

# **MAHAWELI REACH HOTELS PLC**

***INTERIM FINANCIAL STATEMENTS  
FOR THE 06 MONTHS ENDED  
30 SEPTEMBER 2020.***

MAHAWELI REACH HOTELS PLC  
STATEMENT OF COMPREHENSIVE INCOME

Audited 31.03.2020		For the 03 Months Ended 30th September (Unaudited)		For the 06 Months Ended 30th September (Unaudited)	
		2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
398,333,377	Revenue	51,037,096	86,015,133	78,876,965	155,735,153
(250,954,629)	Cost of sales	(52,273,109)	(65,335,060)	(90,162,872)	(123,469,785)
<b>147,378,748</b>	<b>Gross profit</b>	<b>(1,236,013)</b>	<b>20,680,073</b>	<b>(11,285,907)</b>	<b>32,265,368</b>
48,047,085	Other income	7,921,426	12,426,870	11,472,358	22,231,984
(28,797,167)	Marketing & Promotional expenses	(3,239,844)	(6,891,376)	(5,931,386)	(14,406,864)
(307,674,752)	Administrative & Other expenses	(49,535,053)	(63,766,365)	(89,457,607)	(124,212,917)
<b>(141,046,086)</b>	<b>Operating profit</b>	<b>(46,089,485)</b>	<b>(37,550,798)</b>	<b>(95,202,542)</b>	<b>(84,122,428)</b>
(15,045,524)	Finance costs	-	(992,251)	-	(6,300,548)
506,231	Finance income	-	84,142	-	84,142
(14,539,293)	Finance costs - net	-	(908,109)	-	(6,216,406)
<b>(155,585,379)</b>	<b>Profit before income tax</b>	<b>(46,089,485)</b>	<b>(38,458,907)</b>	<b>(95,202,542)</b>	<b>(90,338,834)</b>
8,331,098	Income tax expense / Credits	-	(84,169)	-	(84,169)
<b>(147,254,281)</b>	<b>Profit/(Loss) for the period</b>	<b>(46,089,485)</b>	<b>(38,543,076)</b>	<b>(95,202,542)</b>	<b>(90,423,003)</b>
	<b>Other Comprehensive Income</b>				
	<b>Items that will never be reclassified to Profit or Loss</b>				
	Re- Measurement of Defined Benefit & Liability				
10,489,534		-	-	-	-
(1,468,535)	Related Tax	-	-	-	-
149,134,249	Revaluation gain on Lands	-	-	-	-
278,688,067	Revaluation gain on Buildings	-	-	-	-
(39,016,329)	Deffered tax impact on revaluation buildings	-	-	-	-
<b>397,826,986</b>	<b>Other Comprehensive Income for the Year, Net of Tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>250,572,705</b>	<b>Total Comprehensive Income for the Year</b>	<b>(46,089,485)</b>	<b>(38,543,076)</b>	<b>(95,202,542)</b>	<b>(90,423,003)</b>
	<b>Earning/(Loss) per Share Rs.</b>				
(3.13)	Basic	(0.98)	(0.82)	(2.02)	(1.92)

MAHAWELI REACH HOTELS PLC  
STATEMENT OF FINANCIAL POSITION

Audited 31.03.2020		Unaudited as at 30.09.2020 Rs.	Unaudited as at 30.09.2019 Rs.
<b>Assets</b>			
<b>Non-current assets</b>			
1,720,385,575	Property Plant & Equipment	1,696,893,965	1,311,645,195
2,429,000	Work in Progress	2,529,000	1,117,000
<b>Current assets</b>			
22,828,018	Inventories	19,110,183	21,956,395
72,623,614	Trade & Other Receivables	49,699,668	69,085,171
7,698,217	Income Tax Refund	7,698,218	10,147,093
19,389,022	Cash and Cash Equivalents	12,206,352	14,259,919
<b>122,538,871</b>		<b>88,714,421</b>	<b>115,448,578</b>
<b>1,845,353,446</b>	<b>Total Assets</b>	<b>1,788,137,386</b>	<b>1,428,210,773</b>
<b>Equity and liabilities</b>			
585,445,870	Stated Capital	585,445,870	585,445,870
919,678,605	Revaluation Reserves	919,678,604	506,400,130
(176,519,032)	Retained Earnings	(271,721,574)	(128,708,753)
<b>1,328,605,443</b>	<b>Total equity</b>	<b>1,233,402,900</b>	<b>963,137,247</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
137,864,728	Interest Bearing Borrowings	192,901,508	118,283,897
92,610,966	Deferred Tax Liability	92,610,976	87,455,928
49,989,957	Retirement Benefit Obligations	49,844,707	55,128,627
<b>Current liabilities</b>			
82,401,471	Trade and Other Payables	101,725,380	75,285,862
6,625,849	Due to Related Companies	12,015,663	993,613
16,290,584	Current Portion of Interest Bearing Borrowings	-	29,216,964
130,964,448	Bank Overdrafts	105,636,252	98,708,635
<b>516,748,003</b>	<b>Total liabilities</b>	<b>554,734,486</b>	<b>465,073,527</b>
<b>1,845,353,446</b>	<b>Total equity and liabilities</b>	<b>1,788,137,386</b>	<b>1,428,210,773</b>

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

Sgd.  
Sanjeeva Wickramasinghe  
Chief Accountant

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

Signed for and on behalf of the Board

Sgd.  
J A Panabokke  
Director

Sgd.  
W P Hettiaratchi  
Director

'10 November 2020

MAHAWELI REACH HOTELS PLC  
STATEMENT OF CHANGES IN EQUITY

	Stated Capital Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Rs.
<b>Balance as at 1st April 2020</b>	585,445,870	919,678,605	(176,519,032)	1,328,605,443
Profit or loss	-	-	(95,202,542)	(95,202,542)
<b>Balance as at 30 September 2020</b>	<b>585,445,870</b>	<b>919,678,605</b>	<b>(271,721,574)</b>	<b>1,233,402,901</b>
<b>Balance as at 1st April 2019</b>	585,445,870	506,400,130	(38,285,750)	1,053,560,250
Profit or loss	-	-	(90,423,003)	(90,423,003)
<b>Balance as at 30 September 2019</b>	<b>585,445,870</b>	<b>506,400,130</b>	<b>(128,708,753)</b>	<b>963,137,247</b>

MAHAWELI REACH HOTELS PLC  
STATEMENT OF CASH FLOWS

Audited 31.03.2020	Unaudited as at 30.09.2020 Rs.	Unaudited as at 30.09.2019 Rs.
<b>Cash flow from operating activities</b>		
(155,585,379) Profit / (Loss) for the period	(95,202,542)	(90,338,834)
<b>Adjustments for :-</b>		
62,675,191 Depreciation	29,182,393	28,138,284
11,664,411 Interest Expenses	95,043	2,393,594
8,912,664 Movement in Provision for Gratuity & Accruals	(145,243)	3,472,055
2,663,440 Impairment Loss on Trade & Other Receivables	-	-
- Written Back/Off of Creditors/Other Receivables	-	-
<b>(69,669,673) Changes in Operating Assets and Liabilities :-</b>	<b>29,132,193</b>	<b>34,003,932</b>
(478,017) (Increase) / Decrease In Inventories	3,717,835	393,606
22,120,735 (Increase) / Decrease In Trade and other Receivables	22,923,945	26,678,706
5,683,320 Increase / (Decrease) in due to Related parties	5,389,814	51,084
5,110,820 Increase / (Decrease) In Trade & Other Payables	19,323,909	(2,004,789)
<b>(37,232,815)</b>	<b>(14,714,845)</b>	<b>(31,216,295)</b>
(10,018,401) Interest paid	(95,043)	(2,393,594)
(3,561,800) Gratuity paid	-	(1,893,900)
(1,721,274) Tax paid	-	(1,662,328)
<b>(52,534,290) Net cash generated from operating activities</b>	<b>(14,809,888)</b>	<b>(37,166,116)</b>
<b>Cash flows from investing activities</b>		
(17,825,260) Purchases of Property Plant & Equipments	(5,790,783)	(18,606,575)
(1,312,000) Investment in WIP assets	-	-
<b>(19,137,260) Net cash used in investing activities</b>	<b>(5,790,783)</b>	<b>(18,606,575)</b>
<b>Cash flows from financing activities</b>		
48,266,138 Proceeds from Loans	39,000,000	45,000,000
- New Lease Obtained	-	12,503,285
(8,348,602) Repayment of Loans & Leases	(253,804)	(6,357,900)
<b>39,917,536 Net cash used in financing activities</b>	<b>38,746,196</b>	<b>51,145,385</b>
(31,754,014) <b>Net increase in cash and cash equivalents</b>	<b>18,145,525</b>	<b>(4,627,306)</b>
(79,821,412) Cash & Cash equivalents at beginning of the year	(111,575,426)	(79,821,412)
<b>(111,575,426) Cash &amp; cash equivalents at end of period</b>	<b>(93,429,900)</b>	<b>(84,448,717)</b>

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 06 months ended 30 September 2020 were authorised for issue by the Board of Directors on 10 November 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 2021.

These financial statements quarter ended 30 September 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 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.
- Financial assets at amortized cost (debt instruments)

**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 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 30 September 2020 was 20.28%( 30 September 2019- 20.49%)

### Directors' share holdings

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

As at	30-Sep-20	30-Sep-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	255,033	223,634
Mr. Janaka Asitha Panabokke	172,162	166,987
Mr P B Panabokke(Altenate Director to Ms. D L Panabokke)	45,160	30,760
	<u>3,927,519</u>	<u>3,876,545</u>

### Twenty largest shareholders of the company are as follows:

As at	30-Sep-20	%
Universal Enterprises Pvt. Ltd	32,683,550	69.44
Freudenberg Shipping Agencies Limited	3,194,928	6.79
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	681,068	1.45
Mr. A N Esufally	332,000	0.71
Ms. D L Panabokke	255,033	0.54
Mackwoods Securities Limited	229,627	0.49
Mrs.K D Panabokke	229,550	0.49
Mr. D.A. Molligoda	218,960	0.47
Mr. H.D. Molligoda	188,275	0.40
Mr. J Asitha Panabokke	172,162	0.37
Ms. R.S. Molligoda	140,690	0.30
Mr. A.I. Molligoda	78,725	0.17
Alliance Finance Company PLC	71,928	0.15
Mackwoods Enterprises Limited	66,593	0.14
R. Ratna Gopal	57,800	0.12
Others	2,191,197	4.66
	<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 30 September 2020	No of Shares	Holding %	No of Shareholders
Others	37,521,687	79.72	9
Public	9,544,760	20.28	2279
Ordinary shares	47,066,447	100.00	2288

### Net assets per share As at

30-Sep-20	30-Sep-19
26.21	20.46

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

### Market price per share

For the quarter ended 30 September	2020	2019
	Rs.	Rs.
Highest	16.00	15.60
Lowest	11.20	12.90
Last traded	13.5	14.00

### Market Capitalization on 30 September

635,397,035	658,930,258
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### 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	128,858,519	20.28	2,279	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

**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 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 food and beverage sector has made a significant contribution towards mitigating the effects of the loss in revenue from the accommodation sector. The revival in domestic tourism and banquets too has assisted to a great extent in controlling the detrimental effects. Given the prevailing situation, the results for the quarter compared with the previous year has shown that these segments have assisted in controlling the possible decrease in revenues.

The continued closure of the airport and the uncertainties prevailing in source markets and in international aviation will no doubt hamper the recovery in addition to the developing situation in the country. 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 even greater challenges which cannot all be predicted and the team at Mahaweli Reach will endeavor to overcome same with dedication and perseverance.