

MAHAWELI REACH HOTELS PLC

***INTERIM FINANCIAL STATEMENTS
FOR THE 09 MONTHS ENDED
31st DECEMBER 2021.***

MAHAWELI REACH HOTELS PLC
STATEMENT OF COMPREHENSIVE INCOME

Audited 31.03.2021		For the 03 Months Ended 31st December (Unaudited)		For the 06 Months Ended 31st December (Unaudited)	
		2021	2020	2021	2020
		Rs.	Rs.	Rs.	Rs.
187,980,822	Revenue	118,303,713	50,003,733	235,936,225	129,656,191
(167,647,798)	Cost of sales	(77,956,118)	(49,414,398)	(185,802,211)	(138,272,195)
20,333,024	Gross profit	40,347,595	589,335	50,134,014	(8,616,005)
25,147,592	Other income	15,389,598	5,697,876	30,956,041	17,170,234
(11,817,706)	Marketing & Promotional expenses	(2,836,291)	(2,928,301)	(7,870,071)	(9,068,692)
(235,656,418)	Administrative & Other expenses	(56,833,157)	(48,138,773)	(158,950,933)	(137,449,787)
(201,993,508)	Operating profit	(3,932,255)	(44,779,863)	(85,730,949)	(137,964,250)
(26,931,751)	Finance costs	(6,546,247)	(95,457)	(20,473,069)	(95,457)
636,860	Finance income	3,862	-	14,907	-
(228,288,399)	Finance costs - net	(10,474,641)	(44,875,320)	(106,189,112)	(138,059,706)
(228,288,399)	Profit before income tax	(10,474,641)	(44,875,320)	(106,189,112)	(138,059,706)
4,695,167	Income tax expense / Credits	-	-	-	-
(223,593,232)	Profit/(Loss) for the period	(10,474,641)	(44,875,320)	(106,189,112)	(138,059,706)
	Other Comprehensive Income				
	Items that will never be reclassified to Profit or Loss				
	Re- Measurement of Defined Benefit & Liability				
443,375		-	-	-	-
(62,072)	Related Tax	-	-	-	-
-	Revaluation gain on Lands	-	-	-	-
-	Revaluation gain on Buildings	-	-	-	-
-	Deffered tax impact on revaluation buildings	-	-	-	-
	Other Comprehensive Income for the Year, Net of Tax				
381,303		-	-	-	-
(223,211,929)	Total Comprehensive Income for the Year	(10,474,641)	(44,875,320)	(106,189,112)	(138,059,706)
	Earning/(Loss) per Share Rs.				
(4.75)	Basic	(0.22)	(0.95)	(2.26)	(2.93)

MAHAWELI REACH HOTELS PLC
STATEMENT OF FINANCIAL POSITION

Audited 31.03.2021		Unaudited as at 31.12.2021 Rs.	Unaudited as at 31.12.2020 Rs.
Assets			
Non-current assets			
1,664,708,213	Property Plant & Equipment	1,611,921,376	1,680,330,071
-		-	-
-	Work in Progress	2,607,586	2,529,000
1,664,708,213		1,614,528,962	1,682,859,071
Current assets			
18,392,290	Inventories	18,752,410	17,900,902
42,165,299	Trade & Other Receivables	41,564,164	12,280,956
-	Due from Related Companies	-	-
4,121,274	Income Tax Refund	4,121,274	24,765,644
14,315,262	Cash and Cash Equivalents	21,155,185	17,541,168
78,994,125		85,593,033	72,488,670
1,743,702,338	Total Assets	1,700,121,995	1,755,347,741
Equity and liabilities			
585,445,870	Stated Capital	585,445,870	585,445,870
819,618,393	Revaluation Reserves	819,618,393	919,678,604
(408,469,056)	Retained Earnings	(514,658,168)	(314,578,738)
996,595,207	Total equity	890,406,095	1,190,545,736
Liabilities			
Non-current liabilities			
4,976,573	Deferred Taxation	-	-
163,775,415	Interest Bearing Borrowings	244,031,963	185,261,874
182,894,153	Deferred Tax Liability	182,894,153	92,610,976
55,892,590	Retirement Benefit Obligations	57,259,390	49,989,957
Current liabilities			
154,497,912	Trade and Other Payables	173,162,121	87,587,399
-	Short Term Borrowings	-	-
18,144,029	Due to Related Companies	30,653,226	15,624,378
-	Other Current Liabilities	-	-
61,348,049	Current Portion of Interest Bearing Borrowings	9,450,404	29,252,484
105,080,753	Bank Overdrafts	112,264,642	104,474,937
746,609,473	Total liabilities	809,715,900	564,802,005
1,743,204,680	Total equity and liabilities	1,700,121,995	1,755,347,741

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

Sgd.
Prabodh Dias
Assistant Finance Manager

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

Signed for and on behalf of the Board

Sgd.
J A Panabokke
Director

Sgd.
W P Hettiaratchi
Director

14th February 2021

MAHAWELI REACH HOTELS PLC
STATEMENT OF CHANGES IN EQUITY

	Stated Capital Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 1st April 2021	585,445,870	819,618,393	(408,469,056)	996,595,207
Profit or loss	-	-	(106,189,112)	(106,189,112)
Balance as at 31st December 2021	585,445,870	819,618,393	(514,658,168)	890,406,095
Balance as at 1st April 2020	585,445,870	919,678,605	(176,519,032)	1,328,605,443
Profit or loss	-	-	(95,202,542)	(95,202,542)
Balance as at 31st December 2020	585,445,870	919,678,605	(271,721,574)	1,233,402,901

MAHAWELI REACH HOTELS PLC
STATEMENT OF CASH FLOWS

Audited 31.03.2021	Unaudited as at 31.12.2021 Rs.	Unaudited as at 31.12.2020 Rs.
Cash flow from operating activities		
(228,288,399) Profit / (Loss) for the period	(106,189,112)	(119,078,623)
Adjustments for :-		
72,571,419 Depreciation	68,408,695	42,542,073
231,204 Interest Expenses	1,557,642	4,226,546
8,901,658 Movement in Provision for Gratuity & Accruals	7,269,433	6,071,900
(146,584,118) Changes in Operating Assets and Liabilities :-	(28,953,341)	(66,238,104)
4,435,728 (Increase) / Decrease In Inventories	(851,509)	(1,299,143)
24,804,497 (Increase) / Decrease In Trade and other Receivables	(29,283,207)	31,991,154
40,990,232 Increase / (Decrease) in due to Related parties	15,028,848	3,100,470
11,518,180 Increase / (Decrease) In Trade & Other Payables	7,558,728	1,866,421
(64,835,481)	(36,500,480)	(30,579,201)
- Interest paid	(1,557,642)	(4,226,546)
(2,555,650) Gratuity paid	-	(2,571,900)
- Tax paid	-	(2,205,442)
(67,391,131) <i>Net cash generated from operating activities</i>	(38,058,123)	(39,583,089)
Cash flows from investing activities		
(6,011,746) Purchases of Property Plant & Equipments	-	(4,682,894)
(178,586) Investment in WIP assests	(78,586)	-
(6,190,332) <i>Net cash used in investing activities</i>	(78,586)	(4,682,894)
Cash flows from financing activities		
67,011,602 Proceeds from Loans	58,770,088	45,000,000
- Repayment of Loans & Leases	(19,802,080)	(12,853,363)
67,011,602 <i>Net cash used in financing activities</i>	38,968,009	32,146,637
20,809,936 <i>Net increase in cash and cash equivalents</i>	831,300	(12,119,346)
(111,575,426) Cash & Cash equivalents at beginning of the year	(91,940,758)	(79,821,412)
(90,765,491) Cash & cash equivalents at end of period	(91,109,458)	(91,940,758)

MAHAWELI REACH HOTELS PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS

CORPORATE INFORMATION

INTERIM CONDENSED FINANCIAL STATEMENTS

APPROVAL OF FINANCIAL STATEMENTS

The interim condensed financial statements of the Company for the 09 months ended 31st December 2021 were authorised for issue by the Board of Directors on 14th February 2021.

BASIS OF PREPARATION

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

These financial statements quarter ended 31st December 2021 have been prepared on a historical cost basis, except for land and buildings.

SIGNIFICANT ACCOUNTING POLICIES

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

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

Finance costs

Finance Income comprise interest income from Staff Loans.

Finance cost comprise interest expense on borrowings.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI) and fair value through profit or loss. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

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

Subsequent measurement

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

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon de-recognition (equity instruments) Financial assets at fair value through profit or loss.
- Financial assets at amortized cost (debt instruments)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement.

Derecognition

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

The right to receive cash flows from the asset have expired

The company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the receivable cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

- (a) the company has transferred substantially all the risks and rewards of the asset, or
- (b) the company has either transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the company's continuing involvement in it.

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

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

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

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

Financial liabilities**Initial recognition and measurement**

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

Borrowings

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

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in the finance costs in the income statement.

Offsetting of financial instruments

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

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement. Substantially modified, such an exchange,

Financial risk management objectives and policies

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

The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. Risk management is carried out under policies approved by the Board of Directors.

Share Information

Public share holdings

The percentage of shares held by the public as at 31st December 2021 was 20.22% (31st December 2020- 20.28%)

Directors' share holdings

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

As at	31-Dec-21	31-Dec-20
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	255,033
Mr. Janaka Asitha Panabokke	174,460	172,162
Mr P B Panabokke(Altenate Director to Ms. D L Panabokke)	45,160	45,160
	<u>3,936,817</u>	<u>3,927,519</u>

Twenty largest shareholders of the company are as follows:

As at	31-Dec-21	%
Universal Enterprises Pvt. Ltd	32,683,550	69.44%
Freudenberg Shipping Agencies Limited	3,045,545	6.47%
Mr. J A Panabokke	1,905,858	4.05%
Mr B D Panabokke	1,502,843	3.19%
Estate of Late Mr. K M Panabokke	826,637	1.76%
Estate of Late Mrs. L. R. Panabokke	819,050	1.74%
Mr. M U Maniku	1,217,306	2.59%
Mr. J A Panabokke & Mrs.K D Panabokke	681,068	1.45%
Mr. A N Esufally	332,000	0.71%
Ms. D L Panabokke	262,033	0.56%
Mrs.K D Panabokke	247,550	0.53%
Mackwoods Securities Limited	229,627	0.49%
Mr. D.A. Molligoda	218,960	0.47%
Mr. H.D. Molligoda	187,965	0.40%
Mr. J Asitha Panabokke	174,460	0.37%
Ms. R.S. Molligoda	156,345	0.33%
Alliance Finance Company PLC	71,686	0.15%
Mackwoods Enterprises Limited	66,593	0.14%
R. Ratna Gopal	57,800	0.12%
Mr. P.B. Panabokke	45,160	0.10%
Others	2,334,411	4.96%
	<u>47,066,447</u>	<u>100%</u>

Stated capital

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

As at 31st December 2021	No of Shares	Holding %	No of Shareholders
Others	37,548,985	79.78%	9
Public	9,517,462	20.22%	2,247
Ordinary shares	47,066,447	100.00%	2,256

Net assets per share As at

31-Dec-21	31-Dec-20
18.92	25.29

Net assets per share have been calculated, for all periods, based on the number of shares in issue as at 31st December 2021.

Market price per share

For the quarter ended 31st December	2021	2020
	Rs.	Rs.
Highest	21.70	17.20
Lowest	14.50	12.00
Last traded	17.10	16.80

Market Capitalization on 31st December

804,836,244	790,716,310
-------------	-------------

Minimum Public Holding Requirement as per Listing Rules 7.13.1

	Float Adjusted Market Capitalisation - (Rs.)	Public Holding Percentage	No of Shareholders	Option
Minimum Public Holding	162,748,600	20.22%	2,247	2

Contingencies, capital and other commitments

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

Following the termination of employees on disciplinary grounds an inquiry was held by the Commissioner General of Labor and an order was issued for reinstatement and the

Event after the reporting period

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

The COVID 19 pandemic continues to have unprecedented ramifications for the tourism industry globally and for the country and economies as a whole, which has made the operation of the hotel very challenging. While the country has witnessed a slight uptick in arrivals, many tourists visiting, are spending more time at beach destinations, thus affecting hotel operations in Kandy. Domestic tourism and the revival in the banquets and events sector have assisted in boosting revenues in comparison with the previous year and towards mitigating the detrimental effects of the prevailing situation in international travel. The latest wave of COVID variants has once again introduced volatility to the recovery of the industry and given the evolving nature of the circumstances, it is difficult to forecast the full extent of the impact on the business of the company. Shortages in commodities and rising costs may further exacerbate this situation. The company is taking all possible steps to manage the financial and other risks with a view to continuing the operations of the hotel. While this statement is based on available information and all scenarios cannot be predicted, all possible endeavours are being made to manage and overcome these challenges.