



MAHAWELI REACH
SRI LANKA

OUR WORLD REVOLVES AROUND YOURS

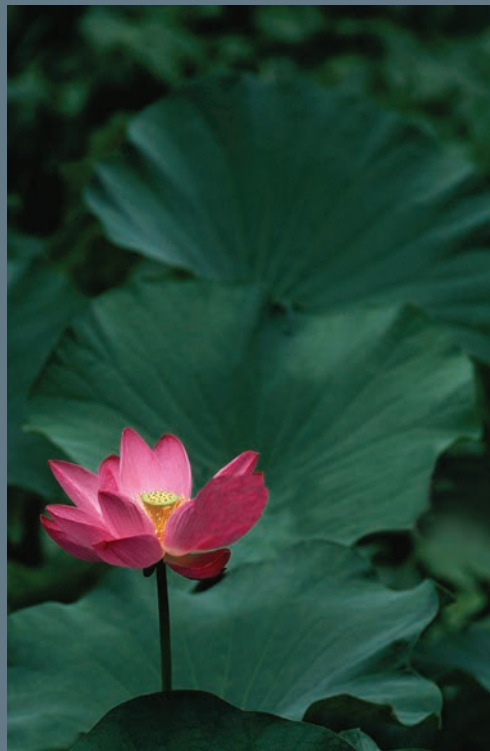


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MAHAWELI REACH
SRI LANKA

WE
BLOOM
LIKE
THE
LOTUS



A lotus seed can
lie dormant for
years until the
right conditions
arise...then it
blooms in all
its beauty...

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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.

NOTICE OF MEETING...

The Board of Directors have proposed to hold the Forty Seventh Annual General Meeting of MAHAWELI REACH HOTELS PLC on the 29th day of September 2021 at 11.00 a.m., via audio or audio and visual technology taking into account the current situation in the country due to the COVID-19 pandemic and the health and safety guidelines issued by the authorities with a view to protecting public health.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of MAHAWELI REACH HOTELS PLC will be held on the 29th day of September 2021 at 11.00 a.m., by virtual means of audio and visual technology at the registered office of the Company No.35, P.B.A. Weerakoon Mawatha, Kandy, Sri Lanka for the following purpose.

AGENDA

1. To receive and adopt the Annual Report of the Board of Directors and the Financial Statements for the year ended 31st March 2021 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. A. Nooradeen who retires by rotation in terms of Articles 90, 91 & 92 of the Articles of Association of the Company.
6. 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.
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 78 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."



NOTICE OF MEETING

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 74 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 73 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. Bakertily 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 (Pvt) Limited
Secretaries
Colombo
31 August 2021

Notes:

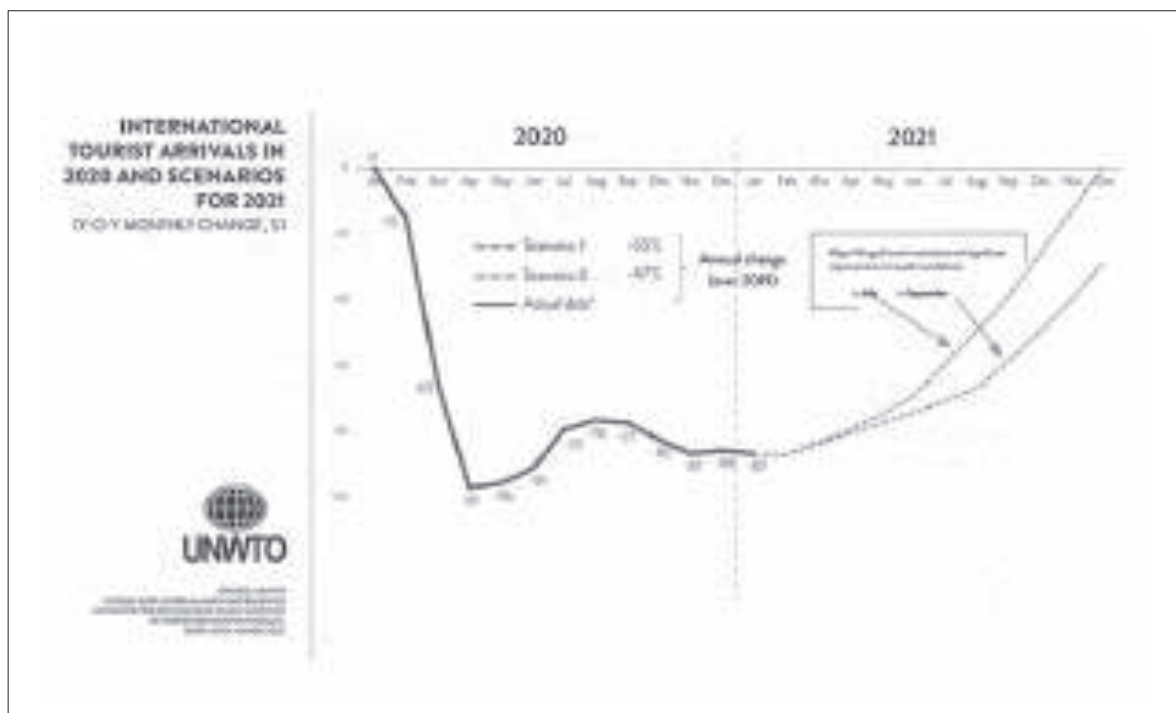
1. A member is entitled to appoint a proxy to attend and vote instead of him/herself. A proxy need not be a member of the Company. A Form of Proxy accompanies this Notice.
2. The completed Form of Proxy must be deposited at the Registered Office, No.35, P. B. A. Weerakoon Mawatha, Kandy, Sri Lanka not later than 11.00 a.m. on the 27 September 2021.
3. 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.
4. The transfer books of the Company will remain open.



MANAGEMENT, DISCUSSION AND ANALYSIS...

Operating Environment

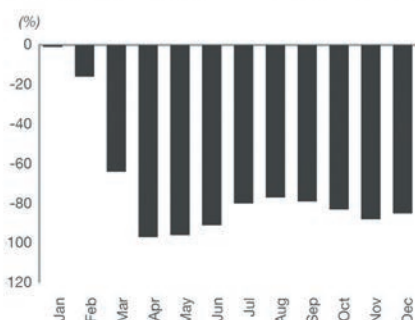
The year 2020 has been unprecedented in global tourism with international arrivals declining by 74%, placing nearly 100 – 120 million tourism jobs at risk. Across the world, countries have imposed travel restrictions and enforced total or partial border closures with many restricting the travel of even their own nationals. Lockdowns and mandatory quarantine requirements of varying lengths and conditions have made many re-think their need for travel. Such an environment has had a devastating impact on many cities and countries for which tourism remains a principal source of income.



In the Sri Lankan context, the Airport remained closed for international travellers from March to November 2020 and only opened for inbound tourists, under restrictions, in January 2021. Even with the opening, the global health situation did not permit the travel bubble endeavours to progress, with further restrictions on international travellers having to be imposed based on source market conditions.



YTD change (%) in International Tourist Arrivals



Source: UNWTO

74% decline in international arrivals in 2020

The tentative commencement of tourism by way of a bio-bubble for tourists has allowed a few to enter the country though the volume is insufficient to support the industry as a whole.

The authorities have taken steps to have a uniform standard applied for certifying hotels as Safe and Secure thereby denoting that those establishments which have obtained this certification are carrying out necessary procedures in maintaining safety standards. Further, the World Travel and Tourism Council awarded Sri Lanka the Safe Travel Stamp.

The health authorities in Sri Lanka too have issued comprehensive guidelines for the operation of hotels and other tourism related services which have helped to streamline the offering.

However, the evolving nature of the situation makes forecasting a recovery for the industry very unpredictable. The emergence of new variants results in governments changing applicable restrictions at short notice and the prevailing uncertainty remains a deterrent against international travel. The UNWTO projections indicate that a return to pre-Covid levels could take upto 3 years. Any revival will largely depend on travel connectivity being available and the pricing affordable.

Arrivals by source market (Jan-Feb 2021) (%)



Source: SLTDA

An effective vaccine rollout will be crucial to bolstering confidence and speeding up the recovery of economies.

In the domestic context too, these concerns have affected tourism. In the past year domestic travellers have been the mainstay of hotels throughout the country, though the surge in virus transmission has halted this trend.

For most Sri Lankan hotels, the patronage of domestic visitors for food and beverages contributes significantly towards revenues. The present circumstances have curtailed these revenues as well with gatherings such as weddings and banqueting being restricted.

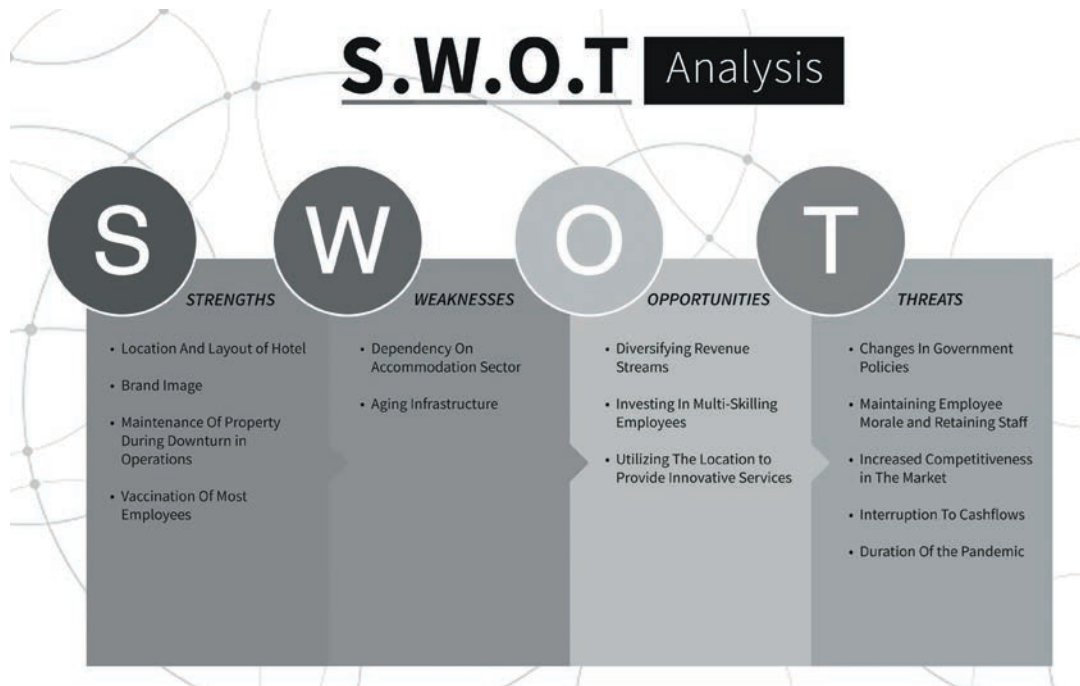
An effective vaccination programme which achieves the widest coverage may be the only manner in which to mitigate the effects of this devastating virus and allow the economy of the country and tourism sector to revive. Awareness and education programmes which reiterate the need for adherence to safety protocols too could assist in achieving this objective of minimizing the effects of this virus.



MANAGEMENT, DISCUSSION AND ANALYSIS...

SWOT Analysis

Given the evolving nature of the current situation, a periodic review is conducted to identify opportunities and mitigate threats.



The layout of the hotel with its many open spaces has been conducive to operating in this present environment and has continued to attract a clientele to its food and beverage outlets and in a limited manner to the accommodation sector. The brand's reputation has assisted in attracting customers' towards its varied offerings.

While the aging infrastructure may cause issues over time, the continuous operation of the property has assisted in ensuring preventative maintenance is carried out.

At the outset, the hotel immediately established stringent safety protocols and continues to monitor implementation of these measures. Consequently, the hotel obtained the Safe and Secure Certification issued by the independent authorities appointed by the Sri Lanka Tourism Development Authority.

Adherence with safety protocols do result in additional costs to the company but remains of utmost importance in ensuring the safety of team members and guests.

To ensure business continuity, leveraging the strong brand reputation, Mahaweli Reach launched a home delivery service for food and laundry which has become popular since its launch in March 2020. It is supported by an online shopping cart and has been a catalyst for the company exploring further ways to develop its brand presence in a saturated market and promoting contactless payment options. This operation has also contributed largely towards operations. The opportunity for multiskilling employees also presented itself as a result and our existing team has been deployed in this operation. They have proven themselves adept at adapting.

It is expected that this business will continue and the company is exploring opportunities for further developing these offerings.



MANAGEMENT, DISCUSSION AND ANALYSIS...

Motivating employees and retaining skilled staff within the industry when faced with remuneration cuts has become a greater challenge than ever before. The company has taken steps to equip them with different skills and re-deploy them in areas requiring greater manpower in order to maintain morale and encourage staff to remain in the industry.

The prevailing environment has caused interruptions to cashflows and the company is taking all possible steps to manage this risk and mitigate the effects of reduced revenues. Launching new initiatives such as mentioned has assisted in offsetting the reduction to some extent.

Managing Risks

In carrying out business operations, the management was conscious of the many challenges facing the company and have taken all possible measures to manage and mitigate the risks.

The pandemic has created unprecedented circumstances with its global effect. In the past, viruses have affected certain geographical areas but never on the global scale witnessed with COVID -19. It has effectively demonstrated the effects of countries being as intertwined as they now are as opposed to the self-reliance of days gone by. While there are many positive features of this factor, the world is now experiencing the negative side effects.

However, tourism by its very nature is very much a creation of globalism and depends upon it. Therefore, it is imperative that all measures are taken to mitigate the effects and manage the situation as the world may never return to pre-covid times and all efforts may have to be concentrated on managing the current situation so that life can go on in the new normal.

Safety protocols have become of utmost importance in this context. A majority taking responsibility for one's personal safety, along with effective vaccination may be the only way in which to control this situation so that life could return to a semblance of pre-covid normalcy.

The effect on cashflows and revenues will continue to affect the industry and the company. However, all possible efforts are being taken to mitigate these effects and boost revenues through diversification

of the Food and Beverage sector. The company operates outlets at different locations which are easily accessible to customers who can avail themselves of the many food and beverage options made available at these locations. The home delivery service also has served to increase accessibility for clients who are able to enjoy the offering in the comfort and safety of their homes.

Competition in each of these sectors remains intense. The team continues to endeavour to retain market share through innovation and perseverance. The recovery in the accommodation sector will in the short to medium term be accompanied by downward pressure on pricing which will affect margins.

Attrition of skilled personnel from tourism is an industry wide issue which is being witnessed currently due to the prevailing circumstances and is going to prove gravely challenging as the industry strives to maintain service standards.

Sustainability

The company is conscious of the environmental impact of COVID - 19 and is taking all possible measures to ensure positive efforts are taken to manage the footprint created by our operations. Through its certification as a carbon conscious hotel, Mahaweli Reach has continued to promote these practices in our operations.

Environmental consciousness remains a priority for the organization and on several occasions, conservation and preservation initiatives have seen enthusiastic participation from the staff. Preserving the environment is of utmost importance for the future existence of the human race.

On National Tree Planting Day our Executive Director, Mr. Asitha Panabokke together with our Assistant Manager Mr. Nithila Unamboowe marked this day by planting a Jack fruit sapling on the banks of the Mahaweli River.

Performance Analysis

The hotel has experienced one of the most challenging years with occupancy levels decreasing to historical levels. As a result, the revenues declined by 52% while losses for the year are Rs. 223, 211,929/- during the year under review.



MANAGEMENT, DISCUSSION AND ANALYSIS...

The drop in revenue reflects the closure of the airport for prolonged period and the various travel restrictions imposed locally.

In order to manage this issue, the hotel continued to attract clientele from among its domestic patrons both for accommodation and its food and beverage offerings while focusing on preserving liquidity, optimising resources and enhancing operating efficiencies.

Rising costs of commodities and financing remains a challenge though stringent measures have been implemented to curtail costs to the minimum. Essential maintenance work has been carried out in the year under review to preserve the property, though steps have been taken to defer non-essential spending and curtail capital expenditure. Employees have agreed to voluntary pay cuts though all staff have been retained other than those who have left of their own volition.

The company has availed itself of all available debt moratoriums which has assisted in managing liquidity levels. The company also utilized the low interest loan facilities which were made available in the last year to assist COVID -19 impacted businesses.

Depreciation for the year amounted to Rs. 72,571,419/-. The company's total assets amounted to Rs. 1,743,702,338/- while the current assets have decreased to Rs. 78,994,125/-. The current liabilities in the year under review amounted to Rs. 339,568,400/-. All statutory financial obligations have been paid or adequately provided for in the financial statements.

Human Capital

This financial year 2020/2021 was a complex year, whereby the company continues to face unprecedented challenges and these effects have cascaded to our people as well. Whatever our challenges be we are determined to remain resolute and strong in our quest to serve our stakeholders well.

The tourism industry has impacted everyone not only financially but also in respect of physical and mental wellbeing. These obstacles make it difficult for our employees to perform in both their personal and professional capacities.

As much as the organization is facing financial challenges so too are the employees, having had to face great financial difficulties due to the negative impact on income firstly due to the decrease in arrivals after the Easter bombing and then the impact of the COVID-19 outbreak which decimated the service charge which bolsters the income of employees in this sector.

We have always recognized that our human resource is one of the greatest assets the company has and throughout this difficult period we have worked to safeguard employment though we have been compelled to impose reductions on remuneration to ensure the long term sustainability of the company.

We sincerely appreciate the support and dedication our team members have displayed which have contributed immensely towards the resilience of the company. We believe that the passion and energy of our outstanding Mahaweli Reach team will continue to drive the company forward.

During the year under review we have continued in our quest to encourage young enthusiasts to gain knowledge of the industry and spark an interest in them to become future stakeholders in the industry. We have endeavoured to provide opportunities for them to witness first-hand the operations of the hotel and recognize the opportunities available within the industry.

Mahaweli Reach had the opportunity of demonstrating the Food & Beverage operations and the Kitchen operation for a 4 course meal to 65 Navy personnel from the Sri Lanka Navy. We believe they gained exposure and knowledge on the hospitality industry.

As mentioned previously, the year under review was challenging due to COVID-19 pandemic affecting the hotel and the industry at large. Despite this situation the hotel continued our focus on developing skills internally to ensure that the team is kept abreast of the latest trends in service delivery.

Staff were made aware of the critical need to be cost conscious in all operational procedures and from an environmental standpoint. Constant reminders are given to all 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. Staff are



MANAGEMENT, DISCUSSION AND ANALYSIS...

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. The present crisis being experienced by the hotel has demonstrated the manner in which all have come together, adapted to the new situation and made efforts to ensure customers' and each other's safety, operational efficiencies, customer satisfaction and the long term sustainability of the company.

Management continues to maintain an open-door policy and encourages all staff to have an open dialogue and discuss any issues concerning them. The present situation which has brought challenges to all has strengthened our resolve to always encourage discussion and mutual respect among all.

Attrition remains a challenge faced by all in the industry. The impact on remuneration within the industry will have a further impact, with the risk of the industry losing skilled staff being high. The hotel too will have to contend with this issue. However, all possible measures are being taken to persuade trained staff to remain while keeping in mind the commercial considerations in relation to sustainability of the company.

Despite the financial challenges faced by the company due to the COVID-19 pandemic as mentioned earlier, the company has endeavoured to sustain the employment of staff and continue their services.

While the safety precautions necessary due to the COVID-19 pandemic may prove to be a setback, we trust that the future will present us greater opportunities. Mahaweli Reach was certified as a Safe & Secure hotel, Tourism certification by the Sri Lanka Tourism Development Authority in association with the KPMG auditors during the period under review. Our commitment to the safety of our staff, community and visitors was assessed in awarding the certification. We look forward to serving our patrons and creating memorable moments which will in turn contribute to the

company's sustainability and progress which will in turn definitely help the employees as well.

In view of the international certifications obtained by the company, all team members are familiarized with health and safety procedures. These procedures are invaluable in the present context and operational processes have been adapted to ensure that the highest level of hygiene, health and safety standards are maintained. All staff 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.

All possible steps have been taken to ensure the health and safety of our team during operations and they are provided constant training and reminders on the importance of following the recommended safety protocols.

The company organized a COVID-19 awareness session conducted by Dr Muditha Abeyesiriwardena, DMO Katugastota hospital for the benefit of all employees.

Last year our company pledged to take positive steps towards increasing female participation within the workforce. The percentage has increased from 16% to 18% during the period under review, despite the hiring freeze which was necessitated due to the prevailing conditions. Our team members are spread across a variety of operational segments and positions while several differently-able employees with exceptional talents have been integrated into the operations and are valued members of our team. The company's staff below the age of 30 years has reduced from 35% and stands at 32% in the year under review.

Our people are a part of our foundation and the core of our business and all possible efforts have been made to move forward together, supporting one another.

The current situation continues to evolve and remains very uncertain. The company will continue to adapt and persevere as we endeavour to navigate these challenging times with a positive attitude and strong fundamentals.



CORPORATE GOVERNANCE REPORT...

Effective and strong Corporate Governance helps to cultivate a company's culture of integrity, leading to a positive performance and a sustainable business overall.

Essentially it exists to increase the accountability of all individuals and teams within a company.

The Board of Directors is responsible to oversee the operations of the company and to manage its affairs while ensuring its economic well being and safeguarding the principles of accountability, transparency and ethical conduct. All stakeholder interests should be considered when employing operational strategies.

Mahaweli Reach Hotels PLC (MRH) endeavours to uphold these values in all interactions with stakeholders and considers honest and ethical practices to be an integral part of the business ethos of the company.

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

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 12 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 page 23-25 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 & 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 are as follows.



CORPORATE GOVERNANCE REPORT

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	3/3
Mr. A. U. Maniku	Non-Executive Director	-
Dr. I. U. Maniku (Deceased on 26/11/2020)	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	3/3
Mr. J. R. P. M. Paiva	Independent Non-Executive Director	3/3
Ms. D. L. Panabokke	Non-Executive Director	3/3
<u>Mr. J. A. Panabokke</u>	Executive Director	3/3
<u>Mr. P. B. Panabokke</u>		-
Alternate Director to Ms. D. L. Panabokke		

Supply of Information

Directors are provided with monthly updates, 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 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 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.



CORPORATE GOVERNANCE REPORT

Directors' Interests

Directors' Interests in contracts are regularly disclosed and such disclosure pertaining to the year ended 31/03/2021 can be seen on page 32 in the Directors' Report. Related Party Transactions are monitored by the Related Party Transactions Review Committee and details are provided on page 80 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 are 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 36

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



CORPORATE GOVERNANCE REPORT

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) Ensure the preparation, presentation and adequacy of disclosures in the financial statements are in accordance with the Sri Lanka Accounting Standards.
- (ii) Ensure compliance with financial reporting requirements, information requirements of the Companies' Act and other relevant financial reporting related regulations and requirements.
- (iii) Oversee 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) Assess the independence and performance of the external auditors.
- (v) To make 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 attend the meetings when their presence is 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 page 37-38.

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	3/3
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 entered into a non-recurrent transaction during the period under review when the spouse of a director provided a personal asset to secure funding for the company. This was done by way of an arms-length transaction with a financial institution with the funds being provided to the company. The repayment is directly to the relevant institution and includes the cost of funding. Details are provided in Note No. 21.2 to the financial statements. Details of recurrent Related Party Transactions entered into by the company during the year 2020/2021 are provided in Note No. 29 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.

The report of the Committee is provided on page 39-40.



CORPORATE GOVERNANCE REPORT

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. In view of the COVID-19 outbreak, the reports are also now made available on the company website for the ease of access by shareholders.

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 in page 19 of this report.

Going Concern

After making necessary inquiries and reviews including reviews of the Company budget for the ensuing year, future prospects and risks, cash flows and borrowing facilities, including the implications of the COVID-19 outbreak which has had a significant impact on business, the Directors 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.



CORPORATE GOVERNANCE REPORT

The Level of Compliance with the Listing Rules of the CSE – Sections 7.10 and 9 - Rules on Corporate Governance as at 31st March 2021 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 independence or otherwise of the Non-Executive Directors and names of Independent Directors should be disclosed in the Annual Report	Please refer page 12
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 11 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 23 to 25
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 Page 23 to 25
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 13
7.10.5(a)	Composition of the 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
7.10.5(b)	Remuneration Committee Functions	The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and Executive Directors	Please refer Remuneration Committee Report on page 36 of this report



CORPORATE GOVERNANCE REPORT

Rule No.	Subject	Applicable Requirement	Level of Compliance
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 13
		b) Statement of the Remuneration Policy	Please refer Remuneration Committee Report on page 36
		c) Aggregate Remuneration paid to Executive Directors and Non-Executive Directors	Please refer page 32
7.10.6	Audit Committee	The Company shall have an Audit Committee	Names of the members of the Audit Committee are stated on page 13
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 Finance Officer attend meetings by invitation
		The Chairman of the Audit Committee or one member of the committee should be a member of a professional accounting body	The 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 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 b) The Audit Committee shall make a determination on the independence of the Auditors and disclose the basis for such determination c) The Annual Report shall contain a Report of the Audit Committee setting out the manner of Compliance with their Functions	Names of the members of the Audit Committee are stated in this Report under the heading of Audit Committee on page 13 Please refer Audit Committee Report on page 37 to 38 Please refer Audit Committee Report on page 37 to 38



CORPORATE GOVERNANCE REPORT

Rule No.	Subject	Applicable Requirement	Level of Compliance
9.2	Related Party Transaction Review Committee's Functions	The Company shall have a Related Party Transactions Review Committee 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 by the Board
9.2.2	Composition of the Related Party Transactions Review Committee	<p>Shall comprise a combination of Non-Executive Directors and Independent Non-Executive Directors. It may include Executive Directors at the option of the Company</p> <p>An Independent Non-Executive Director shall be appointed as the Chairman of the Committee</p>	<p>The Related Party Transactions Review Committee consists of two Independent Non-Executive Directors, one Non-Executive Director and One Executive Director</p> <p>Chairman of the Related Party Transactions Review Committee is an Independent Non-Executive Director</p>
9.2.3	Related Party Transactions Review Committee	The Company shall have a Related Party Transactions Review Committee	Names of the members of the Related Party Transactions Review Committee are stated on page 14
9.2.4	Related Party Transactions 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 14
		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 39 to 40
		c) Statement of Policies and Procedures	Please refer Related Party Transactions Review Committee Report on page 39 to 40



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, 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. Bakertily 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 on page 41-43 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 provided for.

By Order of the Board
Mahaweli Reach Hotels PLC

Secretaries
Businessmate (Pvt) Ltd
45, Braybrooke Street, Colombo 2

31 August 2021



CHAIRMAN'S REVIEW...

Dear Shareholder,

The past year has been the first year living in the shadow of the pandemic and our company has had to weather the storm along with the industry, our community, our country and the world. The hotel has adapted and adjusted our operations as we navigated these uncharted waters and continued operations albeit in a restricted manner.

The tourism industry started this year with airport closures and restrictions to international travel which brought activity to a virtual standstill. According to UNWTO statistics, there has been an 74% decline in international travel and there do not appear to be many signs of this situation abating in the short term. Though, with the vaccination drive gathering momentum globally, there is a possibility that there may be some intrepid travellers who jump start international travel towards the beginning of 2022 provided air connectivity remains available and affordable.

Source markets

The main source markets for Sri Lanka in the past have been China, India, Germany, United Kingdom and France. This scenario however has changed during the pandemic. When the airports opened up, Sri Lanka witnessed a shift to new markets with the main source markets becoming India, the Russian Federation, Ukraine, United Arab Emirates and Germany. While the dynamics of this shift were under extraordinary circumstances, it has opened up new horizons with the country gaining recognition in hitherto unexplored markets. It will be prudent to consider these new markets when mapping a strategy for the revival of the industry.

Domestic tourists have been the backbone of the industry during this past year and their support has been invaluable. It is unfortunate that the latest upward trend in virus transmission has caused further inevitable restrictions on movement and gathering, which has hampered the slight recovery witnessed by the industry. However, if the vaccination drive is conducted systematically, gaining coverage of a greater number, it may assist the community in returning to a state of reasonable normalcy. It is imperative that all stakeholders work together with the common objective so that the economy can be revived, creating opportunities for everyone.

Currently, perils are being witnessed from several quarters including security of supply chains, health concerns and the blows to business confidence which have to be addressed in order for the industry to survive this period.



The company has availed itself of available moratoria and financial assistance which have helped in meeting working capital needs. The company is appreciative of the moratoria extended and other assistance provided by our lenders. It is anticipated that further support would be extended to the company and the industry to overcome this challenging period with the newest wave once again threatening the industry and stalling the nascent recovery that was underway. This being a global phenomenon, it is expected that necessary arrangements would be made to bolster this industry which provides significant value addition to the community in terms of direct and indirect economic benefits.

CHAIRMAN'S REVIEW...

The company has taken all possible measures to preserve liquidity and manage cashflows. We are truly grateful to our stakeholders who have supported this process. The tourism industry is interconnected with so many varied suppliers and service providers that it is almost a separate eco system with branches in various section of the community, each relying on the other and for this reason, sustaining this industry and working towards its revival is important. Difficulties within the tourism industry have a ripple effect which affects many other parties including the financial system of the country.

The company is committed to maintaining the health and safety of employees and guests and have taken all possible measures to strengthen the existing protocols in this respect. At the onset of the epidemic, our employees who remained on premises to support operations were assisted with essentials at their homes as we all adapted to the prevailing conditions.

We continue to believe that our human capital is one of our most valuable assets and while our workforce has been extremely co-operative with the steps taken to manage cashflows during this period, the company recognized the need to provide them with appropriate assistance where necessary. The company has utilized this time to further explore opportunities for multi skilling employees and utilizing available resources whenever needed.

I take this opportunity to express my sincere appreciation of the co-operation and commitment extended by the entire team. They have continued to make every endeavour to provide memorable experiences despite the reduced remuneration and the constraints within which they have had to operate. They have supported the efforts of management to preserve liquidity while presenting high standards of service. They have amply demonstrated their ability to adapt and change as the circumstances require while maintaining services at expected standards and assisting one another in overcoming the many challenges that continue to befall hotels.

The hotel obtained the Safe & Secure Certification which is being carried out by the Sri Lanka Tourism Promotion Bureau in association with the independent professional bodies. This denotes that the property is maintaining safety standards for the protection of employees and guests and the hotel continuously endeavours to ensure that necessary measures are carried out to take all reasonable precautions and have a safe environment.

Future Plans

Given the everchanging nature of this pandemic, it is difficult to predict when international travel may resume and return to pre-pandemic levels. Building consumer confidence will take time and in the medium term intense competition will no doubt have a detrimental effect on applicable rates. This will exacerbate an already difficult scenario. However, with prudence and innovation these challenges can be overcome.

Engaging in meaningful marketing strategies with consensus from all stakeholders will also be vital to revive the industry as seen during the pandemic, exploring new markets and using new and innovative strategies may be the key to attracting travellers who will be spoiled for choice in a highly competitive Asian region. Price pressure too will inevitably have its effect on an already intensely competitive market and will need to be considered in future planning.

A further problem faced by the hospitality industry will be the dearth in skilled labour as more people move away from the industry. The prolonged effect on the industry is causing many to move away into other forms of employment and retaining talent and nurturing it under difficult economic conditions will be one of the greatest obstacles in delivering quality services.

Technology will also play a vital role in the future. The pandemic has proved that the advent of new technologies into business operations is critical and can improve business efficiencies while enhancing



CHAIRMAN'S REVIEW...

contactless service options. The hotel has made inroads into this e-commerce sector with the launch of the online food and laundry service which was commenced in this past year.

The presence of technology was also witnessed in the Board room with the company having its first ever virtual Board meeting due to the onset of the crisis.

I take this opportunity to express my sincere appreciation to my colleagues on the Board for their guidance and assistance at a crucial juncture for the company.

It is also with deep sorrow that I acknowledge the passing of late Dr. I.U. Maniku during the year under review. As a director, he supported the company and his contribution will be missed.

It is also with a deep sense of a gratitude that I acknowledge the patronage, co-operation and encouragement received from our customers, old and new, our bankers, suppliers and other partners.

To the shareholders, we truly value your co-operation and support. It has been an incredibly challenging year and we are aware of the onus cast upon us to ensure that the property is protected and its value maintained and enhanced.

We sincerely wish that we can all soon witness a positive change which will alter the current trajectory and transform the circumstances, normalizing business operations and everyone's day to day lives.

"Optimism is the faith that leads to achievement. Nothing can be done without hope and confidence." – Helen Keller

M. U. Maniku
Chairman

31 August 2021



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 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. He is the Chairman of the Maldives Association of Tourism Industry of the Republic of Maldives.

Mr. J. A. Panabokke

(Managing Director)

Executive Director

Mr. J. A. Panabokke has approximately four decades of management experience in the hospitality industry and 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, in the past he has been appointed 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 a Director of the Sri Lanka Institute of Tourism & Hotel Management.

Mr. A. N. Esufally

Independent Non-Executive Director

With over 40 years' experience in the tourism industry, Mr. Abbas Esufally has played a pivotal role in expanding the Group's Leisure interest. He serves as a Group Director of Hemas Holdings PLC and Chairman of Diethelm Travel Sri Lanka (Pvt) Ltd. He has played an active part in the growth and development of the country's tourism industry.

He also serves on several other listed and unlisted company boards. Mr. Esufally also acts as the Deputy Chairperson for AYATI Trust, Sri Lanka, a Centre of Excellence for children with disabilities.

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 is an all Island Justice of Peace and serves as the Honorary Consul of Bhutan in Sri Lanka.

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

(Deceased on 26/11/2020)

Dr. I. U. Maniku was appointed to the Board on 27th February 2003. He is a Director of Universal Enterprises Pvt Ltd of Maldives.



BOARD OF DIRECTORS...

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. 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 & 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. 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 Law Degree from the University of Ceylon, Colombo and is an Attorney-at-Law of the Supreme Court of Sri Lanka, with over 48 years experience. He also holds a Post Graduate Diploma in International Relations from the Bandaranaike Centre 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 & Ministry of Finance. He now works in the business sector as a Director of the Sri Lanka Business Development Centre, a non profit, non stock, social enterprise. 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 Centre of the Asian Institute of Technology, Bangkok.

Mr. Ratwatte was also Senior Adviser to the Prime Minister's Office, Government of Sri Lanka.



BOARD OF DIRECTORS...

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 and 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.

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 & 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 overlooked the Human Resources & Administration areas of HNB.

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

Ms. D. L. Panabokke

Non-Executive Director

An Attorney-at-Law by profession, Ms. Panabokke has been engaged in the practice of commercial & 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 (Pvt) Limited.

Mr. J. A. Panabokke

Executive Director

Mr. J. A. Panabokke is a holder of a Bachelor's Degree in Business with Major in Marketing and Major in Management from the 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 in addition to functioning as an Executive Director of the Company.

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 tenures with Cinnamon Hotels and Uga Resorts, two of the most successful hospitality brands in the country. He presently functions as the Director Operations 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 2020/21

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 2021.

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.

The Annual Report was approved by the Board of Directors on 25th August 2021.

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 and the Management Discussion and Analysis.

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 2021, prepared in compliance with the Sri Lanka Accounting Standards and completed and signed in accordance with the provisions of the Companies Act are given on pages 44 to 82.

(In Rupees Thousand) For the year ended 31st March	2021	2020
Profit / (Loss) for the year	(223,593,232)	(155,605,665)
Other comprehensive income / (expense) for the year, adjusted for revaluation of Property Plant and Equipment and related tax	381,303	397,826,986
Total comprehensive income / (expense) for the year	(223,211,929)	242,221,321
Retained earnings as at the beginning of the year	(185,257,127)	(38,285,750)
Retained earnings as at the end of the year	(408,469,056)	(185,257,127)



REPORT OF DIRECTORS...

4. TURNOVER

The turnover for the year was Rs. 213,128,414/- 2020/21, Rs. 446,380,462/- 2019/20

5. AUDITOR'S REPORT

The Auditor's Report on the Financial Statements of the Company is given on page 41 to 43.

6. 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.

7. RELATED PARTY TRANSACTIONS

The Company has complied with the rules set out in Section 9 of the Listing Rules pertaining to Related Party Transactions. In accordance with Section 9.3.2 (d) of the said Rules, the related party transactions of the company are recurrent transactions which in aggregate value have not exceeded 10% of the gross revenue of the company. The Company has entered into a non-recurrent transaction during the period under review when the spouse of a director provided a personal asset to secure funding for the company. This was done by way of an arms-length transaction with a financial institution with the funds being provided to the company. The repayment is directly to the relevant institution and includes the cost of funding. Details are provided in Note No. 21.2 to the financial statements. There are no non-recurrent related party transactions in the year under review which require reporting as required under Section 9.3.2.(a) of the Listing Rules of the Colombo Stock Exchange.

8. STATED CAPITAL

There were no changes in the company's Stated Capital during the year under review. In terms of the Companies Act No.07 of 2007, 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 2021 consists of 47,066,447 Ordinary shares totaling to Rs. 585,445,870/-. Refer Note No. 17.

9. PROPERTY, PLANT AND EQUIPMENT

Information relating to movements of Property, Plant and Equipment is given in Note No. 12 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 on pages 16 to 18.



10.1 Board of Directors

The following Directors held office during the period under review and their brief profiles are given on Pages 23 to 25 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 (Deceased on 26/11/2020)
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 have 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 29th July 2021 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 and 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. 29 on pages 80 to 81 of the Financial Statements.



- **Non-Recurrent Related Party Transactions**

The Company has entered into a non-recurrent transaction during the period under review when the spouse of a director provided a personal asset to secure funding for the company. This was done by way of an arms-length transaction with a financial institution with the funds being provided to the company. The repayment is directly to the relevant institution and includes the cost of funding. Details are provided in Note No. 21.2 to the financial statements. However 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 2021.

- **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 2021.

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. 8,780/-.

14. AUDITORS

The Company's auditors during the year under review were Messrs. Bakertily Edirisinghe & Co., Chartered Accountants, and a sum of Rs. 284,000- was paid to them by the Company as audit fees for the year ended 31st March 2021.

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. Bakertily 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. GOING CONCERN

The company has been significantly affected by the COVID – 19 outbreak which has restricted operation of the hotel for the better part of 2020. In view of the prevailing situation, 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.

16. 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.

17. ONGOING LITIGATIONS

The ongoing litigation related to the Company are shown in Note No. 26 to the Financial Statements.

REPORT OF DIRECTORS...

18. EQUITABLE TREATMENT TO SHAREHOLDERS

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

19. EVENT AFTER THE REPORTING DATE

Events occurring after the reporting date of the Company are given in Note No. 28 to the Financial Statements.

20. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The contingent liabilities and commitments as at 31st March 2021 are given in Note No. 26 to the Financial Statements.

21. TWENTY MAJOR SHAREHOLDERS WITH COMPARATIVES

Name of shareholder	31.03.2021		31.03.2020	
	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	3,194,928	6.79	3,308,623	7.03
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 & Mrs. K. D. Panabokke	681,068	1.45	658,867	1.40
09. Mr. A. N. Esufally	332,000	0.71	332,000	0.71
10. Ms. D. L. Panabokke	262,033	0.56	223,634	0.47
11. Mrs. K. D. Panabokke	247,550	0.53	204,550	0.43
12. Mackwoods Securities Limited	229,627	0.49	229,627	0.49
13. Mr. D. A. Molligoda	218,960	0.47	-	-
14. Mr. H. D. Molligoda	187,965	0.40	-	-
15. Mr. J. Asitha Panabokke	174,460	0.37	166,987	0.34
16. Ms. R. S. Molligoda	156,345	0.33	-	-
17. Alliance Finance Company PLC	71,928	0.15	71,928	0.16
18. Mackwoods Enterprises Limited	66,593	0.14	66,593	0.14
19. Mr. R. Ratna Gopal	57,800	0.12	57,800	0.12
20. Mr. S. R. S. De Saram	45,435	0.10	-	-

22. DIRECTORS' SHAREHOLDINGS

Directors' Interest in Shares

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.



REPORT OF DIRECTORS...

	As at 31st March 2021	As at 31st March 2020
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	262,033	225,777
Mr. J. Asitha Panabokke	174,460	166,987
Mr. P. B. Panabokke (Alternate Director to Ms. D. L. Panabokke)	45,160	30,760

23. DIRECTOR'S REMUNERATION AND OTHER BENEFITS

The Directors remuneration and other benefits from the Company during the financial year 2020/2021 are Rs. 9,510,212/-

24. 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. 29 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 39-40

25. ANNUAL REPORT

The information provided herein are 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

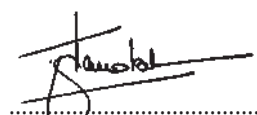
Exchange, the Sri Lanka Accounting and Auditing Standards Monitoring Board, and the Registrar General of Companies, within applicable time frames.

26. ANNUAL GENERAL MEETING

The 47th Annual General Meeting of the Company will be held on 29th September, 2021 at 11a.m. at the Registered Office of the Company, No. 35, P.B.A. Weerakoon Mawatha, Kandy, Sri Lanka by way of a virtual meeting in view of the social distancing measures required. All information in this respect will be provided.

The Notice of the Annual General Meeting, setting out the business which will be transacted there is on Page 3 to 4 of the Annual Report.

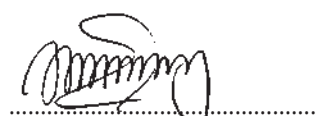
Signed on behalf of the Board



J. A. Panabokke
Director



W.P. Hettiaratchi
Director



Businessmate (Pvt) Limited
Company Secretaries
31 August 2021



INFORMATION TO SHAREHOLDERS AND INVESTORS...

(All figures in Sri Lankan Rupees thousands)

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

Number of shareholders

As at 31st March	2021	2020
Number of Shareholders	2,256	2,269

2.2 Distribution and Composition of Shareholders

No. of Shareholders		Distribution of Shares		31.03.2020 Holding	%	31.03.2021 Holding	%
31.03.2021	31.03.2020						
1,863	1,876	1	1,000	395,989	0.85	387,831	0.82
335	338	1,001	10,000	1,043,468	2.22	1,045,531	2.22
41	40	10,001	100,000	918,591	1.95	990,238	2.10
13	11	100,001	1,000,000	5,307,525	11.27	5,355,668	11.38
4	4	Above	1,000,000	39,400,874	83.71	39,287,179	83.47
2,256	2,269			47,066,447	100.00	47,066,447	100.00

Categories of Shareholders	As at 31st March 2021		
	No. of Shareholders	No. of Shares	%
Institutions	68	36,523,120	77.60
Individuals	2,188	10,543,327	22.40
Total	2,256	47,066,447	100.00

3. Market performance - Ordinary shares

For the year ended 31st March	2021	2020
As at 31st March (Rs.)	17.00	12.00
Highest (Rs.)	17.20	17.40
Lowest (Rs.)	10.60	10.80
Value of shares traded (Rs.)	5,900,594	2,810,317.60
No. of shares traded (Rs.)	440,870	190,206
Volume of transactions (Rs.)	1,039	738



4. Market Capitalization

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. 611,863,811/- as at 31st March 2021 (2020 - Rs. 564,797,736/40).

5. Public Holding

The Company is in compliance with the minimum public holding requirements set out in Rule 7.13.1 (b) – Option 2 of the Listing Rules of the Colombo Stock Exchange.

The percentage of Ordinary Shares held by public – 20.22%

Number of Public shareholders - 2,247

Number of Non-public shareholders - 09

Float adjusted market capitalization - Rs. 123,718,863/-

Shareholdings	No. of Shares held as at 31.03.2021	Holding %	No. of Shares held as at 31.03.2020	Holding %
Others	37,548,985	79.78	37,423,512	79.51
Public	9,517,462	20.22	9,642,935	20.49
Total	47,066,447	100.00	47,066,447	100.00

FIVE YEAR HIGHLIGHTS...

Operating Results		2016/17	2017/18	2018/19	2019/20	2020/21
Occupancy	%	61	61	66	40	4
Gross Revenue	(Rs.000)	629,272	599,004	654,310	446,380	213,128
Interest Charges	(Rs.000)	(16,731)	(17,259)	(24,803)	(18,752)	(23,065)
Depreciation	(Rs.000)	(54,636)	(56,359)	(58,764)	(62,675)	(72,571)
Profit & (Loss) - before Interest	(Rs.000)	39,254	(13,234)	(10,420)	(140,034)	(200,720)
- after Interest	(Rs.000)	22,523	(30,493)	(35,223)	(151,447)	(225,058)
Assets Employed						
Non-Current Assets	(Rs.000)	1,378,928	1,389,531	1,358,248	1,722,815	1,664,708
Net Current Assets/ (Liabilities)	(Rs.000)	6,006	(16,841)	(56,769)	(124,049)	(260,574)
Stated Capital						
Ordinary Shares	(Rs.000)	585,445	585,445	585,445	585,446	585,446
Net Reserves	(Rs.000)	575,254	504,988	468,114	634,361	411,149
Non-Current Liabilities	(Rs.000)	224,234	282,256	247,919	378,959	407,539
Market Value per share	Rs. Cts.	19.00	17.20	13.60	12.00	17.00
Net Assets per share	Rs. Cts.	24.66	23.17	22.38	25.92	21.17
Dividend per share	Rs. Cts.	-	-	-	-	-
Earnings per share	Rs. Cts.	0.16	(0.83)	(0.88)	(3.31)	(4.75)
Year on Year Growth						
- in Earnings per share	%	(87)	(619)	(6)	(275.69)	(43.69)
- In Dividend per share	%	-	-	-	-	-
Price Earning Ratio	-	118.75	(20.72)	(15.45)	(3.63)	(3.58)
Borrowing as a % of Total Assets	%	9.33	10.90	12.29	15.45	18.94
Interest Cover	Times	2.35	(0.76)	(0.42)	(7.52)	(8.76)



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 on pages 23 to 25 of the Annual Report.

Meetings

The Committee met once during the year under review.

Attendance at this meeting is given on page 13 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 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.

In the current context the employees agreed to voluntarily submit to a pay cut from April 2020.

Other than this change in the administration of payable remuneration, 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

31 August 2021



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 23 to 25 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 13 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



AUDIT COMMITTEE REPORT...

Companies Act No. 7 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. Bakertily 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. Bakertily 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

31 August 2021



RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT...

The Board's Related Party Transactions Review Committee, was formed by the Board of Directors in compliance with 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 on pages 23 to 25 of the Annual Report.

Committee Meetings

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 14 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 TRANSACTIONS REVIEW COMMITTEE REPORT...

Related Party Transaction during the year

The Company has entered into a non-recurrent transaction during the period under review when the spouse of a director provided a personal asset to secure funding for the company. This was done by way of an arms-length transaction with a financial institution with the funds being provided to the company. The repayment is directly to the relevant institution and includes the cost of funding. Details are provided in Note No. 21.2 to the financial statements. Details of recurrent Related Party Transactions entered into by the company during the year 2020/2021 are provided in Note No. 29 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

31 August 2021



INDEPENDENT AUDITOR'S REPORT...

TO THE SHAREHOLDERS OF MAHAWELI REACH HOTELS PLC

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, 2021, and the Statement of 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.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at March 31, 2021, and of their financial performance and 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 ("SLAuS"). 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.



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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. The key audit matters below was 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 this matters. We have provided below a description of how our audit procedures addressed the matter in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to the matters below. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit procedures addressed the key audit matters
<p>01. Management Assessment of the Company's Impacts of the COVID-19 Related Events</p> <p>Refer to Note 31 in the financial statements</p> <p>The Company incurred net loss of Rs. 223.5 Mn for the year ended 31st March 2021. Further, current liabilities of the Company exceeded its current assets by Rs 260.5 Mn as at the reporting date.</p> <p>However, these financial statements have been prepared on a going concern basis. When adopting the going concern basis in preparation of the financial statements, the directors have reviewed the Company's cash flow projections, prepared by the management. The cash flow projections were based on management's assumptions and estimation of future cash inflows and outflows, also taking into consideration the impact of COVID-19 related events.</p>	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> • Obtained the Company's cash flow projections and verified key assumptions used in preparing the projections. • Verified the facility agreements for the Company's long-term loans to identify any financial covenants or similar terms and assessing the implication of these on the Company's liquidity. • Assessed the adequacy of disclosures in the financial statements, in relation to the impact of pandemic situation.



INDEPENDENT AUDITOR'S REPORT...

Other Information

Management is responsible for the other information. The other information comprises the supplementary information included, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is 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 Management determines is 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, Management is 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 Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Management and those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility 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 SLAuS 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.



INDEPENDENT AUDITOR'S REPORT...

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management'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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

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 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 3534.

Edirisinghe & Co.

Edirisinghe & Co.,

Chartered Accountants

Colombo

31 August 2021



STATEMENT OF COMPREHENSIVE INCOME...

For the year ended 31 March	Notes	2021 Rs.	2020 Rs.
Revenue	06	187,980,822	398,333,377
Cost of Sales		(167,647,798)	(250,954,629)
Gross Profit		20,333,024	147,378,748
Other Operating Income	07	25,147,592	48,047,085
Administration expenses		(178,073,610)	(233,733,943)
Marketing and promotional expenses		(11,817,706)	(28,797,167)
Laundry and maintenance expenses		(57,582,808)	(73,940,809)
Profit / (loss) from operations	08	(201,993,508)	(141,046,086)
Finance Income	09.1	636,860	506,231
Finance Cost	09.2	(26,931,751)	(23,396,908)
Profit / (loss) before income taxation		(228,288,399)	(163,936,763)
Income tax credits / (expenses)	10	4,695,167	8,331,098
Profit / (loss) for the year		(223,593,232)	(155,605,665)
Other Comprehensive Income			
Other comprehensive income not to be reclassified to profit or loss ;			
Re-measurement of retirement benefit obligation		443,375	10,489,534
Deferred tax impact on re-measurement of retirement benefit obligation		(62,072)	(1,468,535)
		381,303	9,020,999
Revaluation gain on lands		-	149,134,249
Revaluation gain on buildings		-	278,688,067
Deferred tax impact on revaluation buildings		-	(39,016,329)
		-	388,805,987
Other comprehensive income / (expense) for the year, net of tax		381,303	397,826,986
Total comprehensive income / (expense) for the year		(223,211,929)	242,221,321
Basic earnings / (loss) per share (Rs.Cts.)	11	(4.75)	(3.31)

All values are in Sri Lanka Rupees, unless otherwise stated. Figures in brackets indicate deductions.
The accounting policies form an integral part of these Financial Statements.

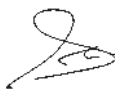


STATEMENT OF FINANCIAL POSITION...

As at 31st March	Notes	2021 Rs.	2020 Rs.	2020 Rs.
ASSETS			Restated	As previously
Non-Current Assets				stated
Property, Plant and Equipment	12	1,664,708,213	1,722,814,575	1,722,814,575
		1,664,708,213	1,722,814,575	1,722,814,575
Current Assets				
Inventories	13	18,392,290	22,828,018	22,828,018
Trade and Other Receivables	14	42,165,299	72,623,614	72,623,614
Income Tax Refund	15	4,121,274	7,698,217	7,698,217
Cash and Cash Equivalents	16	14,315,262	19,389,022	19,389,022
		78,994,125	122,538,871	122,538,871
Total Assets		1,743,702,338	1,845,353,446	1,845,353,446
Equity and liabilities				
Equity				
Stated Capital	17	585,445,870	585,445,870	585,445,870
Revaluation Reserve	18	819,618,393	819,618,393	919,678,605
Accumulated loss		(408,469,056)	(185,257,127)	(176,519,032)
		996,595,207	1,219,807,136	1,328,605,443
Non-Current Liabilities				
Deferred Tax Liabilities	19	182,894,153	191,104,190	92,610,966
Retirement Benefit Obligation	20	55,892,590	49,989,957	49,989,957
Borrowings	21	163,775,415	137,864,728	137,864,728
Deferred Income	22	4,976,573	-	-
		407,538,731	378,958,875	280,465,651
Current Liabilities				
Trade and Other Payables	23	154,497,912	92,706,553	82,401,471
Due to Related Parties	24	18,144,029	6,625,849	6,625,849
Borrowings	21	166,428,802	147,255,032	147,255,032
Deferred Income	22	497,657	-	-
		339,568,400	246,587,435	236,282,352
Total Equity and Liabilities		1,743,702,338	1,845,353,446	1,845,353,446

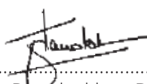
All values are in Sri Lanka Rupees, unless otherwise stated. Figures in brackets indicate deductions.

These Financial Statements have been prepared in compliance with the requirements of the Companies Act No.07 of 2007.

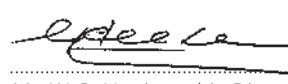


Mr. Sanjeewa Wickramasinghe - Finance Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the Board by:



Mr. J. A. Paribabokke - Director



Mr. W. P. Hettiaratchi - Director

The accounting policies and notes form an integral part of these financial statements.

31 August 2021
Colombo



STATEMENT OF CHANGES IN EQUITY...

For the year ended 31st March, 2021	Stated Capital Rs.	Accumulated loss Rs.	Revaluation Reserve Rs.	Total Rs.
Balance as at 1st April, 2019	585,445,870	(38,285,750)	530,872,618	1,078,032,738
Profit / (loss) for the year - As previously stated	-	(147,254,281)	-	(147,254,281)
Other Comprehensive Income	-	9,020,999	388,805,987	397,826,986
Balance as at 31 March 2020 - As previously stated	585,445,870	(176,519,032)	919,678,605	1,328,605,443
Prior year adjustment (Note 30)	-	(8,738,095)	(100,060,211)	(108,798,306)
Balance as at 31st March, 2020 - Restated	585,445,870	(185,257,127)	819,618,393	1,219,807,136
Balance as at 01 April 2020	585,445,870	(185,257,127)	819,618,393	1,219,807,136
Profit / (loss) for the year	-	(223,593,232)	-	(223,593,232)
Other Comprehensive Income	-	381,303	-	381,303
Balance as at 31st March, 2021	585,445,870	(408,469,056)	819,618,393	996,595,207

All values are in Sri Lanka Rupees, unless otherwise stated. Figures in brackets indicate deductions.
The accounting policies and notes form an integral part of these Financial Statements.



STATEMENT OF CASH FLOWS...

For the year ended 31st March	Note	2021 Rs.	2020 Rs.
Cash flows from operating activities			
Profit / (loss) before taxation		(228,288,399)	(163,936,763)
Adjustment for :			
Depreciation	12	72,571,419	62,675,191
Lease interest	21	231,204	1,646,010
Bank overdraft and loan Interest	09.2	7,600,399	10,400,912
Related party loan interest	09.2	89,720	-
Other financial charges	09.2	1,755,171	2,998,601
Moratorium loan interest	09.2	15,374,802	8,351,384
Provision for gratuity	20	8,901,658	8,912,664
Impairment loss on trade and other receivables	14	1,266,320	3,271,957
Other receivables written off		-	2,663,440
Disposal gain of fixed assets		(89,413)	-
Disposal gain on sales and lease back transaction		(497,657)	-
Moratorium lease interest	21	1,880,455	-
Operating profit / (loss) before working capital changes		(119,204,321)	(63,016,603)
(Increase) / decrease in inventories	13	4,435,728	(478,017)
(Increase) / decrease in trade and other receivables	14	24,804,497	18,848,778
Increase / (decrease) in trade and other payables	23	40,990,232	5,110,820
Increase / (decrease) in related party balances	24	11,518,180	5,683,320
Cash generated from / (used in) operations		(37,455,684)	(33,851,702)
Gratuity paid	20	(2,555,650)	(3,561,800)
Tax paid	15	-	(1,721,274)
Net cash flow from / (used in) operating activities		(40,011,334)	(39,134,777)
Cash flows from investing activities			
Acquisition of property, plant and equipment	12	(6,011,746)	(17,825,260)



STATEMENT OF CASH FLOWS...

Statement of Cash Flows (Continued)

Investment in work in progress assets	12	(178,586)	(1,312,000)
Net cash flow from / (used in) investing activities		(6,190,332)	(19,137,260)
Cash flows from financing activities			
Proceeds from bank borrowings	21	54,059,429	52,345,181
Proceeds from sales and lease back arrangements	21.1	6,500,000	-
Repayment of bank borrowings	21	-	(4,079,044)
Proceeds from related party borrowings	21.2	10,000,000	-
Repayment of related party borrowings	21.2	(986,241)	-
Bank overdraft and loan Interest	09.2	-	(10,400,912)
Other financial charges	09.2	(1,755,171)	(2,998,601)
Repayment of finance lease liability	21.1	(806,415)	(8,348,602)
Net cash flow from / (used in) financing activities		67,011,602	26,518,022
Net increase/(decrease) in cash and cash equivalents		20,809,936	(31,754,015)
Cash and cash equivalents at the beginning of the year		(111,575,426)	(79,821,412)
Cash and cash equivalents at the end of the year	16.1	(90,765,491)	(111,575,426)

All values are in Sri Lanka Rupees, unless otherwise stated. Figures in brackets indicate deductions. The accounting policies and notes form an integral part of these financial statements.



SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2021

NOTE 01 - 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.

As at 31 March 2021 the number of employees of the Company is 211 (31 March 2020 - 255).

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 authorization for issue

The Financial Statements of the Company for the year ended 31st March 2021 were authorized for issue in accordance with a resolution of the Directors on 31 August 2021.

1.5 - Management contract

The Company is managed by Mahaweli Hotels Management Services Private Ltd., under an agreement.

NOTE 02 - 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. 7 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 SLFRSs 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.05.



For the year ended 31 March 2021

Note 02 - Basis of preparation (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 SLFRSs, 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 categorized 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 categorized 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 12.2.

NOTE 03 - 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.

3.1 - 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.

3.2 - Property Plant and Equipment

Items of property, plant and equipment are measured at cost or valuation less accumulated depreciation and accumulated impairment losses.

3.2.1 - 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.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

All items of property, plant and equipment are initially recorded at cost. Where items of property, plant and equipment are subsequently revalued, the entire class of such assets are revalued.

SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2021

Note 03 - Summary of Significant Accounting Policies (Continued)

Lands and buildings are measured at fair value. Revaluations are carried out when there is a substantial difference between the fair value For 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 recognized 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 derecognized. This may involve transferring the whole of the surplus when the asset is retired or disposed of.

3.2.2 - Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognized 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 derecognized 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 derecognized. All other repairs and maintenance costs are charged to the statement of profit or loss during the financial period in which they are incurred.

3.2.3 - 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.

Item	Rate %
Buildings	2.5% to 5.0%
Office equipment	10% to 20%
Linen items	33.33%
Furniture and 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.

3.3 - Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized 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.



For the year ended 31 March 2021

3.4 - 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

3.4.1 - 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.

a) Financial assets at amortized cost (Debt instruments)

The Company measures financial assets at amortized 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 amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is de-recognized, modified or impaired.

The Company's financial assets at amortized 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 recognized in the Statement of Profit or Loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized 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 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 recognized 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



For the year ended 31 March 2021

3.4 - Financial assets (Continued)

3.4.1 - Subsequent measurement (Continued)

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 amortized 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 recognized in the Statement of profit or loss.

3.4.2 - De-recognition

A financial asset is de-recognized

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 recognized to the extent of the Company continuing involvement in it.

3.4.3 - Impairment of financial assets

The Company recognizes 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. 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 recognizes a loss allowance based on lifetime ECLs at each reporting date.

3.4.4 - 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 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.



For the year ended 31 March 2021

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 amortized 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 recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on de-recognition is also recognized in profit or loss.

b) Borrowings

After initial recognition, interest-bearing borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are de-recognized as well as through the EIR amortization 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 amortization 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-recognized 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 recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

3.5 - 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 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

3.6 - 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 Statement of cash flows, cash and cash equivalents consist of cash in hand, deposits held at banks net of outstanding bank overdrafts.

3.7 - 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.

For the year ended 31 March 2021

3.8 - 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 recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

3.9 - Provisions

Provisions are recognized 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.

3.10 - Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized 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.

3.11 - 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 capitalized 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.

3.12 - Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except that a change attributable to an item of income or expense recognized as other comprehensive income is also recognized directly in other comprehensive income.

The current income tax is recognized on the basis of tax rates and laws that have been enacted or substantively enacted at the end of the reporting date.

Deferred 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 tax is determined using tax rates that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred tax is settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.



For the year ended 31 March 2021

3.12 - Current and deferred tax (Continued)

Deferred 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 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.

The Company has not recognized deferred tax assets on unused carried forward tax losses due to uncertainty of claiming tax losses on a taxable income.

3.13 - Employee benefits

3.13.1 - Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution 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 projected unit credit method.

Actuarial gains and losses for defined benefit plans are recognized in full in the period in which they occur in the Statement of other comprehensive income.

Past-service costs are recognized 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.

3.13.2 - 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 recognized as an expense in profit or loss in the periods during which services are rendered by employees.

3.13.3 - Short-term benefits

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

3.14 - Revenue recognition

3.14.1 - 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 SLFRSs. 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: Recognize revenue when (or as) the entity satisfies a performance obligation.



SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2021

3.14.1 - Revenue from contracts with customers (Continued)

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

(a) Room revenue

Revenue is recognized on occupied rooms in daily basis, after completing all other obligation related to the room.

(b) Food and beverage revenue

Food and 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.

(d) Others

Other income is recognized on an accrual basis.

(e) Interest income

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

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 optimizing returns. Interest rates are negotiated leveraging on the strength of the Company thereby ensuring the availability of cost-effective funding at all times, while minimizing 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	26,569,839
Bank Loans (Rs.)	(-) 50 Basis Points	(26,569,839)

NOTE 04 - RISK MANAGEMENT

4.1 - 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 minimize 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

(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 utilization 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 14.2 to the Financial Statements.



4.1 - Financial risk factors (Continued)

(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, 2021	Less than 1 Year Rs.	Between 1 and 5 Years Rs.
Borrowings	166,428,802	163,775,415
Trade and other payables (excluding statutory liabilities)	125,466,189	-
Total	291,894,991	163,775,415
As at 31st March, 2020		
Borrowings	147,255,032	137,864,728
Trade and other payables (excluding statutory liabilities)	75,854,741	
Total	223,109,773	137,864,728

4.2 - 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 as follows:	31 March 2021 Rs.	31 March 2020 Rs.
Total Borrowings (Note No. 21)	330,204,217	285,119,761
Less Cash and Cash Equivalents (Note No. 16)	(14,315,262)	(19,389,022)
Net Borrowings	315,888,955	265,730,739
Total Equity	996,595,207	1,219,807,136
Total Capital	1,312,484,162	1,485,537,875
Gearing Ratio	24%	18%

SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2021

NOTE 05 - 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 recognizes 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.

(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.



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2021		2021 Rs.	2020 Rs.
6.	REVENUE		
	Front Office and Apartment	16,611,522	146,396,280
	Restaurant	157,496,080	228,045,975
	Beverage	13,873,220	23,891,122
		187,980,822	398,333,377
7.	OTHER OPERATING INCOME		
	Laundry income	15,774,834	26,676,204
	Banquet others	2,362,678	4,210,872
	Shop rental	431,201	1,539,546
	Boating, swimming and tennis	106,964	1,063,099
	Hire of vehicles	3,226,381	3,100,721
	Leaves and petals	590,283	1,609,089
	Health centre	-	3,905,062
	Sports centre	1,055,744	1,215,729
	Minor operating income	988,808	4,145,212
	Disposal gain on sales and lease back transaction	497,657	-
	Exchange gain	113,042	581,551
		25,147,592	48,047,085
8.	PROFIT / (LOSS) FROM OPERATIONS IS STATED AFTER CHARGING ALL EXPENSES INCLUDING FOLLOWING:		
	Employee benefit expenses (Note No 8.1)	125,370,305	171,996,774
	Directors' remuneration	9,510,212	18,592,050
	Auditor's remuneration fees	284,000	326,500
	Non assurance fees and expenses	296,600	481,500
	Depreciation	72,571,423	62,675,191
	Impairment loss on trade and other receivables	1,266,320	3,271,957
	Advertising and sales promotion cost	1,215,535	10,327,491
	Other costs	204,607,527	319,755,085
	Total cost of sales, distribution costs and administration expenses	415,121,922	587,426,548
8.1.	Employee benefit expenses		
	Salaries, wages and allowances	94,344,141	130,718,743
	EPF and ETF	10,809,486	15,911,488
	Post employment benefit - Gratuity	8,901,658	8,912,664
	Other staff cost	11,315,020	16,453,879
		125,370,305	171,996,774



For the year ended 31 March 2021		2021 Rs.	2020 Rs.
9.	Finance income / (cost)		
9.1	Finance income		
	Interest income on fixed and savings deposits Note 09.3	636,860	506,231
		636,860	506,231
9.2	Finance cost		Restated
	Bank overdraft and loan interest	7,600,399	10,400,912
	Related party loan interest	89,720	-
	Moratorium loan interest	15,374,802	8,351,384
	Moratorium lease interest	1,880,455	-
	Lease interest	231,204	1,646,010
	Other financial charges	1,755,171	2,998,601
	Note 09.4	26,931,751	23,396,908
	Net finance cost	(26,294,891)	(22,890,677)

Note 09.3 - Finance Income

Finance income comprises interest income derived on funds invested. Interest income is recorded as it accrues using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

Note 09.4 - Finance Cost

Borrowing costs (loan interest, lease interest and other financial charges) are recognized as an expense in the period in which they are incurred, except to the extent the borrowing costs that are directly attributable to the acquisition or construction of an asset that takes a substantial period of time to get ready for its intended use, and are capitalized as part of that asset.



	For the year ended 31 March 2021	2021 Rs.	2020 Rs.
10	Income tax (credits) / expenses		
	Income tax provision for the year Note 10.1	152,846	-
	ESC written off	3,423,930	2,526,241
	Income tax under provision of previous years	166	-
	Deferred tax charge / (credits) Note 10.3	(8,272,109)	(10,857,339)
	Income tax (Credits)/Expenses	(4,695,167)	(8,331,098)

10.1 Reconciliation income tax expense between accounting profit / (loss) and tax profit / (loss) as follows :

Accounting profit/(loss) before tax	(228,288,399)	(163,936,763)
Non deductible expenses	92,349,584	81,520,764
Deductible expenses	(45,539,629)	(54,682,606)
Other sources of income	(636,860)	(506,231)
Taxable business profit / (loss) Note 10.2	(182,115,304)	(137,604,835)
Interest income	636,860	506,231
Total assessable income	636,860	506,231
Set off against tax losses	-	(506,231)
Total taxable income	636,860	-
Income tax at 14%	-	-
Income tax at 24%	152,846	-
	152,846	-

The Company is liable for taxation at the rate of 14% as per the first schedule of the Inland Revenue Act, No 24 of 2017, on its profits derived from "promotion of tourism". Income Tax for any other income is computed at 24%.

10.2 Carried forwarded tax losses

Balance brought forward	387,430,450	250,331,846
Tax loss during the year	182,115,304	137,604,835
Tax loss claimed during the year	-	(506,231)
Balance carried forward	569,545,754	387,430,450

10.3 Deferred tax expense / (credit)

The following table shows deferred tax expense / (credit) recorded in the Statement of comprehensive income due to changes in the deferred tax assets and liabilities :

Deferred tax liabilities		
Accelerated depreciation charge / (reversed)	(7,383,668)	14,797,633
	(7,383,668)	14,797,633
Deferred tax assets		
Defined benefit obligation	888,441	749,121
Carried forward unused tax losses charged / (reversed)	-	24,905,850
	888,441	25,654,971
Deferred tax charge / (credit) for the year	(8,272,109)	(10,857,339)

NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2021

Deferred taxation is provided using the Statement of Financial Position liability method providing for temporary difference between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted by the reporting date.

Deferred tax assets including those related to tax effects of retirement benefit obligation. Deferred tax assets for income tax losses and credits available to be carried forward, are not recognized as at 31 March 2021 due to the uncertainty of utilizing against future taxable profits. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that is no longer probable that the related tax benefit will be realized.

A detailed note for 'Composition of deferred tax assets and liabilities' presented in Note 19.3 to the financial statements.

	2021 Rs.	2020 Rs.
11 BASIC EARNINGS / (LOSS) PER SHARE		
Amount used as the numerator		
Profit / (loss) for the year	(223,593,232)	(155,605,665)
Amount used as the denominator		
Number of ordinary shares	47,066,447	47,066,447
Earnings / (loss) per share - Rs.Cts.	(4.75)	(3.31)

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 PROPERTY, PLANT AND EQUIPMENT

Cost / valuation	As at 01.04.2020 Rs.	Additions Rs.	Disposal Rs.	Transfers Rs.	As at 31.03.2021 Rs.
Freehold assets					
Freehold lands - (at valuation)	445,738,750	-	-	-	445,738,750
Buildings - (at valuation)	1,161,908,706	-	-	-	1,161,908,706
Motor vehicles	20,152,223	-	(6,114,285)	-	14,037,938
Office equipment	416,457,868	5,700,646	(2,174,075)	-	419,984,439
Furniture and fittings	157,452,850	311,100	-	-	157,763,950
Linen	17,170,387	-	-	-	17,170,387
	2,218,880,784	6,011,746	(8,288,360)	-	2,216,604,170



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2021

	As at 01.04.2020	Additions	Disposal	Transfers	As at 31.03.2021
	Rs.	Rs.	Rs.	Rs.	Rs.
Leasehold assets					
Motor vehicles	25,830,905	6,500,000	-	-	32,330,905
Office equipment	-	4,387,500	-	-	4,387,500
Laundry machine	13,377,639	-	-	-	13,377,639
Kitchen equipment	5,620,417	-	-	-	5,620,417
	44,828,961	10,887,500	-	-	55,716,461
Total value of assets	2,263,709,745	16,899,246	(8,288,360)	-	2,272,320,631

Accumulated depreciation	Balance as at 01.04.2020	Additions	Disposal	Transfers	As at 31.03.2021
	Rs.	Rs.	Rs.	Rs.	Rs.
Freehold assets					
Freehold lands - (at valuation)	-	-	-	-	-
Buildings - (at valuation)	123,447,456	43,000,059	-	-	166,447,515
Motor vehicles	18,905,752	247,217	(5,586,172)	-	13,566,797
Office equipment	223,259,335	19,291,139	(89,413)	-	242,461,061
Furniture and fittings	142,596,236	2,787,560	-	-	145,383,796
Linen	13,535,742	1,199,434	-	-	14,735,176
	521,744,521	66,525,409	(5,675,585)	-	582,594,345

Leasehold assets					
Motor vehicles	17,291,584	2,811,913	-	-	20,103,497
Office equipment	-	292,099	-	-	292,099
Laundry machine	3,641,332	1,947,261	-	-	5,588,593
Kitchen equipment	646,733	994,737	-	-	1,641,470
	21,579,649	6,046,010	-	-	27,625,659
Total depreciation	543,324,170	72,571,419	(5,675,585)	-	610,220,004



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2021

Note 12 - Property, plant and equipment (Continued)

Written down value	As at 01.04.2020	As at 31.03.2021
	Rs.	Rs.
Freehold asset		
Freehold lands - (at valuation)	445,738,750	445,738,750
Buildings - (at valuation)	1,038,461,250	995,461,191
Motor vehicles	1,246,471	471,141
Office equipment	193,198,533	177,523,378
Furniture and fittings	14,856,614	12,380,154
Linen	3,634,645	2,435,212
	1,697,136,263	1,634,009,826
Leasehold assets		
Motor vehicles	8,539,321	12,227,408
Office equipment	-	4,095,401
Laundry machine	9,736,307	7,789,046
Kitchen equipment	4,973,684	3,978,947
	23,249,312	28,090,802
Total written down value	1,720,385,575	1,662,100,627

Work in progress assets	As at 01.04.2020	Additions	Transfers	As at 31.03.2021
	Rs.	Rs.	Rs.	Rs.
Installation of salary system	1,117,000	-	-	1,117,000
Wet garbage room	1,312,000	178,586	-	1,490,586
	2,429,000	178,586	-	2,607,586
Total assets	1,722,814,575	-	-	1,664,708,213

Note 12.1 - The carrying amount of revalued assets that would have been included in the financial statements had the assets been carried at cost less accumulated depreciation is as follows :

Cost	As at 01.04.2020	Additions	As at 31.03.2021
	Rs.	Rs.	Rs.
Land	98,116,927	-	98,116,927
Buildings	602,561,563	-	602,561,563
	700,678,490	-	700,678,490
Accumulated depreciation			
Land	-	-	-
Buildings	175,303,841	14,991,426	190,295,267
	175,303,841	14,991,426	190,295,267
Written down value			
Land	98,116,927	-	98,116,927
Buildings	427,257,721	-	412,266,295
	525,374,648	-	510,383,222



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2021

Note 12 - Property, plant and equipment (Continued)

Note 12.2 - Reconciliation of carrying amounts of revalued assets

	Lands	Buildings	Total
	Rs.	Rs.	Rs.
Carrying value as at 01 April 2020 Note 12.2.3	445,738,750	1,038,461,250	1,484,200,000
Additions	-	-	-
Fair value gain	-	-	-
Depreciation for the year	-	(43,000,059)	(43,000,059)
Carrying value as at 31 March 2021	445,738,750	995,461,191	1,441,199,941

Note 12.2.1 - Valuation of land and building

The Company uses the revaluation model of measurement for buildings. The Company engaged Mr.T.B.Balasuriya, (Bsc.) EMV Spl (Hons),SJP, an accredited independent valuer, to determine the fair value of its lands and buildings. Fair value is determined by reference to market-based evidence. Valuations are based on open market prices, adjusted for any difference in the nature, location or condition of the specific property. The date of the most recent valuation was 31st March 2020.

Further, there is no significant change in the fair value as at 31st March 2021.

Details of Company's land and buildings stated at valuation are indicated below.

Effective date of valuation - 31 March 2020

Property	Method of valuation	Effective date of valuation
Siyambalahakotuwa land 02 Acres - 2 Rood -08.15 perches, Weralugasdeniye Kumbura & Pillewa - 00 Acres- 03 Rood - 32.50 perches, Siyabalagasthenna land 00 Acres - 01 Rood - 03.87 Perches.	Direct capital comparison method This method is primarily based on the principle of substitution, where the purchaser would be unwilling to pay more for a specific property than the cost of obtaining a comparable, competitive property with the same utility, on the open market, provided there is no delay in making the acquisition.	31 March 2020
Two buildings (60,540 square feet and 29,830 square feet) located at No 35, P.B.A. Weerakoon Mw, Kandy.	This method is primarily based on the principle of substitution, where the purchaser would be unwilling to pay more for a specific property than the cost of obtaining a comparable, competitive property with the same utility, on the open market, provided there is no delay in making the acquisition.	31 March 2020



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2021

Note 12.2.3 - Significant unobservable inputs

Valuation of lands	Amount Rs.
Siyambalagahakotuwa land 02 Acres - 2 Rood -08.15 perches @ Rs 925,000/- P.P	377,538,750
Weralugasdeniye Kumbura & Pillewa - 00 Acres- 03 Rood - 32.50 perches @ Rs 27,500 P.P	4,200,000
Siyabalagasthenna land 00 Acres - 01 Rood - 03.87 Perches @ Rs.1,450,000/= P.P.	64,000,000
	445,738,750

Valuation of buildings Building 01	Amount Rs.
Part 01	
Ground floor - 21,000 sq.ft @ Rs 7,500/- - dep 30%	110,250,000
First floor - 21,000 sq.ft @ Rs 6,350/- - dep 30%	93,345,000
Lower ground floor - 4,200 sq.ft @ Rs 7,850/- - dep 30%	23,079,000
Ground floor - 4,600 sq.ft @ Rs 8,350/- - dep 30%	26,887,000
First floor - 4,600 sq.ft @ Rs 8,650/- - dep 30%	27,853,000
Second floor - 4,600 sq.ft @ Rs 8,850/- - dep 30%	28,497,000
Part 02	
Ground floor - 1,100 sq.ft @ Rs 6,250/- - dep 30%	4,812,500
First floor - 1,300 sq.ft @ Rs 5,850/- - dep 30%	5,323,500
Second floor - 1,300 sq.ft @ Rs 5,950/- - dep 30%	5,414,500
Part 03	
Ground floor - 1,100 sq.ft @ Rs 6,500/- - dep 20%	5,720,000
First floor - 1,100 sq.ft @ Rs 6,000/- - dep 20%	5,280,000
Part 04	
Ground floor - 3,250 sq.ft @ Rs 6,950/- - dep 30%	15,811,250
First floor - 3,250 sq.ft @ Rs 6,250/- - dep 30%	14,218,750
Second floor - 3,250 sq.ft @ Rs 5,950/- - dep 30%	13,536,250
Part 05	
Ground floor - 2,150 sq.ft @ Rs 3,950/- - dep 30%	5,944,750
First floor - 1,900 sq.ft @ Rs 3,750/- - dep 30%	4,987,500
Part 06	
Ground floor - 1,540 sq.ft @ Rs 3,950/- - dep 30%	4,258,100
First floor - 1,540 sq.ft @ Rs 3,750/- - dep 30%	4,042,500



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2021

Note 12.2.3 - Significant unobservable inputs (Continued)

	Amount Rs.
Part 07	
First floor - 2,650 sq.ft @ Rs 4,450/- - p.s.f	11,792,500
Swimming pool 4,000 sq.ft X 5.45 ft X 6.25 ft X 150	20,000,000
Ancillary and miscellaneous additions for building	41,408,150

Valuation of buildings Building 02	Amount Rs.
Part 01	
Ground floor - 14,900 sq.ft @ Rs 8,350/- - dep 20%	99,532,000
First floor - 14,800 sq.ft @ Rs 9,150/- - dep 20%	108,336,000
Second floor - 9,800 sq.ft @ Rs 9,250/- - dep 20%	72,520,000
Second floor - 5,000 sq.ft @ Rs 6,850/- - dep 20%	27,400,000
Third floor - 7,200 sq.ft @ Rs 9,350/- - dep 20%	53,856,000
Second floor - 2,600 sq.ft @ Rs 6,950/- - dep 20%	14,456,000
First floor - 7,300 sq.ft @ Rs 9,350/- - dep 20%	54,604,000
First floor - 7,300 sq.ft @ Rs 9,450/- - dep 20%	55,188,000
Second floor - 1,300 sq.ft @ Rs 6,850/- - dep 20%	7,124,000
Part 02 - 11,300 sq. ft @ Rs. 7,250 - dep 20%	65,540,000
Ancillary and miscellaneous additions for building	1,444,000
Staff quarters	6,000,000
	1,038,461,250

13. INVENTORIES	2021 Rs.	2020 Rs.
Food stock	2,633,022	4,734,265
Beverage stock	4,003,998	4,138,370
House keeping	2,273,080	3,229,271
Maintenance stock	1,341,959	1,896,690
Printing and stationery stock	2,099,105	2,272,283
General stock	4,602,547	5,718,245
Gas stock	620,801	143,441
Fuel stock	817,778	695,453
Total	18,392,290	22,828,018



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2021

14.	Trade and other receivables	31.03.2021 Rs.	31.03.2020 Rs.
	Trade debtors		
	Less: Provision for impairment Note 14.1	39,215,806	60,310,197
	Trade receivables - net	(33,635,659)	(32,369,339)
		5,580,147	27,940,858
	Refundable deposits	3,200,803	2,510,803
	Prepayments	314,417	9,254,570
	Other receivables	33,069,932	32,917,383
	Total	42,165,299	72,623,614
14.1	Provision for impairment		
	Balance at the beginning of the year	32,369,339	29,336,882
	Provision for the year	1,266,320	3,271,957
	Unrecoverable receivable balances written off	-	(239,500)
	Balance at the end of the year	33,635,659	32,369,339

As of 31st March 2021, Trade Receivables of Rs. 3,888,700/- (as of 31st March 2020 was Rs. 15,264,842/-) were fully performing.

As of 31st March 2021, Trade Receivables of Rs. 1,691,447 /- (as of 31st March 2020 was Rs.12,676,016/-) 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:

	31.03.2021 Rs.	31.03.2020 Rs.
Over 90 days	174,063	6,893,637
Over 120 days	1,517,384	5,782,379
	1,691,447	12,676,016

As of 31st March 2021, trade receivables of Rs 33,635,659/- (31.03.2020 : 32,369,339/-) 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.

The creation and release of provision for impaired receivables have been included in 'Administration expenses' in the statement of profit or loss. 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 analyzed in note 14.2. The Company does not hold any collateral as security.



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2021

As at 31 March	2021 Rs.	2020 Rs.
14.2 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:		
Trade and other receivables	15,286,080	35,951,234
Banks with credit ratings	14,315,262	19,389,022
	29,601,342	55,340,256
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	5,580,147	27,940,858
Loans to company officers	2,911,999	2,979,499
Other receivables	6,793,934	5,030,877
	15,286,080	35,951,234
Loans are given to permanent confirmed employees and are deducted from the salaries as per the terms of granting the loan.		
15 Income tax refund		
Balance at the beginning of the year	(7,698,217)	(8,503,184)
Income tax under provision of previous years	166	-
	(7,698,051)	(8,503,184)
Income tax provision for the year	152,846	-
ESC written off	3,423,930	2,526,241
Payment made during the year	-	(1,710,628)
WHT paid	-	(10,646)
Balance at the end of the year	(4,121,274)	(7,698,217)
16 Cash and cash equivalents		
Cash at bank	13,243,970	17,417,712
Cash in hand	1,071,292	1,971,310
	14,315,262	19,389,022
16.1 For the purpose of Statement of cash flows, cash and cash equivalents includes following :		
Cash in hand and at bank	14,315,262	19,389,022
Bank overdraft	(105,080,753)	(130,964,448)
	(90,765,491)	(111,575,426)



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2021

17	Stated capital		
	47,066,447 No. of Ordinary shares issued and fully paid	585,445,870	585,445,870
		585,445,870	585,445,870
18	Revaluation reserve		Restated
	Balance at the beginning of the year	819,618,393	530,872,618
	Revaluation gain on land and buildings	-	427,822,316
	Deferred tax impact on revaluation	-	(139,076,541)
	Balance at the end of the year	819,618,393	819,618,393
	Revaluation reserve related to the surplus on revaluation of land and building.		
19	Deferred tax assets and liabilities		
19.1	Deferred tax liabilities		Restated
	Balance at the beginning of the year	198,102,784	98,937,540
	Prior year adjustment	-	45,351,282
	Provision / (reversal) for the year	(7,383,668)	14,797,633
	Deferred tax impact to OCI on revalued buildings	-	39,016,329
	Balance at the end of the year	190,719,116	198,102,784
19.2	Deferred tax assets		
	Balance at the beginning of the year	6,998,594	35,954,100
	Provision / (reversal) for the year	888,441	749,121
	Deferred tax impact to OCI on actuarial gain on gratuity	(62,072)	(1,468,535)
	Temporary differences arising / (reversed) from unused tax losses	-	24,905,850
	Prior year adjustment	-	(53,141,942)
	Balance at the end of the year	7,824,963	6,998,594
	Net deferred tax liability	182,894,153	191,104,190



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2021

19.3 Composition of deferred tax assets and liabilities

At Cost or Valuation	31.03.2021		31.03.2020	
	Temporary	Tax effect	Temporary	Tax effect
Deferred tax liability	Rs.	Rs.	Rs.	Rs.
Property, plant and equipment	368,875,540	51,642,576	421,616,026	59,026,244
Revaluation of buildings	669,466,131	93,725,258	669,466,131	93,725,258
Revaluation of lands	323,937,732	45,351,282	323,937,732	45,351,282
Deferred tax assets				
Defined benefit obligation	(55,892,590)	(7,824,963)	(49,989,957)	(6,998,594)
Net balance	1,306,386,814	182,894,153	1,365,029,932	191,104,190

		2021 Rs.	2020 Rs.
20 Retirement benefit obligation			
Balance at the beginning of the year		49,989,957	55,128,625
Provision / (reversal) made during the year	Note 20.1	8,458,283	(1,576,870)
Payments / payables of the year		(2,555,650)	(3,561,800)
Balance at the end of the year		55,892,590	49,989,957
20.1 Provision / (reversal) made during the year			
Interest charged for the year		5,998,795	6,557,318
Current service cost		2,902,863	2,355,346
		8,901,658	8,912,664
Actuarial (gain)/ loss		(443,375)	(10,489,534)
		8,458,283	(1,576,870)
20.2 The principle assumptions used are as follows :			
Long term interest rate		07%	12%
Future salary increment rate		0%	10%
Staff turnover ratio		15%	15%
Retirement age		54	54



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2021

20.3 Sensitivity analysis of present value of defined benefit obligation

Assumption changed (while all other assumptions remain unchanged)	Amount Rs. .
1% increase in discount rate	55,159,461
1% decrease in discount rate	56,673,782
1% increase in Salary Escalation rate	56,231,291
1% decrease in Salary Escalation rate	55,573,819

20.4 Distribution of present value of defined benefit obligation in future years

Within the next 12 months	43,117,977
Between 1-2 years	3,170,605
Between 2-5 years	5,198,192
Between 5-10 years	3,252,421
Beyond 10 years	1,153,393
	55,892,588
Weighted Average Duration of Defined Benefit Obligation (Years)	1.38

21 BORROWINGS

		2021 Rs.	2020 Rs.
Non current maturity portion		8,499,405	19,680,791
Lease creditor	Note 21.1	148,903,574	118,183,938
Bank loans	Note 27	6,372,435	-
Borrowings from related parties	Note 21.2	163,775,415	137,864,728
Current maturity portion			
Lease creditor	Note 21.1	21,052,314	2,065,684
Bank loans	Note 27	37,564,691	14,224,900
Bank overdraft		105,080,753	130,964,448
Borrowings from related parties	Note 21.2	2,731,044	-
		166,428,802	147,255,032
		330,204,217	285,119,761



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2021

21.1 Lease creditor	2021 Rs.	2020 Rs.
Balance at the beginning of the year	27,382,841	13,869,887
Addition during the year	7,741,584	21,861,556
Moratorium interest addition during the year	1,880,455	-
Settlements during the year	(806,415)	(8,348,602)
	36,198,465	27,382,841
Interest in suspense Note 21.1.1	(6,646,746)	(5,636,366)
	29,551,719	21,746,475
Current maturity portion	21,052,314	2,065,684
Non current maturity portion	8,499,405	19,680,791
	29,551,719	21,746,475

21.1.1 Interest in suspense		
Balance at the beginning of the year	5,636,366	1,657,107
Addition during the year	1,241,584	5,625,269
Moratorium interest addition during the year	1,880,455	-
Settlements during the year	(231,204)	(1,646,010)
Moratorium interest charge during the year	(1,880,455)	-
	6,646,746	5,636,366

Current maturity portion	4,715,230	688,052
Non current maturity portion	1,931,516	4,948,314
	6,646,746	5,636,366

21.2 Borrowings from related parties		
Balance at the beginning of the year	-	-
Loans obtained during the year Note 21.2.2	12,549,861	-
Repayment during the year	(986,241)	-
	11,563,620	-
Less : Interest in suspense Note 21.2.1	(2,460,141)	-
Balance at the end of the year	9,103,479	-

Current maturity portion	2,731,044	-
Non current maturity portion	6,372,435	-
	9,103,479	-

21.2.1 Interest in suspense		
Balance at the beginning of the year	-	-
Addition during the year	2,549,861	-
Charged to profit or loss	(89,720)	-
Balance at the end of the year	2,460,141	-



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2021

21.2.2 Loans obtained during the year

During the financial year 2020/21, Ms. K. D. Panabokke, the Spouse of Mr. Jayantha Panabokke who is a Director of the Company granted a Rs.10,000,000 Million loan to the Company by engaging in a sales and lease back transaction for the personal vehicle with Bank of Ceylon - Super Grade Branch Kandy.

The details of the transaction as follows :

Date granted	Amount granted Rs.	Rental to be paid Rs.	Rental paid during 2020/21 Rs.	Amount outstanding as at 31.03.2021 Rs.	Amount outstanding as at 31.03.2020 Rs.
24.02.2021	10,000,000	12,549,861	(986,241)	11,563,620	-
	10,000,000	12,549,861	(986,241)	11,563,620	-

22 Deferred income

	2021 Rs.	2020 Rs.
Disposal gain on sale and lease back arrangement under finance lease		
Non current portion	4,976,573	-
Current portion	497,657	-
Note 22.1	5,474,230	-

22.1 Sale and lease back arrangement

Sale and lease back arrangement involves sale of a Company's asset and leasing back the same asset to the Company. As per the paragraph 59 of Sri Lanka Accounting Standard No. 17, this transaction results in a finance lease. Accordingly the excess of sales proceeds over the carrying amount is recognized as a deferred income as above and this will amortized over the lease period of 05 years.

The resulted amortized value (disposal gain) to the financial year ended 31 March 2021 amounting to Rs 497,657/- recognized as an other operating income under Note 07 to these financial statements.

As at 31 March	2021 Rs.	2020 Rs.
23 Trade and other payables		Restated
Trade creditors	56,116,434	62,907,732
Other payables	412,527	240,785
Expense creditors	97,968,951	29,558,036
	154,497,912	92,706,553
24 Amounts due to related parties		Restated
Mahaweli Hotel Management Services (Pvt) Ltd	18,144,029	6,625,849
	18,144,029	6,625,849



For the year ended 31 March 2021

25 Analysis of financial instruments financial instruments by category

Financial asset at amortized cost		
Trade and other receivables excluding prepayments, statutory payments and advances	15,286,080	35,951,234
Cash and cash equivalents (Note 16)	14,315,262	19,389,022
	29,601,342	55,340,256
Financial liabilities at amortized cost		
Trade and other payables (Excluding statutory liabilities) (Note 23)	125,466,189	84,206,125
Amounts due to related companies (Note 24)	18,144,029	6,625,849
	143,610,218	90,831,974

26 Commitments and contingencies

26.1 Commitments

There were no commitment as at the end of the reporting date.

26.2 Contingent liabilities

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 unfavorable 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 Labour 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 Honourable Court delivered its judgement on 12th December 2018, quashing the order of the Commissioner General of Labour which required 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 05th August 2019. In view of legal advice that the determination received from the Commissioner General of Labour 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.

NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2021

27 Assets Pledge

Lending Institution	Nature of Facility	Interest Rate	Repayment Term	Outstanding Balance		Security
				31.3.2021 Rs.	31.3.2020 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.	16,680,000	16,680,000	Registered primary and additional floating mortgage bonds totaling to Rs.133.9 Mn over the hotel premises bearing assessment No. 35. PBA Weerakoon Mawatha, Kandy.
	Term Loan Rs. 40 Million	AWPLR + 2% p.a	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.	35,947,756	35,947,757	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.
	Term Loan Rs.15 Million	AWPLR + 2% p.a	24 monthly instalments of Rs. 625,000/- together with interest.	15,000,000	15,000,000	Concurrent mortgage bond for Rs.75,000,000/- to be executed over the immovable property situated at Siyambalagastenna Kandy depicted as lot No.1 in survey plan 268B dated 04th,06th,08th of March 1989 and 21st December 1990.
	Term Loan Rs. 45 Million	AWPLR + 2% p.a	24 monthly capital instalments of Rs.1,875,500/- + Interest.	33,750,000	33,750,000	Concurrent mortgage bond for Rs.75,000,000/- to be executed over the land and premises call Walawwewatta and Siyabalagahakotuwa now kown as Mahaweli reach hotel situated at No.35, PBA Weerakoon mawatha, Kandy depicted as lot no 1 in survey plan 268B dated 04th,06th,08th of March 1989 and 21st December 1990.
Hatton National Bank PLC	Overdraft Rs.85 Million	AWPLR + 1.75% p.a	On demand / To be reviewed annually.	84, 185, 642	110,986,933	Registered primary and additional floating mortgage bonds totaling to Rs.133.9 Mn over the hotel premises bearing assessment No. 35. PBA Weerakoon Mawatha, Kandy.



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2021

Note. 27 Assets Pledge (Continued)

Lending Institution	Nature of Facility	Interest Rate	Repayment Term	Outstanding Balance		Security
				31.3.2021 Rs.	31.3.2020 Rs.	
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.	351,100	351,100	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, PBA 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.	27,084,800	27,084,800	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, PBA Weerakoon Mawatha, Kandy.
Commercial Bank of Ceylon PLC	Overdraft Rs.20 Million	AWPLR + 2 % p.a	On demand	19,435,479	19,739,224	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, PBA Weerakoon Mawatha, Kandy.
Sampath Bank PLC	Medium Term Loan Rs. 5.4 Million	AWPLR + 2% p.a	48 equal monthly installments of Rs.156,144/- together with interest to be serviced monthly.	4,044,579	3,595,181	1).Loan agreement for Rs.5,400,000/- 2).Promissory note for Rs.5,400,000/- 3).joint and several guarantee for Rs 5,400,000/- from 02directors of the company.



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2021

Note. 27 Assets Pledge (Continued)

Hatton National Bank PLC	Medium term Loan Rs. 24 million	AWPLR + 2.5 % p.a	24 equal monthly installments of Rs. 1,000,000/- commencing after 06 months from the grant date together with interest to be serviced monthly.	24,000,000	-	Existing Registered Concurrent Primary Floating Mortgage Bonds totaling to Rs.208,900,000- to be enhance up to Rs.223,900,000- over the immovable property situated at Siyambalagastenne depicted as Lot I in Survey Plan No.268B dated 04th 06th anC08tli March 1989 and 21/12/1990 made by C A O Dirckze (LS) and everything standing thereon (including the existing buildings and/ or the buildings which are to be constructed in the future together with any further developments, modifications or alterations thereto) with all fixtures, fittings, services and such other rights attached or appertaining thereto (the "Mortgaged Property").
Hatton National Bank PLC	Medium term Loan Rs. 15 million	8 % p.a	41 equal monthly installments of Rs. 360,000/- commencing after 06 months from the grant date and final installment of Rs 240,000/- together with interest to be serviced monthly.	15,000,000	-	The Existing Registered Concurrent Mortgage Bonds totaling to Rs.208.9Mn over the immovable property situated at Siyambalagastenne depicted as Lot I in Survey Plan No 268B dated 4th 6th & 8 th March 1989 and 21 st December 1990 land extent inA:2 R:2 P: 1 I .20 made by C A O Direkze (LS) and everything standing thereon (including the existing buildings and/ or the buildings which are to be constructed in the future together with any further developments, modifications or alterations thereto) with all fixtures, fittings, services and such other rights attached or appertaining thereto (the "Mortgaged Property").
Bank of Ceylon	Short term Loan Rs. 15 million	13% p.a	01st to 05th month only the interest and on 06th month capital + interest.	14,610,030	-	Loan agreement for short term loan amount to Rs 15 Million.



For the year ended 31 March 2021

28 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.

29 Related party disclosures

29.1 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	Managing Agents
Mahaweli Hotel Management Services (Pvt.) Ltd.	Ms. D. L. Panabokke	Managing Agents
Universal Enterprise (Pvt) Ltd.	Mr. M. U. Maniku	Parent Company
Universal Enterprise (Pvt) Ltd.	Mr. A. U. Maniku	Parent Company
Universal Enterprise (Pvt) Ltd.	Dr. I. U. Maniku	Parent Company
Universal Enterprise (Pvt) Ltd.	Mr. A. M. Didi	Parent Company
Universal Enterprise (Pvt) Ltd.	Mr. M. M. Didi	Parent Company
Universal Enterprise (Pvt) Ltd.	Mr. Ali Nooradeen	Parent Company

29.2 Transactions with related parties

The Company has entered into transactions during the year with the following companies;

29.2.1 Management fee payments

Name of the related party	Nature of Transaction	2020/21 Rs.	2019/20 Rs.
Mahaweli Hotel Management Services (Pvt.) Ltd.	Management Fees	12,618,181	28,508,241
Basis of Management Fees calculation (Net Turnover + Service Charges) * 6% + (7% on Net Profit after Depreciation & Finance Charges)			
Diethelm Travels (Pvt.) Ltd.	Service Rendered	-	397,776

29.2.2 Borrowings from related parties

During the financial year 2020/21, Ms.K.D Panabokke, the Spouse of Mr.Jayantha Panabokke who is a Director of the Company granted a Rs 10,000,000 Million loan to the Company by engaging in a sales and lease back transaction for the personal vehicle with Bank of Ceylon - Super Grade Branch Kandy.

The details of the transaction as follows :

Date granted	Amount granted Rs.	Rental to be paid Rs.	Rental paid during 2020/21 Rs.	Amount outstanding as at 31.03.2021 Rs.	Amount outstanding as at 31.03.2020 Rs.
24.02.2021	10,000,000	12,549,861	(986,241)	11,563,620	-

For the year ended 31 March 2021

29.2.2 Borrowings from related parties (Continued)

Accordingly during the financial year ended 31 March 2021, the Company has paid Rs. 986,241/- as Loan rentals. Further outstanding rental amount to Rs. 11,563,620/- to be paid in equal monthly installments in 05 years period.

Mr. A. N. Esufally, 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.

29.3 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;

	2020/21 Rs.	2019/20 Rs.
(a) Short term employee benefits	9,510,212	18,592,050
(b) Post employment benefits	25,667,509	24,239,004
(c) Long term benefits	nil	nil
(d) Termination benefits	nil	nil
(e) Share based payments	nil	nil

There were no any related party transactions other than those disclosed in Note No. 29 to the Financial Statements.

30 Prior year adjustments

30.1 Derecognition of deferred tax assets on unutilized income tax losses

In the prior periods, the Company has recognized a deferred tax assets on unutilized income tax losses. The related deferred tax assets amounting to Rs. 53,141,942/- were outstanding in the financial statements for the year ended 31 March 2020.

However, due to significance of impact from Easter Sunday attack and COVID-19 pandemic situation affected to the operations of the Company from the financial year 2019/20 onward, there is an uncertainty of earning future taxable profits that will be available against which the deferred tax asset can be utilized.

Accordingly to correct this misstatement, the over stated balance of deferred tax assets amounting to Rs. 53,141,942/- derecognized from the prior period by restating the comparative figures.

30.2 Recognition of deferred tax liability on revaluation gain on lands

In the prior period the Company has not recognized a deferred tax liability on revaluation gain on lands. The revaluation gain on lands as at 31 March 2020 is amount to Rs. 323,937,732/- and considering lands as business assets inline with the provisions of Inland Revenue Act No. 24 of 2017 and the requirements of Sri Lanka Accounting Standard LKAS 12, the resulted deferred tax liability is amount to Rs. 45,351,282/-.

Accordingly to correct this misstatement, the under stated balance of deferred tax liability amounting to Rs. 45,351,282/- Re-recognized to the prior period by restating the comparative figures.



For the year ended 31 March 2021

30.3 Reclassification of deferred tax liability to Revaluation reserves

In the prior period the Company has classified a deferred tax liability of Rs. 54,708,929/- related to a brought forwarded revaluation gain on buildings of amount to Rs. 390,778,064/- in the Accumulated loss instead of classifying under Revaluation Reserves.

Accordingly to correct this misstatement, the overcharged deferred tax expense amounting to Rs. 54,708,929/- in Accumulated loss transferred and reclassified to Revaluation reserves.

30.4 Recognition of under stated bank loan interest related to COVID-19 moratorium period

In the prior period the bankers have charged loan interests relevant to COVID-19 moratorium period amounting to Rs. 8,351,384/-, which were the Company has not recognized in prior period in the financial statements.

Accordingly to correct this misstatement, the understated bank loan interest payable and prior period loan interest expense amounting to Rs. 8,351,384/- Re-recognized in the comparative figures under "Trade and other payables" and "Accumulated loss" in these financial statements.

30.5 Recognition of under provided Tourism Development Levy Liability

In the prior period the Company has not recognized a liability for a payment made in relation to Tourism development levy amount to Rs.1,953,698/- in its financial statements.

Accordingly to correct this misstatement, the understated statutory liabilities and prior period statutory expense amounting to Rs. 1,953,698/- Re-recognized in the comparative figures under "Trade and other payables" and "Accumulated loss" in these financial statements.

As the impact of above deferred tax recognitions and classifications in prior periods constituted material amounts to the financial statements, in terms of paragraph 42 of LKAS 08 'Accounting policies, Changes in accounting estimates and errors, the Statement of financial position as at 31 March 2020 and the revaluation reserves balance in the Statement of changes in equity were restated. The impact as follows :

Statement of financial position	Amount Rs.	31 March 2020 Amount Rs.
Net deferred tax liability (Increased by)		98,493,225
Accumulated loss - Balance as at 01.04.2019 (Increased by)	386,711	
- Loss for the year ended 31 March 2020 (Increased by)	8,351,384	
- Balance as at 31.03.2020 (Increased by)	8,738,095	(8,738,095)
Revaluation reserves (Decreased by)		(100,060,211)
Trade and other payables (Increased by)		10,305,082

31 Disclosure on impact of COVID-19

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. The hotel continues to operate and continues the home delivery service for food and laundry, while other revenue streams such as room occupancy continue to be severely affected.

The domestic market has supported the hotel's operation though the increase in risk of transmissibility of the virus has compelled travel restrictions which will continue to impact even these revenues, while the effect on the economy may have a natural cascading effect on discretionary spending. Given the global situation, international travel will take longer to revive with most forecasting that a full recovery may take awhile, it is expected that the leisure sector and the 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 in the future.

While this statement is based on available information, all challenges in the forthcoming period cannot be predicted and the team at Mahaweli Reach Hotels PLC will endeavor to overcome same with dedication and perseverance.

PROXY FORM...

*I/Weofbeing *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
Mr. Mohamed Mahir
Mr. Ali Noordeen
Mr. Jayampathy Charitha Ratwatte
Mr. Ranjeevan Seevaratnam
Mr. Joseph Rosario Philip Mancius Pavia
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 47th Annual General Meeting of the Company to be held on the 29th day of September 2021 at 11.00 a.m., at the registered office of the Company No.35, P. B. A. Weerakoon Mawatha, Kandy, Sri Lanka by way of audio and audio visual means in view of the social distancing measures required. All information in this respect will be provided for the following purposes and any adjournment thereof and at every poll which may be taken in consequence thereof.

- | | | |
|---|--------------------------|--------------------------|
| 1. To adopt the Annual Report of the Board of Directors and the Financial Statements for the year ended 31st March 2021, 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. 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"/> |
| 6. 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"/> |
| 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. Bakertily 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 thisday of Two Thousand and Twenty One (2021).

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 proxy to attend and vote instead of him. A proxy so 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 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 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 27 September 2021.

Please fill in the following details:

Name :

Address :

Jointly with :

Folio No. :



Corporate Information

Name of the Company

Mahaweli Reach Hotels PLC

Legal Form

A Quoted Public Limited Liability Company
Incorporated on 21st September 1973

Company Registration No. PQ 127

Directors

Mr. M. U. Maniku – Chairman
Mr. J. A. Panabokke – Managing Director
Mr. A. N. Esufally
Mr. A. U. Maniku
Dr. I. U. Maniku (Deceased on 26/11/2020)
Mr. A. M. Didi
Mr. W. P. Hettiaratchi – (FCA, FFA, FSCMA, MCMI)
Mr. A. Nooradeen
Mr. M. Mahir
Mr. J. C. Ratwatte
Mr. R. Seevaratnam
Mr. J. R. P. M. Paiva
Ms. D. L. Panabokke - Alternate Director Mr. P. B. Panabokke
Mr. J. Asitha Panabokke

Audit Committee

Mr. R. Seevaratnam
Mr. J. C. Ratwatte
Mr. W. P. Hettiaratchi

Remuneration Committee

Mr. J. C. Ratwatte
Mr. J. R. P. M. Paiva

Related Party Transaction Review Committee

Mr. J. C. Ratwatte
Mr. R. Seevaratnam
Mr. W. P. Hettiaratchi
Mr. J. A. Panabokke

Secretaries

Businessmate (Pvt) Limited
45, Braybrooke Street, Colombo 2
Tel: +94 112 433933

Lawyers

Mr. Panduka Ratnayake
Attorney at Law & Notary Public
Second Floor No. 7, D. S. Senanayake Veediya, Kandy
Tel: +94 777 801208

Auditors

Messrs. Bakertily Edirisinghe & Co.,
Chartered Accountants
45, Braybrooke Street, Colombo 2

Bankers

Hatton National Bank PLC
Bank of Ceylon
Commercial Bank of Ceylon PLC
Sampath Bank PLC

Registered office

35, P. B. A. Weerakoon Mawatha, Kandy



MAHAWELI PEACH
SRI LANKA

OUR WORLD REVOLVES AROUND YOURS