

MAHAWELI REACH HOTELS PLC

INTERIM FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED

31 MARCH 2020.

MAHAWELI REACH HOTELS PLC
STATEMENT OF COMPREHENSIVE INCOME

NOTE	For the 03 Months Ended 31st March			For the 12 Months Ended 31st March		
	2020 Rs.	2019 Rs.	Variance Favourable (Unfavourable)	Unaudited 2020 Rs.	Audited 2019 Rs.	Variance Favourable (Unfavourable)
Revenue	121,454,806	177,010,937	-31%	400,223,176	598,408,777	-33%
Cost of sales	(75,998,863)	(81,502,315)	7%	(280,011,667)	(293,974,899)	5%
Gross profit	45,455,943	95,508,621		120,211,509	304,433,878	
Other Operating Income	11,030,475	11,677,469	-6%	42,232,163	55,901,661	-24%
Marketing & Promotional expenses	(7,033,685)	(10,682,397)	34%	(28,751,263)	(34,835,805)	17%
Administrative & Other expenses	(74,636,684)	(77,492,941)	4%	(266,795,151)	(335,919,702)	21%
Operating profit	(25,183,950)	19,010,752		(133,102,742)	(10,419,968)	
Finance costs	(3,204,818)	(6,787,555)	53%	(12,550,412)	(31,224,322)	60%
Finance income	293,536	285,158	3%	506,231	3,226	>100%
Finance costs - net	(2,911,282)	(6,502,398)		(12,044,181)	(31,221,096)	
Profit before income tax	(28,095,233)	12,508,355		(145,146,923)	(41,641,064)	
Income tax expense	-	-		(231,843)	385,399	
Profit/(Loss) for the period	(28,095,233)	12,508,355	-325%	(145,378,766)	(41,255,665)	-252%
Other Comprehensive Income						
Items that will never be reclassified to Profit or Loss						
Re- Measurement of Defined Benefit & Liability	-	-		-	5,095,165	
Related Tax	-	-		-	(713,323)	
Deferred Tax Impact on Revalued Buildings	-	-		-	-	
Deferred Tax Impact On Revalued Land	-	-		-	-	
Other Comprehensive Income for the Year, Net of Tax	-	-		-	4,381,842	
Total Comprehensive Income for the Year	(28,095,233)	12,508,355		(145,378,766)	(36,873,823)	
Earning/(Loss) per Share Rs.						
Earning/(Loss) per Share Rs.						
Basic	(0.60)	0.27		(3.09)	(0.88)	

MAHAWELI REACH HOTELS PLC
STATEMENT OF FINANCIAL POSITION

	Unaudited 31.03.2020 Rs.	Audited 31.03.2019 Rs.
Assets		
Non-current assets		
Property Plant & Equipment	1,286,520,174	1,321,176,904
Deferred Tax Assets	35,954,100	35,954,100
Work in Progress	2,429,001	1,117,000
Current assets		
Inventories	22,831,883	22,350,001
Trade & Other Receivables	77,394,288	97,407,786
Other current assets	11,569,007	8,503,184
Cash and Cash Equivalents	18,970,085	7,365,427
	130,765,263	135,626,398
Total Assets	1,455,668,538	1,493,874,402
Equity and liabilities		
Stated Capital	585,445,870	585,445,870
Revaluation Reserves	506,400,130	506,400,130
Retained Earnings	(183,664,516)	(38,285,750)
Total equity	908,181,484	1,053,560,250
Liabilities		
Non-current liabilities		
Interest Bearing Borrowings	155,114,874	69,380,164
Deferred Tax Liability	123,410,028	123,410,028
Retirement Benefit Obligations	59,328,627	55,128,625
	337,853,529	247,918,817
Current liabilities		
Trade and Other Payables	72,043,229	77,290,651
Due to Related Companies	6,625,849	942,529
Current Portion of Interest Bearing Borrowings	-	26,975,316
Bank Overdrafts	130,964,448	87,186,839
	209,633,526	192,395,335
Total liabilities	547,487,055	440,314,152
Total equity and liabilities	1,455,668,538	1,493,874,402

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



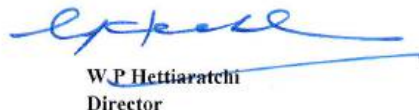
Sanjeewa Wickramasinghe
Chief Accountant

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

Signed for and on behalf of the Board



J.A. Panabolke
Director



W.P. Hettiaratchi
Director

25 June 2020

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 2019	585,445,870	506,400,130	(38,285,750)	1,053,560,250
Comprehensive income				
Profit or loss	-	-	(145,378,766)	(145,378,766)
Balance as at 31 March 2020	585,445,870	506,400,130	(183,664,516)	908,181,484
Balance as at 1st April 2018	585,445,870	506,400,130	(1,411,927)	1,090,434,073
Comprehensive income				
Profit or loss	-	-	(41,255,665)	(41,255,665)
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 for the Year	-	-	(36,873,823)	(36,873,823)
Balance as at 31 March 2019	585,445,870	506,400,130	(38,285,750)	1,053,560,250

MAHAWELI REACH HOTELS PLC
STATEMENT OF CASH FLOWS

	Unaudited 31.03.2020 Rs.	Audited 31.03.2019 Rs.
Cash flow from operating activities		
Profit / (Loss) for the period	(145,146,923)	(41,641,064)
Adjustments for :-		
Depreciation of Property, plant and equipment	57,114,587	58,764,320
Interest Expenses	12,550,412	26,808,078
Movement in Provision for Gratuity & Accruals	4,200,000	8,363,549
Impairment provision for bad debts	-	5,214,425
Written Back/Off of Payables/Receivables	-	4,155,451
Changes in Operating Assets and Liabilities :-	(71,281,923)	61,664,759
(Increase) / Decrease In Inventories	(481,882)	(647,563)
(Increase) / Decrease In Trade and other receivables	20,013,498	(4,987,268)
Increase / (Decrease) in due to related parties	5,683,320	(8,286,766)
Increase / (Decrease) In Trade & Other payables	(5,247,422)	118,653
	(51,314,410)	47,861,815
Interest paid	(12,550,412)	(24,802,853)
Gratuity paid	(3,561,800)	(2,042,375)
Tax paid	(3,065,823)	(4,426,943)
<i>Net cash generated from operating activities</i>	(70,492,445)	16,589,644
Cash flows from investing activities		
Purchases of Property Plant & Equipments	(7,235,427)	(36,116,226)
<i>Net cash used in investing activities</i>	(7,235,427)	(36,116,226)
Cash flows from financing activities		
Proceeds from Loans	60,000,000	-
Repayment of Loans & Leases	(14,445,079)	(31,675,808)
<i>Net cash used in financing activities</i>	45,554,921	(31,675,808)
<i>Net increase in cash and cash equivalents</i>	(32,172,950)	(51,202,390)
Cash & Cash equivalents at beginning of the year	(79,821,413)	(28,619,023)
Cash & cash equivalents at end of the period	(111,994,362)	(79,821,413)

MAHAWELI REACH HOTELS PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS

CORPORATE INFORMATION

INTERIM CONDENSED FINANCIAL STATEMENTS

APPROVAL OF FINANCIAL STATEMENTS

The interim condensed financial statements of the Company for the 12 months ended 31 March 2020 were authorised for issue by the Board of Directors on 25 June 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 31 March 2020.

These financial statements quarter ended 31 March 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 other 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 Income comprise interest income from Staff Loans.

Finance cost comprise interest expense on borrowings.

Financial assets

Initial recognition and measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available for sale financial assets, as appropriate and determines the classification of its financial assets at initial recognition. At the reporting date there were no financial assets at fair value through profit or loss, available for sale and held to maturity investments.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction cost.

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

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

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 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.

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 within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives as appropriate and determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

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

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 modified and the 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 31 March 2020 was 20.49% (31 March 2019- 19.16%)

Directors' share holdings

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

As at	31-Mar-20	31-Mar-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	223,634	218,634
Mr J Asitha Panabokke	166,987	161,987
Mr P B Panabokke (Alternate Director to Ms D L Panabokke)	30,760	17,560
	<u>3,876,545</u>	<u>3,835,785</u>

Twenty largest shareholders of the company are as follows:

As at	31-Mar-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 R T Molligoda (Deceased)	626,200	1.33
Mr A N Esufally	332,000	0.71
Mackwoods Securities Limited	229,627	0.49
Ms. D L Panabokke	223,634	0.48
Mrs K D Panabokke	204,550	0.43
Mr. J Asitha Panabokke	166,987	0.35
Alliance Finance Company PLC	71,928	0.15
Mackwoods Enterprises Limited	66,593	0.14
Mr. R Ratnagopal	57,800	0.12
Rosewood (Pvt) Ltd - Account No.01	50,000	0.11
Sampath Bank PLC/Mr. S Abishek	39,000	0.08
Mr. W A D Siriwardhana	35,148	0.07
Others	2,037,579	4.33
	<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 31 March 2020	No of Shares	Holding %	No of Shareholders
Others	37,423,512	79.51	10
Public	9,642,935	20.49	2265
Ordinary shares	47,066,447	100.00	2275
Preference Shares	11,660	11.660	

Net assets per share As at

31-Mar-20	31-Mar-19
19.30	22.59

Net assets per share have been calculated, for all periods, based on the number of shares in issue as at 31 March 2020.

Market price per share

For the quarter ended 31 March	2020	2019
	Rs.	Rs.
Highest	16.40	15.50
Lowest	10.50	12.50
Last traded	12.00	13.60
Market Capitalization on 31 March	564,797,364	640,103,679

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	115,726,980	20.49	2,265	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 other than the following:

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 continued to operate in a limited manner and has launched and continued a home delivery service for food, other revenue streams such as room occupancy have been 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 has virtually halted for the first quarter of this financial year, are expected to have a negative impact on the leisure sector and our company. 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.