

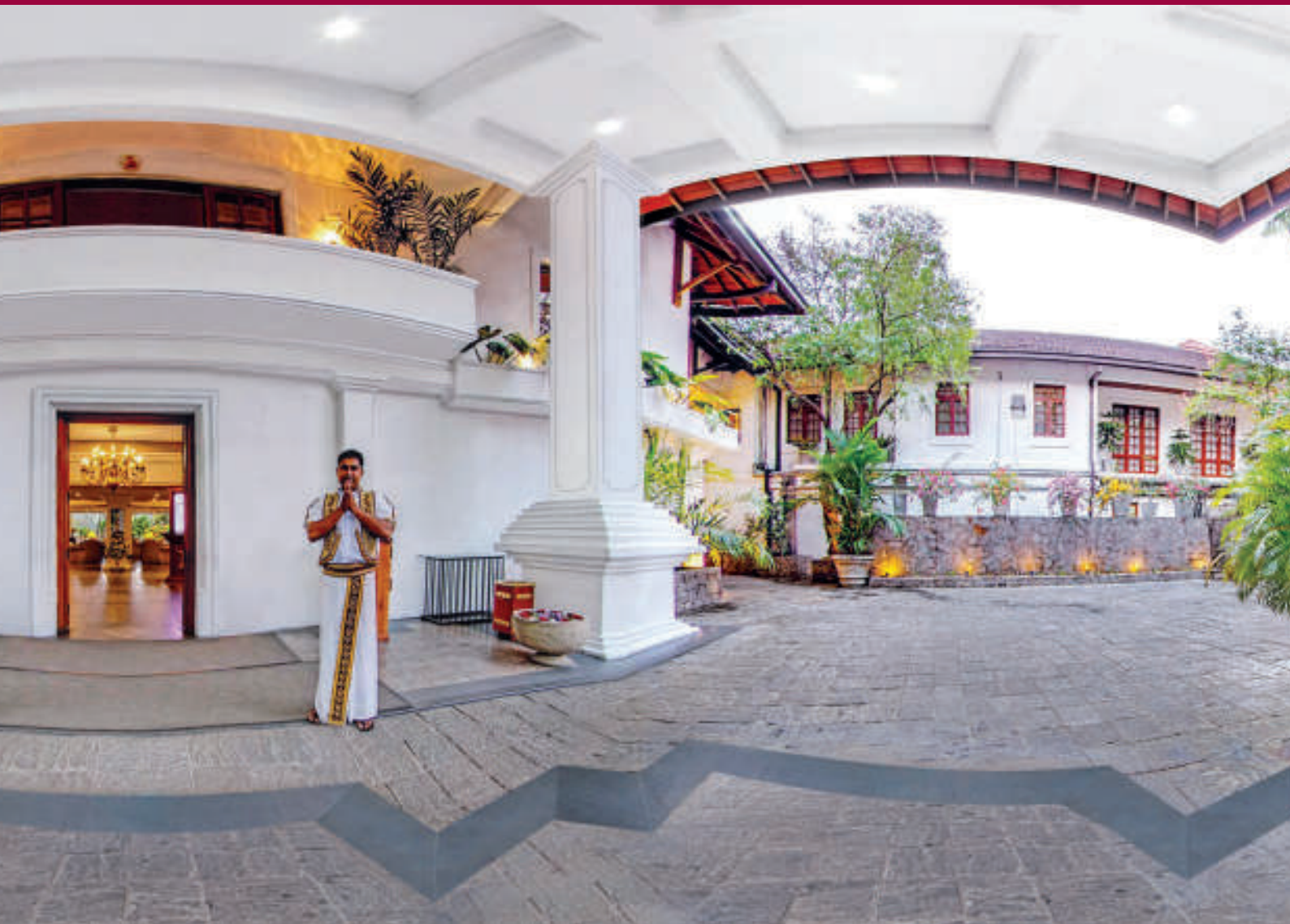


**MAHAWELI REACH**  
SRI LANKA

OUR WORLD REVOLVES AROUND YOURS

# ANNUAL REPORT

2016 - 2017





**MAHAWELI PEACH**  
SRI LANKA

OUR WORLD REVOLVES AROUND YOURS



*Warmth is our vocation*

*In the shade of our warmth there is  
no such thing as a stranger.*

*The satisfaction of our guests is the  
true measure of our success.*



# CONTENTS

Vision and Mission	2	Audit Committee Report	53-54
Hospitality Personified and Dignified	3-6	Related Party Transactions Review Committee Report	55
Notice of Meeting	7-8	Independent Auditors' Report	56
Human Capital Review	9-14	Statement of Profit or Loss and Other Comprehensive Income	57
Corporate Social Responsibility Review	15-24	Statement of Financial Position	58
Corporate Governance Report	25-34	Statement of Changes in Equity	59
Statement of Directors' Responsibilities	35	Statement of Cash Flows	60
Chairman's Review	36-39	Notes to the Financial Statements	61-92
Board of Directors	40-42	Proxy Form	93
Report of the Directors	43-48	Instructions as to Completion	94
Information to Stakeholders and Investors	49-50	Corporate Information	Inner Back Cover
Five Year Highlights	51		
Remuneration Committee Report	52		







## VISION

To make ourselves the cynosure of the industry, through dedication that goes above and beyond the boundaries of duty.

## MISSION

To foster continuing excellence in service through the nurturing of teamwork and total commitment among our staff, thus inspiring them to reach greater heights.



# HOSPITALITY PERSONIFIED AND DIGNIFIED...

Last year, we at Mahaweli Reach were privileged to open our doors to accommodate many dignitaries with our inimitable brand of hospitality. We had the pleasure of hosting these guests as part of their official visits here, along with our very own President, as they set aside bland officialdom to enthral themselves with our blend of elegance and simplicity.

Dr. Talen Rifai - Secretary-General of the United Nations World Tourism Organisation, Her Royal Highness Princess Dana Firas - Chairperson of Petra National Trust and their delegation were hosted for lunch by Mr. Paddy Withana - Chairman of the Sri Lanka Tourism Development Authority on July 11, 2016 over their conference on "Peace and Tourism Development."



The Honourable Erna Solberg - Prime Minister of Norway and her family were warmly welcomed by Mahaweli Reach as part of their tour of Sri Lanka in Kandy. The Prime Minister, having seen and experienced Sri Lankan hospitality first-hand, had nothing but praise for our tourism sector and spoke of its potential to take the nation forward as a tourist hub in the region and world. Needless to say, we at Mahaweli Reach were humbled by her remarks.



We were graced then by Her Excellency Christa Markwalder - Speaker of the National Council of the Federal Assembly of Switzerland and her delegation on October 8, 2016. A dinner hosted by the Honourable Niluka Ekanayake - Governor of the Central Province was held at the hotel in honour of Mrs. Markwalder's stay.



## HOSPITALITY PERSONIFIED AND DIGNIFIED...

The 165th Anniversary celebration and conference of IOGT International was held at the Mahaweli Reach from October 31 to November 4, 2016, graced as the Chief Guest was our President, His Excellency Maithripala Sirisena. The International Organisation of Good Templars is a global initiative set up in Sweden to combat the ill-effects of alcohol and drugs throughout the world, promoting temperance and abstinence. That Mahaweli Reach was chosen for this conference and celebration, pertinent at a time when the issues the organisation seeks to resolve are becoming more and more apparent every day, was a great honour for us.



We had the distinct pleasure of hosting two other honoured guests. Mr. Tha Aye - former Prime Minister of the Sagaing Region in Burma and his family made their stay at Mahaweli Reach an integral part of their tour in Sri Lanka. His Excellency Emomali Rahmon - President of the Republic of Tajikistan and his delegation were hosted by the Honourable Sarath Ekanayake - Chief Minister of the Central Province on 14 December, 2016.

All in all, these visits, diverse and official as they were, were enriched by our blend of friendliness and simplicity that is the hallmark of true Sri Lankan hospitality.



## NOT JUST FOREIGN DIGNITARIES...



Mr. and Mrs. Ryn Choon Hee married in Sri Lanka 30 years ago. It was at Mahaweli Reach that they tied the knot, beginning a marital journey that has bloomed for over a quarter-century. They decided to celebrate this occasion by returning to Sri Lanka with their family. It was indeed a privilege to have these delightful people with us, as they revisited and reflected on their conjugal journey. We wish them joy in the years to come.



Mr. and Mrs. Milosevic also began their journey together with us, here. They began that journey not only in our motherland, but also with a traditional Kandyan wedding. And what a beautiful wedding that was, indeed! Upon their return to Mahaweli Reach, Kandy, and Sri Lanka, not only were we able to host them, we were also able to get them in touch with their wedding planners. For all those years of happiness, we can hence only wish them more happiness in the years to come.





**M**ajestic architecture  
**A**ppealing character  
**H**omely environment  
**A**lluring surroundings  
**W**elcoming nature  
**E**legant setting  
**L**uxurious features  
**I**ndigenous brand  
**R**adiant people  
**E**picurean delights  
**A**ccessible location  
**C**ulture and traditions  
**H**earthwarming hospitality





# NOTICE OF MEETING...

NOTICE IS HEREBY GIVEN that the Forty Third Annual General Meeting of MAHAWELI REACH HOTELS PLC will be held on Thursday, the 28th day of September, 2017 at 11.00 a.m. at the registered office of the Company No. 35, P. B. A. Weerakoon Mawatha, Kandy, Sri Lanka for the following purposes:

1. To receive and adopt the Annual Report of the Board of Directors and the Financial Statements for the year ended 31st March, 2017 together with the report of the Independent Auditors thereon.
2. To re-elect Mr. A. N. Esufally who retires by rotation in terms of Articles 90, 91 & 92 of the Articles of Association of the Company.
3. To re-elect Mr. A. U. Maniku who retires by rotation in terms of Articles 90, 91 & 92 of the Articles of Association of the Company.
4. To re-elect Mr. J. C. Ratwatte who retires by rotation in terms of Articles 90, 91 & 92 of the Articles of Association of the Company.
5. To re-appoint Mr. R. T. Molligoda who is over Seventy years of age as a Director of the Company. Special Notice has been received of the intention to pass a resolution which is set out below in compliance with law, relating to his re-appointment.

"IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act, No. 07 of 2007 shall not be applicable to Mr. R. T. Molligoda who is 80 years of age and that he be re-appointed as a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year."

6. To re-appoint Mr. R. Seevaratnam who is over Seventy years of age as a Director of the Company. Special Notice has been received of the intention to pass a resolution which is set out below in compliance with law, relating to his re-appointment.

"IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act, No. 07 of 2007 shall not be applicable to Mr. R. Seevaratnam who is 74 years of age and that he be re-appointed as a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year."

7. To re-appoint Mr. M. U. Maniku who is over Seventy years of age as a Director of the Company. Special Notice has been received of the intention to pass a resolution which is set out below in compliance with law, relating to his re-appointment.

"IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act, No. 07 of 2007 shall not be applicable to Mr. M. U. Maniku who is 70 years of age and that he be re-appointed as a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year."

8. To authorise the Board of Directors to determine contributions to charities and other donations.
9. To re-appoint Messrs. Baker Tilly Edirisinghe & Co., Chartered Accountants as Auditors of the Company as set out in Section 154(1) of the Companies Act No. 07 of 2007 and to authorise the Directors to determine their remuneration.

## By Order of the Board

Mahaweli Reach Hotels PLC

(Sgd.)

Director

**BUSINESSMATE (PRIVATE) LIMITED**

Secretaries

Colombo

11 August, 2017.

### NOTES:

1. A member is entitled to appoint a proxy to attend and vote instead of him / herself. A proxy need not be a member of the Company. A Form of Proxy accompanies this Notice.
2. The completed Form of Proxy must be deposited at the Registered Office, No. 35, P. B. A. Weerakoon Mawatha, Kandy, Sri Lanka not later than 11.00 a.m. on 26th September, 2017.
3. No parcels and other belongings will be permitted to be taken into the meeting hall.
4. Only the shareholder will be permitted to enter the meeting hall. Shareholders are kindly requested to refrain from bringing children in order to avoid any inconvenience.
5. A person representing a Corporation is required to carry a certified copy of the resolution authorising him / her to act as the representative of the Corporation. A representative need not be a member.
6. The transfer books of the Company will remain open.
7. Security Check –We shall be obliged if all shareholders / proxies attending the annual general meeting produce their national identity card if required by personnel at the entrance to the meeting.



# HUMAN CAPITAL REVIEW...

The tapestry that is the hospitality industry in Sri Lanka is constantly evolving with more and more diversified products coming online. Identifying the particular needs and expectations of discerning travellers and delivering products and services which meet these demands while creating an experience which differentiates the property from the myriad competition is becoming more and more important. One factor which remains constant in an everchanging landscape remains the expectation of high standards of service.

The main source markets for Sri Lanka are now increasingly China, India and then Europe. Therefore, adapting services provided while keeping in view the different mindsets of varied travellers is imperative. The Sri Lankan tourism industry as a whole is required to tailor the products and marketing to meet this challenge. The country of origin influences the expectations of each traveller and the persons engaged in any aspect of the industry are required to understand same and ensure that such requirements are met in order that the tourists to our country leave with a positive impression and will in turn advertise our country as a desirable place to visit. The true warmth of Sri Lankan hospitality should be communicated as this is the unique factor which will create a lasting memory.

At Mahaweli Reach, we recognise that ensuring high service standards are delivered in a consistent manner while constantly endeavouring to develop them further is of utmost importance. We further acknowledge that without a workforce committed and dedicated to this ideal, such goals cannot be achieved. As such, we endeavour to provide our associates every possible opportunity and support to develop themselves personally and professionally. We take steps to educate them on the cultural sensitivities and expectations of travellers and the need to maintain standards. As a Company which has built a reputation providing personalised service and warm hospitality, Mahaweli Reach truly values sincere service delivered with a smile straight from the heart.

The results achieved by the Company and the reputation maintained by the hotel in the market are directly attributable to the dedication and innovation of our team and we as a Company greatly value their contribution. We endeavour to inculcate within each of our members, the need to strive for excellence both professionally and in their personal development.

The dearth of professionally qualified and experienced staff remains a challenge for the hotel and indeed most hotels in the industry which is further exacerbated by the ever greater opportunities for migration created by the new hotels which are coming online. However, we at Mahaweli Reach continue with our training and knowledge building exercises in order to ensure that such attrition does not disrupt services and also to provide an incentive to members to remain with one of the leading brands in the hill capital.

We have instituted several training programmes with external trainers to ensure that service standards are maintained and that everyone is kept abreast of the newest trends in the market.





We also continue with in house training programmes and updating operational procedures in order to develop standards and improve efficiency on a continuous basis and provide training in an operational setting which is invaluable.

All associates are strongly advised on the values of co-operation, team work, honesty and integrity. Everyone is encouraged to always deal honestly and with accountability with all stakeholders and one another.

The team members are also provided opportunities of gaining exposure from international events and competitions which serves to benchmark current practices and also to hone their talents.

Two of our colleagues from the Food & Beverage department were awarded for their effort at the Marie Brizard Mixology Cocktail competition whereby they came up to the semi finals. We continue to develop their talents and showcase their abilities on the job which in turn enhances our revenue for the Company. Staff are rewarded appropriately for the value addition displayed on behalf of the Company.





## HUMAN CAPITAL REVIEW...

The Company continues to encourage and provide opportunities to showcase the many talents among our staff. The vocally gifted participate in the Vesak and Poson Bhakthi Gee performances and Christmas Carols while the artistically talented have many chances to provide their input. Others who are gifted, be it in photography, musically, as graphic artists or in various other spheres are recognised and contribute to the organisation while further developing their inane talents.

All staff are familiarised with health and safety procedures. In view of the international certifications obtained by the hotel, operational processes have been adapted to ensure that the highest level of hygiene, health and safety standards are maintained.

The Company follows a remuneration policy which takes into consideration industry norms and performance based recognition. We are constantly reviewing the manner in which employees could be recognised for their contribution and to create a culture of belonging which will assist in controlling attrition rates and be mutually beneficial for all parties.

Steps are also being taken to apprise all staff members of the benefits of environmental conservation both for themselves personally, for the organisation and the community. They have all joined in enthusiastically as environmental consciousness is becoming more widespread amongst everyone and benefits of conservation and the contribution each person could make is becoming more apparent.

Mahaweli Reach prides itself on being an equal opportunity employer and maintains a healthy diversity of gender and age while several differently abled employees have been integrated into operations where possible and are valued members of our team. This year their talents and capabilities were displayed on 'World Tourism Day'. In keeping with the theme a great emphasis was placed on the benefits of tourism for all citizens, especially the differently abled.

Management maintains an open door policy and encourages all staff to have an open dialogue and discuss any issues concerning them. They are provided opportunities to propose suggestions for the improvement of processes or procedures.

We take steps to involve the families of the team members in activities and also to assist those among us who require assistance in different forms. The homes of five of our colleagues were rehabilitated this year in a bid to care for our very own. We also provided assistance to several of our colleagues whose children have medical conditions which require life-long medication and care.







## HUMAN CAPITAL REVIEW...

It gives us great pride to see the manner in which team members have taken the initiative to help each other and people of the community in need on various occasions. During the past year the employees voluntarily decided to donate the funds allocated for the Annual Sports Day celebrations to the lesser fortunate amongst us at a time when the country was facing landslides and elephant attacks.



We also continue our annual event of mixing the Christmas cake with our very special guests, the children of our associates. It is always an enjoyable event and this year too our young chefs enthusiastically carried out their duties, while also enjoying the entertainment and activities organised for them along with a special appearance by Santa.



In the hospitality industry it is the people who matter, who create a lasting impression and who are the true ambassadors for the product. As such human capital is perhaps the most important in creating value for a hotel. We believe that the "Human Resources isn't a thing we do, it's the thing that runs our business." – Steve Wynn



## CORPORATE SOCIAL RESPONSIBILITY REVIEW...

Mahaweli Reach is committed to pursuing avenues by which a positive contribution could be made to all groups of stakeholders including employees, shareholders, suppliers and the community at large. The values of protecting the environment, ensuring honesty, integrity and ethics in all processes and philanthropy are promoted and inculcated in the way we do business.

As a Company in tourism which as an industry has great potential to positively impact the community, our Company is conscious of the role it could play in changing the livelihoods and attitudes of the community in which we operate. Every small step taken by the Company, has the potential to create a difference every minute and therefore several initiatives have been made in various spheres.

The tourism industry can impact the community in the short-term and the long-term and as a responsible corporate citizen engaged in this business for over forty years, Mahaweli Reach recognises that we too have a role to play in this endeavour.

“To build and sustain brands people love and trust, one must focus not only on today but also on tomorrow. It's not easy... but balancing the short and long-term is key to delivering sustainable, profitable growth – growth that is good for our shareholders but also good for our consumers, our employees, our business partners and the communities where we live and work and the planet we inhabit”. – Irene B. Rosenfeld- CEO Kraft

At Mahaweli Reach, we have conducted our activities based on several themes focused on investing in people, preserving the environment, providing assistance to our team members and educating the youth and the community.

Greater attention has been given to sustainable practices which could preserve the environment, those that encourage well-being among the community, promote ethical practices and create awareness.

### INVESTING IN PEOPLE

At Mahaweli Reach, we have always believed that outstanding service is the cornerstone of a great hotel. In order to equip our personnel to deliver high standards of service, we have instituted comprehensive training for our staff to encourage professional and personal development.

We also strive to afford equal opportunities to all and have several differently abled persons on our work force and among our entertainers.

We continue to promote the oriental band made up of members who are sight impaired. They remain the most popular entertainers in our lineup and have had the opportunity to play for several heads of state who have visited the hotel. We are glad to have the opportunity to support these musicians who continue to strive to improve their craft and talents.



### CONTRIBUTING TO THE INDUSTRY

As a Company committed to raising the bar for the industry and thereby ensuring a better experience for visitors, Mahaweli Reach has also organised training programmes for the membership of the Kandy Hoteliers' Association to ensure that Kandy as a destination offers improved service standards for clients from the emerging markets.

Mahaweli Reach had the honour of hosting Professor Wolfgang Georg Alt, Director China Outbound Tourism Research Institute as he shared his knowledge & extensive experience of over 35 years in the Chinese Outbound Market with industry colleagues in the Central Province. The workshop was titled 'Keeping Pace with the changes in China's Outbound Tourism Market' and provided valuable insights into adopting and tailoring our products to this fast growing segment. It was an opportunity for the members of the Kandy Hoteliers' Association as well as members of the Regional Economic Development Agency to participate and enhance their knowledge.

### RESPONSIBLE BUSINESS PRACTICES

Our approach to social responsibility begins with our business practices. The Company attempts to create value for shareholders both in the short and long term. We take every step to safeguard the monies invested with us by adhering to ethical, regulatory, sound business and risk management standards.

Ensuring a sense of ethics and fairness in every aspect of our operations has always been considered of paramount importance and it is built into the culture of the Company in such a way, that all stakeholders accept that it will not be compromised under any circumstance. The induction given to new staff includes an overview of the ethical standards followed by the Company and emphasises the expectation that all associates should conduct themselves respectfully and with honesty and integrity.

### RESPONSIBLE HOSPITALITY

At present, the global traveller is sensitive to the green initiatives taken by hotels. In many instances now, visitors are conscious of the efforts in sustainability made by establishments they patronise. In today's constantly evolving world, ensuring that a Company has an environmental consciousness and is making a positive contribution to its community is a commercial necessity.

We as an organisation, are committed towards protecting our environment and introducing processes which are environmentally friendly. We encourage our personnel to actively participate in initiatives to protect the environment and to educate themselves on the need for conservation.

We continue to maintain the Mawilmada School grounds in the vicinity of the hotel and also to maintain the plants that were planted in the past years by our Green Team members during a Tree Planting campaign on 'National Tree Planting Day' and 'World Earth Day'. These campaigns help to spread the message of the importance of protecting our environment and also to practically reduce the effects of CO<sup>2</sup> emissions.

Taking a step further, we have embarked on a three year sustainability programme which will further assist the Company in reducing its carbon footprint, as the challenge of climate change and environmental degradation becomes increasingly severe.

We also continue to maintain the garden and trees planted on the Mahaweli River Bank within the Katugastota Town as part of an ongoing project in the vicinity of the Katugastota Hospital.





## CORPORATE SOCIAL RESPONSIBILITY REVIEW...



The garden area adjoining the Railway Gateman's Hut at Mawilmada built for them by the hotel is maintained on an ongoing basis. This initiative was taken as a measure to contribute positively to the immediate community in which we operate. We will continue to develop sections each year as permitted by the authorities.

We also continue to introduce processes into our operations which encourage sustainable practices and conservation. Water saving devices have been installed in rooms to ensure water conservation. Garbage segregation prior to disposal is carried out and greater emphasis is placed in recycling while all employees are encouraged to follow these practices at home as well. Composting is carried out on the premises and an organic garden has been established to provide the herbs required by the kitchen while many fruits are also contributed by the hotel's gardens which most guests find refreshing as they are able to identify the trees from which the fruits come. Several other initiatives are also in the pipeline.

### SUPPORTING OUR EMPLOYEES

At Mahaweli Reach, we are also concerned about the influence work life has on our employees and strive to ensure that they receive opportunities to lead well balanced lifestyles and also to involve their families in what they do and introduce their work place to their families.

The Annual Christmas cake mixing is an opportunity for the children of our staff to be involved in the culinary efforts of the Company. Games and gifts are organised along with the arrival of Santa. We encourage families of employees to meet other co-workers and experience the working culture of the Company.





'Universal Children's Day' is celebrated globally on the 1st of October each year. This year in commemoration of this day which signifies the importance of the next generation in the future of the world and in furtherance of our staff welfare initiatives, Mahaweli Reach launched a programme to support three team members whose children are facing severe health complications.

'International Day of Charity' was commemorated on the 5th of September 2016 this year and it's a day of remembrance of the need for people around the world to help ease human suffering. We are firm believers of this idea and support many charities.

Mahaweli Reach, always believes that charity begins at home. Several of our associates' homes were affected by the adverse weather while the human - elephant conflict too had its impact. As a result of the heavy rains that plagued the nation, the homes of four of our employees were severely damaged and one staff member's home was damaged by elephants. The entire Mahaweli Reach family were more than happy to donate to these families the funding that would otherwise have been used for the Annual Sports' Day for the employees.

We have also attempted to ensure that while our efforts make a positive contribution to society at large that our employees too benefit and receive assistance where possible. Welfare measures are being implemented to assist them in meeting the challenges in their personal lives. Having reviewed their current living conditions, assistance was given by the Company to five staff members to rehabilitate their homes as they did not have basic needs.





## CORPORATE SOCIAL RESPONSIBILITY REVIEW...

Equal opportunities for career as well as personal development are provided for every employee regardless of gender, race or religion. We create an atmosphere where individuals are respected, recognised, their voices heard and listened to.

Great emphasis is placed on employee welfare through provision of suitable working conditions and provision of medical assistance and through insurance policies. Employees are also rewarded for their contribution towards achievement of corporate objectives.

When assigning roles and responsibilities, employees' qualifications, experience, expertise, potential for development and demonstrable leadership qualities are taken into consideration. Achievements of employees are recognised and rewarded, encouraging them to be more goal oriented.

As a Company, we continuously strive to achieve the ultimate goal of being the employer of choice for the working population of this country. We have taken and continue to take steps to attract the most talented people who have respect for our values, the right attitude and who have potential for further growth and development.

### SUPPORTING THE COMMUNITY

Mahaweli Reach annually contributes refreshments towards the Annual Sports Day of our neighbouring schools, Mawilmada Central College and Risikala Aesthetic College, Katugastota as a gesture of goodwill in serving our community.

### FOSTERING EDUCATION

As we are an integral part of the community, we believe it's not only our duty to develop but also invest in society, which adds value to the Company. This in turn improves public awareness and the image of the Company. During the year under review, we carried out many educational programmes to increase awareness of the industry among students.

We are firmly committed towards educating and developing the younger generation. We believe that it is only by engaging them that our country can move towards a more productive and committed workforce.

Most hotels in the country are affected by the dearth of skilled personnel and in order to address this issue, it is imperative that the youth of our country learn about the benefits of the industry and become interested in joining its ranks. Globally, tourism creates 1 in 10 jobs. However, in Sri Lanka there appears to be a reluctance to engage in the business. Therefore, it is necessary for young persons to be educated on the specific benefits of the industry. With this in mind, presentations were made and awareness on F & B operations and Housekeeping was carried out for the students of the Vocational Training Authority, Moneragala by our staff. A live demonstration on food preparation was conducted by our staff for the students from Mailapitiya Maha Vidyalaya, Mailapitiya and Rathnajothei Vidyalaya, Wattagama. We also had the opportunity to conduct an awareness programme and educate 50 Navy Officers from the Sri Lanka Navy Base, Trincomalee on F & B and Kitchen Operations.





### PROMOTING INITIATIVES FOR STAFF

'World Environment Day' is dedicated to raising awareness of global issues impacting our environment. This year the theme was 'Go wild for life' focusing on eradicating the damage being caused to wildlife both in the form of fauna and flora.

At Mahaweli Reach, we took advantage of the opportunity to increase awareness among our associates of the importance of conservation and sustainable practices in the hotel's operations and in our day to day lives, in order to develop everyone's environmental consciousness which we believe would contribute towards the greater goal of protecting all species.

Mahaweli Reach, commemorated the day with a programme comprised of two components.

- All staff were encouraged to participate in a shramadana to clean up our surroundings including removing detritus from the Mahaweli River and segregating the garbage thus collected into 'recyclable / reusable / disposable' categories. This was a useful operation whereby the staff were educated on environmental best practices and the eradication of Dengue was also addressed.





## CORPORATE SOCIAL RESPONSIBILITY REVIEW...

- The programme culminated with a workshop conducted by Mr. Srilal Miththapala, a veteran tourism entrepreneur, well known environmentalist and expert in sustainable practices. At this workshop, our associates were provided invaluable insights into the importance of conservation and sustainable practices both from organisational & personal perspectives. It increased awareness of the impact our industry is having on the environment. The importance of national policies on conservation, how day- to- day practices can have a positive impact and the effect on the bottom line and community.



The Company also actively participates in perpetuating among our team members, the need to be mindful of the needs of others and to lend a helping hand where necessary. To this end, in the course of the year, we have participated in several charitable events with the fullest participation by our employees.

Mahaweli Reach, participated in a noble gesture of offering lunch / dane for 150 students who observed sil at the Dharmavijaya Vidyalaya, Katugastota on Poson Poya Day. The employees from all departments participated in this meritorious act.

Mahaweli Reach also gifted some sheets, crockery to the children of Mahaweli Maha Vidyalaya, Nawayalatenna, Katugastota.

We also donated some crockery to the Peter Weerasekera Children's Home in Buthpitiya with the intention of lending a helping hand to the community beyond our own. This orphanage which had been established in 1959, is a government approved charity and is considered to be one of the best run in the country.

Mahaweli Reach, as an organisation continues to review our processes to include the differently abled wherever possible. While we now have several employees in our ranks, we made it an opportunity for them to showcase their talents in the culinary arts when we commemorated 'World Tourism Day' this year with the theme "Tourism For All" promoting universal accessibility and the opportunities in tourism for the differently abled engaged in the industry and as travellers.

We invited the students of the Senkadagala School of Deaf & Blind, Dodanwela, Kandy to a live demonstration by our hearing impaired cooks, where the programme was interpreted by an interpreter from the Deaf & Blind School itself making the programme meaningful to all present. The talents of these associates were greatly appreciated by the students and it gave them also an insight into the opportunities available if they were to join the hospitality industry. The Managing Director, Mr. Jayantha Panabokke, Mr. R. Seevaratnam, a Director of the Company, Mr. P. Ambanpola, Manager Human Capital and the Principal of the Senkadagala Deaf & Blind School graced the occasion.





## CORPORATE SOCIAL RESPONSIBILITY REVIEW...

The three differently abled cooks working at the bakery of our hotel, gave a bakery master class to these students, demonstrating bakery basics, tips & tricks to cake designing and finally mentoring the boys and girls on chasing their passion and proving that their disability does not stop them from following their dreams. It is proven that there is a place for anyone wishing to work in the wonderful world of travel & tourism.

'International Women's Day' this year was commemorated under the global theme 'Be Bold for Change' encouraging our fellow women and everyone world over to be a catalyst for change. At Mahaweli Reach, our team considered the changes and challenges that women face today very positively and were motivated to be 'Better Professionals with Discipline & Humanity'.

We celebrated with the ladies of Mahaweli Reach being hosted for a full day programme, commencing with a very interactive session with Dr. Nilam Jeffry, a pediatrician from the General Hospital, Kandy. He shared his experiences and made a very valuable presentation emphasising the values of life and adaptability as women being the key to success. The event included many entertaining activities for the participants and concluded with lunch and fellowship strengthening the relationship between team members.



Mahaweli Reach commemorated 'World Earth Hour' this year by committing to a sustainability program. We joined hands with The Carbon Consulting Company (CCC) and The Sustainable Future Group (SFG) which aim to measure, manage and mitigate key environmental sustainability areas such as Carbon, Water and Waste in an attempt to make our operations greener and to make this journey in becoming more environmentally friendly a practical reality.

## CORPORATE SOCIAL RESPONSIBILITY REVIEW...

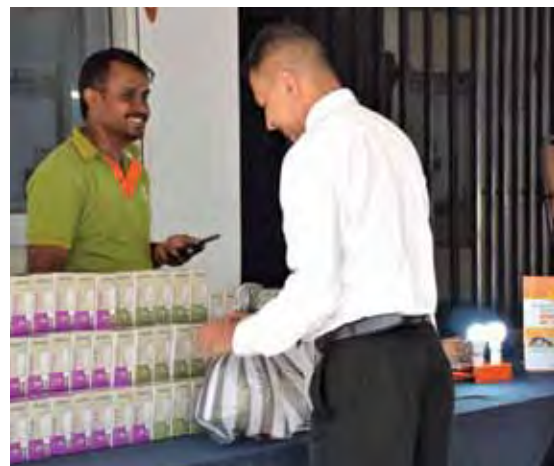
The usual ongoing programme which has been initiated by the hotel in the past years was also continued, whereby together with our guests and staff, we switch off non essential lighting and light candles in the public areas to save energy for an hour. This has become a symbolic gesture to increase awareness of the need to conserve energy.



As in the previous year, in taking this global movement further, we invited M/s Orange Electricals to setup a counter at the hotel to promote the use of LED bulbs and spread the message and awareness of saving energy for the nation. The staff and neighbours were given the opportunity to address their personal needs and make purchases at discounted rates. This contributes further to part of a greater plan being implemented by the hotel to increase energy efficiency and reduce consumption which has had a beneficial effect on the nation, environment and the bottom line.



Our commitment to work towards improving the environment and contributing positively towards our employees, other stakeholders and the community in which we operate remains firm while we are always mindful of our responsibility to ensure better value for our shareholders. As has been stated by William Clay Ford Jr., Executive Chairman of Ford Motors, "Creating a strong business and building a better world are not conflicting goals – they are both essential ingredients for long-term success".







# CORPORATE GOVERNANCE REPORT...

Mahaweli Reach Hotels PLC (MRH) is committed to maintaining operational processes which are ethical, socially responsible and sustainable and in the best interests of the Company and its stakeholders. Best efforts are made to ensure these values are followed in every possible arena of the business and by its personnel. Corporate Governance structures assist the Company in ensuring accountability, fairness, and transparency and strengthens the foundations for corporate integrity and ethical business practices.

MRH has implemented a Code of Conduct within the Company and the Board of Directors, senior management and employees are expected to strictly adhere to and follow this Code in performing their duties, ensuring that the Company's image remains pristine. They are also encouraged to practice these principles of fair play and accountability in their everyday lives as well.

The Corporate Governance practices adopted and practiced by the Company are in keeping with the mandatory requirements of the Listing Rules of the Colombo Stock Exchange and the Companies Act No. 07 of 2007. Wherever possible the principles expressed in the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka are also followed by the Company. The report indicates compliance with the requirements of the Listing Rules.

The Board of Directors ensure that the stewardship of the Company is carried out in line with these sound values.

The Board has appointed Mahaweli Hotel Management Services (Pvt) Ltd as the managing agent of the Company.

## COMPOSITION OF THE BOARD OF DIRECTORS

The Board of MRH comprises of fourteen Directors, One Executive Director and thirteen Non-Executive Directors out of which five Directors are Independent Non-Executive Directors.

The number of Non-Executive Directors meets the requirement of the Listing Rules of the Colombo Stock Exchange for the number to be more than one-third of the total number of Directors.

Five Non-Executive Directors have been determined by the Board to satisfy the criteria for "Independence" set out in the Listing Rules. The Independent Non-Executive Directors are free from any relationship that can interfere with the affairs of the Company.

Though Mr. R. T. Molligoda and Mr. A. N. Esufally who are Independent Non-Executive Directors of the Company, have been Directors of the Company for a period in excess of 10 years and have shareholdings of 1.33% and 0.71% respectively, the Board has determined that these factors do not impair their ability to act independently and objectively, in the best interests of the Company.

Brief profiles of all Directors setting out the experience and expertise they provide to the Board are provided on pages 40 to 42 of this Report.

## FINANCIAL ACUMEN

The board includes three Senior Chartered Accountants who possess the necessary knowledge and competence to guide the Board on matters of finance.

## APPOINTMENT OF NEW DIRECTORS

The Board as a whole decides on the appointment of Directors in accordance with the Articles of Association of the Company. Information regarding new appointments or changes to the Board is informed to the Colombo Stock Exchange along with brief résumés of the directors.

## RE-ELECTION OF DIRECTORS

The provisions of the Company's Articles require a Director appointed by the Board to hold office until the next Annual General Meeting and seek re-appointment by the shareholders at that meeting.

The Articles call for one-third of the Directors in office to retire at each Annual General Meeting. The Directors who retire are those who have served for the longest period after their appointment / re-appointment. Retiring Directors are generally eligible for re-election.

The Chairman and Managing Director do not retire by rotation.

## BOARD MEETINGS

The Board generally meets quarterly and adhoc meetings are held whenever necessary. During the year under review, the Board met on three occasions. The attendance at these meetings are given herewith.

Name of Director	Executive / Non-Executive	Attendance
Mr. J. A. Panabokke	- Executive Director	- 3/3
Mr. M. U. Maniku	- Non-Executive Director	-
Mr. R. T. Molligoda	- Independent Non-Executive Director	- 2/3
Mr. A. N. Esufally	- Independent Non-Executive Director	-
Mr. A. U. Maniku	- Non-Executive Director	-
Dr. I. U. Maniku	- Non-Executive Director	-
Mr. A. M. Didi	- Non-Executive Director	-
Mr. W. P. Hettiaratchi	- Non-Executive Director	- 3/3
Mr. A. Nooradeen	- Non-Executive Director	-
Mr. M. Mahir	- Non-Executive Director	-
Mr. J. C. Ratwatte	- Independent Non-Executive Director	- 3/3
Mr. R. Seevaratnam	- Independent Non-Executive Director	- 3/3
Mr. J. R. P. M. Paiva	- Independent Non-Executive Director	- 3/3
Mr. D. L. Panabokke	- Non-Executive Director	- 3/3
Mr. J. A. Panabokke	-	
<u>Alternate Director to Ms. D. L. Panabokke</u>		





## CORPORATE GOVERNANCE REPORT...

### SUPPLY OF INFORMATION

Directors are provided with quarterly reports on performance and appropriate documentation in advance of each Board meeting for individual Directors to study matters under discussion. The Managing Director ensures all Directors are adequately briefed on issues arising at meetings.

### RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Directors of the Company are responsible inter alia for:

- Enhancing shareholder value, formulating, communicating, implementing and monitoring business policies and strategies.
- Monitoring progress of these policies and strategies.
- Ensuring due compliance with applicable legal, ethical, health, environment and safety standards and regulations.
- Ensuring that due attention is given to appropriate accounting policies and practices and setting priorities and communicating values and ethical standards for management.
- Ensuring that appropriate systems of internal controls are in place to safeguard the assets of the Company.
- Reviewing and approving Annual Budgets and periodic monitoring of performance against the budgets.
- Approving any major investments.
- Ensuring best practices in relation to human resources are followed.
- Evaluating and monitoring the performance of the Company on a regular basis and initiating remedial action where necessary.

- Approving annual and interim accounts prior to publication and where appropriate recommending dividend for approval by the shareholders.

The Annual Capital expenditure budgets, non-budgeted Capital expenditure, the annual budgeted operating statements require Board approval. The Board meets regularly to review performance and forecasts against budget so as to take decisions in the best interests of the Company.

### DIRECTORS' INTERESTS

Directors' Interests in contracts are regularly disclosed and such disclosure pertaining to the year ended 31/03/2017 can be seen on page 48 in the Directors' Report. Related Party Transactions are monitored by the Related Party Transactions Review Committee and details are provided on page 91 of the annual report.

The Board of Directors is ultimately responsible to stakeholders for the performance of the Company.

### MANAGING DIRECTOR

The Managing Director is responsible for the efficient conduct of Board meetings. The Managing Director maintains close contact with all Directors and holds informal meetings with Non-Executive Directors whenever necessary.

### COMPANY SECRETARY

The service and advice of the Company Secretary are made available to Directors as necessary. The Company Secretary is required to keep the Board informed of any new laws, regulations, and requirements coming into effect which is relevant to them as individual Directors and collectively to the Board.

## SUB-COMMITTEES

The Board while assuming the overall responsibility and accountability for the management of the Company, has also appointed Board Sub-Committees to ensure more effective control over certain affairs of the Company, conforming to the Corporate Governance Standards of the Listing Rules of the CSE & industry best practices.

Accordingly, the following Board Sub-Committees have been constituted by the Board:

1. Remuneration Committee
2. Audit Committee
3. Related Party Transactions Review Committee

The Sub-Committees are headed by Independent Non-Executive Directors.

## REMUNERATION COMMITTEE

The Company has its own Remuneration Committee. The Committee consists of two Independent Non-Executive Directors. During the year under review the Remuneration Committee met once. The attendance at this meeting was:

### MEMBERS OF THE REMUNERATION COMMITTEE ATTENDANCE

Mr. J. C. Ratwatte (Chairman)	
-Independent Non-Executive Director -	1/1
Mr. R. T. Molligoda	
-Independent Non-Executive Director -	1/1

The Remuneration Committee recommends to the Board, the remuneration payable to the Executive Director/s and reviews the remuneration policies of the Company. The Remuneration Committee aims to design compensation as appropriate for the Company and commensurate with each employee's level of expertise and contribution, bearing in mind business performance and shareholder returns.

The Remuneration Committee report is provided on page 52.

## AUDIT COMMITTEE

The committee consists of two Independent Non-Executive Directors and one Non-Executive Director. The Managing Director and the Finance Officer attend the meetings of the Audit Committee by invitation.

The Audit Committee is chaired by Mr. R. Seevaratnam, an Independent Non-Executive Director.

During the year under review, the Audit Committee met on three occasions. The attendance at these meetings was:

### MEMBERS OF THE AUDIT COMMITTEE ATTENDANCE

Mr. R. Seevaratnam (Chairman)	
- Independent Non-Executive Director -	3/3
Mr. J. C. Ratwatte	
- Independent Non-Executive Director -	3/3
Mr. W. P. Hettiaratchi	
- Non-Executive Director -	3/3

The committee has adopted a written Charter for the Audit Committee and the Internal Audit Charter. The Terms of reference of the Audit Committee are,

- (i) Ensuring the preparation, presentation, and adequacy of disclosures in the financial statements, are in accordance with the Sri Lanka Accounting Standards.
- (ii) Ensuring compliance with financial reporting requirements, information requirements of the Companies' Act and other relevant financial reporting related regulations and requirements.





## CORPORATE GOVERNANCE REPORT...

- (iii) Overseeing the processes to ensure that the internal controls and risk management procedures are adequate, to meet the requirements of the Sri Lanka Auditing Standards.
- (iv) Assessment of the independence and performance of the external auditors.
- (v) To make recommendations to the Board pertaining to appointment, re-appointment, and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.

The Internal Auditors attended the meetings when their presence was deemed necessary.

The Committee reviewed the financial statements, internal control procedures, accounting policies, compliance with accounting standards, emerging accounting issues and other related functions that the Board required. It also reviewed the adequacy of systems for compliance with the relevant legal, regulatory and ethical requirements. Significant issues discussed by the Committee at the reviews were communicated by the Managing Director to the Board of Directors for their consideration and action. The Audit Committee helps the Company to strike a balance between conformity and performance.

The Audit Committee recommends the appointment and fees of the External Auditors, having considered their independence and performance. The Audit Committee Report appears on pages 53 to 54.

### RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The committee comprises of four Directors, of which three are Non-Executive Directors of whom two are Independent and one Executive Director. The committee is chaired by Mr. J. C. Ratwatte an Independent Non-Executive Director.

The following Directors serve on the committee and attendance at meetings were as follows:

### MEMBERS OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE ATTENDANCE

Mr. J. C. Ratwatte (Chairman)		
- Independent Non-Executive Director	-	3/3
Mr. R. Seevaratnam		
- Independent Non-Executive Director	-	3/3
Mr. W. P. Hettiaratchi		
- Non-Executive Director	-	3/3
Mr. J. A. Panabokke		
- Executive Director	-	3/3

The Company Secretaries attend meetings and participate in the Committee meetings by invitation.

The Committee met on three occasions during the year under review. The Committee is mandated to review all related party transactions to ensure that they are in the best interests of the Company.

### RELATED PARTY TRANSACTIONS

The Company has not entered into any non-recurrent transactions during this financial year. Details of recurrent Related Party Transactions entered into by the company during the year 2016/2017 are provided in Note No. 28 to the financial statements. The Recurrent Related Party Transactions do not meet the thresholds specified by the Listing Rules in order for such transactions to be reported in the format provided therein.

The report of the Committee is provided on page 55.

### RELATIONS WITH SHAREHOLDERS

The Notice of Meeting is included in the Annual Report. The Notice contains the Agenda for the AGM as well as instructions on voting, including appointments of proxies. A Form of Proxy is enclosed with the Annual Report. The period of notice prescribed by the Companies Act No. 07 of 2007 has been met.

### CONSTRUCTIVE USE OF THE ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) is considered by the Board of Directors as a means of continuing effective dialogue with shareholders and encourages their active participation.

The Board offers clarifications and responds to concerns shareholders have over the content of the Annual Report as well as other matters which are important to them. The AGM is also used to adopt the financial statements for the year.

### COMMUNICATION WITH SHAREHOLDERS

Shareholders are provided with the Annual Report and also with Quarterly Financial Statements via the Colombo Stock Exchange website, which the Company considers as its principal communication with them and other stakeholders.

Shareholders may bring up concerns they have, either with the Chairman, Directors or the Company Secretary as appropriate. The Company maintains an appropriate dialogue with them.

### ACCOUNTABILITY AND AUDIT FINANCIAL REPORTING

The Board places great emphasis on complete disclosure of financial and non-financial information within the bounds of commercial reality and on the adoption of sound reporting practices. Financial information is disclosed in accordance with the

Sri Lanka Accounting Standards. Revisions to existing accounting standards and adoption of new standards are carefully monitored.

The Statement of Directors' Responsibilities for the Financial Statements is given in page 35 of this report.

### GOING CONCERN

The Directors, after making necessary inquiries and reviews including reviews of the Company budget for the ensuing year, capital expenditure requirements, future prospects and 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.

### INTERNAL CONTROL

The Board is responsible for the Company's internal controls and its effectiveness. Internal control is established with emphasis placed on safeguarding assets, making available accurate and timely information and imposing greater discipline on decision making. It is important to state that any system can ensure only reasonable, and not absolute, assurance that errors and irregularities are prevented or detected within a reasonable time.

The Board has reviewed the effectiveness of the system of financial controls for the period up to the date of signing the accounts.



## CORPORATE GOVERNANCE REPORT...

**The Level of Compliance with the Listing Rules of the CSE – Sections 7.10 and 9 Rules on Corporate Governance as at 31st March, 2017 are given in the following table:**

Rule No.	Subject	Applicable Requirement	Level of Compliance
7.10.1	Non-Executive Directors	At least one-third of the total number of Directors should be Non-Executive Directors	Thirteen of Fourteen are Non-Executive Directors.
7.10.2(a)	Independent Directors	Two or One-third of Non-Executive Directors whichever is higher should be Independent	Five of the Thirteen Non-Executive Directors are Independent.
7.10.2(b)	Independent Directors	Each Non-Executive Director should submit a declaration of independence / non-independence in the prescribed format	Non-Executive Directors have submitted the declaration.
7.10.3(a)	Disclosure relating to Directors	Names of Independent Directors should be disclosed in the Annual Report	Please refer page 26.
7.10.3(b)	Disclosure relating to Directors	The basis for the Board to determine a Director is independent, when the criteria specified for independence is not met	Please refer page 25 under the heading of the "Composition of the Board".
7.10.3(c)	Disclosure relating to Directors	A brief résumé of each Director should be included in the Annual Report including the areas of expertise	Please refer 'Board of Directors' on pages 40 to 42.
7.10.3(d)	Disclosure relating to Directors	Forthwith provide a brief résumé of new Directors appointed to the Board with details specified in 7.10.3 (d) to the Exchange	A brief résumé provided to the Exchange.
7.10.5	Remuneration Committee	A listed Company shall have a Remuneration Committee	Names of the members of the Remuneration Committee are stated on page 28.



Rule No.	Subject	Applicable Requirement	Level of Compliance
7.10.5(a)	Composition of Remuneration Committee	Shall comprise of Non-Executive Directors a majority of whom will be Independent	The Committee consists of two Independent Non-Executive Directors.
7.10.5(b)	Remuneration Committee Functions	Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and Executive Directors	Please refer Remuneration Committee Report on page 52 of this report.
7.10.5(c)	Disclosure in the Annual Report relating to the Remuneration Committee	The Annual Report should set out a) Names of Directors comprising the Remuneration Committee	Names of the Members of the Remuneration Committee are stated in this report under the heading of Remuneration Committee. Please refer page 28.
		b) Statement of Remuneration policy	Please refer Remuneration Committee Report on page 52.
		c) Aggregated Remuneration paid to Executive Directors & Non-Executive Directors	Please refer page 48.
7.10.6	Audit Committee	The Company shall have an Audit Committee	Names of the members of the Audit Committee are stated on page 28.
7.10.6(a)	Composition of the Audit Committee	Shall comprise of Non-Executive Directors a majority of whom will be independent	Audit Committee consists of two Independent Non-Executive Directors and one Non-Executive Director.



# CORPORATE GOVERNANCE REPORT...

Rule No.	Subject	Applicable Requirement	Level of Compliance
		A Non-Executive Director shall be appointed as the Chairman of the Committee	Chairman of the Audit Committee is an Independent Non-Executive Director.
		Chief Executive Officer and the Chief Financial Officer shall attend Audit Committee Meetings unless otherwise determined	Managing Director and the Chief Finance Officer attend meetings by invitation.
		The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Chairman of the Audit Committee and one member of the Committee are members of a professional accounting body.
7.10.6(b)	Audit Committee's Functions	Should be as outlined in Section 7 of the listing rules	The terms of reference of the Audit Committee have been agreed by the Board.
7.10.6(c)	Disclosure in the Annual Report relating to the Audit Committee	a) Names of Directors comprising the Audit Committee	Names of the members of the Audit Committee are stated in this Report under the heading of Audit Committee on page 28.
		b) The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination	Please refer Audit Committee Report on pages 53 to 54.
		c) The Annual Report shall contain a Report of the Audit Committee setting out the manner of Compliance with their Functions	Please refer Audit Committee Report on pages 53 to 54.
9.2	Related Party Transaction Review Committee's Functions	Should be as outlined in Section 9 of the listing rules	The policies and procedures adopted by the Committee for reviewing the Related Party Transactions have been agreed by the Board.

Rule No.	Subject	Applicable Requirement	Level of Compliance
9.2.2	Composition of the Related Party Transactions Review Committee	Shall comprise a combination of Non-Executive Directors and Independent Non-Executive Directors. It may include Executive Directors at the option of the Company	Related Party Transactions Review Committee consists of two Independent Non-Executive Directors, one Non-Executive Director and One Executive Director.
		An Independent Non-Executive Director shall be appointed as the Chairman of the Committee	Chairman of the Related Party Transactions Review Committee is an Independent Non-Executive Director.
9.2.3	Related Party Transaction Review Committee	The Company shall have a Related Party Transaction Review Committee	Names of the members of the Related Party Transaction Review Committee are stated on page 29.
9.2.4	Related Party Transaction Review Committee meetings	Shall meet once a calendar quarter	Committee has met three times for the year under review.
9.3.2	Disclosure in the Annual Report relating to the Related Party Transactions Review Committee	a) Names of Directors comprising the Related Party Transactions Review Committee	Names of the members of the Related Party Transactions Review Committee are stated in this Report under the heading of Related Party Transactions Review Committee on page 29.
		b) The Annual Report shall contain a Report of the Related Party Transactions Review Committee setting out the manner of Compliance with their Functions	Please refer Related Party Transactions Review Committee Report on page 55.
		c) Statement of Policies and procedures	Please refer Related Party Transactions Review Committee Report on page 55.





## STATEMENT OF DIRECTORS' RESPONSIBILITIES...

The Directors are responsible under the sections 150(1), 151, 152(1) & 153 of the Companies Act No. 7 of 2007, to ensure compliance with the requirements set out therein, 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 Profit or Loss of the Company for the financial year.

The Directors are also responsible, under Section 148 for ensuring that proper accounting records are kept, to disclose with reasonable accuracy, the financial position and enable preparation of the Financial Statements.

The Board accepts responsibility for the integrity and objectivity of the Financial Statements presented. The Directors confirm that in preparing the Financial Statements, appropriate accounting policies have been selected and applied consistently while reasonable and prudent judgments have been made so that the form and substance of transactions are properly reflected.

They also confirm that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards. The Financial Statements provide the information required by the Companies' Act and the Listing Rules of the Colombo Stock Exchange.

The Directors have taken reasonable measures to safeguard the assets of the Company and, in that context, have instituted appropriate systems of internal control in order to prevent and detect fraud and other irregularities.

The External Auditors, Messrs. Baker Tilly Edirisinghe & Company, Chartered Accountants, were deemed re-appointed in terms of Section 158 of the Companies' Act No. 07 of 2007 and were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The report of the Auditors, shown on page 56 sets out their responsibilities in relation to the Financial Statements.

### COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all statutory payments relating to employees and the Government that was due in respect of the Company as at the Balance Sheet date have been paid or where relevant provided for.

By Order of the Board  
**Mahaweli Reach Hotels PLC**

**Secretaries**  
**Businessmate (Pvt) Ltd**

45, Braybrooke Street, Colombo 2  
11 August, 2017.

## CHAIRMAN'S REVIEW...



“

It is with pleasure that we present the Annual Report and Financial Statements for the Financial Year ending 31st March, 2017.

The global travel trends continue to show

upward mobility with an even greater shift towards travellers from the Far East with China now being considered the largest source market in addition to which Chinese tourists are considered to be the top tourism spenders.

”



## CHAIRMAN'S REVIEW...

International tourist arrivals have grown to 1.2 billion according to the United Nations World Tourism Organisation (UNWTO) statistics, approximately 4% year on year growth, with the Asia Pacific region accounting for approximately 309 million arrivals. Earnings from tourism are stated by the UNWTO as being equivalent to 10% of worldwide Gross Domestic Product (GDP) whilst creating 1 in 10 jobs. The industry is a vital contributor towards global economic growth and sustainable development.

The scenario is no different in Sri Lanka. The tourism industry is at present the third highest foreign exchange earner bringing receipts of approximately USD 3.5 billion in 2016. The direct and indirect employment generated by the leisure industry is vast and potential for growth in employment is extensive.

The largest source market for the country remains Western Europe while the fastest growing single country is the Chinese market. It is expected that arrivals from the region will continue to increase with the growing economic ties between the countries and the greater number of people traveling from that region. However, in order to realise the true potential of the tourism industry for Sri Lanka, it is imperative that the destination be positioned in the ever competitive market place. While official statistics have recorded over two million tourists arriving in the past year and future projections are encouraging, regional travel associations such as PATA have predicted a slower growth rate. Partial closure of the Bandaranaike International Airport for resurfacing of the runway during the peak winter season had an impact on arrivals with the cancellation of several flights.

Sri Lanka is competing in a region where other South East Asian destinations are perceived as providing greater value for money spent and therefore the unique attributes of the nation need to be highlighted to the global audience while ensuring that the value proposition is being enhanced and that the destination remains competitive.

The island destination requires greater visibility on the international stage while infrastructure continues to be developed to cater to the concerns of travellers. This requires a comprehensive review of marketing strategies and available facilities at the airport, tourist attractions, air and road connectivity and transport, other infrastructure, introduction of new experiences and standards of service.

Sri Lanka Tourism Vision 2025 has set out a blue print expanding on strategies discussed previously. It is fervently hoped that planning and implementation of strategies to address the issues raised therein will be carried out robustly. Formulation of a national policy and aggressive marketing of the destination remain dire needs if this industry is to reap the benefits both in terms of increased arrivals and tourism receipts.

The regulated hotel sector is facing increasing competition from the informal sector which remains unregulated. The advent of booking engines and sites which facilitate home owners to let their lodgings have made it possible for more and more dwellings to become available. While a mixed profile of accommodation is required to cater to the different categories of travellers, there should be clearly delineated categories to ensure a level playing field and also to manage the qualitative aspects of the service provided. A failure in this respect may be counter productive since it affects the perceptions of visitors if standards are not maintained.

Though arrival figures appear to be increasing, this is not translating into higher occupancy in the hotel sector which is ultimately detrimental to all. The rising competition among hotels with all attempting to attract a smaller segment of the travellers is leading to a decrease in applicable rates. The present practice of being purely price driven does not reflect the diversity of the product offering and provides an advantage to those with lower overhead costs. The declining occupancy and room rates are causing difficulties in offsetting the rising costs of



commodities, utilities, services, wages and taxation. Infrastructure development costs too have risen with equipment and building materials becoming more expensive. Currently there appears to be an oversupply of rooms in certain areas and the rapid pace of expansion may require reconsideration to ensure the sustainable increase in room inventory.

In the past year, your Company has been affected by these same challenges. The booking engines show approximately 800 plus properties in Kandy alone, while nearby cities show greater numbers and our property has had to compete with many of these listings as the informal sector erodes the hotels' market share.

Due to this factor hotels appear to be decreasing applicable rates, compelling the Company to do the same. In the past year, legislative changes required the Company to increase the remuneration of employees and make a lump sum payment of wages which applied retrospectively. The total impact of same amounted to approximately Rs 23.9 Million for the year. Rising taxation has impacted both directly and indirectly with corporate tax and the cost of utilities and commodities increasing. In order to be competitive, hotels are unable to pass on these increasing costs to clients and therefore the profit margins are continuously diminishing.

In the period under review, the Company recorded a net profit of Rs. 9.1 Million. These results have seen a decline due to the factors mentioned which have caused a drop in revenues with a gross operating profit being Rs. 39.2 Million.

Further, the Company is undertaking an ongoing redevelopment of the property offering which is essential to maintain market share. Several infrastructure upgrades have been carried out which have been necessitated by the age of the property. Also impending reclassification of properties in the country according to a different criteria has caused the Company to consider and implement certain developments which are continuing. There are new additions to the property being considered as well in order to ensure that the hotel remains current and

ahead of the competitors. Expansion plans for the hotel are hampered due to space constraints and the inability of our Company to purchase land outright. It is hoped that these legislative fetters may be reviewed to enable longstanding companies such as ours to carry on our business. Endeavours are being made to carry out upgrades with generated funds while some borrowings have become necessary. As rising finance costs may impact future results the borrowings are made only as necessary. It is anticipated that the new additions will enhance the offering and assist in mitigating the effects of the declining room revenues. It is further hoped that the hotel will be able to maintain rates without further erosion. The Company is also focusing on improving its digital footprint with travellers placing greater emphasis on a Company's web profile and the web becoming the principle reference point for visitors when selecting accommodation. All possible efforts are also being made to control costs though the price of all goods continue to escalate.

Kandy as a destination continues to be affected by extended travel times due to congestion on the roads which remain the main mode of access. Present day tourists appear to be seeking experiential travel options. Further, most travellers from the emerging markets and the millennials wish to have quick transfers between points and newer, more interesting experiences. Kandy has a dearth of facilities for visitors to experience the many surrounding natural wonders. The interesting mountain terrain, bird life, waterways and cultural experiences remain under developed. Therefore, as a destination it requires planning and implementation to ensure travellers have an opportunity to experience it's true beauty outside of the traditional attractions. There are several plans to develop the City of Kandy and it is hoped that they will reach fruition. Mahaweli Reach is attempting to contribute towards this endeavour by introducing together with an expert service provider, activities such as kayaking on the Mahaweli River which is an environmentally friendly way to experience the river while pampering the adventurous spirit among visitors, hiking and trekking tours and excursions to artisans' workshops.



## CHAIRMAN'S REVIEW...

The lack of skilled and trained professionals within the industry, continues to be a challenge experienced by all hotels. The Company has instituted continuous training for its associates with both internal and external trainers. Endeavours are made to update processes and incorporate latest trends to the service offered. Associates are reminded of the need to maintain high service standards which has always been the hallmark of the Company. All possible steps are taken to ensure the development of the Company's human capital and to control the attrition rates though opportunities for mobility are constantly opening up for employees with new properties coming online frequently. The remuneration policy of the hotel takes into consideration industry norms, economic realities and performance. Associates are encouraged to develop themselves personally and provided chances to enhance their personal growth opportunities.

In the past year, the Company has reached out to several of our associates whose children required medical assistance and to those whose homes were damaged by adverse weather conditions. Once again, the entire team displayed a spirit of camaraderie and contributed their efforts and monetary resources towards assisting their colleagues. The Company has also focused on environmental conservation efforts including introduction of devices to restrict the water flow from taps thus conserving water and using treated water from the sewage treatment plant for gardening. Segregation of garbage before disposal is being carried out while greater emphasis is placed on recycling. Compost is made on the premises while most packaging is made from biodegradable materials and detergents used are biodegradable wherever possible. Further details of these initiatives are provided in the Report on Corporate Social Responsibility.

The operating environment for your Company continues to bring new and greater challenges. In the past four decades your Company has continued to innovate and adapt. This courage and willingness

to change has made Mahaweli Reach an enduring brand and we will continue to meet these future challenges with the same spirit and indomitable courage.

I take this opportunity to express our sincere gratitude and appreciation to the Managing Director and his entire team for their continuing efforts and perseverance in maintaining Mahaweli Reach as one of the premier resorts of the Hill Capital and in increasing shareholder value. I wish them greater strength and stamina to face the challenges of the future.

Our journey would not be possible without the steadfast support of our loyal patrons, travel partners, bankers, suppliers and other stakeholders and I wish to extend our sincere thanks to them and hope we can continue to receive this support in the future as well.

I greatly appreciate the guidance and advice provided by my colleagues on the Board and trust we will be able to continue to ensure the future success of the Company.

I wish to extend our heartfelt gratitude to our shareholders for your unstinted support and the trust placed in us. We will carry out our best efforts to ensure that the value of your Company will continue to grow.

Mahaweli Reach has been one of the pioneering brands of the local tourism industry and all endeavours will be made to ensure that this property and brand will continue to be considered one of the most sought after in Kandy.

"Excellence is the gradual result of always striving to do better" – Pat Riley

**M. U. Maniku**  
**Chairman**

11 August, 2017.

# BOARD OF DIRECTORS...

## Mr. M. U. Maniku Chairman

Non-Executive Director

Mr. M. U. Maniku was appointed to the Board on 27th February, 2003 and was appointed Chairman with effect from 31st May, 2012. He is a holder of a Masters Degree in Agriculture from the University of Bangladesh.

Mr. Maniku has over 40 years' experience in the hospitality industry. He is considered as the pioneer in development of tourism in the Maldives. He is the Chairman of Universal Enterprises Pvt Ltd a company that owns and operates eight tourist resorts in the Maldives. He is a Director of Royal Palms Beach Hotels PLC. Mr. Maniku is the Chairman of the Maldives Association of Tourism Industry of the Republic of Maldives.

## Mr. J. A. Panabokke Managing Director

Executive Director

Mr. J. A. Panabokke has over 36 years' management experience in the hospitality industry and has been a member of the Board of Directors of Mahaweli Reach Hotels PLC since 1988 and has functioned as its Managing Director since 1992. He represents Sri Lanka on the Board of the Pacific Asia Travel Association (PATA), and is on the Board of the Sri Lanka Business Development Centre. He is a Director of Mahaweli Hotel Management Services (Pvt) Limited and of Mowbray Hotels Ltd. He has also been a former Member of the Board of the Sri Lanka Tourist Board and Chairman of the PATA Sri Lanka Chapter. In addition, he has in the past been appointed Vice President of the Tourist Hotels Association of Sri Lanka, President of the Kandy Hoteliers' Association, Director of the Chamber of Commerce & Industry of the Central Province and a Director of the Sri Lanka Institute of Tourism & Hotel Management.

## Mr. R. T. Molligoda

Independent Non-Executive Director

Mr. R. T. Molligoda was appointed as a Director of Mahaweli Reach Hotels PLC on 15th July, 1976 and has been associated with the Company since then. He has over 40 years' management experience in various fields and held Executive Directorships in several companies of the John Keells Group, including the Travel & Hotel sectors prior to his retirement. He has served on the governing bodies of several associations aligned to international bodies and also as a former surveyor of the Chamber of Commerce on Export Products and as an advisor to the Bureau of Standards.

## Mr. A. N. Esufally

Independent Non-Executive Director

Appointed to the Board of Directors of Mahaweli Reach Hotels PLC on 20th October, 1987. Mr. Esufally is a Fellow Member of both the Institute of Chartered Accountants of England & Wales and the Institute of Chartered Accountants of Sri Lanka. He has over 40 years' experience in Sri Lanka and overseas and has been in the forefront of the leisure industry. He is the Honorary Consul for Bhutan in Sri Lanka and an all Island Justice of Peace. He is the Chairman of Serendib Hotels PLC, Dolphin Hotels PLC, Hotel Sigiriya PLC and the Deputy Chairman of Printcare PLC. He is also a Director of several other companies including Hemas Holdings PLC and Royal Palms Beach Hotels PLC.

## Mr. A. U. Maniku

Non-Executive Director

Mr. A. U. Maniku was appointed to the Board on 27th February, 2003. He is the Managing Director of Universal Enterprises Pvt Ltd of Maldives.





## BOARD OF DIRECTORS...

### Dr. I. U. Maniku

Non-Executive Director

Dr. I. U. Maniku was appointed to the Board on 27th February, 2003. He is a Director of Universal Enterprises Pvt Ltd of Maldives.

### Mr. A. Nooradeen

Non-Executive Director

Mr. A. Nooradeen was appointed to the Board on 15th June, 2004. He is a Director of Universal Enterprises Pvt Ltd.

### Mr. A. M. Didi

Non-Executive Director

Mr. A. M. Didi was appointed to the Board on 27th February, 2003. He is the Director – Sales and Marketing of Universal Enterprises Pvt Ltd, Maldives. He has over 30 years' experience in Resort Management specialising in Marketing and the promotion of Maldives and the Universal Resorts portfolio around the world. He is also responsible for Universal Travel Services. He is a Director of Silhouette Island Resort and Rocher Marketing and Hospitality Supplies of Seychelles. Mr. Ahamed Mahir Didi is the Honorary Consul for Russia in the Republic of Maldives.

### Mr. M. Mahir

Non-Executive Director

Mr. M. Mahir was appointed to the Board on 15th June, 2004. He has over 26 years' experience in the tourism industry. He is the Director in Charge for Procurement of Supplies for the resorts owned by the Universal Group.

### Mr. W. P. Hettiaratchi

Non-Executive Director

Mr. W. P. Hettiaratchi was appointed to the Board on 27th February, 2003. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. He has been employed by Universal Resorts, Maldives since 1998 and at present heads the Group's operations in Sri Lanka. He is also the Managing Director of The British School in Colombo, CEO/Director of Lanka Valiant Developers Pvt Ltd, and is the alternate Director to Mr. M. U. Maniku at Royal Palms PLC. He counts over 25 years' experience & exposure in the areas of the soft drinks industry, hospitality, tourism & school operations.

### Mr. J. C. Ratwatte

Independent Non-Executive Director

Mr. J. C. Ratwatte is a holder of a Bachelor of Law Degree from the University of Ceylon, Colombo and is an Attorney-at-Law of the Supreme Court of Sri Lanka, with over 43 years' experience. He also holds a Post Graduate Diploma in International Relations from the Bandaranaike Center for International Studies. He has worked for the government for over 20 years in various assignments, ranging from Director General of Youth Services, Chairman of the National Youth Services Savings and Credit Co-operative, Commissioner General for Essential Services, Managing Director of the Janasaviya Trust Fund and also as Secretary to six Ministries. He retired from the government service from the post of Secretary to the Treasury & Ministry of Finance. He now works in the business sector as the Managing Director of the Sri Lanka Business Development Centre, a non profit, non stock, social enterprise. He has been a member of the Committee of the Ceylon Chamber of Commerce, by

## BOARD OF DIRECTORS...

invitation, since 1995. He serves on the Board of Directors of several companies, mainly in the leisure business. He has been a Lecturer and Examiner in Constitutional Law in Sri Lanka and a Resource Person on Disaster Management to the Asian Disaster Management Center of the Asian Institute of Technology, Bangkok. Mr. Ratwatte currently is also Senior Adviser to the Prime Minister's Office, Government of Sri Lanka.

position of Deputy General Manager (DGM) – Strategy & Compliance and has also overlooked the Human Resources & Administration areas of HNB.

He also served as a Director of Acuity Stock Brokers Private Ltd & Development Holdings Private Ltd, subsidiary companies of National Development Bank PLC.

### **Mr. R. Seevaratnam** Independent Non-Executive Director

Mr. R. Seevaratnam was appointed a Director with effect from 5th June, 2012. He is a graduate of the University of London and a Fellow Member of the Institute of Chartered Accountants of England and Wales and a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. He was a senior Partner of KPMG Ford Rhodes Thornton & Company. At present he is a Non-Executive Independent Director of a number of Public Quoted Companies.

### **Ms. D. L. Panabokke** Non-Executive Director

An Attorney-at-Law by profession, Ms. Panabokke has been engaged in the practice of commercial & corporate law for over a decade at law firms in Sri Lanka and in the Kingdom of Bahrain. She was also previously employed with the Securities & Exchange Commission of Sri Lanka. She has had extensive experience inter alia in the fields of company law, securities law and banking law. She is also a Director of Mahaweli Hotel Management Services Private Limited.

### **Mr. M. Paiva** Independent Non-Executive Director

Mr. M. Paiva was appointed to the Board on 21st September, 2015. He holds a BA (Hons) Degree from the University of Peradeniya. He was the former Vice President – Administration & Services of the National Development Bank PLC (NDB), overlooking Human Resources, Administration, Maintenance, Security & SMS Operations.

Mr. Paiva joined NDB from Hatton National Bank PLC (HNB), where he counts over 30 years' experience out of which over 11 years' of experience is at Corporate Management Level. Prior to joining NDB, he held the

### **Mr. J. A. Panabokke** (Alternate Director to Ms. D. L. Panabokke)

Mr. J. A. Panabokke is a holder of a Bachelor's Degree in Business with Major in Marketing and Major in Management from the Edith Cowan University, Perth, Australia. Upon graduation he joined Mahaweli Reach as their Systems Administrator. He was also part of the Senior Management team and was involved in overall operations including the sales and maintenance functions. He currently functions as the Operations Manager overseeing the general operations of Mahaweli Reach Hotel and as the head of its IT Department.



# REPORT OF THE DIRECTORS...

## ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY - FOR YEAR 2016-2017

The Board of Directors of Mahaweli Reach Hotels PLC, have pleasure in presenting the shareholders, their report together with the audited Financial Statements for the year ended 31st March, 2017.

The details set out herein provide the pertinent information in compliance with the Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Listing Rules of the Colombo Stock Exchange.

### 1. GENERAL

Mahaweli Reach Hotels PLC is a public limited liability Company incorporated in Sri Lanka in 1973.

### 2. THE PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The principal activities of the Company are that of a hotelier and leisure related activities and this has remained unchanged. A review of Business and the Company's performance during the year with comments on financial results is contained in the Chairman's Review.

There are no other classes in which the Company has an interest, either as a Shareholder of another Company or otherwise.

The Directors are not aware of any other material information which requires inclusion for the Shareholders to have a further appreciation of the state of the Company's affairs outside the information disclosed in the Financial Statements.

### 3. FINANCIAL STATEMENTS

The Financial Statements of the Company for the accounting period ended 31st March, 2017, prepared in compliance with the Sri Lanka Accounting Standards and completed and signed in accordance with the provisions of the Companies Act are given on pages 57 to 92.

### 4. AUDITOR'S REPORT

The Auditor's Report on the Financial Statements of the Company is given on page 56.

### 5. ACCOUNTING POLICIES

The Notes to the Financial Statements contained herein describe the accounting policies adopted in the preparation of the Financial Statements.

Changes in accounting policies made during the accounting period are described under Note No. 2.5 to the Financial Statements. In the year under review there have been no significant changes to accounting policies of the Company.

### 6. STATED CAPITAL

The Stated Capital is the total of the amounts received by the Company in respect of the issue of Shares.

The Stated Capital of the Company as at 31st March, 2017 consists of 47,066,447 Ordinary shares totaling to Rs. 585,445,870/-. Refer Note No. 18.

### 7. DIVIDENDS

The Company has not declared or paid any Dividends during the period under review.

### 8. INVESTMENTS

The Company has no investments (quoted or unquoted).



## 9. PROPERTY, PLANT & EQUIPMENT

Information relating to movements of Property, Plant & Equipment is given in Note No. 13 to the Financial Statements.

## 10. CORPORATE GOVERNANCE

The Board has ensured that the Company has complied with the Corporate Governance Rules as per the Listing Rules of the Colombo Stock Exchange (CSE). Details of compliance are provided in the Corporate Governance Report on pages 31 to 34.

### 11.1 BOARD OF DIRECTORS

The following Directors held office during the period under review and their brief profiles are given on Pages 40 to 42 of the Annual Report:

DIRECTORS	Executive/Non-Executive/Independent
Mr. Mohamed Umar Maniku	Non-Executive
Mr. Raja Tissa Molligoda	Non-Executive / Independent
Mr. Abbasally Nuruddin Esufally	Non-Executive / Independent
Mr. Jayantha Atul Panabokke	Executive
Mr. Ahamed Umar Maniku	Non-Executive
Dr. Ibrahim Umar Maniku	Non-Executive
Mr. Ahamed Mahir Didi	Non-Executive
Mr. Wajjiya Priyantha Hettiaratchi	Non-Executive
Mr. Ali Nooradeen	Non-Executive
Mr. Mohamed Mahir	Non-Executive
Mr. Jayampathy Charitha Ratwatte	Non-Executive / Independent
Mr. Ranjeevan Seevaratnam	Non-Executive / Independent
Mr. Joseph Rosario Philip Mancius Paiva	Non-Executive / Independent
Ms. Dayanthi Lakshmi Panabokke	Non-Executive
Mr. Janaka Asitha Panabokke (Alternate Director To Ms. Dayanthi Lakshmi Panabokke)	

**Each of the Non-Executive Directors of the Company have submitted a signed declaration on Independence / Non-Independence as per Rule 7.10.2 (b) of the Listing Rules of the Colombo Stock Exchange (CSE). The said declarations were tabled at a Meeting of the Board of Directors of the Company held on 5th July, 2017 in order to enable the Board of Directors to determine the Independence / Non-Independence of each Non-Executive Director, in terms of Rule 7.10.3 (a) of the Listing Rules of Colombo Stock Exchange.**



## REPORT OF THE DIRECTORS...

### 11.2 DIRECTORS TO RETIRE BY ROTATION

In terms of Articles 90, 91 and 92 of the Articles of Association of the Company, Messrs. A. N. Esufally, A. U. Maniku and J. C. Ratwatte retire by rotation and being eligible offer themselves for re-election.

### 11.3 APPOINTMENT OF DIRECTORS WHO ARE OVER 70 YEARS OF AGE

Messrs. R. T. Molligoda, R. Seevaratnam and M. U. Maniku who are over 70 years of age be re-appointed as Directors of the Company for a further period of one year from the conclusion of the Annual General Meeting and that the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not be applicable to the said Directors.

### 11.4 REMUNERATION COMMITTEE

The Remuneration Committee of the Company comprises of the following members:

Remuneration Committee Members	Executive / Non-Executive / Independent
Mr. J. C. Ratwatte (Chairman)	Non-Executive / Independent
Mr. R. T. Molligoda	Non-Executive / Independent

### 11.5 AUDIT COMMITTEE

The Audit Committee of the Company comprises of the following members:

Audit Committee Members	Executive / Non-Executive / Independent
Mr. R. Seevaratnam (Chairman)	Non-Executive / Independent
Mr. J. C. Ratwatte	Non-Executive / Independent
Mr. W. P. Hettiaratchi	Non-Executive

### 11.6 Related Party Transactions Review Committee

The Related Party Transactions Review Committee of the Company comprises of the following members:

Related Party Transactions Review Committee	Executive / Non-Executive / Independent
Mr. J. C. Ratwatte (Chairman)	Non-Executive / Independent
Mr. R. Seevaratnam	Non-Executive / Independent
Mr. W. P. Hettiaratchi	Non-Executive
Mr. J. A. Panabokke	Executive

The details of the Related Party Transactions are given in Note No. 28 on pages 91 to 92 of the Financial Statements.

### - NON-RECURRENT RELATED PARTY TRANSACTIONS

There were no Non-Recurrent Related Party Transactions entered into by the Company, where the aggregate value of Non-Recurrent Related Party Transactions exceeds 10% of the Shareholders' equity or 5% of the total assets of the Company, whichever is lower, as at 31st March, 2017.

### - RECURRENT RELATED PARTY TRANSACTIONS

There were no Recurrent Related Party Transactions entered into by the Company, where the aggregate value of the Recurrent Related Party Transactions exceeds 10% of the Gross Revenue / Income of the Company as at 31st March, 2017.

## 11. POST BALANCE SHEET EVENTS

No circumstances of significance have arisen since the Balance Sheet date, which would require adjustments to or disclosure in the Financial Statements.

## 12. DONATIONS

The total amount of Donations made by the Company during the financial year is Rs. 361,300/-.

## 13. AUDITORS

The Company's auditors during the year under review were Messrs. Baker Tilly Edirisinghe & Co., Chartered Accountants.

A sum of Rs. 382,000/- was paid to them by the Company as audit fees for the year ended 31st March, 2017.

As far as the Directors are aware, the Auditors do not have any other relationship or interest in the Company.

## 14. EMPLOYEE SHARE OWNERSHIP

The Company does not operate any share option scheme.

## 15. GOING CONCERN

The Directors have made an assessment and have a reasonable expectation of the Company's ability to continue as a going concern and do not intend either to liquidate or to cease operations of the Company in the foreseeable future. Accordingly, these financial statements are prepared on the Going Concern Concept.

## 16. HUMAN RESOURCES

The Company continues to invest in human capital development and implement effective human resource practices and policies to develop and build an efficient and effective workforce aligned around its business priorities and to ensure that its employees are developing the skills and knowledge required for the future success of the Company.

## 17. ONGOING LITIGATION

The ongoing litigation related to the Company is shown in Note No. 25.2 to the financial statements.

## 18. EQUITABLE TREATMENT TO SHAREHOLDERS

The Company endeavours at all times to ensure equitable treatment to all shareholders.





## REPORT OF THE DIRECTORS...

## 19. TWENTY MAJOR SHAREHOLDERS WITH COMPARATIVES

Twenty Major Shareholders as at 31st March	31.03.17		31.03.16	
	No. of Shares	Holding %	No. of Shares	Holding %
01. Universal Enterprises Pvt. Ltd.	32,683,550	69.44	32,683,550	69.44
02. Freudenberg Shipping Agencies Limited	3,266,528	6.94	3,146,619	6.69
03. Mr. J. A. Panabokke	1,965,791	4.18	484,104	1.03
04. Mr. B. D. Panabokke	1,502,843	3.19	-	-
05. Estate of Late Mrs. L. R. Panabokke	1,481,687	3.15	4,445,062	9.44
06. Mr. M. U. Maniku	1,217,306	2.59	1,217,306	2.58
07. Mr. R. T. Molligoda	626,200	1.33	626,200	1.33
08. Mercantile Investments and Finance PLC	507,000	1.08	507,000	1.08
09. Mr. A. N. Esufally	332,000	0.71	332,000	0.71
10. Mackwoods Securities Limited	229,627	0.49	-	-
11. Estate of Late Mr. K. M. Panabokke	164,000	0.35	164,000	0.35
12. National Savings Bank	133,300	0.28	133,300	0.28
13. Ms. D. L. Panabokke	124,634	0.26	72,234	0.15
14. Mrs. K. D. Panabokke	124,284	0.26	58,284	0.13
15. Dee Investments (Pvt.) Ltd.	110,000	0.23	110,000	0.23
16. Mr. Janaka A. Panabokke	98,400	0.21	72,400	0.15
17. Alliance Finance Company PLC	71,928	0.15	71,928	0.15
18. Mackwoods Enterprises Limited	66,593	0.14	-	-
19. Mr. R. Ratnagopal	57,800	0.12	57,800	0.13
20. Mr. S. Abishek	39,000	0.08	39,000	0.08

## 20. DIRECTORS SHAREHOLDINGS

	As at 31st March, 2017	As at 31st March, 2016
Mr. J. A. Panabokke	1,965,791	542,388
Mr. M. U. Maniku	1,217,306	1,217,306
Mr. R. T. Molligoda	626,200	626,200
Mr. A. N. Esufally	332,000	332,000
Ms. D. L. Panabokke	124,634	72,234
Mr. Janaka. A. Panabokke	98,400	72,400

### 21. DIRECTORS REMUNERATION AND OTHER BENEFITS

The Directors remuneration and other benefits from the Company during the financial year 2016/2017 is Rs. 15,380,450/-.

### 22. INTERESTS REGISTER

The particulars of entries in the Interests Register and the Directors Interests in the Contracts of the Company are disclosed under Note No. 28 to the Financial Statements contained herein.

The Directors are not either directly or indirectly interested in any existing or proposed contracts with the Company other than what is disclosed in the Financial Statements.

A review of these contracts are undertaken by the Related Party Transactions Review Committee of the Company. The Committee's report is found on page 55.

### 23. ANNUAL REPORT

The information provided herein is pursuant to the requirements of the Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

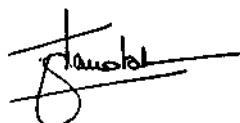
The Board of Directors have approved the Audited Financial Statements of the Company together with the Reviews and other Reports which form part of the Annual Report. The appropriate number of copies of the Annual Report will be submitted to the Colombo Stock Exchange, the Sri Lanka Accounting and Auditing Standards Monitoring Board, the Registrar General of Companies, within applicable time frames.

### 24. ANNUAL GENERAL MEETING

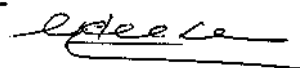
The 43rd Annual General Meeting of the Company will be held on 28th, September, 2017 at 11.00 a.m. at the Registered Office of the Company, No. 35, P. B. A. Weerakoon Mawatha, Kandy, Sri Lanka.

The Notice of the Annual General Meeting, setting out the business which will be transacted there is on Pages 7 to 8 of the Annual Report.


Signed on behalf of the Board



J. A. Panabokke  
Director



W. P. Hettiaratchi  
Director



Businessmate (Private)  
Limited  
Company Secretaries

11 August, 2017.



## INFORMATION TO SHAREHOLDERS AND INVESTORS...

(All figures in Sri Lankan Rupees thousands)

### 1. STOCK EXCHANGE LISTING

Mahaweli Reach Hotels PLC is a public quoted Company, the Ordinary Shares of which are listed on the Main Board of the Colombo Stock Exchange of Sri Lanka.

The Stock Exchange code for Mahaweli Reach Hotels PLC shares is "MRH".

### 2. ORDINARY SHAREHOLDERS

As at 31st March	2017	2016
Number of Shareholders	2,196	2,234

#### 2.2 DISTRIBUTION AND COMPOSITION OF SHAREHOLDERS

No. of Shareholders		Distribution of Shares		31.03.16 Holdings	%	31.03.2017	%
31.03.2017	31.03.2016						
1799	1788	1	1,000	400,290	0.85	414,388	0.88
336	378	1,001	10,000	892,536	1.90	1,059,591	2.25
45	56	10,001	100,000	2,504,577	5.32	1,175,270	2.50
11	8	100,001	1,000,000	2,506,604	5.33	3,568,351	7.58
5	4	Above	1,000,000	40,762,440	86.60	40,848,847	86.80
2,196	2,234			47,066,447	100.00	47,066,447	100.00

Categories of Shareholders	As at 31st March, 2017		
	No. of Shareholders	No. of Shares	%
Institutions	76	9,646,975	20.49
Individuals	2,120	37,419,472	79.51
<b>Total</b>	<b>2,196</b>	<b>47,066,447</b>	<b>100.00</b>

### 3. MARKET PERFORMANCE - ORDINARY SHARES

For the year ended 31st March	2017	2016
As at 31st March (Rs.)	19.00	22.60
Highest (Rs.)	25.00	25.90
Lowest (Rs.)	18.00	18.50
Value of Shares Traded (Rs.)	10,768,588.40	24,466,145.30
No. of Shares Traded	517,014	1,070,457
Volume of Transactions (Nos.)	636	710



#### 4. MARKET CAPITALISATION

Market capitalisation of the Company which is the number of Ordinary Shares in issue multiplied by the market value of an Ordinary Share was Rs. 894,262,493/- as at 31st March, 2017 (2016 - Rs. 1,063,701,702/-).

#### 5. PUBLIC HOLDING

The percentage of Ordinary Shares held by public as at 31st March, 2017 was 21.02% (2016 – 24.48%) and the number of Public shareholders and Non-Public Shareholders were 2,188 and 8, respectively.

Shareholdings	No. of Shares held as at 31.03.2017	Holding %	No. of Shares held as at 31.03.2016	Holding %
Others	37,172,165	78.98	35,546,078	75.52
Public	9,894,282	21.02	11,520,369	24.48
<b>Total</b>	<b>47,066,447</b>	<b>100.00</b>	<b>47,066,447</b>	<b>100.00</b>



## FIVE YEAR HIGHLIGHTS...

OPERATING RESULTS		2012/13	2013/14	2014/15	2015/16	2016/17
Occupancy	%	61	60	66	66	61
Gross Revenue	(Rs.000)	594,911	564,167	614,483	665,792	629,272
Interest Charges	(Rs.000)	(19,350)	(17,385)	(12,104)	(11,263)	(16,731)
Depreciation	(Rs.000)	(35,648)	(38,854)	(46,920)	(53,257)	(54,636)
Profit & Loss - before Interest	(Rs.000)	111,161	65,196	64,977	102,178	39,254
- after Interest	(Rs.000)	91,811	42,661	52,873	90,916	22,523
ASSETS EMPLOYED						
Non-Current Assets	(Rs.000)	1,051,051	1,157,946	1,340,859	1,364,516	1,378,928
Net Current Assets/ (Liabilities)	(Rs.000)	31,263	(35,842)	(11,942)	33,043	6,006
Stated Capital						
Ordinary Shares	(Rs.000)	585,445	585,445	585,445	585,445	585,445
Net Reserves	(Rs.000)	330,047	367,658	507,356	566,080	575,254
Non-Current Liabilities	(Rs.000)	166,704	168,833	236,115	246,033	224,234
Market Value per share	Rs. Cts.	19.70	16.70	21.00	22.60	19.00
Net Assets per share	Rs. Cts.	19.45	20.25	23.22	24.47	24.66
Dividend per share	Rs. Cts.	-	-	-	-	-
Earnings per share	Rs. Cts.	1.47	0.81	0.52	1.24	0.16
Year on Year Growth						
- in Earnings per share	%	819	(46)	(36)	138.55	(0.87)
- In Dividend per share	%	-	-	-	-	-
Price Earning Ratio	-	13.40	20.90	40.38	18.23	118.75
Borrowing as a % of Total Assets	%	10.77	11.56	11.00	10.44	9.33
Interest Cover	Times	5.74	2.89	5.36	9.07	2.35

# REMUNERATION COMMITTEE REPORT...

The Board's Remuneration Committee, appointed and responsible to the Board of Directors, comprises of two Independent Non-Executive Directors.

The following Directors serve on the committee:

Mr. J. C. Ratwatte (Chairman)  
Mr. R. T. Molligoda

Brief profiles of the Directors are given on pages 40 to 42 of the Annual Report.

The Managing Director who is responsible for the overall management of the Company and the Company Secretaries attend meetings and participate in the Committee meetings by invitation.

The two Independent Non-Executive Directors are independent of management and free from any business or other relationship which would otherwise impede the exercise of their independent judgment.

## SCOPE

The Committee is vested with power to examine, evaluate and recommend to the Board of Directors on any matter that may affect the management of human resources within its Terms of Reference (TOR) and any other matters as may be referred to it by the Board.

It reviews all significant policies and initiatives relating to human resources, salary structures and terms and conditions relating to staff.

Reports of meetings of the Committee with its recommendations are referred to the Board for discussion, to be ratified or otherwise acted upon by the Board of Directors.

## POLICY

The Company's remuneration policy is designed to appeal to, encourage and retain talent with the appropriate skills, experience, technical knowledge, managerial and operational expertise necessary to achieve the objectives of the Company in a competitive environment. All statutory increases are taken account of to ensure that the Company is compliant with any regulatory changes which are mandated.

It is the focus of the Committee to ensure that the total remuneration package takes into consideration increases in cost of living and industry norms.

The remuneration of the Chief Executive Officer is designed to create and enhance value for all stakeholders of the Company and to ensure alignment between the short and long-term interests of the Company and its management.

The Remuneration policy of the organisation has remained unchanged for the year and Mahaweli Reach Hotels PLC has complied with the policies and procedures set out by the Remuneration Committee.

## MEETINGS

The Committee met once during the year under review.

Attendance at this meeting is given on page 28 of the Annual Report.

The Remuneration Committee Members interacted among themselves as well as with the Executive Board Members when the necessity arose.

**J. C. Ratwatte**  
**Chairman – Remuneration Committee**

11 August, 2017.



# AUDIT COMMITTEE REPORT...

## AUDIT COMMITTEE REPORT

The Board's Audit Committee, appointed by and responsible to the Board of Directors comprises of two Independent Non-Executive Directors and one Non-Executive Director.

The following Directors serve on the Audit Committee:

- Mr. R. Seevaratnam (Chairman) -  
Independent Non-Executive Director
- Mr. J. C. Ratwatte -  
Independent Non-Executive Director
- Mr. W. P. Hettiaratchi -  
Non-Executive Director

The Chairman of the Audit Committee, is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. Each of the members of the Committee has a depth of financial expertise and collectively the Committee has considerable financial and management experience.

The Committee is accountable and reports to the Board of Directors.

More information on the experience of and brief profiles of the members are given on pages 40 to 42 of the Annual Report.

The Board Secretary functions as the Secretary to the Audit Committee and the Managing Director and Chief Accountant attend the meetings by invitation.

## AUDIT COMMITTEE RESPONSIBILITIES

The Committee is mainly responsible for,

- (i) Reviewing financial information of the Company, in order to monitor the integrity of the Financial Statements of the Company.
- (ii) Reviewing of the Financial Statements prior to publication to ensure compliance with statutory provisions, accounting standards and accounting policies.

- (iii) Assessing the independence and monitoring the performance and functions of the Internal Auditor.
- (iv) Overseeing the appointment of the External Auditor including review of the external audit function, its cost and effectiveness and monitoring of the External Auditors independence and objectivity.

## MEETINGS

For the purpose of discharging the above duties the Audit Committee met on three occasions during the financial year ended 31st March, 2017.

Attendance of the Committee members at each of these meetings is given on page 28 of the Annual Report.

The proceedings of the Audit Committee meetings are regularly reported to the Board of Directors.

## FINANCIAL REPORTING

The Committee, as part of its responsibility to oversee the Company's financial reporting process on behalf of the Board of Directors, has reviewed and discussed with the Management and the External Auditors the quarterly and the Annual Financial Statements prior to their release.

The review included the extent of compliance with the Sri Lanka Accounting Standards and the Companies Act No. 7 of 2007. The Committee also reviews the effectiveness of the Financial Reporting Systems in place to ensure reliability of the information provided and the accounting policies to determine the most appropriate accounting policies.

## RISKS AND INTERNAL CONTROLS

Additionally, the Committee also assessed the effectiveness of the internal controls. Having assessed the internal financial controls, the Committee is of the view that adequate procedures are in place to provide reasonable assurance that the Company's assets are safeguarded and that the financial position of the Company is well monitored.



The Committee recommended the financial statements to the Board for its approval.

### INTERNAL AUDIT

The Company has engaged the services of Messrs Ernst & Young, a firm of Chartered Accountants as Internal Auditors. The Audit Committee oversaw and reviewed the scope, extent and effectiveness of the activity of the Company's Internal Audit.

### EXTERNAL AUDIT

Messrs Baker Tilly Edirisinghe & Co; Chartered Accountants were re-appointed as the External Auditors.

The Audit Committee undertook the annual evaluation of the independence and objectivity of the external auditor and the effectiveness of the audit process.

The Audit Committee had discussions with the external auditors, to review the nature, approach and scope of the audit. The Committee also ascertained whether any non audit services are provided by the Auditor.

As far as the Directors are aware, the Auditor does not have any relationship (other than that of an Auditor) with the Company. The Auditors also do not have any interest in the Company. For the said reasons the Committee has determined that the Auditors are independent.

The Audit Committee having evaluated the independence and objectivity of the external auditors decided to recommend to the Board of Mahaweli Reach Hotels PLC, the re-appointment of Messrs Baker Tilly Edirisinghe & Co; as external auditors of the Company for the current financial year subject to the approval of the shareholders at the Annual General Meeting.

### REGULATORY COMPLIANCE

The Committee reviewed the procedures established by management for compliance with the requirements of regulatory authorities and noted compliance.

**R. Seevaratnam**  
**Chairman – Audit Committee**

11 August, 2017.



## RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT...

The Board's Related Party Transactions Review Committee, was appointed by the Board of Directors following the amendment to Section 9 of the Listing Rules of the Colombo Stock Exchange.

The committee comprises of four Directors. Three are Non-Executive Directors of whom two are Independent and one is an Executive Director.

The following Directors serve on the committee:

Mr. J. C. Ratwatte (Chairman)	-
Independent Non-Executive Director	
Mr. R. Seevaratnam	-
Independent Non-Executive Director	
Mr. W. P. Hettiaratchi	-
Non-Executive Director	
Mr. J. A. Panabokke	-
Executive Director	

Brief profiles of the Directors are given on pages 40 to 42 of the Annual Report.

The Company Secretaries attend meetings and participate in the Committee meetings by invitation.

Reports of meetings of the Committee with its recommendations are referred to the Board for discussion and ratified or otherwise acted upon by the Board of Directors.

The Committee met on three occasions during the year under review.

Attendance at this meeting is given on page 29 of the Annual Report.

The Company has not entered into any non-recurrent transactions during this financial year. Details of recurrent Related Party Transactions entered into by the Company during the year 2016/2017 are provided in Note No. 28 to the financial statements. The Recurrent Related Party Transactions do not meet the thresholds specified by the Listing Rules in order for such transactions to be reported in the format provided therein and are therefore included in the financial statements.

The Committee is of the view that the related party transactions as disclosed have been carried out on an arms length basis in the ordinary course of business and in the manner disclosed to shareholders and regulatory authorities. These recurrent transactions are not prejudicial to the interests of the company or its shareholders.

The Related Party Transactions Review Committee members interacted among themselves and consulted each other as and when the necessity arose. The Executive Director did not participate in deliberations connected to transactions with the Management Company other than providing necessary information.

**J. C. Ratwatte**  
**Chairman – Related Party Transactions Review Committee**

11 August, 2017.

# INDEPENDENT AUDITORS' REPORT...



## INDEPENDENT AUDITORS' REPORT

### TO THE SHAREHOLDERS OF MAHAWELI REACH HOTELS PLC.

#### Report on the Financial Statements

We have audited the accompanying financial statements of Mahaweli Reach Hotels PLC, ("the Company") which comprise the statement of financial position as at March 31, 2017 and the statement of profit or loss and other comprehensive income, statement of changes in equity and, statement of cash flows for the year then ended, and summary of significant accounting policies and other explanatory information.

#### Board's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or

error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statement that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

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

#### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at March 31, 2017 and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Report on Other Legal and Regulatory Requirements

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

a) The basis of opinion and scope and limitations of the audit are as stated above.

b) In our opinion:

-we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

-the financial statements of the Company comply with the requirements of section 151 of the Companies Act No. 07 of 2007.

Edirisinghe & Co.,  
Chartered Accountants.  
Colombo 02.  
19 July, 2017.



45, Braybrooke Street, Colombo 02, Sri Lanka. Telephone: +94 11 2433933 Fax: +94 11 2445683, E-mail: info@eco.lk Web: www.eco.lk

P. P. Edirisinghe FCA, ACIM, MBA, Partner, Ms. M. K. K. Karunaratne, ACA, ACMA, Partner, P. K. A. M. Alahakoon, ACA, MAAT, Partner,

S. A. Harischandra ACA, ACMA, CGMA Bcom (Sp), Partner A. T. P. Edirisinghe, FCA, FCMA (UK), Consultant/Advisor, A. D. Jayasena FCA, Consultant/Advisor

An independent member of BAKER TILLY International



## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME...

For the year ended 31st March, 2017	Notes	2016/2017 Rs.	2015/2016 Rs.
Revenue	7	599,147,601	628,694,758
Cost of Sales		(272,748,292)	(248,468,604)
<b>Gross Profit</b>		326,399,309	380,226,154
Other Operating Income	8	30,123,987	37,097,181
Administrative Expenses		(235,945,533)	(236,399,979)
Marketing & Promotion Costs		(28,248,669)	(26,934,430)
Other Cost		(53,075,281)	(51,810,906)
<b>Operating Profit</b>		39,253,813	102,178,020
Finance Income	9	3,415,189	110,084
Finance Cost		(23,380,227)	(18,258,506)
<b>Finance Cost-Net</b>		(19,965,038)	(18,148,422)
Profit Before Tax	10	19,288,775	84,029,598
Income Tax Expenses	11	(11,530,755)	(25,728,808)
<b>Profit for the Year</b>		7,758,020	58,300,790
<b>Other Comprehensive Income</b>			
<b>Items that will never be reclassified to Profit or Loss</b>			
Re-measurement of Defined Benefit Liability		1,609,174	480,851
Related Tax		(193,101)	(57,702)
<b>Other Comprehensive Income for the Year, Net of Tax</b>		1,416,073	423,149
<b>Total Comprehensive Income for the Year</b>		9,174,093	58,723,939
<b>Earnings Per Share (Basic) - Rs. Cts.</b>	12	0.16	1.24

The accounting policies and notes from pages 61 to 92 form an integral part of these Financial Statements.



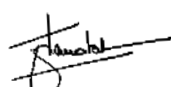
# STATEMENT OF FINANCIAL POSITION...

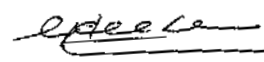
As at 31st March, 2017	Notes	31.03.2017 Rs.	31.03.2016 Rs.
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, Plant & Equipment	13	1,334,730,074	1,316,258,483
Deferred Tax Assets	14	44,197,512	48,257,911
		1,378,927,586	1,364,516,394
<b>Current Assets</b>			
Inventories	15	21,061,810	20,629,611
Trade and Other Receivables	16	106,847,951	76,825,956
Cash and Cash Equivalents	17	28,663,889	93,890,524
		156,573,650	191,346,091
<b>Total Assets</b>		1,535,501,236	1,555,862,485
<b>EQUITY AND LIABILITIES</b>			
Stated Capital	18	585,445,870	585,445,870
Revaluation Reserve	19	538,688,179	538,688,179
Retained Earnings		36,566,255	27,392,162
<b>Total Equity</b>		1,160,700,304	1,151,526,211
<b>Non-Current Liabilities</b>			
Deferred Tax Liabilities	14	95,996,469	94,627,197
Retirement Benefit Obligation	20	51,435,969	46,205,834
Interest Bearing Borrowings	21	76,801,134	105,200,351
		224,233,572	246,033,382
<b>Current Liabilities</b>			
Trade and Other Payables	22	79,689,608	70,007,147
Due to Related Parties	23	3,536,737	25,309,692
Income Tax Liabilities	24	953,855	5,683,365
Interest Bearing Borrowings	21	66,387,160	57,302,688
		150,567,360	158,302,892
<b>Total Liabilities</b>		374,800,932	404,336,274
<b>Total Equity and Liabilities</b>		1,535,501,236	1,555,862,485

I certify that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.

  
Sanjeewa Wickramasinghe  
Finance Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the Board by

  
J. A. Panabokke  
Director

  
W. P. Hettiaratchi  
Director

The accounting policies and notes from pages 61 to 92 form an integral part of these Financial Statements.  
19 July, 2017.  
Colombo.



## STATEMENT OF CHANGES IN EQUITY...

For the year ended 31st March, 2017	Stated Capital Rs.	Retained Earnings Rs.	Revaluation Reserve Rs.	Total Rs.
<b>Balance as at 1st April, 2015</b>	585,445,870	(31,331,777)	538,688,179	1,092,802,272
Profit for the Year	-	58,300,790	-	58,300,790
<b>Other Comprehensive Income</b>				
Other Comprehensive Income for the Year	-	480,851	-	480,851
Related Tax	-	(57,702)	-	(57,702)
<b>Total Other Comprehensive Income for the Year</b>	-	423,149	-	423,149
<b>Total Comprehensive Income for the Year</b>	-	58,723,939	-	58,723,939
<b>Balance as at 31st March, 2016</b>	585,445,870	27,392,162	538,688,179	1,151,526,211
Profit for the Year	-	7,758,020	-	7,758,020
<b>Other Comprehensive Income</b>				
Other Comprehensive Income for the Year	-	1,609,174	-	1,609,174
Related Tax	-	(193,101)	-	(193,101)
<b>Total Other Comprehensive Income for the Year</b>	-	1,416,073	-	1,416,073
<b>Total Comprehensive Income for the Year</b>	-	9,174,093	-	9,174,093
<b>Balance as at 31st March, 2017</b>	585,445,870	36,566,255	538,688,179	1,160,700,304

The accounting policies and notes from pages 61 to 92 form an integral part of these Financial Statements.

# STATEMENT OF CASH FLOWS...

For the year ended 31st March, 2017	31.03.2017 Rs.	31.03.2016 Rs.
<b>Cash Flows From Operating Activities</b>		
<b>Profit Before Taxation</b>	19,288,775	84,029,598
<b>Adjustment for:</b>		
Depreciation	54,635,861	53,257,056
Lease Interest	2,625,565	2,581,871
Interest Expenses	16,731,171	11,262,555
Provision for Gratuity	8,256,448	7,318,599
Impairment Loss on Trade & Other Receivables	2,456,044	4,148,998
Written-Off of Receivables	-	1,062,928
Written Back of Payables	(798,734)	(2,072,349)
Profit on Disposal of Fixed Assets	(6,177,735)	(1,154,971)
<b>Operating Profits Before Working Capital Changes</b>	97,017,395	160,434,285
(Increase) / Decrease in Inventories	(432,199)	70,963
(Increase) / Decrease in Trade and Other Receivables	(32,478,039)	648,400
Increase / (Decrease) in Trade and Other Payables	10,481,195	10,646,080
Increase / (Decrease) in Related Party Balances	(21,772,955)	(7,666,308)
<b>Cash Flows From Operations</b>	52,815,397	164,133,420
Gratuity Paid	(1,417,139)	(1,302,150)
Interest Paid	(16,731,171)	(11,262,555)
Tax Paid	(11,023,695)	(7,496,668)
<b>Net Cash Generated From Operating Activities</b>	23,643,392	144,072,047
<b>Cash Flows from Investing Activities</b>		
Acquisition of Property, Plant & Equipment	(68,159,717)	(68,561,243)
Proceeds from Sale of Property, Plant & Equipment	10,900,000	1,250,000
<b>Net Cash Used in Investing Activities</b>	(57,259,717)	(67,311,243)
<b>Cash Flows from Financing Activities</b>		
Proceeds from Loans	-	50,000,000
Repayment of Loans	(47,117,838)	(46,024,300)
Repayment of Finance Lease Liability	(14,220,163)	(12,315,388)
<b>Net Cash Used In Financing Activities</b>	(61,338,001)	(8,339,688)
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	(94,954,326)	68,421,116
<b>Cash and Cash Equivalents at the Beginning of the Year</b>	93,857,216	25,436,100
<b>Cash and Cash Equivalents at the End of the Year (Note No. 17)</b>	(1,097,110)	93,857,216

The accounting policies and notes from pages 61 to 92 form an integral part of these Financial Statements.



# NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31st March, 2017

## 1 CORPORATE INFORMATION

### 1.1 Reporting Entity

The Company is a quoted public limited liability Company incorporated and domiciled in Sri Lanka. The Registered Office of the Company is located at No. 35, P.B.A. Weerakoon Mawatha, Kandy.

The principal place of business is at the same place.

The average number of employees of the Company amounted to 332 and 348 last year.

### 1.2 Principal Activities and Nature of Operations

During the year, the principal activity of the Company is that of a hotelier.

### 1.3 Parent Enterprise

The Company's parent undertaking is Universal Enterprises (Pvt.) Ltd., which holds 69.44% of shares of Mahaweli Reach Hotels PLC.

### 1.4 Date of Authorisation for Issue

The Financial Statements of the Company for the year ended 31st March, 2017 were authorised for issue in accordance with a resolution of the Directors on 19th July, 2017.

### 1.5 Management Contract

The Company is managed by Mahaweli Hotels Management Services (Pvt.) Ltd., under an agreement.

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

The Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards (SLAS) prefixed both SLFRS (corresponding to IFRS) and LKAS (corresponding to IAS), promulgated by The Institute of Chartered Accountants of Sri Lanka (ICASL) and complies with the requirements of the Companies Act No. 7 of 2007.

The Financial Statements have been prepared on the historical cost basis, except that certain lands and buildings are measured at fair value and the retirement benefit obligations are measured at the present value of the defined benefit plans as explained in the respective notes to the Financial Statements.

### 2.2 Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease trading.

### 2.3 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees which is the functional currency of the Company.

### 2.4 Use of Estimates and Judgments

The preparation of the Financial Statements in conformity with SLFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenue and expenses during the reporting period. Although the judgments and estimates are based on management's best knowledge of the current events and actions, actual results may ultimately differ from those estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note No. 05.



**For the year ended 31st March, 2017**

## **2. Basis of Preparation (Continued)**

### **2.4 Use of Estimates and Judgments (Continued)**

#### **2.4.1 Measurement of Fair Values**

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, the Company assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

**Level 2** : Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

**Level 3** : Inputs for the asset or liability that are not based on observable market data. (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Further information about the assumption made in measuring fair value is included in Note No. 13.6.

### **2.5 Changes to Accounting Policies and Adoption of New Accounting Standards**

The Company has consistently applied the accounting policies as set out in Note No. 3 to all periods presented in these financial statements.

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been consistently applied to all periods presented in these Financial Statements, unless otherwise indicated.

### **3.1 Foreign Currency**

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. All differences arising on settlement or translation of monetary items are taken to the statement of profit or 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.

### **3.2 Property Plant & Equipment**

Items of Property, Plant and Equipment are measured at cost or valuation less accumulated depreciation and accumulated impairment losses.



## NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31st March, 2017

### 3. Summary of Significant Accounting Policies (Continued)

#### 3.2 Property Plant & Equipment (Continued)

##### 3.2.1 Cost / Valuation

Cost includes expenditure that is directly attributable to the acquisition of the asset and includes the cost of replacing part of the Property, Plant & Equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of Property, Plant & Equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

All items of Property, Plant & Equipment are initially recorded at cost. Where items of Property, Plant & Equipment are subsequently revalued, the entire class of such assets are revalued.

Lands and buildings are measured at fair value. Revaluations are carried out when there is a substantial difference between the fair value and the carrying amount of the Property, and is undertaken by professionally qualified valuers. All other Property, Plant & Equipment are stated at historical cost less accumulated depreciation.

Increase in the carrying amount arising on revaluation of lands and buildings are recognised in Other Comprehensive Income and accumulated in equity under the heading of revaluation surplus. Decreases that offset previous increases of the same asset is charged in Other Comprehensive Income and debited against the revaluation reserve in equity, all other decreases are charged to the statement of profit or loss.

The revaluation surplus included in the equity in respect of lands and buildings are transferred directly to retained earnings when

the asset is derecognised. This may involve transferring whole of the surplus when the asset is retired or disposed of.

##### 3.2.2 Subsequent Costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Property, Plant & Equipment are derecognised upon replacement, disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of Property, Plant & Equipment is included in the statement of profit or loss in the year it is derecognised. All other repairs and maintenance costs are charged to the statement of profit or loss during the financial period in which they are incurred.

##### 3.2.3 Depreciation

Provision for depreciation is calculated based on their estimated useful lives of each part of an item of Property, Plant & Equipment other than land. Depreciation is calculated using reducing balance method to allocate their cost or revalued amounts to their residual values over their estimated useful lives.

The principal annual rates used are as follows:

Buildings	2.5%
Office Equipment	10% to 20%
Linen Items	33.33%
Furniture & Fittings	20%
Motor Vehicles	25%

Items of Property, Plant & Equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

**For the year ended 31st March, 2017**

## **3. Summary of Significant Accounting Policies (Continued)**

### **3.2 Property Plant & Equipment (Continued)**

#### **3.2.3 Depreciation (Continued)**

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of profit or loss.

### **3.3 Impairment of Non-Financial Assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

## **3.4 Financial Assets**

### **3.4.1 Classification**

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity investments. The classification depends on the purpose

for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. At the end of the reporting date there were no financial assets at fair value through profit or loss, available for sale and held to maturity investments.

### **Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting date. These are classified as non-current assets. The Company's loans and receivables comprise 'Trade and Other Receivables' and 'Cash and Cash Equivalents' in the Statement of Financial Position.

### **3.4.2 Recognition and Measurement**

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

### **3.4.3 Offsetting Financial Instruments**

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.



## NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31st March, 2017

### 3. Summary of Significant Accounting Policies (Continued)

#### 3.4.4 Impairment of Financial Assets

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

#### Financial Assets Carried at Amortised Cost

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Assets are individually assessed for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (EIR). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The Company assesses at end of the reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade receivables is described in Note No. 3.5.

#### 3.4.5 Financial liabilities

The Company's financial liabilities consist of "Trade and Other Payables, Bank Overdrafts, Loans and Other Borrowings". Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

All financial liabilities are recognised initially at their fair values and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

#### Loans and Borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in the statement of 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 in the statement of profit or loss as finance costs.

#### Derecognition

A financial liability is derecognised when its contractual obligations under the liability are discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on



**For the year ended 31st March, 2017**

## **3. Summary of Significant Accounting Policies (Continued)**

### **3.4.5 Financial Liabilities (Continued)**

substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

### **3.5 Trade Receivables**

Trade receivables are amounts due from customers for the services rendered in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If a loan or receivable has a variable interest rate, the discount rate for measuring any impairment loss is current effective interest rates determined under the contract.

The carrying amount of the asset is reduced through the use of an allowance account,

and the amount of the loss is recognised in the statement of profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the statement of profit or loss.

### **3.6 Inventories**

Inventories are measured at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. The cost of inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of each category of inventory is determined on the following basis:

#### **Beverages**

Actual cost on a First In First Out-(FIFO) basis

#### **Room Supplies**

Actual cost on a First In First Out-(FIFO) basis

#### **Stationery**

Actual cost on a First In First Out-(FIFO) basis

#### **Provisions**

At weighted average basis

#### **Maintenance**

Actual cost on a First In First Out-(FIFO) basis

### **3.7 Cash and Cash Equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, net of bank overdrafts. In the Statement of Financial Position, bank overdrafts are included in borrowings in current liabilities.

For the purpose of the Company Statement of Cash Flows, cash and cash equivalents consist of cash in hand, deposits held at banks net of outstanding bank overdrafts.



## NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31st March, 2017

### 3. Summary of Significant Accounting Policies (Continued)

#### 3.8 Stated Capital

Stated capital consists solely of ordinary share capital. Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown as a deduction, net of tax, in equity from the proceeds.

#### 3.9 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### 3.10 Provisions

Provisions are recognised when the Company has a present obligation (legal and 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.

Provisions are reviewed at the end of the reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

#### 3.11 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at

amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting date.

#### 3.12 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases net of any incentives received from lessor are charged to the Statement of Profit or Loss on a straight-line basis over the period of the lease.

Lease of Property, Plant & Equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The Property, Plant & Equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

For the year ended 31st March, 2017

## 3. Summary of Significant Accounting Policies (Continued)

### 3.13 Current and Deferred Income Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax is recognised on the basis of tax rates and laws that have been enacted or substantively enacted at the end of the reporting date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements.

Deferred income tax is determined using tax rates that have been enacted or substantially enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred income tax assets and liabilities relates to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## 3.14 Employee Benefits

### 3.14.1 Defined Benefit Plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The Company measures the present value of the promised retirement benefit of the gratuity which is a defined benefit plan with the advice of an actuary using the project benefit valuation method.

Actuarial gains and losses for defined benefit plans are recognised in full in the period in which they occur in the statement of other comprehensive income.

Past-service costs are recognised immediately in profit or loss. The liability is not externally funded.

The result of calculation based on the gratuity formula, is included in Note No. 20 to the Financial Statements.

### 3.14.2 Defined Contribution Plans - Employees' Provident Fund and Employees' Trust Fund

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with respective statutes and regulations. The Company contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively and is recognised as an expense in profit or loss in the periods during which services are rendered by employees.

### 3.14.3 Short-Term Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.



## NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31st March, 2017

### 3. Summary of Significant Accounting Policies (Continued)

#### 3.15 - Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred 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 net of trade discounts and sales taxes.

The following specific recognition criteria must also be met before revenue is recognised:

##### (a) Apartment, Food & Beverage Sales

Apartment revenue is recognised on the rooms occupied on a daily basis, and food and beverage are accounted for at the time of sales.

##### (b) Rending of Services

Revenue from rending of services is recognised in the accounting period in which the services are rendered or performed.

##### (c) Interest Income

Interest income is recognised in profit or loss as it accrues and is calculated by using the effective interest rate method.

##### (d) Others

Other income is recognised on an accrual basis.

## 4 FINANCIAL RISK MANAGEMENT

### 4.1 Financial Risk Factors

The Company's activities may expose it to a variety of financial risks such as market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management

programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is carried out under policies approved by the Board of Directors.

#### (a) Market Risk

##### (i) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's functional currency).

##### (ii) Interest Rate Risk

The Company adopts a policy of ensuring borrowings are maintained at manageable levels while optimising returns. Interest rates are negotiated leveraging on the strength of the Company thereby ensuring the availability of cost-effective funding at all times, while minimising the negative effect of market fluctuations. In addition, Company has considered banking facilities with several reputed banks which has enabled the Company to negotiate competitive rates.

## For the year ended 31st March, 2017

### 4 Financial Risk Management (Continued)

#### 4.1 Financial Risk Factors (Continued)

##### (ii) Interest Rate Risk (Continued)

##### Interest Rate Sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the Company's profit before tax as affected through an impact on floating rate borrowing:

	Assumed Impact due to Increase / (Decrease) in Basis Points	Effect on Profit Before Tax (Rs.)
Bank Loans (Rs.)	(+) 50 Basis Points	5,274,462
Bank Loans (Rs.)	(-) 50 Basis Points	(5,274,462)

##### (iii) Price Risk

The Company is not exposed to price risks such as commodity price risk, equity price risk and residual value risk.

##### (b) Credit Risk

Financial assets of the Company, which are subject to credit risk, consist mainly of cash and cash equivalents, deposits with banks and credit customers, cash and cash equivalents are placed with banks / financial institutions of national repute and rating. The

management assess the credit quality of the customer, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. Sales to customers are settled mainly in cheques or bank transfers.

The credit quality of financial assets is disclosed in Note No. 16.3 to the Financial Statements.

##### (c) Liquidity Risk

Management monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient head-room on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans and covenant compliance.

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31st March, 2017	Less than 1 Year Rs.	Between 1 and 5 Years Rs.
Borrowings	66,387,160	76,801,134
Trade and other payables (excluding statutory liabilities)	72,995,268	-
<b>Total</b>	<b>139,382,428</b>	<b>76,801,134</b>
As at 31st March, 2016		
Borrowings	57,302,688	105,200,351
Trade and other payables (excluding statutory liabilities)	61,638,119	-
<b>Total</b>	<b>118,940,807</b>	<b>105,200,351</b>





## NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31st March, 2017

### 4. Financial Risk Management (Continued)

#### 4.2 Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The gearing ratios at 31st March, 2017 and 2016 were as follows:

	2016/2017 Rs.	2015/2016 Rs.
Total Borrowings (Note No. 21)	143,188,294	162,503,039
Less Cash and Cash Equivalents (Note No. 17)	(28,663,889)	(93,890,524)
Net Borrowings	114,524,405	68,612,515
Total Equity	1,160,700,304	1,151,526,211
Total Capital	1,275,224,709	1,220,138,726
Gearing Ratio	9%	6%

### 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within financial year are discussed below:

#### (a) Allowance for Doubtful Debts

The Company reviews its debtors to assess impairment on a continuous basis. In determining whether an impairment loss should be recorded in the Profit or Loss, the Company makes judgments as to whether there is any observable data indicating that there is measurable decrease in estimated cash flows from debtors. Management uses estimates based on historical loss experience of assets. The assumptions used for estimating the amount and timing of cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

#### (b) Income Taxes

The Company is subject to income tax under the Income Tax Act in Sri Lanka. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters are different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

## For the year ended 31st March, 2017

### 5. Critical Accounting Estimates and Judgments (Continued)

#### (c) Residual Value and Useful Lives of Property, Plant & Equipment

The Company determines the estimated useful lives and related depreciation charges for its plant & equipment. This estimate is based on projections about the continued existence of a market for its products and the ability of the Company to penetrate a sufficient portion of that market in order to operate profitably. The Company increases the depreciation charge where the useful lives are less than previously estimated, or it will appropriately impair, technically obsolete or non-strategic assets that have been abandoned or identified for sale.

Residual values are based on current estimates of the value of these assets at the end of their useful lives.

#### (d) Retirement Benefits Obligation

The present value of the gratuity obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for gratuity include the discount rate. Any changes in these assumptions will impact the carrying amount of gratuity obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the gratuity obligations. In determining the appropriate discount rate, the Company considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid.

Other key assumptions for gratuity obligations are based in part on current

market conditions, additional information is disclosed in Note No. 20.

### 6. NEW ACCOUNTING STANDARDS ISSUED BUT NOT APPLICABLE AS AT 31ST MARCH, 2017

Standards issued but not yet effective up to the date of company's financial statements are listed below. This listing is of standards issued, which the company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

#### (i) SLFRS 9 - Financial Instruments: Classification and Measurement

The objective of this Accounting Standard is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

The improvements introduced by SLFRS 9 includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.

An entity shall apply this SLFRS to all items within the scope of LKAS 39 'Financial Instruments: Recognition and Measurement'.

SLFRS 9 is applicable for annual reporting periods beginning on or after 1st April, 2018, with early adoption permitted.

#### (ii) SLFRS 15 'Revenue from Contracts with Customers'

This Accounting Standard establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18-Revenue, LKAS 11-Construction Contracts and IFRIC 13-Customer Loyalty Programmes.



## NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31st March, 2017

### 6. New Accounting Standards Issued But Not Applicable As at 31st March, 2017 (Continued)

This SLFRS will become applicable from 1st April, 2018 and shall be applied prospectively as of the beginning of the annual period in which it is initially applied. The disclosure requirements of this SLFRS need not be applied to comparative information provided for periods before initial application of this SLFRS.

#### (iii) SLFRS 16 - Leases

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). SLFRS 16 will replace Sri Lanka Accounting Standard - LKAS 17 (Leases) and related interpretations. SLFRS 16 introduces a single accounting model for the lessee, eliminating the present classification of leases in LKAS 17 as either operating leases or finance leases.

The new Standard requires a lessee to:-  
Recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

Present depreciation of lease assets separately, from interest on lease liabilities in the income statement.

SLFRS - 16 substantially carry forward the lessor accounting requirement in LKAS-17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

SLFRS 16 will become applicable from 1st April, 2019. The impact on the implementation of the above Standard has not been quantified yet.

The Company is currently in the process of evaluating the potential effect of these standards on its financial statements and the impacts of the adoption of these standards have not been quantified as at the reporting date. Pending the completion of the detailed impact analysis, possible impact for SLFRS 9, SLFRS 15 and SLFRS 16 is not reasonably estimable as at the reporting date.

### 6.1 New Accounting Standards / Amendments To Existing Accounting Standards Applicable From 1st April, 2016

**New standards not applicable to the current period and to the Company**

#### SLFRS 14 - Regulatory Deferral Accounts

The objective of this Standard is to specify the financial reporting requirements for regulatory deferral account balances that arise when an entity provides goods or services to customers at a price or rate that is Subject to rate regulation.

SLFRS 14 is applicable from 01st April, 2016. This Standard did not have any impact on the Financial Statements of the Company.

#### Amendments to Existing Accounting Standards Applicable From 1st April, 2016

Amendments to existing Accounting Standards applicable from 1st April, 2016 as published by the Institute of Chartered Accountants of Sri Lanka did not have any impact on the Financial Statements of the Company.

## NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31st March, 2017

	2016/2017 Rs.	2015/2016 Rs.
<b>7. REVENUE</b>		
Front Office & Apartment	347,397,415	354,623,242
Restaurant	215,952,416	231,454,270
Beverage	35,797,770	42,617,246
	599,147,601	628,694,758
<b>8. OTHER OPERATING INCOME</b>		
Gain on Exchange	265,800	489,816
Minor Operating Profit	22,044,323	32,595,010
Staff Loan Interest	837,395	785,035
Creditors Written Back	798,734	2,072,349
Profit on Disposal of Property, Plant & Equipment	6,177,735	1,154,971
	30,123,987	37,097,181
<b>9. FINANCE INCOME/(COST)</b>		
<b>NOTE NO. 9.1 - FINANCE INCOME</b>		
Interest Income on Savings Account	3,415,189	110,084
	3,415,189	110,084
<b>NOTE NO. 9.2 - FINANCE COST</b>		
Interest Expenses	16,731,171	11,262,555
Finance Charges on Lease Liabilities	2,625,565	2,581,871
Other Financial Charges	4,023,491	4,414,080
	23,380,227	18,258,506
<b>Finance Cost Net</b>	(19,965,038)	(18,148,422)
<b>10. PROFIT BEFORE TAX</b>		
<b>is stated after charging all expenses including the following:</b>		
Staff Cost (Note No. 10.1)	140,174,659	119,104,474
Directors Remuneration	15,380,450	15,385,175
Auditors Remuneration Fees	382,000	347,500
Non Assurance Fees & Expenses	400,929	679,086
Depreciation	54,635,861	53,257,056
Impairment Loss on Trade & Other Receivables	2,456,044	4,148,998
Advertising & Sales Promotion Cost	12,162,583	10,827,257
Legal Fees	9,350	87,128
<b>10.1 EMPLOYEE BENEFIT EXPENSES</b>		
Salaries & Other Allowances	112,357,798	94,447,140
Staff Welfare	527,170	1,005,595
Medical Expenses	1,963,099	2,051,469
EPF & ETF	16,482,564	13,871,552
Post Employment Benefit - Gratuity	8,256,448	7,318,599
Incentive	587,580	410,119
<b>Total Employee Benefit Expenses</b>	140,174,659	119,104,474



## NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31st March, 2017

### 11 INCOME TAX

The major components of income tax expense for the year ended 31st March, 2017 are as follows:

	Notes	2016/2017 Rs.	2015/2016 Rs.
<b>Current Income Tax</b>			
Current Income Tax Charge	11.1	5,347,206	9,687,246
Deemed Dividend Tax for previous year		946,979	-
<b>Deferred Tax</b>			
Deferred Tax Charge	11.2	5,236,570	16,041,562
<b>Income tax expense reported in the Statement of Profit or Loss</b>		<b>11,530,755</b>	<b>25,728,808</b>

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

Accounting Profit before tax from continuing operations	19,288,775	84,029,598
Non-deductible Expenses	124,424,248	123,588,395
Deductible Expenses	(83,127,869)	(83,422,531)
	60,585,154	124,195,462
Interest Income	3,415,189	-
<b>Total Statutory Income</b>	64,000,343	124,195,462
Set off against Tax Losses	(22,400,120)	(43,468,412)
<b>Taxable Income</b>	41,600,223	80,727,050
<b>Income tax at 12% (in 2016 - 12%)</b>	4,725,642	9,687,246
<b>Income tax at 28%</b>	621,564	-
	5,347,206	9,687,246

#### 11.2 Deferred Tax Expense

The following table shows deferred tax expense / (Credit) recorded in the Statement of Profit or Loss due to changes in the deferred tax assets and liabilities:

<b>Deferred Tax Liabilities</b>		
Accelerated depreciation - Assets	1,369,272	11,547,327
	1,369,272	11,547,327
<b>Deferred Tax Assets</b>		
Defined Benefit Obligation	820,717	721,974
Carried forward unused tax losses Reversal	(4,688,015)	(5,216,209)
	(3,867,298)	(4,494,235)
<b>Deferred Tax Charge for the Year</b>	<b>5,236,570</b>	<b>16,041,562</b>



For the year ended 31st March, 2017

## 12. EARNINGS PER SHARE

**12.1** Basic Earnings Per Share amounts are 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.

**12.2** The following reflects the income and share data used in basic earnings per share computation:

Amount Used as the Numerator	2016/2017 Rs.	2015/2016 Rs.
Profit for the year	7,758,020	58,300,790
<b>Amount Used as the Denominator</b>		
Number of Ordinary Shares	47,066,447	47,066,447
<b>Earnings per Share - Rs. Cts.</b>	0.16	1.24



## NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31st March, 2017

### 13. PROPERTY, PLANT & EQUIPMENT

13.1

At Cost or Valuation	Balance as at 01.04.2016	Additions	Transfers	Disposals	Balance as at 31.03.2017
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Freehold Assets</b>					
Freehold Lands	296,604,501	-	-	-	296,604,501
Buildings	807,311,112	13,623,629	1,976,838	-	822,911,579
Motor Vehicles	20,152,223	-	-	-	20,152,223
Office Equipment	293,984,393	27,113,434	41,250	-	321,139,077
Furniture and Fittings	152,444,175	1,790,518	-	-	154,234,693
Linen	7,569,764	-	-	-	7,569,764
	1,578,066,168	42,527,581	2,018,088	-	1,622,611,837
<b>Leasehold Assets</b>					
Motor Vehicles	21,586,643	16,580,905	-	(12,336,643)	25,830,905
Generator	20,612,985	-	-	-	20,612,985
Laundry Machine	3,750,000	-	-	-	3,750,000
	45,949,628	16,580,905	-	(12,336,643)	50,193,890
<b>Total Value of Assets</b>	1,624,015,796	59,108,486	2,018,088	(12,336,643)	1,672,805,727

### 13.2 Accumulated Depreciation

At Cost or Valuation	Balance as at 01.04.2016	Charge for the year	Transfers	Disposals	Balance as at 31.03.2017
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Freehold Assets</b>					
Freehold Lands	-	-	-	-	-
Buildings	20,769,369	20,948,727	-	-	41,718,096
Motor Vehicles	16,212,749	984,869	-	-	17,197,618
Office Equipment	134,051,409	17,002,173	-	-	151,053,582
Furniture and Fittings	124,414,215	5,792,678	-	-	130,206,893
Linen	5,046,004	2,523,759	-	-	7,569,764
	300,493,746	47,252,206	-	-	347,745,952
<b>Leasehold Assets</b>					
Motor Vehicles	8,863,641	4,340,285	-	(7,614,378)	5,589,548
Generator	8,646,136	2,393,370	-	-	11,039,506
Laundry Machine	500,000	650,000	-	-	1,150,000
	18,009,777	7,383,655	-	(7,614,378)	17,779,054
<b>Total Depreciation</b>	318,503,523	54,635,861	-	(7,614,378)	365,525,006
<b>Net Book Value</b>	<b>01.04.2016 Rs.</b>				<b>31.03.2017 Rs.</b>
Freehold Assets	1,277,572,422				1,274,865,885
Leasehold Assets	27,939,851				32,414,836
	1,305,512,273				1,307,280,721

## NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31st March, 2017

### 13. Property, Plant & Equipment (Continued)

#### 13.3 Work-In-Progress

	Balance as at 01.04.2016	Additions	Transfer to Property, Plant & Equipment	Balance as at 31.03.2017
	Rs.	Rs.	Rs.	Rs.
Construction of New Panel Board	7,769,896	1,241,401	-	9,011,297
Installation of Salary System	350,000	350,000	-	700,000
Construction of 21 Block Water Proofing Project	830,537	-	-	830,537
Construction of Fire Alarm System	103,640	-	-	103,640
CCTV Project	68,150	-	(41,250)	26,900
Kurunegala Outlet	294,946	42,681	(337,627)	-
Construction of Steel Bridge	1,329,041	310,170	(1,639,211)	-
River Bank Project	-	16,506,535	-	16,506,535
Drip Irrigation Project	-	85,100	-	85,100
Server Room	-	185,344	-	185,344
	10,746,210	18,721,231	(2,018,088)	27,449,353
<b>Total Assets</b>	<b>1,316,258,483</b>			<b>1,334,730,074</b>

#### 13.4 Profit on Disposal of Property, Plant & Equipment

Description of Assets	Cost	Accumulated Depreciation	Net Book Value	Sales Proceeds	Profit / (Loss)
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Freehold</b>					
Motor Vehicles	12,336,643	(7,614,378)	4,722,265	10,900,000	6,177,735
	12,336,643	(7,614,378)	4,722,265	10,900,000	6,177,735

13.5 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:

	2017 Rs.	2016 Rs.
Lands	98,116,927	98,116,927
Buildings	542,252,503	542,252,503
Accumulated depreciation	(139,299,680)	(128,460,997)
Net book amount	501,069,750	511,908,433

#### 13.6 Property, Plant & Equipment at Fair Value

##### (a) Reconciliation of carrying amount

	2017 Rs.	2016 Rs.
Balance as at 1st April	1,103,915,613	1,081,714,274
Addition	15,600,467	22,201,339
Balance as at 31st March	1,119,516,080	1,103,915,613



## NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31st March, 2017

### 13. PROPERTY, PLANT & EQUIPMENT (Continued)

#### 13.6 Property, Plant & Equipment at Fair Value (Continued)

##### (b) Measurement of Fair Value

Fair Value Hierarchy

The freehold land and buildings (6 units) were valued on 31st March, 2015 by Mr. T. B. Balasuriya, (B.Sc.) EMV Spl (Hons), SJP, an Independent Qualified Valuer. The result of such revaluation was incorporated in the 2014/2015 financial statements. The surplus arising from the revaluation was transferred to a revaluation reserve.

##### (c) Level 3 Fair Value

Reconciliation of opening balance to the closing balance is shown in Note No. 13.6 (a) above.

##### (d) Valuation Techniques and significant unobservable inputs

The property is valued in an open market value for existing use basis.

##### Location of Lands

Lands comprise of Walawwewatta and Siyambalagahakotuwa (368.4 perches), Meegonkattuwe Kumbura (150.56 perches), Weralugasdeniye Kumbura & Pillewa (152.5 perches), Siyabalagastenna (43.87 perches) which are situated within Municipal Council limits of Kandy.

### 14. DEFERRED INCOME TAX ASSETS AND LIABILITIES

	31.03.2017 Rs.	31.03.2016 Rs.
<b>14.1 Deferred Tax Liabilities</b>		
Balance at the Beginning of the Year	94,627,197	83,079,870
Temporary Differences arising from Property, Plant & Equipment	1,369,272	11,547,327
Balance at the end of the year	95,996,469	94,627,197
<b>14.2 Deferred Tax Assets</b>		
Balance at the Beginning of the Year	48,257,911	52,809,848
Temporary Differences arising from Retirement Benefit	627,616	664,272
Temporary Differences reversal from Unused Tax Losses	(4,688,015)	(5,216,209)
Balance at the end of the year	44,197,512	48,257,911

## NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31st March, 2017

### 14. DEFERRED INCOME TAX ASSETS AND LIABILITIES (Continued)

#### 14.3 Recognised Deferred Tax Assets and Liabilities

	31.03.2017		31.03.2016	
	Assets Rs.	Liabilities Rs.	Assets Rs.	Liabilities Rs.
Property, Plant & Equipment	-	49,103,101	-	47,733,829
Revaluation of Buildings	-	46,893,368	-	46,893,368
Defined Benefit Obligation	6,172,316	-	5,544,700	-
Un-used Tax Losses	38,025,196	-	42,713,211	-
<b>Total</b>	<b>44,197,512</b>	<b>95,996,469</b>	<b>48,257,911</b>	<b>94,627,197</b>

### 15. INVENTORIES

	31.03.2017 Rs.	31.03.2016 Rs.
Food Stock	3,189,199	3,020,177
Beverage Stock	5,246,982	4,309,755
Housekeeping	2,896,025	3,344,421
Maintenance Stock	2,329,031	2,195,600
Printing & Stationery Stock	2,438,200	2,092,252
General Stock	4,389,151	4,712,356
Gas Stock	103,719	328,913
Fuel Stock	469,503	626,137
<b>Total</b>	<b>21,061,810</b>	<b>20,629,611</b>





## NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31st March, 2017

### 16. TRADE AND OTHER RECEIVABLES

	31.03.2017 Rs.	31.03.2016 Rs.
Trade Debtors	91,619,408	71,771,730
Less: Provision for Impairment of Trade Receivables <b>16.1</b>	(21,199,290)	(18,743,246)
Trade Receivables - Net	70,420,118	53,028,484
Refundable Deposits	2,123,824	2,018,824
Prepayments	8,225,033	8,324,806
Other Receivables	26,078,976	13,453,842
<b>Total</b>	<b>106,847,951</b>	<b>76,825,956</b>

As of 31st March, 2017, Trade Receivables of Rs. 45,511,102/- (as of 31st March, 2016 was Rs. 40,305,247/-) were fully performing.

As of 31st March, 2017, Trade Receivables of Rs. 24,909,016/- (as of 31st March, 2016 was Rs. 12,723,237/-) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	31.03.2017 Rs.	31.03.2016 Rs.
Up to 3 months	7,663,303	2,268,345
3 to 4 months	7,278,354	991,671
Over 4 months and above	9,967,359	9,463,221
	<b>24,909,016</b>	<b>12,723,237</b>

As of 31st March, 2017, trade receivables of Rs. 21,199,290/- (2016 : Rs. 18,743,246/-) were impaired and provided for. The individually impaired receivables mainly relate to customers, who are in unexpectedly difficult economic situations. It was assessed that no portion of the impairment provision for receivables is expected to be recovered.

Movements on the Company provision for impairment of trade receivables is as follows:

#### 16.1 IMPAIRMENT FOR TRADE RECEIVABLES

	2017 Rs.	2016 Rs.
As at 1st April	18,743,246	14,594,248
Impairment Provision for Trade & Other Receivables	2,456,044	4,148,998
As at 31st March	<b>21,199,290</b>	<b>18,743,246</b>

## 16.1 IMPAIRMENT FOR TRADE RECEIVABLES (Continued)

The creation and release of provision for impaired receivables have been included in 'operating expenses' in the statement of profit or loss (Note No. 10). Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above and is further analysed in Note No. 16.3. The Company does not hold any collateral as security.

16.2	<b>Analysis of Financial Instruments Financial Instruments By Category Loans and Receivables</b>	<b>31.03.2017 Rs.</b>	<b>31.03.2016 Rs.</b>
	Trade and other Receivables excluding Prepayments, Statutory Payments and Advances	84,219,510	58,714,502
	Cash and Cash Equivalents (Note No. 17)	28,663,889	93,890,524
		112,883,399	152,605,026
	<b>Financial Liabilities at Amortised cost</b>		
	Trade and Other Payables (Excluding Statutory Liabilities) (Note No. 22)	72,995,268	61,638,119
	Borrowings (Excluding Finance Leases) (Note No. 21)	120,711,011	138,101,158
	Amounts due to Related Companies (Note No. 23)	3,536,737	25,309,692
		197,243,016	225,048,969

## 16.3 Exposure to Credit Risk

The carrying amount of Financial Assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as follows:

	<b>31.03.2017 Rs.</b>	<b>31.03.2016 Rs.</b>
Trade and Other Receivables	84,219,510	58,714,502
Banks with Credit Ratings	28,663,889	93,890,524
	112,883,399	152,605,026

The maximum exposure to credit risk for Trade and Other Receivables at the end of the reporting period by type of counterparty is as follows:

Trade Receivables - Others	70,420,118	53,028,484
Loans to Company Officers	3,843,999	2,622,099
Other Receivables	9,955,393	3,063,919
	84,219,510	58,714,502

Loans are given to permanent confirmed employees and are deducted from the salaries as per the terms of granting the loan.

### Cash and Cash Equivalents

The Company held cash and cash equivalents with reputed commercial banks.



## NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31st March, 2017

17.	CASH IN HAND AND AT BANK	31.03.2017 Rs.	31.03.2016 Rs.
	<b>Favourable Balances</b>		
	Cash in Hand and at Bank	28,663,889	93,890,524
	<b>Unfavourable Balances</b>		
	Bank Overdraft - (Note No. 21)	(29,760,999)	(33,308)
	Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	(1,097,110)	93,857,216

18.	STATED CAPITAL	Number of Shares	31.03.2017 Rs.	31.03.2016 Rs.
	<b>Fully Paid Up Ordinary Shares</b>			
	At the beginning of the year	47,066,447	585,445,870	585,445,870
	At the end of the year	47,066,447	585,445,870	585,445,870

19.	REVALUATION RESERVE	31.03.2017 Rs.	31.03.2016 Rs.
	<b>Revaluation Reserve Related to the Surplus on Revaluation of Land and Buildings</b>		
	The movement of revaluation reserve is as follows:		
	At the Beginning of the Year	538,688,179	538,688,179
	Balance at the End of the Year	538,688,179	538,688,179

20.	EMPLOYEE BENEFIT LIABILITY	31.03.2017 Rs.	31.03.2016 Rs.
	At the beginning of the year	46,205,834	40,670,236
	Interest charged for the year	5,082,642	4,473,726
	Current service cost	3,173,806	2,844,873
	Payments made during the year	(1,417,139)	(1,302,150)
	Actuarial (Gain) / Loss	(1,609,174)	(480,851)
	At the End of the Year	51,435,969	46,205,834

The expenses are recognised in the following line items:

	31.03.2017 Rs.	31.03.2016 Rs.
Administrative Expenses	8,256,448	7,318,599
Other Comprehensive Income	(1,609,174)	(480,851)
	6,647,274	6,837,748

For the year ended 31st March, 2017

## 20 EMPLOYEE BENEFIT LIABILITY (Continued)

LKAS 19 "Employee Benefits" requires the use of actuarial techniques to make a reliable estimate of the amount of retirement benefit that employees have earned in return for their service in the current and prior periods and discount that benefit using the Projected Unit Credit Method in order to determine the present value of the retirement benefit obligation and the current service cost. This requires an entity to determine how much benefit is attributable to the current and prior periods and to make estimates about demographic variables and financial variables that will influence the cost of the benefit.

The following key assumptions were made in arriving at the above figures:

### Demographic Assumptions

**Mortality** : In service - A 67/70 Mortality Table.

### Withdrawal

The withdrawal rate at an age represents the probability of an employee leaving within one year of that age due to reasons other than death, ill health and normal retirement.

### Normal Retirement Age

As specified by the Company.

### Financial Assumptions

**Salary Increases** 10%

**Rate of Discount** 11%

### Staff Turnover Rate

19% up to age 54 and thereafter zero.

The present value of the Defined Benefit Obligation as at 31st March, 2017, with respect to employees in service, based on the above assumptions is Rs. 51,435,969/- (2016: Rs. 46,205,834/-).



## NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31st March, 2017

### 21. INTEREST BEARING BORROWINGS

	31.03.2017 Amount Repayable Within 1 Year Rs.	31.03.2017 Amount Repayable After 1 Year Rs.	31.03.2017 Total Rs.	31.03.2016 Amount Repayable Within 1 Year Rs.	31.03.2016 Amount Repayable After 1 Year Rs.	31.03.2016 Total Rs.
Finance Leases	8,106,849	14,370,434	22,477,283	9,075,030	15,326,851	24,401,881
Bank Loans	28,519,312	62,430,700	90,950,012	48,194,350	89,873,500	138,067,850
Bank Overdrafts	29,760,999	-	29,760,999	33,308	-	33,308
	66,387,160	76,801,134	143,188,294	57,302,688	105,200,351	162,503,039

21.1	Finance Leases	Current As At 31.03.2017 Rs.	Non-Current As At 31.03.2017 Rs.	As At 31.03.2017 Rs.	Current As At 31.03.2016 Rs.	Non-Current As At 31.03.2016 Rs.	As At 31.03.2016 Rs.
	Gross Liability	10,051,910	16,099,075	26,150,985	10,960,622	16,987,536	27,948,158
	Charges	(1,945,061)	(1,728,641)	(3,673,702)	(1,885,592)	(1,660,685)	(3,546,277)
	Net Liability	8,106,849	14,370,434	22,477,283	9,075,030	15,326,851	24,401,881

21.2	Bank Loans	31.03.2017 Amount Repayable Within 1 Year Rs.	31.03.2017 Amount Repayable After 1 Year Rs.	31.03.2017 Total Rs.	31.03.2016 Amount Repayable Within 1 Year Rs.	31.03.2016 Amount Repayable After 1 Year Rs.	31.03.2016 Total Rs.
	Bank	28,519,312	62,430,700	90,950,012	48,194,350	89,873,500	138,067,850
		28,519,312	62,430,700	90,950,012	48,194,350	89,873,500	138,067,850

#### Movement of Bank Loans and Finance Leases

	As At 31.03.2017 Rs.	Repayment Rs.	Loans/Lease Obtained Rs.	As At 31.03.2016 Rs.
Banks	90,950,012	(47,117,838)	-	138,067,850
Leases	26,150,985	(14,220,163)	12,422,990	27,948,158
	117,100,997	(61,338,001)	12,422,990	166,016,008

\* Refer Note No. 26 for details of Interest Bearing Borrowings.



## NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31st March, 2017

<b>22.</b>	<b>TRADE AND OTHER PAYABLES</b>	<b>31.03.2017 Rs.</b>	<b>31.03.2016 Rs.</b>
	Trade Creditors	59,277,810	46,999,459
	Other Payables	-	2,195,839
	Expense Creditors	20,411,798	20,811,849
		79,689,608	70,007,147
<b>23.</b>	<b>AMOUNTS DUE TO RELATED PARTIES</b>		
	Universal Enterprises (Pvt.) Ltd.	-	4,634,625
	Mahaweli Hotel Management Services (Pvt.) Ltd.	3,536,737	20,675,067
		3,536,737	25,309,692
<b>24.</b>	<b>INCOME TAX LIABILITIES</b>		
	Balance payable at the beginning of the year	5,683,365	3,492,787
	Tax paid for previous year	(5,683,365)	(3,492,787)
	Income tax on current year	5,347,206	9,687,246
	Deemed Dividend Tax	946,979	-
	Payment made during the year	(5,340,330)	(4,003,881)
	Balance Payable / (Recoverable) at the end of the year	953,855	5,683,365

## 25. COMMITMENTS & CONTINGENCIES

### 25.1 Commitments

There were no commitments as at the end of the reporting date.

### 25.2 Contingent Liabilities

- (a) Following the termination of employees on disciplinary grounds an inquiry was held by the Commissioner General of Labour and an order was issued for reinstatement and the payment of back wages. The Company filed a Writ Application in the Court of Appeal to have this order quashed. The matter is pending as at 31st March, 2017. The Board of Directors believe that a favorable outcome will result by the institution of this application in the Court of Appeal.
- (b) The Company has formal controls and policies for managing legal claims. No material losses are anticipated as a result of these transactions.



## NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31st March, 2017

### 26. INTEREST BEARING BORROWINGS

Lending Institution	Nature of Facility	Interest Rate	Repayment Term	Outstanding Balance		Security
				2017 Rs.	2016 Rs.	
Hatton National Bank PLC	Term Loan Rs. 50 Million	AWPLR + 1% p.a.	12 Quarterly capital instalments of Rs. 1,000,000/- each and 06 quarterly capital instalments of Rs. 2,750,000/- each and a final instalment of Rs. 2,749,550/- together with interest to be serviced monthly.	Nil	5,499,550	Registered primary floating mortgage bond No. 388 for Rs. 62.5 Million, Rs. 10.34 Million available in the existing secondary floating mortgage bond No. 427 for Rs. 15 Million and Rs. 24.32 Million available in the existing registered tertiary floating mortgage bond No. 2193 for Rs. 56.40 Million over hotel premises bearing assessment No. 35. P.B.A. Weerakoon Mawatha, Kandy.
	Term Loan Rs. 50 Million	AWPLR + 1% p.a.	08 Quarterly capital instalments of Rs. 1,250,000/- each and 04 quarterly capital instalments of Rs. 2,500,000/- each and 08 quarterly capital instalments of Rs. 3,750,000/- each (with an initial grace period of 6 months). Interest to be serviced monthly.	4,826,512	18,750,000	Registered tertiary floating mortgage bond No. 2193 for Rs. 56.40 Million, over hotel premises bearing assessment No. 35. P.B.A. Weerakoon Mawatha, Kandy.

## NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31st March, 2017

### 26. INTEREST BEARING BORROWINGS (Continued)

Lending Institution	Nature of Facility	Interest Rate	Repayment Term	Outstanding Balance		Security
				2017 Rs.	2016 Rs.	
Hatton National Bank PLC	Term Loan Rs. 26.5 Million	AWPLR +1.75 % p.a.	71 Equal monthly instalments of Rs. 486,000/- and a final instalment of Rs. 494,000/- together with interest to be serviced monthly.	4,630,000	10,462,000	Registered primary floating mortgage bond for Rs. 62.5 Million, Rs. 15 Million available in the existing secondary floating mortgage bond for Rs. 56.40 Million over hotel premises bearing assessment No. 35. P.B.A. Weerakoon Mawatha, Kandy.
	Term Loan Rs. 50 Million	AWPLR +1.25% p.a.	59 Equal monthly instalments of Rs. 833,000/- and a final instalment of Rs. 853,000/- together with interest to be serviced monthly.	39,171,000	49,167,000	Registered primary and additional floating mortgage bonds totalling to Rs. 133.9 Million over the hotel premises bearing assessment No. 35. P.B.A. Weerakoon Mawatha, Kandy.
Hatton National Bank PLC	Overdraft Rs. 15 Million	AWPLR + 1% p.a.	On demand / To be reviewed annually.	29,760,999	Nil	Registered primary floating mortgage bond for Rs. 62.5 Million over hotel premises bearing assessment No. 35. P.B.A. Weerakoon Mawatha, Kandy.
Commercial Bank of Ceylon PLC	Term Loan Rs. 8.5 Million	AWPLR + 1% p.a.	71 Equal monthly instalments of Rs. 118,100/- and a final instalment of Rs. 114,900/- together with interest to be serviced monthly.	3,421,700	4,838,900	Concurrent primary mortgage bond No. 721/3274 dated 19th & 22nd December, 2006 and 1st of January, 2007 for Rs. 30 Million executed over freehold property of Maheweli Reach Hotels PLC at No. 35, P.B.A. Weerakoon Mawatha, Kandy.



## NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31st March, 2017

### 26. INTEREST BEARING BORROWINGS (Continued)

Lending Institution	Nature of Facility	Interest Rate	Repayment Term	Outstanding Balance		Security
				2017 Rs.	2016 Rs.	
Commercial Bank of Ceylon PLC	Term Loan Rs. 21 Million	AWPLR +1.5 % p.a.	60 Equal monthly instalments of Rs. 350,000/- and a grace period of 6 months.	1,400,000	5,600,000	Concurrent primary mortgage bond No. 721/3274 dated 19th & 22nd December, 2006 and 1st of January, 2007 for Rs. 30 Million executed over freehold property of Mahaweli Reach Hotels PLC at No. 35, P.B.A. Weerakoon Mawatha, Kandy.
	Term Loan Rs. 50 Million	AWPLR +1.5 % p.a.	95 Equal monthly instalments of Rs. 520,800/- and a final instalment of Rs. 524,000/- together with interest to be serviced monthly.	37,500,800	43,750,400	Concurrent primary mortgage bond No. 721/3274 dated 19th & 22nd December, 2006 and 1st of January, 2007 for Rs. 30 Million executed over freehold property of Mahaweli Reach Hotels PLC at No. 35, P.B.A. Weerakoon Mawatha, Kandy.

For the year ended 31st March, 2017

## 26. INTEREST BEARING BORROWINGS (Continued)

Lending Institution	Nature of Facility	Interest Rate	Repayment Term	Outstanding Balance		Security
				2017 Rs.	2016 Rs.	
Hatton National Bank PLC	Finance Lease	12.5% p.a.	(60 months) Remaining zero equal monthly instalments of Rs. 101,887/-	Nil	305,661	Absolute ownership of the vehicle.
	Finance Lease	12.5% p.a.	(60 months) Remaining 03 equal monthly instalments of Rs. 220,838/-	662,514	3,312,570	Absolute ownership of the generator.
	Finance Lease	12.5% p.a.	(60 months) Remaining 21 equal monthly instalments of Rs. 239,580/-	5,031,180	7,906,140	Absolute ownership of the generator.
	Finance Lease	9.5% p.a.	(48 months) Remaining 28 equal monthly instalments of Rs. 93,472/-	2,617,216	3,738,880	Absolute ownership of the Laundry Machine.
Sampath Bank PLC	Finance Lease	12% p.a.	(48 months) Remaining zero equal monthly instalments of Rs. 143,438/-	Nil	3,155,637	Absolute ownership of the vehicle.
	Finance Lease	9.0% p.a.	(60 months) Remaining 38 equal monthly instalments of Rs. 190,585/-	7,242,245	9,529,270	Absolute ownership of the vehicle.
	Finance Lease	12.75% p.a.	(48 months) Remaining 38 equal monthly instalments of Rs. 149,817/-	5,693,065	Nil	Absolute ownership of the vehicle.
	Finance Lease	14.5% p.a.	(48 months) Remaining 45 equal monthly instalments of Rs. 108,995/-	4,904,766	Nil	Absolute ownership of the vehicle.





## NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31st March, 2017

### 27. EVENTS AFTER THE END OF THE REPORTING DATE

No circumstances of significance have arisen since the end of the reporting date, which would require adjustments to or disclosure in the Financial Statements.

### 28. RELATED PARTY DISCLOSURES

#### 28.1 The Directors of the Company are also the Directors of the following Companies:

Name of Company	Names of Directors	Relationship
Mahaweli Hotel Management Services (Pvt.) Ltd.	Mr. J. A. Panabokke Ms. D. L. Panabokke	Managing Agents -do-
Universal Enterprises (Pvt.) Ltd.	Mr. M. U. Maniku Mr. A. U. Maniku Dr. I. U. Maniku Mr. A. M. Didi Mr. M. M. Didi Mr. Ali Nooradeen	Parent Company -do- -do- -do- -do- -do-

#### 28.2 Transactions with Related Parties

The Company has entered into transactions during the year with the following Companies:

Name of Company	Nature of Transaction	2016/2017 Rs.	2015/2016 Rs.
Mahaweli Hotel Management Services (Pvt.) Ltd.	Management Fees	43,369,689	50,618,608
<b>Basis of Management Fees calculation ,</b> (Net Turnover + Service Charges) * 6% + (7% on Net Profit after Depreciation & Finance Charges)			
Diethelm Travels (Pvt.) Ltd.	Service Rendered	10,005,700	15,417,540

Mr. A. N. Esuffally, who is a Director of the Company is also the Chairman / Director of Diethelm Travel.

For the purposes of these Financial Statements, parties are considered to be related to the Company, if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence.

## NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31st March, 2017

### 28.3 Transaction with key management personnel of the Company

The key management personnel of the Company are the members of its Board of Directors. Key management personnel compensation;

	2016/2017 Rs.	2015/2016 Rs.
(a) Short-Term Employee Benefits	15,380,450	15,385,175
(b) Post Employment Benefits	22,474,684	21,421,709
(c) Long-Term Benefits	Nil	Nil
(d) Termination Benefits	Nil	Nil
(e) Share-Based Payments	Nil	Nil

There have been no related party transactions other than those disclosed in Note No. 28 to the Financial Statements

### 29. FAIR VALUE

Set out below is a comparison by class of the carrying amounts and fair values of the Company's financial instruments that are carried in the Financial Statements.

	Carrying Amount		Fair Value	
	31.03.2017 Rs.	31.03.2016 Rs.	31.03.2017 Rs.	31.03.2016 Rs.
<b>Financial Assets</b>				
Trade and Other Receivables	84,219,510	58,714,502	84,219,510	58,714,502
Cash and Bank Balances	28,663,889	93,890,524	28,663,889	93,890,524
<b>Total</b>	<b>112,883,399</b>	<b>152,605,026</b>	<b>112,883,399</b>	<b>152,605,026</b>
<b>Financial Liabilities</b>				
Interest Bearing Borrowings	90,950,012	138,067,850	90,950,012	138,067,850
Bank Overdraft	29,760,999	33,308	29,760,999	33,308
Trade and Other Payables	72,995,268	61,638,119	72,995,268	61,638,119
Amounts Due to Related Companies	3,536,737	25,309,692	3,536,737	25,309,692
<b>Total</b>	<b>197,243,016</b>	<b>225,048,969</b>	<b>197,243,016</b>	<b>225,048,969</b>

Cash and Bank Balances, Trade Receivables, Trade Payables and Related Party Payables approximate their carrying amounts largely due to the short-term maturities of these instruments.



# PROXY FROM...

I / We .....  
 of.....  
 ..... being a Shareholder / Shareholders of Mahaweli Reach Hotels PLC hereby  
 appoint.....  
 of.....  
 bearing NIC No. / Passport No. .... or failing him / her.

Mr. Mohamed Umar Maniku  
 Mr. Jayantha Atul Panabokke  
 Mr. Ahamed Mahir Didi  
 Mr. Abbasally Nuruddin Esufally  
 Mr. Wajjiya Priyantha Hettiaratchi  
 Mr. Raja Tissa Molligoda  
 Mr. Ahamed Umar Maniku  
 Dr. Ibrahim Umar Maniku  
 Mr. Mohamed Mahir  
 Mr. Ali Nooradeen  
 Mr. Jayampathy Charitha Ratwatte  
 Mr. Ranjeevan Seevaratnam  
 Mr. Joseph Rosario Philip Mancius Paiva  
 Ms. Dayanthi Lakshmi Panabokke

or failing him,  
 or failing him,  
 or failing him,  
 or failing him,  
 or failing him,  
 or failing him,  
 or failing him,  
 or failing him,  
 or failing him,  
 or failing him,  
 or failing him,  
 or failing him,  
 or failing him,

as \*my / our proxy to attend and vote at the 43rd Annual General Meeting of the Company to be held on Thursday, the 28th day of September, 2017 at 11.00 a.m., at the registered office of the Company No. 35, P. B. A. Weerakoon Mawatha, Kandy, Sri Lanka and any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against
1. To adopt the Annual Report of the Board of Directors and the Financial Statements for the year ended 31st March, 2017, together with the Report of the Independent Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. A. N. Esufally who retires by rotation in terms of Articles 90, 91 & 92 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr. A. U. Maniku who retires by rotation in terms of Articles 90, 91 & 92 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr. J. C. Ratwatte who retires by rotation in terms of Articles 90, 91 & 92 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint Mr. R. T. Molligoda who is over Seventy years of age as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-appoint Mr. R. Seevaratnam who is over Seventy years of age as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
7. To re-appoint Mr. M. U. Maniku who is over Seventy years of age as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
8. To authorise the Board of Directors to determine contributions to charities and other Donations.	<input type="checkbox"/>	<input type="checkbox"/>
9. To re-appoint Messrs. Baker Tilly Edirisinghe & Co, Chartered Accountants as Auditors of the Company as set out in Section 154(1) of the Companies Act No. 07 of 2007 and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this .....day of ..... Two Thousand and Seventeen.

.....  
 Signature

**Note:** (a) \*Please delete the inappropriate words. (b) A shareholder entitled to attend and vote at a General Meeting of the company, is entitled to appoint a proxy to attend and vote instead of him / her and the proxy need not be a shareholder of the company. A proxy so appointed shall have the right to vote on a show of hands or on a poll and to speak at the General Meeting of the shareholders. (c) A shareholder is not entitled to appoint more than one proxy to attend on the same occasion. (d) Instructions are noted on the reverse hereof.

# INSTRUCTIONS AS TO COMPLETION...

1. Kindly perfect the form of proxy after filling in legibly your full name and address, by signing in the space provided. Please fill in the date of signature.
2. If you wish to appoint a person other than the Directors as your proxy, please insert the relevant details in the space provided overleaf.
3. In terms of Article 72 of the Articles of Association of the Company:
  - 1) Any Shareholder entitled to attend and vote at a meeting shall be entitled to appoint another person (whether a shareholder or not) as his proxy to attend and vote instead of him / her. A proxy so appointed shall have the same right as the Shareholder to vote on a show of hands or on a poll and to speak at the meeting.
  - 2) An instrument appointing a proxy shall be in writing and:
    - (a) in the case of an individual shall be signed by the appointor or by his attorney; and
    - (b) in the case of a corporation shall be either under the common seal, or signed by its attorney, or by an authorised officer on behalf of the corporation.
  - 3) An instrument appointing a proxy or the power of attorney or other authority, if any, must be left or received at the Office or such other place (if any) as is specified for the purpose in the notice convening the meeting not less than forty eight (48) hours before the time appointed for the holding of the meeting or adjourned meeting (or in the case of a poll before the time appointed for the taking of the poll) at which it is to be used and in default shall not be treated as valid unless the Directors otherwise determine.
4. Where there are joint registered holders of any Share, any one (01) of such persons may vote and be reckoned in a quorum at any meeting either personally or by proxy as if he were solely entitled thereto and if more than one (01) of such joint holders be so present at any meeting, one (01) of such persons so present whose name stands first in the Register in respect of such Share, shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased Shareholder in whose name any Share stands shall for the purpose of this Article be deemed joint holders thereof.
5. To be valid, the completed form of proxy should be deposited at the Registered Office of the Company situated at No. 35, P. B. A. Weerakoon Mawatha, Kandy, Sri Lanka not later than 11.00 a.m., on 26th September, 2017.

**Please fill in the following details:**

Name : .....

Address : .....

Jointly with : .....

Folio No. : .....

## Corporate Information

Name of the Company  
Mahaweli Reach Hotels PLC

Legal Form  
A Quoted Public Limited Liability Company  
Incorporated on 21st September, 1973

Company Registration No. PQ 127

### Directors

Mr. M. U. Maniku – Chairman  
Mr. J. A. Panabokke – Managing Director  
Mr. R. T. Molligoda  
Mr. A. N. Esufally  
Mr. A. U. Maniku  
Dr. I. U. Maniku  
Mr. A. M. Didi  
Mr. W. P. Hettiaratchi – (FCA, FFA, FSCMA, MCMI)  
Mr. A. Nooradeen  
Mr. M. Mahir  
Mr. J. C. Ratwatte  
Mr. R. Seevaratnam  
Mr. J. R. P. M. Paiva  
Ms. D. L. Panabokke - Alternate Director Mr. J. A. Panabokke

### Audit Committee

Mr. R. Seevaratnam  
Mr. J. C. Ratwatte  
Mr. W. P. Hettiaratchi

### Remuneration Committee

Mr. J. C. Ratwatte  
Mr. R. T. Molligoda

### Related Party Transaction Review Committee

Mr. J. C. Ratwatte  
Mr. R. Seevaratnam  
Mr. W. P. Hettiaratchi  
Mr. J. A. Panabokke

### Secretaries

Businessmate (Private) Limited  
45, Braybrooke Street, Colombo 2.  
Tel: +94 112 433933

### Auditors

Messrs. Baker Tilly Edirisinghe & Co.,  
Chartered Accountants  
45, Braybrooke Street, Colombo 2.

### Bankers

Hatton National Bank – Kandy  
Bank of Ceylon – Kandy  
Commercial Bank of Ceylon – Kandy  
Sampath Bank – Katugastota

### Registered office

No. 35, P. B. A. Weerakoon Mawatha, Kandy.





**MAHAWELI BEACH**  
SRI LANKA

OUR WORLD REVOLVES AROUND YOURS



## 43<sup>rd</sup> ANNUAL GENERAL MEETING

28<sup>th</sup> September 2017

To: Shareholders of Mahaweli Reach Hotels PLC

The Directors of Mahaweli Reach Hotels PLC take pleasure in inviting all shareholders to lunch at the Mahaweli Reach Hotel, Kandy immediately after the Annual General Meeting of the Company to be held on the 28<sup>th</sup> September, 2017 at 11.00 a.m.

For the convenience of shareholders, arrangements are being made to provide transport to and from the hotel. This facility will be provided for shareholders who own a minimum of 1000 shares of the Company. Transport will be provided from the Galadari Hotel, 64 Lotus Road, Colombo 1 at 7.00 a.m. Shareholders are requested to be present at 6.30 a.m.

Shareholders are kindly reminded that lunch and transport are being arranged exclusively for shareholders who confirm their participation by completing and returning the attached confirmation.

Shareholders are requested to return the completed confirmation slip to The Secretary, Managing Director's Office, Mahaweli Reach Hotels PLC, No. 35, P. B. A. Weerakoon Mawatha, Kandy on or before 18<sup>th</sup> September, 2017. Your co-operation in this regard will help us to make suitable prior arrangements for seating at the AGM and for lunch. In the event you are unable to attend and wish to appoint a Proxy, the duly completed Form of Proxy should be attached to the confirmation slip and returned to the Secretary by the 18<sup>th</sup> September, 2017.

On receipt of the 'Confirmation of Attendance' each shareholder will be issued a Luncheon Voucher.

MAHAWELI REACH HOTELS PLC

Confirmation of Attendance	By 18 <sup>th</sup> September, 2017
Transport to Hotel	7.00 a.m. on 28 <sup>th</sup> September, 2017
Annual General Meeting	11.00 a.m. on 28 <sup>th</sup> September, 2017

**IT IS COMPULSORY TO OBTAIN A LUNCHEON VOUCHER TO PARTICIPATE FOR LUNCH. CHILDREN OF ANY AGE WILL NOT BE ALLOWED.**

### CONFIRMATION OF ATTENDANCE

FULL NAME OF SHAREHOLDER (IN BLOCK LETTERS)	:	_____	
ADDRESS OF SHAREHOLDER	:	_____	
CONTACT NO.	:	_____	
SHAREHOLDER'S NIC NO.	:	_____	
NUMBER OF SHARES HELD	:	_____	
NAME & ADDRESS OF PROXY HOLDER	:	_____	
PROXY HOLDER'S NIC NO.	:	_____	
SIGNATURE OF ATTENDEE	:	_____	
		YES	NO.
I WILL BE ATTENDING THE AGM AS AFORESAID		<input type="checkbox"/>	<input type="checkbox"/>
I WILL BE PARTICIPATING FOR LUNCH		<input type="checkbox"/>	<input type="checkbox"/>