

NOTE-30 : SIGNIFICANT ACCOUNTING POLICES AND NOTES FORMING PART OF FINANCIAL STATEMENTS

1. CORPORATE INFORMATION:

Royale Manor Hotels and Industries Limited is a listed public limited company incorporated in 1991. Its shares are listed on Bombay, Madras and Calcutta Stock Exchanges. Company established first five star hotel of Ahmadabad and is primarily engaged in the business of Hotel & Restaurant.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES:

2.1 Statement of Compliance:

These financial statements have been prepared in accordance with Ind AS as prescribed under section 133 of the Companies Act, 2013 read with Companies (Indian Accounting Standards) Rules, 2015 and other provisions of the Companies Act, 2013 as amended from time to time.

2.2 Basis of preparation:

These financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015.

2.3 Accounting Estimates:

The preparation of these financial statements in conformity with the recognition and measurement principles of Ind AS requires management to make judgments, estimates and assumptions, that affect the reported balance of assets and liabilities, disclosure relating to contingent liabilities as at the date of the financial statements and the reported amounts of income and expenses for the years presented. Actual results may differ from these estimates.

2.4 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 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 specific recognition criteria described below must also be met before revenue is recognized.

Value added tax(VAT)/Goods and Service Tax (GST) is not received by the Company on its own account. Rather, it is tax collected on value added to the commodity by the seller on behalf of the government. Accordingly, it is excluded from revenue.

Rooms, Restaurant, Banquets and Other Service:

Income from guest accommodation is recognized on a day to day basis after the guest checks into the Hotels and are stated net of allowances. Incomes from other services are recognized as and when services are rendered. Sales are stated exclusive of Goods and Service Tax(GST) and Value Added Taxes (VAT). Difference of revenue over the billed as at the year-end is carried in financial statement as unbilled revenue separately.

Sale of goods:

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, sale of food and beverage are recognized at the points of serving these items to the guests. Sales are stated exclusive of VAT/ Goods and Service Tax (GST).

Interest income:

Interest Income is accrued on a time proportion basis using the effective interest rate.

2.5 Property, Plant & Equipments:

Property, Plant & Equipments has been recorded at actual cost inclusive of duties, taxes and other incidental expenses related to acquisition, improvement and installation. The Company depreciates property, plant & equipments over their estimated useful lives using the SLM method. The estimated useful lives of assets are as under:

Name of Asset	Useful life
Buildings	60 Years
Electrical Installations	10 Years
Plant & Machineries	15 Years
Computers	3 Years
Furniture & Fittings	10 Years
Office Equipments	5 Years
D G Set	15 Years
Vehicles	8 Years

For transition to Ind AS, the Company has elected to continue with the carrying value of all of its property, plant and equipments recognized as of April 1, 2016 (transition date) measured as per the previous GAAP and use that carrying value as its deemed cost as of the transition date.

2.6 Impairment of Assets:

Assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the assets exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use.

2.7 Investments:

Investments are in equity shares of unlisted company being Non Current in nature, are stated at cost.

2.8 Foreign Currency Transactions:

Earnings in foreign currencies are recorded at the exchange rate prevailing on the date of transactions. Gain/Loss arising out of fluctuations in exchange rates is accounted for on settlement and the same is charged to the Statement of Profit and Loss. Payments in foreign currencies are recorded at the rates prevailing on the date of actual remittance.

2.9 Borrowing Cost:

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the asset until such time that the assets are substantially ready for their intended use. Capitalization of borrowing costs is suspended and charged to profit and loss during the extended periods when the active development on the qualifying assets is interrupted. Qualifying fixed asset is an asset that necessarily takes a substantial period of time to get ready for their intended use or sale. All other borrowing costs are charged to Statement of Profit and Loss over the tenure of the borrowing.

2.10 Inventories:

Stock of food and beverages, stores and operating supplies are valued at lower of cost and net realizable Value. Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition, Cost is determined on a first in first out basis. Net realizable value is the estimated selling price in the ordinary course of business less estimated cost of completion and estimated costs necessary to make sale.

2.11 Employees' Benefits:

Company accounts for leave encashment benefits on the basis of actuarial valuation. Further, contribution to the Gratuity Fund linked with Life Insurance Corporation of India is charged to Statement of Profit & Loss.

2.12 Taxes on Income:

Taxes on Income are accounted in the same period to which the revenue and expenses relate.

Provision for current income tax is made on the basis of estimated taxable income, in accordance with the provisions of the Income Tax Act, 1961 and rules framed there under.

Deferred tax is the tax effect of timing differences. The timing differences are differences between the taxable income and accounting income for a period that originate in one period and are capable of reversal in one or more subsequent periods.

MAT credit is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period.

2.13 Earning Per Share (EPS):

Basic earnings per share are computed by dividing the profit/ (loss) after tax by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit/(loss) after tax by the weighted average number of equity shares considered for deriving basic earnings per share.

2.14 Contingencies and Provisions:

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, 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. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.

Contingent liabilities are recognized only when there is a possible obligation arising from past events, due to occurrence or non-occurrence of one or more uncertain future events, not wholly within the control of the Company or where any present obligation cannot be measured in terms of future outflow of resources or where a reliable estimate of obligation cannot be made. Contingent assets are not recognized in the financial statements.

2.15 Statement of Cash Flow:

Cash flows are reported using the indirect method, whereby profit/(loss) before exceptional items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on available information.

2.16 Financial Instruments:

Financial Assets and Financial Liabilities are recognized when the Company becomes party to the contractual provisions of the financial instrument. Financial Assets are derecognized when the rights to receive benefits have expired or been transferred, and the Company has transferred substantially all risks and rewards of ownership of such financial asset. Financial liabilities are derecognized when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expired. Purchase or sale of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place are recognized on trade date i.e. the date when the Company commits to purchase or sale the asset.

3. NOTES TO ACCOUNTS:-

- 3.1** Some of the Balances of sundry creditors, sundry debtors, loans & advances and other liabilities are subject to confirmation and reconciliation.
- 3.2** In the opinion of the Board of Directors, Current Assets, Loans & Advances are approximately of the value at which they are stated in the Balance Sheet, if realized in the ordinary course of business.

- 3.3 The Company operates in one segment i.e. Hotel business and within one geographical segment i.e India.
- 3.4 The Company manages its capital to ensure that it will be able to continue as a going concern. The structure is managed to provide ongoing returns to shareholders and service debt obligations, whilst maintaining maximum operational flexibility.
- 3.5 The carrying amounts of trade payables, other financial liabilities, cash and cash equivalents, other bank balances, trade receivables and other financial assets are considered to be the same as their fair values due to their short term nature.
- 3.6 The Company opines that no provision for expected credit loss is required.
- 3.7 There is no significant market risk or liquidity risk to which the Company is exposed.
- 3.8 The disclosure of transactions with the related parties is given below:

Name of the Related Party	Relationship	Amount of Transaction Amount in `	Nature of Transaction
Mr Ummed Singh Champawat	Chairman & Managing Director	7,51,768	Remuneration & Perquisites
Mr Vishwajeet Singh Champawat	Executive Director	29,76,000	Remuneration & Perquisites

3.9 Earning Per Share

Particulars	Current Year	Previous Year
	2018-19 Amount in `	2017-18 Amount in `
Profit After Tax (PAT)	3,30,34,713	2,51,28,737
Less : Preference Dividend & Tax	NIL	NIL
Profit	3,30,34,713	2,51,28,737
Number of Equity Shares of ` 10/- each	1,69,32,200	1,69,32,200
Weighted Average Number of Equity Shares of ` 10/- each	1,69,32,200	1,69,32,200
Basic EPS	1.95	1.48
Diluted EPS	1.95	1.48

3.10 Contingent Liabilities and Commitments (To the extent not provided for)

(i) CONTINGENT LIABILITIES

(a) Claim against the company not acknowledged as debts	NIL	NIL
(b) Guarantees	NIL	NIL
(c) Other Money for which the company is contingently liable	NIL	NIL

(ii) COMMITMENTS

(a) Estimated amount of Contract remaining to be executed on capital account (net of advances) and not provided for	NIL	NIL
(b) Uncalled liability on Shares and Other Investments partly paid	NIL	NIL
(c) Other Commitments	NIL	NIL

3.11 Payment to Auditors :

a) Audit Fees	1,60,000	1,60,000
b) Other Services	95,000	90,000
c) Tax Audit Fees	1,00,000	1,00,000
d) Taxation Work	1,00,000	1,00,000
e) Out of Pocket Expenses	1,040	NIL
Total	4,56,040	4,50,000

Particulars	Current Year 2018-19 Amount in `	Previous Year 2017-18 Amount in `
3.12 Foreign Currency Transactions:		
a. <u>Expenditure in Foreign Currencies</u> : (As certified by the Management)	4,60,632	5,15,936
b. <u>Earnings in Foreign Currencies</u> (As certified by the Management)	3,38,67,808	4,42,69,138
c. Value of Imports calculated on CIF Basis of Capital Goods	NIL	NIL
3.13 The Company has entered into The Hotel Operating Agreement (HOA) with Indian Hotel Company Limited (IHCL) on 18th April, 2000. Subsequently, the terms of compensation under HOA dated 18th April, 2000 were modified w.e.f.1st April, 2001, by supplemental agreement dated 4th April, 2002. But, it is observed that compensation reimbursed to IHCL is over and above to the compensation payable as per modified terms and conditions under supplemental agreement. The Company has taken up the matter with IHCL for refund of such excess reimbursement.		
3.14 No amount remained due to Micro and Small Enterprises as defined in the “The Micro, Small and Medium Enterprise Development Act, 2006” as identified on the basis of information collected by the management.		
3.15 The Company has re grouped and re-classified the previous year’s figures in accordance with the requirements applicable in the current year. In view of this, certain figures of the current year are not strictly comparable with those of the previous year.		
3.16 Notes 1 to 30 form integral part of accounts.		

As per our audit report of even date attached

For, PRANAV R. SHAH & ASSOCIATES
Chartered Accountants
(F R No.132072W)

CA Pranav R. Shah
Partner
Membership No. 127526

Ahmedabad
May 30, 2019

Sunil Trivedi
Company Secretary

Yogesh Mehta
Chief Financial Officer

**For and on behalf of the Board of Directors of
Royale Manor Hotels and Industries Limited**

Ummed Singh Champawat
Chairman and Managing Director
DIN-00294184

Vishwajeet Singh Champawat
Executive Director
DIN-00519755

Dr. Ram Prakash Kothari
Director
DIN-00294060
Ahmedabad
May 30, 2019