48	1.49	(0.67)
Market Shareholder Information			
Market price of a share as at 31st March (Rs.)	16.30	14.30	13.99
Market Capitalisation (Rs.' 000)	815,000	715,000	13.99
Price Earnings Ratio (Times)	(36.22)	(5.54)	553.52

CHAIRPERSON REVIEW



Having entered 2021 on the back of the toughest time the hospitality industry has ever known, this year has been one of hope, recovery, new challenges and opportunity. We have stayed focused on the strategic business needs required to deliver long-term success for all stakeholders with clarity and flexibility.



We create memorable guest experiences by owning, developing and operating our resort as a dynamic, vibrant and leisure destination. Our hotel is managed by experienced teams living our values every day and creating unique experiences for our guests. We create stakeholder value in every step of the value chain as our properties provide attractive returns and long-term capital appreciation.

Having entered 2021 on the back of the toughest time the hospitality industry has ever known, this year has been one of hope, recovery, new challenges and opportunity. Royal Palms scale means we have experienced and learned from the evolving nature of the pandemic on a daily basis, market by market. We have stayed focused on the strategic business needs required to deliver long-term success for all stakeholders with clarity and flexibility. Central to these is having a meaningful, relevant purpose and a well-rounded and effective strategy, while refreshed versions of both have been embedded into the business, promoting greater prioritization and understanding required to succeed in a competitive sector, recovering from a pandemic and a crisis.

SRI LANKAN ECONOMY

Sri Lanka's external sector experienced heightened vulnerabilities in 2021 amidst persistently high debt service obligations and a weakened balance of payments position along with lackluster performance in the domestic foreign exchange market with continuous pressure on the external value of the currency. Although a rebound and a steady growth were observed in exports, much higher import expenditure resulted in the trade deficit widening notably, weighing negatively on the external current account.

The expansion in the trade deficit was driven by the significant increase in imports, even in the presence of selected import restrictions, which outpaced the growth of exports. At the same time, taking into consideration the dearth of foreign exchange liquidity in the market, the Central Bank provided financing support for the importation of essential goods, mainly fuel, LP gas and coal, as a national priority in 2021 and 2022.

SRI LANKAN TOURISM

Since reopening to foreign travelers in January 2021, Sri Lanka saw a steady increase in international travelers, despite intermittent lockdowns. This enabled the tourism sector to implement and improve its health and safety protocols, which have proven to be effective. Following the temporary restrictions in April 2021, due to the emergence of the third wave of the pandemic, Sri Lanka was reopened in June 2021 for fully vaccinated travelers with quarantine free entry. As a result of these measures along with the successful domestic vaccination rollout, international tourist arrivals started to pick up steadily from September 2021 to peak in December 2021 with 89,506 arrivals.

Tourist arrivals declined by 61.7% to 194,495 in 2021 compared to 507,704 in 2020, of which 507,311 arrivals were recorded during the first three months of 2020. The tourism sector expects more concessions from the government to attract more tourists into the country, to generate more foreign currency, which is vital at this hour of need.

In Sri Lankan Tourism, although industry experts and the Government have introduced industry operating protocols and public-

private dialogues on recovery strategies, much ground remains to be covered until it is implemented efficiently. Accordingly, it is expected that an effective system will be established for regular monitoring, integrated recovery and resilience building, an effective crisis management system, alternative tourism development plan, new tourism promotional strategies, most highlighted private-public-people partnership and development of human resources with equal opportunities.

Adopting New Challenges:

Reflecting on 2021, I am very humbled by the adaptability, skill and dedication of our teams across the business. Their hard work during the last two years has aided the company immensely in navigating through the most difficult trading conditions ever seen in our industry. Despite these unprecedented operational conditions, much progress has been made against our strategic priorities. Many of our teams have had to work hard to rebuild momentum following extended periods of government- support, but they have come together stronger than ever, continuing to welcome our guests where we can and with the best safety and customer service possible.

We have to adopt ourselves into harnessing new technologies such as social media, cloud computing, big data, Internet of Things (IoT), mobility etc.; these core- tech pillars have resulted in a tourism offer that is more attractive, efficient, inclusive, and economically, socially and environmentally sustainable than its predecessor. It has also facilitated innovation and rethinking of processes, with a view to tackling challenges such as seasonality and overcrowding and developing smarter destinations.

Looking Ahead:

We were heartened to see momentum return to the business from May 2021 onwards, as many of our markets opened up, albeit with a few restrictions, and international travel resumed. During this period, it was clear that demand for our high quality, well-located hotels remained strong. The emergence of the Omicron variant in November 2021 resulted in new measures being introduced and demand declining.

The domestic crisis which started off as an economic crisis had matured into a social crisis and had precipitated in to a political crisis. This will instill uncertainty, which is a killer punch to the tourism industry. Being a product where social integration of the local community with the travelers is essential, disruptions to the local way of life is a direct threat to the product integrity. Therefore, it is hoped that such crisis be resolved and the pristine glory surrounding the product image of Sri Lanka Tourism be restored, and the industry emerges out of its present abyss.

In our road to recovery, we are well-aware of the continued industry-wide challenges ahead. While uncertainty will continue as individual markets react to their own evolving situations that cannot be fully predicted, we will continue to deliver on our strategy, opening our doors where we can and delivering the best experience possible for our customers.

OPERATIONAL REVIEW

The hotel was able to generate some revenue by operating as a short isolation hotel, where the risk factor for the staff and guests were minimum. The overall feedback on food and services from the quarantine guests were very good. With the travel restrictions being eased, the Royal Palms Beach Hotel was one of the first hotels to open to the public in the southern coast.

As the hotel is ISO-18000 & ISO-22000 compliant and Travelife- Gold certified, the hotel followed the set guidelines to reopen the hotel to meet the required health, safety and sustainability standards after the lockdown. The responses based

on the hotel site inspections conducted by our foreign tour operator partners were excellent, notable by achieving the highest commendation by the leading tour operators such as TUI Germany, Der Touristik, FTI Touristik to name a few.

With the hotel being open from October 2021 onwards, the response from the local market was very encouraging. In the overseas markets segments, the world's largest tour operator, TUI Germany and TUI Poland, FTI Touristik - Germany, Schauinsland Reisen Germany and Der Touristik rated the hotel as "the best-selling beach resort in Sri Lanka" during the Winter 2021/2022 season. The other markets that generated some volume are Russia and CIS markets. The hotel also received the Trip advisor service excellence award and has maintained a consistent feedback rating of 98% in the German speaking feedback site www.holidaycheck.de.

FINANCIAL REVIEW

The Company turnover increased during the year under review by 123.16%, recording Rs. 336.9 Million compared to Rs. 151.0 Million of the previous year. This increase is mainly due to increase in occupancy level from 18.3% to 30.0%, which is an increase by 11.7% as a result of the recommencement of normal operation from October 2021 onwards. The Net Loss after Tax of the Company for the year under review was Rs. 22.2 Million as against Rs. 128.8 Million in the previous year. This is due to the increase in the occupancy and ARR. The Company's Earnings per Share (EPS) in the period under review was Rs. 0.45 negative as against Rs. 2.58 negative in 2020/2021.

EMPLOYER OF CHOICE

We recognize the importance of a strong employer brand, particularly in the current recruitment environment, and we have a strong track record of investing in our team members to attract and retain talent. Ongoing investment in the development of new technologies to facilitate people management, learning and development, communications, and data and analytics, coupled with our values, strong culture and industry-leading people initiatives further

strengthen the company's position for recruitment. Further hotel has carried out maintenance work on staff accommodation to improve the standards of the staff accommodation. However the skilled labor migration and retention of the staff has become a real challenge for the tourism industry as a whole.

ORGANIC CULTIVATION

The staff of the hotel, with the guidance of the management has initiated an organic cultivation program using an unutilized area of the hotel premises. The program is still young and we intend to expand the project with the time. Initially the vegetables and fruits produce would be for the in-house use and the management intends to expand the program to sell the produce to outsiders as well in the near future.

ACKNOWLEDGMENT

On behalf of the Board, I would like to express my utmost gratitude to our Shareholders, valued customers, business partners and the travel agencies for their unstinting support during these difficult times.

To my fellow Directors, thank you for your valuable guidance. To our Management and team members, I thank you for your diligence and dedication. Together, we have ridden this challenging wave and we will continue this journey to emerge stronger.



A M Ondaatje
chairperson

25th August 2022

BOARD OF DIRECTORS

MS. A M ONDAATJIE

Chairperson

Ms. Angeline Ondaatjie was appointed to the Board in 1994 and appointed as Chairperson and Managing Director on 13th May 2019. She resigned from the post of Managing Director with effect from 30th June 2022. 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 Managing Director of Tangerine Tours (Pvt) Ltd and Tangerine Beach Hotels PLC. She holds directorship in several other companies including Mercantile Investments and Finance PLC, The Nuwara Eliya Hotels Co. PLC (Grand Hotel), Nilaveli Beach Hotels (Pvt) Ltd., Fair View Hotel (Pvt) Ltd and Lighthouse Hotel PLC. She is a former Director of Sri Lanka Tourism Promotion Bureau and presently the Vice President Tourist Hotels Association and serves on the Education Council of MIT.

MR. G G ONDAATJIE

Non-Executive Director

Mr. Gerard Ondaatjie was appointed to the Board in 1994. He has over 20 years' experience in the tourism, financial services and trading sectors. He holds a BSc Degree in Accountancy from the Arizona State University, USA. He is presently the Managing Director of Mercantile Investments and Finance PLC, Chairman of several companies including Fair View Hotel (Pvt) Ltd, Mercantile Fortunes (Pvt) Ltd. He is also the Deputy Chairman of The Nuwara Eliya Hotels Co. PLC (Grand Hotel) and a Director Tangerine Beach Hotels PLC and Nilaveli Beach Hotels (Pvt) Ltd. He is a former Member of the Commission on the Simplification of Existing Laws and Regulations in the Interest of the people and former Member of the Colombo Port City Economic Commission

MR. T J ONDAATJIE

Non-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 He is a Director of Nilaveli Beach Hotels (Pvt) Ltd and a Director of several other companies which include Mercantile Investments and Finance PLC, Tangerine Beach Hotels PLC, The Nuwara Eliya Hotels Co. PLC (Grand Hotel) and Fair View Hotel (Pvt) Ltd.

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

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

MR. 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 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.

MR. M U MANIKU

Non Executive Independent Director

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

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

MR. M J FERNANDO

Non Executive Independent Director

Appointed to the Board in 1997, Merrill J Fernando is the Chairman of MJF Holdings Limited and one of Sri Lanka's first tea tasters in the then British-dominated trade. He is the founder of "DILMAH TEA" brand name which re-launched, redefined and re-established the quality of Ceylon tea. DILMAH is now, a much respected global name, renowned for its quality and the philosophy of caring and sharing behind the brand. Having established the brand on the unique philosophy of making business a matter of human service, the Merrill J Fernando's 'MJF Charitable Foundation' and Dilmah Conservation fulfill this pledge by diverting a minimum of 15% of pre-tax profits from the sale of Dilmah Tea towards direct humanitarian and environmental interventions.

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

MR. A DE ZOYSA

Non Executive Independent Director

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

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

MR. J D VAZ

Non-Executive Director

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

MR. 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.

Mr. Casie Chitty completed nine years as a Director of the Royal Palms Beach Hotels PLC on 05th February 2022. He is also a Director at Tangerine Beach Hotels PLC which is a group company. The Board taking account of all the circumstances is of the opinion that he should be considered as a Non-Executive Independent Director.

MANAGEMENT DISCUSSION ANALYSIS

Achievements Operational Performance

This year starts with many challenges with the COVID 19 pandemic and its became a negative impact for the tourism industry not only among the local tourism but also the international arrivals. in spite of many challenges with this pandemic we manage to survive during this turbulent time to recover the business confident with in the first six months.

In spite of turbulent times we managed to keep our business with low negative impact as well as service excellence.

Performance

Human Capital:

In spite of heavy losses during first six month we managed to keep all staff and used this turbulent time to trained and arranged staff events to boost their morals during this difficult time.

SUSTAINABILITY:

Nature and Wildlife

Although the Royal Palms Beach Hotel is located in the coastal region, it maintains a relatively high vegetation cover. Quantitatively more than 45% of the total land area is covered by variety of plants species. To enhance the guest and staff awareness of biodiversity; up to now the hotel identified and labeled more than 80 floral species covering both natural and ornamental plants within the hotel boundary.

Out of all plants, Pandanus sp. (Seashore Pandan), Dillenia suffruticosa (Simpoh Ayer), Barringtonia asiatica (Box Fruit), Roystonea regia (Royal Palm) and Cocos nucifera (coconut), Terminalia catappa (country-almond) and Azadirachta indica (Kohomba) are prominent.

Also, the hotel environment provides the habitats and feeding grounds for various avifauna species and several butterflies, mammals and reptiles. (36 recorded bird species of it 3 endemic bird species were recorded. viz: Psittacula calthrapae (Layard's parakeet), Megalaima rubricapillus (Crimson-fronted barbet), and Megalaima flavifrons (Yellow-fronted barbet).

Furthermore, the hotel beach area provides a nesting beach ground for two turtle species (Green turtles and Olive Ridley Sea turtles) out of five recorded species in Sri Lanka.

Not only inside the hotel premises but also outside the hotel, we do several actions to protect nature and wildlife. We promote the opportunity to experience the natural destinations and culture to the guests.

Tree Planting and Tree Transplanting Programmes:

Several tree plantation and transplantation programs are conducting with involving guests and hotel staff to reduce the C foot print. During the 2021/22 financial year we were able to plant 60 new coconut plants and several matured Coconut plants.

Introduction of Snake Plants to Guest Rooms:

We were able to introduced a special resilient succulent plant to guest rooms which is known as Sansevieria Trifasciata 'Hahnii' (Bird's Nest Snake Plant). What's unique about this particular plant is that it's one of the few plants that can convert carbon dioxide (CO2) into oxygen at night. since it can help regulate healthy airflow. In addition to that, snake plants help to filter indoor air, contribution to eliminating toxic air pollutants, absorb cancer-causing pollutants, remove harmful toxins and by releasing oxygen and adding moisture to the air, and act as an effective defense against airborne allergies.

Beach Cleanup Programs and other Cleaning Programmes:

Every day hotel adjacent beach is been cleaned by the garden staff of the Royal Palms Beach Hotel. Other than that, several beach cleaning sessions were organized, involving with all departmental staff members. We believe to protecting our nature is the responsibility of all of us. As a nature-loving hotel, Royal Palms Beach Hotel has cleaned the entire Thudugala waterfall area on 26th January 2022 as an Environmental CSR project, which is a popular bathing place for locals and an attraction waterfall for foreigners within Kalutara District.

Promise Project: "Prevention of Marine Litter in the Lakshadweep Sea (PROMISE)"

The European Union has initiated a project on "Prevention of Marine litter in the Lakshadweep Sea (PROMISE)". This project is funded by the European Union under the Switch Asia programme and is being implemented in 3 countries viz. Sri Lanka, India and Maldives by a consortium of 6 partners from Asia and Europe. It was a pleasure, that Royal Palms Beach hotel was selected to collaborate with the PROMISE project. This project seeks to promote solutions to reduce marine littering along the Lakshadweep shorelines in Maldives, Sri Lanka and India. As part of achieving this goal, the project focuses on enterprises allied to the tourism sector to support them in Resource Efficiency and thereby waste minimization avoiding further deterioration of marine ecosystems and improving people's living conditions.

Cleaner Energy Production:

Based on the Environmental policy and Energy policy, Royal Palms identified Solar power is the best natural cleaner renewable energy source that can generate the electricity being as a tropical country. Thus, several massive projects were conducted with using solar power. Such as executive staff accommodation with solar power, use of Solar Hot Water system, has enabled a considerable reduction of diesel consumption. Furthermore, we were able to increase the number of solar lights in the hotel garden premises which help us to reduce C foot print significantly. New Staff accommodations including all the necessary facilities under solar power utilizing project is to be come in recent future.

Making Compost and Maintaining an Organic Garden:

Own compost making by hotels in Sri Lanka is carried out still only by very few Hotels only. Thus Royal Palms can be proud, because we treat best to our hotel garden waste and gained the maximum benefits from the waste and by products. Also that compost is utilizing to maintain the entire hotel garden and to maintain an organic garden and the harvest is utilizing by the hotel staff and the executive of the hotel.

MANAGEMENT DISCUSSION ANALYSIS

Single use Plastic Free Guest experience:

Royal Palms Beach Hotel takes several actions to treat single-use plastics which are disposable items that are used only once and then discarded. We have already taken steps individually to be plastic-free and are advancing towards a 100% single-use plastic-free objective. Such as, the hotel is using paper straws and paper cups instead of plastic straws and plastic cups, using glass stirrers in restaurants at guest rooms, guest linen is collected to linen laundry bags instead of using non-degradable polythene bags, also, instead of utilizing plastic water bottles we provide two complementary glass water bottles for guest use, use cardboard/ degradable materials for takeaway packaging (Ex: cardboard takeaway boxes, use compostable takeaway containers with more recyclable materials, paper cups, and straws, etc.), for guest table decorations and room decorations always use degradable natural decorations (natural flowers, rice artworks, etc.).

Moreover, in guest rooms, we utilize recycled papers as guest room amenities. Also, shampoo, conditions, shower jell, etc. are refilled to the ceramic bottles, instead of using single-use plastic bottles. All guest room amenities are made out of eco-friendly materials even razors, tooth brushes and cotton buds are made of wooden. In the hotel gift shop, we do not sell or promote any plastic items. During VIP/ repeater welcome we use natural flowers and seashell garlands; in there we never use non-degradable environmental unfriendly materials. It is a pleasure we were able to eliminate all single-use plastic items in guestrooms, meeting areas, and restaurant areas.

Waste Management:

We follow the 7R waste management concept to find further alternatives to plastic and reduce environmental impacts is to positively change common mindsets globally by adopting the 7R logic: Recycle, Refuse, Reduce, Re-use, Repair, Re-gift, and recover. The hotel was able to treat the clinical waste in a responsible manner. Licensed having Sisili Hanaro Encare (pvt) Ltd is engaging with this.

Also, we do follow an environmental and sustainable purchasing policy. During the purchasing process, Royal Palms Beach Hotel consider the environmental, social, and economic consequences of design, non-renewable material use, manufacture and production methods, logistics, service delivery, use, operation, maintenance, reuse, recycling options, disposal; and Suppliers' capabilities to address these issues throughout the supply chain.

An efficient recycling program will ensure that plastics and other waste materials are correctly identified, sorted, and collected to be delivered to the appropriately licensed waste collectors to recycle. Also, the staff also trained and motivated to onsite waste segregation and to refuse plastic and polythene usage.

AWARDS

National Cleaner Production Awards-2021

The National Cleaner Production awards program was launched as the pioneer Environmental Awards Programme in Sri Lanka in order to recognize and appreciate the progressive enterprises dedicated to resource efficiency and protection of the environment. It is a pleasure the Royal Palms Beach Hotel, Kalutara was able to win the Silver Award for the second time in the Service category - Hotel Sector, organized by the National Cleaner Production Center.

Holiday Check - 2021 Special Awards

We are delighted to announce that Royal Palms Beach Hotel has been awarded with the HolidayCheck Special Award for 2021! HolidayCheck is one of the most popular hotels worldwide

Travelife Gold Certification 2021

Travelife is a certification scheme, dedicated to achieving sustainable practices within the tourism industry. It aims to provide companies with realistic sustainability goals, tools and solutions to implement positive change within their businesses and supply chains. Travelife for Hotels and Accommodations is a certification scheme that helps hotels and accommodations

manage and monitor their social and environmental impacts and communicate their achievements to customers.

ISO 14001: 2015, ISO 45001: 2018, ISO 22000: 2018, HACCP

ISO certification enabled our company to streamline our productivity positively, resource procurement and grows internationally

TOURISM INDUSTRY

Since the end of the civil war, Sri Lanka's third-largest source of foreign exchange has been tourism, which peaked financially in 2018. With the attacks on Easter Sunday in 2019, the tourism economy began to deteriorate, and the global pandemic that was followed by the fuel and economic crises had a significant impact. With the economic crisis, the hotel industry's future appears to be bleak. Nevertheless tourism still remains as the fifth highest foreign exchange earner in the Sri Lankan economy and the promotion of tourism is extremely important for the economic revival of the country.

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 2021/22 and the extent of compliance with same.

Governance Framework

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

Governance Structure

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

Assurance

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

Regulatory Framework

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

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,

- Six Non-Executive Independent Directors (NED/ID)
- Four Non-Executive Non Independent Director (NED) - includes the Chairperson

Directors Attendance

Name of Director	Attendance at board Meetings		
	09-March 2022	Meetings Attended	Percentage Attended
Non-Executive Independent Directors			
Mr. N.H.V Perera	✓	1/1	100%
Mr. M. Keerthiratne	-	-	-
Mr.M.U.Maniku (Alternate Mr.W.P.Hettiaratchi)	-	-	-
Mr.Ajita De Zoyza	-	-	-
Mr. M J Fernando(Alternate Mr. D C Fernando)	-	-	-
Mr. P.S.R.Casie Chitty	✓	1/1	100%
Non-Executive Non Independent Directors			
Ms. A M Ondaatjie **	✓	1/1	100%
Mr. T J Ondaatjie **	✓	1/1	100%
Mr. G G Ondaatjie	-	-	-
Mr. J D Vaz	✓	1/1	100%

** No-Executive Director w.e.f 30.06.2022

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	Yes
Non Executive Non Independent Directors						
Mrs. A M Ondaatjie **	No	No	No	No	No	Yes
Mr. G G Ondaatjie	No	No	No	No	No	Yes
Mr. T J Ondaatjie **	No	No	No	No	No	Yes
Mr. J D Vaz	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.

** Non-Executive Director w.e.f 30.06.2022

Composition of the Board as at 31st March 2022 was as follows.

No. of Members	Executive	Non - Executive	Independent	Non - Independent	Gender Representation		Age Distribution				
					Male	Female	Below 50	51-60	61-70	71-80	Above 81
10	0	10	06	04	9	01	01	04	01	02	02

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 2022 in accordance with section 07 of the CSE listing regulations on Corporate Governance. The biographical details of the Directors are set out on page 04 to 06 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 number
Name & brief profile	Board of Directors	04 to 06
Expertise in functional areas	Board of Directors	04 to 06
Material Business Relationships	A.5.3, A.5.4 & A.5.5	11
Executive, Non-executive & independence	A.1 & A.5	10-11
Other directorships	Board of Directors	04-06
Attendance at Board meetings	A.9	10
Sub-committee representation	Audit /Remuneration/Related Party Transactions Committee	24-26

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

The Remuneration Committee met once during the financial year.

Name of Director	Position	Attendance at Remuneration Committee Meeting		
		10 –Feb -2022	Meetings Attended	Percentage Attended
Mr. N H V Perera	Chairman	✓	1/1	100%
Mr. P S R Casie Chitty	Member	✓	1/1	100%

B.1.4 Remuneration of Non-executive Directors – Compliant

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

CORPORATE GOVERNANCE

B.2: The level and make up of remuneration – Compliant

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 25.

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 45 under the note 05 as a part of the financial statements of this report.

C. RELATIONS WITH SHAREHOLDERS (03 PRINCIPALS)

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

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

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

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

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

Principal C.2: Communication with Shareholders

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

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

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

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

Principal C.3: Major and Material Transactions – Compliant

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

D. ACCOUNTABILITY AND AUDIT (05 PRINCIPALS)

Principal D.1: Financial Reporting

D.1.1 Balanced presentation of Financial Statements – Compliant

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

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

D.1.2 Annual Report of the Directors – Compliant

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

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

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

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

D.1.4 "Management Discussion and Analysis" – Compliant

The Integrated Management Discussion and Analysis is set out on pages 07-08.

D.1.5 Going Concern of the business – Compliant

Directors have declared the appropriateness of the using going concern basis with supporting assumptions on Pages 21-22 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 Non-Executive Director, namely:

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

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 26.

CORPORATE GOVERNANCE

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

Attendance at Related Party Transactions Review Committee Meeting							
Name of Director	Position	24-May- 2021	09-Aug- 2021	09-Nov - 2021	10-Feb-2022	Meetings Attended	Percentage Attended
Mr. N H V Perera	Chairman	✓	✓	✓	✓	4/4	100%
Mr.J D Vaz	Member	✓	✓	✓	✓	4/4	100%
Mr. P S R Casie Chitty	Member	✓	✓	✓	✓	4/4	100%

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

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,

Control Environment

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

Risk Assessment

Company regularly assesses the risk associated with the business and a detailed explanation of the risk assessment has been provided under the Risk Management section of this report on page 19-20.

Control Activities

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

- Segregation of duties
- Authorizations
- Performance review
- IT general controls and application controls
- Other physical controls

Information System

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

Monitoring & Review

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

DEPARTMENTS / BUSINESS UNITS

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

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

D.2.2 & D.2.3 Internal Audit Function & 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 23 provides the declaration made by Directors accepting the responsibility to ensure that the Company is equipped with a sound system of internal controls.

Principal D.3: Audit Committee

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

The Audit Committee comprises of Independent Non-executive Director and a Consultant (Chartered Accountant).

The members of the Audit Committee are as follows:

Mr. N H V Perera - Chairman

Mr. P S R Casie Chitty

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

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 24.

CORPORATE GOVERNANCE

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

Name of Member	Position	Attendance at Audit Committee Meetings				Meetings Attended	Percentage Attended
		24-May- 2021	09-Aug- 2021	09-Nov - 2021	10-Feb-2022		
Mr. N H V Perera	Chairman	✓	✓	✓	✓	4/4	100%
Mr. P S R Casie Chitty	Member	✓	✓	✓	✓	4/4	100%

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

The names of Directors in the Audit Committee are disclosed in the D.3.1 section and the manner of compliance with the Code of Best Practice by the Company is set out in the Audit Committee Report on page 24 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 page 09-18 sets out the manner and extent to which the company has adopted the principals and provisions of the Code of Best Practice on Corporate Governance.

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

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

E. INSTITUTIONAL INVESTORS

Principal E.1: Shareholder voting

E.1.1 Structured dialogue with shareholders – Compliant

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

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

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

F. OTHER INVESTORS

Principal F.1: Investing/Divesting Decision – Compliant

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

Principal F.2: Shareholder Voting – Compliant

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

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 otherwise of the Non-Executive Directors Names of Independent Directors should be disclosed in the Annual Report 	Compliant	Corporate Governance Corporate Governance / Board of Directors' - Profile
7.10.3(b)	Disclosure relating to Directors	The basis for the Board to determine a Director is independent, if criteria specified for independence is not met.	Compliant	Corporate Governance
7.10.3(c)	Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report including the areas of Expertise	Compliant	Board of Directors' - Profile
7.10.3(d)	Disclosure relating to Directors	Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3 (a),(b) and (c) to the Exchange	Not Applicable	No new Directors were appointed during the period
7.10.4(a-h)	Determination of Independence	Requirements of meeting criteria	Compliant	Corporate Governance
7.10.5	Remuneration Committee	A listed company shall have a Remuneration Committee	Compliant	Corporate Governance
7.10.5(a)	Composition of Remuneration Committee	Shall comprise of Non-Executive Directors, a majority of whom will be independent	Compliant	Corporate Governance
7.10.5 (b)	Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Executive Directors	Compliant	Corporate Governance
7.10.5(c)	Disclosure in the Annual Report relating to Remuneration Committee	<ul style="list-style-type: none"> Names of Directors comprising the Remuneration Committee Statement of Remuneration Policy Aggregated Remuneration paid to Directors 	Compliant Compliant Compliant	Corporate Governance Corporate Governance Notes to the Financial Statements
7.10 .6	Audit Committee	The Company shall have an Audit Committee	Compliant	Corporate Governance and The Audit Committee Report
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 A Non-Executive Director shall be appointed as the Chairman of the Committee CEO (Managing Director) & Chief Financial Officer shall attend Audit Committee Meetings The Chairman of the Audit Committee or one member should be a member of a professional accounting body 	Compliant Compliant Compliant Compliant	Corporate Governance And The Audit Committee Report Corporate Governance And The Audit Committee Report Corporate Governance And The Audit Committee Report 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 The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination The Annual Report shall contain a Report of the Audit Committee setting out the manner of compliance with their functions 	Compliant Compliant Compliant	Corporate Governance and The Audit Committee Report Corporate Governance and The Audit Committee Report Corporate Governance and The Audit Committee Report
D 1.7	Related party Transactions	Disclosure of Related Party Transactions	Compliant	Notes to the Financial Statements

RISK MANAGEMENT

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

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

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

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

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

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

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

Business Risk 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 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

RISK MANAGEMENT

- Statutory compliance is given high priority and is regularly monitored and reviewed by the management. The quarterly internal audit program scopes in statutory compliance. A compliance certification is handed over to the Audit Committee for review by the management.

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

Control Measures

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

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

Control Measures

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

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

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 2022.

REVIEW OF THE YEAR

The Chairperson's Report on Pages 02-03 contains a review of the operations during the financial year.

PRINCIPAL ACTIVITY

The principal activity of the Company, which is hotelliery, 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 09-18.

TURNOVER

The net turnover for the year was Rs. 336,870,358/- (2020/2021 Rs. 150,953,434/-)

PROFIT & LOSS ACCOUNT

	31.03.2022	31.03.2021
Net Profit/(Loss) for the year amounts to	(17,776,267)	(119,920,941)
Less: Provision for Taxation	(4,513,818)	(8,936,546)
Net Profit/(Loss) for the year	(22,290,085)	(128,857,487)
Inappropriate profit brought forward	745,235,511	856,087,467
Actuarial Gain/(Loss)	1,674,859	(1,338,440)
Income tax effect on Actuarial Gain/(Loss)	(234,480)	187,382
Transfer to retained earnings from Revaluation reserve	-	19,156,588
Profit Available for Appropriation	724,385,805	745,235,511

DIVIDENDS

The Directors do not recommend a dividend for this financial year.

CAPITAL EXPENDITURE

The total capital expenditure incurred on the acquisition of fixed assets during the year amounted to Rs. 9,714,595/- (2021 Rs. 34,007,104/-) details of which are given in note 09 to the financial statements

PROPERTY PLANT & EQUIPMENT

The details of property, plant & equipment of the Company are shown in note 09 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 34.

DONATIONS

During the year donations amounting to Rs. 9,241/- (2021 – Rs. 96,420/-) were made to various charities by the Company.

POST BALANCE SHEET EVENTS

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

DIRECTORS

The names of the Directors are shown on Pages 04-06.

In terms of Section 88(i) of the Articles of Association, Mr. G G 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. M J Fernando, Mr. M Keerthiratne, Mr. A de Zoysa and Mr. M U Maniku as Directors of the company in terms of Section 211 of the Companies Act No. 07 of 2007.

BOARD COMMITTEES

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

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

The report of the audit committee is given on page 24 of this report

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 the 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.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

DIRECTORS INTEREST IN CONTRACTS

The Directors of the Company have made the general disclosures provided for in Section 192(2) of the Companies Act No.07 of 2007. The related party disclosures and the Directors of each of those related parties are given on page 26.

DIRECTORS REMUNERATION

The aggregate emoluments paid to the Directors during year, amounted to Rs. 570,000/-

DIRECTORS SHAREHOLDINGS

As at 31st March	2022	2021
Ms. A M Ondaatjie	1,126,733	212,500
Mr. G G Ondaatjie	1,081,734	167,500
Mr. T J Ondaatjie	1,414,233	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 served as Managing Director of the Company upto 30th June 2022.

PUBLIC HOLDING

The number of Ordinary Shares held by the public as at 31st March 2022 was 6,990,461 shares (2021- 6,990,461), which amounted to 13.98% (2020-13.98%) of the issued ordinary shares of the Company.

The number of public shareholders as at 31st March 2022 - 1,638

Float adjusted Market Capitalisation as at 31st March 2022 - Rs. 113,937,000.00

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

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

AUDITORS

Messrs. Ernst & Young Chartered Accountants are deemed re-appointed in terms of Section 158 of the Companies Act No.7 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. 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
Director



T.J. Ondaatjie
Director

Mercantile Investments and Finance PLC

Secretaries

25th August 2022

STATEMENT OF THE DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

The responsibilities of the Directors, in relation to the Financial Statements of the Company differ from the responsibilities of the Auditors, which are set out in the Report of the Auditors on Pages 28-30.

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

The Directors consider that, in preparing these Financial Statements set out through page 28 to 66 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. 7 of 2007.

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

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

By Order of the Board
Mercantile Investments & Finance PLC
Secretaries

Colombo
25th August 2022

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 four 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 Member	Position	Attendance at Audit Committee Meetings				Meetings Attended	Percentage Attended
		24-May-2021	09-Aug-2021	09-Nov-2021	10-Feb-2022		
Mr. N H V Perera	Chairman	✓	✓	✓	✓	4/4	100%
Mr. P S R Casie Chitty	Member	✓	✓	✓	✓	4/4	100%

INTERNAL AUDIT FUNCTION

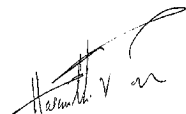
The Committee reviews the internal audit reports to ensure that the Company's systems and procedures are effective and that the internal controls provide reasonable assurance to the Directors that assets are safeguarded and that the financial reporting system can be relied upon in preparation and presentation. The Internal Audit function has been outsourced to Messrs. SJMS 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 2023, subject to the approval of the shareholders at the Annual General Meeting.



N H V Perera
Chairman-Audit Committee

25th August 2022

REMUNERATION COMMITTEE REPORT

The Remuneration Committee, appointed by and responsible to the Board of Directors, consists of two Non-executives independent Directors N.H.V. Perera, and P.S.R. Casie Chitty. The Committee is chaired by Mr N.H.V Perera.

ROLES AND RESPONSIBILITY

Reviewing and making recommendations to the Board on remuneration packages and policies applicable to the Directors and Key Management Personnel.

PURPOSE OF THE COMMITTEE

The Remuneration Committee is a sub-committee of the Board, which is responsible for reviewing, making recommendations to the Board and approving the remuneration packages and policies applicable to the Directors and Key Management Personnel.

DUTIES OF COMMITTEE

Attracting, retaining and motivating Directors of appropriate caliber and experience are essential to the Company's future success and therefore it is the primary objective of the Committee. The other objectives of the remuneration policy are to:

- Ensure the integrity of the Company's remuneration strategy is maintained and that the shareholder and employee interests are aligned;
- Pay a base salary, benefits and other perks which compares with other companies of comparable size and complexity in accordance with the remuneration policy;
- Use short-term and long-term increments to encourage Executive Directors to out-perform targets, thereby linking their rewards to the interests of shareholders and other stakeholders and giving them the opportunity to increase their earnings;
- Overseeing the compliance with statutory responsibilities relating to remuneration;
- Reviewing Executive and Non-Executive Director termination payments;

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.

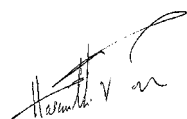
MEETINGS

The Committee met once during the financial year. The Group Financial Controller assists the committee by providing relevant information required by the committee.

Name of Director	Attendance at Remuneration Committee Meetings		
	Position	10/02/2022	Meeting Attendance
N H V Perera	Chairman	✓	1/1
P.S.R.Casie Chitty	Member	✓	1/1

CONCLUSION

During the year, the Committee conducted a review of all elements of the remuneration packages of Directors and performance-related elements. This report describes how the Board has applied the principles relating to Directors' remuneration in the Combined Code on Corporate Governance, and the corresponding requirements as per Companies Act 2007 through the remuneration committee



N.H.V. Perera
Chairman
Remuneration Committee

25th August 2022

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

INTRODUCTION

The Board established the Related Party Transactions Review Committee in terms of the Code of Best Practice on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka (the "Code") and section 9 of the Listing Rules of the Colombo Stock Exchange (the "Rules")

COMPOSITION OF THE COMMITTEE

Name	Membership Status	Directorship Status/ Position held in the company
Mr. N H V Perera	Chairman	Non- Executive Independent Director
Mr. P S R Casie Chitty	Member	Non- Executive Independent Director
Mr. J D Vaz	Member	Non-Executive Director

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 Non-Executive Director. Currently, the committee consists of three Directors. The head of the committee is Mr. N.H.V.Perera - Independent Director.

(3) Operation:

The Related Party Transactions Committee held four meetings during the last financial year ending 31st March 2022. The Committee reviewed the Related Party Transactions quarterly

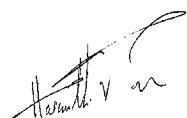
Name of Director	Position	Attendance at Related Party Transaction Review Committee Meetings				Meeting Attendance
		24th May 2021	09th Aug 2021	09th Nov 2021	10th Feb 2022	
N H V Perera	Chairman	✓	✓	✓	✓	4/4
P.S.R.Casie Chitty	Member	✓	✓	✓	✓	4/4
J D Vaz	Member	✓	✓	✓	✓	4/4

(4) 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.

POLICIES AND PROCEDURES

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.



N H V Perera

Chairman

Related Party Transactions Review Committee

25th August 2022

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INDEPENDENT AUDITORS' REPORT



Ernst & Young
Chartered Accountants
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Fax (Tax): +94 11 557 8180
Email: eysi@lk.ey.com
ey.com

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 2022, 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 2022, 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 FCA 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 (London), Ms. G G S Manatunga FCA, A A J R Perera ACA ACMA, Ms. P V K N Sajjewanil FCA, N M Sulaiman ACA ACMA, B E Wijesuriya FCA FCMA, C A Yalagala ACA ACMA

Principals: W S J De Silva BSc (Hons)-MIS MSc-IT, G B Goudian ACMA, D L B Karunathilaka ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

Key Audit Matter	How our audit addressed the key audit matter
<p>Assessment of fair value of land and buildings As disclosed in note 9 to the financial statements, Property, Plant and equipment include land and buildings carried at fair value.</p> <p>This was the key audit matter due to:</p> <ul style="list-style-type: none"> Materiality of the reported land and building balances which amounted to Rs 2,280 Mn and represents 72% of the total assets. The degree of assumptions, judgments and estimation uncertainties associated with assessing fair value of land and buildings such as reliance on comparable market transactions, and current market conditions. <p>Key areas of significant judgments, estimates and assumptions used in assessing fair value of the land and building, as disclosed in note 29.4, included judgements involved in ascertaining the appropriateness of valuation techniques and estimates such as:</p> <ul style="list-style-type: none"> Estimate of per perch value of the land. Estimate of the per square foot value of the buildings. 	<p>Our audit included the following:</p> <ul style="list-style-type: none"> Assessed the competency, capability, and objectivity of the external valuer engaged by the group. Read the external valuer's report and understood the key estimates made by the valuer in determining the valuation of land and buildings. Assessed the reasonableness of the significant judgements made by the valuer including the appropriateness of valuation techniques, per perch price and value per square foot used by the valuer. <p>We have also assessed the adequacy of the disclosures made in note 9 to the financial statements.</p>

Other Information Included in the 2022 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.

INDEPENDENT AUDITORS' REPORT

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

- 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.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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.
- 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.

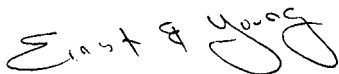
We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and 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 7752.



31 August 2022
Colombo

STATEMENT OF FINANCIAL POSITION

As at 31 March 2022	Note	2022 Rs.	2021 Rs.
ASSETS			
Non-Current Assets			
Property, Plant & Equipment	9	2,500,349,203	2,142,744,742
Intangible Assets	10	316,678	530,196
Other Financial Assets	15.1	18,127,276	18,000,000
Right - of - Use Assets	13	5,353,051	10,706,102
		2,524,146,208	2,171,981,040
Current Assets			
Inventories	11	21,990,140	12,614,366
Trade and Other Receivables	12	111,335,706	7,375,462
Other Non Financial Assets	14	24,146,867	11,843,325
Income Tax Receivable		3,546,837	2,833,309
Amounts Due from Related Parties- Other Financial Assets	15.3	4,339,326	2,097,518
Short Term Investments - Other Financial Assets	15.2	322,808,942	440,804,690
Cash and Bank Balances	16	154,161,052	115,745,363
		642,328,869	593,314,032
Total Assets		3,166,475,077	2,765,295,072
EQUITY AND LIABILITIES			
Capital and Reserve			
Stated Capital	17	521,583,448	521,583,448
Revaluation Reserve	18	1,453,004,904	1,096,954,361
Fair value Reserve of Financials Assets at FVOCI	18.1	114,548	-
Retained Earnings		724,385,805	745,235,511
Total Equity		2,699,088,705	2,363,773,320
Non-Current Liabilities			
Interest Bearing Loans & Borrowings	22	7,993,999	9,999,997
Deferred Tax Liabilities	8.2	322,076,268	268,228,758
Lease Liability	24	4,907,337	9,146,102
Post Employment Benefit Liability	21	39,962,145	40,675,027
		374,939,749	328,049,884
Current Liabilities			
Trade and Other Payables	19	56,205,647	44,413,793
Amounts Due to Related Parties	20	3,616,875	2,212,962
Lease Liability	24	788,442	1,560,000
Interest Bearing Loans and Borrowings	22	31,835,660	25,285,113
		92,446,623	73,471,869
Total Equity and Liabilities		3,166,475,077	2,765,295,072

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



M.I. Shahabdeen
Group Financial Controller

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



A.M. Ondaatjie
Chairperson



T.J. Ondaatjie
Director

The accounting policies and notes on pages 36 through 44 form an integral part of the financial statements.

INCOME STATEMENT

Year ended 31 March	Note	2022 Rs.	2021 Rs.
Revenue	3	336,870,358	150,953,434
Cost of Sales		(108,314,580)	(50,579,079)
Gross Profit		228,555,778	100,374,355
Other Income	4	50,997,629	22,075,356
Selling and Distribution Costs		(6,789,522)	(5,357,519)
Administrative Expenses		(315,759,077)	(274,011,118)
Loss from Derecognition of Property, Plant & Equipment		-	(1,321,171)
Other Expenses		(601,900)	(623,669)
Finance Income	6	27,569,369	39,579,062
Finance Cost	6	(1,748,544)	(636,237)
Profit Before Taxation	5	(17,776,267)	(119,920,941)
Income Tax Expense	8	(4,513,818)	(8,936,546)
Profit for the Year		(22,290,085)	(128,857,487)
Earnings Per Share - Basic	7	(0.45)	(2.58)

The accounting policies and notes on pages 36 through 44 form an integral part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March	Note	2022 Rs.	2021 Rs.
Profit/(Loss) for the Year		(22,290,085)	(128,857,487)
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	1,674,859	(1,338,440)
Income tax effect on Actuarial gains / (Losses) on defined benefit plans	8.2	(234,480)	187,382
Revaluation of Land & Buildings	18	411,258,187	-
Income tax effect on Revaluation of land and buildings	18	(55,207,644)	-
Gain on Fair Value Through Other Comprehensive Income Financial Instruments	18.2	127,276	
Income tax effect on Gain on Fair Value Through Other Comprehensive Income Financial Instruments		(12,728)	
Other Comprehensive Income/(Loss) for the Year		357,605,470	(1,151,058)
Total Comprehensive Income/(Loss) for the Year		335,315,385	(130,008,545)

The accounting policies and notes on pages 36 through 44 form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

	Stated Capital Rs.	Revaluation Surplus Rs.	Retained Earnings Rs.	Fair value Reserve of Financials Assets at FVOCI Rs.	Total Rs.
As at 01 April 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 31 March 2021	521,583,448	1,096,954,361	745,235,511	-	2,363,773,320
Net Profit/(Loss) for the Year	-	-	(22,290,085)	-	(22,290,085)
Other Comprehensive Income					
Revaluation of Land & Buildings	-	411,258,187	-	-	411,258,187
Income Tax effect on Revaluation of Land & Buildings	-	(55,207,644)	-	-	(55,207,644)
Actuarial Gain / (Loss)	-	-	1,674,859	-	1,674,859
Income Tax effect on Actuarial Gain/(Loss)	-	-	(234,480)	-	(234,480)
Gain on Fair Value Through Other Comprehensive Income					
Financial Instruments	-	-	-	127,276	127,276
Income tax effect on Gain on Fair Value Through Other					
Comprehensive Income Financial Instruments	-	-	-	(12,728)	(12,728)
Total Comprehensive Income	-	356,050,543	(20,849,706)	114,548	335,315,385
Transfer to retained earnings from Revaluation reserve	-	-	-	-	-
Deferred tax on transfer	-	-	-	-	-
As at 31 March 2022	521,583,448	1,453,004,904	724,385,805	114,548	2,699,088,705

The accounting policies and notes on pages 36 through 44 form an integral part of the financial statements.

CASH FLOW STATEMENT

Year ended 31 March	Note	2022 Rs.	2021 Rs.
Cash Flows From Operating Activities			
Profit / (Loss) Before Taxation		(17,776,267)	(119,920,941)
Adjustments for :			
Depreciation	9/13	64,337,265	67,697,503
Amortisation	10.2	278,518	291,936
Finance Income	6	(27,569,369)	(39,579,062)
Finance Costs	6	916,426	540,659
Interest Expenses on Lease	6	832,118	95,578
Loss from Derecognition of Property, Plant & Equipment	-	1,321,171	1,321,171
(Gain) / Loss on Disposal of Property, Plant and Equipment		56,466	(5,464,708)
Provision for Retirement Benefit Obligations	21	4,615,672	6,606,851
Operating Profit / (Loss) before Working Capital Changes		25,690,830	(88,411,013)
(Increase)/ Decrease in Inventories	11	(9,375,774)	1,848,107
(Increase)/ Decrease in Trade and Other Receivables	12	(142,330,642)	155,357,990
(Increase)/ Decrease in Other Non Financial Assets	14	(12,303,542)	(473,543)
(Increase)/ Decrease in Amounts Due from Related Parties	15.3	(2,241,808)	1,647,473
Increase / (Decrease) in Trade and Other Payables	19	11,791,854	(16,146,640)
Increase / (Decrease) in amounts Due to Related Parties		1,403,912	(7,071,672)
Cash Generated from/(used in) Operations		(127,365,170)	46,750,701
Income Tax paid		(6,834,688)	(12,101,633)
Finance Costs paid		(916,426)	(540,659)
Retirement Benefit Costs paid	21	(3,653,695)	(3,143,085)
Net Cash From/(Used in) Operating Activities		(138,769,980)	30,965,325
Cash Flows from /(Used in) Investing Activities			
Acquisition of Property, Plant & Equipment	9	(9,714,595)	(34,007,104)
Acquisition of Intangible Assets	10.1	(65,000)	-
Investments (Made)/Withdrawal in Fixed Deposits		114,515,978	(105,041,834)
Interest Received		31,049,139	42,050,667
Proceeds on disposal of Property, Plant & Equipment		45,200	5,999,425
Net Cash From/(Used in) in Investing Activities		135,830,722	(90,998,847)
Cash Flows from / (Used in) Financing Activities			
Obtained of Interest Bearing Loans & Borrowings	22.1	-	25,000,000
Repayment of Interest Bearing Loans & Borrowings		(5,000,501)	-
Lease rent payment		(1,560,000)	(1,560,000)
Net Cash Flows from / (Used in) Financing Activities		(6,560,001)	23,440,000
Net increase/(decrease) in Cash and Cash Equivalents		(9,499,259)	(36,593,522)
Effect of exchange rate changes on Cash and Cash Equivalents		38,370,398	12,228,991
Cash and Cash Equivalents at the beginning of the year	16	105,460,253	129,824,784
Cash and Cash Equivalents at the end of the year	16	134,331,392	105,460,253

The accounting policies and notes on pages 36 through 44 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENT

1. CORPORATE INFORMATION

1.1 General

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

1.2 Principal Activities and Nature of Operations

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

1.3 Parent Enterprise and Ultimate Parent Enterprise

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

1.4 Date of Authorization for Issue

The financial statements of Royal Palms Beach Hotels PLC for the year ended 31 March 2022 were authorized for issue in accordance with a resolution of the Board of Directors on 21 August 2022.

2. STATEMENT OF COMPLIANCE

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

2.1 Basis of Preparation

2.1.1 Basis of Measurement

The Financial Statements have been prepared on a historical cost basis except for Freehold Land and building and Financial Instruments at amortized cost that have been measured at fair value. The preparation and presentation of these Financial Statements is in compliance with the Companies Act No. 07 of 2007.

2.1.2 Materiality and Aggregation

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

2.2 Significant Accounting Judgments, Estimates and Assumptions

Judgments

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

Going Concern

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

Impairment of Trade Debtors:

The Company reviews at each reporting date all receivables to assess whether an allowance should be recorded in the statement of profit or loss. The Management uses judgement in estimating such amounts in the light of the duration of outstanding and any other factors management is aware of, that indicate uncertainty in recovery. Further details are given in Note 12.

Critical Accounting Estimates and Assumptions

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

Fair Value of Property, Plant & Equipment:

The Land and Building of the Company are reflected at fair value. When current market prices of similar assets are available, such evidences are considered in estimating fair

values of these assets. In the absence of such information the Company determines within reasonable fair value estimates, amounts that can be attributed as fair values, with the assistance of an independent valuer. Further details are given in note 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 & Equipments subject to refurbishments:

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

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 & 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.

c) Other Hotel Related Revenue

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

d) Interest

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

e) Others

Other income is recognised on an accrual basis.

Net gains and losses of a revenue nature on the disposal of Property, Plant & Equipment has been accounted for in the Statement of profit or loss, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses. Gains and losses arising from incidental activities to main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

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.

NOTES TO THE FINANCIAL STATEMENT

2.3.3 Expenditure Recognition

- a) Expenses are recognised in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the Property, Plant and Equipment in a state of efficiency has been charged to income in arriving at the profit for the year.
- b) For the purpose of presentation of income statement the directors are of the opinion that function of expenses method presents fairly the elements of the Company's performances, hence such presentation method is adopted.

2.3.4 Taxation

a) Current Income Taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

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

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss.

b) Sales Tax

Revenues, expenses and assets are recognised net of the amount of sales tax except where the sales tax incurred on a purchase of assets or service is not recoverable from the taxation authorities in which case the sales tax is recognised as a part of the cost of the asset or part of the expense items as applicable and receivables and payables are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

c) 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 (tax 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 (tax loss).

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

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.3.5 Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

The cost incurred in bringing inventories to its present location and condition is accounted using the following cost methods:

- Food and Beverage - At purchase cost on weighted average basis.
- Other Inventories - At purchase cost on weighted average basis.
- Uniforms - At purchase cost

2.3.6 Cash and Short-term Deposits

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

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

2.3.7 Property, Plant and Equipment

Property, Plant and Equipment (except for land & Building) is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the Property, Plant and Equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of Property, Plant and Equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major refurbishment is performed, its cost is recognised in the carrying amount of the Property, Plant and Equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred.

Land and building is measured at fair value less accumulated depreciation and impairment losses recognized 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;

	2022	2020
Buildings and building integrals	50 – 70 years	50 – 70 years
Motor Vehicles	5- 10 Years	5- 10 Years
Kitchen Equipment	10-20 Years	10-20 Years
Furniture and Fittings	10-20 Years	10-20 Years
Office Equipment	10-20 Years	10-20 Years
Recreational Equipment	5-10 Years	5-10 Years
Hotel Equipment	10-20 Years	10-20 Years
Air Condition and Ventilation	10-15 Years	10-15 Years
Computer Equipment	3-10 Years	3-10 Years
Linen & Furnishing	1-3 Years	1-3 Years
Cutlery, Crockery & Glassware	1-3 Years	1-3 Years
Solar Water Heater System	10 Years	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.

NOTES TO THE FINANCIAL STATEMENT

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.

Impairment of Financial Assets

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

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

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

Financial Liabilities

Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The financial liabilities of the Company include loans and borrowings, Trade and other payables and Amount due to related parties.

Subsequent Measurement

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

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

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

Financial liabilities at amortised cost (loans and borrowings)

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

Derecognition of financial liabilities

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

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

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-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.

NOTES TO THE FINANCIAL 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 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.

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 01 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 01 January 2022.

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 SLFRS16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 01 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 1 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.

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

In March 2022, the ICASL adopted amendments to LKAS16-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 1 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.

NOTES TO THE FINANCIAL STATEMENT

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

In March 2022, 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 1 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 2022, 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 1 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.

3. REVENUE

	2022	2021
	Rs.	Rs.
Room Revenue	116,785,758	19,084,231
Food and Beverage Revenue	209,212,052	126,073,844
Other Hotel Related Revenue	10,872,548	5,795,358
	336,870,358	150,953,434

4. OTHER INCOME

	2022	2021
	Rs.	Rs.
Surplus at the year end foreign currency conversion	50,933,389	16,558,576
Profit from Disposal of Property, Plant & Equipment	-	5,464,708
Income from Staff Meals	64,240	52,072
	50,997,629	22,075,356

5. PROFIT BEFORE TAXATION

	2022	2021
	Rs.	Rs.
Stated after charging / (crediting)		
Depreciation	63,266,655	66,314,438
Amortisation of intangible Assets	278,518	291,936
Auditors' remuneration (Fees & Expenses)	462,200	462,200
Operation and Marketing Fee - Related Party	10,884,933	4,844,255
Staff Costs		
- Wages and salaries	102,609,182	109,503,021
- Cost of meals	14,933,477	10,558,767
- Defined Benefit Plan Costs - Gratuity	4,615,672	6,606,851
- Defined Contribution Plan Costs - EPF & ETF	12,794,143	13,696,386
Donations / CSR	9,241	96,420
Directors' Fee	570,000	330,000
Marketing and Promotional Fees	1,009,529	3,506,096
Power and Energy Expenditure	37,139,183	25,489,679
Repair and maintenance expenditure	32,259,847	14,434,347
(Profit) / Loss on Disposal of Property, Plant & Equipment	56,466	(5,464,708)

6. NET FINANCE INCOME/(EXPENSES)

	2022	2021
	Rs.	Rs.
6.1 Interest Income - Related Party	24,878,305	35,750,908
Interest Income - Other	2,691,064	3,828,154
	27,569,369	39,579,062
6.2 Interest on Bank Overdrafts	(32,591)	(6,412)
Interest on Term Loan	(883,836)	(534,247)
Interest on Lease	(832,118)	(95,578)
	(1,748,544)	(636,237)
	25,820,825	38,942,825

NOTES TO THE FINANCIAL STATEMENT

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.

	2022	2021
	Rs.	Rs.
Amount Used as the Numerator:		
Net Loss for the period	(22,290,085)	(128,857,487)
Net Loss attributable to Ordinary Shareholders for Basic Earnings Per Share	(22,290,085)	(128,857,487)
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	(0.45)	(2.58)

8. INCOME TAX

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

Income Statement

	2022	2021
	Rs.	Rs.
Current Income Tax		
Current Income Tax charge	6,503,190	9,239,628
Under/(Over) Provision of current taxes in respect of prior years	(382,030)	191,015
	6,121,160	9,430,643
Deferred Income Tax		
Deferred Taxation Charge/(Reversal) (Note 8.2)	(1,607,342)	(494,097)
Income tax expense reported in the Income Statement	4,513,818	8,936,546

Statement of Changes in Equity

Deferred Income Tax related to items charged or credited directly to equity :

Income tax expense reported in equity	(55,454,852)	2,783,648
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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:

	2022	2021
	Rs.	Rs.
Accounting Profit / (Loss) before tax	(17,776,267)	(119,920,941)
Disallowable Expenses	69,951,937	84,640,894
Allowable Expenses	(110,431,461)	(107,809,594)
	(58,255,791)	(143,089,641)
Assessable Income From Investment	27,096,627	38,498,448
Applicable Tax Rate	24%	24%
Current Tax Charge	6,503,190	9,239,628

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

Deferred Tax Liability	Statement of Financial Position		Income Statement		Statement of Other Comprehensive Income	
	2022	2021	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Revalued Land and Building	302,845,070	170,864,983	76,772,443	-	55,207,644	(2,596,266)
Capital allowances for tax purposes	26,057,684	103,886,757	(77,829,073)	(580,632)	-	-
Investment in unquoted investment	12,728	-	-	-	12,728	-
	328,915,482	274,751,740	(1,056,630)	(580,632)	55,220,372	(2,596,266)
Deferred Tax Assets						
Defined Benefit Plans - recognised through income statement	(5,594,700)	(5,210,650)	(618,530)	399,785	234,480	(187,382)
Right of Use Assets - recognised through income statement	(47,982)	-	(47,982)	11,390	-	-
General Provisions -						
Allowances for Doubtful Receivables	(751,662)	(845,243)	93,581	(216,938)	-	-
Allowances for Obsolete Inventories	(444,870)	(467,089)	22,219	(107,702)	-	-
	(6,839,214)	(6,522,982)				
Deferred Tax Expense			(550,712)	86,535	234,480	(187,382)
Charge to Income Statement	-	-	(1,607,342)	(494,097)	-	-
Charge to OCI	-	-	-	-	55,454,852	(2,783,648)
Net deferred Tax Liability	322,076,268	268,228,758	-	-	-	-

9. PROPERTY, PLANT AND EQUIPMENT

9.1 Gross Carrying Amounts

	Balance As At 01.04.2021	Additions	Increase in Revaluation	Disposals / Transfers	Adjustment on Revaluation	Balance As At 31.03.2022
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
At Cost or Valuation						
Freehold Land	622,851,250	-	95,113,750	-	-	717,965,000
Buildings on freehold land	1,346,064,517	-	316,144,437	-	(99,993,955)	1,562,214,999
Motor Vehicles	29,550,823	-	-	-	-	29,550,823
Kitchen Equipment	53,914,142	708,000	-	(244,500)	-	54,377,642
Furniture and Fittings	125,271,451	138,500	-	-	-	125,409,951
Office Equipment	1,843,702	229,740	-	-	-	2,073,442
Recreational Equipment	7,729,871	-	-	-	-	7,729,871
Hotel Equipment	175,315,407	2,343,775	-	(4,489)	-	177,654,693
Air Condition & Ventilation System	54,565,405	145,800	-	-	-	54,711,205
Solar Water Heater System	4,262,028	-	-	-	-	4,262,028
Computer Equipment	11,591,852	701,800	-	-	-	12,293,652
Linen & Furnishing	28,533,021	3,526,120	-	(1,883,450)	-	30,175,691
Cutlery, Crockery & Glassware	7,005,660	1,920,860	-	(473,443)	-	8,453,077
Gross Carrying Amounts	2,468,499,129	9,714,595	411,258,187	(2,605,882)	(99,993,955)	2,786,872,074

NOTES TO THE FINANCIAL STATEMENT

9.2 Depreciation

	Balance As at 01.04.2021 Rs.	Charge for the year Rs.	Disposals Rs.	Adjustment on Revaluation Rs.	Balance As at 31.03.2022 Rs.
At Cost or Valuation					
Buildings on freehold land	67,148,875	32,845,080	-	(99,993,955)	-
Motor Vehicles	18,567,219	3,689,100	-	-	22,256,319
Kitchen Equipment	25,663,179	2,329,255	(143,956)	-	27,848,478
Furniture and Fittings	57,103,843	5,911,888	-	-	63,015,731
Office Equipment	938,290	77,925	-	-	1,016,215
Recreational Equipment	6,722,591	208,212	-	-	6,930,803
Hotel Equipment	66,720,060	8,668,099	(3,367)	-	75,384,792
Air Condition & Ventilation System	37,727,459	5,459,086	-	-	43,186,545
Solar Water Heater System	2,059,982	426,203	-	-	2,486,185
Computer Equipment	10,463,416	549,479	-	-	11,012,895
Linen & Furnishing	26,892,448	1,903,180	(1,883,450)	-	26,912,178
Cutlery, Crockery & Glassware	5,747,025	1,199,148	(473,443)	-	6,472,730
Total Depreciation	325,754,387	63,266,655	(2,504,216)	(99,993,955)	286,522,871

9.3 Net Book Values

	2022 Rs.	2021 Rs.
At Cost or Valuation		
Freehold Land	717,965,000	622,851,250
Buildings on freehold land	1,562,215,000	1,278,915,642
Motor Vehicles	7,294,504	10,983,604
Kitchen Equipment	26,529,164	28,250,963
Furniture and Fittings	62,394,220	68,167,608
Office Equipment	1,057,227	905,412
Recreational Equipment	799,068	1,007,280
Hotel Equipment	102,269,901	108,595,347
Air Condition & Ventilation System	11,524,660	16,837,946
Solar Water Heater System	1,775,843	2,202,046
Computer Equipment	1,280,757	1,128,436
Linen & Furnishing	3,263,513	1,640,573
Cutlery, Crockery & Glassware	1,980,347	1,258,635
Total Net Carrying Amount of Property, Plant & Equipment	2,500,349,204	2,142,744,742

9.4

- a) The fair value of land and buildings was determined by means of a revaluation during the financial year 2021/2022 by Messrs. P.P.T. Mohideen an independent valuer with reference to market based evidence. The results of such evaluation had been incorporated in the Financial Statements from its effective date which is 31 March 2022. The surplus arising from the revaluation had also been transferred to a revaluation reserve as at that date.
- 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 Rs.	Cumulative Depreciation	Net Carrying Amount 2022 Rs.	Net Carrying Amount 2021 Rs.
		If assets were at cost Rs.		
Freehold Land	72,204,611	-	72,204,611	72,204,611
Buildings on Freehold Land	779,508,439	186,337,530	593,170,909	609,098,115
	851,713,050	186,337,530	665,375,520	681,302,726

9.5 During the financial year, the Company acquired Property, Plant & Equipment to the aggregate value of Rs. 9,714,595/- (2021 - Rs. 34,007,104/-) for cash consideration.

9.6 Property, Plant & Equipment includes fully depreciated assets which are still in use having a gross carrying amount of Rs 80,564,368/- (2021- Rs.73,890,703/-).

9.7 With effect from 1 April 2012, the Company reviewed the useful life of each significant component of buildings. In the review process, the Company has taken the assistance of an independent professional valuer. Accordingly, depreciation was calculated for the year ended 31 March 2022 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

NOTES TO THE FINANCIAL STATEMENT

10. INTANGIBLE ASSETS

10.1 Cost

	Computer Software	
	2022	2021
	Rs.	Rs.
As at the beginning of the year	6,301,406	6,301,406
Incurred during the year	65,000	-
As at the end of the year	6,366,406	6,301,406
Amortisation		
As at the beginning of the year	5,771,210	5,479,274
Amortised during the year	278,518	291,936
As at the end of the year	6,049,728	5,771,210
Net Book Value		
As at the beginning of the year	530,196	1,115,484
As at the end of the year	316,678	530,196

11. INVENTORIES

	2022	2021
	Rs.	Rs.
Food and Beverage Inventories	14,019,545	5,367,138
Housekeeping and General Inventories	2,254,018	1,363,039
Uniforms	3,192,506	3,752,402
Others Consumables	4,518,032	4,158,832
Gift Boutique Inventories	1,183,680	1,309,306
	25,167,781	15,950,718
Less: Allowances for Obsolete Inventories	(3,177,641)	(3,336,352)
	21,990,140	12,614,366

12. TRADE AND OTHER RECEIVABLES

	2022	2021
	Rs.	Rs.
Trade Receivables - Related Party (Note 12.1)	27,596,432	4,126,914
- Other	86,518,410	6,502,153
Less : Allowances for Doubtful Trade Receivables (Note 12.2)	(5,369,012)	(4,375,922)
	108,745,830	6,253,145
Other Receivables	2,196,216	675,467
Loans to Company Officers	393,659	446,850
	111,335,706	7,375,462

12.1 Trade due from Related Parties

Name of the Company	Relationship	2022	2021
		Rs.	Rs.
Tangerine Tours (Pvt) Limited	Other Related Party	27,596,432	4,126,914
		27,596,432	4,126,914

12.2 Total Allowance for Impairment on Trade Debtors

	2022	2021
	Rs.	Rs.
Balance as at beginning of the year	4,375,922	2,826,361
Charge/(Reversal) for the year	993,090	1,549,561
Balance as at the end of the year	5,369,012	4,375,922

13. RIGHT-OF-USE ASSETS

	Right-of-Use buildings	
	2022	2021
	Rs.	Rs.
Movement during the year		
Cost		
Balance as at beginning of the year	13,472,232	2,766,130
Recognition / (Derecognition) of operating leases under SLFRS 16	(4,282,441)	10,706,102
Balance as at the end of the year	9,189,791	13,472,232
Accumulated depreciation / impairment		
Balance as at beginning of the year	2,766,130	1,383,065
Charge for the year	1,070,610	1,383,065
Balance as at the end of the year	3,836,740	2,766,130
Net book value		
As at the beginning of the year	10,706,102	10,706,102
As at the end of the year	5,353,051	10,706,102

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 31.03.2022
Building - 898.44 Sq.Ft.	Colombo 03	5 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%	(130,937)	(130,937)
Decreased -1%	130,937	130,937

14. OTHER NON FINANCIAL ASSETS

	2022	2021
	Rs.	Rs.
Prepayments and Advances	9,704,185	4,357,664
Input VAT Receivable	13,731,677	6,969,258
Other receivables	711,005	516,403
	24,146,866	11,843,325

NOTES TO THE FINANCIAL STATEMENT

15. OTHER FINANCIAL ASSETS

15.1 Measured at Fair value through OCI

Non Quoted Equity Securities with Related Parties	No. of Shares		Cost 2022 Rs.	Directors	Cost 2021 Rs.	Directors
	2022	2021		Valuation ** 2022 Rs.		Valuation ** 2021 Rs.
Fair View Hotel (Pvt) Ltd.- Related Party	1,800,000	1,800,000	18,000,000	18,127,276	18,000,000	18,000,000
Gross Carrying Value of Investments			18,000,000	18,127,276	18,000,000	18,000,000
Total Current Non Quoted Equity Securities				18,127,276		18,000,000

15.1.1 The Company held 3% (2021 - 3%) shareholding in Fair View Hotel (Pvt) Ltd. The fair value of above unquoted equity securities was determined using Discounted cash flow (DCF) valuation technique, where significant inputs were not based on observable market data (Level 3). There were no share sales or purchases during the year. Valuation techniques, key assumption and the sensitivity of the significant inputs to the fair value of the Investment are as follows:

Financial Assets Measured at Fair Value through OCI

Investment in Equity Securities- Non-Quoted:

	2022 LKR	2021 LKR
Fair View Hotel (Pvt) Ltd.- Related Party		
Fair Value at the beginning of the year	18,000,000	18,000,000
Gain recognised in the Other comprehensive income (Note 18.1)	127,276	-
Fair Value at the beginning of the year	18,127,276	18,000,000

15.2 Measured at Amortized Cost

Short Term Investments - Fixed Deposits			2022	2021
Institute	Relationship		Rs.	Rs.
Fixed Deposits	Mercantile Investments and Finance PLC	Other Related Party	293,735,387	411,885,590
	Commercial Bank PLC		29,073,555	28,919,101
			322,808,942	440,804,690

15.3 Measured at Amortized cost

Other receivable due from Related Parties

Other receivable due from Related Parties		2022	2021
Name of the Company	Relationship	Rs.	Rs.
Tangerine Beach Hotels PLC	Significant Investor	3,758,232	1,533,055
The Nuwara Eliya Hotels Co. PLC	Other Related Party	581,094	564,463
		4,339,326	2,097,518

16. CASH AND BANK BALANCES

	2022	2021
	Rs.	Rs.
Cash at bank and in hand	154,161,052	115,745,363
	154,161,052	115,745,363

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

Cash and bank balances	154,161,052	115,745,363
Bank overdraft (Note 22)	(19,829,660)	(10,285,110)
	134,331,392	105,460,253

17. STATED CAPITAL

	Number of Shares	Ordinary Shares Rs.
At 31 March 2021	50,000,000	521,583,448
At 31 March 2022	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. RESERVE

	2022	2021
	Rs.	Rs.
18.1 Revaluation Reserve		
As at the beginning of the year	1,096,954,361	1,113,514,683
Revaluations During the year	411,258,187	-
Transfer to retained earning*	-	(19,156,588)
Tax effect on surplus on revaluation	(55,207,644)	-
Deferred tax on transfers to retained earnings	-	2,596,266
As at the end of the year	1,453,004,904	1,096,954,361

* 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.

NOTES TO THE FINANCIAL STATEMENT

18.2 Fair Value Reserve of Financials Assets at FVOCI

	2022	2021
	Rs.	Rs.
As at 1st April	-	-
Gain/(loss) on Financial Assets at FVOCI (Note 15.1)	127,276	-
Deferred Tax Impact	(12,728)	-
As at 31st March	114,548	-

19. TRADE AND OTHER PAYABLES

	2022	2021
	Rs.	Rs.
Financial Liabilities (Note 19.1)	30,844,127	22,925,489
Non Financial Liabilities (Note 19.2)	25,361,520	21,488,305
	56,205,647	44,413,793

19.1 Financial Liabilities

	2022	2021
	Rs.	Rs.
Trade Payables	18,694,690	16,242,443
Service Charge Payable	6,090,553	1,538,494
Other Payables	6,058,885	5,144,552
	30,844,127	22,925,489

19.2 Non Financial Liabilities

	2022	2021
	Rs.	Rs.
Advanced received for reservation	11,122,760	5,756,401
Accrued expenses	2,261,775	1,920,811
EPF & ETF Payable	1,870,055	1,638,762
TDL Payable	1,829,326	4,223,494
Refundable deposits	500,000	500,000
Other payables	7,777,603	7,448,837
	25,361,520	21,488,305

20. AMOUNTS DUE TO RELATED PARTIES

Name of the Related Party	Relationship	2022	2021
		Rs.	Rs.
Security Ceylon (Pvt) Ltd.	Other Related Party	502,041	602,479
Tangerine Tours(Pvt.) Ltd.	Other Related Party	3,114,834	1,480,580
Mercantile Investments & Finance PLC	Other Related Party	-	129,904
		3,616,875	2,212,962

21. EMPLOYEE BENEFIT LIABILITY

	2022	2021
	Rs.	Rs.
Balance as at the beginning of the year	40,675,027	35,872,820
Charge for the year (Note 21.1)	2,940,813	7,945,291
Payments during the year	(3,653,695)	(3,143,084)
Balance as at the end of the year	39,962,145	40,675,027

21.1 Expenses on Defined Benefit Plan

	2022	2021
	Rs.	Rs.
Current Service Cost for the year	2,934,367	3,163,060
Actuarial (Gain) / Loss	(1,674,859)	1,338,440
Interest cost for the year	3,050,627	3,443,791
Past Service Cost	(1,369,322)	-
	2,940,813	7,945,291

21.2 Actuarial Assumptions

	2022	2021
Discount rate	14%	7.5%
Salary increment	12%	7.0%
Mortality - A 67/70 Mortality Table issued by the Institute of Actuaries London		
Retirement age	60 years.	55 years.
Disability rate		Simple disability rate

Staff turnover

The staff turn over rate used in the valuation:

CAT 1 : 10.00% up to age 54 and thereafter zero

CAT 2 : 7.00% up to age 54 and thereafter zero

An actuarial valuation of the gratuity was carried out as at 31 March 2022 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.

NOTES TO THE FINANCIAL STATEMENT

21.3 Sensitivity of Assumptions Employed in Actuary Valuation contd.

31st March 2022	Sensitivity Effect on Comprehensive Income Statement Increase / (Reduction) in results for the year	Sensitivity effect on employee benefit Obligation increase / (Reduction) in the Liability
Increase/ (decrease) in discount rate		
1%	1,976,551	(1,976,551)
-1%	(2,181,300)	2,181,300
Increase/ (decrease) in salary Increment		
1%	(2,362,004)	2,362,004
-1%	2,171,660	(2,171,660)
31st March 2021	Sensitivity Effect on Comprehensive Income Statement Increase / (Reduction) in results for the year	Sensitivity effect on employee benefit Obligation increase / (Reduction) in the Liability
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)

21.4 Maturity Profile

	2022 Rs.	2021 Rs.
Distribution of defined benefit obligation over the future working life time		
Less than or equal 1 year	7,623,290	6,325,694
Over 1 year and less than or equal 2 years	8,408,810	9,619,468
Over 2 years and less than or equal 5 years	8,399,202	10,145,568
Over 5 years and less than or equal 10 years	9,048,419	8,796,162
Over 10 years	6,482,424	5,788,135
Total	39,962,145	40,675,027

22. INTEREST BEARING LOANS AND BORROWINGS

	2022 Rs.	2021 Rs.
Current		
Bank overdraft	19,829,660	10,285,110
Term Loan - Saubagya Covid 19 Loan	12,006,000	15,000,003
	31,835,660	25,285,113
Non-current		
Term Loan - Saubagya Covid 19 Loan	7,993,999	9,999,997
	7,993,999	9,999,997
	39,829,659	35,285,110

22.1 Term Loan - Saubagya Covid 19 Loan

	2022	2021
	Rs.	Rs.
Balance as at beginning of the year	25,000,000	-
Obtained during the year	-	25,000,000
Repayment during the year	(5,000,001)	-
Balance as at the end of the year	19,999,999	25,000,000

22.2 Details of Loan - Terms and Conditions

Purpose	To finance 02months 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 installments of Rs. 1,666,667 /- and the final installment of Rs.1,666,662/- together with interest, after the grace period.

* Loan Reschedule in Feb 2022 and grant another grace period for 5 months and Capital to be repaid 14 equal monthly installments of Rs. 1,334,000/- and the final installment of Rs. 1,333,999/-

Interest Rate	4%
Term	02 Years
Security	Company had pledged Fixed Deposit of Rs. 28,000,000 as security.

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

	2022	2021
	Rs.	Rs.
Balance as at the beginning of the year	10,706,102	1,464,422
Recognition of operating lease liability under SLFRS 16	-	10,706,102
Payment of lease liabilities	(1,560,000)	(1,560,000)
Derecognition of operating lease liability	(4,282,441)	-
Interest expense	832,118	95,578
Balance as at the end of the year	5,695,779	10,706,102
Current portion of lease liabilities		
2022/23 FY Lease payments	1,560,000	1,560,000
2022/23 FY Lease interest	(771,558)	-
	788,442	1,560,000
Non Current portion of lease liabilities	4,907,337	9,146,102

** The Company use 8.32% as Incremental Borrowing Rate

NOTES TO THE FINANCIAL STATEMENT

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

	2022 Rs.	2021 Rs.
Depreciation Expenses of Right of Use Assets	1,070,610	1,383,065
Interest Expense on Lease Liability	832,118	95,578
Total amount recognized in profit and loss	1,902,728	1,478,643

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

	0-3 Months Rs.	3-12 Months Rs.	1 to 5 Years Rs.	Total Rs.
Lease Liability	390,000	1,170,000	6,240,000	7,800,000

25. CONTINGENCIES

There are no significant contingencies as at the reporting date.

26. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

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

26.1 Transactions with Related Parties

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

Tangerine Beach Hotels PLC - Significant Investor

Nature of Transactions	Terms of Transaction	Amount		Balance as at 31st March	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Staff Quarters Rent	Market Terms	(550,000)	(600,000)	3,758,232	1,533,055
Swerage Treatment Plant rent	Market Terms	(2,482,919)	(2,219,203)		
Staff Meals	Market Terms	(30,632)	(20,350)		
Laundry Charges	Market Terms	6,223,449	3,982,511		
Water Bottles	Market Terms	-	(39,180)		
Reimbursement of Expenses - (Net)		3,925,386	2,260,292		
Funds Transfers for settlements		(4,860,106)	(4,749,687)		

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

	2022 Rs.	2021 Rs.
Short-term post employment benefits	11,817,150	10,299,426

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 the Related Party	Relationship	Nature of Transactions	Terms of Transactions	Amount		Balance as at 31st March	
				2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Security Ceylon (Pvt) Ltd.	Other Related Company	Security Services	As per Agreement	(10,317,685)	(10,307,172)	(502,041)	(602,479)
		Security staff meals	Market Terms	1,349,040	1,093,522		
		Reimbursement of Expenses		-	25,023		
		Settlements		9,069,083	9,130,514		
Tangerine Tours (Pvt.) Ltd	Other Related Company	Tour Operation	As per Agreement	39,690,376	184,500	24,481,598	2,646,334
		Operation & Marketing Fee	As per Agreement	(10,884,933)	(4,844,255)		
		Reimbursement of Expenses		(3,694,089)	(4,272,824)		
		Settlements- Net		(3,134,614)	(41,580,608)		
Mercantile Investments & Finance PLC	Other Related Company	Repairs & Services to Motor Vehicles	Market Terms	(1,403,066)	(184,988)	-	(129,904)
		Head Office Rent	As per Agreement	(1,560,000)	(1,560,000)		
		Reimbursement of Expenses		(961,125)	(1,463,823)		
		Settlements- Net		4,054,094	3,218,299		
		Net Movement of Fixed Deposits Investments	Market Terms	(114,805,546)	94,991,494	52,156,631	411,885,590
		Interest Income	Market Terms	24,878,305	35,750,908	293,735,387	
The Nuwara Eliya Hotels Co. PLC	Other Related Company	Reimbursement of Expenses		3,647,564	3,184,578	581,094	564,463
		Settlements		(3,630,932)	(3,446,434)		

27. GOING CONCERN

The Directors, after making necessary inquiries and reviews including reviews of the hotel budgets for the ensuing year. Capital expenditure requirements, future prospects along with risks, cash flows and borrowing facilities have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore, the going concern basis has been adopted in the preparation of the Financial Statements. In determining the basis of preparing the financial statements for the year ended 31 March 2022, based on available information, the management has assessed the existing and anticipated effects of current economic situation on the Company.

NOTES TO THE FINANCIAL STATEMENT

28. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

28.1 Carrying Amounts and fair Values of Financial Instruments

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

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

31st March 2022	Amortized Cost Rs.	Fair value through profit & loss Rs.	Fair value through other comprehensive income Rs.	Total carrying amount Rs.	Fair value Rs.
Financial assets					
Current assets					
Trade & other receivables	111,335,706	-	-	111,335,706	111,335,706
Cash and short-term deposits	476,969,994	-	-	476,969,994	476,969,994
Amounts due from related parties	4,339,326	-	-	4,339,326	4,339,326
	592,645,026	-	-	592,645,026	592,645,026
Non-current assets					
Investments	-	-	18,127,276	18,127,276	18,127,276
	-	-	18,127,276	18,127,276	18,127,276
Financial liabilities					
Current liabilities					
Trade and other payables	56,205,647	-	-	56,205,647	56,205,647
Amounts due to related parties	3,616,875	-	-	3,616,875	3,616,875
Bank overdrafts	19,829,660	-	-	19,829,660	19,829,660
Interest-bearing loans and borrowings	12,006,000	-	-	12,006,000	15,000,003
	91,658,181	-	-	91,658,181	94,652,184
Non-Current Liabilities					
Interest-bearing loans and borrowings	7,993,999	7,993,999	7,993,999		
	7,993,999	-	-	7,993,999	7,993,999

31st March 2021	Amortized Cost Rs.	Fair value through profit & loss Rs.	Fair value through other comprehensive income Rs.	Total carrying amount Rs.	Fair value Rs.
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
	566,023,032	-	-	566,023,032	566,023,032
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	44,413,793	-	-	44,413,793	44,413,793
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

28.2 Determination of Fair Value and Fair Value Hierarchy

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

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

28.3 Financial Instruments not Carried at Fair Value

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

	2022		2021	
	Carrying Value Rs.	Fair Value Rs.	Carrying Value Rs.	Fair Value Rs.
Current Assets				
Trade and other receivables	111,335,706	111,335,706	7,375,462	7,375,462
Amounts due from related parties	4,339,326	4,339,326	2,097,518	2,097,518
Short-term deposits	322,808,942	322,808,942	440,804,690	440,804,690
Cash at bank and cash in hand	154,161,052	154,161,052	115,745,363	115,745,363
	592,645,026	616,791,892	566,023,033	577,866,358
Current liabilities				
Trade and other payables	56,205,647	56,205,647	44,413,794	44,413,794
Amounts due to related parties	3,616,875	3,616,875	2,212,962	2,212,962
	59,822,521	91,658,181	46,626,756	71,911,869

NOTES TO THE FINANCIAL STATEMENT

28.3 Financial Instruments not Carried at Fair Value contd.

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, Amounts due from/to related parties, cash and bank & trade and other payables without a specific maturity.

Interest-bearing loans and borrowings

The fair value of financial liabilities does not significantly vary from the value based on the amortised cost methodology.

	Level	2022		2021	
		Carrying Value Rs.	Fair Value Rs.	Carrying Value Rs.	Fair Value
Financial liabilities					
Interest-Bearing Loans and Borrowings (Note 22)	Level 2	39,829,659	39,829,659	35,285,110	35,285,110
		39,829,659	39,829,659	35,285,110	35,285,110

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

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

28.4 Non Financial Assets Disclosed at Fair value

	Method	Date of valuation	Level **	Value	unobservable Inputs	Average Price per perch/ Sq.ft
2022						
Free hold land	Market Approach	31.03.2022	03	717,965,000	Estimated Price per Perch	690,000/650,000/600,000
Buildings	Market Approach	31.03.2022	03	1,562,215,000	Estimated Price per Sq.ft	13,750/6,250/5,000
2021						
Free hold land	Market Approach	31.03.2019	03	622,851,250	Estimated Price per Perch	550,000/500,000
Buildings	Market Approach	31.03.2019	03	1,278,915,642	Estimated Price per Sq.ft	10,000/4,250/4,000

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

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

29. RISK MANAGEMENT

29.1 Introduction

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

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

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

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

29.2 Credit Risk

(a) Introduction

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

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

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

	Note	2022 Rs.	2021 Rs.
Cash and cash equivalents	16	154,161,052	115,745,363
Trade and other receivables	12	111,335,706	7,375,462
Fixed Deposits	15.2	322,808,942	440,804,690
Amounts Due from Related Parties	15.3	4,339,326	2,097,518
		592,645,026	566,023,033

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.

NOTES TO THE FINANCIAL STATEMENT

29.2 Credit Risk contd.

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

	2022 Rs.	2021 Rs.
Gross Receivable		
Not past due	27,595,765	-
Past due 0-30 days	45,717,440	171,060
Past due 31-60 days	28,055,932	103,685
Past due 61-90 days	5,689,308	-
Past due 90-120 days	1,603,345	-
Past due 120-180 days	1,175,719	-
More than 180 days	4,277,333	10,354,322
Total Gross Receivable	114,114,842	10,629,067
Impairment Allowance*		
Allowance for Impairment	(5,369,012)	(4,375,922)
Carrying Value	108,745,830	6,253,145

Movement in the Impairment Allowance*	2022 Rs.	2021 Rs.
Balances at 1 April	4,375,922	2,826,361
Impairment recognised	993,090	1,549,561
Balances at 31 March	5,369,012	4,375,922

29.3 Liquidity Risk

(a) Introduction

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

(b) The following summarises the maturity profile of the company's financial liabilities based on contractual undiscounted payments:

	Contractual maturities of financial liabilities				
	Total Rs.	Up to 3 Months Rs.	3-12 Months Rs.	1-5 Years Rs.	More than 5 Years Rs.
31 March 2022					
Financial Liabilities	30,844,127	30,844,127	-	-	-
Bank Overdraft	19,829,660	19,829,660	-	-	-
Amounts Due to Related Parties	3,616,875	3,616,875	-	-	-
Interest-Bearing loans and borrowings	40,562,954	20,031,303	12,445,884	8,085,767	-
	94,853,615	74,321,964	12,445,884	8,085,767	-
31 March 2021					
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	36,204,562	10,537,165	15,549,957	10,117,440	-
	71,628,823	45,960,726	15,549,957	10,117,440	-

(c) Undrawn committed borrowing facilities

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

29.4 Market Risk

(a) Introduction

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to the changes in market prices. Mainly the changes in market prices, such as foreign exchange rates and interest rates will affect the company's income or the value of its holdings of financial instruments.

COVID-19 on our Business

The 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 Palm 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. And also the company started to provide Intermediate Care Center services during this COVID – 19 period to mitigate the making of operating losses due to the COVID – 19 impact.

(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 2022 on the back of economic turmoil in global. 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 20% 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	
	+20%	-20%
Euro (€)	10,852,640	(10,852,640)
Dollar (\$)	10,547,220	(10,547,220)
Sterling Pound (£)	2,197,580	(2,197,580)
	23,597,440	(23,597,440)

(c) Interest rate risk

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

30. CAPITAL MANAGEMENT

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

31. EVENTS OCCURRING AFTER THE REPORTING DATE

There have been no material events occurring after the reporting date that require adjustments to or disclosure in the Financial Statements.

INVESTOR INFORMATION

Shareholding	No.of Members	Shareholding	%
1 - 1000	1297	207,135	0.41
1001 - 10000	246	938,161	1.88
10001 - 100000	88	2,738,797	5.48
100001 - 1000000	23	6,795,206	13.59
Over 1000000	9	39,320,701	78.64
	1663	50,000,000	100.00

Category	As at 31 March 2022		As at 31 March 2021	
	Shareholding	%	Shareholding	%
Resident	47,337,575	94.68	47,306,775	94.61
Non Resident	2,662,425	5.32	2,693,225	5.39
	50,000,000	100.00	50,000,000	100.00

Category	As at 31 March 2022		As at 31 March 2021	
	Shareholding	%	Shareholding	%
Individuals	15,241,046	30.48	15,239,130	30.48
Corporate	34,758,954	69.52	34,760,870	69.52
	50,000,000	100.00	50,000,000	100.00

Shareholding	2022 Rs.	2021 Rs.
Market Value Per Share as at 31st March	16.30	14.30
Highest Market Value Per Share	32.50	22.50
Lowest Market Value Per Share	16.00	12.00
Public Holding		
No. of Ordinary Shares	6,990,461	6,990,461
Percentage	13.98%	13.98%

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. M U Maniku	2,552,823	5.11	2,742,700	5.49
Mr. T J Ondaatjie	1,414,233	2.83	2,552,823	5.11
Ms. A M Ondaatjie	1,126,733	2.25	829,870	1.66
Mr. G G Ondaatjie	1,081,734	2.16	707,375	1.41
Mercantile Fortunes (Pvt) Ltd	829,870	1.66	650,000	1.30
Nilaveli Beach Hotels (Pvt) Ltd	707,375	1.41	558,428	1.12
Security Ceylon (Pvt) Ltd	650,000	1.30	500,000	1.00
City Properties (Pvt) Ltd	558,428	1.12	414,542	0.83
Mrs. K M N Perera	414,542	0.83	362,498	0.72
N Vaitilingam & Co. (Pvt) Ltd	362,498	0.72	299,050	0.60
Mr. J A S S Adhietty	299,050	0.60	265,795	0.53
Mr. N H V Perera	265,795	0.53	250,000	0.50
Mr. D C Fernando	250,000	0.50	249,998	0.50
Ceylon Galvernizing Industries Ltd	249,998	0.50	247,900	0.50
Renuka Consultants & Services Limited	239,547	0.48	239,547	0.48

TEN YEARS SUMMARY

Year ended 31st March	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
	Rs. ' 000	Rs. ' 000	Rs. ' 000	Rs. ' 000	Rs. ' 000	Rs. ' 000	Rs. ' 000	Rs. ' 000	Rs. ' 000	Rs. ' 000
Trading Results										
Turnover Net of Tax	336,870	150,953	617,604	754,840	656,686	582,319	637,372	527,742	640,908	594,593
Operating profit/(Loss) before interest exp. and other income	(94,595)	(180,939)	42,399	128,426	85,520	69,723	144,464	19,327	91,003	100,502
Profit/(Loss) before Taxation	(17,776)	(119,921)	97,006	162,991	133,335	96,744	173,764	23,565	118,865	114,047
Taxation provision	(4,514)	(8,937)	(27,894)	(36,067)	(45,562)	(10,005)	(25,246)	(1,214)	(19,514)	(14,549)
Profit after taxation on Ordinary activities	(22,290)	(128,857)	69,111	126,924	87,773	86,739	148,517	22,351	99,351	99,498
Share Capital & Reserve										
Issued Share Capital	521,583	521,583	521,583	521,583	521,583	521,583	521,583	521,583	521,583	521,583
Revaluation Reserve	1,453,005	1,096,954	1,113,515	1,130,327	962,802	1,034,216	1,032,667	694,331	705,172	723,237
Fair Value of	724,386	745,236	856,087	821,090	736,090	691,284	646,207	519,981	485,335	446,461
Total Equity	2,699,089	2,363,773	2,491,186	2,464,001	2,220,475	2,247,084	2,200,457	1,735,895	1,712,091	1,691,281
Assets Employed										
Current Assets	642,329	593,314	695,190	668,997	551,747	465,598	464,102	280,095	334,754	333,982
Current Liabilities	(92,447)	(73,472)	(93,738)	(104,558)	(89,009)	(89,176)	(94,313)	(75,386)	(108,003)	(89,383)
Working Capital	549,882	519,842	601,452	564,419	462,738	376,423	369,789	204,710	226,751	244,599
Non Current Assets	2,524,146	2,171,981	2,197,113	2,198,865	2,018,120	2,034,656	1,992,090	1,659,293	1,613,933	1,572,091
Non- Current Liabilities	(374,940)	(328,050)	(307,379)	(299,283)	(260,382)	(163,994)	(161,421)	(128,107)	(128,593)	(125,409)
	2,699,089	2,363,773	2,491,186	2,464,001	2,220,476	2,247,084	2,200,457	1,735,895	1,712,091	1,691,281
Ratio & Statistics										
Gearing Ratio (Times)	1.48	1.49	0.90	0.92	0.56	0.33	0.00	0.00	0.00	0.01
Current ratio (Times)	6.95	8.08	7.42	6.40	6.20	5.22	4.92	3.72	3.10	5.25
Market Price per Share	16.30	14.30	12.70	16.10	18.00	21.90	30.50	36.00	30.00	35.00
Earnings per Share	(0.45)	(2.58)	1.38	2.54	1.76	1.73	2.97	0.45	1.99	1.99
Net assets per Share	53.98	47.28	49.82	49.28	44.41	44.94	44.01	34.72	34.24	33.83
Interest Cover (Times)	(9.17)	(189.48)	302.86	6101.65	1,081.76	365.13	482.34	49.39	203.54	148.74
Return on Shareholder's Funds (%)	(0.83)	(5.45)	2.77	5.15	3.95	3.86	6.75	1.29	5.80	5.88
Return on Total Assets (%)	(0.70)	(4.66)	2.39	4.43	3.42	3.47	6.05	1.15	5.10	5.22
Price Earning Ratio	36.22	5.54	9.20	6.34	10.23	12.66	10.27	80.00	15.07	17.59

VALUE ADDED STATEMENT

For the Year ended 31st March	2022	2021
Turnover	336,870,358	150,953,434
Less- Cost Of Sales	236,845,179	(140,860,131)
Value added	100,025,179	10,093,303
Other Income	78,566,998	61,654,418
Total Investment Created	178,592,177	71,747,721
Value Added to Employees	126,756,989	120,061,788
To Government	10,580,100	13,937,046
	137,337,089	133,998,834
For Expansion & Growth		
Retained Earnings	(22,290,085)	(128,857,487)
Depreciation	63,545,173	66,606,374
	41,255,088	(62,251,113)
	178,592,117	71,747,721

REAL ESTATE PORTFOLIO

Company & Location	Building in (Sq.Ft.)		No. of Buildings		Land in Acres Free hold Property		Net Book Value	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	Rs.'000 2021/22	Rs.'000 2020/21
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	2,280,180	1,901,767

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the 30th Annual General Meeting of Royal Palms Beach Hotels PLC. will be held as a virtual meeting on 28th September 2022 at 12.30 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 Statements of Accounts for the year ended 31st March 2022, with the Report of the Auditors thereon.
2. To elect Mr. G G Ondaatje who retires in terms of Article 88 (i) of the Articles of Association of the Company.
3. To elect Mr. M J Fernando, 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.
"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 91 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 elect Mr. Mihindu Keerthiratne, 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.
"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 81 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."
5. To elect Mr. Ajita de Zoysa, 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.
"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 78 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."
6. To elect Mr. Mohamed Umar 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.
"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 75 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."
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.7 of 2007 and to authorize the Directors to determine their remuneration.
8. To authorize the Directors to determine payments for charitable and other purposes for year 2022/23.

By Order of the Board,

Mercantile Investments and Finance PLC

Secretaries

Colombo
25th August 2022

Notes:

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

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

FORM OF PROXY

I/We

of

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

.....

of or failing him/her

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

as my/our proxy to represent me/us and to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 29th September 2022 at 12.30 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 31st March 2022, with the Report of the Auditors there on.	<input type="checkbox"/>	<input type="checkbox"/>
2) To elect Mr. G G 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.7 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>
4) To elect Mr. M Keerthiratne in terms of Section 211 of the Companies Act No.7 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.7 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.7 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.7 of 2007 and to authorize the 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 2022/23.	<input type="checkbox"/>	<input type="checkbox"/>

As witness my/our hand this day of 2022

Signature of Shareholder/s

Note:

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

INSTRUCTIONS AS TO COMPLETION

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

CORPORATE INFORMATION

Name of the Company

Royal Palms Beach Hotels PLC.

Status & Legal Form

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

Company Registration Number

PQ 167

Tax Payer Identification Number

114092118

VAT Registration Number

114092118 7000

Communication Registered Office

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

Hotel

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

Secretaries

Mercantile Investments & Finance PLC

Remuneration Committee

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

Audit Committee

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

External Auditors

Ernst & Young.
CHARTERED ACCOUNTANTS

Internal Auditors

SJMS Associates
CHARTERED ACCOUNTANTS

Bankers

Hatton National Bank PLC
Commercial Bank of Ceylon PLC

Board of Directors

A.M. Ondaatjie -Chairperson
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

ROYAL PALMS BEACH HOTELS PLC