

MAHAWELI REACH HOTELS PLC

INTERIM FINANCIAL STATEMENTS

FOR THE 03 MONTHS ENDED

30TH JUNE 2020.

MAHAWELI REACH HOTELS PLC
STATEMENT OF COMPREHENSIVE INCOME

For the 03 Months Ended 30th June

NOTE	Unaudited 2020 Rs.	Unaudited 2019 Rs.	Variance Favorable/ (Unfavorable)
Revenue	27,855,376	69,592,029	(60)
Cost of sales	(37,822,162)	(52,128,406)	19
Gross profit	(9,966,786)	17,463,623	
Other income	3,982,133	9,803,564	(59)
Marketing & Promotional expenses	(2,703,058)	(7,515,488)	15
Administrative & Other expenses	(40,680,008)	(65,606,274)	11
Operating profit	(49,367,720)	(45,854,575)	
Finance costs	708,393	(5,308,296)	5
Finance income	-	1,550	
Finance costs - net	708,393	(5,306,746)	
Profit/(Loss) before income tax	(48,659,327)	(51,161,321)	(16)
Income tax expense	-	-	
Profit/(Loss) for the period	(48,659,327)	(51,161,321)	(16)
Other Comprehensive Income			
Related Tax	-	-	
Deferred Tax Impact on Revalued Buildings	-	-	
Deferred Tax Impact on Revalued Lands	-	-	
Other Comprehensive Income for the Year, Net of Tax	-	-	
Total Comprehensive Income for the Year	(48,659,327)	(51,161,321)	(16)
Earning/(Loss) per Share Rs.			
Basic	(1.03)	(1.09)	

MAHAWELI REACH HOTELS PLC
STATEMENT OF FINANCIAL POSITION

	Unaudited 30.06.2020 Rs.	Unaudited 30.06.2019 Rs.
Assets		
Non-current assets		
Property Plant & Equipment	1,272,172,853	1,313,825,976
Deferred Tax Assets	35,954,100	44,589,644
Work in Progress	2,429,000	1,117,000
Current assets		
Inventories	20,991,501	21,126,291
Trade & Other Receivables	19,799,468	25,055,005
Other current assets	52,246,324	52,466,009
Cash and Cash Equivalents	13,451,514	7,012,251
	106,488,807	105,659,557
Total Assets	1,417,044,760	1,465,192,177
Equity and liabilities		
Stated Capital	585,445,870	585,445,870
Revaluation Reserves	506,400,130	506,400,130
Retained Earnings	(232,323,843)	(78,510,720)
Total equity	859,522,157	1,013,335,279
Liabilities		
Non-current liabilities		
Interest Bearing Borrowings	155,114,874	91,031,350
Deferred Tax Liability	123,410,028	131,742,631
Retirement Benefit Obligations	59,328,627	57,360,866
	337,853,529	280,134,848
Current liabilities		
Trade and Other Payables	61,909,287	57,090,037
Due to Related Companies	8,438,192	509,485
Other Current Liabilities	13,097,612	12,274,219
Current Portion of Interest Bearing Borrowings	-	-
Bank Overdrafts	136,223,983	101,848,309
	219,669,074	171,722,050
Total liabilities	557,522,603	451,856,898
Total equity and liabilities	1,417,044,760	1,465,192,177

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



Sanjeewa Wickramasinghe
Chief Accountant

The above figures are provisional & subject to audit
 Figures in brackets indicate deductions.

Signed for and on behalf of the Board



J A Panabokke
Director

'10 August 2020



W P Hettiaratchi
Director

MAHAWELI REACH HOTELS PLC
STATEMENT OF CHANGES IN EQUITY

	Stated Capital Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 1st April 2020	585,445,870	506,400,130	(183,664,516)	908,181,484
Profit or loss	-	-	(48,659,327)	(48,659,327)
Balance as at 30 June 2020	585,445,870	506,400,130	(232,323,843)	859,522,157
Balance as at 1st April 2019	585,445,870	506,400,130	(27,349,400)	1,064,496,600
Profit or loss	-	-	(51,161,321)	(51,161,321)
Balance as at 30 June 2019	585,445,870	506,400,130	(78,510,721)	1,013,335,279

MAHAWELI REACH HOTELS PLC
STATEMENT OF CASH FLOWS

	Unaudited 30.06.2020 Rs.	Unaudited 30.06.2019 Rs.
Cash flow from operating activities		
Profit / (Loss) for the period	(48,659,327)	(51,161,321)
Adjustments for :-		
Depreciation of Property, plant and equipment	14,550,895	13,933,572
Interest Expenses	-	1,829,051
Movement in Provision for Gratuity & Accruals	-	-
Changes in Operating Assets and Liabilities :-	14,550,895	15,762,623
(Increase) / Decrease In Inventories	1,840,382	1,223,709
(Increase) / Decrease In Trade and other receivables	16,917,503	34,954,410
Increase / (Decrease) in due to related parties	1,812,344	(433,044)
Increase / (Decrease) In Trade & Other payables	2,963,669	(3,101,574)
	(10,574,534)	(2,755,197)
Interest paid	-	(1,829,051)
Tax paid	-	(1,451,507)
<i>Net cash generated from operating activities</i>	(10,574,534)	(6,035,754)
Cash flows from investing activities		
Purchases of Property Plant & Equipments	(203,573)	(3,629,051)
<i>Net cash used in investing activities</i>	(203,573)	(3,629,051)
Cash flows from financing activities		
Repayment of Loans & Leases	-	(5,306,587)
<i>Net cash used in financing activities</i>	-	(5,306,587)
<i>Net increase in cash and cash equivalents</i>	(10,778,108)	(14,971,392)
Cash & Cash equivalents at beginning of the year	(111,994,362)	(79,864,666)
Cash & cash equivalents at end of period	(122,772,469)	(94,836,058)

CORPORATE INFORMATION

INTERIM CONDENSED FINANCIAL STATEMENTS

APPROVAL OF FINANCIAL STATEMENTS

The interim condensed financial statements of the Company for the 03 Months ended 30 June 2020 were authorised for issue by the Board of Directors on 10th August 2020.

BASIS OF PREPARATION

The interim condensed financial statements have been prepared in compliance with Sri Lanka Accounting Standard (SLAS) LKAS 34 - Interim Financial Reporting. These interim condensed financial statements should be read in conjunction with the annual financial statements for the year ended 31st March 2021.

These financial statements for the quarter ended 30th June 2020 have been prepared on a historical cost basis, except for land and buildings.

SIGNIFICANT ACCOUNTING POLICIES

The changes to accounting policies set out below have been applied consistently to all periods presented in these interim condensed financial statements and in preparing the opening SLFRS/LKAS, unless otherwise indicated.

The presentation and classification of the financial statements of the previous periods have been amended, where relevant, for better presentation and to be comparable with those of the current period.

Finance costs

Finance cost comprises interest expense on borrowings.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized 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.

The financial assets include cash, trade and other receivables and loans and other receivables.

Subsequent measurement

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

- Financial assets at amortized 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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. 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 finance income in the income statement. The losses arising from impairment are recognised in the income statement.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

The right 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 receivable cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

- (a) the company has transferred substantially all the risks and rewards of the asset, or
- (b) the company has either 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 pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the company's continuing involvement in it.

In the case, the company also recognises an associated liability, the transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained. Continuing involvement that takes the form of guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

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 have occurred after the initial recognition of the asset 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.

Events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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 recognized initially at fair value and, in the case of loans and borrowings, carried at amortized 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 subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Gains or losses on liabilities held for trading are recognised in the income statement.

The company has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liability are derecognised as well as through the effective interest rate method (EIR) amortization 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 amortization is included in the finance costs in the income statement.

Offsetting of financial instruments

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

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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 or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement. Substantially modified, such an exchange,

Financial risk management objectives and policies

The Company principal financial liabilities comprise of loans, borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the company's operations. The Company has trade and other receivables, and cash that arise directly from its operations. The Company is exposed to market 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.

Share Information

Public share holdings

The percentage of shares held by the public as at 30th June 2020 was 20.48% (30th June 2019- 20.49%)

Directors' share holdings

The number of shares held by the Board of Directors are as follows:

As at	30-Jun-20	30-Jun-19
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	225,777	223,634
Mr J Asitha Panabokke	166,987	166,987
Mr P B Panabokke (Alternate Director to Ms.D L Panabokke)	30,760	30,760
	<u>3,878,688</u>	<u>3,876,545</u>

Twenty largest shareholders of the company are as follows:

As at	30-Jun-20	%
Universal Enterprises Pvt. Ltd	32,683,550	69.44
Freudenberg Shipping Agencies Limited	3,308,623	7.03
Mr. J A Panabokke	1,905,858	4.05
Mr B D Panabokke	1,502,843	3.19
Mr. M U Maniku	1,217,306	2.59
Estate of Late Mr. K M Panabokke	829,304	1.76
Estate of Late Mrs. L. R. Panabokke	819,050	1.74
Mr. J A Panabokke & Mrs.K D Panabokke	658,867	1.40
Mr. A N Esufally	332,000	0.71
Mrs. S. Molligoda	313,100	0.67
Mackwoods Securities Limited	229,627	0.49
Ms. D L Panabokke	225,777	0.48
Mrs.K D Panabokke	204,550	0.43
Mr. J Asitha Panabokke	166,987	0.35
Ms. R.S. Molligoda	78,725	0.17
Mr. A.I. Molligoda	78,725	0.17
Mr. D.A. Molligoda	78,725	0.17
Mr. H.D. Molligoda	78,725	0.17
Alliance Finance Company PLC	71,928	0.15
Mackwoods Enterprises Limited	66,593	0.14
Others	2,215,584	4.71
	<u>47,066,447</u>	<u>100.00</u>

Stated capital

Stated capital is represented by number of shares in issue as given below:

As at 30th June 2020	No of Shares	Holding %	No of Shareholders
Others	37,425,655	79.51	9
Public	9,640,792	20.49	2264
Ordinary shares	47,066,447	100.00	2276

Net assets per share As at

30-Jun-20	30-Jun-19
18.26	21.53

Net assets per share have been calculated, for all periods, based on the number of shares in issue as at 30 June 2020.

Market price per share

For the quarter ended 30th June	2020 Rs.	2019 Rs.
Highest	14.00	14.50
Lowest	11.60	11.10
Last traded	13.90	14.00
Market Capitalization on 30th June	654,223,613.30	658,930,258.00

Minimum Public Holding Requirement as per Listing Rules 7.13.1

	Float Adjusted Market Capitalisation - (Rs.)	Public Holding Percentage	No of Shareholders	Option
Minimum Public Holding	134,050,418	20.49	2,264	2

Contingencies, capital and other commitments

A Contingent Liability of Rs.10 million exists due to a legal claim by a customer in the ordinary course of business. Mahaweli Reach Hotels PLC maintains a public liability insurance policy and the matter has been referred to the insurers. An evaluation of the likelihood of an unfavourable outcome resulting in a potential loss cannot be quantified or commented upon at this stage.

Following the termination of employees on disciplinary grounds an inquiry was held by the Commissioner General of Labor and an order was issued for reinstatement and the payment of back wages. The Company filed a Writ Application in the Court of Appeal to have this order quashed. The Honorable Court delivered its judgement on 12th December 2018, quashing the order of the Commissioner General of Labor which required reinstatement of these employees and stating that the Commissioner General of Labor 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 labor which was received on 05th August 2019. In view of legal advice that the determination received from the Commissioner General of Labor on 05th August 2019 was incorrect in law, the company has filed a Writ Application before the Court of Appeal seeking an order quashing the said decision. No material losses are anticipated as a result.

Event after the reporting period

There are no material subsequent events to the Balance Sheet date that require disclosure in the interim financial statements.

The COVID 19 Pandemic which has had unprecedented ramifications for the tourism industry globally and for the country and economies as a whole, has made the operation of the hotel very challenging. While the hotel continues to operate in a limited manner and launched a home delivery service for food, other revenue streams such as room occupancy continue to be severely affected.

The impact on the economy of the country will have a natural cascading effect on discretionary spending and this together with the fact that international travel is yet to resume and with most forecasting that a full recovery may take awhile, it is expected that the leisure sector and our company may be affected negatively. Given the evolving nature of the current crisis, it is difficult to forecast the full extent of the impact on the business of the company.

The company is taking all possible steps to manage the financial and other risks with a view to continuing the operations of the hotel. While this statement is based on available information, the coming months may bring forth greater challenges which cannot all be predicted and the team at Mahaweli Reach will endeavor to overcome same with dedication and perseverance.