



MAHAWELI REACH
SRI LANKA

OUR WORLD REVOLVES AROUND YOURS

ANNUAL REPORT | 2017 - 2018



Our heritage as our heartbeat

Our cultural heritage is our signature,
Our lifeblood and our heartbeat,
It is what shapes us, what makes us,
And what keeps us alive in the world we live.



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A low-angle photograph of a modern building with a traditional wooden roof and white columns. The building features a prominent entrance with large white columns and a balcony with a wooden railing. The roof is made of dark wood with a red-brown finish. The sky is clear blue.

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...

This year, Mahaweli Reach was privileged to open our doors to accommodate world renowned dignitaries with our iconic brand of hospitality. We had the pleasure of hosting these guests as part of their official visits to Sri Lanka, and to Kandy.



It was a great honour and privilege for MRH to host Her Excellency Bidya Devi Bhandari, President of the Federal Republic of Nepal, during her stay in Kandy when she visited to grace the closing ceremony of the 14th United Nations International Vesak day celebrations as its Chief Guest. She was accompanied by Hon Keshav Kumar Budhathoki, Minister for General Administration and a Delegation from Nepal. The city of Kandy being one of the most important Buddhist sites as the home of the Temple of the Sacred Tooth Relic of Lord Buddha (Sri Dalada Maligawa) was indeed the fitting setting for the closing ceremony of the UN International Vesak celebrations signifying the birth, enlightenment and passing away of the Lord Buddha, along with the participation of Her Excellency and the Nepal Delegation as the sacred sites of these momentous events are located in Nepal.

We were honoured to welcome His Holiness Vairotsana Truklu Jigme Jigten Wangchuck accompanied by his mother, Her Royal Highness Princess Ashi Sonam Dechan Wangchuck and his grandmother, Her Majesty the Queen Mother Ashi Dorji Wangmo Wangchuck during their private visit to Sri Lanka. They were accompanied by His Excellency, Sonam Tobden Rabgye the Ambassador of Bhutan to Sri Lanka and Madam Rabgye. The Bhutanese royal delegation was in Kandy overnight to pay homage to the Sacred Tooth Relic and pay their respects to the Chief Prelates of the Malwatte and Asgiriya Maha Vihares.



HOSPITALITY PERSONIFIED AND DIGNIFIED...



We also had the honour of being the official caterer in Kandy, for Their Royal Highnesses Prince Edward, Earl of Wessex (the youngest son of Queen Elizabeth II) and Countess of Wessex, when they arrived in Sri Lanka to represent Her Majesty, as Chief Guests at the 70th Independence Day celebrations. The Royal couple visited the Temple of the Tooth, St. Paul's Church, Royal Botanical Garden and the Trinity College in Kandy, when we were graced with this opportunity.



ACCOLADES, ANOTHER FIRST IN THE HILL CAPITAL OF SRI LANKA...

This was another milestone in the Hospitality and Tourism Industry of Sri Lanka. MRH became the first hotel to be certified as a CarbonConscious®, WaterConscious® and WasteConscious® Hotel. The certifications were awarded to MRH by The Sustainable Future Group (SFG) – a leading sustainability validation, verification and certification services provider, as a result of the hotel committing to a long-term programme of measuring, managing, and mitigating their overall environmental footprint.

The Conscious® range is part of a proprietary, diverse range of certifications developed by SFG following internationally accepted standards and protocols to measure, manage and mitigate/enhance key environmental impact areas such as carbon, water, waste and biodiversity. In obtaining the certifications, MRH partnered with Carbon Consulting Company (CCC) for expert assistance in first identifying specific areas the hotel should focus on that would be directly aligned with the business's sustainability and business goals.



Certificates handed over to Mr. Jayantha Panabokke, Managing Director, Mahaweli Reach Hotels PLC (MRH) by the Carbon Consulting Company (CCC) CEO Mr. Sanith de Silva Wijeyeratne with the Senior Management Teams of MRH, CCC and SFG in the background.



ACCOLADES, ANOTHER FIRST IN THE HILL CAPITAL OF SRI LANKA...

Mr. Sanith De Silva Wijeyeratne, CEO of CCC, has stated that, "We're proud to have Mahaweli Reach join the esteemed ranks of sustainable hotels in Sri Lanka, showing that tradition and caring for the environment are not mutually exclusive. Marking a turning point for the tourism industry in Sri Lanka, this new milestone for this prominent hotel demonstrates the intrinsic values of its founder come to fruition. Their commitment to the community and environment will go a long way in achieving sustainability in the country, bringing Sri Lanka one step closer to achieving a more sustainable future."

This achievement, with the help of The Carbon Consulting Company, has made our vision of becoming a sustainable business entity a reality. We can now uphold our founder's vision of providing an unforgettable Sri Lankan holiday experience to our guests, whilst at the same time mitigating our impact on the planet. Our commitment to provide excellence and quality is strengthened as we begin this journey of sustainability and bring Mahaweli Reach and the tourism industry of Sri Lanka into the 21st Century."

While MRH celebrates this achievement, we will continue our quest to remain an organisation which follows international best practices while staying true to its Sri Lankan roots and one which continues to be innovative and provides the best products, services and opportunities to its clients, employees and other stakeholders.

NOTICE OF MEETING...

NOTICE IS HEREBY GIVEN that the Forty Fourth Annual General Meeting of MAHAWELI REACH HOTELS PLC will be held on Thursday, the 27th day of September, 2018 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, 2018 together with the report of the Independent Auditors thereon.
2. To re-elect Dr. I. U. Maniku 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. M. Didi 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. R. P. M. Paiva who retires by rotation in terms of Articles 90, 91 & 92 of the Articles of Association of the Company.
5. To re-elect Ms. D. L. Panabokke who retires by rotation in terms of Articles 90, 91 & 92 of the Articles of Association of the Company.
6. To re-elect Mr. J. A. Panabokke appointed a Director of the Company on the 30th July, 2018 who retires in terms of Article 97 of the Articles of Association of the Company.
7. 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 75 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 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 71 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."

9. To re-appoint Mr. J. C. Ratwatte 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. J. C. Ratwatte 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."

10. To authorise the Board of Directors to determine contributions to charities and other donations.
11. 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

10 August, 2018



NOTICE OF MEETING...

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 the 25th September, 2018.
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...

An asset that is incomparable and invaluable to any organisation remains its people. In the hospitality industry human capital is of utmost importance and the effort of the Company keeps making in developing this resource has had a positive impact with many guests commenting encouragingly in this respect. A few of the comments made by the patrons are “ the staff were the highlight of the hotel ...”, “... with a friendly staff and you’ll get the real feeling of being in Kandy...” and “...most caring and efficient staff in a beautiful hotel...”.

We at Mahaweli Reach continue to believe strongly that in order to differentiate our product from the many properties coming online, we have to invest in continuously developing the standards of service proffered at our property. To achieve these service goals it is necessary to update the knowledge and skill levels of our team members and also to motivate them to perform at their best.

In the words of Jerry Fritz “ ... you’ll never have a product or price advantage again. They can easily be duplicated, but a strong customer service culture can’t be copied.”

The hotel has undertaken several training programmes during the year under review, to ensure that the team is kept abreast of the latest trends in service delivery. The in-house training both in an operational setting and within classroom settings is continued. The staff is also made aware of the need to become cost conscious in all operational procedures and from an environmental standpoint. They are informed of the need for accountability, honesty and transparency through a code of conduct that they are required to follow and by reinforcing these values through daily interactions. They are encouraged to contribute positively towards the organisation, their families and communities.

The need for a strong customer service culture is promoted from the inception of their tenure

at Mahaweli Reach through a comprehensive orientation programme and then throughout, as they are provided opportunities to continuously improve procedures and suggest methods by which efficiency could be improved and customers better served. Management maintains an open-door policy and encourages all staff to have an open dialogue and discuss any issues concerning them.

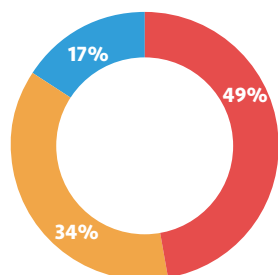
We also understand that team members should be motivated and inspired to reach greater heights and to this end, the hotel endeavours to provide attractive remuneration in line with industry norms and to reward exceptional performance appropriately. Career development within the organisation is encouraged with all possible opportunities being provided internally.

The Company has continued the financial assistance it provides to team members whose children have done well at exams within the defined criteria and those who require medical assistance.

Attrition remains an industrywide challenge as more and more hotels appear to be joining the market. The hotel too has had to contend with this issue. However, all possible measures are taken to persuade trained staff to remain and also to replace those who have moved in order to ensure minimal disruption of operations. Though this year saw a high staff turnover, Mahaweli Reach has a significant number of staff who have chosen to remain with the organisation with approximately 34% having been with the organisation between a period of 5 – 10 years and 17% having been valued members of the team for over 10 years. The performance of the team members has been highly commended in many fora. While there remains a dearth of skilled personnel, we attempt to hire locally and provide our staff the necessary skills. English Language training is provided to staff at the cost of the Company with the objective of professional and personal development.



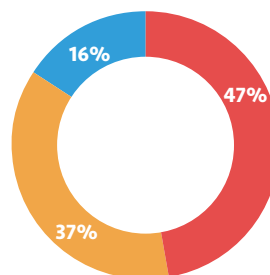
**Number of Staff
Completion of Service
2018**



■ **Less Than 5 years**
■ **Between 5 to 10 years**
■ **10 years and above**

	Service Period	Nos.
1	Less Than 5 years	162
2	Between 5 to 10 years	110
3	10 years and above	57
		329

**Number of Staff
Completion of Service
2017**



■ **Less Than 5 years**
■ **Between 5 to 10 years**
■ **10 years and above**

	Service Period	Nos.
1	Less Than 5 years	157
2	Between 5 to 10 years	123
3	10 years and above	52
		332

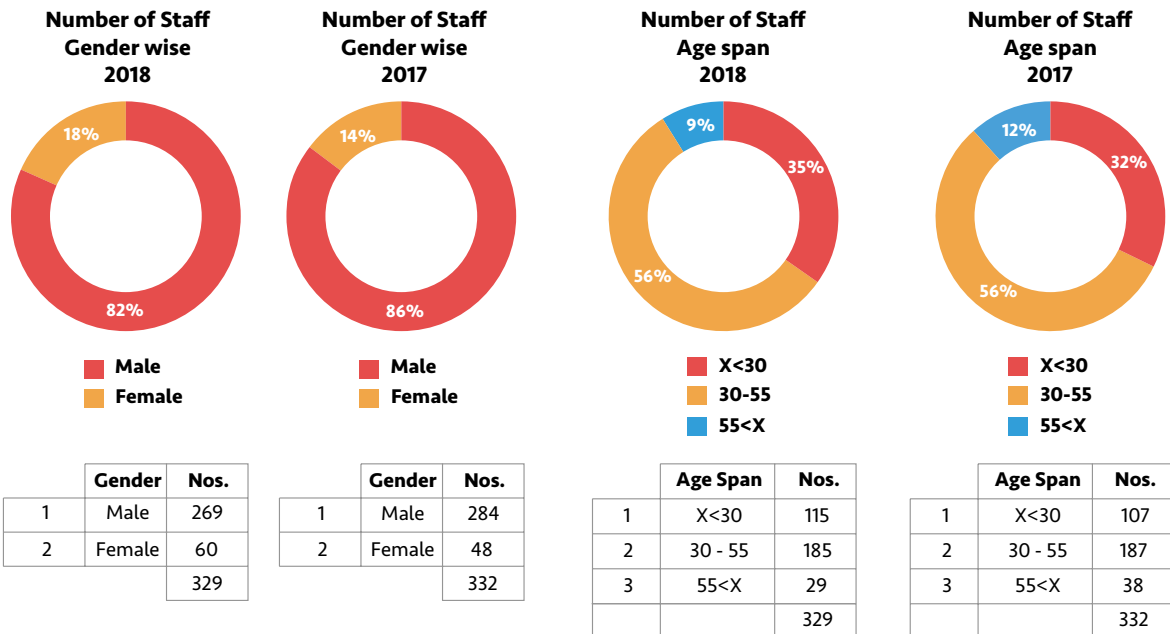
The Company supports associates in developing competencies that enhance individual and organisational performance. On several occasions, the hotel has had events which provide our team opportunities to showcase their talents. The Annual Bakthi Geetha performances for Vesak and Poson as well as the Carols sung by staff at Christmas allow the vocally talented to come together in bringing joy to all. The artistically gifted have on many occasions contributed towards the events and promotions of the hotel along with the photography experts within the Company.

There have been several occasions for the environmentally conscious to spearhead conservation and preservation initiatives especially since Mahaweli Reach became the first Carbon, Water and Waste conscious hotel in the country with a comprehensive phased approach towards reducing wastage and costs. Being the first five star in the hill capital, steps are being taken to appraise all staff members of the benefits of environmental conservation for themselves personally, the organisation, the community and the nation. They have all joined in enthusiastically as environmental consciousness is becoming more widespread amongst everyone and the benefits of conservation and the contribution each person could make is becoming more apparent. We at Mahaweli Reach endeavour to practice the sentiments expressed by Richard Rogers - "The only way forward, if we are going to improve the quality of the environment, is to get everybody involved."

In view of the international certifications obtained by the Company, all team members are familiarised with health and safety procedures. Operational processes have been adapted to ensure that the highest level of hygiene, health and safety standards are maintained. They are also encouraged to practice the procedures in their day to day lives. Regular programmes are organised to ensure that staff are continually reminded of these procedures.

HUMAN CAPITAL REVIEW...

Mahaweli Reach prides itself on being an equal opportunity employer and maintains a healthy diversity of gender and age. Female representation within the Company is increasing while several differently abled employees with exceptional talents have been integrated into operations where possible and are valued members of our team.



Mahaweli Reach, throughout its history of over four decades, has remained committed to fostering a spirit of family within our team and continue to encourage our associates to consider the hotel their home away from home. To strengthen this sense of belonging, we take steps to involve the families of the team members in the Company's activities and also to assist those among us who require assistance in different forms. The annual event of mixing the Christmas cake with our very special guests, the children of our associates, is always an enjoyable event and this year too our young chefs enthusiastically carried out their duties, together with the children from the Mother Theresa Home, Mulgampola, while also enjoying the entertainment and activities organised for them along with a special appearance by Santa.



HUMAN CAPITAL REVIEW...



HUMAN CAPITAL REVIEW...

At Mahaweli Reach, we take pride in ensuring that our premises are kept immaculately are representative of local flora which provides our guests colourful surroundings and attracts many indigenous bird species. We were happy to be placed second in the 'Star Hotels' section of the 'Nagarayata Uyanwathu' competition, an urban agriculture development programme for the Central Province. This achievement is a clear reflection of the commitment of our hardworking, talented landscaping and gardening team.



HUMAN CAPITAL REVIEW...

We continue to acknowledge that our people are the most valuable asset of the organisation. Therefore, the management in recognition of their hard work and in appreciation of their dedication and commitment, organised a fun filled day outing for our associates. It was a day of engagement and camaraderie shared amongst staff members of all departments which was indeed memorable.



"By taking the time to stop and appreciate who you are and what you've achieved - and perhaps learned through a few mistakes, stumbles and losses - you actually can enhance everything about you. Self-acknowledgment and appreciation are what give you the insights and awareness to move forward toward higher goals and accomplishments." - Jack Canfield

Our people are very much a part of our foundation and the core of our business. Together with them, we believe the Company will be stronger and able to rise to the challenges of the future.

CORPORATE SOCIAL RESPONSIBILITY REVIEW...

"In the next decade, the most successful companies will be those that integrate sustainability into their core businesses." – Jim Owens, CEO, Caterpillar

At Mahaweli Reach, we believe that improving sustainable practices will benefit all our stakeholders and with this in mind, we are proud to become the first hotel in Sri Lanka to be certified as CarbonConscious®, WaterConscious®, and WasteConscious®. The process to be followed in this respect will assist the Company in reducing its carbon footprint and its use of valuable natural resources. It will create a formal process by which the Company could measure the manner in which its actions are positively impacting the environment, the community and all our other stakeholders. This has the added benefit of assisting in decreasing overall costs and improving the bottom line. This integrated approach improves environmental preservation efforts, encourages the wellbeing of the community and enhances awareness of steps which could be taken by each and every person towards the goal of protecting the world in which we live, as "Sustainability is Everyone's Responsibility".

ENVIRONMENTAL CERTIFICATIONS

As a business that understands the importance of recognised external audits to ensure unbiased evaluation of our core operational activities against international standards, MRH has partnered with The Carbon Consulting Company (CCC) for expert assistance with managing its environmental impact. CCC first identified specific areas the hotel should focus on that would be directly aligned with MRH's sustainability and business goals, following which comprehensive audits were undertaken to measure its Carbon, Water and Waste Footprints. On completion of the audits, its results and the newly introduced setup to manage MRH's Carbon, Water and Waste impacts (that includes the initiation of a Green Team and separate extensive Management Plans) were independently verified by a leading sustainability verification and certification body, The Sustainable Future Group (SFG). MRH was subsequently awarded the above-mentioned CarbonConscious®, WaterConscious® and WasteConscious® certifications, making it Sri Lanka's first hotel to obtain these environmental accreditations. This new Sustainability Management Programme, in association with CCC and SFG, will

run for three years, and with several initiatives in the pipeline, we hope to achieve significant reductions of our environmental footprint over the course of the programme.

ENVIRONMENTAL PRESERVATION AND CONSERVATION INITIATIVES

At Mahaweli Reach, one of our most unique features is the situation by the river which provides an unparalleled natural habitat for many bird species. With the help of guests and avid birdwatchers, we have taken steps to document the species found on the premises of which, there are many. It is hoped that this endeavour will raise awareness among the community of different species, especially endemic ones.

MRH continues to maintain the Mahaweli River Bank within the Katugastota Town in the vicinity of the Katugastota Hospital, the garden area adjoining the Railway Gateman's Hut at Mawilmada and the Mawilmada school grounds. These efforts contribute to the environment as well as the community in which we operate.

In view of the rapid pollution of the Mahaweli River, the Mahaweli Reach Hotel's Green Team has initiated an annual river cleaning project. This year the project was carried out together with the local sand miners and the Mahaweli Authority in commemoration of 'World Water Day'. This ongoing project introduced by Mahaweli Reach will be continued on a more frequent basis together with the Mahaweli Authority and sand miners with the intention of raising social awareness and being part of a greater plan to protect the surrounding environment.

The riverside restoration project which was necessitated by the imminent danger of severe erosion of the river bank was undertaken by the Company on the advice of the Mahaweli Authority. This has resulted in significant steps being taken that will prevent further erosion of the river bank bordering the hotel.

DEVELOPING AN ENVIRONMENTAL CONSCIOUSNESS

Increasing awareness among our associates on conservation and sustainable practices in the



hotel's operations and in our day to day lives, is of paramount importance, in order to develop everyone's environmental consciousness, which we believe would contribute towards the greater goal of protecting all species.

Therefore, initiatives were taken with the support of staff, in implementing sustainable practices, which is of utmost importance to the Company in continuing and upholding our achievement and commitment towards moving forward in the future.

Installation of a drip irrigation system and water saving devices, use of waste water for gardening, conversion of lighting to LEDs where possible, upgrading of electrical systems, increasing the use of centralised air-conditioning in most areas, introduction of glass water bottles and wooden stirrers to replace plastic and solid waste management are some of the sustainable practices that were commenced as part of this commitment.

EARTH HOUR

Mahaweli Reach commemorated 'World Earth Hour' in the usual manner. This ongoing programme was initiated by the hotel in the past years 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.

In anticipation of taking this global movement further, as we have each year since this programme commenced, MRH invited M/s Orange Electricals to set up a counter at the hotel to promote the use of LED bulbs, spread the message on the importance of energy conservation, and raise awareness on saving energy. The MRH staff were also given the opportunity to make purchases at discounted rates. This contributed further to 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 especially with our commitment to our new Sustainability Management Programme with CCC and SFG. With these above-mentioned initiatives, the Company has been able to extend this concept beyond the symbolic and take tangible steps towards reducing energy consumption.

PROMOTING A SOCIAL CONSCIOUSNESS AMONG EMPLOYEES

As a social initiative the team at MRH, as in the past made a positive contribution of a day's wage towards our fellow countrymen when a tragedy befell our nation with floods which caused widespread devastation in various parts of the island. This left many homeless and helpless affected by flood waters and we took it upon ourselves to help these victims. Considering the scale of disaster every one of the MRH family contributed to provide assistance to 12 affected families in the Ratnapura district, one of the most affected areas.

A Committee appointed to handle the disbursement of these funds decided after consultation with all concerned to donate a care package with much needed household items comprising of various items in order to facilitate these 12 families to return to normalcy. The care packages comprised of items such as a gas cooker, gas cylinder, saucepans, a kettle, plates, glasses, jugs, bed linen, pillows, mosquito nets etc.



CORPORATE SOCIAL RESPONSIBILITY REVIEW...



A group of MRH staff visited the Ratnapura District with the care packages and distributed same to the deserving families which was of great value to them at such a time, and the staff who visited were very happy to be a part of this kind of a gesture as we joined hands in the true spirit of generosity, commitment and benevolence to our community.



INVESTING IN PEOPLE

As part of our role as positive contributors to our community, we firmly believe in providing the best possible opportunities to our employees and to the wider community in which we operate to enhance their knowledge and talents.

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.

English Language training is provided free of charge to members of the staff to improve their knowledge and professional prospects.

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

At present, we have two differently abled persons specialising in culinary art. Their dedication and innovations are greatly appreciated.

We continue to promote the oriental band made up of members who are sight impaired. They continue to hone their abilities and have had the opportunity to



CORPORATE SOCIAL RESPONSIBILITY REVIEW...

play for several heads of state who have visited the hotel during the recent past and also have performed with our staff when they sang Bakthi Geetha on Vesak and Poson Poya Days. We are glad to have had the opportunity to support these musicians who do not allow their disability to prevent them from developing their talents.

Employee welfare is important to the organisation and to this end the organisation remains attentive to the needs of our team and endeavour to assist wherever possible in a manner which aligns with the goals of the organisation.

MRH commemorated "International Women's Day" this year by organising a programme for the ladies of Mahaweli Reach, who were treated to a presentation by Ms. Kalani Bandara, Manager of Nivahana Society of Kandy, whereby she emphasised the role of a woman and the significance to humanity. The need to strike a balance between family life and employment was discussed.

We celebrated this special day with 50 of our ladies being hosted for a half day programme, followed by entertaining activities and karaoke which concluded with lunch and fellowship, strengthening the relationship between team members and celebrating the beauty of feminism. Mahaweli Reach is proud to have an increasing female workforce.



STRENGTHENING THE SPIRIT OF FAMILY

At Mahaweli Reach, we strive to ensure that our associates receive opportunities to lead well balanced lifestyles and promote an inclusive family environment which strengthens their ties to the organisation and encourages employees to introduce their work place to their families.

As in the past, MRH continues to open its doors for the children of our staff during the Annual Traditional Christmas cake mixing event which is an opportunity for the children to be involved in the culinary efforts of the Company and gives them an insight into the environment in which their parents work. Games and gifts are organised along with a special appearance by Santa. We encourage families of employees to meet other co-workers and experience the working culture of the Company.

This year, our little hands were joined by the children from the Mother Theresa Home at Mulgampola for this special event. It was a joyous experience for them to visit a hotel for the first time and to participate in this type of event. This is a home for many types of destitute and differently abled children. They joined hands enjoying themselves with the children of our associates. The true meaning of Christmas was celebrated in the spirit of giving and sharing with the less fortunate and these children from the home were the winners of almost all the entertaining games.

SUPPORTING THE COMMUNITY

MRH commemorated 'World Tourism Day' in a very meaningful manner this year. "Sustainable Tourism", the theme for this year highlighted the unique position of the industry and the contribution made by tourism towards development in the economic, social and environmental spheres.

In view of the growth of the industry in our country and the greater number of opportunities being created, a programme was held by MRH at 'Methsevana', a youth rehabilitation center managed by the National Dangerous Drugs Control Board in Handessa. The goal was to impress upon the youth the possibilities available to them to support their future and personal development.

The Guest speaker at this session was Dr. George Fernandopulle – PhD Tourism Management, PhD Air Transport Management, who conducted an interactive programme with the youth present and we sincerely believe that it provided encouragement to the youth and showed them that there are many avenues available to make their lives productive and non-destructive to themselves.



CORPORATE SOCIAL RESPONSIBILITY REVIEW...

We were honoured to have Carols sung at the hotel premises by the Choir of the Sacred Heart Church, Katugastota, which is down the road from the hotel. This event was organised by the Church for the Season and for the residents around the hotel. Our neighbours were welcomed at the hotel's premises for over an hour to be part of this Carol Service in the garden. The Choir utilised our vintage dodge lorry as their stage for the evening and it was specially decorated for this event and they entertained the entire neighborhood present at our doors with their melodious sounds reminding us of the true meaning of Christmas.



CORPORATE SOCIAL RESPONSIBILITY REVIEW...

An NGO organisation “Women in Tourism Sri Lanka” had organised a half day programme at a Community Forum in Deltota, where the staff of MRH participated in order to inspire rural women to join the hospitality industry thereby indicating the opportunities, safety and rewards in store. The staff recordings were live on the Kandurata radio channel which was an opportunity for our staff as well.



We also annually contribute refreshments towards the Annual Sports Day of our neighbouring schools as a gesture of goodwill in serving our community.



EDUCATING THE YOUTH AND THE COMMUNITY

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 and our community. The tourism industry is a great catalyst in our country providing many direct and indirect employment opportunities. However, awareness of same among society and especially the youth appears to be low. 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. It is also the only method by which the industry can recruit the resources required for the anticipated growth.

We welcomed a group of 25 home science students from Wattegama Balika Maha Vidyalaya for an educational tour in Kitchen Operations and Food & Beverage service including laying of a table for a guest etc.

We also had the opportunity to host medical students from the Peradeniya Medical Faculty accompanied by Mr. Jayantha Kulasekera, a specialist and auditor on food hygiene to give them an insight into hotel operations.



CORPORATE SOCIAL RESPONSIBILITY REVIEW...

MRH had the opportunity of training 11 of the leading Mess Assistants in the Sri Lanka Navy for two weeks in the Housekeeping and Food & Beverage departments. We believe they gained much experience since they were engaged at a very high occupancy period of the hotel.





We continue to patronise the schools in our city when they need assistance in turning out a dish with the intention of participating in competitions etc. We recently accommodated two such requests from Dharmaraja College and Pushpadana Balika Maha Vidyalaya, Kandy.

As stated above, 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 trade, benefits of the industry and become interested in joining its ranks.

Globally, tourism creates 1 in 11 jobs. However, in Sri Lanka there appears to be a reluctance to engage in the business. Therefore, it is necessary for young persons, both male and female to become educated on the specific benefits of the industry.

Our Pledge

Our commitment to becoming even more sustainable and working towards contributing positively to our employees, other stakeholders and the community in which we operate remains firm. We are always mindful of our responsibility to ensure better value for our shareholders.

CORPORATE GOVERNANCE REPORT...

"Corporate Governance is concerned with holding the balance between economic and social goals and between individual and communal goals. The governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals, corporations and society." (Sir Adrian Cadbury, UK, Commission Report: Corporate Governance 1992).

Operational Processes which uphold these principles for managing stakeholder interests while ensuring the economic wellbeing of the Company and safeguarding the principles of accountability, transparency and ethics is of paramount importance to corporate citizens in the present day.

Mahaweli Reach Hotels PLC (MRH) subscribes to this view and endeavours to ensure that its processes take account of these values. The Board of Directors, senior management and employees are expected to conduct themselves in accordance with a Code of Conduct which is implemented with a view to ensuring that the Company is safeguarded and principles of ethical conduct and accountability remain paramount in all interactions between stakeholders.

The Company has adopted Corporate Governance practices in compliance with the mandatory requirements of the Listing Rules of the Colombo Stock Exchange and the Companies Act No. 07 of 2007, and wherever possible additional best practices are followed. The report indicates compliance with the requirements of the Listing Rules.

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

COMPOSITION OF THE BOARD OF DIRECTORS

During the year under review the Board of MRH comprised of fourteen Directors, one Executive Director and thirteen Non-Executive Directors out of

which five Directors are Independent Non-Executive Directors.

Upon his sudden demise, late Mr. R. T. Molligoda ceased to be a director of the Company on 15/04/2018.

Subsequently, the Board of MRH comprised of fourteen Directors, two Executive Directors and twelve Non-Executive Directors out of which four 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 one-third of the total number of Directors.

Four Non-Executive Directors have been determined by the Board to satisfy the criteria for "Independence" during the year as 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. A. N. Esufally and Mr. J. C. Ratwatte who are Independent Non-Executive Directors of the Company, have been directors of the Company for a period in excess of 9 years and Mr. Esufally has a shareholding of 0.71%, the Board has determined that these factors do not impair their ability to act independently and objectively, in the best interests of the Company.

During his tenure as a director late Mr. R. T. Molligoda had a shareholding of 1.33% and had been a director for a period in excess of 10 years. However, for the reasons mentioned above, the Board had determined that he too was an Independent Non-Executive Director.

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 collectively 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 in keeping with the requirements of the Listing Rules.

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 ad hoc meetings are held whenever necessary. During the year under review, the Board met on three occasions. The attendance at these meetings is as follows:

Name of Director	Executive/Non-Executive	Attendance
Mr. J. A. Panabokke	- Executive Director	3/3
Mr. M. U. Maniku	- Non-Executive Director	-
<u>Mr. R. T. Molligoda - deceased on 15.04.2018</u>	- Independent Non-Executive Director	2/3
Mr. A. N. Esufally	- Independent Non-Executive Director	1/3
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
Ms. D. L. Panabokke	- Non-Executive Director	3/3
Mr. J. A. Panabokke	-	
<u>Alternate Director to Ms. D. L. Panabokke</u>		

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 interest of the Company.

DIRECTORS' INTERESTS

Directors' Interests in contracts are regularly disclosed and such disclosure pertaining to the year ended 31/03/2018 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 92 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 requirements of the Listing Rules of the CSE and 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 (deceased on 15.04.2018)	
- Independent Non-Executive Director	1/1

Following the sudden demise of Late Mr. R.T. Molligoda, Mr. J. R. P. M. Paiva has been appointed as a member of the Remuneration Committee effective from 30th July, 2018.

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) Ensure the preparation, presentation, and adequacy of disclosures in the financial statements are in accordance with the Sri Lanka Accounting Standards.
- (ii) Ensure compliance with financial reporting requirements, information requirements of the Companies' Act and other relevant financial reporting related regulations and requirements.
- (iii) Oversee 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) Assess 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 interest 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 2017/2018 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 on 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.

The Level of Compliance with the Listing Rules of the CSE – Sections 7.10 and 9 - Rules on Corporate Governance as at 31st March, 2018 are given in the following table:

Rule No.	Subject	Applicable Requirement	Level of Compliance
7.10.1 (a)	Non-Executive Directors	At least one-third of the total number of Directors should be Non-Executive Directors	Thirteen of Fourteen were 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 were 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	The Board shall annually make determination as to the independence or otherwise of the Non-Executive Directors and 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 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 at the time of appointment is available on pages 40 to 42
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 a minimum of two independent Non-Executive Directors or Non-Executive Directors a majority of whom shall be Independent	The Committee consists of two Independent Non-Executive Directors during the financial year
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 the Remuneration policy	Please refer Remuneration Committee Report on page 52
		c) Aggregated Remuneration paid to Executive Directors and 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

Rule No.	Subject	Applicable Requirement	Level of Compliance
		<p>A Non-Executive Director shall be appointed as the Chairman of the Committee</p> <p>The Chief Executive Officer and the Chief Financial Officer shall attend Audit Committee Meetings</p>	<p>Chairman of the Audit Committee is an Independent Non-Executive Director</p> <p>Managing Director and the Chief Finance Officer attend meetings by invitation</p>
		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 7.10.6(b) 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 9.2 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. 07 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 to 58 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
10 August, 2018



CHAIRMAN'S REVIEW...



“ I present the financial statements for the Financial year ending 31st March 2018. At the outset, I wish to express my sincere appreciation of all our shareholders and other stakeholders who have reposed their confidence in us. We endeavour to steer the Company steadily through rough waters keeping in mind the need to create value for all. ”

OVERVIEW OF OPERATING ENVIRONMENT

Sentiment within the tourism industry of Sri Lanka remains positive with anticipated growth in tourism receipts expected to reach approximately USD 4 Billion in the forthcoming year. In 2017, Sri Lanka welcomed over two million tourists and it is hoped that the arrivals will continue to grow. The increase in arrivals while climbing has not kept pace with anticipated growth, thereby creating a situation of supply outstripping demand. The year saw a slight growth of 3.2% which has been the lowest within the post-war period. India and China remain the primary developing markets for Sri Lanka with India being the largest source country representing 18% of total arrivals and has demonstrated a marginal growth year on year while Western Europe continues its role as a traditional source market from a geographical area with approximately 32.2% of total arrivals to the island. There has been a moderate decline in arrivals from China and it is expected that this trend will change in the coming years. It has been proclaimed that destination marketing campaigns are to be launched in several key markets and it is hoped that

these campaigns will assist the nation to derive the full benefit of its potential. It is also hoped that these efforts will be part of a sustained long-term campaign and not just a single promotion which may not have the necessary effect. Sri Lanka is yet to reap the fullest dividends of being a peaceful land with abundant natural beauty and a rich cultural heritage. The unfortunate negative publicity generated by the recent events of unrest and assaults on tourists will have to be countered through positive marketing and it is hoped that the news of all that the island has to offer will be spread effectively. Tourism is a principle economic driver and makes a total contribution of approximately 11.6 % to national GDP while providing direct employment of 5.1% with a total contribution 11% towards employment. The macro indicators for the year have not been very positive. However, these factors are predicted to change in the coming period creating a more conducive atmosphere for business development which will assist the industry to increase its contribution to the economy.

FINANCIAL POSITION

The past year has obliged the Company to overcome many challenges. The reduced growth in arrivals which has been lower than expected has resulted in excess room inventory. This has created a discount culture within the industry which has seriously affected applicable room rates and thereby the revenue of the Company. Margins are continuously declining. Though occupancy levels in some months have surpassed results of the previous year, the revenue generated is decreasing due to this fact. Further, lower than expected occupancy in some months erode the positive results of the better periods of occupancy as costs remain high. The unfortunate events of unrest which unfolded in Kandy during the month of March were also detrimental to the results as it brought about several cancellations in a high occupancy period. The spread of dengue and severe flooding in certain areas too have affected arrivals.

In the year under review, the operating costs have continued to rise with the increase of direct and indirect taxes. The severe drought and flooding experienced within the period under review had a significant impact towards the cost of locally produced food items and this has had a cascading effect of inflation which in turn has led to rising costs in all spheres. The rising cost of commodities, wages and building materials also increase the expenses. The age of the property and the need to maintain standards has necessitated the Company to undertake a phased out redevelopment including both infrastructure and the appearance of the property. The improvements have included upgrades to the air-conditioning systems, electrical systems and fire safety systems. The hotel also now has a new dining venue by the river which was launched once the reconstruction work connected to the prevention of erosion of the river bank was concluded.

The Company generated a turnover of Rs. 599 Million during the period under review. However, the overall results have recorded a Net Loss of Rs. 38.9 Million. The principal contributing factor has been the sharp decline in applicable room rates. While the exchange rate movement has been favourable for direct foreign exchange earnings, the Company has been unable to benefit from same due to the decline in rates and rising costs which have offset any benefits of this

fluctuation. As explained above, capital expenditure for the year was Rs. 59.3 Million which included the redevelopment of the river side, upgrading of fire safety systems and electrical systems and were met mainly through generated funds and some borrowings in order to manage exposure to fluctuating interest rates and macro economic risks. The high costs mentioned above have substantially impacted the amount in capital expenditure and the preventative maintenance operations as most materials and equipment continue to be affected and this in turn results in increased costs. In order to remain competitive and maintain qualitative standards, these improvements are imperative and cannot be deferred. All possible measures are taken to control expenditure and to this end we have embarked on measuring and minimising energy consumption and usage of other utilities.

Staff costs are also incrementally affecting results as in order to retain staff and attract persons, it has become necessary to provide attractive remuneration and benefits. Improvements have been carried out to staff accommodation as ensuring better facilities for our human capital is important to encourage retention and communicate the value placed on their service. It is hoped to carry out further improvements in the coming months as such facilities are vital to develop loyalty among staff and ensure that the Company benefits from the investment in training and developing these individuals. The Company is in the process of implementing a Human Resources Information System (HRIS) which will streamline processes and assist in the management and evaluation of performance. It is anticipated that this will help in mentoring and developing suitable candidates for future prospects and in succession planning.

GLOBAL SENTIMENT

Globally, tourism has continued to grow as an industry and according to the United Nations World Tourism Organisation (UNWTO) statistics, the Asia Pacific region has led the way. International arrivals have grown by 7%, outstripping projections. Arrivals to the South Asian region has grown by 10%. Unfortunately, this has not been reflected in the ground situation in Sri Lanka. The UNWTO has predicted that international arrivals will continue to grow at a more moderate rate of approximately



CHAIRMAN'S REVIEW...

4% - 5% in 2018. With economic power strengthening in developed nations, it is expected that arrivals to the South Asian region will grow. It is hoped that Sri Lanka will benefit from these factors.

FUTURE PROSPECTS

Kandy continues to have difficulty marketing itself as a destination due to poor connectivity of transport networks and the lack of varied attractions in and around the city. The landscape of Kandy is slowly changing and it is anticipated that work on the highway will gain momentum and also that the plans for the improvement of the city will reach fruition which will assist the Central region to become attractive to both the foreign and domestic traveller. In order for Sri Lanka to develop this industry and become attractive to a global traveler the development of infrastructure such as road networks, air connectivity and facilities at the airport and tourist destinations remains of paramount importance. The projected economic corridors may be helpful in assisting cities such as Kandy to tap into international investment potential.

The Company is focusing on developing its digital footprint as well and expanding its offering in terms of experiential travel as it appears that more and more travellers are seeking different experiences rather than visiting the traditional attractions. The Company is making an effort to leverage its unique location firstly by offering activities such as kayaking, hiking and trekking and promotion of local culinary specialities. It has also been discovered that the property is home to many species of birds and guests are being encouraged to watch for as many species as they can spot.

The F&B offering at the Hotel has also been expanded with the introduction of the Gangula Terrace by the water, which is a one of a kind venue and will be attractive for corporate and social functions and also for in-house guests who wish to enjoy the ambience. Further, ways of expanding these offerings and increasing revenue are being considered. The hotel's laundry and food outlets are popular among the local clientele and these revenue streams are also being considered for enhancement. The banquet hall furnishings were replaced in order to upgrade the space and make it more attractive for this segment which is seeing increasing competition from new properties and standalone banquet halls.

Product enhancement remains a focal point in the future strategy of the Company in order to overcome the challenges cast upon it with the entrance of newer properties to the market. In view of macro-economic factors, this reinvestment is being considered carefully and development being done in a manner which will increase return on investment and not burden the Company.

Guest surveys and feedback forms have been instituted to align redevelopments with the particular needs and interests of the visitors and to ensure that the Company remains vigilant and abreast of the expectations of the travellers.

COMMITMENT TO THE ENVIRONMENT

Several measures have been adopted in relation to environmental preservation which also have a positive effect on the bottom line by decreasing the costs associated with energy and utilities and by attracting environmentally conscious visitors. The Hotel has become the first hotel to be certified as CarbonConscious®, WaterConscious® and WasteConscious®. The certifications were awarded by The Sustainable Future Group (SFG) – a leading sustainability validation, verification and certification services provider, as a result of the hotel committing to a long-term programme of measuring, managing, and mitigating their overall environmental footprint. This endeavour will assist the hotel in reducing its energy and water consumption and in the management of its waste, bringing positive results for all its stakeholders.

HEALTH AND SAFETY

The hotel endeavours to ensure ongoing compliance with HACCP regulations to maintain the highest standards of food quality and hygiene. Further, regular fire safety and first aid training is undertaken to refresh our associates knowledge in this respect. The fire safety systems have been upgraded in keeping with the highest industry standards together with electrical panel boards and related equipment.

CORPORATE GOVERNANCE

The Company has endeavoured to ensure compliance with all corporate governance requirements as

CHAIRMAN'S REVIEW...

detailed elsewhere in the report and takes ongoing measures to ensure that all operational processes are compliant with legal and regulatory requirements and stipulations. The statutory payments have been made and where necessary provided for.

It is with great sorrow that we report the demise of late Mr. R. T. Molligoda whose long association with the Company as a director ended with his sudden demise in April. His wise counsel and extensive corporate experience was greatly appreciated by all his colleagues on the Board. His contribution in steering the Company through turbulent and challenging times was invaluable.

I take this opportunity to welcome Mr. Asitha Panabokke to the Board. He will no doubt be able to assist the Board considerably as an Executive Director of the Company. We also welcome Mr. P. B. Panabokke as the alternate director for Ms. D. L. Panabokke.

CORPORATE SOCIAL RESPONSIBILITY

The Company has continued its role as a positive contributor to the community and has undertaken several initiatives in this respect. Environmental conservation has had a greater focus this year as discussed above and in greater detail in the Corporate Social Responsibility Review. The Company has also concentrated on knowledge fostering programmes and upliftment of staff, in addition to several ongoing efforts. Details of same are provided in the said review.

ACKNOWLEDGEMENTS

I wish to express our sincere appreciation to the Managing Director and his team of dedicated professionals for continuing to maintain quality standards and creating value for the Company's stakeholders and wish them continued success for the future.

Our deep gratitude is extended to all our stakeholders including loyal patrons, travel partners, bankers, suppliers and especially our valued shareholders for your steadfast support, encouragement and the confidence placed in us.

I take this opportunity to express my sincere thanks to my colleagues on the Board for your valuable guidance and contribution to the Company.

CONCLUSION

The future economic prospects remain unpredictable with many variables, which could influence the outcome. However, the Company persists in maintaining standards and pursuing all possible avenues for growth of the business and will meet the challenges of the future with determination and strategy.

"We must meet the challenge rather than wish it were not before us." - William J. Brennan, Jr., Former Associate Justice of the U. S. Supreme Court.

M. U. Maniku
Chairman

10 August, 2018



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 Master's 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.

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. A. M. 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. 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 and 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 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

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 and exposure in the areas of the soft drinks industry, hospitality, tourism and school operations.



BOARD OF DIRECTORS...

Person on Disaster Management to the Asian Disaster Management Center of the Asian Institute of Technology, Bangkok.
Mr. Ratwatte is also currently Senior Adviser to the Prime Minister's Office, Government of Sri Lanka.

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.

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. Mr. Paiva was the former Vice President - Administration & Services of the National Development Bank PLC (NDB), overlooking Human Resources, Administration, Maintenance, Security & SMS Operations. He joined NDB from Hatton National Bank PLC (HNB), where he counts over 30 years' experience at senior management level. Prior to joining NDB, he held the position of Deputy General Manager (DGM) - Strategy & Compliance and has also overlooked the Human Resources and Administration areas of HNB. He also served as a Director of Acuity Stock Brokers Private Ltd & Development Holdings Private Ltd.

MS. D. L. PANABOKKE Non-Executive Director

An Attorney-at-Law by profession, Ms. Panabokke has been engaged in the practice of Commercial and 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. J. A. PANABOKKE (Appointed as an Executive Director with effect from 30th July, 2018.)

Mr. J. A. Panabokke is a holder of a Bachelor's Degree in Business with a Major in Marketing and a 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.

MR. P. B. PANABOKKE (Alternate Director to Ms. D. L. Panabokke appointed with effect from 30th July, 2018.)

A Graduate of the Sri Lanka Institute of Tourism & Hotel Management. Mr. Panabokke has garnered expertise in Food and Beverage Operations during his tenure with Cinnamon Hotels, one of the most successful hotel chains in Sri Lanka which also has a presence in the Maldives and with Uga Resorts, one of the most successful emerging hospitality brands in the country. He currently has returned to his roots taking up position with the Food and Beverage division of the Mahaweli Reach Hotels PLC. He is also a Member of the Institute of Hospitality.

REPORT OF THE DIRECTORS...

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY- FOR YEAR 2017/18

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 2018.

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 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 2018, 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 59 to 94.

4. AUDITOR'S REPORT

The Auditor's Report on the Financial Statements of the Company is given on page 56 to 58.

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, 2018 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 AND EQUIPMENT

Information relating to movements of Property, Plant and 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.

10.1 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 (Deceased on 15/04/2018)	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)	Non-Executive

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 30th July, 2018 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.

10.2 DIRECTORS TO RETIRE BY ROTATION

In terms of Articles 90, 91 and 92 of the Articles of Association of the Company, Messrs. I. U. Maniku, A. M. Didi, J. R. P. M. Paiva and D. L. Panabokke retire by rotation and being eligible offer themselves for re-election.

10.3 APPOINTMENT OF DIRECTORS WHO ARE OVER 70 YEARS OF AGE

It is recommended that Messrs. M. U. Maniku, R. Seevaratnam and J. C. Ratwatte 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.

10.4 REMUNERATION COMMITTEE

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

Remuneration Committee Members	Executive/Non-Executive/Independent
Mr. J. C. Ratwattee (Chairman)	Non-Executive/Independent
Mr. R. T. Molligoda (Deceased on 15/04/2018)	Non-Executive/Independent

10.5 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

10.6 RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

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

Related Party Transactions Review Committee Members	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 92 to 93 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, 2018.

- RECURRENT RELATED PARTY TRANSACTIONS

There were no Recurrent Related Party Transactions entered into by the Company, when the aggregate value of the Recurrent Related Party Transactions exceeds 10% of the Gross Revenue/Income of the Company as at 31st March, 2018.

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. 96,405/-.

13. AUDITORS

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

A sum of Rs. 401,000/- was paid to them by the Company as audit fees for the year ended 31st March, 2018.

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 are shown in Note No. 25.2 to the financial statements.

18. EQUITABLE TREATMENT TO SHAREHOLDERS

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

19. EVENT AFTER THE REPORTING DATE

Events occurring after the reporting date of the Company are given in Note No. 27 to the Financial Statements.

20. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The contingent liabilities and commitments as at 31st March, 2018 are given in Note No. 25 to the financial statements.

21. TWENTY MAJOR SHAREHOLDERS WITH COMPARATIVES

Twenty Major Shareholders as at 31st March	31.03.2018		31.03.2017	
	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	3,279,951	6.97	3,266,528	6.94
03. Mr. J. A. Panabokke	1,905,858	4.05	1,965,791	4.18
04. Mr. B. D. Panabokke	1,502,843	3.19	1,502,843	3.19
05. Mr. M. U. Maniku	1,217,306	2.59	1,217,306	2.59
06. Estate of late Mr. K. M. Panabokke	829,304	1.77	164,000	0.35
07. Estate of late Mrs. L. R. Panabokke	819,050	1.74	1,481,687	3.15
08. Mr. R. T. Molligoda	626,200	1.33	626,200	1.33
09. Mr. J. A. Panabokke & Mrs. K. D. Panabokke	502,459	1.07	-	
10. Mr. A. N. Esufally	332,000	0.71	332,000	0.71
11. Mackwoods Securities Limited	229,627	0.49	229,627	0.49
12. Ms. D. L. Panabokke	174,634	0.38	124,634	0.26
13. Mr. J. Asitha Panabokke	151,987	0.33	98,400	0.21
14. National Savings Bank	133,000	0.28	133,300	0.28
15. Mrs. K. D. Panabokke	124,284	0.26	124,284	0.26
16. Dee Investments (Pvt) Ltd	109,900	0.24	110,000	0.24
17. Alliance Finance Company PLC	71,928	0.16	71,928	0.16
18. Mackwoods Enterprises Limited	66,593	0.15	66,593	0.15
19. Mr. R. Ratnagopal	57,800	0.13	57,800	0.13
20. Rosewood (Pvt) Ltd – Account No. 1	50,000	0.11	-	

22. DIRECTORS SHAREHOLDINGS

	As at 31st March 2018	As at 31st March 2017
Mr. J. A. Panabokke	1,905,858	1,965,791
Mr. M. U. Maniku	1,217,306	1,217,306
Mr. R. T. Molligoda (Deceased on 15/04/2018)	626,200	626,200
Mr. A. N. Esufally	332,000	332,000
Ms. D. L. Panabokke	174,634	124,634
Mr. J. Asitha Panabokke	151,987	98,400



23. DIRECTORS' REMUNERATION AND OTHER BENEFITS

The Directors' remuneration and other benefits from the Company during the financial year 2017/2018 is Rs. 15,373,750/-.

24. 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 is undertaken by the Related Party Transactions Review Committee of the Company. The Committee's report is found on page 55.

25. 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.

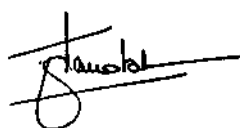
The Board of Directors have approved the Audited Financial Statements of the Company together with the Reviews and other Reports which form part of the Annual Report. The appropriate number of copies of the Annual Report will be submitted to the Colombo Stock Exchange, the Sri Lanka Accounting and Auditing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

26. ANNUAL GENERAL MEETING

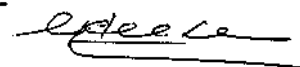
The 44th Annual General Meeting of the Company will be held on 27th September, 2018 at 11.00 a.m. at the Registered Office of the Company, No. 35, P. B. A. Weerakoon Mawatha, Kandy, Sri Lanka.

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.

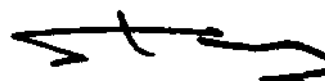
Signed on behalf of the Board



J. A. Panabokke
Director



W. P. Hettiaratchi
Director



**Businessmate (Private)
Limited**
Company Secretaries

10 August, 2018

INFORMATION TO SHAREHOLDERS AND INVESTORS...

1. STOCK EXCHANGE LISTING

Mahaweli Reach Hotels PLC is a Public Quoted Company, the Ordinary Shares of which are listed on the Diri Savi 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	2018	2017
Number of Shareholders	2,226	2,196

2.2 DISTRIBUTION AND COMPOSITION OF SHAREHOLDERS

No. of Shareholders		Distribution of Shares		31.03.2017 Holding	%	31.03.2018 Holding	%
31.03.2018	31.03.2017						
1,832	1799	1	1,000	414,388	0.88	413,803	0.88
334	336	1,001	10,000	1,059,591	2.25	1,045,706	2.22
43	45	10,001	100,000	1,175,270	2.50	984,685	2.09
13	11	100,001	1,000,000	3,568,351	7.58	5,250,051	11.16
4	5	Above	1,000,000	40,848,847	86.79	39,372,202	83.65
2,226	2,196			47,066,447	100.00	47,066,447	100.00

Categories of shareholders	As at 31st March 2018		
	No. of Shareholders	No. of Shares	%
Institutions	76	36,882,334	78.36
Individuals	2,150	10,184,113	21.64
Total	2,226	47,066,447	100.00

3. MARKET PERFORMANCE - ORDINARY SHARES

For the year ended 31st March	2018	2017
As at 31st March (Rs.)	17.20	19.00
Highest (Rs.)	21.90	25.00
Lowest (Rs.)	16.80	18.00
Value of shares traded (Rs.)	13,721,304.80	10,768,588.40
Number of shares traded	699,045	517,014
Volume of transactions	682	636



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. 809,542,888/- as at 31st March, 2018 (2017 - Rs. 894,262,493/-).

5. PUBLIC HOLDING

The Company is in compliance with the minimum public holding requirements for the Diri Savi Board set out in Option 2 of Rule 7.13.1 (b) of the Listing Rules of the Colombo Stock Exchange.

The percentage of Ordinary Shares held by public - 19.86%

Number of Public shareholders - 2,218

Number of Non-public shareholders - 08

Float adjusted market capitalisation - Rs. 160,775,218/-

Shareholdings	No. of Shares held as at 31.03.2018	Holding %	No. of Shares held as at 31.03.2017	Holding %
Others	37,718,278	80.14	37,172,165	78.98
Public	9,348,169	19.86	9,894,282	21.02
Total	47,066,447	100.00	47,066,447	100.00

FIVE YEAR HIGHLIGHTS...

OPERATING RESULTS		2013/14	2014/15	2015/16	2016/17	2017/18
Occupancy	%	60	66	66	61	61
Gross Revenue	(Rs.000)	564,167	614,483	665,792	629,272	599,004
Interest Charges	(Rs.000)	(17,385)	(12,104)	(11,263)	(16,731)	(17,259)
Depreciation	(Rs.000)	(38,854)	(46,920)	(53,257)	(54,636)	(56,359)
Profit & (Loss) - before Interest	(Rs.000)	65,196	64,977	102,178	39,254	(13,234)
- after Interest	(Rs.000)	42,661	52,873	90,916	22,523	(30,493)
ASSETS EMPLOYED						
Non-Current Assets	(Rs.000)	1,157,946	1,340,859	1,364,516	1,378,928	1,389,531
Net Current Assets/ (Liabilities)	(Rs.000)	(35,842)	(11,942)	33,043	6,006	(16,841)
Stated Capital						
Ordinary Shares	(Rs.000)	585,445	585,445	585,445	585,445	585,445
Net Reserves	(Rs.000)	367,658	507,356	566,080	575,254	504,988
Non-Current Liabilities	(Rs.000)	168,833	236,115	246,033	224,234	282,256
Market Value per share	Rs. Cts.	16.70	21.00	22.60	19.00	17.20
Net Assets per share	Rs. Cts.	20.25	23.22	24.47	24.66	23.17
Dividend per share	Rs. Cts.	-	-	-	-	-
Earnings per share	Rs. Cts.	0.81	0.52	1.24	0.16	(0.83)
Year on Year Growth						
- in Earnings per share	%	(46)	(36)	138.55	(87)	(619)
- In Dividend per share	%	-	-	-	-	-
Price Earning Ratio	-	20.90	40.38	18.23	118.75	(20.72)
Borrowing as a % of Total Assets	%	11.56	11.00	10.44	9.33	10.90
Interest Cover	Times	2.89	5.36	9.07	2.35	0.76



REMUNERATION COMMITTEE REPORT...

In keeping with the requirements of the Listing Rules of the Colombo Stock Exchange the Remuneration Committee, appointed by the Board of Directors, comprises of two Independent Non-Executive Directors.

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.

The following Directors served on the Committee:

Mr. J. C. Ratwatte (Chairman)

Mr. R. T. Molligoda – ceased to be a member from 15.04.2018

Following the sudden demise of late Mr. R. T. Molligoda, Mr. J. R. P. M. Paiva was appointed as a member of this Committee and Mr. J. C. Ratwatte continues to serve as Chairman.

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

MEETINGS

The Committee met once during the year under review.

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

REGULAR ATTENDEES BY INVITATION

The Managing Director, who is responsible for the overall management of the Company, attends meetings and participates by invitation.

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

POLICY

The Company's remuneration policy aims to attract, motivate and retain talent with the appropriate professional, 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.

SCOPE

The Committee is vested with power to examine, evaluate and recommend to the Board of Directors in respect of 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.

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

10 August, 2018

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 members of the Committee have a depth of financial expertise and collectively, the Committee has considerable financial experience on which to rely.

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

The Chairman of the Audit Committee, is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka.

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

REGULAR ATTENDEES BY INVITATION

The Managing Director and the Chief Accountant attend the meetings by invitation.

SECRETARY TO THE COMMITTEE

The Board Secretary functions as the Secretary to the Board Audit Committee.

SUMMARY OF THE AUDIT COMMITTEE CHARTER

The Terms of Reference (TOR) mainly cover the purpose of and the responsibilities entrusted to the Board's Audit Committee. It also spells out the constitution and the composition of the Committee; that the Chairman of the Committee should be an Independent Non-Executive Director and that a majority of the Committee should be Independent

Non-Executive Directors. The Meetings are to be held at least once in every quarter. The Committee members have direct access to the required data and information in order to discharge their duties; it also authorises the Committee to obtain appropriate opinions when in doubt; the Committee also has the investigative authority conferred upon it under the TOR.

AUDIT COMMITTEE RESPONSIBILITIES

The Committee is mainly responsible for,

- (i) Monitoring the integrity of the Company's financial reporting and satisfying itself that any significant financial judgments by the management are sound;
- (ii) Monitoring the Company's internal controls including controls relating to financial reporting;
- (iii) Overseeing the appointment of internal and external auditors;
- (iv) Monitoring and reviewing the activities and performance of the internal and external auditor/s, including assessing their independence and objectivity;
- (v) Monitoring and reviewing compliance with laws and regulations which are fundamental to the entity's operations and continued business.

MEETINGS

For the purpose of discharging the above duties the Board's Audit Committee met on three occasions during the financial year.

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.

The Committee is conscious of the need to keep its knowledge up to date.



AUDIT COMMITTEE REPORT...

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 the annual and the quarterly 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

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 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

10 August, 2018

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 scope of the Committee covers mainly the requirements of the Code of Best Practices on Related Party transactions issued by the Securities and Exchange Commission of Sri Lanka.

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

The Composition of the Committee is as follows:

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 representing the Committee are given on pages 40 to 42 of the Annual Report.

Regular Attendees by Invitation

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

Meetings are to be held at least once a quarter. During the year under review, the Committee met on three occasions as directors have been overseas on several occasions. However, relevant documents are reviewed by the committee members regularly and discussed when necessary. Only recurrent related party transactions which are carried out on an arm's length basis, in the ordinary course of business have been carried out in the year under review.

Attendance at these meetings are given on page 29 of the Annual Report.

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 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 2017/2018 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 arm's 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

10 August, 2018



INDEPENDENT AUDITORS' REPORT...



To the Shareholders of Mahaweli Reach Hotels PLC Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of Mahaweli Reach Hotels PLC, (the Company) which comprise the statement of financial position as at March 31, 2018, 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 notes to the financial statements, including a summary of significant accounting policies and other explanatory notes set out on pages from 59 to 94.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at March 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
<p>Impairment on Trade Receivables</p> <p>As at March 31, 2018, trade receivables amounting to Rs. 62,523,967/- and all the trade receivables are stated at their original value less appropriate allowance for estimated irrecoverable amounts.</p> <p>The impairment of trade receivables is calculated using the individual impairment model which involves management's judgments and estimates. Impairment losses are calculated for the outstanding balances of trade receivable for a specified date using the prevailing interest rate.</p> <p>This area has been identified as a key audit matter as the estimation requires management to make significant judgment and assumptions on receivables payment behavior and other relevant risk characteristics when determining the future cash flows.</p> <p>The accounting policies for impairment of trade and other receivables are set out in Note 3.5 to the financial statements. The credit risk and aging of the trade receivables are as disclosed in Note 16 to the financial statements.</p>	<p>Our audit focused on assessing the appropriateness of management's judgment and assumptions used in the impairment review and included the following procedures:</p> <ul style="list-style-type: none"> Assessed the reliability and accuracy of the trade receivables aging report; Evaluated the reasonableness of the management estimates and assumptions used to determine the impairment, if any, on the specific trade and other receivables; and Reviewed and assessed the recoverability of long outstanding trade and other receivables through subsequent collections, past collections trend as well as any supporting correspondence between the Company and the respective counter-parties to substantiate management's position.

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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, 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



INDEPENDENT AUDITORS' REPORT...

Other Information

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

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

Responsibilities of the Directors and those Charged with Governance for the Financial Statements

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

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

The Directors and those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of

these financial statements.

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

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



INDEPENDENT AUDITORS' REPORT...

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2256.

A handwritten signature in purple ink, appearing to read "Edirisinghe & Co.", written over a faint circular stamp.

Edirisinghe & Co.,
Chartered Accountants
Colombo
10 August, 2018

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

For the year ended 31st March, 2018	Notes	2017/2018 Rs.	2016/2017 Rs.
Revenue	7	548,395,402	599,147,601
Cost of Sales		(270,579,357)	(280,041,442)
Gross Profit		277,816,045	319,106,159
Other Operating Income	8	50,608,799	56,660,685
Administrative Expenses		(238,680,312)	(233,624,122)
Marketing & Promotion Costs		(30,374,058)	(28,094,493)
Other Cost		(72,604,775)	(74,794,416)
Operating (Loss) Profit		(13,234,301)	39,253,813
Finance Income	9	249,830	3,415,189
Finance Cost		(23,032,508)	(23,380,227)
Finance Cost-Net		(22,782,678)	(19,965,038)
(Loss) Profit Before Tax	10	(36,016,979)	19,288,775
Income Tax Expenses	11	(2,950,415)	(11,530,755)
(Loss) Profit for the Year		(38,967,394)	7,758,020
Other Comprehensive Income			
Items that will never be reclassified to Profit or Loss			
Re-measurement of Defined Benefit Liability		1,150,247	1,609,174
Related Tax		(161,035)	(193,101)
Deferred Tax Impact on Revalued Buildings		(7,815,561)	-
Deferred Tax Impact on Revalued Lands		(24,472,488)	-
Other Comprehensive Income for the Year, Net of Tax		(31,298,837)	1,416,073
Total Comprehensive Income for the Year		(70,266,231)	9,174,093
Earnings/(Loss) Per Share (Basic) - Rs. Cts.	12	(0.83)	0.16

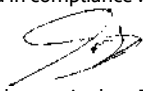
The accounting policies and notes from pages 63 to 94 form an integral part of these Financial Statements.



STATEMENT OF FINANCIAL POSITION...

As at 31st March, 2018	Notes	31.03.2018 Rs.	31.03.2017 Rs.
ASSETS			
Non-Current Assets			
Property, Plant & Equipment	13	1,344,942,000	1,334,730,074
Deferred Tax Assets	14	44,589,644	44,197,512
		1,389,531,644	1,378,927,586
Current Assets			
Inventories	15	21,702,438	21,061,810
Trade and Other Receivables	16	102,908,753	106,847,951
Income Tax Refund	24	4,101,224	-
Cash and Cash Equivalents	17	12,317,285	28,663,889
		141,029,700	156,573,650
Total Assets		1,530,561,344	1,535,501,236
EQUITY AND LIABILITIES			
Stated Capital	18	585,445,870	585,445,870
Revaluation Reserve	19	506,400,130	538,688,179
Retained Earnings		(1,411,927)	36,566,255
Total Equity		1,090,434,073	1,160,700,304
Non-Current Liabilities			
Deferred Tax Liabilities	14	131,742,631	95,996,469
Retirement Benefit Obligation	20	53,902,616	51,435,969
Interest Bearing Borrowings	21	96,611,699	76,801,134
		282,256,946	224,233,572
Current Liabilities			
Trade and Other Payables	22	78,290,357	79,689,608
Due to Related Parties	23	9,229,295	3,536,737
Income Tax Liabilities	24	-	953,855
Interest Bearing Borrowings	21	70,350,673	66,387,160
		157,870,325	150,567,360
Total Liabilities		440,127,271	374,800,932
Total Equity and Liabilities		1,530,561,344	1,535,501,236

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 63 to 94 form an integral part of these Financial Statements.
10 August, 2018. Colombo.

STATEMENT OF CHANGES IN EQUITY...

For the year ended 31st March, 2018	Stated Capital Rs.	Retained Earnings Rs.	Revaluation Reserve Rs.	Total Rs.
Balance as at 1st April, 2016	585,445,870	27,392,162	538,688,179	1,151,526,211
Profit for the Year	-	7,758,020	-	7,758,020
Other Comprehensive Income				
Other Comprehensive Income for the Year	-	1,609,174	-	1,609,174
Related Tax	-	(193,101)	-	(193,101)
Total Other Comprehensive Income for the Year	-	1,416,073	-	1,416,073
Total Comprehensive Income for the Year	-	9,174,093	-	9,174,093
Balance as at 31st March, 2017	585,445,870	36,566,255	538,688,179	1,160,700,304
Loss for the Year	-	(38,967,394)	-	(38,967,394)
Other Comprehensive Income				
Other Comprehensive Income for the Year	-	1,150,247	-	1,150,247
Related Tax	-	(161,035)	-	(161,035)
Deferred Tax Impact on Revalued Land	-	-	(24,472,488)	(24,472,488)
Deferred Tax Impact on Revalued Building	-	-	(7,815,561)	(7,815,561)
Total Other Comprehensive Income for the Year	-	989,212	(32,288,049)	(31,298,837)
Total Comprehensive Income for the Year	-	(37,978,182)	(32,288,049)	(70,266,231)
Balance as at 31st March, 2018	585,445,870	(1,411,927)	506,400,130	1,090,434,073

The accounting policies and notes from pages 63 to 94 form an integral part of these Financial Statements.



STATEMENT OF CASH FLOWS...

For the year ended 31st March, 2018	31.03.2018 Rs.	31.03.2017 Rs.
Cash Flows From Operating Activities		
Profit/(Loss) Before Taxation	(36,016,979)	19,288,775
Adjustment for:		
Depreciation	56,359,652	54,635,861
Lease Interest	2,185,941	2,625,565
Interest Expenses	17,259,063	16,731,171
Provision for Gratuity	8,623,209	8,256,448
Impairment Loss on Trade & Other Receivables	2,923,167	2,456,044
Other Receivables Written Off	2,980,108	-
Creditors Written Back	(1,280,697)	(798,734)
Profit on Disposal of Fixed Assets	-	(6,177,735)
Other Payables Written Back	(587,046)	-
Operating Profits Before Working Capital Changes	52,446,418	97,017,395
(Increase)/Decrease in Inventories	(640,628)	(432,199)
(Increase)/Decrease in Trade and Other Receivables	(1,964,075)	(32,478,039)
Increase/(Decrease) in Trade and Other Payables	468,492	10,481,195
Increase/(Decrease) in Related Party Balances	5,692,558	(21,772,955)
Cash Flows From Operations	56,002,765	52,815,397
Gratuity Paid	(5,006,315)	(1,417,139)
Interest Paid	(17,259,063)	(16,731,171)
Tax Paid	(5,100,548)	(11,023,695)
Net Cash Generated From Operating Activities	28,636,839	23,643,392
Cash Flows from Investing Activities		
Acquisition of Property, Plant & Equipment	(59,376,742)	(68,159,717)
Proceeds from Sale of Property, Plant & Equipment	-	10,900,000
Net Cash Used in Investing Activities	(59,376,742)	(57,259,717)
Cash Flows from Financing Activities		
Proceeds from Loans	40,000,000	-
Repayment of Loans	(26,144,512)	(47,117,838)
Repayment of Finance Lease Liability	(10,637,498)	(14,220,163)
Net Cash (Generated from)/Used In Financing Activities	3,217,990	(61,338,001)
Net Increase/(Decrease) in Cash and Cash Equivalents	(27,521,913)	(94,954,326)
Cash and Cash Equivalents at the Beginning of the Year	(1,097,110)	93,857,216
Cash and Cash Equivalents at the End of the Year (Note No. 17)	(28,619,023)	(1,097,110)

The accounting policies and notes from pages 63 to 94 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31st March, 2018

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 308 and last year was 332.

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 Private 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, 2018 were authorised for issue in accordance with a resolution of the Directors on 10 August, 2018.

1.5 Management Contract

The Company is managed by Mahaweli Hotels Management Services Private 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, 2018

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. 13.5.

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.

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.

For the year ended 31st March, 2018

3. Summary of Significant Accounting Policies (Continued)

3.2 Property Plant & Equipment (Continued)

3.2.1 Cost/Valuation (Continued)

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 the 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.

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.



For the year ended 31st March, 2018

3. Summary of Significant Accounting Policies (Continued)

3.2 Property Plant & Equipment (Continued)

3.2.3 Depreciation (Continued)

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.

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

For the year ended 31st March, 2018

3. Summary of Significant Accounting Policies (Continued)

3.4 Financial Assets (Continued)

3.4.4 Impairment of Financial Assets (Continued)

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 re-organisation 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 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.



For the year ended 31st March, 2018

3. Summary of Significant Accounting Policies (Continued)

3.4 Financial Assets (Continued)

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 includes 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.

For the year ended 31st March, 2018

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, 2018

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.

With the introduction of the new Inland Revenue Act, No. 24 of 2017 which will be effective from 01st April, 2018 the Company

has recorded the deferred tax liability on the cumulative revaluation gains on freehold land in accordance with the LKAS 12, Income Taxes.

Accordingly, the deferred tax liability arising on revaluation gains on freehold land has been recorded in equity through Other Comprehensive Income during the reporting period.

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

For the year ended 31st March, 2018

3. Summary of Significant Accounting Policies (Continued)

3.14 Employee Benefits (Continued)

3.14.2 Defined Contribution Plans - Employees' Provident Fund and Employees' Trust Fund (Continued)

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.

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 enable the Company to negotiate competitive rates.



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31st March, 2018

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 borrowings:

	Assumed Impact due to Increase/ (Decrease) in Basis Points	Effect on Profit Before Tax (Rs.)
Bank Loans (Rs.)	(+) 50 Basis Points	6,507,315
Bank Loans (Rs.)	(-) 50 Basis Points	(6,507,315)

(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, 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, 2018	Less than 1 Year Rs.	Between 1 and 5 Years Rs.
Borrowings	70,350,673	96,611,699
Trade and other payables (excluding statutory liabilities)	69,747,716	-
Total	140,098,389	96,611,699
As at 31st March, 2017		
Borrowings	66,387,160	76,801,134
Trade and other payables (excluding statutory liabilities)	72,995,268	-
Total	139,382,428	76,801,134

NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31st March, 2018

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, 2018 and 2017 were as follows:

	2017/2018 Rs.	2016/2017 Rs.
Total Borrowings (Note No. 21)	166,962,371	143,188,294
Less Cash and Cash Equivalents (Note No. 17)	(12,317,285)	(28,663,889)
Net Borrowings	154,645,086	114,524,405
Total Equity	1,090,434,073	1,160,700,304
Total Capital	1,245,079,159	1,275,224,709
Gearing Ratio	12%	9%

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 is 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, 2018

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 and 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, 2018

There are a number of new Accounting Standards, amendments to standards, which have been issued but not yet effective as at the reporting date have not been applied in preparing these financial statements. The Company will adopt the following new/revised Accounting Standards when they become effective. Accordingly these Accounting Standards have not been applied in preparing these financial statements.

SLFRS 9 - **Financial Instruments**

SLFRS 15 - **Revenue from Contracts with Customers**

SLFRS 16 - **Leases**

Sri Lanka Accounting Standard - SLFRS 9 'Financial Instruments'

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.

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

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

The Company plans to assess the potential impact on its Financial Statements resulting from the application of SLFRS 15 in the financial year 2018/2019.

For the year ended 31st March, 2018

6. New Accounting Standards issued but not applicable as at 31st March, 2018 (Continued)

Sri Lanka Accounting Standard - 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 Programs.

This SLFRS will become effective from 1st January, 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 to be applied comparative information provided for periods before initial application of this SLFRS.

The Company plans to assess the potential impact on its Financial Statements resulting from the application of SLFRS 15 in the financial year 2018/2019.

Sri Lanka Accounting Standard - SLFRS 16 'Leases'

SLFRS 16 replaces LKAS 17 Leases and related interpretations. SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under LKAS 17. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

SLFRS 16 is effective for annual periods beginning on or after 1st January, 2019. Early application is permitted, but not before an entity applies SLFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain relief.

Pending the completion of the detailed impact analysis, possible impact for SLFRS 16 is not reasonably estimable as at the reporting date.



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31st March, 2018

	2017/2018 Rs.	2016/2017 Rs.
7. REVENUE		
Front Office & Apartment	296,632,796	347,397,415
Restaurant	219,117,868	215,952,416
Beverage	32,644,738	35,797,770
	548,395,402	599,147,601
8. OTHER OPERATING INCOME		
Gain on Exchange	696,302	265,800
Minor Operating Income	47,064,148	48,581,021
Staff Loan Interest	980,606	837,395
Creditors Written Back	1,280,697	798,734
Other Payable Written Back	587,046	-
Profit on Disposal of Fixed Assets	-	6,177,735
	50,608,799	56,660,685
9. FINANCE INCOME/(COST)		
NOTE NO. 9.1 - FINANCE INCOME		
Interest Income	249,830	3,415,189
	249,830	3,415,189
NOTE NO. 9.2 - FINANCE COST		
Interest Expenses	17,259,063	16,731,171
Finance Charges on Lease Liabilities	2,185,941	2,625,565
Other Financial Charges	3,587,504	4,023,491
	23,032,508	23,380,227
Finance Cost Net	(22,782,678)	(19,965,038)
10. PROFIT BEFORE TAX		
is stated after charging all expenses including the following:		
Staff Cost (Note No. 10.1)	177,118,771	169,575,374
Directors Remuneration	15,373,750	15,380,450
Auditors Remuneration Fees	401,000	382,000
Non Assurance Fees & Expenses	640,987	400,929
Depreciation	56,359,652	54,635,861
Impairment Loss on Trade & Other Receivables	2,923,167	2,456,044
Advertising & Sales Promotion Cost	11,875,265	12,061,293
Legal Fees	-	9,350

NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31st March, 2018

	2017/2018 Rs.	2016/2017 Rs.
10.1 EMPLOYEE BENEFIT EXPENSES		
Salaries & Other Allowances	114,764,053	112,357,798
Staff Welfare	1,469,268	527,170
Medical Expenses	2,205,767	1,963,098
EPF & ETF	16,801,896	16,482,564
Post Employment Benefit - Gratuity	8,623,209	8,256,448
Incentive	1,580,421	587,580
Casual Wages	2,718,576	2,641,491
Travelling Allowances	11,659,910	8,458,967
Staff Food	16,016,202	16,190,332
Staff Uniform	1,279,469	2,109,926
Total Employee Benefit Expenses	177,118,771	169,575,374

11 INCOME TAX

The major components of income tax expense for the year ended 31 st March, 2018 are as follows :

	Notes	2017/2018 Rs.	2016/2017 Rs.
Current Income Tax			
Current Income Tax Charge	11.1	45,469	5,347,206
Deemed Dividend Tax for previous year		-	946,979
Deferred Tax			
Deferred Tax Charge	11.2	2,904,946	5,236,570
Income tax expense reported in the Statement of Profit or Loss		2,950,415	11,530,755



NOTES TO THE FINANCIAL STATEMENTS...

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

	2017/2018 Rs.	2016/2017 Rs.
Accounting Profit/(Loss) before tax from continuing operations	(36,016,979)	19,288,775
Non-deductible Expenses	109,432,097	124,424,248
Deductible Expenses	(76,835,877)	(83,127,869)
Other Sources of Income	(249,830)	(3,415,189)
	(3,670,589)	57,169,965
Interest Income	249,830	3,415,189
Total Statutory Income	249,830	60,585,154
Set off against Tax Losses	(87,441)	(22,400,120)
Taxable Income	162,389	38,185,034
Income tax at 12% (in 2017 - 12%)	-	4,725,642
Income tax at 28% (in 2017 - 28%)	45,469	621,564
	45,469	5,347,206

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:

	2017/2018 Rs.	2016/2017 Rs.
Deferred Tax Liabilities		
Accelerated depreciation - Assets	3,458,113	1,369,272
	3,458,113	1,369,272
Deferred Tax Assets		
Defined Benefit Obligation	1,535,085	820,717
Carried forward unused tax losses Claimed / (Reversal)	(981,918)	(4,688,015)
	553,167	(3,867,298)
Deferred Tax Charge for the Year	2,904,946	5,236,570

12. EARNINGS/(LOSS) PER SHARE

12.1 Basic Earnings/(Loss) Per Share amounts are calculated by dividing the net profit/(loss) 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/(loss) per share computation:

Amount Used as the Numerator	2017/2018 Rs.	2016/2017 Rs.
Profit/(Loss) for the year	(38,967,394)	7,758,020
Amount Used as the Denominator		
Number of Ordinary Shares	47,066,447	47,066,447
Earnings/(Loss) Per Share - Rs.Cts.	(0.83)	0.16

NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31st March, 2018

13. PROPERTY, PLANT & EQUIPMENT

13.1	At Cost or Valuation	Balance as at 01.04.2017	Additions	Transfers	Balance as at 31.03.2018
		Rs.	Rs.	Rs.	Rs.
	Freehold Assets				
	Freehold Lands	296,604,501	-	-	296,604,501
	Buildings	822,911,579	3,183,553	1,451,337	827,546,469
	Motor Vehicles	20,152,223	-	-	20,152,223
	Office Equipment	321,139,077	14,820,238	-	335,959,315
	Furniture and Fittings	154,234,693	140,494	-	154,375,187
	Linen	7,569,764	8,544,673	-	16,114,437
		1,622,611,837	26,688,958	1,451,337	1,650,752,132
	Leasehold Assets				
	Motor Vehicles	25,830,905	-	-	25,830,905
	Generator	20,612,985	-	-	20,612,985
	Laundry Machine	3,750,000	7,194,837	-	10,944,837
		50,193,890	7,194,837	-	57,388,727
	Total Value of Assets	1,672,805,727	33,883,795	1,451,337	1,708,140,859

13.2 Accumulated Depreciation

	At Cost or Valuation	Balance as at 01.04.2017	Charge for the year	Transfers	Balance as at 31.03.2018
		Rs.	Rs.	Rs.	Rs.
	Freehold Assets				
	Freehold Lands	-	-	-	-
	Buildings	41,718,096	23,964,520	-	65,682,616
	Motor Vehicles	17,197,618	738,651	-	17,936,269
	Office Equipment	151,053,582	17,480,042	-	168,533,624
	Furniture and Fittings	130,206,893	4,826,694	-	135,033,587
	Linen	7,569,764	1,503,838	-	9,073,602
		347,745,952	48,513,745	-	396,259,698
	Leasehold Assets				
	Motor Vehicles	5,589,548	5,060,339	-	10,649,887
	Generator	11,039,506	1,914,696	-	12,954,202
	Laundry Machine	1,150,000	870,872	-	2,020,872
		17,779,054	7,845,907	-	25,624,961
	Total Depreciation	365,525,006	56,359,652	-	421,884,659
	Net Book Value	01.04.2017 Rs.			31.03.2018 Rs.
	Freehold Assets	1,274,865,885			1,254,492,434
	Leasehold Assets	32,414,836			31,763,766
		1,307,280,721			1,286,256,200



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31st March, 2018

13. Property, Plant & Equipment (Continued)

13.3 Work-In-Progress

	Balance as at 01.04.2017	Additions	Transfer to Property, Plant & Equipment	Balance as at 31.03.2018
	Rs.	Rs.	Rs.	Rs.
Construction of New Panel Board	9,011,297	3,848,271	-	12,859,568
Installation of Salary System	700,000	417,000	-	1,117,000
Construction of 21 Block Water Proofing Project	830,537	-	(830,537)	-
Construction of Fire Alarm System	103,640	7,826,086	-	7,929,726
CCTV Project	26,900	1,635,398	-	1,662,298
Civiling Project	-	620,800	(620,800)	-
Staff Quarters	-	1,274,856	-	1,274,856
River Bank Project	16,506,535	16,987,910	-	33,494,445
Drip Irrigation Project	85,100	-	-	85,100
Server Room	185,344	77,463	-	262,807
	27,449,353	32,687,784	(1,451,337)	58,685,800
Total Assets	1,334,730,074			1,344,942,000

13.4 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;

	2018 Rs.	2017 Rs.
Lands	98,116,927	98,116,927
Buildings	546,887,393	542,252,503
Accumulated depreciation	(149,880,370)	(139,299,680)
Net book amount	495,123,950	501,069,750

13.5 Property, Plant & Equipment at Fair Value

(a) Reconciliation of carrying amount

	2018 Rs.	2017 Rs.
Balance as at 1st April	1,119,516,080	1,103,915,613
Addition	4,634,890	15,600,467
Balance as at 31st March	1,124,150,970	1,119,516,080

NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31st March, 2018

13. PROPERTY, PLANT & EQUIPMENT (Continued)

13.5 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, (Bsc.) EMV Spl (Hons),SJP,an Independent Qualified Valuer.The result of such revaluation was incorporated in 2014/15 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. 13.5 (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), Meegonkattuwa 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

	31.03.2018 Rs.	31.03.2017 Rs.
14.1 Deferred Tax Liabilities		
Balance at the Beginning of the Year	95,996,469	94,627,197
Temporary Differences arising from Property, Plant & Equipment	3,458,113	1,369,272
Deferred Tax Impact on Revalued Buildings	7,815,561	-
Deferred Tax Impact on Revalued Lands	24,472,488	-
Balance at the end of the year	131,742,631	95,996,469
14.2 Deferred Tax Assets		
Balance at the Beginning of the Year	44,197,512	48,257,911
Temporary Differences arising from Retirement Benefit	1,374,050	627,616
Temporary Differences arising from Unused Tax Losses	(981,918)	(4,688,015)
Balance at the end of the year	44,589,644	44,197,512



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31st March, 2018

14. DEFERRED INCOME TAX ASSETS AND LIABILITIES (Continued)

14.3 Recognised Deferred Tax Assets and Liabilities

	31.03.2018		31.03.2017	
	Assets Rs.	Liabilities Rs.	Assets Rs.	Liabilities Rs.
Property, Plant & Equipment	-	52,561,214	-	49,103,101
Revaluation of Buildings	-	54,708,929	-	46,893,368
Revaluation of Lands	-	24,472,488	-	-
Defined Benefit Obligation	7,546,366	-	6,172,316	-
Unused Tax Losses	37,043,278	-	38,025,196	-
Total	44,589,644	131,742,631	44,197,512	95,996,469

15. INVENTORIES

	31.03.2018 Rs.	31.03.2017 Rs.
Food Stock	3,605,186	3,189,199
Beverage Stock	4,759,053	5,246,982
Housekeeping	2,238,670	2,896,025
Maintenance Stock	2,581,859	2,329,031
Printing & Stationery Stock	2,707,391	2,438,200
General Stock	5,056,569	4,389,151
Gas Stock	108,822	103,719
Fuel Stock	644,888	469,503
Total	21,702,438	21,061,810

NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31st March, 2018

16. TRADE AND OTHER RECEIVABLES

Current	31.03.2018 Rs.	31.03.2017 Rs.
Trade Debtors	86,646,424	91,619,408
Less: Provision for Impairment of Trade Receivables 16.1	(24,122,457)	(21,199,290)
Trade Receivables - Net	62,523,967	70,420,118
Refundable Deposits	1,954,188	2,123,824
Prepayments	9,392,311	8,225,033
Other Receivables	29,038,287	26,078,976
Total	102,908,753	106,847,951

As of 31st March, 2018 Trade Receivables of Rs. 46,513,627/- (as of 31st March, 2017 was Rs. 45,511,102/-) were fully performing.

As of 31st March, 2018 Trade Receivables of Rs. 16,010,340 /- (as of 31st March, 2017 was Rs. 24,909,016/-) 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:

	31.03.2018 Rs.	31.03.2017 Rs.
Up to 3 months	5,149,012	7,663,303
3 to 4 months	1,618,418	7,278,354
Over 4 months and above	9,242,910	9,967,359
	16,010,340	24,909,016

As of 31st March, 2018 trade receivables of Rs. 24,122,457/- (2017 : 21,199,290/-) 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 as follows:

16.1 IMPAIRMENT FOR TRADE RECEIVABLES

	31.03.2018 Rs.	31.03.2017 Rs.
As at 1st April	21,199,290	18,743,246
Impairment Provision for Trade & Other Receivables	2,923,167	2,456,044
As at 31st March	24,122,457	21,199,290



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31st March, 2018

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	Analysis of Financial Instruments Financial Instruments By Category Loans and Receivables	31.03.2018 Rs.	31.03.2017 Rs.
	Trade and other receivables excluding prepayments, statutory payments and advances	68,234,376	84,219,510
	Cash and Cash Equivalents (Note No. 17)	12,317,285	28,663,889
		80,551,661	112,883,399
	Financial Liabilities at Amortised cost		
	Trade and Other Payables (Excluding Statutory Liabilities) (Note No. 22)	69,747,716	72,995,268
	Borrowings (Excluding Finance Leases) (Note No. 21)	145,741,808	120,711,011
	Amounts due to Related Companies (Note No. 23)	9,229,295	3,536,737
		224,718,819	197,243,016

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:

	31.03.2018 Rs.	31.03.2017 Rs.
Trade and Other Receivables	68,234,376	84,219,510
Banks with Credit Ratings	12,317,285	28,663,889
	80,551,661	112,883,399

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	62,523,967	70,420,118
Loans to Company Officers	3,440,499	3,843,999
Other Receivables	2,269,910	9,955,393
	68,234,376	84,219,510

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, 2018

17.	CASH IN HAND AND AT BANK	31.03.2018 Rs.	31.03.2017 Rs.
	Favourable Balances		
	Cash in Hand and at Bank	12,317,285	28,663,889
	Unfavourable Balances		
	Bank Overdraft - (Note No. 21)	(40,936,308)	(29,760,999)
	Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	(28,619,023)	(1,097,110)
18.	STATED CAPITAL	Number of Shares	31.03.2018 Rs.
	Fully Paid Up Ordinary Shares		
	At the beginning of the year	47,066,447	585,445,870
	At the end of the year	47,066,447	585,445,870
19.	REVALUATION RESERVE	31.03.2018 Rs.	31.03.2017 Rs.
	Revaluation Reserve Related to the Surplus on Revaluation of Land and Buildings		
	The movement of revaluation reserve is as follows:		
	At the beginning of the year	538,688,179	538,688,179
	Deferred Tax Impact on Revalued Buildings	(7,815,561)	-
	Deferred Tax Impact on Revalued Lands	(24,472,488)	-
	Balance at the End of the Year	506,400,130	538,688,179
20.	EMPLOYEE BENEFIT LIABILITY	31.03.2018 Rs.	31.03.2017 Rs.
	At the beginning of the year	51,435,969	46,205,834
	Interest charged for the year	5,657,957	5,082,642
	Current service cost	2,965,252	3,173,806
	Payments made during the year	(5,006,315)	(1,417,139)
	Actuarial (Gain)/Loss	(1,150,247)	(1,609,174)
	At the End of the Year	53,902,616	51,435,969
	The expenses are recognised in the following line items:	31.03.2018 Rs.	31.03.2017 Rs.
	Administrative Expenses	8,623,209	8,256,448
	Other Comprehensive Income	(1,150,247)	(1,609,174)
		7,472,962	6,647,274



For the year ended 31st March, 2018

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 - 67/70, Mortality table, issued by the Institute of Actuaries , London.

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	10%
Staff Turnover Rate	29% up to age 54 and thereafter zero

The present value of the Defined Benefit Obligation as at 31st March, 2018 with respect to employees in service, based on the above assumptions is Rs. 53,902,616/- (2017: Rs. 51,435,969/-)

NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31st March, 2018

21. INTEREST BEARING BORROWINGS

	31.03.2018 Amount Repayable Within 1 Year Rs.	31.03.2018 Amount Repayable After 1 Year Rs.	31.03.2018 Total Rs.	31.03.2017 Amount Repayable Within 1 Year Rs.	31.03.2017 Amount Repayable After 1 Year Rs.	31.03.2017 Total Rs.
Finance Leases	8,751,565	12,468,999	21,220,563	8,106,850	14,370,434	22,477,283
Bank Loans	20,662,800	84,142,700	104,805,500	28,519,312	62,430,700	90,950,012
Bank Overdrafts	40,936,308	-	40,936,308	29,760,999	-	29,760,999
	70,350,673	96,611,699	166,962,371	66,387,160	76,801,134	143,188,294

21.1	Finance Leases	Current As At 31.03.2018 Rs.	Non-Current As At 31.03.2018 Rs.	As At 31.03.2018 Rs.	Current As At 31.03.2017 Rs.	Non-Current As At 31.03.2017 Rs.	As At 31.03.2017 Rs.
	Gross Liability	10,713,373	14,169,522	24,882,895	10,051,910	16,099,075	26,150,985
	Charges	(1,961,809)	(1,700,523)	(3,662,332)	(1,945,061)	(1,728,641)	(3,673,702)
	Net Liability	8,751,565	12,468,999	21,220,563	8,106,850	14,370,434	22,477,283

21.2	Bank Loans	31.03.2018 Amount Repayable Within 1 Year Rs.	31.03.2018 Amount Repayable After 1 Year Rs.	31.03.2018 Total Rs.	31.03.2017 Amount Repayable Within 1 Year Rs.	31.03.2017 Amount Repayable After 1 Year Rs.	31.03.2017 Total Rs.
	Bank	20,662,800	84,142,700	104,805,500	28,519,312	62,430,700	90,950,012
		20,662,800	84,142,700	104,805,500	28,519,312	62,430,700	90,950,012

Movement of Bank Loans and Finance Leases

	As At 31.03.2018 Rs.	Repayment Rs.	Loans/Lease Obtained Rs.	As At 31.03.2017 Rs.
Banks	104,805,500	(26,144,512)	40,000,000	90,950,012
Leases	24,882,895	(10,637,498)	9,369,408	26,150,985
	129,688,395	(36,782,010)	49,369,408	117,100,997

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



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31st March, 2018

22.	TRADE AND OTHER PAYABLES	31.03.2018 Rs.	31.03.2017 Rs.
	Trade Creditors	55,750,596	59,277,810
	Other Payables	246,950	-
	Expense Creditors	22,292,811	20,411,798
		78,290,357	79,689,608
23.	AMOUNTS DUE TO RELATED PARTIES		
	Mahaweli Hotel Management Services (Pvt.) Ltd.	9,229,295	3,536,737
		9,229,295	3,536,737
24.	INCOME TAX LIABILITIES/REFUNDS		
	Balance payable at the beginning of the year	953,855	5,683,365
	Tax paid for previous year	(953,855)	(5,683,365)
		-	-
	Income tax on current year	45,469	5,347,206
	Deemed Dividend Tax	-	946,979
	Payment made during the year	(4,146,693)	(5,340,330)
	Balance (Refund due)/payable at the end of the year	(4,101,224)	953,855

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, 2018. 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, 2018

26. INTEREST BEARING BORROWINGS

Lending Institution	Nature of Facility	Interest Rate	Repayment Term	Outstanding Balance		Security
				2018 Rs.	2017 Rs.	
Hatton National Bank PLC	Term Loan Rs. 50 Million	AWPLR + 1% p.a	08 quarterly capital instalments of Rs. 1,250,000/- each & 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.	Nil	4,826,512	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. 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.	Nil	4,630,000	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.	29,175,000	39,171,000	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.
	Term Loan Rs. 40 Million	AWPLR + 2 % p.m.	33 monthly capital instalments of Rs. 250,000/- each and 23 monthly capital instalments of Rs. 1,300,000/- each and a final instalment of Rs. 1,100,000/- together with interest to be serviced monthly.	39,250,000	Nil	Concurrent Primary Mortgage Bond No. 721/3274 dated 19th and 22nd December, 2006 and Bond No. 624/2548 dated 09th November, 2015 over the Hotel Premises Situated at Siyambalgastenna within the Municipal limits of Kandy also depicted as Lot 1 in Plan 268B Surveyed on 04th, 06th & 08th of March, 1987 and 21st of December, 1990.



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31st March, 2018

26. INTEREST BEARING BORROWINGS (Continued)

Lending Institution	Nature of Facility	Interest Rate	Repayment Term	Outstanding Balance		Security
				2018 Rs.	2017 Rs.	
Hatton National Bank PLC	Overdraft Rs. 40 Million	AWPLR + 1% p.a	On demand/To be reviewed annually	40,936,308	29,760,999	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.	2,004,500	3,421,700	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.
	Term Loan Rs. 21 Million	AWPLR + 1.5% p.a.	60 equal monthly installments of Rs. 350,000/- and a grace period of 6 months.	Nil	1,400,000	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 Maheweli Reach Hotels PLC at No. 35, P.B.A. Weerakoon Mawatha, Kandy.
	Term Loan Rs. 50 Million	AWPLR + 1.5% p.a.	65 equal monthly instalments of Rs. 520,800/- and a final instalment of Rs. 524,000/- together with interest to be serviced monthly.	34,376,000	37,500,800	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, 2018

26. INTEREST BEARING BORROWINGS (Continued)

Lending Institution	Nature of Facility	Interest Rate	Repayment Term	Outstanding Balance		Security
				2018 Rs.	2017 Rs.	
Hatton National Bank PLC	Finance Lease	12.5% p.a	(60 months) Equal monthly instalments of Rs. 220,838/-	Nil	662,514	Absolute ownership of the generator.
	Finance Lease	12.5% p.a	(60 months) Remaining 09 equal monthly instalments of Rs. 239,580/-	2,156,220	5,031,180	Absolute ownership of the generator.
	Finance Lease	9.5% p.a	(48 months) Remaining 16 equal monthly instalments of Rs. 93,472/-	1,495,552	2,617,216	Absolute ownership of the laundry machine.
	Finance Lease	18.25% p.a	(48 months) Remaining 45 equal monthly instalments of Rs. 44,072/-	1,983,240	Nil	Absolute ownership of the Laundry Machine.
	Finance Lease	18.25% p.a	(48 months) Remaining 45 equal monthly instalments of Rs. 151,124/-	6,800,580	Nil	Absolute ownership of the Laundry Machine
Sampath Bank PLC	Finance Lease	9.0% p.a	(60 months) Remaining 26 equal monthly instalments of Rs. 190,585/-	4,955,220	7,242,245	Absolute ownership of the vehicle
	Finance Lease	12.75% p.a	(48 months) Remaining 26 equal monthly instalments of Rs. 149,817/-	3,895,255	5,693,065	Absolute ownership of the vehicle
	Finance Lease	14.5% p.a	(48 months) Remaining 33 equal monthly instalments of Rs. 108,995/-	3,596,828	4,904,766	Absolute ownership of the vehicle



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31st March, 2018

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	Managing Agents
	Ms. D. L. Panabokke	-do-
Universal Enterprises (Pvt.) Ltd.	Mr. M. U. Maniku	Parent Company
	Mr. A. U. Maniku	-do-
	Dr. I. U. Maniku	-do-
	Mr. A. M. Didi	-do-
	Mr. M. M. Didi	-do-
	Mr. Ali Nooradeen	-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	2017/2018 Rs.	2016/2017 Rs.
Mahaweli Hotel Management Services (Pvt.) Ltd.	Management Fees	36,134,623	43,369,689
Basis of Management Fees calculation , (Net Turnover + Service Charges) * 6% + (7% on Net Profit after Depreciation & Finance Charges)			
Diethelm Travels (Pvt.) Ltd.	Service Rendered	3,232,420	10,005,700

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, 2018

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;

	2017/2018 Rs.	2016/2017 Rs.
(a) Short-Term Employee Benefits	15,373,750	15,380,450
(b) Post Employment Benefits	22,605,630	22,474,684
(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. COMPARATIVE INFORMATION

The following comparative figures have been reclassified in 2018 Financial Statements to maintain comparability of Financial Statements in order to provide better presentation.

	Amount Rs.	2017/2018 Current Presentation	2016/2017 As Approved Previously
Incentives	587,580	Apportion to the relevant departments	Administrative Costs
Cost of Business Centre	4,764,267	Front Office Department (Included in Cleaning & Guest Supplies)	Minor Operating Expenses (Included in Cost of Business Centre)
Guest Medicine	1,006	Front Office Department (Included in Cleaning & Guest Supplies)	Administrative Cost (Included in Guest Expenses)
Minor Operating Expenses	26,866,689	Include to the Laundry and Other Cost	Minor Operation Expenses



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31st March, 2018

30. 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	
	31.03.2018 Rs.	31.03.2017 Rs.	31.03.2018 Rs.	31.03.2017 Rs.
Financial Assets				
Trade and Other Receivables	68,234,376	84,219,510	68,234,376	84,219,510
Cash and Bank Balances	12,317,285	28,663,889	12,317,285	28,663,889
Total	80,551,661	112,883,399	80,551,661	112,883,399
Financial Liabilities				
Interest Bearing Borrowings	104,805,500	90,950,012	104,805,500	90,950,012
Bank Overdraft	40,936,308	29,760,999	40,936,308	29,760,999
Trade and Other Payables	69,747,716	72,995,268	69,747,716	72,995,268
Amounts Due to Related Companies	9,229,295	3,536,737	9,229,295	3,536,737
Total	224,718,819	197,243,016	224,718,819	197,243,016

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 FORM...

*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	or failing him,
Mr. Jayantha Atul Panabokke	or failing him,
Mr. Ahamed Mahir Didi	or failing him,
Mr. Abbasally Nuruddin Esufally	or failing him,
Mr. Wajjiya Priyantha Hettiaratchi	or failing him,
Mr. Ahamed Umar Maniku	or failing him,
Dr. Ibrahim Umar Maniku	or failing him,
Mr. Mohamed Mahir	or failing him,
Mr. Ali Nooradeen	or failing him,
Mr. Jayampathy Charitha Ratwatte	or failing him,
Mr. Ranjeevan Seevaratnam	or failing him,
Mr. Joseph Rosario Philip Mancius Pavia	or failing him,
Ms. Dayanthi Lakshmi Panabokke	or failing her,
Mr. Janaka Asitha Panabokke	

As *my/our proxy to attend and vote at the 44th Annual General Meeting of the Company to be held on Thursday, the 27th day of September 2018 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 2018, together with the Report of the Independent Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Dr. I. 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"/>
3. To re-elect Mr. A. M. Didi 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. R. P. M. Paiva 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-elect Ms. D. L. Panabokke 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"/>
6. To re-elect Mr. J. A. Panabokke appointed a Director of the Company on the 30th July, 2018 who retires in terms of Article 97 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
7. 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"/>
8. 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"/>
9. To re-appoint Mr. J. C. Ratwatte who is over Seventy years of age as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
10. To authorise the Board of Directors to determine contributions to charities and other Donations.	<input type="checkbox"/>	<input type="checkbox"/>
11. 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 Eighteen (2018).

Signature /s

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 here of. Note: Instructions as to completion are noted on the reverse.



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 25th September, 2018.

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 (Deceased on 15.04.2018)
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. P. B. Panabokke
(Appointed w. e. f. 30th July, 2018)
Mr. J. A. Panabokke
(Appointed w. e. f. 30th July, 2018)

Audit Committee

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

Remuneration Committee

Mr. J. C. Ratwatte
Mr. R. T. Molligoda (Deceased on 15.04.2018)
Mr. J. R. P. M. Paiva
(Appointed w. e. f. 30th July, 2018)

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 REACH
SRI LANKA

OUR WORLD REVOLVES AROUND YOURS