



MAHAWELI REACH
SRI LANKA

OUR WORLD REVOLVES AROUND YOURS

ANNUAL REPORT 2018 - 2019



WE ARE KANDY

Since time immemorial, Kandy has been a cultural epicentre in Sri Lanka. With its unique blend of history, heritage and hospitality, it is a truly cosmopolitan destination, offering the traveller a world of vistas and landmarks to last a lifetime.

We at Mahaweli Reach are proud to be a part of it. And we look forward to making you a part of it as well.





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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 renowned dignitaries with our brand of hospitality. We had the pleasure of hosting these guests as part of their official visits to Sri Lanka, and to Kandy.

We were greatly honoured to welcome Madam Usha Mappavarapu, spouse of the honourable Vice President of India, her daughter Ms. Deepa Venkat Immani and grandchildren during their visit to the country. We are happy that they enjoyed the warm Sri Lankan greetings and true Kandyan hospitality experience throughout their stay with us.



We also had a visit from a VIP Bhutanese Delegation including members of the Bhutan National Council, Honourable Tashi Dorji, Speaker of the National Council, Mr. Chenchu Tshering, Secretary General of the National Council and Mr. Tshering Dorji, Secretary to the delegation, who were warmly welcomed at Mahaweli Reach during their recent visit to Kandy.

We also had the privilege of having His Excellency Brian McElduff, Ambassador of Ireland.

Accolades, Mahaweli Reach Now Offers "Zero Carbon Hotel Stays!"...

Mahaweli Reach revived its pledge to sustainability for a second consecutive year when it was recertified as a Carbon Conscious®, Water Conscious® and Waste Conscious® Hotel, and also became Kandy's first recipient of the unique 'Zero Carbon Hotel Stay™' certification. During an event graced by the Hotel's Senior Management, the certifications were awarded by The Sustainable Future Group (SFG) – Sri Lanka's foremost sustainability validation, verification and certification services provider.

To obtain these accreditations, Mahaweli Reach Hotel (MRH) partnered with The Carbon Consulting Company (CCC) and their team of industry-leading experts for the development of a long-term Environmental Impact Management and Mitigation Programme. In-depth audits were conducted to assess MRH's GHG emissions, water consumption and waste generation, and monitoring systems were implemented to frequently inspect the Hotel's operational systems and processes in relation to these focus areas. The latest inclusion to MRH's environmental accolades, Zero Carbon Hotel Stay™ provides guests the opportunity to offset the Carbon Footprint of an overnight stay at the Hotel through investing in a renewable energy project. In addition to these, the countless number of workshops and initiatives introduced for women's empowerment, youth education and employee well-being throughout the years demonstrates their dedication to social sustainability as well.

Commenting on their accomplishments, Mr. Jayantha Panabokke, Managing Director of MRH, said, "The past forty years have been a tribute to our founder's vision of providing exceptional service and hospitality to our guests, which is why we embarked on this sustainability journey. And now, for the first time in Kandy, we have the privilege of further engaging our guests in our initiatives and offering them the option of completely negating the environmental impact of their stay with us. There are many challenges ahead of us, but I feel confident that with the guidance of CCC, our staff and management team will drive our initiatives forward and push the boundaries of what responsible tourism can be."

Sanith de Silva Wijeyeratne, CEO of CCC, also remarked, "We're honoured and proud of the dedication and accomplishments over the past year of Mr. Panabokke and his team. Their pledge to a sustainable agenda and commitment to cultivating the community is admirable. This new milestone places them at the forefront of innovative hospitality businesses and is a testament to what other companies in Sri Lanka can accomplish for a more sustainable future."



Handing over of certificates to MRH Managing Director Mr. Jayantha Panabokke by CCC CEO Sanith de Silva Wijeyeratne (on behalf of SFG) with the Senior Management Teams of MRH and CCC in the background.

Accolades, Mahaweli Reach Now Offers "Zero Carbon Hotel Stays!"...

It was an honour and a privilege for MRH to receive the Certificate of Excellence for 2018 awarded by Trip Advisor and we sincerely thank all our guests for their support in reviewing us and assisting us in receiving this award.



Notice of Meeting...

NOTICE IS HEREBY GIVEN that the Forty Fifth Annual General Meeting of MAHAWELI REACH HOTELS PLC will be held on Monday, the 30th day of September 2019 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, 2019 together with the report of the Independent Auditors thereon.
2. To re-elect Mr. A. N. Esufally who retires by rotation in terms of Articles 90, 91 & 92 of the Articles of Association of the Company.
3. To re-elect Mr. A. U. Maniku who retires by rotation in terms of Articles 90, 91 & 92 of the Articles of Association of the Company.
4. To re-elect Mr. W. P. Hettiaratchi who retires by rotation in terms of Articles 90, 91 & 92 of the Articles of Association of the Company.
5. To re-elect Mr. M. Mahir who retires by rotation in terms of Articles 90, 91 & 92 of the Articles of Association of the Company.
6. To re-elect Mr. A. Nooradeen who retires by rotation in terms of Articles 90, 91 & 92 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 76 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 72 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 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."

10. To authorize 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 authorize the Directors to determine their remuneration.

By Order of the Board

Mahaweli Reach Hotels PLC

(Sgd.)

Director

BUSINESSMATE (PRIVATE) LIMITED
Secretaries

Colombo

10 August 2019

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 28th September 2019.
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 authorizing 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.

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...

Our people are a part of our foundation and of our business. Together with them we believe the Company will be stronger and able to rise to the challenges of the future. We continue to differentiate our product from the many properties in Kandy, and achieve service goals whereby we update the knowledge and skills of our team members. We continue to motivate our staff to perform at their best and acknowledge that our people are the most valuable asset of the organization.

The hotel has undertaken several training programs 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. Staff are 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 organization, 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 program and then throughout, as they are provided with 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 endeavors to provide attractive remuneration in line with industry norms and to reward exceptional performance appropriately. Career development within the organization is encouraged with all possible opportunities being provided internally.

A management development program on "Striving for Excellence" was conducted for two days by Mr. Ruwan Punchihewa for the Heads of Departments on management skills, leadership qualities and customer service. It was a very interactive session with team building events and discussions. MRH has always been considerate of its personnel, making available opportunities in reaching higher realms for them personally, in realizing self development and for the benefit of the Company as well.

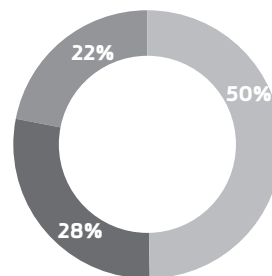


The Company continues to provide financial assistance to team members whose spouses and children require medical assistance. A program was initiated by the Diabetes Association of Sri Lanka for the employees with the assistance of the management to conduct an Education, Awareness and Screening session on Diabetes and Non-Communicable diseases at the hotel. A presentation by a Medical Officer on the risk assessment included anthropometric measurements of height, weight for BMI, blood pressure and a random blood sugar tests etc.

Attrition remains an industry wide 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 to the operations.

Throughout this year we saw a high staff turnover, at Mahaweli Reach a significant number of staff have chosen to remain with the organization with approximately 28% having been with the organization between a period of 5 – 10 years and 22% 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.

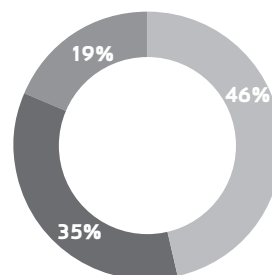
**Number of Staff
Completion of Service
2019**



■ Less than 5 years
■ Between 5 to 10 years
■ 10 years and above

	Service Period	Nos.
1	Less than 5 years	144
2	Between 5 to 10 years	82
3	10 years and above	63
		289

**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	143
2	Between 5 to 10 years	108
3	10 years and above	57
		308

The Company supports associates in developing competencies that enhance individual and organizational 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 since MRH for the second year were certified as a Carbon, Water and Waste conscious hotel in the country. This comprehensive phased out approach towards reducing wastage and costs have contributed to the bottom-line. We have taken a further step by getting our valuable guests involved in negating their carbon, water and waste foot print, during their stay with us. This project allows guests to contribute voluntarily towards this initiative and their contribution has provided our team with the opportunity to receive an award for the promotion of the Zero Carbon Hotel Stay scheme.

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

A workshop on Green Orientation in the Tourism Industry was also conducted by Mr. Haritha Pushpakumara – Consultant for International Labour Organization, Food & Agriculture Organizations, to educate the management team and bring more value into the business incorporating Green practices for the organizational success and sustainability through green actions / initiatives. He shared his valuable time, knowledge and insights which were of immense value to the participants.

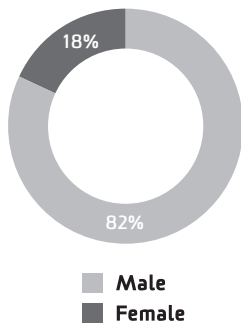
In view of the international certifications obtained by the Company, all team members are familiarized with health and safety procedures. Operational processes have been adapted to ensure that the highest level of hygiene, health and safety standards are maintained. They are also encouraged to practice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

We were also honoured when our Executive Housekeeper, Mrs. Kamalika Panabokke, was felicitated for her valued contribution to the industry at the 3rd International Housekeepers summit held at the Shangri La Hotel, Colombo this year.

It is our honour and pleasure to place on record, that the combined efforts of all our staff resulted in the hotel receiving the Certificate of Excellence for 2018, awarded by Trip Advisor.

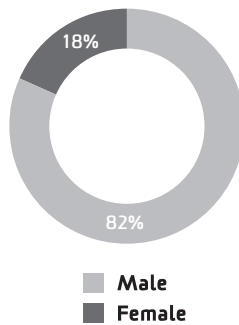
Gender equality has become a topic tabled for discussion and organizations are now looking at giving equal opportunities for men and women. Ours is such an organization and we pride ourselves on being an equal opportunity employer and the Company maintains a healthy diversity of gender and age. Female representation within the Company has remained at 18% year on year and our team members are spread across a variety of operational segments and positions while the several differently-abled employees with exceptional talents have been integrated into the operations where possible and are valued members of our team. The Company has also shown a rapid increase this year in engaging staff below the age of 30 years.

**Number of Staff
Gender wise
2019**



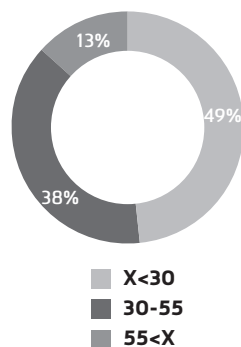
	Gender	Nos.
1	Male	238
2	Female	51
		289

**Number of Staff
Gender wise
2018**



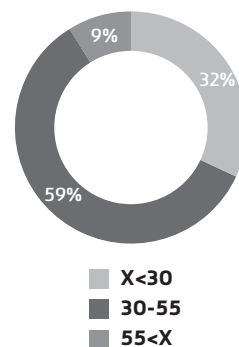
	Gender	Nos.
1	Male	250
2	Female	58
		308

**Number of Staff
Age span
2019**



	Age Span	Nos.
1	X<30	140
2	30 - 55	111
3	55<X	38
		289

**Number of Staff
Age span
2018**



	Age Span	Nos.
1	X<30	99
2	30 - 55	182
3	55<X	27
		308

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.

This year we commemorated "World Children's Day" in a meaningful manner. We organized an art competition for the children of our team members, and requested them to translate their perception of the hotel artistically whereby their talents would be displayed, assessed, rewarded and recognized. The winning entries are now used on the covers of the hotel's greeting cards.



On the same day, we gifted these children with a tree sapling of their choice whereby the hotel would monitor the plants quarterly, encouraging them to nurture the plants which would grow along with themselves and convey the message of being socially responsible and environmentally friendly. It has always been enjoyable for these children to visit the hotel where their parents work and mingle with the other children.

Human Capital Review...

We commemorated the Vesak Day and May Day this year, by inviting Venerable Palkumbure Chandima Thero to conduct a Dhamma discussion and meditation session to commemorate Vesak. The focus was on how to face the challenges of life while engaged at a work place. The program was on mindfulness and was greatly appreciated by all concerned.



Sir Richard Branson has stated, "Train people well enough so they can leave. Treat them well enough so they don't have to." We believe that our people deserve to be treated well and receive opportunities which will benefit not only the Company but them personally. At Mahaweli Reach, the ethos of family remains strong.



Corporate Social Responsibility and Sustainability Review...

"Sustainable development is the pathway to the future we want for all. It offers a framework to generate economic growth, achieve social justice, exercise environmental stewardship and strengthen governance" - Ban Ki Moon

At Mahaweli Reach, we believe that improving sustainable practices will benefit all of our stakeholders. Mahaweli Reach being an environmentally certified hotel, has a social environmental awareness and sustainability policy which governs the way in which we operate with utmost consideration and respect to the three pillars of sustainability being People, Plant and Profit. Environmental management can certainly bring considerable business benefits in the long-term, by working with others in the industry and demonstrating good practices.

This policy has led us to commit to conserve and responsibly manage natural resources by implementing proactive measures to minimize the impact on our environment. The initiatives by Mahaweli Reach to conduct carbon, waste and water audits itself are key steps in an environmentally sustainable business strategy which demonstrates a long-term commitment to reduce the hotel's environmental impact and become a responsible corporate citizen whilst ensuring that it reaps the benefits of being a sustainable, ethical and eco-friendly business entity.

The processes which are being followed in this respect will assist the Company in reducing its carbon footprint and its use of valuable natural resources. We were honoured to be the first hotel in Sri Lanka to be certified as Carbon Conscious®, Water Conscious®, and Waste Conscious® in an instance.

In this current year, we have moved a step further in promoting the "Zero Carbon Hotel Stay" to our valued guests. The environmentally conscious concept was offered to our guests, whereby they could offset their stay with us at their discretion and make a donation voluntarily. This scheme was positively accepted by our clientele and they have contributed generously to our green fund, to support our ongoing projects.

The significant commitment by Mahaweli Reach to calculate its organizational carbon footprint is a major step in our Company and the process of establishing a systematic sustainability action plan for the hotel which will benefit the Company in the long run.

"This is one of the greatest challenges of our time, to convert ourselves to development that knows how to respect creation" – as quoted by Pope Francis, is what we are aiming at and bringing into the mindset of our employees. 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 also has an added benefit of assisting in contributing to the bottom line, in decreasing overall costs. This integrated approach improves environmental preservation efforts, encourages the well-being of the community and enhances awareness of steps which could be taken by each and every person towards achieving a common goal of protecting the world in which we all live.

ENVIRONMENTAL CERTIFICATIONS

As a business that understands the importance of recognized external audits to ensure an unbiased evaluation of our core operational activities against international standards, Mahaweli Reach has partnered with The Carbon Consulting Company (CCC) for three years, for expert assistance with managing its environmental impact. CCC continues to identify specific areas the Hotel should focus on that would be directly aligned with our sustainability and business goals, following which comprehensive audits are undertaken to measure its Carbon, Water and Waste Footprints.

On completion of the audits, its results and the newly introduced setup to manage the hotel's Carbon, Water and Waste impacts are independently verified by leading sustainability verification and certification body, The Sustainable Future Group (SFG). Mahaweli Reach was subsequently awarded the above mentioned certifications, for the second year making it Sri Lanka's first Hotel to obtain these environmental accreditations.

This year, with the engagement of our valued guests, we have been additionally awarded the Zero Carbon Hotel Stay certification. This Sustainability Management Programme, in association with CCC and SFG, will run for another year with several initiatives in the pipeline. We hope to achieve significant reductions of our environmental footprint over the course of this three year programme.



ENVIRONMENTAL PRESERVATION AND CONSERVATION INITIATIVES

At Mahaweli Reach, one of our most unique features is being situated by the river which provides an unparalleled natural habitat for birds. We have documented the species found on the premises and on the river stretch and have been able to attract many guests who are avid birdwatchers. It is hoped that this endeavour will raise awareness among the community of different species. The hotel has compiled a digest of the birds found in the vicinity which is now available on the hotel's website.

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.



SUPPORTING THE COMMUNITY

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

We initiated this project to support the community as responsible corporate citizens, and since we wanted to be part of the solution to this particular problem. The Mahaweli River keeps being polluted due to careless discharge of waste from people living on its banks, and even through drainage systems causing unhygienic conditions. The staff of the hotel voluntarily joined together with the Green Team in this cleaning campaign of the Mahaweli River.



This ongoing quarterly river cleaning project was greatly appreciated by the community and thereafter the neighbours, together with the Grama Sevaka of the division, joined us along with representatives from the Kandy Municipal Council – Waste Management Division and supported the Hotel in communicating the message to a greater number of people and spreading the message to a wider circle.

All participants cleared the trash visible and reachable on the banks, bushes and that which was floating on the river. Our dedicated team at Mahaweli Reach segregated the waste for recycling purposes with the intention of reducing the trash to be disposed elsewhere. The volunteers were engaged for almost the whole day on this project and their dedication and commitment were well taken by the authorities. The day concluded with the hotel entertaining everyone with light snacks and lunch. This ongoing project will be continued with the support of our environmentally friendly guests and community in the future.

It is proposed to initiate advertising campaigns to communicate prudent waste segregation practices whereby notable savings could be obtained due to the reduction of waste. We are promoting the use of electronic devices, reusable bags, food production, composting, waste from one department used for the benefit of another department etc. at present. The younger generation is changing very fast and it is important to have a paradigm shift in our behaviour and attitudes.

The riverside restoration project which was necessitated by the danger of severe erosion of the river bank was undertaken and completed 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.

It is our goal to increase awareness of green practices through these efforts, which will ultimately result in the reduction of the debris which finds its way into the river thereby decreasing the levels of water pollution which are currently at alarming concentrations. The Mahaweli River is a source of water to many people and the pollutants found in the river at present can cause grave harm including contamination of drinking water and spreading diseases that cause infections and organ damage. We firmly believe that it is only by changing perceptions and increasing an appreciation of our natural resources that we will be able to promote meaningful change which will finally benefit humans.

We continuously contribute refreshments towards the Annual Sports' Day of our neighbouring schools as a gesture of goodwill in serving our community. This year, we contributed towards the annual day outing of the Deaf & Blind School, Ratmalana when they visited Kandy and Matale with the intention of reaching out.

This year, Mahaweli Reach organized a monthly Poya Day program, making its commemoration more meaningful within the community. We commemorated the first Poya Day program on – Duruthu Full Moon with a "Bana" sermon for the neighbours and our staff at the Sri Sanga Bodhi Viharaya, Siyambalagastenna. The one hour sermon was conducted by Venerable Kola Eliye Sudharshi Thero, the Chief Incumbent of the Sri Vishuddharama Viharaya at Mawilmada followed by light snacks and tea. The temple premises were cleaned and painted by our staff prior to the event demonstrating our commitment to the community with acts of kindness and peace.



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.

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 to a greener future.

During the year under review, some of the sustainable practices were the installation of a drip irrigation system which was completed on one block of the building and the other blocks would commence in the near future. The use of waste water for the drip irrigation system and river water for gardening would definitely result in immense water savings. We also have installed water saving devices in the rooms and the conversion of lighting to LEDs are almost nearing completion making savings on energy. Wherever possible, the upgrading of the electrical systems and increasing the use of centralized air-conditioning in most areas were completed. Within the year under review, the transition to glass water bottles for the rooms commenced and the plastic stirrers were replaced with wooden stirrers at the restaurant and bar. This would save the environment from pollution as well as improve the bottom line.

Solid waste management is ongoing with the cooperation and dedication of all staff with the common motto of the hotel - "Reduce, Reuse and Recycle".

This year we have gone a step further to "Rethink". By this we could avoid using or purchasing unnecessarily and instead make savings, recovering items wherever possible, treating and lastly dispersing, making the exercise meaningful and not having to send out too much to the landfill. As an example, we have created an elegant, safe and odorless oil lamp to replace Tea Light Candles in various parts of the hotel. These floating oil lamps are made out of waste products - used glass bottles filled with coloured water. Non toxic food colouring is used whereby the top layer is filled with waste cooking oil. The caps of used water bottles and cork hold the wick steadily giving light and supporting it to float safely.



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 as well as among our entertainers. At present, we have three differently abled persons specializing in culinary art. Their dedication and innovations are greatly appreciated. We also 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 play on several occasions 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.

This year we invited the students under the patronage of the "Sunera Foundation" Katugastota, a trust that supports differently abled children. They performed on stage entertaining our hotel staff at our banquet hall and thereafter they were hosted with light snacks, music, games and dancing. The musically talented staff of the hotel were also given an opportunity to perform for these children and the program concluded with gifts being given away to these children by the management.



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

In commemoration of "International Women's Day" this year, Mahaweli Reach organized a program for the ladies on "Mind Shift to Leadership" conducted by Mr. Michael Ranuka Gamage, a visiting lecturer at the Chartered Institute of Personnel Management at the banquet hall. The session was conducted in English and Sinhalese and covered the topics relating to communication, time management, leadership, discipline, flexibility, team building and self-confidence along with a few team building exercises and some entertainment.



Commercial Bank Kurunegala was also given an opportunity to conduct a brief promotional campaign in order to promote a signature savings account designed specifically for the ladies. Thereafter, our Indian Chef conducted a cookery demonstration on the preparation of two Indian sweetmeats which concluded with lunch and fellowship for the ladies, giving them the opportunity to take their minds off work and mingle with others.

Mahaweli Reach is proud to have an increasing number of female employees with many in managerial and executive positions.

STRENGTHENING THE SPIRIT OF FAMILY PROMOTING A SOCIAL CONSCIOUSNESS AMONG EMPLOYEES

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

Once again in the usual manner, the MRH family contributed towards building a classroom for the children at Wembly Watta Village School in Wattappola. This meritorious act was initiated on Navam Full Moon Poya Day. Employees from all departments contributed towards this worthy cause which would give these children, the future of our country, a safe learning environment.



A group of staff visited the school and donated building materials to the principal of the school. The parents of these children were very deeply appreciative of this gesture and undertook to construct the building for this classroom themselves. The staff who visited were happy to be a part of this generosity as we joined hands in the true spirit of benevolence towards our community and the future generations.



EDUCATING THE YOUTH AND THE COMMUNITY

We believe it's our duty to not only develop but also invest in society, which adds value to the Company and our community. The tourism industry at present is providing many direct and indirect employment opportunities to the workforce of our country.

However, awareness of the same among society and especially the youth appears to be low. During the year under review, we carried out many educational programs to increase awareness of the industry. It is also the only method by which the industry can recruit the resources required for the anticipated growth.

We welcomed a group of 18 students from the National Apprentice & Industrial Training Authority (NAITA) and gave them a basic awareness of the kitchen operations, food and beverage service, housekeeping and front office operations.

Mahaweli Reach once again undertook the training of 13 members of the Sri Lanka Navy for two weeks in the housekeeping and food and beverage departments. We believe they gained much experience since they were engaged at a very high occupancy period of the Hotel.

We also conducted a training of the kitchen operations for the home science students of Dharmaraja College and a cookery demonstration for the home science teachers of the Wattagama Educational zone.

We continue to support 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 one 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.

We are committed to being a responsible corporate citizen, actively engaged with our community for the betterment of the environment, society and our future generations while generating value for our stakeholders.

Corporate Governance Report...

Corporate Governance broadly refers to the mechanism, relations and processes by which a company is controlled and is directed, and involves balancing the many interests of the stakeholders of a company. Transparency, accountability and security are the pillars of Corporate Governance and are critical in successfully running a company.

Operational Processes which uphold these principles for managing stakeholder interests while ensuring the economic well-being of the company and safeguarding the principles of accountability, transparency and ethics are 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

Composition of the Board is key to governance and the Board of Mahaweli Reach Hotels PLC 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 more than 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.

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 10 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.

Brief profiles of all Directors setting out the experience and expertise they provide to the Board are provided on pages 33 to 35 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.

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	-
Mr. A. N. Esufally	- Independent Non-Executive Director	2/3
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	2/3
Mr. J. R. P. M. Paiva	- Independent Non-Executive Director	3/3
Ms. D. L. Panabokke	- Non-Executive Director	1/3
Mr. J. A. Panabokke	- Executive Director	3/3
<u>Mr. P. B. Panabokke</u> <u>Alternate Director to Ms. D. L. Panabokke</u>		2/3

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 the 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;
- Succession Planning;
- Ensuring the 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;
- Ensuring optimal resource allocation for sustainable value creation.

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

DIRECTORS' INTERESTS

Directors' Interests in contracts are regularly disclosed and such disclosure pertaining to the year ended 31/03/2019 can be seen on page 41 in the Directors' Report. Related Party Transactions are monitored by the Related Party Transactions Review Committee and details are provided on page 87 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. J. R. P. M. Paiva	
- Independent Non-Executive Director	1/1

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

The Remuneration Committee report is provided on page 45.

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 two occasions. The attendance at these meetings were:

MEMBERS OF THE AUDIT COMMITTEE ATTENDANCE

Mr. R. Seevaratnam (Chairman)
- Independent Non-Executive Director 2/2

Mr. J. C. Ratwatte
- Independent Non-Executive Director 2/2

Mr. W. P. Hettiaratchi
- Non-Executive Director 2/2

Mr. A. N. Esufally was invited and attended one meeting.

The Committee has adopted a written Charter for the Audit Committee and the Internal Audit Charter. The Terms of Reference of the Audit Committee are:

- (i) Ensuring the preparation, presentation, and adequacy of disclosures in the Financial Statements are in accordance with the Sri Lanka Accounting Standards.
- (ii) Ensuring compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.
- (iii) Overseeing the processes to ensure that the internal controls and risk management procedures are adequate to meet the requirements of the Sri Lanka Auditing Standards.
- (iv) Assessing the independence and performance of the external auditors.
- (v) Making 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 46 to 47.

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 2/3

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 2018/2019 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 48.

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 are given on page 29 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, 2019 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	Twelve 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	Four of the twelve Non-Executive Directors are Independent for the financial year
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 independent or otherwise of the Non-Executive Directors and names of Independent Directors should be disclosed in the Annual Report	Please refer page 21
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 20 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 33 to 35
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 33 to 35
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 22

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, 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 45 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 22
		b) Statement of the Remuneration policy	Please refer Remuneration Committee Report on page 45
		c) Aggregated Remuneration paid to Executive Directors and Non-Executive Directors	Please refer page 41
7.10.6	Audit Committee	The Company shall have an Audit Committee	Names of the Members of the Audit Committee are stated on page 23
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
		A Non-Executive Director shall be appointed as the Chairman of the Committee The Chief Executive Officer and the Chief Financial Officer shall attend Audit Committee Meetings	Chairman of the Audit Committee is an Independent Non-Executive Director Managing Director and the Chief Financial Officer attend meetings by invitation

Rule No.	Subject	Applicable Requirement	Level of Compliance
		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 on 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 23
		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 from pages 46 to 47
		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 from pages 46 to 47
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 on by the Board
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



Rule No.	Subject	Applicable Requirement	Level of Compliance
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 23
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 23
		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 48
		c) Statement of Policies and Procedures	Please refer Related Party Transactions Review Committee Report on page 48

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 and 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 from pages 49 to 51, 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 2019



Chairman's Review...



***“ I present to you the
Financial Statements
for the year ending 31st
March 2019 and welcome
you to the 45th Annual
General Meeting of the
Company. ”***

It has been yet another challenging year in the tourism industry landscape of the country and your Company too has had to weather the trials.

The terror attacks which took place on 21st April 2019 have brought about unprecedented effects on the industry, which was just beginning to reach towards its full potential with accolades from Lonely Planet and several other travel influences. The peace which the country enjoyed for a decade was shattered, along with the confidence of the people, and it is imperative that we as a nation bounce back soon, not just from a tourism perspective, but for the well-being of the entire island. Sri Lanka is a land renowned for the warmth of its people and it is hoped that this sense of hospitality will prevail amongst all countrymen, thereby strengthening solidarity and stability.

During the last calendar year, the country witnessed arrivals of 2.3 million and tourism earnings of USD 4.4 billion. The Asia Pacific region remains the largest source market, with Western Europe being the second largest. Australia appears to be an emerging market for the country while growth from the other regions is vital for the sustainability of the industry. Connectivity is a key to developing tourism, and while it was not at optimal levels prior to the attacks, post April connectivity has reduced further, causing an impact on the revival of the leisure sector.

Tourism is a vital growth factor for the Sri Lankan economy and provides direct and indirect employment to a multitude of persons, as witnessed by the sudden loss in livelihood to so many with the abrupt disruption of the industry following the terror attacks.

Following proposals made by the Government to ease the financial burden on tourism related businesses, financial assistance has been provided by lenders by way of moratoriums on some facilities and it is fervently wished that this will assist in managing obligations until the industry recovers and returns to normalcy.

November 2018 saw the rolling out of a new brand identity for Sri Lanka Tourism with the tagline "So Sri Lanka" and promotions were to be carried out in key markets. Presently promotions are to be carried out to mitigate the effects of this sudden

turn of events and ensure that the turnaround of the industry is supported and strengthened. It is hoped that these promotions will be continued in the long term so that Sri Lanka can once again regain its position as a sought after destination.

Sri Lanka is very susceptible to volatility internationally, and events in other geographical areas could have a direct impact on the growth of the tourism industry and the economy as a whole. In the global arena there appears to be a slowdown in the Asia Pacific region which could impact our largest source market. Uncertainty in China due to slower growth trajectories, a degree of instability in European economies and perceptions in the Middle East may affect arrivals to Sri Lanka. In the past year, China had continued to be the biggest tourism spender according to UNWTO statistics, followed by growth by the Russian Federation, France and Australia.

During the past year the Company has continued to focus on improving the product and services. The developments have been concentrated on improving the competitive advantages the hotel enjoys due to its location and reputation.

In the past year the Company continued to make improvements to physical infrastructure, which is imperative in the face of increased competition. These measures have also increased the asset values. These investments have further assisted in mitigating operating costs due to the introduction of more energy efficient equipment.

The Company, due to its partnership with the Carbon Consulting Company, has made significant changes in its approach to sustainable business practices. Improved savings have been recorded both due to the physical improvements and the changes to operating processes. The introduction of the Zero Carbon Hotel Stay Initiative has been well received by guests who are provided the opportunity to offset the carbon footprint of their hotel stay. The organizational consciousness regarding environmental concerns has been strengthened with team members constantly being reminded of the need to minimize our carbon footprint.

The ever increasing room inventory, both in the formal and informal sectors, continues to put pressure on applicable rates and result in reduced margins. While the arrivals have not grown as anticipated,

more and more rooms are being added, with several new properties expected to enter the market in the next couple of years. The gains of the depreciation in currency have been offset by the reduction in rates and rising costs.

The results in the last year reflect these circumstances. The Company had a turnover of Rupees 654 Million and yet recorded a loss of Rupees 41.2 Million. Capital expenditure for the period was Rupees 36.1 Million. As mentioned, the constant improvement of the product and replacement of equipment is necessitated by the introduction of new properties. These steps are impacted by the rise in prices of materials. Though occupancy in certain periods have exceeded projections, the fluctuations and decrease in rates offset the positive results and variations.

The organization is mindful of the need to introduce innovations and measures to mitigate the effects of these factors and are taking steps to offer greater benefits to guests in a mutually beneficial manner and broaden its client base. The Hotel endeavours to promote true local experiences to patrons who are now looking for more experiential travel ideas. We are mindful of the importance of a digital presence and have launched several initiatives to promote our presence across social media platforms. With the current situation any phased out spending is being revisited and reviewed.

The efforts made to enrich the customer experience through exceptional service appears to be having positive results with most guests commending the personalized service they have been receiving. The hotel constantly strives to ensure that associates maintain service standards across all functions.

The Company's human capital is its most vital asset. This is even more so now when challenging times are upon us. The Company has continued to conduct training in both classroom and operational settings with an emphasis on providing hospitality from the heart. We also understand the importance of supporting our team members in their personal struggles as well and have several ongoing programs for this purpose which are detailed in the Human Capital review of this report.

While attrition remains a concern, all possible endeavours are made to encourage our associates to remain with the Company. A significant number

have remained a member of our team for over a decade while we also have many employees with service periods in excess of twenty years. Female representation within the ranks is at 18% and it is hoped that this gender ratio will continue to change positively with more persons joining the industry.

Maintenance of hygiene, health and safety standards remains of paramount importance. Constant training is undertaken to ensure staff are trained in the necessary processes and all certifications retained and improved upon.

Operations can only grow sustainably with increased community engagement, and to this end our social responsibility initiatives focus on the environment and also in enriching the community through increased awareness and support.

The Mahaweli River clean up project is a principal project which is carried out by the Hotel together with the sand miners and the Mahaweli Authority. This year, our neighbours too joined in, making it a true community effort. This clean up, which is organized on a quarterly basis, assists in mitigating to some extent the pollutants in the waters and also in creating awareness about the need to save our waterways and natural resources.

Efforts are also made to reuse our waste materials in useful ways and one such example are the candles which are being created from waste oil and glass bottles. Another green program that we launched with the participation of the children of our associates was to provide these youngsters with tree saplings which they could nurture and record the growth of. It is hoped that this will instill in the next generation a love for the environment and an interest to protect it. Details of these initiatives which promote the mantra of reduce, reuse and recycle is provided in the Corporate Social Responsibility and sustainability review.

The Company is firmly committed to following the principles of Corporate Governance promulgated by the Colombo Stock Exchange and Securities and Exchange Commission of Sri Lanka. The compliance details are provided in this report.

I wish to express our sincere appreciation to the Managing Director and his team of committed professionals for their dedication and efforts in challenging times, and wish them continued success.

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

I take this opportunity to express my sincere thanks to my colleagues on the Board for your invaluable support, guidance and contribution to the company.

We will continue to seek out opportunities which will expand our brand and value. Our ultimate goal remains to be the premier choice in the Hill Capital while creating value for our stakeholders. The hard work and resilience which has seen us overcome obstacles in the past will no doubt help us conquer the new challenges as well.

"Start by doing what's necessary; then do what's possible; and suddenly you're doing the impossible."
– St. Francis of Assisi

M. U. Maniku
Chairman

10 August 2019

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 as Chairman with effect from 31st May 2012. He is a holder of a Masters Degree in Agriculture from the University of Bangladesh. Mr. Maniku has over 40 years' experience in the hospitality Industry. He is considered as the pioneer in development of tourism in the Maldives. He is the Chairman of Universal Enterprises Pvt Ltd, a company that owns and operates eight tourist resorts in the Maldives. He is a Director of Royal Palms Beach Hotels PLC. Mr. Maniku is the Chairman of the Maldives Association of Tourism Industry of the Republic of Maldives.

MR. 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 at the forefront of the leisure industry. He is the Honorary Consul for Bhutan in Sri Lanka and an all Island Justice of the 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. J. A. PANABOKKE **MANAGING DIRECTOR**

Executive Director

Mr. J. A. Panabokke has over 37 years' management experience in the hospitality industry, 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 as 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 Director of the Sri Lanka Institute of Tourism & Hotel Management.

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.

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. 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, specializing 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. 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 Laws Degree from the University of Ceylon, Colombo and is an Attorney-at-Law at 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 Person on Disaster Management to the Asian Disaster Management Center of the Asian Institute of Technology, Bangkok. Mr. Ratwatte currently is also Senior Adviser to the Prime Minister's Office, the Government of Sri Lanka.

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.

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, Maldives.

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, a Fellow Member of the Institute of Chartered Accountants of England and Wales and a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. He was a Senior Partner of KPMG Ford Rhodes Thornton & Company. At present he is a Non-Executive Independent Director of a number of Public Quoted Companies.

MS. D. L. PANABOKKE

Non-Executive Director

An Attorney-at-Law by profession, Ms. Panabokke has been engaged in the practice of commercial 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. 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 and 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 overseen the Human Resources & Administration areas of HNB.

He also served as a Director of Acuity Stock Brokers Private Ltd & Development Holdings Private Ltd.

MR. J. A. PANABOKKE

Executive Director

Mr. J. A. Panabokke is a holder of a Bachelor's Degree in Business with Majors in Marketing and In Management from 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 oversees the general operations of Mahaweli Reach Hotel and functions as the head of its IT Department.

MR. P. B. PANABOKKE

(Alternate Director to Ms. D. L. Panabokke)

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 and Uga Resorts, two of the most successful hospitality brands in the country. He presently functions as the Food and Beverage Manager at Mahaweli Reach. He is 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 2018/19

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 2019.

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 2019, prepared in compliance with the Sri Lanka Accounting Standards and completed and signed in accordance with the provisions of the Companies Act are given from pages 52 to 88

4. AUDITOR'S REPORT

The Auditor's Report on the Financial Statements of the Company is given from pages 49 to 51.

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. 3 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 2019 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 from pages 25 to 28.

10.1 BOARD OF DIRECTORS

The following Directors held office during the period under review and their brief profiles are given from Pages 33 to 35 of the Annual Report:

DIRECTORS	Executive/Non-Executive/Independent
Mr. Mohamed Umar Maniku	Non-Executive
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	Executive
Mr. Priyanjith Buddhika Panabokke (Alternate Director to Ms. Dayanthi Lakshmi Panabokke)	Non-Executive

Each of the Non-Executive Directors of the Company has submitted signed declarations 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 7th August 2019, 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 & 92 of the Articles of Association of the Company, Messrs. A. N. Esufally, A. U. Maniku, W. P. Hettiaratchi, M. Mahir and A. Nooradeen 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. R. Seevaratnam, M. U. Maniku 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. Ratwatte (Chairman)	Non-Executive/Independent
Mr. J. R. P. M. Paiva	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 Transactions 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 from pages 87 to 88 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 2019.

- 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 2019.

The requirements of the Listing Rules in relation to the Related Party Transactions Review Committee have been complied with, except for the requirement for meetings every quarter, which the Company was unable to have due to unavoidable circumstances. However, the Directors have reviewed the transactions on a regular basis.

11. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

There were no significant events reported during the year under review.

12. 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.

13. DONATIONS

The total amount of Donations made by the Company during the financial year is Rs. 83,310/-.

14. AUDITORS

The Company's auditors during the year under review were Messrs. Baker Tilly Edirisinghe & Co., Chartered Accountants, and a sum of Rs. 421,500/- was paid to them by the Company as audit fees for the year ended 31st March 2019.

As far as the Directors are aware, the Auditors do not have any other relationship (other than that of an Auditor) with the Company. The Auditors also do not have any interest with the Company.

Messrs. Baker Tilly Edirisinghe & Co., Chartered Accountants, are deemed as re-appointed, in terms of Section 158 of the Companies Act No. 07 of 2007, as Auditors of the Company. A Resolution proposing the Directors be authorized to determine their remuneration will be submitted at the Annual General Meeting

15. EMPLOYEE SHARE OWNERSHIP

The Company does not operate any share option scheme.

16. 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.

17. 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.

18. ONGOING LITIGATIONS

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

19. EQUITABLE TREATMENT TO SHAREHOLDERS

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

20. EVENT AFTER THE REPORTING DATE

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

21. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The contingent liabilities and commitments as at 31st March 2019 are given in Note No 25 to the financial statements.



22. TWENTY MAJOR SHAREHOLDERS WITH COMPARATIVES

Twenty Major Shareholders as at 31st March	31.03.2019		31.03.2018	
	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	3,308,623	7.03	3,279,951	6.97
03. Mr. J. A. Panabokke	1,905,858	4.05	1,905,858	4.05
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	1.76	829,304	1.76
07. Estate of late Mrs. L. R. Panabokke	819,050	1.74	819,050	1.74
08. Mr. J. A. Panabokke and Mrs. K. D. Panabokke	652,867	1.39	502,459	1.07
09. Mr. R. T. Molligoda (deceased on 15.04.2018)	626,200	1.33	626,200	1.33
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	218,634	0.46	174,634	0.38
13. Mrs. K. D. Panabokke	204,550	0.43	124,284	0.26
14. Mr. J. Asitha Panabokke	161,987	0.34	151,987	0.33
15. Alliance Finance Company PLC	71,928	0.16	71,928	0.16
16. Mackwoods Enterprises Limited	66,593	0.15	66,593	0.15
17. Mr. R. Ratnagopal	57,800	0.12	57,800	0.12
18. Rosewood (Pvt) Ltd – Account No. 1	50,000	0.11	50,000	0.11
19. Mr. S. Abishek	39,000	0.08	-	-
20. Mr. W. A. D. Siriwardhana	35,148	0.07	-	-

23. DIRECTORS' SHAREHOLDINGS

Directors' Interest in Shares

The Directors of the Company have disclosed their shareholdings and any acquisition / disposal to their Boards, in compliance of Section 200 of the Companies Act No.07 of 2007.

	As at 31st March 2019	As at 31st March 2018
Mr. J. A. Panabokke	1,905,858	1,905,858
Mr. M. U. Maniku	1,217,306	1,217,306
Mr. A. N. Esufally	332,000	332,000
Ms. D. L. Panabokke	218,634	174,634
Mr. J. Asitha Panabokke	161,987	151,987
Mr. P. B. Panabokke (Alternate Director to Ms. D. L. Panabokke)	17,560	-

24. DIRECTOR'S REMUNERATION AND OTHER BENEFITS

The Directors' remuneration and other benefits from the Company during the financial year 2018/2019 is Rs. 18,416,900/-

25. INTERESTS REGISTER

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

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

A review of these contracts are undertaken by the Related Party Transactions Review Committee of the Company. The Committee's report is found on page 48.

26. 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.

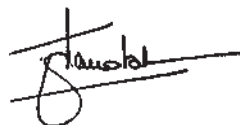
The Board of Directors have approved the Audited Financial Statements of the Company together with the Reviews and other Reports which form part of the Annual Report. The appropriate number of copies of the Annual Report will be submitted to the Colombo Stock Exchange, the Sri Lanka Accounting and Auditing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

27. ANNUAL GENERAL MEETING

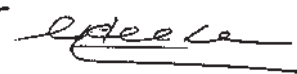
The 45th Annual General Meeting of the Company will be held on 30th September 2019 at 11.00 a.m. at the Registered Office of the Company, No. 35, P. B. A. Weerakoon Mawatha, Kandy, Sri Lanka.

The Notice of the Annual General Meeting, setting out the business which will be transacted there, is from Pages 6 to 7 of the Annual Report.

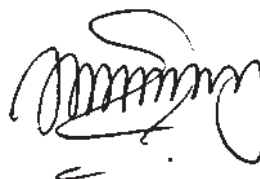
Signed on behalf of the Board



J. A. Panabokke
Director



W. P. Hettiaratchi
Director



Businessmate (Private)
Limited
Company Secretaries

10 August 2019

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	2019	2018
Number of Shareholders	2,279	2,226

2.2 DISTRIBUTION AND COMPOSITION OF SHAREHOLDERS

No. of Shareholders		Distribution of Shares		31.03.2018 Holding	%	31.03.2019 Holding	%
31.03.2019	31.03.2018						
1,879	1,832	1	1,000	413,803	0.88	403,927	0.86
344	334	1,001	10,000	1,045,706	2.22	1,049,215	2.23
41	43	10,001	100,000	984,685	2.09	920,906	1.96
11	13	100,001	1,000,000	5,250,051	11.16	5,291,525	11.24
4	4	Above	1,000,000	39,372,202	83.65	39,400,874	83.71
2,279	2,226			47,066,447	100.00	47,066,447	100.00

Categories of Shareholders	As at 31st March 2019		
	No. of Shareholders	No. of Shares	%
Institutions	70	36,662,263	77.89
Individuals	2,209	10,404,184	22.11
Total	2,279	47,066,447	100.00

3. MARKET PERFORMANCE - ORDINARY SHARES

For the year ended 31st March	2019	2018
As at 31st March (Rs.)	13.60	17.20
Highest (Rs.)	18.40	21.90
Lowest (Rs.)	12.50	16.80
Value of shares traded (Rs.)	6,465,865.60	13,721,304.80
No. of Shares traded	446,928	699,045
Volume of transactions	835	682

4. MARKET CAPITALIZATION

The market capitalization of the Company, which is the number of Ordinary Shares in issue multiplied by the market value of an Ordinary Share, was Rs. 640,103,679/20 as at 31st March 2019 (2018 - Rs. 809,542,888/-)

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 - 19.16%

Number of Public Shareholders - 2,270

Number of Non-public Shareholders - 09

Float adjusted market capitalization - Rs. 122,643,865/-

Shareholdings	No. of Shares held as at 31.03.2019	Holding %	No. of Shares held as at 31.03.2018	Holding %
Others	38,047,179	80.84	37,718,278	80.14
Public	9,019,268	19.16	9,348,169	19.86
Total	47,066,447	100.00	47,066,447	100.00

Five Year Highlights...

OPERATING RESULTS		2014/15	2015/16	2016/17	2017/18	2018/19
Occupancy	%	66	66	61	61	66
Gross Revenue	(Rs.000)	614,483	665,792	629,272	599,004	654,310
Interest Charges	(Rs.000)	(12,104)	(11,263)	(16,731)	(17,259)	(24,803)
Depreciation	(Rs.000)	(46,920)	(53,257)	(54,636)	(56,359)	(58,764)
Profit & (Loss) - before Interest	(Rs.000)	64,977	102,178	39,254	(13,234)	(10,420)
- after Interest	(Rs.000)	52,873	90,916	22,523	(30,493)	(35,223)
ASSETS EMPLOYED						
Non-Current Assets	(Rs.000)	1,340,859	1,364,516	1,378,928	1,389,531	1,358,248
Net Current Assets/ (Liabilities)	(Rs.000)	(11,942)	33,043	6,006	(16,841)	(56,769)
Stated Capital						
Ordinary Shares	(Rs.000)	585,445	585,445	585,445	585,445	585,445
Net Reserves	(Rs.000)	507,356	566,080	575,254	504,988	468,114
Non-Current Liabilities	(Rs.000)	236,115	246,033	224,234	282,256	247,919
Market Value per share	Rs. Cts.	21.00	22.60	19.00	17.20	13.60
Net Assets per share	Rs. Cts.	23.22	24.47	24.66	23.17	22.38
Dividend per share	Rs. Cts.	-	-	-	-	-
Earnings per share	Rs. Cts.	0.52	1.24	0.16	(0.83)	(0.88)
Year on Year Growth						
- in Earnings per share	%	(36)	138.55	(87)	(619)	(6)
- In Dividend per share	%	-	-	-	-	-
Price Earning Ratio	-	40.38	18.23	118.75	(20.72)	(15.45)
Borrowing as a % of Total Assets	%	11.00	10.44	9.33	10.90	12.29
Interest Cover	Times	5.36	9.07	2.35	(0.76)	(0.42)

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)
- Independent Non-Executive Director

Mr. J. R. P. M. Paiva
- Independent Non-Executive Director

Brief profiles of the Directors are given from pages 33 to 35 of the Annual Report.

MEETINGS

The Committee met once during the year under review. Attendance at this meeting is given on page 22 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 Executive Directors 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 organization 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 2019



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.

For more information on the experience of and brief profiles of the Members please refer pages 33 to 35 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 authorizes 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 two occasions during the financial year.

Attendance of the Committee Members at each of these meetings is given on page 23 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.

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. 07 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 2019

Related Party Transactions Review Committee Report...

The Board's Related Party Transactions Review Committee was formed by the Board of Directors in compliance with the Section 9 of the Listing Rules of the Colombo Stock Exchange with effect from 21st December 2015.

The Committee comprises of four Directors. The Chairman of the Committee is a Non-Executive Independent 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 from pages 33 to 35 of the Annual Report.

COMMITTEE MEETING

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 and were unable to have a fourth meeting due to unavoidable circumstances. 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 arms' 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 23 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.

POLICIES AND PROCEDURES ADOPTED BY THE COMMITTEE

The Company has in place a Related Party Transaction identification and disclosure procedure whereby the

categories of persons who shall be considered as related parties has been identified. In accordance with the above procedures, self-declarations are obtained from each Director/ Key Management Personnel of the Company for the purpose of identifying parties related to them. The nature of the transactions, the quantum, parties and terms and conditions relating to the transactions are reviewed to ensure transparency. The Committee endeavours to meet at least quarterly, review and report to the Board on matters involving related party transactions falling under its scope.

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

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

RELATED PARTY TRANSACTION DURING THE YEAR

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 2018/2019 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.

REGULATORY COMPLIANCE

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

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

10 August 2019

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, 2019, 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 52 to 88.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at March 31, 2019, 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>Expected Loss Allowance for Trade Receivables</p> <p>As at March 31, 2019, trade receivables amounting to Rs. 51,437,767/- are stated at their original value less appropriate allowance for estimated irrecoverable amounts.</p> <p>The Company recognise an allowance for Expected Credit Losses (ECLs) for trade receivables. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective 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 3.2.2 and 4.4.8.3 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. We assessed the reasonableness of management's estimated future recoveries including the expected future cash flows and discount rates. We also compared the actual recoveries against previously estimated amounts of future recoveries.

Page 01 of 03

Partners: P. P. Edirisinghe FCA ACIM MBA, Ms. M. K. K. Karunaratne, FCA ACMA, P. K. A. M. Alahakoon, ACA MAAT,
S. A. Harischandra ACA ACMA CGMA, MBA Bcom (Sp)
Consultants: A. T. P. Edirisinghe, FCA FCMA (UK) A. D. Jayasena FCA

Edirisinghe & Co., trading as Bakertilly, is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.



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 black ink, appearing to read "Edirisinghe", written over a light blue horizontal line.

Edirisinghe & Co.,
Chartered Accountants
Colombo
10 August, 2019



Statement of Profit or Loss and other Comprehensive Income...

For the year ended 31st March, 2019	Notes	2018/2019 Rs.	2017/2018 Rs.
Revenue	7	598,408,777	548,395,402
Cost of Sales		(293,974,899)	(270,579,357)
Gross Profit		304,433,878	277,816,045
Other Operating Income	8	55,901,661	50,608,799
Administrative Expenses		(254,586,089)	(238,680,312)
Marketing and Promotion Costs		(34,835,805)	(30,374,058)
Other Cost		(81,333,613)	(72,604,775)
Operating (Loss) / Profit		(10,419,968)	(13,234,301)
Finance Income	9	3,226	249,830
Finance Cost		(31,224,322)	(23,032,508)
Finance Cost-Net		(31,221,096)	(22,782,678)
(Loss)/Profit Before Tax	10	(41,641,064)	(36,016,979)
Income Tax (Expenses) / Credits	11	385,399	(2,950,415)
(Loss)/Profit for the Year		(41,255,665)	(38,967,394)
Other Comprehensive Income			
Items that will never be reclassified to Profit or Loss			
Re-measurement of Defined Benefit Liability		5,095,165	1,150,247
Related Tax		(713,323)	(161,035)
Deferred Tax Impact on Revalued Buildings		-	(7,815,561)
Deferred Tax Impact on Revalued Lands		-	(24,472,488)
Other Comprehensive Income/(Expense) for the Year, Net of Tax		4,381,842	(31,298,837)
Total Comprehensive Income/(Expense) for the Year		(36,873,823)	(70,266,231)
Earnings/(Loss) Per Share (Basic) - Rs. Cts.	12	(0.88)	(0.83)

The accounting policies and notes from pages 56 to 88 form an integral part of these Financial Statements.

Statement of Financial Position...

As at 31st March, 2019	Notes	31.03.2019 Rs.	31.03.2018 Rs.
ASSETS			
Non-Current Assets			
Property, Plant & Equipment	13	1,322,293,904	1,344,942,000
Deferred Tax Assets	14	35,954,100	44,589,644
		1,358,248,004	1,389,531,644
Current Assets			
Inventories	15	22,350,001	21,702,438
Trade and Other Receivables	16	97,407,786	102,908,753
Income Tax Refund	24	8,503,184	4,101,224
Cash and Cash Equivalents	17	7,365,427	12,317,285
		135,626,398	141,029,700
Total Assets		1,493,874,402	1,530,561,344
EQUITY AND LIABILITIES			
Stated Capital	18	585,445,870	585,445,870
Revaluation Reserve	19	506,400,130	506,400,130
Retained Earnings		(38,285,750)	(1,411,927)
Total Equity		1,053,560,250	1,090,434,073
Non-Current Liabilities			
Deferred Tax Liabilities	14	123,410,028	131,742,631
Retirement Benefit Obligation	20	55,128,625	53,902,616
Interest Bearing Borrowings	21	69,380,164	96,611,699
		247,918,817	282,256,946
Current Liabilities			
Trade and Other Payables	22	77,290,651	78,290,357
Due to Related Parties	23	942,529	9,229,295
Interest Bearing Borrowings	21	114,162,155	70,350,673
		192,395,335	157,870,325
Total Liabilities		440,314,152	440,127,271
Total Equity and Liabilities		1,493,874,402	1,530,561,344

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


Sanjeeva 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 56 to 88 form an integral part of these Financial Statements.

10 August, 2019
Colombo.



Statement of Changes in Equity...

For the year ended 31st March, 2019	Stated Capital Rs.	Retained Earnings Rs.	Revaluation Reserve Rs.	Total Rs.
Balance as at 1st April, 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 Lands	-	-	(24,472,488)	(24,472,488)
Deferred Tax Impact on Revalued Buildings	-	-	(7,815,561)	(7,815,561)
Total Other Comprehensive Income/(Expense) for the Year	-	989,212	(32,288,049)	(31,298,837)
Total Comprehensive Income/(Expense) 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
Loss for the Year	-	(41,255,665)	-	(41,255,665)
Other Comprehensive Income				
Other Comprehensive Income for the Year	-	5,095,165	-	5,095,165
Related Tax	-	(713,323)	-	(713,323)
Total Other Comprehensive Income/(Expense) for the Year	-	4,381,842	-	4,381,842
Total Comprehensive Income/(Expense) for the Year	-	(36,873,823)	-	(36,873,823)
Balance as at 31st March, 2019	585,445,870	(38,285,750)	506,400,130	1,053,560,250

The accounting policies and notes from pages 56 to 88 form an integral part of these Financial Statements.

Statement of Cash Flows...

For the year ended 31st March, 2019	31.03.2019 Rs.	31.03.2018 Rs.
Cash Flows From Operating Activities		
Profit/(Loss) Before Taxation	(41,641,064)	(36,016,979)
Adjustment for:		
Depreciation	58,764,320	56,359,652
Lease Interest	2,005,225	2,185,941
Interest Expenses	24,802,853	17,259,063
Provision for Gratuity	8,363,549	8,623,209
Impairment Loss on Trade & Other Receivables	5,214,425	2,923,167
Other Receivables Written Off	5,273,810	2,980,108
Creditors Written Back	(1,061,492)	(1,280,697)
Other Payables Written Back	(56,867)	(587,046)
Operating Profits Before Working Capital Changes	61,664,760	52,446,418
(Increase)/Decrease in Inventories	(647,563)	(640,628)
(Increase)/Decrease in Trade and Other Receivables	(4,987,268)	(1,964,075)
Increase/(Decrease) in Trade and Other Payables	118,653	468,492
Increase/(Decrease) in Related Party Balances	(8,286,766)	5,692,558
Cash Flows From Operations	47,861,816	56,002,765
Gratuity Paid	(2,042,375)	(5,006,315)
Interest Paid	(24,802,853)	(17,259,063)
Tax Paid	(4,426,943)	(5,100,548)
Net Cash Generated From Operating Activities	16,589,645	28,636,839
Cash Flows from Investing Activities		
Acquisition of Property, Plant & Equipment	(36,116,226)	(59,376,742)
Net Cash Used in Investing Activities	(36,116,226)	(59,376,742)
Cash Flows from Financing Activities		
Proceeds from Loans	-	40,000,000
Repayment of Loans	(20,662,800)	(26,144,512)
Repayment of Finance Lease Liability	(11,013,008)	(10,637,498)
Net Cash (Generated from)/Used In Financing Activities	(31,675,808)	3,217,990
Net Increase/(Decrease) in Cash and Cash Equivalents	(51,202,389)	(27,521,913)
Cash and Cash Equivalents at the Beginning of the Year	(28,619,023)	(1,097,110)
Cash and Cash Equivalents at the End of the Year (Note No. 17)	(79,821,412)	(28,619,023)

The accounting policies and notes from pages 56 to 88 form an integral part of these Financial Statements.



Notes to the Financial Statements...

For the year ended 31st March 2019

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 289 and last year 308.

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 2019 were authorized for issue in accordance with a resolution of the Directors on 10th August 2019.

1.5 Managment 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. 07 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. 6.1.

For the year ended 31st March 2019

2. Basis of Preparation (Continued)

2.4 Use of Estimates and Judgments (Continued)

2.4.1 Measurement of Fair Values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Company regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, the Company assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRS, including the level in the fair value hierarchy in which such valuations should be classified.

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

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

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

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

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

Further information about the assumption made in measuring fair value is included in Note No. 13.5.

3. CHANGES TO ACCOUNTING POLICIES AND ADOPTION OF NEW ACCOUNTING STANDARDS

The Company adopted SLFRS 15 - Revenue from contracts with customers (3.1) and SLFRS 9 - Financial Instruments - Recognition and Measurement (3.2). Several other amendments and interpretations in accounting standards apply for the first time in financial year 2018/19 but do not have an impact on the Financial Statements of the Company. The Company has not early adopted any standards, interpretation or amendments that have been issued but not yet effective.

3.1 SLFRS 15 - Revenue from contract with customers

SLFRS 15 replaced LKAS 18 Revenue and related Interpretations. SLFRS 15 established a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an Company expects to be entitled in exchange for transferring goods or services to a customer. SLFRS 15 required the Company to exercise judgement, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Company adopted SLFRS 15 using the full retrospective method of adoption. Based on the assessment performed, the Company concluded that SLFRS 15 did not have a material impact on Company's Financial Statements.

3.2 SLFRS 9 - Financial Instruments

SLFRS 9 Financial Instruments replaces LKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 April 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement,

For the year ended 31st March 2019

3. Changes to Accounting Policies and Adoption of New Accounting Standards (Continued)

3.2 SLFRS 9 - Financial Instrument (Continued)

impairment, and hedge accounting.

The Company applied SLFRS 9 retrospective method of adoption with the date of initial application of 1 April 2018. The Company has not restated the comparative information, which continues to be reported under LKAS 39. Differences arising from the adoption of SLFRS 9 have been recognised directly in retained earnings and other components of equity. The effect of adopting SLFRS 09 as at 1 April 2018 did not have a significant financial impact to the balances as at 1 April 2018.

3.2.1 Classification and measurement of financial assets and financial liabilities

SLFRS 9 – "Financial Instruments" contains three principal classification categories for financial assets measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under SLFRS 9 – "Financial Instruments" is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SLFRS 9 – "Financial Instruments" eliminates the previous LKAS 39 – "Financial Instruments: Recognition and Measurement" categories of held for trading, held to maturity, loans and receivables and available for sale. Under SLFRS 9 – "Financial Instruments", derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

a) Financial assets measured at amortized cost

A financial asset is measured at amortised

cost if it meets both of the following conditions and is not designated as FVTPL:

- i) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows and
- ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

b) Equity Investment

Investments in equity instruments are always measured at fair value. Equity instruments are those that meet the definition of 'equity' from the perspective of the issuer as defined in LKAS 32 – "Financial instrument: Recognition & measurement". For equity instruments, management has the ability to make an irrevocable election on initial recognition, on an instrument-by-instrument basis, to present changes in fair value in OCI rather than profit or loss. If this election is made, all fair value changes, excluding dividends that are a return on investment, will be included in OCI. There is no recycling of amounts from OCI, to profit and loss (for example, on sale of an equity investment), nor are there any impairment requirements. However, the entity might transfer the cumulative gain or loss within equity. All the equity instrument for which the irrecoverable option is not made should be measured at fair value through profit or loss.

c) Other

All other financial assets are classified as financial assets measured at FVTPL. The assessment of the Company's business model was made as of the date of initial application, 1 April 2018. The classification and measurement requirements of SLFRS 9 did not have a significant impact to the Company. All financial assets previously held at fair value under LKAS 39 were continued to be measured at fair value itself. The following are the changes in the classification of the Company's financial assets:

- i) Trade receivables classified as Loans and receivables as at 31 March 2019 are held to collect contractual cash flows and give rise

For the year ended 31st March 2019

3. Changes to Accounting Policies and Adoption of New Accounting Standards (Continued)

3.2.1 Classification and measurement of financial assets and financial liabilities (Continued)

c) Other (Continued)

to cash flows representing solely payments of principal and interest. These are classified and measured as Debt instruments at amortised cost beginning from 1 April 2018.

SLFRS 09 – "Financial Instruments" largely retains the existing requirement in LKAS 39 – "Financial Instruments: Recognition and Measurement" for the classification of financial liabilities.

The Company has not designated any financial liabilities at fair value through Profit or Loss. Accordingly, there are no changes for classification and measurement in the Company's financial liabilities.

3.2.2 Impairment

The adoption of SLFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing LKAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. SLFRS 9 requires the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets. Upon adoption of SLFRS 9 the Company has the following types of financial assets which are subject to SLFRS 9's expected credit loss (ECL) model:

Trade receivables : The adoption of SLFRS 9 has fundamentally changed the company's accounting for impairment losses for financial assets replacing the LKAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. Further, Company applied the simplified approach in calculating the expected credit loss of the trade receivables & prepayments.

The Company was required to revise its impairment methodology under SLFRS 9 for each of these classes of assets. The adoption of the ECL requirements of SLFRS 9 did not result in any material increases in impairment allowances of the Company's debt financial assets.

No other significant changes in classification and measurement of financial assets and liabilities were resulted due to this adoption.

4. 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.

4.1 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.

4.2 Property Plant & Equipment

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

4.2.1 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 and Equipment and borrowing costs for long-term construction projects if the recognition criteria are met.



For the year ended 31st March 2019

4. Summary of Significant Accounting Policies (Continued)

4.2 Property Plant & Equipment (Continued)

4.2.1 Cost / Valuation (Continued)

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

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 and 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.

4.2.2 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 and 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 and 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.

4.2.3 Depreciation.

Provision for depreciation is calculated based on their estimated useful lives of each part of an item of Property, Plant and 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% to 5.0%
Office Equipment	10% to 20%
Linen Items	33.33%
Furniture & Fittings	20%
Motor Vehicles	25%

Items of Property, Plant and 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.

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

For the year ended 31st March 2019

4. Summary of Significant Accounting Policies (Continued)

4.3 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.

4.4 Financial Instruments

i) Accounting Policies Applicable upto 31 March 2018

4.4.1 Classification

The Company classifies its financial assets within the scope of the LKAS 39 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.

4.4.2 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.

4.4.3 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.

4.4.4 Impairment of Financial Assets

The Company assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or



For the year ended 31st March 2019

4. Summary of Significant Accounting Policies (Continued)

4.4 Financial Instruments (Continued)

4.4.4 Impairment of Financial Assets (Continued)

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.

4.4.5 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. 4.4.8.3.

4.4.6 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.

4.4.7 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 2019

4. Summary of Significant Accounting Policies (Continued)

4.4 Financial Instruments (Continued)

ii) Accounting Policies Applicable from 1 April 2018

4.4.8 Financial Assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price

4.4.8.1 Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon de-recognition (equity instruments)
- Financial assets at fair value through profit or loss

a) Financial Assets at Amortised Cost (Debt Instrument)

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is de-recognised, modified or impaired.

The Company's financial assets at amortised cost includes trade receivables.

b) Financial assets at fair value through OCI (debt instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the Statement of Profit or Loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

c) Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when

For the year ended 31st March 2019

4. Summary of Significant Accounting Policies (Continued)

4.4 Financial Instruments (Continued)

4.4.8.1 Subsequent Measurement (Continued)

c) Financial assets designated at fair value through OCI (equity instruments) (Continued)

they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by instrument basis.

Gains and losses on these financial assets are never recycled to Statement of Profit or Loss. Dividends are recognised as other income in the Statement of Profit or Loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

d) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified

at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the Statement of Financial Position at fair value with net changes in fair value recognised in the Statement of Profit or Loss.

4.4.8.2 De-recognition

A financial asset is de-recognised when:

- The rights to receive cash flows from the asset have expired:
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Company continuing involvement in it.

4.4.8.3. Impairment of financial assets

The Company recognises an allowance for Expected Credit Losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

For the year ended 31st March 2019

4. Summary of Significant Accounting Policies (Continued)

4.4 Financial Instruments (Continued)

4.4.8.3. Impairment of financial assets (Continued)

The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

4.4.8.4 Financial Liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs.

The Company financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

a) Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities are classified as measured at amortised cost or FVPL. A financial liability is classified as at FVPL, if it is classified as held-for-trading, it is

a derivative or it is designated as such on initial recognition. Financial liabilities at FVPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on de-recognition is also recognised in profit or loss.

b) Loans and borrowings

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

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

4.5 Inventories

Inventories are measured at the lower of cost and net realizable 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

For the year ended 31st March 2019

4. Summary of Significant Accounting Policies (Continued)

4.5 Inventories (Continued)

and condition. Net realizable 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

4.6 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.

4.7 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.

4.8 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.

4.9 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.

4.10 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.

For the year ended 31st March 2019

4. Summary of Significant Accounting Policies (Continued)

4.11 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 and 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 and Equipment acquired under Finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

4.12 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, 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.

4.13 Employee Benefits

4.13.1 Defined Benefit Plans

Defined benefit plans are post-employment benefit plans other than defined contribution



For the year ended 31st March 2019

4. Summary of Significant Accounting Policies (Continued)

4.13 Employee Benefits (Continued)

4.13.1 Defined Benefit Plans (Continued)

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.

4.13.2 Defined Contribution Plans - Employees' Provident Fund and Employees' Trust Fund

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

4.13.3 Short-term Benefits

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

4.14 Revenue Recognition

4.14.1 Revenue from contracts with Customers

SLFRS 15 "Revenue from Contracts with Customers" outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance found across several Standards and Interpretations within SLFRS. It establishes a new five-step model that will apply to revenue arising from contracts with customers.

Step 1: Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that create enforceable rights and obligations and sets out the criteria for each of those rights and obligations.

Step 2: Identify the performance obligations in the contract: A performance obligation in a contract is a promise to transfer a good or service to the customer that is distinct.

Step 3: Determine the transaction price: Transaction price is the amount of consideration to which the entity expects to be entitled to in exchange for transferring the promised goods and services to a customer, excluding amounts collected from third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the entity will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the entity expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Accordingly, the revenue from contract with customers of the Company are accounted as follows:

For the year ended 31st March 2019

4. Summary of Significant Accounting Policies (Continued)

4.14 Revenue Recognition (Continued)

4.14.1 Revenue from contracts with Customers (Continued)

(a) Room Revenue

Revenue is recognised on the rooms occupied on daily basis and after completing all other obligation related to the Room.

(b) Food and Beverage Revenue

Food & Beverage Revenue is accounted at the time of sale.

(c) Other Hotel Related Revenue

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

Up to 31 March 2018, revenue from hotel related income sources has been recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

However, no changes to the revenue recognition point and the measurement bases are occurred due to the adoption of SLFRS 15.

(d) Others

Other income is recognised on an accrual basis.

(e) Interest Income

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

5. FINANCIAL RISK MANAGEMENT

5.1 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.

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	5,339,076
Bank Loans (Rs.)	(-) 50 Basis Points	(5,339,076)

For the year ended 31st March 2019

5. Financial Risk Management (Continued)

5.1 Financial Risk Factors (Continued)

(a) Market Risk (Continued)

(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, 2019	Less than 1 Year Rs.	Between 1 and 5 Years Rs.
Borrowings	114,162,155	69,380,164
Trade and other payables (excluding statutory liabilities)	66,726,783	-
Total	180,888,938	69,380,164
As at 31st March, 2018		
Borrowings	70,350,673	96,611,699
Trade and other payables (excluding statutory liabilities)	69,747,716	-
Total	140,098,389	96,611,699

5.2 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 2019 and 2018 were as follows:

For the year ended 31st March 2019

5. Financial Risk Management (Continued)

5.2 Capital Risk Management (Continued)

	2018/2019 Rs.	2017/2018 Rs.
Total Borrowings (Note No. 21)	183,542,319	166,962,371
Less Cash and Cash Equivalents (Note No. 17)	(7,365,427)	(12,317,285)
Net Borrowings	176,176,892	154,645,086
Total Equity	1,053,560,250	1,090,434,073
Total Capital	1,229,737,142	1,245,079,159
Gearing Ratio	14%	12%

6.1 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.

(c) Residual Value and Useful Lives of Property, Plant and 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.



For the year ended 31st March 2019

6.1 Critical Accounting Estimates and Judgments (Continued)

(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.

6.2 NEW ACCOUNTING STANDARDS ISSUED BUT NOT APPLICABLE AS AT 31ST MARCH 2019

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:

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 the 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 applicable for annual periods beginning on or after 1st April 2019. Early application is permitted. 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.

A - Transitional Disclosures

SLFRS 9 - Financial Instruments

a) Classification and measurement

On 1 April 2018, the Company's management has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate SLFRS 9 categories.

b) Reclassifications of financial instruments on adoption of SLFRS 9

On the date of initial application, 1 April 2018, the financial instruments of the Company were as follows, with any reclassifications noted:

For the year ended 31st March 2019

6.2 New Accounting Standards issued but not applicable as at 31st March 2019 (Continued)

b) Reclassifications of financial instruments on adoption of SLFRS 9 (Continued)

Current financial assets	Measurement category		Carrying amount		
	Original (LKAS 39)	New (SLFRS 9)	Original (Rs.)	New (Rs.)	Difference
Trade and other receivables (Excluding Statutory Liabilities)	Amortised cost	Amortised cost	68,234,376	68,234,376	Nil
Cash and cash equivalents	Amortised cost	Amortised cost	12,317,285	12,317,285	Nil

The application of the new expected credit loss model and the reclassifications of the financial instruments on adoption of SLFRS 9 did not result in any changes to their initial measurements.

SLFRS 15 Revenue from Contracts with Customers

The Company has adopted SLFRS 15 Revenue from Contracts with Customers from 1 April 2018 which resulted in changes in accounting policies. In accordance with the transition provisions in SLFRS 15, the Company has adopted the new rules retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application. The Company does not identify any material impact to the financial statement at the date of initial application.

For the year ended 31st March, 2019

	2018/2019 Rs.	2017/2018 Rs.
7. REVENUE		
Front Office & Apartment	320,017,694	296,632,796
Restaurant	236,131,526	219,117,868
Beverage	42,259,557	32,644,738
	598,408,777	548,395,402
8. OTHER OPERATING INCOME		
Gain on Exchange	4,162,410	696,302
Minor Operating Income	49,018,920	47,064,148
Staff Loan Interest	1,058,232	980,606
Creditors Written Back	1,061,492	1,280,697
Other Payable Written Back	56,867	587,046
Dinner Dance	543,740	-
	55,901,661	50,608,799
9. FINANCE INCOME/(COST)		
NOTE NO. 9.1 - FINANCE INCOME		
Interest Income	3,226	249,830
	3,226	249,830
NOTE NO. 9.2 - FINANCE COST		
Interest Expenses	24,802,853	17,259,063
Finance Charges on Lease Liabilities	2,005,225	2,185,941
Other Financial Charges	4,416,244	3,587,504
	31,224,322	23,032,508
Finance Cost Net	(31,221,096)	(22,782,678)
10. PROFIT BEFORE TAX		
is stated after charging all expenses including the following:		
Staff Cost (Note No. 10.1)	181,120,686	177,118,771
Directors Remuneration	18,416,900	15,373,750
Auditors Remuneration Fees	421,500	401,000
Non Assurance Fees & Expenses	344,750	640,987
Depreciation	58,764,320	56,359,652
Impairment Loss on Trade & Other Receivables	5,214,425	2,923,167
Advertising & Sales Promotion Cost	14,351,332	11,875,265
10.1 EMPLOYEE BENEFIT EXPENSES		
Salaries & Other Allowances	117,698,707	114,764,053
Staff Welfare	549,472	1,469,268
Medical Expenses	2,001,348	2,205,767
EPF & ETF	16,655,292	16,801,896
Post Employment Benefit - Gratuity	8,363,549	8,623,209
Incentives	3,453,750	1,580,421
Casual Wages	5,070,285	2,718,576

For the year ended 31st March, 2019

10.1 Employee Benefit Expenses (Continued)

Travelling Allowances	10,301,308	11,659,910
Staff Food	14,530,532	16,016,202
Staff Uniform	2,496,442	1,279,469
Total Employee Benefit Expenses	181,120,686	177,118,771

11 INCOME TAX

The major components of income tax expense for the year ended 31 st March, 2019 are as follows :

	Notes	2018/2019 Rs.	2017/2018 Rs.
Current Income Tax			
Current Income Tax Charge	11.1	-	45,469
(Over)/under provision in respect of previous year		24,983	-
Deferred Tax			
Deferred Tax Charge/(Credit)	11.2	(410,382)	2,904,946
Income tax expense/(credit) reported in the Statement of Profit or Loss		(385,399)	2,950,415

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

	2018/2019 Rs.	2017/2018 Rs.
Accounting Profit/(Loss) before tax from continuing operations	(41,641,064)	(36,016,979)
Non-deductible Expenses	83,060,769	109,432,097
Deductible Expenses	(62,958,435)	(76,835,877)
Other Sources of Income	(3,226)	(249,830)
	(21,541,956)	(3,670,589)
Interest Income	3,226	249,830
Total Assessable Income	3,226	249,830
Set off against Tax Losses	(3,226)	(87,441)
Taxable Income	-	162,389
Income tax at 28% (in 2018 - 28%)	-	45,469
	-	45,469

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:

Deferred Tax Liabilities		
Accelerated depreciation - Charged/(Reversed)	(8,332,603)	3,458,113
	(8,332,603)	3,458,113
Deferred Tax Assets		
Defined Benefit Obligation	884,965	1,535,085
Carried forward unused tax losses Charged/(Reversed)	(8,807,186)	(981,918)
	(7,922,221)	553,167
Deferred Tax Charge/(Credit) for the Year	(410,382)	2,904,946

For the year ended 31st March, 2019

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	2018/2019 Rs.	2017/2018 Rs.
Profit/(Loss) for the year	(41,255,665)	(38,967,394)
Amount Used as the Denominator		
Number of Ordinary Shares	47,066,447	47,066,447
Earnings/(Loss) Per Share - Rs. Cts.	(0.88)	(0.83)

13. PROPERTY, PLANT & EQUIPMENT

At Cost or Valuation	Balance as at 01.04.2018	Additions	Transfers	Balance as at 31.03.2019
	Rs.	Rs.	Rs.	Rs.
Freehold Assets				
Freehold Lands	296,604,501	-	-	296,604,501
Buildings	827,546,469	9,664,076	40,931,300	878,141,845
Motor Vehicles	20,152,223	-	-	20,152,223
Office Equipment	335,959,315	10,012,699	40,633,818	386,605,832
Furniture and Fittings	154,375,187	1,922,356	-	156,297,543
Linen	16,114,437	1,055,950	-	17,170,387
	1,650,752,132	22,655,081	81,565,118	1,754,972,331
Leasehold Assets				
Motor Vehicles	25,830,905	-	-	25,830,905
Generator	20,612,985	-	(10,535,175)	10,077,810
Laundry Machine	10,944,837	-	-	10,944,837
	57,388,727	-	(10,535,175)	46,853,552
Total Value of Assets	1,708,140,859	22,655,081	71,029,943	1,801,825,883

For the year ended 31st March 2019

13. Property, Plant & Equipment (Continued)

13.2 Accumulated Depreciation

At Cost or Valuation	Balance as at 01.04.2018	Charge for the year	Transfers	Balance as at 31.03.2019
	Rs.	Rs.	Rs.	Rs.
Freehold Assets				
Freehold Lands	-	-	-	-
Buildings	65,682,616	27,047,443	-	92,730,059
Motor Vehicles	17,936,269	553,991	-	18,490,260
Office Equipment	168,533,624	17,303,554	7,083,009	192,920,187
Furniture and Fittings	135,033,587	4,075,587	-	139,109,174
Linen	9,073,602	2,671,940	-	11,745,542
	396,259,698	51,652,515	7,083,009	454,995,222
Leasehold Assets				
Motor Vehicles	10,649,887	3,795,255	-	14,445,142
Generator	12,954,202	1,531,757	(7,083,009)	7,402,950
Laundry Machine	2,020,872	1,784,793	-	3,805,665
	25,624,961	7,111,805	(7,083,009)	25,653,757
Total Depreciation	421,884,659	58,764,320	-	480,648,979
Net Book Value	01.04.2018 Rs.			31.03.2019 Rs.
Freehold Assets	1,254,492,434			1,299,977,109
Leasehold Assets	31,763,766			21,199,795
	1,286,256,200			1,321,176,904

13.3 Work-In-Progress

	Balance as at 01.04.2018	Additions	Transfer to Property, Plant & Equipment	Balance as at 31.03.2019
	Rs.	Rs.	Rs.	Rs.
Construction of New Panel Board	12,859,568	1,334,646	(14,194,214)	-
Installation of Salary System	1,117,000	-	-	1,117,000
Construction of Fire Alarm System	7,929,726	4,987,839	(12,917,565)	-
CCTV Project	1,662,298	1,324,567	(2,986,865)	-
Staff Quarters	1,274,856	548,404	(1,823,260)	-
River Bank Project	33,494,445	5,265,689	(38,760,134)	-
Drip Irrigation Project	85,100	-	(85,100)	-
Server Room	262,807	-	(262,807)	-
	58,685,800	13,461,145	(71,029,945)	1,117,000
Total Assets	1,344,942,000			1,322,293,904

For the year ended 31st March 2019

13. Property, Plant & Equipment (Continued)

- 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;

	2019 Rs.	2018 Rs.
Lands	98,116,927	98,116,927
Buildings	597,482,769	546,887,393
Accumulated depreciation	(160,312,415)	(149,880,370)
Net book amount	535,287,281	495,123,950

13.5 Property, Plant & Equipment at Fair Value

(a) Reconciliation of carrying amount

	2019 Rs.	2018 Rs.
Balance as at 1st April	1,124,150,970	1,119,516,080
Additions	50,595,376	4,634,890
Balance as at 31st March	1,174,746,346	1,124,150,970

(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 Siyambalahakotuwa (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.

For the year ended 31st March 2019

14. DEFERRED INCOME TAX ASSETS AND LIABILITIES

	31.03.2019 Rs.	31.03.2018 Rs.
14.1 Deferred Tax Liabilities		
Balance at the Beginning of the Year	131,742,631	95,996,469
Temporary Differences arising from Property, Plant & Equipment	(8,332,603)	3,458,113
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	123,410,028	131,742,631
14.2 Deferred Tax Assets		
Balance at the Beginning of the Year	44,589,644	44,197,512
Temporary Differences arising from Retirement Benefit	171,642	1,374,050
Temporary Differences arising from Unused Tax Losses	(8,807,186)	(981,918)
Balance at the end of the year	35,954,100	44,589,644

14.3 Recognised Deferred Tax Assets and Liabilities

	31.03.2019		31.03.2018	
	Assets Rs.	Liabilities Rs.	Assets Rs.	Liabilities Rs.
Property, Plant & Equipment	-	44,228,611	-	52,561,214
Revaluation of Buildings	-	54,708,929	-	54,708,929
Revaluation of Lands	-	24,472,488	-	24,472,488
Defined Benefit Obligation	7,718,008	-	7,546,366	-
Unused Tax Losses	28,236,092	-	37,043,278	-
Total	35,954,100	123,410,028	44,589,644	131,742,631

15. INVENTORIES

	31.03.2019 Rs.	31.03.2018 Rs.
Food Stock	4,488,245	3,605,186
Beverage Stock	4,935,384	4,759,053
Housekeeping	1,536,902	2,238,670
Maintenance Stock	2,754,358	2,581,859
Printing & Stationery Stock	2,253,030	2,707,391
General Stock	5,843,573	5,056,569
Gas Stock	36,663	108,822
Fuel Stock	501,846	644,888
Total	22,350,001	21,702,438



For the year ended 31st March, 2019

16. TRADE AND OTHER RECEIVABLES

Current	31.03.2019 Rs.	31.03.2018 Rs.
Trade Debtors	80,774,649	86,646,424
Less: Provision for Impairment of Trade Receivables 16.1	(29,336,882)	(24,122,457)
Trade Receivables - Net	51,437,767	62,523,967
Refundable Deposits	733,983	1,954,188
Prepayments	9,235,420	9,392,311
Other Receivables	36,000,616	29,038,287
Total	97,407,786	102,908,753

As of 31st March 2019, Trade Receivables of Rs. 37,012,100/- (as of 31st March 2018 was Rs. 46,513,627/-) were fully performing.

As of 31st March 2019, Trade Receivables of Rs. 14,425,667/- (as of 31st March 2018 was Rs. 16,010,340/-) 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:

	31.03.2019 Rs.	31.03.2018 Rs.
Up to 3 months	9,129,241	5,149,012
3 to 4 months	903,888	1,618,418
Over 4 months and above	4,392,538	9,242,910
	14,425,667	16,010,340

As of 31st March 2019, trade receivables of Rs. 29,336,882/- (2018 : Rs. 24,122,457/-) 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

	31.03.2019 Rs.	31.03.2018 Rs.
As at 1st April	24,122,457	21,199,290
Impairment Provision for Trade & Other Receivables	5,214,425	2,923,167
As at 31st March	29,336,882	24,122,457

For the year ended 31st March, 2019

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 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 16.3. The Company does not hold any collateral as security.

16.2	Analysis of Financial Instruments Financial Instruments By Category Financial Assets at Amortised Cost	31.03.2019 Rs.	31.03.2018 Rs.
	Trade and other receivables excluding prepayments, statutory payments and advances	58,882,041	68,234,376
	Cash and Cash Equivalents (Note No. 17)	7,365,427	12,317,285
		66,247,468	80,551,661
	Financial Liabilities at Amortised cost		
	Trade and Other Payables (Excluding Statutory Liabilities) (Note No. 22)	66,726,783	69,747,716
	Borrowings (Excluding Finance Leases) (Note No. 21)	171,329,539	145,741,808
	Amounts due to Related Companies (Note No. 23)	942,529	9,229,295
		238,998,851	224,718,819

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:

	31.03.2019 Rs.	31.03.2018 Rs.
Trade and Other Receivables	58,882,041	68,234,376
Banks with Credit Ratings	7,365,427	12,317,285
	66,247,468	80,551,661

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	51,437,767	62,523,967
Loans to Company Officers	4,152,999	3,440,499
Other Receivables	3,291,275	2,269,910
	58,882,041	68,234,376

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.

For the year ended 31st March, 2019

17.	CASH IN HAND AND AT BANK	31.03.2019 Rs.	31.03.2018 Rs.
	Favourable Balances		
	Cash in Hand and at Bank	7,365,427	12,317,285
	Unfavourable Balances		
	Bank Overdraft - (Note No. 21)	(87,186,839)	(40,936,308)
	Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	(79,821,412)	(28,619,023)

18.	STATED CAPITAL	Number of Shares	31.03.2019 Rs.	31.03.2018 Rs.
	Fully Paid Up Ordinary Shares			
	At the beginning of the year	47,066,447	585,445,870	585,445,870
	At the end of the year	47,066,447	585,445,870	585,445,870

19.	REVALUATION RESERVE	31.03.2019 Rs.	31.03.2018 Rs.
	Revaluation Reserve Related to the Surplus on Revaluation of Lands and Buildings		
	The movement of revaluation reserve is as follows:		
	At the beginning of the year	506,400,130	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	506,400,130

20.	EMPLOYEE BENEFIT LIABILITY	31.03.2019 Rs.	31.03.2018 Rs.
	At the beginning of the year	53,902,616	51,435,969
	Interest charged for the year	5,390,262	5,657,957
	Current service cost	2,973,287	2,965,252
	Payments made during the year	(2,042,375)	(5,006,315)
	Actuarial (Gain)/Loss	(5,095,165)	(1,150,247)
	At the End of the Year	55,128,625	53,902,616

The expenses are recognised in the following line items:

	31.03.2019 Rs.	31.03.2018 Rs.
Administrative Expenses	8,363,549	8,623,209
Other Comprehensive Income	(5,095,165)	(1,150,247)
	3,268,384	7,472,962

For the year ended 31st March, 2019

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:	<table> <tr> <td>Salary Increases</td><td>10%</td></tr> <tr> <td>Rate of Discount</td><td>12%</td></tr> <tr> <td>Staff Turnover Rate</td><td>25% up to age 54 and thereafter zero</td></tr> </table>	Salary Increases	10%	Rate of Discount	12%	Staff Turnover Rate	25% up to age 54 and thereafter zero
Salary Increases	10%						
Rate of Discount	12%						
Staff Turnover Rate	25% up to age 54 and thereafter zero						

The present value of the Defined Benefit Obligation as at 31st March 2019, with respect to employees in service, based on the above assumptions is Rs. 55,128,625/- (2018: Rs. 53,902,616/-)

21. INTEREST BEARING BORROWINGS

	31.03.2019 Amount Repayable Within 1 Year Rs.	31.03.2019 Amount Repayable After 1 Year Rs.	31.03.2019 Total Rs.	31.03.2018 Amount Repayable Within 1 Year Rs.	31.03.2018 Amount Repayable After 1 Year Rs.	31.03.2018 Total Rs.
Finance Leases	7,142,416	5,070,364	12,212,780	8,751,565	12,468,999	21,220,563
Bank Loans	19,832,900	64,309,800	84,142,700	20,662,800	84,142,700	104,805,500
Bank Overdrafts	87,186,839	-	87,186,839	40,936,308	-	40,936,308
	114,162,155	69,380,164	183,542,319	70,350,673	96,611,699	166,962,371

21.1	Finance Leases	Current As At 31.03.2019 Rs.	Non-Current As At 31.03.2019 Rs.	As At 31.03.2019 Rs.	Current As At 31.03.2018 Rs.	Non-Current As At 31.03.2018 Rs.	As At 31.03.2018 Rs.
	Gross Liability	8,109,012	5,760,875	13,869,887	10,713,373	14,169,522	24,882,895
	Charges	(966,596)	(690,511)	(1,657,107)	(1,961,809)	(1,700,523)	(3,662,332)
	Net Liability	7,142,416	5,070,364	12,212,780	8,751,565	12,468,999	21,220,563

21.2	Bank Loans	31.03.2019 Amount Repayable Within 1 Year Rs.	31.03.2019 Amount Repayable After 1 Year Rs.	31.03.2019 Total Rs.	31.03.2018 Amount Repayable Within 1 Year Rs.	31.03.2018 Amount Repayable After 1 Year Rs.	31.03.2018 Total Rs.
	Bank	19,832,900	64,309,800	84,142,700	20,662,800	84,142,700	104,805,500
		19,832,900	64,309,800	84,142,700	20,662,800	84,142,700	104,805,500



For the year ended 31st March, 2019

21.2 Interest Bearing Borrowings (Continued)**Movement of Bank Loans and Finance Leases**

	As At 31.03.2019 Rs.	Repayment Rs.	Loans/Lease Obtained Rs.	As At 31.03.2018 Rs.
Banks	84,142,700	(20,662,800)	-	104,805,500
Leases	13,869,887	(11,013,008)	-	24,882,895
	98,012,587	(31,675,808)	-	129,688,395

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

22. TRADE AND OTHER PAYABLES	31.03.2019 Rs.	31.03.2018 Rs.
Trade Creditors	54,078,710	55,750,596
Other Payables	241,825	246,950
Expense Creditors	22,970,116	22,292,811
	77,290,651	78,290,357

23. AMOUNTS DUE TO RELATED PARTIES

Mahaweli Hotel Management Services (Pvt.) Ltd.	942,529	9,229,295
	942,529	9,229,295

24. INCOME TAX LIABILITIES/(REFUNDS)

Balance payable at the beginning of the year	(4,101,224)	953,855
Tax paid for previous year	(850,000)	(953,855)
Tax (over)/under provision in respect of previous year	24,983	-
	4,926,241	-
Income tax on current year	-	45,469
Payments made during the year	(3,576,777)	(4,146,693)
Tax Credits	(166)	-
Balance (Refund due)/Payable at the end of the year	(8,503,184)	(4,101,224)

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 the reinstatement and payment of back wages. The Company filed a Writ Application in the Court of Appeal to have this order Quashed. The Honorable Court delivered its judgement on 12th December 2018, quashing the order of the Commissioner General of Labour which required the reinstatement of these employees and stating that the Commissioner General of Labour should hear the parties and make an order regarding the compensation payable to these persons in terms of the Termination of Employment of Workmen (Special Provisions) Act No. 45 of 1971 (as amended). Legal advice has been sought with respect to the decision of the Commissioner General of Labour which was received on 5th August 2019. The decision is pending as at the end of the reporting date.
- (b) The Company has formal controls and policies for managing legal claims. No material losses are anticipated as a result of these transactions.

For the year ended 31st March, 2019

26. INTEREST BEARING BORROWINGS

Lending Institution	Nature of Facility	Interest Rate	Repayment Term	Outstanding Balance		Security
				2019 Rs.	2018 Rs.	
Hatton National Bank PLC	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.	19,179,000	29,175,000	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 instalments of Rs. 1,100,000/- together with interest to be serviced monthly.	36,250,000	39,250,000	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 Siyambalagastenna within the Municipal Limits of Kandy also depicted as Lot 1 in plan 268B surveyed on 04th, 06th, & 08th of March 1989 and 21st of December 1990.
Hatton National Bank PLC	Overdraft Rs. 70 Million	AWPLR + 1.75 % p.a	On demand / To be reviewed annually.	67,523,578	40,936,308	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.	587,300	2,004,500	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.	28,126,400	34,376,000	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.
Commercial Bank of Ceylon PLC	Overdraft Rs. 20 Million	AWPLR + 2% p.a	On demand / To be reviewed annually.	19,603,261	Nil	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.



For the year ended 31st March, 2019

26. INTEREST BEARING BORROWINGS (Continued)

Lending Institution	Nature of Facility	Interest Rate	Repayment Term	Outstanding Balance		Security
				2019 Rs.	2018 Rs.	
Hatton National Bank PLC	Finance Lease	12.5% p.a	(60 months) Equal monthly instalments of Rs. 239,580/-	Nil	2,156,220	Absolute ownership of the generator
	Finance Lease	9.5% p.a	(48 months) Remaining 4 equal monthly instalments of Rs. 93,472/-	373,888	1,495,552	Absolute ownership of the Laundry Machine
	Finance Lease	18.25% p.a	(48 months) Remaining 33 equal monthly instalments of Rs. 44,072/-	1,454,384	1,983,240	Absolute ownership of the Laundry Machine
	Finance Lease	18.25% p.a	(48 months) Remaining 33 equal monthly instalments of Rs. 151,124/-	4,987,092	6,800,580	Absolute ownership of the Laundry Machine
Sampath Bank PLC	Finance Lease	9.0% p.a	(60 months) Remaining 14 equal monthly instalments of Rs. 190,585/-	2,668,190	4,955,220	Absolute ownership of the vehicle
	Finance Lease	12.75% p.a	(48 months) Remaining 14 equal monthly instalments of Rs. 149,817/-	2,097,438	3,895,255	Absolute ownership of the vehicle
	Finance Lease	14.5% p.a	(48 months) Remaining 21 equal monthly instalments of Rs. 108,995/-	2,288,895	3,596,828	Absolute ownership of the vehicle

For the year ended 31st March, 2019

27. EVENTS AFTER THE END OF THE REPORTING DATE

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

28. RELATED PARTY DISCLOSURES

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

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

28.2 Transactions with Related Parties

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

Name of Company	Nature of Transaction	2018/2019 Rs.	2017/2018 Rs.
Mahaweli Hotel Management Services (Pvt.) Ltd.	Management Fees	42,764,622	36,134,623
Basis of Management Fees calculation , (Net Turnover + Service Charges) * 6% + (7% on Net Profit after Depreciation & Finance Charges)			
Diethelm Travels (Pvt.) Ltd.	Service Rendered	1,417,574	3,232,420

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.



For the year ended 31st March, 2019

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;

	2018/2019 Rs.	2017/2018 Rs.
(a) Short-term Employee Benefits	18,416,900	15,373,750
(b) Post Employment Benefits	23,990,201	22,605,630
(c) Long-term Benefits	Nil	Nil
(d) Termination Benefits	Nil	Nil
(e) Share-Based Payments	Nil	Nil

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

29. FAIR VALUE

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

	Carrying Amount		Fair Value	
	31.03.2019 Rs.	31.03.2018 Rs.	31.03.2019 Rs.	31.03.2018 Rs.
Financial Assets				
Trade and Other Receivables	58,882,041	68,234,376	58,882,041	68,234,376
Cash and Bank Balances	7,365,427	12,317,285	7,365,427	12,317,285
Total	66,247,468	80,551,661	66,247,468	80,551,661

Financial Liabilities				
Interest Bearing Borrowings	84,142,700	104,805,500	84,142,700	104,808,500
Bank Overdraft	87,186,839	40,936,308	87,186,839	40,936,308
Trade and Other Payables	66,726,783	69,747,716	66,726,783	69,747,716
Amounts Due to Related Companies	942,529	9,229,295	942,529	9,229,295
Total	238,998,851	224,718,819	238,998,851	224,718,819

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
Mr. Jayantha Atul Panabokke
Mr. Ahamed Mahi Didi
Mr. Abbasally Nuruddin Esufally
Mr. Wajjiya Priyantha Hettiaratchi
Mr. Ahamed Umar Maniku
Dr. Ibrahim Umar Maniku
Mr. Mohamed Mahir
Mr. Ali Noordeen
Mr. Jayampathy Charitha Ratwatte
Mr. Ranjeevan Seevaratnam
Mr. Joseph Rosario Philip Mancius Paiva
Ms. Dayanthi Lakshmi Panabokke
Mr. Janaka Asitha Panabokke
Mr. Priyanjith Buddhika Panabokke

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

as *my/our proxy to attend and vote at the 45th Annual General Meeting of the Company to be held on Monday the 30th day of September 2019 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 2019, together with the Report of the Independent Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. A. N. Esufally who retires by rotation in terms of Articles 90, 91 & 92 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr. A. U. Maniku who retires by rotation in terms of Articles 90, 91 & 92 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr. W. P. Hettiaratchi 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 Mr. M. Mahir 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. A. Nooradeen 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"/>
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 authorize 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 authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of Two Thousand and Nineteen (2019).

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/her proxy to attend and vote instead of him/her. A proxy 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/her attorney; and
 - (b) in the case of a Corporation shall be either under the common seal, or signed by its attorney, or by an authorized 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/she 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 28th September 2019.

Please fill in the following details:

Name :

Address :

Jointly with :

Folio No. :



MAHAWELI REACH
SRI LANKA

OUR WORLD REVOLVES AROUND YOURS