

MAHAWELI REACH HOTELS PLC

INTERIM FINANCIAL STATEMENTS

FOR THE 09 MONTHS ENDED

31 DECEMBER 2020.

MAWELI REACH HOTELS PLC
STATEMENT OF COMPREHENSIVE INCOME

Audited 31.03.2020	NOTE	For the 03 Months Ended 31st December (Unaudited)			For the 09 Months Ended 31st December (Unaudited)		
		2020 Rs.	2019 Rs.	Variance Favorable/ (Unfavorable)	2020 Rs.	2019 Rs.	Variance Favorable/ (Unfavorable)
398,333,377	Revenue	50,003,733	120,564,972	-59%	129,656,191	275,119,417	-53%
(250,954,629)	Cost of sales	(49,414,398)	(77,577,130)	36%	(138,272,195)	(201,632,365)	31%
147,378,748	Gross profit	589,335	42,987,842		(8,616,005)	73,487,053	
48,047,085	Other income	5,697,876	12,010,959	-53%	17,170,234	34,170,567	-50%
(28,797,167)	Marketing & Promotional expenses	(2,928,301)	(7,314,379)	60%	(9,068,692)	(21,721,243)	58%
(307,674,752)	Administrative & Other expenses	(48,138,773)	(68,472,115)	30%	(137,449,787)	(196,359,456)	30%
(141,046,086)	Operating Profit/(Loss)	(44,779,863)	(20,787,693)		(137,964,250)	(110,423,079)	
(15,045,524)	Finance costs	(95,457)	(3,045,047)	97%	(95,457)	(9,345,595)	99%
506,231	Finance income	-	202,825	-100%	-	690,051	-100%
(14,539,293)	Finance costs - net	(95,457)	(2,842,222)	97%	(95,457)	(8,655,544)	99%
(155,585,379)	Profit before income tax	(44,875,320)	(23,629,915)	-90%	(138,059,706)	(119,078,623)	-16%
8,331,098	Income tax expense	-	(147,673)	-100%	-	(231,842)	-100%
(147,254,281)	Profit/(Loss) for the period	(44,875,320)	(23,777,588)	-89%	(138,059,706)	(119,310,465)	-16%
	Other Comprehensive Income						
	Items that will never be reclassified to Profit or Loss						
10,489,534	Re- Measurement of Defined Benefit & Liability	-	-	-	-	-	-
(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	-	-	-	-	-	-
397,826,986	Other Comprehensive Income for the Year, Net of Tax	-	-	-	-	-	-
250,572,705	Total Comprehensive Income for the Year	(44,875,320)	(23,777,588)	-	(138,059,706)	(119,310,465)	-
	Earning/(Loss) per Share Rs.						
(3.13)	Basic	(0.95)	(0.51)		(2.93)	(2.53)	

MAHAWELI REACH HOTELS PLC
STATEMENT OF FINANCIAL POSITION

Audited 31.03.2020		Unaudited as at 31.12.2020 Rs.	Unaudited as at 31.12.2019 Rs.
Assets			
Non-current assets			
1,720,385,575	Property Plant & Equipment	1,680,330,071	1,298,342,638
2,429,000	Work in Progress	2,529,000	1,117,000
Current assets			
22,828,018	Inventories	17,900,902	23,649,144
72,623,614	Trade & Other Receivables	12,280,956	25,594,724
7,698,217	Other current assets	24,765,644	48,325,091
19,389,022	Cash and Cash Equivalents	17,541,168	30,723,865
122,538,871		72,488,670	128,292,825
1,845,353,446	Total Assets	1,755,347,741	1,427,752,463
Equity and liabilities			
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	(314,578,738)	(157,596,215)
1,328,605,443	Total equity	1,190,545,736	934,249,785
Liabilities			
Non-current liabilities			
137,864,728	Interest Bearing Borrowings	185,261,874	112,300,945
92,610,966	Deferred Tax Liability	92,610,976	87,455,928
49,989,957	Retirement Benefit Obligations	49,989,957	58,628,627
Current liabilities			
82,401,471	Trade and Other Payables	87,587,399	79,157,072
6,625,849	Due to Related Companies	15,624,378	4,042,999
16,290,584	Current Portion of Interest Bearing Borrowings	29,252,484	29,252,484
130,964,448	Bank Overdrafts	104,474,937	122,664,622
516,748,003	Total liabilities	564,802,005	493,502,678
1,845,353,446	Total equity and liabilities	1,755,347,741	1,427,752,463

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



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



J A Panabokke
Director



W P Hettiaratchi
Director

'10 February 2021

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	919,678,605	(176,519,032)	1,328,605,443
Profit or loss	-	-	(138,059,706)	(138,059,706)
Balance as at 31 December 2020	585,445,870	919,678,605	(314,578,738)	1,190,545,737
Balance as at 1st April 2019	585,445,870	506,400,130	(38,285,750)	1,053,560,250
Profit or loss	-	-	(119,310,465)	(119,310,465)
Balance as at 31 December 2019	585,445,870	506,400,130	(157,596,214)	934,249,785

MAHAWELI REACH HOTELS PLC
STATEMENT OF CASH FLOWS

Audited 31.03.2020	Unaudited as at 31.12.2020 Rs.	Unaudited as at 31.12.2019 Rs.
Cash flow from operating activities		
(155,585,379) Profit / (Loss) for the period	(138,059,706)	(119,078,623)
Adjustments for :-		
62,675,191 Depreciation of Property, plant and equipment	43,860,906	42,542,073
11,664,411 Interest Expenses	387,389	4,226,546
8,912,664 Movement in Provision for Gratuity & Accruals	1,477,559	6,071,900
2,663,440 Impairment provision for bad debts	-	-
(69,669,673) Operating Profits Before Working Capital Changes	45,725,855	52,840,519
(478,017) (Increase) / Decrease In Inventories	4,927,116	(1,299,143)
22,120,735 (Increase) / Decrease In Trade and other receivables	43,275,231	31,991,154
5,683,320 Increase / (Decrease) in due to related parties	8,998,529	3,100,470
5,110,820 Increase / (Decrease) In Trade & Other payables	5,185,928	1,866,421
(37,232,815)	(29,947,048)	(30,579,201)
(10,018,401) Interest paid	(387,389)	(4,226,546)
(3,561,800) Gratuity paid	(1,294,600)	(2,571,900)
(1,721,274) Tax paid	-	(2,205,442)
(52,534,290) Net cash generated from operating activities	(31,629,037)	(39,583,089)
Cash flows from investing activities		
(17,825,260) Purchases of Property Plant & Equipments	(3,905,403)	(4,682,894)
(19,137,260) Net cash used in investing activities	(3,905,403)	(4,682,894)
Cash flows from financing activities		
48,266,138 Proceeds from Loans	60,538,895	45,000,000
(8,348,602) Repayment of Loans & Leases	(362,800)	(12,853,363)
39,917,536 Net cash used in financing activities	60,176,095	32,146,637
(31,754,014) Net increase in cash and cash equivalents	24,641,655	(12,119,346)
(79,821,412) Cash & Cash equivalents at beginning of the year	(111,575,426)	(79,821,412)
(111,575,426) Cash & cash equivalents at end of period	(86,933,770)	(91,940,757)

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 09 months ended 31 December 2020 were authorised for issue by the Board of Directors on 10 February 2021.

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 31 December 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 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.

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 31 December 2020 was 20.28% (31 December 2019- 20.49%)

Directors' share holdings

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

As at	31-Dec-20	31-Dec-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 J Asitha Panabokke	172,162	166,987
Mr. P.B.Panabokke (Alternate 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	31-Dec-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	78,275	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	2,191,647	4.66
	47,066,447	100.00

Stated capital

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

As at 31 December 2020	No of Shares	Holding %	No of Shareholders
Others	37,521,687	79.72	10
Public	9,544,760	20.28	2,265
Ordinary shares	47,066,447	100.00	2,275

Net assets per share As at

31-Dec-20	31-Dec-19
25.29	19.85

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

Market price per share

For the quarter ended 31 December	2020	2019
	Rs.	Rs.
Highest	17.20	18.40
Lowest	12.00	13.80
Last traded	16.80	15.20

Market Capitalization on 31 December

790,716,310	715,409,994
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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
160,357,268	20.28	2,237	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 events subsequent 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 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 opening of the airport and the launch of the vaccination programme both in country and globally have provided a glimmer of hope in terms of a revival of the industry. However, the uncertainties prevailing in international aviation and source markets will continue to impact any resurgence in arrivals in the short to medium term. The evolving nature of the situation continues to make it difficult to assess the full impact on the business of the company. The company is taking all possible measures 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 future may bring forth even greater challenges which cannot all be predicted. The team at Mahaweli Reach will keep striving to overcome same with determination and diligence.