



MAHAWELI REACH
SRI LANKA

OUR WORLD REVOLVES AROUND YOURS

ANNUAL REPORT 2022 - 2023



Sown from the seeds of success

For over 50 years we have been synonymous with hospitality in the hill country. Now it is our time to reap a rich reward. Because, prosperity and progress are the harvests of toil and perseverance.

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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 Ninth Annual General Meeting of MAHAWELI REACH HOTELS PLC on Wednesday, the 27th day of September 2023 at 11.00 a.m. by way of a hybrid meeting at the registered office of the company and by way of digital media,

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of MAHAWELI REACH HOTELS PLC will be held on Wednesday, the 27th day of September 2023 at 11.00 a.m., at the registered office of the Company No. 35, P. B. A. Weerakoon Mawatha, Kandy, Sri Lanka for the following purposes:

AGENDA

1. To receive and adopt the Annual Report of the Board of Directors and the Financial Statements for the year ended 31st March 2023 together with the report of the Independent Auditors thereon.
2. 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.
3. 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.
4. To re-appoint Mr. P. B. Panabokke, who was appointed to the Board since the last Annual General Meeting and retires in terms of Article 97 of the Articles of Association of the Company, a Director.
5. To re-appoint Mr. S. I. Maniku, who was appointed to the Board since the last Annual General Meeting and retires in terms of Article 97 of the Articles of Association of the Company, a Director.
6. To re-appoint Ms. F.V. Mahir, who was appointed to the Board since the last Annual General Meeting and retires in terms of Article 97 of the Articles of Association of the Company, a Director.
7. To re-appoint Mr. U. M. Maniku, who was appointed to the Board since the last Annual General Meeting and retires in terms of Article 97 of the Articles of Association of the Company, a Director.
8. To re-appoint Mr. A. N. Esufally 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. A. N. Esufally who is 70 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. 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 76 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

10. 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 75 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."

11. To authorize the Board of Directors to determine contributions to charities and other donations.
12. To re-appoint Messrs. Bakertilly 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 (PRIVATE) LIMITED
Secretaries
Colombo
31 August 2023

Notes:

1. The Notice convening the AGM will be published in one issue of a daily newspaper/e-newspaper in English, Sinhala and Tamil languages.
2. The documents will also be made available on the Colombo Stock Exchange website www.cse.lk and on the Company's website www.mahaweli.com and you may access same directly through the URL link.
3. Shareholders are advised to view the full content of this Notice and all connected documents pertaining to the AGM of the Company, including the "Procedure to be followed at the Annual General Meeting of the Company scheduled for 27th September 2023" via one of the above websites or URL.
4. Shareholders who wish to participate at the AGM through the online platform are kindly requested to complete and forward the "Registration Form (Annexure 1)" as more fully explained in the said "Procedure to be followed at the Annual General Meeting of the Company scheduled for 27th September 2023"
5. 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. The Form of Proxy will be made available on the above websites and URL.
6. The completed Registration Form (Annexure I) and Form of Proxy (Annexure II), as relevant, must be submitted to the Company not later than 11.00a.m. on 25th September 2023,
- via email to sonali@mahaweli.com, or
- by hand or post to the registered office of the Company, No.35, P. B.A.Weerakoon Mawatha, Kandy.
7. A person representing a corporation is required to submit a certified copy of the resolution authorizing him / her to act as the representative of the Corporation. A representative need not be a member.
8. The transfer books of the Company will remain open.



MANAGEMENT, DISCUSSION ANALYSIS...

Introduction

2023, marks a momentous occasion in the journey of Mahaweli Reach Hotels PLC as the company commemorates the milestone anniversary of 50 years since its establishment in 1973.

The Company from its inception as the owning Company of Mahaweli Reach Hotel, a four roomed guest house, has evolved into one of the pioneers of the tourism industry being one of the first hotel companies to be listed on the Colombo Stock Exchange in 1982, thereby commencing its relationship with its multitude of investors who have supported the Company throughout. The Company established the first five-star hotel in the Hill Capital and indeed the central region. The Company entered into a strategic alliance with Universal Resorts of the Maldives in 2003 in its bid to enhance its offerings. While the hotel has continuously adapted and introduced new offerings to its clients including dining options and services, through diversification of revenue streams, the Company managed one of the most challenging times - the COVID pandemic period and the following economic hardships which the country faced. It continues to be a trendsetter in the industry, having maintained its position as one of the premier resorts in Kandy.

The Company has weathered many a turbulent period as the country experienced several challenges in the years gone by and in the

recent past, by remaining agile, innovative and sustaining business continuity and growth. The support extended by all stakeholders in navigating the risks posed is acknowledged with gratitude.

As the next chapter unfolds, it is anticipated that the Company will be positioned to provide an improved product and standards of service together with greater value to all its stakeholders.

Global Outlook

According to UNWTO estimates, tourist arrivals in the calendar year of 2022 were approximately 900 million, having doubled when compared with 2021 though it is still below pre-pandemic levels.

A significant slow down was witnessed in Asia, which attracted nearly 25 per cent of the world's international tourists in 2019, accounting for only 9 per cent of global visitors in 2022, mainly due to the closure of borders in China which were measures taken to guard against the resurgence of COVID-19 in the country.

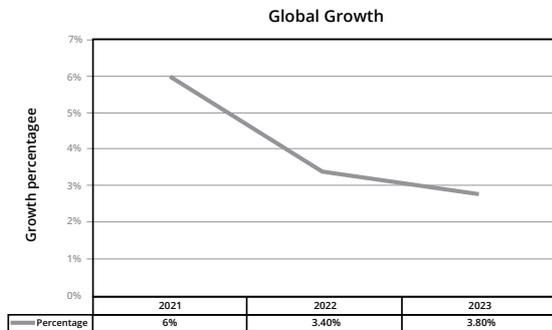
The permitting of international travel in China along with the removal of compulsory COVID testing for returning passengers is expected to have a considerable impact on the recovery of tourism in Asia with China being the world's largest outbound market. The Middle East region followed by Europe have shown a strong rebound in 2022.

Most destinations have recorded an increase in international tourism receipts as well.



MANAGEMENT, DISCUSSION ANALYSIS...

According to the IMF, global growth is expected to decline from 6.0% in 2021 to 3.4% in 2022 and 2.8% in 2023.



The fears of a recession in source countries, geo-political tensions and rising inflationary pressures which have a significant impact on air fares and spending patterns may affect the nascent recovery of tourism in destinations such as Sri Lanka. However, there is potential in promoting regional tourism among source markets such as India and China. The depreciation of the Sri Lankan currency too could have a beneficial impact in terms of tourist spending as the affordability of the destination increases.

Sri Lankan Context

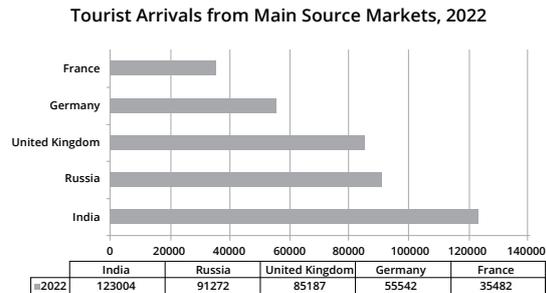
The year under review witnessed one of the most turbulent periods in the economic landscape of the country with a severe scarcity of power, fuel, commodities and medicines. The circumstances which prevailed along with the negative international perception and travel advisories had a substantial impact on tourism.

During the second quarter of the year 2022, Sri Lanka's sovereign credit rating was downgraded to Selected Default (S&P) due to the country's inability to service its debt commitments in the face of a substantial debt repayment schedule and limited foreign exchange reserves.

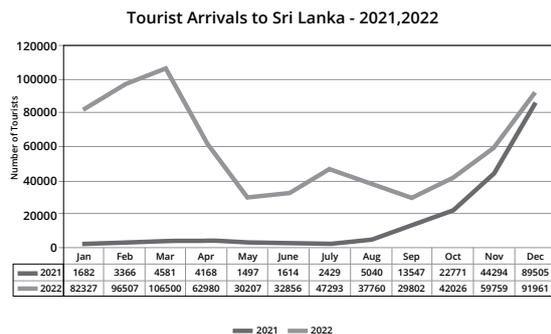
The cumulative impact of these issues led to a rapid rise in inflationary pressures which has had a significant effect on operating costs.

In March 2023, the International Monetary Fund approved an Extended Fund Facility (EFF) of approximately US\$ 2.9 Bn to support Sri Lanka's economic policies and reforms. The IMF Programme along with funding from other multilateral and bilateral arrangements is due to provide an injection of capital to fund essential expenses and create macro-economic stability and debt sustainability.

From October 2022 onwards there appears to be a positive change in international arrivals to the country. The top five source markets continued to be India with 17.1%, Russia with 12.7%, United Kingdom at 11.8%, Germany at 7.7% and France at 4.9% during 2022.



International arrivals in 2022 stood at 719,978 in comparison to 194,495 arrivals in 2021 which is a 270% increase year-on-year. The arrivals during the first quarter of 2023 were at 335,679 substantially above the levels of 6,265 in 2021 and 285,334 in 2022 respectively. However, arrivals to Sri Lanka in 2022 were still 62% below pre-pandemic levels and much less than the international average. It is expected that the increase in airline connectivity and the improvement of international perception and sentiment will help in developing this momentum further though global economic issues and geo-political tensions may have an effect.



While digital channels are becoming more popular for bookings, with the increased focus on security and certainty, the main channel for tourists into the country remains the local destination management companies.

Throughout the period of uncertainty in the international market, domestic tourism sustained the tourism industry in the country. Domestic tourists accounted for a significant portion of the travellers to hotels in the country.



MANAGEMENT, DISCUSSION ANALYSIS...

While the arrivals to the country have shown an increase, arrivals to Kandy as a destination, have not shown a growth rate on par with same. Kandy is not yet considered a destination in its own right compared with most beach destinations or places like Ella or Nuwara Eliya. While connectivity to the city has greatly improved since the highway network was extended and rail services improved, it is yet to reap the full potential with the competitors all facing similar issues.

There appear to be moves to reconsider the beautification of Kandy while preserving its heritage status with its own attractions and project it as a destination in its own right with foreign funding and expertise. It is hoped that these proposals will reach fruition as it will greatly assist in increasing visitor arrivals to Kandy. Using Kandy as the starting point of the scenic Ella Train ride and promoting it along with Nuwara Eliya and Ella in addition to the traditional cultural triangle will also help to raise the profile of Kandy.

The intense competition for a lesser number of visitors which includes competition from the informal sector has a significant impact on applicable room rates with rates getting greatly depressed. This decrease in rates together with the high inflationary costs have caused margins to become very thin.

The financial situation is further exacerbated by the high cost of energy which increased by nearly 150% along with high fuel prices and the newly introduced higher taxation with the Value Added Tax rate increasing, the introduction of Social Security Contribution Levy along with the tourism development levy and municipal trade license fees which brings the overall government fees to 28.8% of revenue.

The new rates of personal income taxes which have changed drastically appear to have affected the discretionary spending of locals and may have an effect on domestic tourism in the short to medium term.

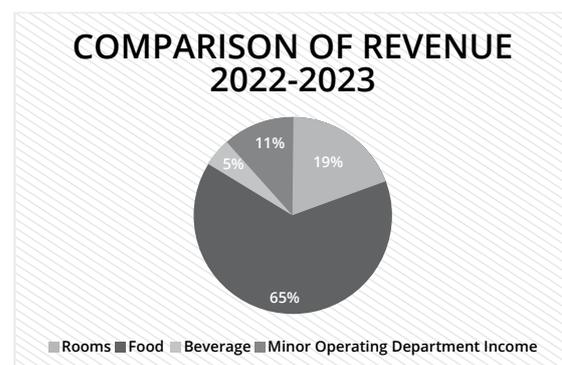
The unprecedented increase in the cost of financing has made the operating environment even more challenging. The AWPR increased from 9.47% to 22.42% though with a semblance of stability returning to the macro economy, there now appears to be a downward revision of these rates.

The Sri Lankan Rupee depreciated by nearly 78% against the US dollar between March and May 2022 following the free float of the Rupee by the Central Bank of Sri Lanka in March 2022. A return to a managed float appeared to have moderated this depreciation though there is great uncertainty in this respect yet with some projections issuing warnings of a further drastic depreciation towards the end of the 2023 calendar year. Hotels however are not able to derive the full benefit of the currency devaluation as hotels do not receive payments in foreign currency for most of the business generated through local destination management companies, yet have to bear a greater portion of the surge in costs. There has been lobbying on the part of the Sri Lanka Tourist Hotels Association to obtain such payments in foreign currency thereby enabling hotels to gain the full benefit. However, a successful resolution to this issue has not been reached.

Inflation peaked at 69.8% in September 2022 from the inflationary pressure of rising global prices and supply side disruptions. The regulatory measure adopted by the Central Bank of Sri Lanka along with monetary policy modifications and fiscal austerity resulted in the reduction of inflation to 52.7% in December 2022. The year on year food inflation saw a momentous increase of 94.9% in September 2022 although this eased to 54.4% in February 2023 and is expected to decline further. This increase meant that cash flows are severely affected.

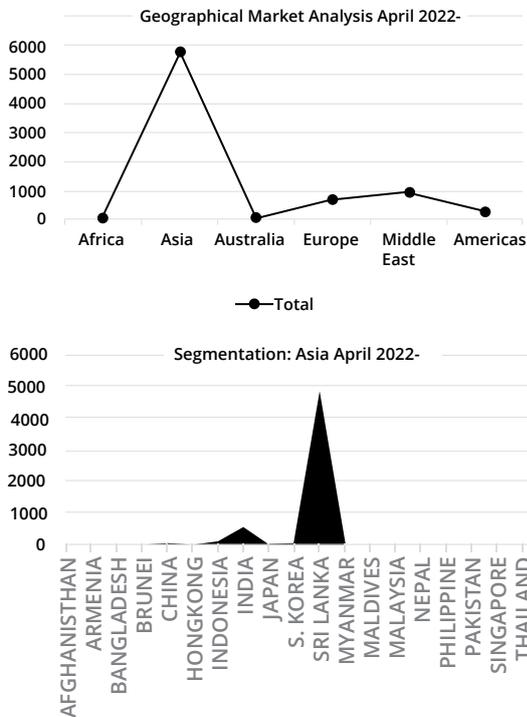
Financials

The company recorded a gross revenue of LKR 503,948,227/- which is a 35% increase year on year. The average room occupancy was 16% which also saw an increase of 486 room nights when compared with 2021.



MANAGEMENT, DISCUSSION ANALYSIS...

The hotel has seen significant occupancy from the local and other Asian markets which have sustained occupancy.



The loan position of the Company has become LKR 400,355,880/- of which nearly 50% is the interest upon capitalized interest which occurred during the loan moratorium period.

As Kandy does not attract as many travellers as the national average of international arrivals, the number of visitors to the city has only increased marginally. Connectivity issues, the average perception that Kandy is a one or two night stay destination and the lack of personalized itineraries among travel partners which highlights the hiking trails, artisan home visits, historical and architectural marvels and such attractions, contributes to this issue. The fact that the formal and informal sectors compete for the same pool of visitors makes the market intensely price sensitive, resulting in extremely depressed room rates. The applicable rates coupled with the high costs of power and fuel with the cascading effect on the price of commodities has made managing financial resources a great challenge.

The scarcity of fuel and essential items at the beginning of the financial year made the operation of the hotel very difficult with daily challenges having to be surmounted in order to maintain continuous operations.

While the economic situation has reached some stability, due to the intense competition prevailing among hotels in Kandy, margins remain extremely thin. There is new room inventory in the pipeline and this may further exacerbate the impact on profits in the event a systemic change does not take place to promote Kandy.

The Company continues to work closely with its channel partners including Travel Management Companies, Destination Management Companies, Online Travel Agencies (OTAs) and Online Platforms to increase sourcing and visibility.

The Company liaises actively with suppliers to manage its cost base and ensure quality of produce. While the cost base has increased due to the prevailing circumstances in the country, all possible efforts have been made to ensure that the best value is derived by the Company. All menus have incorporated local ingredients providing more authentic local tastes and also addressing the dearth of ingredients which took place due to the import restrictions resulting in supply shortages. While these measures have sometimes contributed to a higher financial cost it will result in social capital in the long term.

The high taxation which the Company is subject to, amounting to 29.6% of revenue has further eroded profits. The high inflation and personal income tax applicable has also made it necessary to review the applicable remuneration though the Company has taken a conservative view in this respect to manage available resources.

Most loan moratoriums which have been in place for the last few years expired on 30th June 2023 while some expired on 31st December 2022. The need to operate through overdrafts and other short-term facilities have made finance charges a heavy burden to the Company. The Company is in discussions with its bankers to restructure the long-term debt and design a sustainable proposal for future funding.

The Company continues to focus on weddings and events to enhance revenues as the hotel remains a popular venue for these events.

During the COVID times and beyond, the Company's diversified revenue streams through its food and laundry collection and delivery outlets, online platform for food and laundry services and the food take away and delivery



MANAGEMENT, DISCUSSION ANALYSIS...

service have continued to support the revenues generated through the traditional hotel business. The revenues generated by these outlets provided nearly 23% of revenues until an uptick in tourist numbers started towards the second quarter of the calendar year 2023. The reduction of disposable income among the local community however may have an impact on these business lines.

Concerted efforts have been made to ensure that the rating received by the hotel on digital channels is improved with the guest satisfaction rate showing a positive change. Efforts are being made to enhance the room nights generated through digital channels.

The hotel continues to develop our own content for digital channels thereby giving more personalised and unique content.

Corporate governance

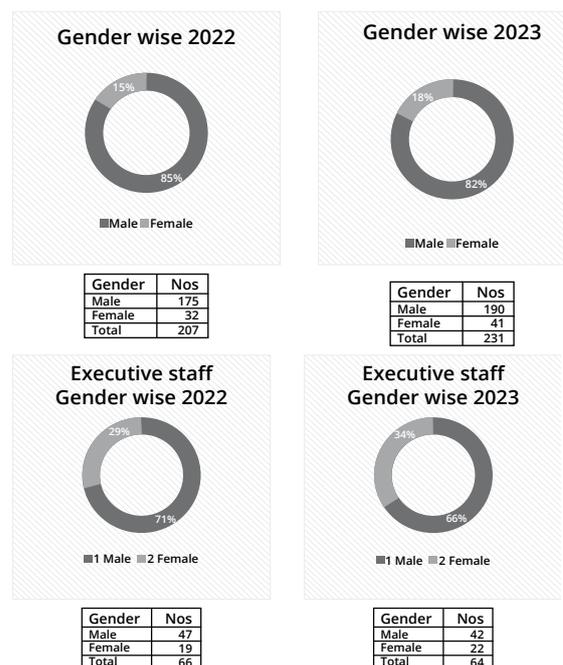
During the financial year 2022/2023, we lost the services of late Mr. M. Mahir in June 2022 and Mr. R. Seevaratnam who sadly passed away in January 2023. We also welcomed to the Board the Joint Chief Executive Officers of Universal Resorts Mr. S. I. Maniku and Ms. V. F. Mahir along with Mr. U. M. Maniku. Due to the restructuring of the Board on 30th March 2023, there was a short period of non-compliance with the rules on independent non-executive Directors with the Company not meeting the ratio specified for Independent Non-Executive Directors and Non Executive Directors. However, this situation was resolved with the appointment of Mr. W.P. Hettiaratchi and Ms. D.L. Panabokke as Executive Directors on 28th June 2023. Following this the Company is compliant with the rules. The Board sub-committees too were reconstituted accordingly with Mr. S. I Maniku assuming duties as Chairman of the Audit Committee effective 28th June 2023.

People

One of the principal issues facing the tourism industry is the migration of skilled people due to the economic issues and circumstances in the tourism industry in Sri Lanka. It is an industry

wide issue and our Company too is affected by this phenomenon. It is becoming increasingly difficult to retain the skilled personnel. During the period under review the Company has had an exodus of persons moving to foreign countries. It is also difficult to replace these resources. Unfortunately, due to the uncertainty which affected the tourism industry in the past, there appears to be a reluctance to join the workforce in this industry. There appears to be a dearth of personnel and the available resources cannot cater to the need. This rate of attrition may affect service standards in the short to medium term though all possible measures are being taken to provide opportunities for growth to the existing cadre and to provide them with incentives to remain. While the Company is constantly reviewing the applicable remuneration policies, entry level wages are paid in accordance with applicable minimum wage legislation. The need to recruit untrained individuals and groom them for the role can affect productivity and efficiency and this sometimes leads to a higher headcount as well in order to provide the requisite level of service. All possible efforts are being made to manage this challenge and mitigate the adverse effects.

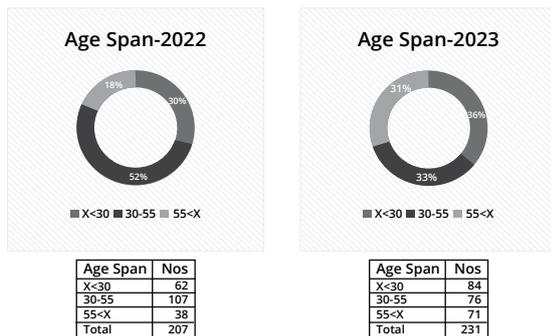
Wherever possible the Company is making efforts to increase female participation in roles which have been traditionally male dominated. Efforts are made to encourage the breakdown of stereotypes.



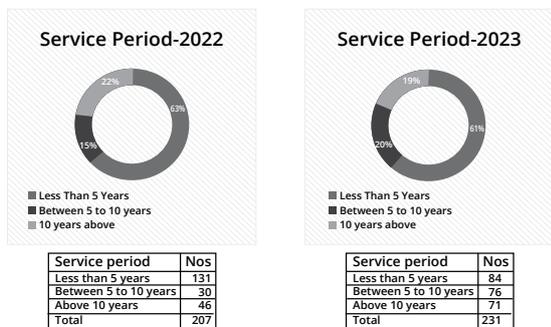
MANAGEMENT, DISCUSSION ANALYSIS...

The Company organised an informative event to develop social media branding skills and cyber security practices to commemorate International Women's Day and show our appreciation to the team members while also providing them greater awareness of timely issues and ways in which they could be addressed.

The age representation of cadre is as follows.



Mahaweli Reach has a mix of staff who have remained with the Company for a long period of time and provide stability in terms of service quality, while the Company also has a healthy mix of experience and new entrants to the industry.



Continuous efforts are made to ensure average staff SOP awareness is increased and to establish a pool of trainers for each department. The Company organizes a quarterly event whereby employees are recognized and rewarded.

Sustainability Measures

The Company is making efforts to grow produce on the premises and utilize this produce in our menu engineering. This serves as motivation to the garden team and brings a cost saving to the Company.

The Company uses environmentally friendly packaging and materials wherever possible in all its operations.

Wet and dry garbage is separated and dealt with in suitable ways, either recycled or disposed of in a responsible manner in accordance with established waste management practices. Only materials that cannot be disposed of using alternate methods are collected by the local authorities.

Waste water is treated at the onsite waste water treatment plant and used for the gardens and drip irrigation methods which control the water usage.

Foreseeable Risks and Future prospects

The volatility of the past year has had a severe impact on the tourism industry with the economic and political instability creating a ripple effect on the industry. While it appears that economic stability is returning to the country, the resurgence of the industry is on a slow trajectory with uncertainty remaining over national debt restructuring and payments. The increasing arrival numbers are certainly encouraging and it is anticipated that tourism in Sri Lanka has the potential to surpass past growth and become a true catalyst for change, bringing in much needed foreign currency, though economic hardships in source markets such as the European segment may cause these developments to slow down.

The talent migration which is currently taking place and the difficulties in recruiting and replacing these skills is creating further challenges. The substantial increase in inflation, hikes in the applicable rates for utilities, fuel and gas shortages have increased operating costs exponentially while the high taxation has introduced a further layer of complexity. The high cost of financing alongside interest upon capitalized interest which occurred during the loan moratorium period, has ballooned the actual borrowings of the Company. The Company is in the process of taking steps to find a sustainable resolution for same.

The industry is also faced with the possibility of recurring scarcity in fuel and gas, shortages



MANAGEMENT, DISCUSSION ANALYSIS...

in necessary food items created by the import restrictions and geo-political tensions and the rising costs of power, energy and finance. Managing expenses and retaining liquidity amidst the need for the refurbishment of the hotel remains a concern as well.

The prevailing situation where the market is very price sensitive with more room inventory expected in Kandy over the next two years adds further challenges.

It is hoped that the Government's strategy to promote regional tourism will provide Sri Lanka an opportunity to attract more tourists from India being one of the largest markets. The shared history, price advantages and ease of travel will certainly make Sri Lanka an appealing proposition. There are proposals to make the Indian currency legal tender in Sri Lanka as well and may assist in promoting tourism in this market. It is also expected that the relaxation of travel restrictions in the Chinese market will also have a positive impact. It is imperative that emerging markets be focused on as established source markets face a recession.

The Company is continuing its efforts to improve its digital footprint through the management of content on social media and online platforms. A steady increase in guest satisfaction rates have been witnessed.

The promotion of value-added products through the alliance with Universal Resorts is also being pursued to counter the difficulties faced in being a standalone hotel.

The possibilities of promoting health and wellness tourism is also being actively considered. Yoga programmes and such are being introduced to the local community as well to increase interaction with local and domestic visitors.

Special events and theme nights are continuously promoted to further strengthen the customer relationships which the hotel has built up over the years and has seen a healthy uptick among a wider client base.

While the Company is grappling with the challenges mentioned, many of which are not unique to the Company but affecting the wider industry, the potential for a resurgence in Sri Lankan tourism remains great. It is anticipated that the momentum seen in international arrivals will continue to grow and provide a base for economic stability in the country. The Company too is making efforts to mitigate foreseeable risks and position itself for the next chapter of its journey.



CORPORATE GOVERNANCE REPORT...

As stated by Sir Adrian Cadbury, corporate governance structures assist a company to balance economic and social goals and foster accountability. They create a culture of ethical actions with integrity at the forefront to promote positive performance and financial viability, allowing the Company to address the interests of all stakeholders.

The Board of Directors is responsible for overseeing the operations of the Company and for managing its affairs while ensuring its economic well being and safeguarding the principles of accountability, transparency and ethical conduct. All stakeholder interests are considered when employing operational strategies.

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

As at 31st March 2023, the Board of Mahaweli Reach Hotels PLC comprised of fifteen Directors, three Executive Directors and twelve Non – Executive Directors out of which three Directors are Independent Non-Executive Directors due to the demise of late Mr. R. Seevaratnam and the appointment of Mr. U. M. Maniku on 30th March 2023. Due to the requirements of the Listing Rules which created non-compliance by the Company, as of 28th June 2023, the composition of the Board of Directors changed to five Executive Directors and ten Non-Executive Directors out of which three 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.

Three 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 14 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 25 to 28 of this Report.

Financial Acumen

The Board includes two 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 and 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 four 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	4/4
Mr. M. U. Maniku	Non-Executive Director	-
Mr. A. N. Esufally	Independent Non-Executive Director	3/4
Mr. A. U. Maniku	Non-Executive Director	-
Mr. A. M. Didi	Non-Executive Director	-
Mr. W. P. Hettiaratchi (Appointed Executive Director on 28/6/2023)	Executive Director	4/4
Mr. A. Nooradeen	Non-Executive Director	-
Mr. M. Mahir (Deceased on 22/6/2022)	Non-Executive Director	-
Mr. J. C. Ratwatte	Independent Non-Executive Director	3/4
Mr. R. Seevaratnam (Deceased on 19/1/2023)	Independent Non-Executive Director	1/4
Mr. J. R. P. M. Paiva	Independent Non-Executive Director	4/4
Ms. D. L. Panabokke (Appointed Executive Director on 28/6/2023)	Executive Director	4/4
Mr. J. A. Panabokke	Executive Director	4/4
Mr. P. B. Panabokke (Appointed on 17/11/2022)	Executive Director	-
Mr. S. I. Maniku (Appointed on 17/11/2022)	Non-Executive Director	1/4
Ms. F. V. Mahir (Appointed on 17/11/2022)	Non-Executive Director	1/4
Mr. U. M. Maniku (Appointed on 30/03/2023)	Non-Executive Director	-

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.



Directors' Interests

Directors' Interests in contracts are regularly disclosed and such disclosure pertaining to the year ended 31/03/2023 can be seen on page 35 in the Directors' Report. Related Party Transactions are monitored by the Related Party Transactions Review Committee and details are provided on page 85 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 Non-Executive Directors.

Remuneration Committee

The Company has its own Remuneration Committee. The Committee consists of two Independent Non-Executive Directors and one Non-Executive Director. During the year under review the Remuneration Committee met once and discussed the remuneration policy for the Company. The policy changes were reviewed by the committee members on an ongoing basis when necessary. 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
Ms. F. V. Mahir - Non-Executive Director (Appointed on 30/3/2023)	

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 39.

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. S. I. Maniku, appointed on the 28/6/2023 due to the demise of Mr. R. Seevaratnam on 19.1.2023. Mr. A. N. Esufally was also appointed on the 30/3/2023.

During the year under review, the Audit Committee met formerly on four occasions and have conducted discussions regularly throughout the year. The attendance at these meetings were:



Members of the Audit Committee

	Attendance
Mr. R. Seevaratnam (Chairman) - Independent Non-Executive Director (Deceased on 19/1/2023)	1/4
Mr. A. N. Esufally - Independent Non-Executive Director (Appointed on 30/3/2023)	- 1/4
Mr. S. I. Maniku (Chairman) - Non- Executive Director (Appointed on 30/3/2023 - Chairman w. e. f. 28/6/2023)	
Mr. J. C. Ratwatte - Independent Non-Executive Director	3/4
Mr. W.P. Hettiaratchi - Non-Executive Director (A member until 28/06/2023)	4/4

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) 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 auditors.

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 40 to 41.

Related Party Transactions Review Committee

The committee comprises of three Directors. Two are Executive Directors, and one is an Independent Non-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	3/4
Mr. R. Seevaratnam - Independent Non-Executive Director (Deceased on 19/1/2023)	1/4
Mr. W. P. Hettiaratchi - Executive Director (Appointed on 28/6/2023)	4/4
Mr. J. A. Panabokke - Executive Director	4/4

The Company Secretaries attend meetings and participate in the Committee meetings by invitation.

The Committee met on four occasions during the year under review. The Committee is mandated to review all related party transactions to ensure that they are in the best interests of the Company.

Related Party Transactions

Details of recurrent Related Party Transactions entered into by the Company during the year 2022/2023 are provided in Note No. 30 to the Financial Statements.

Details are provided in Note No. 26 to the Financial Statements.



CORPORATE GOVERNANCE REPORT...

Details of Non - recurrent Related Party Transactions entered into by the Company during the previous years with necessary adjustments for the year 2022/2023 are provided in Note No. 26 to the Financial Statements.

The Recurrent and Non-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 42 to 43.

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. 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 20 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, 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 2023 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 Fifteen were Non-Executive Directors until the demise of Mr. Seevaratnam on 19/01/2023 and until 30/03/2023, eleven of fourteen were Non-executive
7.10.2(a)	Independent Directors	Two or One-third of Non-Executive Directors whichever is higher should be Independent	Four of twelve Non- Executive Directors were Independent until the demise of Mr. Seevaratnam on 19/01/2023 and until 30/03/2023, Three of the eleven Non-Executive Directors were 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 ref. page 13
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 12 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 25 to 28
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 25 to 28
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 14
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 three Non- Executive Directors of whom two are Independent Non-Executive Directors



CORPORATE GOVERNANCE REPORT...

Rule No	Subject	Applicable Requirement	Level of Compliance
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 39 of this report
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 14
		b) Statement of the Remuneration policy	Please refer Remuneration Committee Report on page 39
		c) Aggregate Remuneration paid to Executive Directors and Non-Executive Directors	Please refer page 35
7.10.6	Audit Committee	The Company shall have an Audit Committee	Names of the Members of the Audit Committee are stated on page 15
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	Chairman of the Audit Committee is a Non- Executive Director
		The Chief Executive Officer and the Chief Financial Officer shall attend Audit Committee Meetings.	Managing Director and the Finance Officer attend meetings by invitation
		The Chairman of the Audit Committee or one Member should be a Member of a professional accounting body.	One Member of the Committee is a Member 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



CORPORATE GOVERNANCE REPORT...

Rule No	Subject	Applicable Requirement	Level of Compliance
7.10.6(c)	Disclosure in the Annual Report relating to the Audit Committee	<p>a) Names of Directors comprising the Audit Committee</p> <p>b) The Audit Committee shall make a determination on the independence of the Auditors and disclose the basis for such determination</p> <p>c) The Annual Report shall contain a Report of the Audit Committee setting out the manner of Compliance with their Functions</p>	<p>Names of the Members of the Audit Committee are stated in this report under the heading of Audit Committee on page 15</p> <p>Please refer Audit Committee Report on page 40 to 41</p> <p>Please refer Audit Committee Report on page 40 to 41</p>
9.2	Related Party Transactions Review Committee's Functions	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	Shall comprise a combination of Non-Executive Directors and Independent Non-Executive Directors. It may include Executive Directors at the option of the Company.	The Related Party Transactions Review Committee consists of one Non-Executive Independent Director and Two Executive Directors
		An Independent Non-Executive Director shall be appointed as the Chairman of the Committee.	Chairman of the Related Party Transactions Review Committee is an Independent Non-Executive Director
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 15
9.2.4	Related Party Transactions Review Committee meetings	Shall meet once a calendar quarter	Committee has met on four occasions for the year under review
9.3.2	Disclosure in the Annual Report relating to the Related Party Transactions Review Committee	<p>a) Names of Directors comprising the Related Party Transactions Review Committee</p> <p>b) The Annual Report shall contain a Report of the Related Party Transactions Review Committee setting out the manner of compliance with their functions</p> <p>c) Statement of Policies and procedures</p>	<p>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 15</p> <p>Please refer Related Party Transactions Review Committee Report on page 42 to 43</p> <p>Please refer Related Party Transactions Review Committee Report on page 42 to 43</p>



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. Bakertilly 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 44 to 46 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 2023.



CHAIRMAN'S REVIEW...

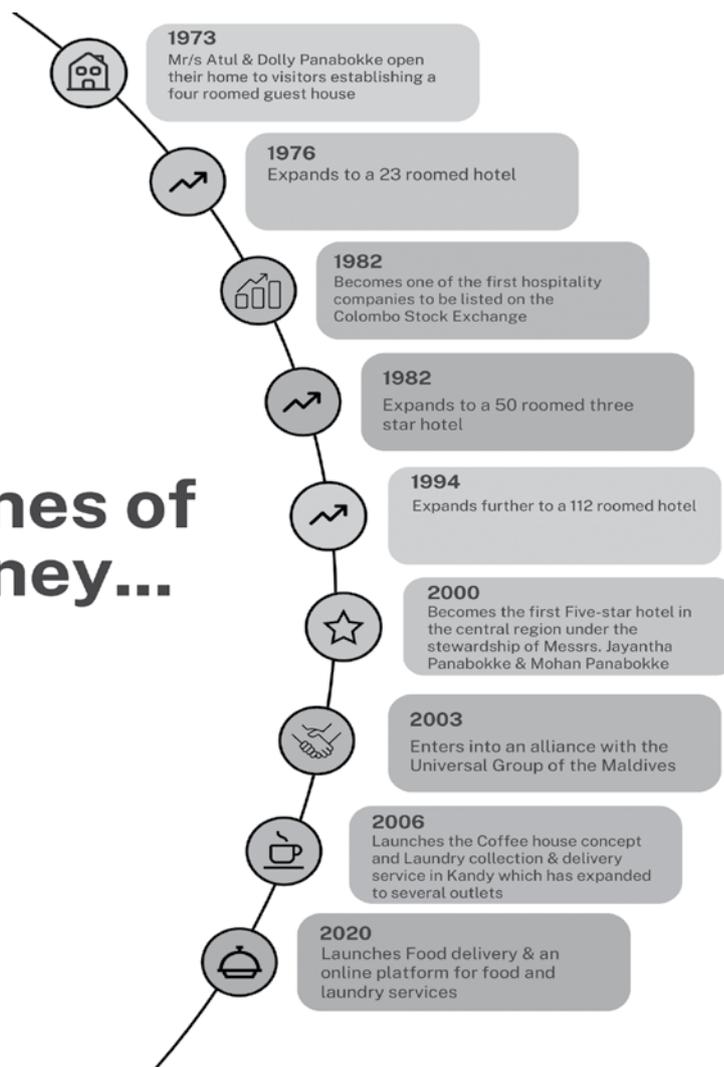
Dear Shareholders,

It is indeed a pleasure to present the Financial Statements and annual report for the financial year ending 31st March 2023 as the Company embarks on its Golden Anniversary since its inception.

These last 50 years have marked many a milestone in this story which is an interwoven tapestry of rich cultural heritage, entrepreneurship, a pioneering spirit, the true warmth of authentic Sri Lankan hospitality, the natural beauty that is Kandy and Sri Lanka, a loyal customer base and an inherent ability for agility and innovation.



Milestones of our journey...



CHAIRMAN'S REVIEW...

Mahaweli Reach has witnessed many joyous moments as it has turbulent times, in its 50 years of existence. The last year was perhaps one the most tumultuous for the entire nation with unprecedented economic and political instability creating grave uncertainty for all its citizens including the tourism industry and those engaged in it. This followed in the wake of the COVID pandemic and Easter Sunday terror attacks which already have had a severe impact on the industry.

The country experienced a grave scarcity of fuel, essential commodities and medicines which saw social and political unrest on an unparalleled scale in recent history. There were extended power outages and travel restrictions which curtailed most business operations in the nation leading to a downturn in domestic outputs and having a devastating effect on tourism.

This economic situation led to a harsh contraction in growth forecasts and limited foreign exchange reserves with the country opting for a selected default on its substantial international loan obligations which affected its sovereign credit ratings. Austerity measures included strict restrictions on imports. The Sri Lankan currency depreciated at a rapid pace, creating a situation of grave unpredictability. The cumulative impact of these measures resulted in high inflation with an exponential rise in costs.

The prevailing situation on the ground and the negative international perception resulted in many travel advisories in source markets and the risks and associated uncertainties created an atmosphere which was not conducive to the development of the tourism industry.

Towards the latter part of the financial year, a degree of stability returned to the country which the country securing funding from the International Monetary Fund and other multilateral and bilateral lenders. Negotiations with debt holders also may yield a positive result. Moderation in the currency fluctuation and other systemic measures taken have generated a more favourable environment for businesses to recover.

The tourism industry too is witnessing greater numbers of arrivals with airline connectivity improving and operating costs becoming more stable albeit still remaining at very high levels.

Globally, while tourist arrivals are on an upward trend the intensity of travel has not yet reached pre-pandemic levels. Asia has lagged behind other regions in terms of a recovery but is showing steady signs of returning to previous numbers with the opening of borders in China and international travel starting to re-commence.

However, economic turmoil in source markets such as Europe and Australia will have an impact on the growth trajectory with the International Monetary Fund projecting a contraction in growth forecasts. The high cost of airline travel remains a hindrance to the promotion of tourism from long haul destinations. Geo-political tensions continue to impact international economies and travel, introducing uncertainty.

Sri Lanka however could stand to benefit from tourism promotions being carried out to attract regional visitors. India is still a vastly untapped market for Sri Lanka and focusing more resources on this market may prove to be beneficial to the destination in the long term. The depreciation of the Sri Lankan currency makes the country an attractive proposition to its neighbours, offering greater value for less, thus increasing its affordability.

The top five source markets for Sri Lanka continued to be India with 17.1%, Russia with 12.7%, United Kingdom at 11.8%, Germany at 7.7% and France at 4.9% during 2022. While the changing political landscape in the international arena may affect the source markets, Sri Lanka will have to continue to identify emerging markets and target groups.

Kandy as a destination continues to be affected by the lack of progress in providing a diverse portfolio of attractions to visitors with the available resources such the natural trails for adventure tourism and bespoke experiences with artisans and local industries requiring promotion



CHAIRMAN'S REVIEW...

as attractions in their own right. Kandy has many attractions with cultural heritage, biodiversity and its café culture which needs to be positioned appropriately. The developments in road infrastructure with the expansion of the highway network and improvements to the railway network have certainly assisted in alleviating some of the issues with connectivity to the area. The President has proposed an initiative to focus on development in the Central Province. It is hoped that these initiatives will continue and Kandy will be able to position itself as a destination in its own right, capitalizing on the many natural attractions that it possesses and the warm hospitality of its people.

Currently though visitor numbers to the country are increasing the formal and informal sector for accommodation in Kandy seem to be vying for a limited number of visitors to the city thereby creating an unhealthy pricing situation. The market is very price sensitive and with the escalating costs is creating thinner margins. The decreasing room rates have an impact on everyone in the industry with even employees within the industry being impacted. The mounting costs associated with utilities, fuel, commodities and import restrictions coupled with the high finance costs have made the operational environment quite challenging. The recently introduced high taxation in the form of value added tax and the social security contribution levy have further stretched available resources. The higher personal tax reforms have impacted discretionary spending and will have an impact on domestic tourism.

During the year under review, the company recorded a gross operating revenue of Rs. 614,917,165/- which is a year on year improvement of 45% . Occupancy for the year was 16%.

The Company is making all efforts to manage available resources. The Company is thankful for the support extended by its bankers, suppliers and travel partners and other stakeholders as efforts are being made to manage financial resources. The Company is also exploring ways in which to restructure the loan position in a sustainable manner as the Company has had to contend with the interest on capitalized interest which has risen during the loan moratorium

periods. While these moratoriums have certainly assisted companies to manage cashflows, it has also resulted in inflated borrowings. Universal Enterprises Private Limited, as the major shareholder is extending funding to the Company to support its recovery and future growth.

A principal challenge to the industry presently is the migration of skilled personnel to foreign countries. The uncertainty which the industry has faced over the last few years and the economic crisis which took place have contributed largely to this situation. The available resources appear to be insufficient to bridge the lacuna which is being created by this attrition, though most hotels including ours are carrying out training programmes and efforts to attract persons to the industry. A concerted effort will be required to ensure that service standards across the industry do not suffer as a result. The Company is focusing on upskilling the available resources and providing incentives for employees to remain within the industry.

There are plans for a digital marketing strategy for the country and it is hoped that these plans will reach fruition. The Company is making all possible efforts to develop its digital marketing strategies to increase direct bookings. Measures are also being taken to leverage the unique location of the hotel and improve revenues from events such as weddings which have sustained the business in difficult times. Persistent efforts are also being made to ensure that the non-traditional business lines continue to supplement the revenue generated by the traditional business lines though following the increase in taxes there appears to be a slight downturn.

The Company has identified the need for refurbishment of the property to ensure that it is positioned for the expected resurgence in tourism to the island. The Company is conscious of the importance of managing resources to ensure the longevity of the business and the enhancement of the property in order to deliver value to all its stakeholders. It is anticipated that with the support of Universal Enterprises Private Limited, Mahaweli Reach will continue to retain its position as the premier resort in the Hill capital offering an unparalleled product and services.



Throughout this journey of five decades, the most valuable asset for this Company has remained its people. Everyone who has contributed in different ways to the success of the Company are acknowledged with gratitude and appreciation.

Mahaweli Reach has built a community and we are privileged to have in our employ, several second-generation team members. I take this opportunity to express my sincere appreciation to the Managing Director and the entire team who have throughout the journey of this Company provided yeomen service despite many difficulties and struggles, safeguarding the value of the property while continuously adapting and ensuring that the Company is prepared for any eventuality.

I would be remiss in my duties if I did not acknowledge with deep gratitude the assistance and co-operation extended by you our shareholders, our bankers, travel partners, suppliers and loyal patrons whose steadfast support had helped us to weather the storms that have befallen the industry.

It is with deep sorrow that I acknowledge the passing of late Mr. M. Mahir in June 2022 and late Mr. R. Seevaratnam in January 2023. Their advice and contribution to the Company both as Directors and in the case of Mr. Seevaratnam as Chairman of the Audit Committee will be greatly missed.

I also take this opportunity to welcome to the Board, Mr. S. I. Maniku, Ms. V. F. Mahir, Mr. U. M. Maniku and Mr. P. B. Panabokke and express my sincere appreciation to my colleagues on the Board whose wise counsel has helped the Company to overcome the many obstacles which have strewn our path.

Sri Lanka has demonstrated great resilience in the past and there is no doubt that if the fundamentals are strengthened, a revival of the economy and the tourism industry is inevitable. While the time frame for this recovery is uncertain, there is fervent hope that it will take place within a shorter period than anticipated and all efforts are being made to position the Company to maximize productivity from available resources and reap the full benefit in the future.

I wish the Company every success as it embarks on its next chapter and trust that you all will continue to extend your unwavering support as you have done in the past.

M. U. Maniku
Chairman

31 August 2023



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 nearly 50 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. Mr. Maniku was Chairman of the Maldives Association of Tourism Industry of the Republic of Maldives.

International - Colombo. In addition, he has in the past 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 Member of the National Vocational Training Council for the Hotel, Travel & Tourism Trade of the Ministry of Labour.

Mr. J. A. Panabokke

(Managing Director)

Executive Director

Mr. J. A. Panabokke has approximately five 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. He has functioned as its Managing Director since 1992. He is on the Board of the Sri Lanka Business Development Centre and is a Director of Mahaweli Hotel Management Services (Pvt) Limited and of Mowbray Hotels Ltd.

He has represented Sri Lanka on the Board of the Pacific Asia Travel Association (PATA), and as International Councilor for the SKAL Asian Area. He has also been a former Member of the Board of the Sri Lanka Tourist Board and of the Sirimavo Bandaranaike Institute of Tourism & Hotel Management. He has functioned as Chairman of the PATA Sri Lanka Chapter and President of SKAL

Mr. A. N. Esufally

Independent Non-Executive Director

Mr. Abbas Esufally has played an active part in the growth and development of the country's tourism industry for the past 40 years. He serves as a Group Director of Hemas Holdings PLC and Chairman of Diethelm Travel Sri Lanka (Pvt) Ltd.

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

He 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-General 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.



Mr. A. M. Didi

Non-Executive Director

Mr. A. M. Didi was appointed to the Board on 27th February 2003. He functioned as the Director – Sales and Marketing of Universal Enterprises Pvt Ltd, Maldives. He has over 40 years' experience in Resort Management specializing in Marketing and the promotion of Maldives, Seychelles and the Universal Resorts portfolio around the world. He was 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

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 and CEO/Director of Lanka Valiant Developers Pvt Ltd. He counts over 30 years' experience and 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

(Deceased on 22/06/2022)

Mr. M. Mahir was appointed to the Board on 15th June 2004. He had nearly 30 years experience in the tourism industry. He functioned as 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 Laws Degree from the University of Ceylon, Colombo and is an Attorney-at-Law of the Supreme Court of Sri Lanka, with over 50 years' experience. He also holds a Post Graduate Diploma in International Relations from the Bandaranaike Center for International Studies. He has worked for the government sector 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. When he retired from government service he was holding 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 not-for-profit social enterprise. He serves on the Board of Directors of several companies. 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 Center 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
(Deceased on 19/01/2023)*

Mr. R. Seevaratnam was appointed a Director with effect from 5th June 2012. He was 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. He was a Non-Executive Independent Director of a number of Public Quoted Companies.

Mr. J. R. M. Paiva

Independent Non-Executive Director

Mr. 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 overseen 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

Executive Director

Holding a Master of Laws Degree from the University of London and a Bachelor of Laws Degree from the University of Colombo, Ms. Panabokke is an Attorney-

at-Law admitted to the Supreme Court of Sri Lanka. She 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, banking law and regulatory compliance. Ms. Panabokke is also a Director of Mahaweli Hotel Management Services Private 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 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

Executive Director

(Appointed a Director on the 17/11/2022)

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.



Mr. S. I. Maniku

Non-Executive Director

(Appointed a Director on the 17/11/2022)

Mr. S. I. Maniku was appointed to the Board on 17th November 2022. He holds a Bachelor's Degree in Electrical & Electronic Engineering from Imperial College London and a MBA from INSEAD.

Mr. Maniku has over 20 years' experience in the hospitality industry and is a Director of Universal Enterprises Pvt. Ltd and the Managing Director of the Male' Aerated Water Company, the franchise bottler of Coca-Cola in the Maldives. He is also the Managing Director of Manta Aviation Pvt. Ltd, which operates aircraft in the Maldives and Pulse Hotels & Resorts Pvt. Ltd a luxury hotel management company.

Mr. U. M. Maniku

Non-Executive Director

(Appointed a Director on the 30/03/2023)

Mr. U. M. Maniku was appointed to the Board on 30th March 2023. He holds a Bachelor's Degree in Marketing and Management from Edith Cowan University Australia.

Mr. Maniku has over 20 years' experience in the hospitality industry and construction sector. He is currently an Executive Director of Universal Enterprises Pvt. Ltd, Managing Director of Universal Resorts Management Pvt Ltd, Managing Director of Coral Edge Pvt Ltd and the Managing Director of Hospitality Supplies Pvt. Ltd which are leading companies in Maldives in the hospitality industry.

Ms. F. V. Mahir

Non-Executive Director

(Appointed a Director on the 17/11/2022)

Ms. F. V. Mahir was appointed to the Board on 17th November 2022. She is currently serving as Executive Director of Universal Enterprises Pvt. Ltd and COO of Universal Resorts Management and has over 20 years' of experience in the tourism sector.

She is also a Board Member of MATI (The Maldives Association of Tourism Industry) and holds a Bachelors' Degree in English from the University of Exeter, UK.

REPORT OF THE DIRECTORS...

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY- FOR YEAR 2022/23

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 2023.

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 23 August 2023.

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 Discussions 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 2023, 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 47 to 88.

(In Rupees Thousand) For the year ended 31st March	2022	2023
Profit / (Loss) for the year	(176,648,766)	(227,969,142)
Other comprehensive income / (expense) for the year, adjusted for revaluation of Property Plant and Equipment and related tax	3,852,429	(8,284,658)
Total comprehensive income / (expense) for the year	(172,796,337)	(236,253,800)
Retained earnings as at the beginning of the year	(408,469,056)	(581,265,393)
Retained earnings as at the end of the year	(581,265,393)	(817,519,194)



REPORT OF DIRECTORS...

4. TURNOVER

The turnover for the year was Rs. 503,948,227/- 2022/23, and Rs. 374,561,206/- in the year 2021/22.

5. AUDITOR'S REPORT

The Auditor's Report on the Financial Statements of the Company is given on page 44 to 46.

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. 1 to 5 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 sections 9.3.2 (a), 9.3.2 (b) and 9.3.2(d) of the said Rules, the Related Party Transactions of the Company have been reviewed and the aggregate value of recurrent related party transactions have not exceeded 10% of the gross revenue of the Company, while the aggregate value of the non-recurrent related party transactions have not exceeded 10% of the Equity or 5% of the Total Assets and therefore do not require disclosure in the format provided.

The details of the Related Party Transactions are provided under Note No. 30 to the Financial Statements.

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 2023 consists of 47,066,447 Ordinary shares totaling to Rs.585,445,870/-. Refer Note No. 19.

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 17 to 19.

10.1 - Board of Directors

The following Directors held office during the period under review and their brief profiles are given on Page 25 to 28 of the Annual Report.



REPORT OF DIRECTORS...

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
Mr. Ahamed Mahir Didi	Non-Executive
Mr. Wajjiya Priyantha Hettiaratchi	Non- Executive (Executive - Appointed on 28/06/23)
Mr. Ali Nooradeen	Non-Executive
Mr. Mohamed Mahir	Non-Executive (Deceased on 22/06/2022)
Mr. Jayampathy Charitha Ratwatte	Non-Executive /Independent
Mr. Ranjeevan Seevaratnam	Non-Executive/Independent (Deceased on 19.01.2023)
Mr. Joseph Rosario Philip Mancius Paiva	Non-Executive/Independent
Ms. Dayanthi Lakshmi Panabokke	Non-Executive (Executive - Appointed on 28/06/23)
Mr. Janaka Asitha Panabokke	Executive
Mr. Priyanjith Buddhika Panabokke	Executive - (Appointed on 17/11/2022)
Mr. Sanjay Ibrahim Maniku	Non-Executive (Appointed on 17.11.2022)
Ms. Fathimath Visha Mahir	Non-Executive (Appointed on 17.11.2022)
Mr. Umar Mohamed Maniku	Non-Executive (Appointed on 30.03.2023)

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 23 August 2023 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, Mr. W. P. Hettiaratchi and Mr. A. Nooradeen retire by rotation and being eligible offer themselves for re-election.

Mr. P. B. Panabokke, Mr. S. I. Maniku, Ms. F. V. Mahir and Mr. U. M. Maniku who were appointed to the Board since the last Annual General Meeting are due to retire at the forthcoming Annual General Meeting in terms of Article 97 of the Articles of Association of the Company and being eligible to offer themselves for re-appointment and this is recommended by the Board.



10.3 - Appointment of Directors who are over 70 years of age

It is recommended that Mr. M. U. Maniku, Mr. A. N. Esufally and Mr. 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
Ms. F. V. Mahir	Non- Executive (Appointed on 30/3/2023)

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 (Deceased on 19.01.2023)
Mr. A. N. Esufally	Non-Executive/Independent (Appointed on 30.03.2023)
Mr. S. I. Maniku (Chairman)	Non-Executive (Appointed on 30/3/2023 - Chairman w. e. f. 28/06/2023)
Mr. J. C. Ratwatte	Non-Executive / Independent
Mr. W. P. Hettiaratchi	Non-Executive (Until 28/06/2023)

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 (Deceased on 19.01.2023)
Mr. W. P. Hettiaratchi	Non-Executive (Executive - Appointed on 28/06/2023)
Mr. J. A. Panabokke	Executive

The details of the Related Party Transactions are given in Note No. 30 on pages 85 to 86 of the Financial Statements

REPORT OF DIRECTORS...

- **Non-Recurrent Related Party Transactions**

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 2023.

- **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 2023.

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. 10,750/-.

14. AUDITORS

The Company's auditors during the year under review were Messrs. Bakertilly Edirisinghe & Co., Chartered Accountants, and a sum of Rs. 514,800/- was paid to them by the Company as audit fees for the year ended 31st March 2023.

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 in the Company.

Messrs. Bakertilly Edirisinghe & Co., Chartered Accountants, are deemed 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 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

Despite challenges, 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. 28 to the Financial Statements.

18. EQUITABLE TREATMENT TO SHAREHOLDERS

The Company endeavours at all times to ensure equitable treatment to all Shareholders.

19. EVENTS AFTER THE REPORTING DATE

Events occurring after the reporting date of the Company are given in Note No. 29 to the Financial Statements.



REPORT OF DIRECTORS...

20. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The contingent liabilities and commitments as at 31st March 2023 are given in Note No. 28 to the Financial Statements.

21. TWENTY MAJOR SHAREHOLDERS WITH COMPARATIVES

Name of Shareholder	31.03.2023		31.03.2022	
	No. of Shares	Holding %	No. of Shares	Holding %
Universal Enterprises Pvt. Ltd	32,683,550	69.44	32,683,550	69.44
Freudenberg Shipping Agencies Limited	3,000,000	6.40	3,035,220	6.44
Mr. J. A. Panabokke	1,905,858	4.05	1,905,858	4.05
Estate of Late Mr. B. D. Panabokke	1,502,843	3.19	1,502,843	3.19
Mr. M. U. Maniku	1,217,306	2.59	1,217,306	2.59
Estate of Late Mr. K. M. Panabokke	826,637	1.76	826,637	1.76
Estate of Late Mrs. L. R. Panabokke	819,050	1.74	819,050	1.74
Mr. J. A. Panabokke & Mrs. K. D. Panabokke	731,418	1.55	681,068	1.45
Mr. A. N. Esufally	332,000	0.71	332,000	0.71
Ms. D. L. Panabokke	309,843	0.66	262,033	0.56
Mrs. K. D. Panabokke	247,550	0.53	247,550	0.53
Mackwoods Securities Limited	229,627	0.49	229,627	0.49
Mr. H. D. Molligoda	187,965	0.40	187,965	0.40
Mr. J. Asitha Panabokke	176,460	0.37	174,460	0.37
Mr. S. R. S. De Saram	160,700	0.34	-	-
Ms. R. S. Molligoda	156,345	0.33	156,345	0.33
Mackwoods Enterprises Limited	66,593	0.14	66,593	0.14
Mr. R. Ratna Gopal	57,800	0.12	57,800	0.12
Mr. P. B. Panabokke	52,660	0.11	45,160	0.09
Mr. J. C. L. De Mel	40,000	0.09	-	-

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 2023	As at 31st March 2022
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	309,843	262,033
Mr. J. Asitha Panabokke	176,460	174,460
Mr. P. B. Panabokke	52,660	45,160

23. DIRECTOR'S REMUNERATION AND OTHER BENEFITS

The Directors remuneration and other benefits from the Company during the financial year 2022/2023 is Rs.24,800,000/-.

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. 30 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 42 to 43.

25. ANNUAL REPORT

The information provided herein is 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, the Registrar General of Companies, within applicable time frames

26. ANNUAL GENERAL MEETING

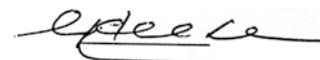
The 49th Annual General Meeting of the Company will be held on the 27th of September, 2023 at 11.00 a.m. at the Registered Office of the Company, No. 35, P. B. A. Weerakoon Mawatha, Kandy, Sri Lanka.

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 2023



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	2023	2022
Number of Shareholders	2,281	2,256

2.2 - Distribution and Composition of Shareholders

No. of Shareholders		Distribution of Shares		31.03.2022 Holding	%	31.03.2023 Holding	%
31.03.2023	31.03.2022						
1,876	1,851	1	1,000	384,224	0.82	389,390	0.83
338	336	1,001	10,000	1,068,653	2.27	1,076,377	2.29
51	52	10,001	100,000	1,133,098	2.40	1,113,528	2.36
11	13	100,001	1,000,000	5,353,001	11.37	4,177,595	11.46
5	4	Above	1,000,000	39,127,471	83.13	40,309,557	83.06
2,281	2,256			47,066,447	100.00	47,066,447	100.00

Categories of Shareholders	As at 31st March 2023		
	No. of Shareholders	No. of Shares	%
Institutions	63	36,278,319	77.09
Individuals	2,218	10,788,128	22.91
Total	2,281	47,066,447	100.00

3. Market performance - Ordinary shares

For the year ended 31st March	2023	2022
As at 31st March (Rs.)	12.90	12.00
Highest (Rs.)	14.30	18.90
Lowest (Rs.)	11.50	11.90
Value of shares traded (Rs.)	1,684,231.80	12,108,270.60
No. of shares traded	134,894	757,479
Volume of transactions	322	1,860



INFORMATION TO SHAREHOLDERS AND INVESTORS...

4. Market Capitalization

Market capitalisation of the Company which is the number of ordinary shares in issue multiplied by the market value of an ordinary share was Rs. 607,157,166/= as at 31st March 2023 (2022 - Rs. 517,730,917/=)

5. Public Holding

The Company is in compliance with the minimum public holding requirements set out in Rule 7.14.1 (i)(b) of the Listing Rules of the Colombo Stock Exchange

Float Adjusted Market Capitalisation	Public Holding Percentage	No. of Non-Public Shareholders	No. of Public Shareholders	Option
Rs. 121,431,433.20	20.00%	09	2,272	2

Shareholdings	No. of Shares held as at 31.03.2023	Holding %	No. of Shares held as at 31.03.2022	Holding %
Others	37,656,645	80.00	37,556,795	79.78
Public	9,409,802	20.00	9,509,652	20.22
Total	47,066,447	100.00	47,066,447	100.00



FIVE YEAR HIGHLIGHTS...

Operating Results		2018/19	2019/20	2020/21	2021/22	2022/23
Occupancy	%	66	40	4	15	16
Gross Revenue	(Rs.000)	654,310	446,380	213,128	423,434	503,948
Interest Charges	(Rs.000)	(24,803)	(18,752)	(23,065)	(53,201)	(43,637)
Depreciation	(Rs.000)	(58,764)	(62,675)	(72,571)	(69,031)	(62,986)
Profit & (Loss) - before Interest	(Rs.000)	(10,420)	(140,034)	(200,720)	(108,129)	(155,453)
- after Interest	(Rs.000)	(35,223)	(151,447)	(225,058)	(160,103)	(196,972)
Assets Employed						
Non-Current Assets	(Rs.000)	1,358,248	1,722,815	1,664,708	1,601,741	3,676,771
Current Liabilities	(Rs.000)	(56,769)	(124,049)	(260,574)	(346,571)	634,105
Stated Capital						
Ordinary Shares	(Rs.000)	585,445	585,446	585,446	585,446	585,446
Net Reserves	(Rs.000)	468,114	634,361	411,149	238,353	1,702,350
Non-Current Liabilities	(Rs.000)	247,919	378,959	407,539	432,218	634,105
Market Value per share	Rs. Cts.	13.60	12.00	17.00	12.00	12.90
Net Assets per share	Rs. Cts.	22.38	25.92	21.17	18.38	48.63
Dividend per share	Rs. Cts.	-	-	-	-	-
Earnings per share	Rs. Cts.	(0.88)	(3.31)	(4.75)	(3.75)	(0.26)
Year on Year Growth						
- in Earnings per share	%	(6)	(275.69)	(43.69)	1	(3.50)
- In Dividend per share	%	-	-	-	-	-
Price Earning Ratio	-	(15.45)	(3.63)	(3.58)	(3.38)	(49.62.)
Borrowing as a % of Total Assets	%	12.29	15.45	18.94	21.24	1.03%
Interest Cover	Times	(0.42)	(7.52)	(8.76)	(2.98)	(2.56)



REMUNERATION COMMITTEE REPORT...

Composition & Meetings

The Remuneration Committee of the Board in keeping with the requirements of the Listing Rules of the Colombo Stock Exchange, comprises of two Independent Non-Executive Directors and one Non-Executive Director, appointed on the 30th of March 2023.

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

Ms. F. V. Mahir
- Non-Executive Director
(Appointed w.e.f. 30/3/2023)

Brief profiles of the Directors are given on pages 25 to 28 of the Annual Report.

Meetings

During the year under review the Directors met and reviewed the remuneration policy followed by the Company and changes were made as necessary in keeping with the economic situation prevalent in the country.

The Remuneration Committee Members interacted among themselves as well as with the Executive Board Members when the necessity arose.

Invitees of the Board

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.

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.

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.

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.

J. C. Ratwatte
Chairman - Remuneration Committee

31 August 2023



AUDIT COMMITTEE REPORT...

Composition and Meetings

The Board's Audit Committee, comprises of two Independent Non-Executive Directors and one Non-Executive Director. During the year under review, Mr. A. N. Esufally was appointed to the Committee and Mr. S. I. Maniku was appointed Chairman with effect from 28th June 2023, due to the demise of Mr. R. Seevaratnam. Mr. W. P. Hettiaratchi, functioned as a Member of the Audit Committee until 28th June 2023.

The following Directors served on the Audit Committee:

Mr. R. Seevaratnam (Chairman)
- Independent Non-Executive Director
(Deceased on 19/1/2023)

Mr. S. I. Maniku - Non-Executive Director
(Appointed on 30/3/2023 - Chairman w.e.f. 28/6/2023)

Mr. A. N. Esufally
- Independent Non-Executive Director
(Appointed on 30/3/2023)

Mr. J. C. Ratwatte
- Independent Non-Executive Director

Mr. W.P. Hettiaratchi
- Non-Executive Director
(A Member until 28/06/2023)

The Members of the Committee have a depth of financial expertise and collectively, the Committee has considerable financial experience on which to rely on.

For more information on the experience of and brief profiles of the Members please refer pages 25 to 28 of the Annual Report.

The Committee is accountable and reports to the Board of Directors.

Regular Attendees by Invitation

The Managing Director and The Finance Manager attend the meetings by invitation. During the year under review, other directors also sometimes participated by invitation when necessary.

Secretary to the Committee

The Board Secretary functions as the Secretary to the Board's Audit Committee.

Charter of the Committee

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; 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.

Key Responsibilities of the Committee

Key responsibilities include;

- (i) Monitoring the integrity of the Company's financial reporting and satisfying itself that any significant financial judgments by the management are sound and ensuring that strong internal controls are put in place;
- (ii) Overseeing the appointment of internal and external auditors and monitoring and reviewing the activities and performance of such auditor/auditors, including assessing their independence and objectivity;
- (iii) 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 four occasions during the financial year and have had regular consultations with the Management and amongst each other.

Attendance of the Committee Members at each of these meetings is given on page 15 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.



Authority of the Committee

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 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.

The Committee recommended the Financial Statements to the Board for its approval.

The Committee also reviewed the budgets and forecasts of the Company.

Messrs. Bakertilly 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 and have discussed any recommendations with the Auditors as well. 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. Bakertilly 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.

The Committee is satisfied that the controls instituted by the organization provides reasonable, but not absolute assurance that the financial position of the Company is adequately monitored and that the systems are in place to minimize the impact of identifiable risks.

S. I. Maniku
Chairman – Audit Committee

31 August 2023



RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT...

Composition & Meetings

The Board's Related Party Transactions Review Committee, comprises of three Directors of whom two are Executive Directors and the Chairman of the Committee is an Independent Non-Executive Director.

Mr. J. C. Ratwatte (Chairman) - Independent Non-Executive Director

Mr. R. Seevaratnam - Independent Non-Executive Director
(Deceased on 19/1/2023)

Mr. W. P. Hettiaratchi - Executive Director
(Appointed w.e.f. 28/6/2023)

Mr. J. A. Panabokke - Executive Director

Brief profiles of the Directors representing the Committee are given on pages 25 to 28 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 four occasions.

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. The non-recurrent transactions which took place in previous years are reported with necessary adjustments to outstanding dues. No further changes or any such transactions have occurred during the period under review.

Attendance at these meetings are given on page 15 of the Annual Report.

The Related Party Transactions Review Committee Members interacted among themselves and consulted each other as and when the necessity arose. The Executive Directors did not participate in deliberations connected to transactions with the Management Company or connected parties other than providing necessary information.

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 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 and non-recurrent transactions are not prejudicial to the interests of the Company or its shareholders.

Related Party Transactions during the year

Details are provided in Note No.30 to the Financial Statements. Details of recurrent Related Party Transactions entered into by the Company during the year 2022/2023 are provided in Note No. 30 to the Financial Statements. Details of non-recurrent Related Party Transactions entered into by the company during the previous years are provided



RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT...

in Note No.30 to the Financial Statements. The Recurrent Related Party Transactions and Non-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.

J. C. Ratwatte

**Chairman – Related Party Transactions Review
Committee**

31 August 2023



INDEPENDENT AUDITOR'S REPORT...



Edirisinghe & Co.
Chartered Accountants

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Sri Lanka

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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, 2023, 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, 2023, 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.

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.



Partners: P.P. Edirisinghe FCA ACIM MBA Ms. M.K.K. Karunaratne FCA ACMA P.K.A.M. Alahakoon ACA MAAT
S.A. Harischandra FCA ACMA CGMA MBA Bcom (Sp.)

Consultants: A.T.P. Edirisinghe FCA FCMA (UK) A.D. Jayasena FCA

Edirisinghe & Co., trading as Bakertilly, is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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...

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibility for the Audit of the Financial Statements (Continued)

- 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' 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

Edirisinghe & Co.,
Chartered Accountants
Colombo
31 August 2023



STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME...

For the year ended 31 March 2023	Notes	2023 Rs.	2022 Rs.
Revenue	06	503,948,227	374,561,206
Cost of sales		(387,837,779)	(249,794,223)
Gross profit		116,110,448	124,766,983
Other operating income	07	122,413,963	47,579,026
Administration expenses		(258,538,333)	(194,769,691)
Marketing and promotional expenses		(20,727,251)	(13,023,751)
Maintenance expenses		(114,712,583)	(72,681,848)
Profit / (loss) from operations	08	(155,453,756)	(108,129,281)
Finance income	09.1	2,118,440	1,271,024
Finance cost	09.2	(43,637,303)	(53,245,652)
Profit / (loss) before income taxation		(196,972,619)	(160,103,909)
Income tax credits / (expenses)	10	184,940,759	(16,544,857)
Profit / (loss) for the year		(12,038,860)	(176,648,766)
Other comprehensive income			
Other comprehensive income not to be reclassified to profit or loss;			
Re-measurement of retirement benefit obligation		(8,284,658)	4,479,569
Deferred tax impact on re-measurement of retirement benefit obligation		2,485,397	(627,140)
		(5,799,261)	3,852,429
Revaluation gain on lands		185,176,250	-
Revaluation gain on buildings		1,933,148,975	
Deferred tax impact on revaluation of building		(635,497,568)	-
		1,482,827,658	-
Other comprehensive income / (expense) for the year, net of tax		1,477,028,397	3,852,429
Total comprehensive income / (expense) for the year		1,464,996,537	(172,796,337)
Basic earnings / (loss) per share (Rs.Cts)	11	(0.26)	(3.75)

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

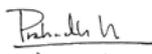
The accounting policies and notes form an integral part of these financial statements.



STATEMENT OF FINANCIAL POSITION...

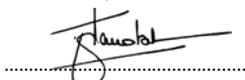
As at 31st March 2023	Notes	2023 Rs.	2022 Rs.
Assets			
Non current assets			
Property, plant and equipment	12	2,801,771,364	1,601,741,923
Right of use asset (Land and Building)	13	875,000,000	-
		3,676,771,364	1,601,741,923
Current assets			
Inventories	14	36,248,810	21,776,345
Trade and other receivables	15	72,530,224	70,974,456
Other financial assets	16	22,120,923	-
Income tax refund	17	2,477,488	2,410,646
Cash and cash equivalents	18	13,784,458	27,196,856
		147,161,903	122,358,303
Total assets		3,823,933,267	1,724,100,226
Equity and liabilities			
Equity			
Stated capital	19	585,445,870	585,445,870
Revaluation reserve	20	2,302,046,051	819,618,393
Accumulated loss		(598,696,514)	(581,265,393)
		2,288,795,406	823,798,870
Non current liabilities			
Deferred tax liabilities	21	646,426,933	198,355,522
Retirement benefit obligation	22	67,982,116	51,846,885
Borrowings	23	167,506,428	175,961,754
Deferred income	24	19,116,651	6,054,556
		901,032,128	432,218,717
Current liabilities			
Trade and other payables	25	327,663,757	230,697,183
Due to related parties	26	67,041,311	53,923,216
Borrowings	23	232,849,432	180,833,675
Deferred income	24	6,551,232	2,628,566
		634,105,732	468,082,640
Total equity and liabilities		3,823,933,267	1,724,100,226

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.

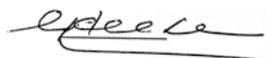


 Mr. M. P. S. Dias - Finance Officer

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. Panabokke - Director



 Mr. W. P. Hettiaratni - Director

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



STATEMENT OF CHANGES IN EQUITY...

For the year ended 31st March, 2023	Stated Capital Rs.	Accumulated loss Rs.	Revaluation Reserve Rs.	Total Rs.
Balance as at 01 April 2021	585,445,870	(408,469,057)	819,618,393	996,595,206
Profit / (loss) for the year	-	(176,648,766)	-	(176,648,766)
Other comprehensive income	-	3,852,430	-	3,852,430
Balance as at 31 March 2022	585,445,870	(581,265,393)	819,618,393	823,798,870
Balance as at 01 April 2022	585,445,870	(581,265,393)	819,618,393	823,798,870
Transfer of revaluation gain of disposed land	-	400,000	(400,000)	-
Profit / (loss) for the year	-	(12,031,860)	-	(12,031,860)
Other comprehensive income	-	(5,799,261)	1,482,827,658	1,477,028,397
Balance as at 31 March 2023	585,445,870	(598,696,514)	2,302,046,051	2,288,795,406

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 2023	Note	2023 Rs.	2022 Rs.
Cash flows from operating activities			
Profit / (loss) before taxation		(196,972,619)	(160,103,909)
Adjustment for :			
Depreciation	12	62,986,436	69,031,553
Lease interest	23	4,283,044	571,750
Bank overdraft and loan interest	09.2	15,777,425	8,762,679
Related party loan interest	09.2	1,505,121	522,510
Other financial charges	09.2	5,939,437	3,398,081
Moratorium loan interest	09.2	14,418,811	39,550,505
Provision for gratuity	22	18,495,111	4,664,414
Impairment loss on trade and other receivables	15	(2,413,138)	3,433,814
Disposal gain on land		(53,900,000)	-
Disposal gain on sales and lease back transaction		(2,628,567)	(2,469,082)
Moratorium lease interest	23	1,713,465	440,127
Operating profit / (loss) before working capital changes		(130,795,474)	(32,197,558)
(Increase) / decrease in inventories	14	(14,472,465)	(3,384,055)
(Increase) / decrease in trade and other receivables	15	(3,968,906)	(32,242,969)
(Increase) / decrease in other financial assets		(22,120,923)	-
Increase / (decrease) in trade and other payables	25	96,934,725	76,199,270
Increase / (decrease) in related party balances	26	13,118,095	35,779,187
Cash generated from / (used in) operations		(61,304,948)	44,153,875
Gratuity paid	22	(2,359,880)	(4,230,550)
Tax paid	17	(66,842)	-
Net cash flow from / (used in) operating activities		(63,731,670)	39,923,325
Cash flows from investing activities			
Acquisition of property, plant and equipment	12	(328,000)	(387,290)
Investment in work in progress assets	12	(1,631,000)	-
Additions and improvements of Right of use assets		(1,959,000)	(387,290)



STATEMENT OF CASH FLOWS...

Statement of Cash Flows (Continued)

Net cash flow from / (used in) investing activities		(8,191,951)	(387,290)
Cash flows from financing activities			
Proceeds from bank borrowings	23	-	18,000,000
Proceeds from sales and lease back arrangements	23.1	23,300,000	7,350,000
Repayment of bank borrowings	23	(11,512,111)	(14,108,798)
Proceeds from related party borrowings	23.2	23,664,773	-
Repayment of related party borrowings	23.2	(11,313,009)	(2,243,363)
Bank overdraft and loan Interest	09.2	(33,414,822)	(48,313,184)
Other financial charges	09.2	(5,939,437)	(3,398,081)
Repayment of finance lease liability	23.1	(13,906,449)	(3,193,694)
Repayment of finance lease liability (right of use asset)	23.2	(207,765)	-
Sales proceed from land		58,100,000	-
Net cash flow from / (used in) financing activities		27,771,180	(45,907,120)
Net increase / (decrease) in cash and cash equivalents		(37,919,491)	(6,371,085)
Cash and cash equivalents at the beginning of the year		(97,136,577)	(90,765,491)
Cash and cash equivalents at the end of the year	18.1	(135,056,068)	(97,136,577)

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 2023

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 2023 the number of employees of the Company is 227 (31 March 2022 - 201).

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 2023 were authorized for issue in accordance with a resolution of the Directors on 23 August 2023.

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 2023

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 & Equipment are initially recorded at cost. Where items of Property, Plant and Equipment are subsequently revalued, the entire class of such assets are revalued.



For the year ended 31 March 2023

Lands and buildings are measured at fair value. Revaluations are carried out when there is a substantial difference between the fair value 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 2023

3.4 - Right of use asset and lease liability

The entity recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The estimated useful lives of right of use assets are as follows;

Asset Category	Useful Life (Years)
Right of use asset	30
Improvements to	
Right of use of asset	30

Depreciation of improvement to right of use of asset is calculated based on the remaining lease period.

At the commencement date of the lease the entity recognizes lease liability measured at the present value of the lease payments to be made over the lease term, the lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Institute and payments of penalties for terminating the lease, if the lease term reflects the Institute exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the entity uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. The entity uses its incremental borrowing rate as the discount rate. The entity determines its incremental borrowing rate by obtaining interest rates from the Institute's internal records. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

**3.5 - 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.

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.



For the year ended 31 March 2023

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.

3.5 - Financial assets (Continued)

3.5.1 - Subsequent measurement (Continued)

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 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



For the year ended 31 March 2023

at fair value with net changes in fair value recognized in the Statement of Profit or Loss.

3.5.2 - 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.

3.5.3 - 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.

3.5.4 - 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.

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.



For the year ended 31 March 2023

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.

3.6 - 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

3.7 - 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.

3.8 - 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.

3.9 - 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.

3.10 - 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.

3.11 - 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.



For the year ended 31 March 2023

3.12 - 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.

3.13 - 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 substantially 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.

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 uncertainty of claiming tax losses on a taxable income.

3.14 - Employee benefits

3.14.1 - 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.

3.14.2 - 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'



For the year ended 31 March 2023

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.

3.14.3 - Short-term benefits

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

3.15 - Revenue recognition**3.15.1 - 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.

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

(a) Room revenue

Revenue is recognized on occupied rooms on a daily basis, after completing all other obligations 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.

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.



SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2023

(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 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	38,997,792
Bank Loans (Rs.)	(-) 50 Basis Points	(38,997,792)

(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.

(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.



SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2023

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, 2023	Less than 1 Year Rs.	Between 1 and 5 Years Rs.
Borrowings	232,849,432	167,506,428
Trade and other payables (excluding statutory liabilities)	211,184,744	-
Total	444,034,176	167,506,428
As at 31st March 2022		
Borrowings	180,833,675	175,961,754
Trade and other payables (excluding statutory liabilities)	194,873,751	-
Total	375,707,426	175,961,754

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 2023 Rs.	31 March 2022 Rs.
Total Borrowings	400,355,860	356,795,429
Less		
Cash and Cash Equivalents	(13,784,458)	(27,196,856)
Net Borrowings	386,571,402	329,598,573
Total Equity	2,288,795,406	823,798,870
Total Capital	2,675,366,809	1,153,397,443
Gearing Ratio	14%	29%

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.

NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2023

(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. 22.



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2023	2023 Rs.	2022 Rs.
NOTE 06 - REVENUE		
Front Office and Apartment	107,365,255	81,061,591
Restaurant	370,489,723	271,851,235
Beverage	26,093,249	21,648,380
	503,948,227	374,561,206
NOTE 07 - OTHER OPERATING INCOME		
Laundry income	38,068,613	22,725,842
Banquet others	8,491,038	5,920,028
Shop rental	916,374	1,078,002
Boating, swimming and tennis	1,397,756	498,407
Hire of vehicles	6,914,871	6,553,122
Leaves and petals	887,197	714,454
Health centre	2,328,367	11,227
Sports centre	1,931,475	968,787
Minor operating income	2,341,680	6,657,798
Disposal gain on sales and lease back transaction	2,628,567	2,469,082
Exchange gain / (loss)	194,887	(17,723)
Profit on fixed assets disposal	53,900,000	-
Reversal of bad debt provision	2,413,138	-
	122,413,963	47,579,026
NOTE 08 - PROFIT / (LOSS) FROM OPERATIONS IS STATED AFTER CHARGING ALL EXPENSES INCLUDING FOLLOWING:		
Employee benefit expenses (Note No. 8.1)	209,237,511	142,534,059
Directors' remuneration	24,800,000	11,952,093
Auditor's remuneration fees	450,500	348,000
Non assurance fees and expenses	80,300	56,600
Depreciation	62,986,436	69,031,553
Impairment loss on trade and other receivables	(2,413,138)	3,433,814
Advertising and sales promotion cost	2,667,739	1,889,627
Other costs	484,006,598	301,023,767
Total cost of sales, distribution costs and administration expenses	781,815,946	530,269,513
Note 08.1 - Employee benefit expenses		
Salaries, wages and allowances	161,796,244	114,082,985
EPF and ETF	17,570,726	12,471,640
Post employment benefit - Gratuity	10,210,453	4,664,414
Other staff cost	19,660,088	11,315,020
	209,237,511	142,534,059



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2023	2023 Rs.	2022 Rs.
Note 09 - Finance income / (cost)		
Note 09.1 - Finance income		
Interest income on fixed deposits Note 09.3	2,118,440	1,271,024
	2,118,440	1,271,024
Note 09.2 - Finance cost		
Bank overdraft and loan interest	15,777,425	8,762,679
Related party loan interest	1,505,121	522,510
Moratorium loan interest	14,418,811	39,550,505
Moratorium lease interest	1,713,465	440,127
Lease interest	4,283,044	571,750
Other financial charges	5,939,437	3,398,081
Note 09.4	43,637,303	53,245,652
Net finance cost	(41,518,863)	(51,974,628)

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.



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2023	2023 Rs.	2022 Rs.
NOTE 10 - Income tax (credit) / expenses		
Income tax provision for the year Note 10.1	-	305,046
ESC written off	-	1,405,582
Income tax under provision of previous years	-	-
Deferred tax charge / (credits) Note 10.3	(184,940,759)	14,834,229
Income tax (Credit) / Expenses	(184,940,759)	16,544,857

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

Accounting profit / (loss) before tax	(196,972,619)	(160,103,909)
Non deductible expenses	171,717,623	87,695,376
Deductible expenses	(41,427,411)	(44,427,861)
Other sources of income	(61,060,145)	(3,740,106)
Taxable business profit / (loss) Note 10.2	(127,742,552)	(120,576,500)
Interest income	2,118,440	1,271,024
Total assessable income	2,118,440	1,271,024
Set off against tax losses	(2,118,440)	-
Total taxable income	-	1,271,024
Income tax at 24%	-	305,046
	-	305,046

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%. All income are taxed at 30% with effect from 01.10.2022.

Note 10.2 - Carried forwarded tax losses		
Balance brought forward	690,211,617	569,545,754
Adjustment for previous year	-	89,363
Tax loss during the year	127,742,552	120,576,500
Tax loss claimed during the year	-	-
Balance carried forward	815,835,730	690,211,617

Note 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)	(174,290,086)	14,894,970
	(174,290,086)	14,894,970
Deferred tax assets		
Defined benefit obligation	10,650,673	60,741
Carried forward unused tax losses charged / (reversed)	-	-
	10,650,673	60,741
Deferred tax charge / (credit) for the year	(184,940,759)	14,834,229



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2023

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 2023 due 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 21 to the Financial Statements.

For the year ended 31 March 2023	2023 Rs.	2022 Rs.
NOTE 11 - BASIC EARNINGS / (LOSS) PER SHARE		
Amount used as the numerator		
Profit / (loss) for the year	(12,031,860)	(176,648,766)
Amount used as the denominator		
Number of ordinary shares	47,066,447	47,066,447
Earnings / (loss) per share - Rs.Cts.	(0.26)	(3.75)

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.



For the year ended 31 March 2023

MAHAWELI REACH HOTELS PLC NOTES TO THE FINANCIAL STATEMENTS																
As at 31 March 2023																
Note 12 - Property, plant and equipment																
	As at 01.04.2022		Additions		Transfers		Disposals		Net Book Value Before Revaluation		Fair value gain or loss		Transfer to right of use asset		As at 31.03.2023	
	Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.	
Cost / valuation																
Freehold assets																
Freehold lands - (at valuation)	445,738,750	-	-	-	-	-	(4,200,000)	441,538,750	185,176,250	-	-	-	-	-	626,715,000	
Buildings - (at valuation)	1,161,908,706	100,000	(246,466,506)	-	-	(11,484,778)	915,542,200	1,933,148,975	(872,681,675)	-	-	-	-	-	1,976,009,500	
Motor vehicles	14,037,938	-	-	-	-	-	2,553,160	2,553,160	-	-	-	-	-	-	2,553,160	
Office equipment	420,371,727	-	-	-	-	-	420,371,727	-	-	-	-	-	-	-	420,371,727	
Furniture and fittings	157,763,950	228,000	-	-	-	-	157,991,950	-	-	-	-	-	-	-	157,991,950	
Linen	17,170,387	-	-	-	-	-	17,170,387	-	-	-	-	-	-	-	17,170,387	
	2,216,991,458	328,000	(246,466,506)	(15,684,778)	1,955,168,174	2,118,325,225									3,200,811,724	
Leasehold assets																
Motor vehicles	30,430,905	23,300,000	-	-	-	(16,580,905)	37,150,000	-	-	-	-	-	-	-	37,150,000	
Office equipment	4,387,500	-	-	-	-	-	4,387,500	-	-	-	-	-	-	-	4,387,500	
Laundry machine	13,377,639	-	-	-	-	-	13,377,639	-	-	-	-	-	-	-	13,377,639	
Kitchen equipment	5,620,417	-	-	-	-	-	5,620,417	-	-	-	-	-	-	-	5,620,417	
	53,816,461	23,300,000	-	-	-	(16,580,905)	60,535,556	-	-	-	-	-	-	-	60,535,556	
Total	2,270,807,919	23,628,000	(246,466,506)	(32,265,683)	2,015,703,730	2,118,325,225	(872,681,675)	3,261,347,280								
Accumulated depreciation																
Freehold assets																
Freehold lands - (at valuation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings - (at valuation)	207,438,681	39,027,825	(246,466,506)	-	-	(11,263,853)	-	-	-	-	-	-	-	-	2,620,537	
Motor vehicles	13,684,583	199,807	-	-	-	-	-	-	-	-	-	-	-	-	276,253,495	
Office equipment	260,240,306	16,013,189	-	-	-	-	-	-	-	-	-	-	-	-	149,886,250	
Furniture and fittings	147,859,822	2,026,428	-	-	-	-	-	-	-	-	-	-	-	-	16,077,221	
Linen	15,538,796	538,425	-	-	-	-	-	-	-	-	-	-	-	-	444,837,503	
	644,762,188	57,805,674	(246,466,506)	(11,263,853)	-	-	-	-	-	-	-	-	-	-	6,440,234	
Leasehold assets																
Motor vehicles	16,626,094	2,929,297	-	-	-	(13,115,157)	-	-	-	-	-	-	-	-	1,070,225	
Office equipment	701,639	368,586	-	-	-	-	-	-	-	-	-	-	-	-	8,392,649	
Laundry machine	7,146,402	1,246,247	-	-	-	-	-	-	-	-	-	-	-	-	3,073,891	
Kitchen equipment	2,437,259	636,632	-	-	-	-	-	-	-	-	-	-	-	-	18,976,999	
	26,911,394	5,180,762	-	-	-	(13,115,157)	-	-	-	-	-	-	-	-		



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2023

MAHAWELI REACH HOTELS PLC
NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2023

Written down value	As at		As at	
	As at 01.04.2022	Rs.	As at 31.03.2023	Rs.
Freehold asset				
Freehold lands - (at valuation)	445,738,750		626,715,000	
Buildings - (at valuation)	954,470,025		1,976,009,500	
Motor vehicles	353,355		(67,377)	
Office equipment	160,131,421		144,118,232	
Furniture and fittings	9,904,128		8,105,700	
Linen	1,631,592		1,093,167	
	1,572,229,271		2,755,974,222	
Leasehold assets				
Motor vehicles	13,804,811		30,709,766	
Office equipment	3,685,861		3,317,275	
Laundry machine	6,231,237		4,984,990	
Kitchen equipment	3,183,158		2,546,526	
	26,905,067		41,558,557	
Total written down value	1,599,134,337		2,797,532,778	
Work in progress assets				
	As at	As at	Transfers	As at
	01.04.2022	31.03.2023	Rs.	Rs.
Installation of salary system	1,117,000	-	-	1,117,000
Wet garbage room	1,490,586	1,631,000	-	3,121,586
	2,607,586	1,631,000	-	4,238,586
Total assets	1,601,741,923			2,801,771,364

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		As at	
	As at 01.04.2022	Rs.	Additions	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	205,286,693		15,064,039	220,350,732
	205,286,693		15,064,039	220,350,732
Written down value				
Land	98,116,927		-	98,116,927
Buildings	397,274,869		-	382,210,831



For the year ended 31 March 2023

**MAHAWELI REACH HOTELS PLC
NOTES TO THE FINANCIAL STATEMENTS**

As at 31 March 2023

Note 12 - Property, plant and equipment (Continued)

Note 12.2 - Reconciliation of carrying amounts of revalued assets

	Lands Rs.	Buildings Rs.	Tots Rs.
Carrying value as at 01 April 2022	445,738,750	954,470,025	1,400,208,77
Additions	-	100,000	100,00
Disposals	(4,200,000)	-	(4,200,00
Fair value gain	185,176,250	1,933,148,975	2,118,325,22
Transfer to right use asset (building)	-	(872,681,675)	(872,681,67
Depreciation for the year	-	(39,027,825)	(39,027,82
Carrying value as at 31 March 2023	626,715,000	1,976,009,500	2,602,724,50

Note 12.2.1 - Measurement of fair value

The freehold land and buildings and buildings on leased land were valued on 31st March 2023 in an open market value for existing use basis by Mr.T.B. Balasuriya, (Bsc.) EMV S (Hons.), SJP, an Independent Qualified Valuer. The result of such revaluation was incorporated in these financial statements. The surplus arising from the revaluation was transferred to a revaluation reserve.

Lands were comprise of Walawewatta and Siyambalagahakotuwa (02A-2R-08.15P), Talawattumullehena (00A-1R-03.87P) which are situated within Municipal Council limits of Kandy

Note 12.2.2 - Level 03 fair value

Opening to closing reconciliation is shown in above Note 12.2.

Note 12.2.3 - Valuation techniques and significant unobservable inputs

The property is valued in an open market value for existing use basis.

Note 12.2.4 - Location of lands

Note 13 - Right-of-use asset

	As at 01.04.2022 Rs.	Additions Rs.	Disposals Rs.	As at 31.03.2023 Rs.
Cost / valuation				
Land	-	2,318,325	-	2,318,325
Building	-	872,681,675	-	872,681,675
	-	875,000,000	-	875,000,000
Accumulated Depreciation				
Land	-	-	-	-
Building	-	-	-	-
	-	-	-	-
Net Book Value				
Land	-	-	-	2,318,325
Building	-	-	-	872,681,675



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2023

NOTE 14 - INVENTORIES	2023 Rs.	2022 Rs.
Food stock	13,780,647	5,730,865
Beverage stock	4,396,963	3,026,755
House keeping	2,562,440	3,198,224
Maintenance stock	4,610,595	1,198,102
Printing and stationery stock	3,482,307	1,902,272
General stock	4,353,047	4,121,474
Gas stock	2,094,457	1,703,978
Fuel stock	968,354	894,675
Total	36,248,810	21,776,345

NOTE 15 - Trade and other receivables	2023 Rs.	2022 Rs.
Trade debtors	75,987,297	65,952,256
Less: Provision for impairment Note 15.1	(34,656,335)	(37,069,473)
Trade receivables - net	41,330,962	28,882,783
Refundable deposits	3,364,929	3,223,929
Prepayments	5,310,015	552,914
Other receivables	22,524,317	38,314,830
Total	72,530,224	70,974,456

Note 15.1 - Provision for impairment

Balance at the beginning of the year	37,069,473	33,635,659
Provision for the year	(2,413,138)	3,433,814
Balance at the end of the year	34,656,335	37,069,473

As of 31st March 2023, Trade Receivables of Rs. 28,697,399/- (as of 31st March 2022 was Rs. 24,281,336/-) were fully performing.

As of 31st March 2023, Trade Receivables of Rs. 12,633,563/- (as of 31st March 2022 was Rs. 4,601,447/-) 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:

	2023 Rs.	2022 Rs.
Over 90 days	-	1,615,033
Over 120 days	-	2,986,414
	-	4,601,447



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2023

As of 31st March 2023, trade receivables of Rs 34,656,335/- (31.03.2022 Rs. 37,069,473/-) 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.

Note 15 - Trade and other receivables (Continued)

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.

Note 15.2 - 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	67,220,208	38,968,044
Banks with credit ratings	13,784,458	27,196,856
	81,004,666	66,164,900

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	41,330,962	28,882,783
Loans to company officers	3,338,000	3,091,000
Other receivables	22,551,246	6,994,262
	67,220,208	38,968,044

Loans are given to permanent confirmed employees and are deducted from the salaries as per the terms of granting the loan.

Note 16 - Other financial assets Fixed Deposits

HNB fixed deposit No 018300102841	4,266,000	-
SEYLAN fixed deposit No 7mn	7,000,000	-
SEYLAN fixed deposit No 9mn	9,000,000	-
Interest income receivable	1,854,923	-
	22,120,923	

Note 17 - Income tax (refund)/liability

Balance at the beginning of the year	(2,410,646)	(4,121,274)
Income tax under provision of previous years		-
	(2,410,646)	(4,121,274)
Income tax provision for the year	-	
ESC written off	-	1,405,582
Payment made during the year	-	-
WHT paid	66,842	-
Balance at the end of the year	(2,477,488)	2,410,646



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2023

Note 18 - Cash and cash equivalents

Cash at bank	11,062,447	25,944,821
Cash in hand	2,722,011	1,252,035
	13,784,458	27,196,856

Note 18.1 - For the purpose of Statement of cash flows, cash and cash equivalents includes following :

Cash in hand and at bank	13,784,458	27,196,856
Bank overdrafts	(148,840,526)	(124,333,433)
	(135,056,068)	(97,136,577)

Note 19 - 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

Note 20 - Revaluation reserve

Balance at the beginning of the year	819,618,393	819,618,393
Revaluation gain on land and buildings	185,176,250	-
Deferred tax impact on revaluation	(635,497,568)	-
Balance at the end of the year	369,297,076	819,618,393

Revaluation reserve related to the surplus on revaluation of land and building.

Note 21 - Deferred tax assets and liabilities

Note 21.1 - Deferred tax liabilities

Balance at the beginning of the year	205,614,086	190,719,116
Provision / (reversal) for the year	(174,290,086)	14,894,970
Deferred tax impact to OCI on revalued land and buildings	635,497,568	-
Balance at the end of the year	666,821,568	205,614,086

Note 21.2 - Deferred tax assets

Balance at the beginning of the year	7,258,564	7,824,963
Provision / (reversal) for the year	10,650,673	60,741
Deferred tax impact to OCI on actuarial gain on gratuity	2,485,397	(627,140)
Temporary differences arising / (reversed) from unused tax losses	-	-
Prior year adjustment	-	-
Balance at the end of the year	20,394,635	7,258,564
Net deferred tax liability	646,426,	198,355,522



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2023

Note 21.3 - The principle assumptions used are as follows :				
	31.03.2023		31.03.2022	
Deferred tax liability	Temporary difference Rs.	Tax effect Rs.	Temporary difference Rs.	Tax effect Rs.
Property, plant and equipment	104,413,335	31,324,000	475,268,179	66,537,545
Revaluation of buildings	1,933,148,975	579,944,693	669,466,131	93,725,258
Revaluation of lands	185,176,250	55,552,875	323,937,732	45,351,282
Revaluation of lands				
Deferred tax assets				
Defined benefit obligation	(67,982,116)	(20,394,635)	(67,982,116)	(9,517,496)
Net balance	2,154,756,444	646,426,933	1,400,689,926	196,096,589

Note 22 - Retirement benefit obligation			
Balance at the beginning of the year		51,846,885	55,892,590
Provision / (reversal) made during the year	Note 20.1	18,495,111	184,845
Payments / payables of the year		(2,359,880)	(4,230,550)
		67,982,116	51,846,885

Note 22.1 - Provision / (reversal) made during the year			
Interest charged for the year		7,517,798	3,912,481
Current service cost		2,692,655	751,933
Actuarial (gain)/ loss		18,495,111	184,845

Note 22.2 - The principle assumptions used are as follows :			
Long term interest rate		18%	14.5%
Future salary increment rate		10%	0%
Staff turnover ratio		21%	18%
Retirement age		60	60

Note 22.3 - Sensitivity analysis of present value of defined benefit obligation		
Assumption changed (while all other assumptions remain unchanged)		Amount Rs.
1% increase in discount rate		67,320,743
1% decrease in discount rate		68,674,625
1% increase in Salary Escalation rate		68,469,955
1% decrease in Salary Escalation rate		67,515,786



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2023

Note 22.4 - Distribution of present value of defined benefit obligation in future years		Amount Rs.
Within the next 12 months		55,068,896
Between 1-2 years		3,529,941
Between 2-5 years		5,598,219
Between 5-10 years		3,254,980
Beyond 10 years		530,080
		67,982,116

Note 23 - Borrowings

Non current maturity portion

Lease creditor	Note 23.1	29,900,787	25,800,722
Lease creditor- Land and Building	Note 23.2	2,296,026	
Bank loans		131,261,713	148,684,507
Borrowings from related parties	Note 23.3	4,047,902	1,476,525
		167,506,428	175,961,754

Lease creditor	Note 23.1	20,209,354	8,919,180
Lease creditor- Land and Building	Note 23.2	22,299	
Bank loans		47,585,644	41,674,961
Bank overdrafts		148,840,526	124,333,433
Borrowings from related parties	Note 23.2	16,191,609	5,906,101
		232,849,432	180,833,675
		400,355,808	356,795,429

Note 23.1 - Lease creditor

Balance at the beginning of the year		42,582,497	36,198,465
Addition during the year		28,450,177	9,137,599
Moratorium interest addition during the year		1,713,465	440,127
Settlements during the year		(13,906,449)	(3,193,694)
Interest in suspense		58,839,689	42,582,497
	Note 23.1.1	(8,729,548)	(7,862,595)
		50,110,141	34,719,902

Note 23.1.1 - Interest in suspense

Balance at the beginning of the year		7,862,595	6,646,746
Addition during the year		5,150,177	1,787,599
Moratorium interest addition during the year		1,713,465	440,127
Lease interest charge during the year		(4,283,044)	(571,750)
Moratorium interest charge during the year		(1,713,465)	(440,127)
		8,729,548	7,862,595



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2023

Current maturity portion		5,603,043	3,355,793
Non current maturity portion		3,126,505	4,506,802
		8,729,548	7,862,595

Note 23.2 - Lease Creditor - Land and Building

Balance at the beginning of the year		-	-
Addition during the year		6,232,950	-
Settlements during the year		(207,765)	-
Interest in suspense		(3,706,860)	-
		2,318,325	
Current maturity portion		22,299	
Non current maturity portion		2,296,026	
		2,318,325	

Note 23.1.1 - Interest in suspense

Balance at the beginning of the year		-	-
Addition during the year		3,706,860	-
Lease interest charge during the year			-
		3,706,860	-
Current maturity portion		185,466	-
Non current maturity portion		3,521,394	-
		3,706,860	-

Note 23.2 - Borrowings from related parties

Balance at the beginning of the year		9,320,257	11,563,620
Loans obtained during the year		23,664,773	-
Repayment during the year		(12,313,009)	(2,243,363)
		20,672,021	9,320,257
Less : Interest in suspense	Note 23.2.1	(432,510)	(1,937,631)
Balance at the end of the year		20,239,511	7,382,626
Current maturity portion		16,191,609	5,906,101
Non current maturity portion		4,047,902	1,476,525
		20,239,511	7,382,626



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2023

Note 23.2.1 - Interest in suspense

Balance at the beginning of the year		1,937,631	2,460,141
Addition during the year		-	-
Charged to profit or loss		(1,505,121)	(522,510)
Balance at the end of the year		432,510	1,937,631

Note 24 - Deferred income

Disposal gain on sale and lease back arrangement under finance lease

Opening balance		8,683,122	
Additions during the year		19,613,328	
Charged to income statement		(2,628,567)	
		25,667,883	
Non current portion		19,116,651	6,054,556
Current portion		6,551,232	2,628,566
	Note 24.1	25,667,883	8,683,122

Note 24.1 - Sale and lease back arrangement

During the year, the company has entered into sale and lease back agreement with sampath bank PLC. 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 2023 amounting to Rs 2,628,567/- recognized as an other operating income under Note 07 to these financial statements.

Note 25 - Trade and other payables

Trade creditors		61,024,074	56,588,616
Other payables		9,314,874	15,056,090
Expense creditors		257,324,809	159,052,477
		327,663,757	230,697,183

Note 26 - Amounts due to related parties

Mahaweli Hotel Management Services (Pvt) Ltd.	67,041,311	45,523,216
Mr. Priyanjith Panabokke (Director)	-	5,400,000
Ms. K.D.Panabokke (Director)	-	3,000,000
	67,041,311	53,923,216



For the year ended 31 March 2023

Note 27 - Analysis of financial instruments financial instruments by category

Financial asset at amortized cost

Trade and other receivables excluding prepayments, statutory payments and advances	67,220,208	38,968,045
Cash and cash equivalents (Note 18)	13,784,458	27,196,856
	81,004,666	66,164,901

Financial liabilities at amortized cost

Trade and other payables (Excluding statutory liabilities) (Note 23)	211,184,743	194,873,750
Amounts due to related companies (Note 24)	67,041,311	53,923,216
	278,226,054	248,796,966

NOTE 28 - Commitments and contingencies

Note 28.1 - Commitments

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

Note 28.2 - 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 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 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 2023

NOTE 28 - Assets Pledge

Lending Institution	Nature of Facility	Interest Rate	Repayment Term	Outstanding Balance		Security
				31.3.2023 Rs.	31.3.2022 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.	15,761,978	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 Siyabalagastenna 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.	14,976,979	15,000,000	Concurrent mortgage bond for Rs.75,000,000/- to be executed over the immovable property situated at Siyabalagastenna, 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 known 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.	85,890,559	82,077,650	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.



For the year ended 31 March 2023

Note. 28 - Assets Pledge (Continued)

Lending Institution	Nature of Facility	Interest Rate	Repayment Term	Outstanding Balance		Security
				31.3.2023 Rs.	31.3.2022 Rs.	
Commercial Bank of Ceylon PLC	Term Loan Rs.8.5 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 Mahaweli 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	28,846,122	19,770,152	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 Mahaweli 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 instalments of Rs.156,144/- together with interest to be serviced monthly.	1,795,363	3,121,326	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 2023

Note. 28 - Assets Pledge (Continued)

Hatton National Bank PLC	Medium term Loan Rs. 24 Million	AWPLR + 2.5 % p.a	24 equal monthly instalments of Rs. 1,000,000/- commencing after 06 months from the grant date together with interest to be serviced monthly.	24,000,000	24,000,000	Existing 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 anC08th 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 instalments of Rs. 360,000/- commencing after 06 months from the grant date and final instalment of Rs 240,000/- together with interest to be serviced monthly.	11,760,000	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: I 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	Term term Loan Rs. 13.8 million	13% p.a	01st to 05th month only the interest and on 06th month capital + interest.	13,478,137	14,234,485	Loan agreement for short term loan amount to Rs 15 Million.



For the year ended 31 March 2023

Note 29 - 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.

Note 30 - Related party disclosures

Details of significant related party disclosures are as follows:

Note 30.1 - Key Management Personnel of the Company

Mr. J. A. Panabokke	- Executive Director
Mr. M. U. Maniku	- Non-Executive Director
Mr. A. N. Esuffally	- Independent Non-Executive Director
Mr. A. U. Maniku	- Non-Executive Director
Mr. A. M. Didi	- Non-Executive Director
Mr. W. P. Hettiaratchi	- Non-Executive Director
Mr. Ali Nooradeen	- Non-Executive Director
Mr. M. Mahir	- Non-Executive Director
Mr. J. C. Ratwatte	- Independent Non-Executive Director
Mr. R. Seevaratnam	- Independent Non-Executive Director
Mr. J. R. P. M. Paiva	- Independent Non-Executive Director
Ms. D. L. Panabokke	- Non-Executive Director
Mr. J. Asitha Panabokke	- Executive Director
Mr. P. B. Panabokke	- Alternate Director to Ms. D. L. Panabokke

Subsequently retired directors details:

Mr. M. Mahir - Non Executive Director

Note 30.1.1 - The Directors of the Company are also the Directors of the following companies;

Names of 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.	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

Note 30 - Related party disclosures (Continued)

Note 30.2 - Transactions with related parties

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



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2023

Note 30.2.1 - Management fee payments/Loan

Name of the related party	Nature of Transaction	2021/23 Rs.	2020/22 Rs.
Mahaweli Hotel Management Services (Pvt.) Ltd.	Management Fees	34,046,493	25,385,805
	Loan Receipt	8,352,499	-
Basis of Management Fees calculation (Net Turnover + Service Charges) * 6% + (7% on Net Profit after Depreciation & Finance Charges)			

Mr. Priyanjith Panabokke	Loan Receipt	-	-
Ms. K.D.Panabokke	Loan Receipt	-	-
Mr. Jayantha Athula Panabokke	The directors have given personal guarantee to obtain 10Mn loan facility from HNB Bank PLC		
Mr. Janaka Asitha Panabokke			

Note 30.2.2 - 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 is as follows :

Date granted	Amount granted Rs.	Amount outstanding as at 01.04.2022 Rs.	Rental paid during 2020/22 Rs.	Amount outstanding as at 31.03.2023 Rs.	Amount outstanding as at 31.03.2022 Rs.
24.02.2021	10,000,000	9,320,257	(10,564,745)	(1,244,488)	9,320,257

Accordingly during the financial year ended 31 March 2022, the Company has paid Rs. 2,243,363/- as loan rentals. Further outstanding rental amount to Rs. 9,320,257/- to be paid in equal monthly instalments in 05 years period.

Mr. A. N. Esuffally, 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.

Note 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;

	2021/23 Rs.	2020/22 Rs.
(a) Short-term employee benefits	24,800,000	11,952,093
(b) Post employment benefits	-	25,667,509
(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.



For the year ended 31 March 2023

Note 31 - Prior year adjustments

Note 31.1 - 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 significancy 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.

Note 31.2 - 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.

Note 31.3 - 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.

For the year ended 31 March 2023

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	2021/22 Amount Rs.	2020/23 Amount Rs.
Net deferred tax liability (Increased by)		198,355,522
Accumulated loss - Balance as at 01.04.2019(Increased by)	-	
- Loss for the year ended 31 march 2020 (Increased By)	-	-
- Balance as at 01.04.2019(Increased by)		
Revaluation reserves (Decreased by)		-
Trade and other payables (Increased by)		-

FNote 32 - 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. While the hotel continues to operate and launched a home delivery service for food and laundry, other revenue streams such as room occupancy continue to be severely affected.

The impact on the economy of the country will have a natural cascading effect on discretionary spending though the domestic market has provided some support. This together with the fact that international travel is yet to resume and 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.

While this statement is based on available information, all challenges which the coming months may bring forth cannot be predicted and the team at Mahaweli Reach Hotels PLC will endeavour to overcome same with dedication and perseverance.



PROXY FORM...

*I/We.....of
 being *a Shareholder / Shareholders of
 MAHAWELI REACH HOTELS PLC hereby appoint.....of.....
 bearing NIC No./ Passport No.....or failing him / her*

- | | |
|---|-----------------|
| Mr. Mohamed Umar Maniku | or failing him, |
| Mr. Jayantha Atul Panabokke | or failing him, |
| Mr. Ahamed Mahir Didi | or failing him, |
| Mr. Abbasally Nuruddin Esufally | or failing him, |
| Mr. Wajjiya Priyantha Hettiaratchi | or failing him, |
| Mr. Ahamed Umar Maniku | or failing him, |
| Mr. Ali Noordeen | or failing him, |
| Mr. Jayampathy Charitha Ratwatte | or failing him, |
| Mr. Joseph Rosario Philip Mancius Paiva | or failing him, |
| Mr. Sanjay Ibrahim Maniku | or failing him, |
| Ms. Fathimath Visha Mahir | or failing her, |
| Mr. Umar Mohamed Maniku | or failing him |
| Ms. Dayanthi Lakshmi Panabokke | or failing her, |
| Mr. Janaka Asitha Panabokke | or failing him, |
| Mr. Priyanjith Buddhika Panabokke | |

as *my/our proxy to attend and vote at the 49th Annual General Meeting of the Company to be held on Wednesday the 27th day of September 2023 at 11.00 a.m., at the registered office of the Company No.35, P. B. A. Weerakoon Mawatha, Kandy, Sri Lanka. 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 2023, together with the Report of the Independent Auditors thereon | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. | 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"/> |
| 3. | 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"/> |
| 4. | To re-appoint Mr. P.B. Panabokke, who was appointed to the Board since the last Annual General Meeting and retired in terms of Article 97 of the Articles of Association of the Company, a Director. | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. | To re-appoint Mr. S.I. Maniku, who was appointed to the Board since the last Annual General Meeting and retires in terms of Article 97 of the Articles of Association of the Company, a Director. | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. | To re-appoint Ms. F.V. Mahir, who was appointed to the Board since the last Annual General Meeting and retires in terms of Article 97 of the Articles of Association of the Company, a Director. | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. | To re-appoint Mr. U.M. Maniku, who was appointed to the Board since the last Annual General Meeting and retires in terms of Article 97 of the Articles of Association of the Company, a Director. | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. | To re-appoint Mr. A.N. Esufally who is over Seventy years of age as a Director of the Company. | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. | 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"/> |
| 10. | 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"/> |
| 11. | To authorize the Board of Directors to determine contributions to charities and other Donations. | <input type="checkbox"/> | <input type="checkbox"/> |
| 12. | To re-appoint Messrs. Bakertilly 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 Three (2023).

.....
 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 below.

Note: Instructions as to completion are noted below



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 term 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 25th September 2023.

Please fill in the following:

Name :

Address :

Jointly :

Folio No. :





49th ANNUAL GENERAL MEETING

27th September 2023

To: Shareholders of Mahaweli Reach Hotels PLC

The Directors of Mahaweli Reach Hotels PLC take pleasure in inviting all shareholders to lunch at the Mahaweli Reach Hotel, Kandy immediately after the Annual General Meeting of the Company to be held on the 27th September, 2023 at 11.00 a.m.

For the convenience of shareholders, arrangements are being made to provide transport to and from the hotel. This facility will be provided for shareholders who own a minimum of 1000 shares of the Company. Transport will be provided from the Galadari Hotel, 64, Lotus Road, Colombo 1 at 7.00 a.m. Shareholders are requested to be present at 6.30 a.m.

Shareholders are kindly reminded that lunch and transport are being arranged exclusively for shareholders who confirm their participation by completing and returning the attached confirmation.

Shareholders are requested to return the completed confirmation slip to The Secretary, Managing Director's Office, Mahaweli Reach Hotels PLC, No. 35, P. B. A. Weerakoon Mawatha, Kandy on or before 17th September, 2023. Your cooperation in this regard will help us to make suitable prior arrangements for seating at the AGM and for lunch. In the event you are unable to attend and wish to appoint a Proxy, the duly completed Form of Proxy should be attached to the confirmation slip and returned to the Secretary by 17th September, 2023.

On receipt of the 'Confirmation of Attendance' each shareholder will be issued a Luncheon Voucher.

MAHAWELI REACH HOTELS PLC

Confirmation of Attendance	By 17 th September, 2023
Transport to Hotel	7.00 a.m. on 27 th September, 2023
Annual General Meeting	11.00 a.m. on 27 th September, 2023

IT IS COMPULSORY TO OBTAIN A LUNCHEON VOUCHER TO PARTICIPATE FOR LUNCH. CHILDREN OF ANY AGE WILL NOT BE ALLOWED.

CONFIRMATION OF ATTENDANCE

FULL NAME OF SHAREHOLDER (IN BLOCK LETTERS)	:	_____
ADDRESS OF SHAREHOLDER	:	_____
CONTACT NO.	:	_____
SHAREHOLDER'S NIC NO.	:	_____
NUMBER OF SHARES HELD	:	_____
NAME & ADDRESS OF PROXY HOLDER	:	_____
PROXY HOLDER'S NIC NO.	:	_____
SIGNATURE OF ATTENDEE	:	_____
	YES	NO.
I WILL BE ATTENDING THE AGM AS AFORESAID	<input type="checkbox"/>	<input type="checkbox"/>
I WILL BE PARTICIPATING FOR LUNCH	<input type="checkbox"/>	<input type="checkbox"/>

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
Mr. A. M. Didi
Mr. W. P. Hettiaratchi - (FCA, FFA, FSCMA, MCMI)
Mr. A. Nooradeen
Mr. M. Mahir (Deceased on 22/6/2022)
Mr. J. C. Ratwatte
Mr. R. Seevaratnam (Deceased on 19/1/2023)
Mr. J. R. P. M. Paiva
Ms. D. L. Panabokke
Mr. J. Asitha Panabokke
Mr. P. B. Panabokke (Appointed w.e. f. 17/11/2022)
Mr. S. I. Maniku (Appointed w.e.f. 17/11/2022)
Ms. F. V. Mahir (Appointed w.e.f. 17/11/2022)
Mr. U. M. Maniku (Appointed w.e.f. 30/3/2023)

Audit Committee

Mr. R. Seevaratnam (Deceased on 19/1/2023)
Mr. S. I. Maniku (Appointed w.e.f. 30/3/2023 - Chairman w.e.f. 28/06/2023)
Mr. A. N. Esufally (Appointed w.e.f. 30/3/2023)
Mr. J. C. Ratwatte
Mr. W.P. Hettiaratchi (Until 28/06/2023)

Remuneration Committee

Mr. J. C. Ratwatte
Mr. J. R. P. M. Paiva
Ms. F. V. Mahir (Appointed w.e.f. 30/3/2023)

Related Party Transaction Review Committee

Mr. J. C. Ratwatte
Mr. R. Seevaratnam (Deceased on 19/1/2023)
Mr. W. P. Hettiaratchi
Mr. J. A. Panabokke

Secretaries

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

Lawyers

A & N Partners
Attorney-at-Law
No. 519/3 Baudhaloka Mawatha, Colombo 8
Tel.: +94 112665518

Auditors

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

Bankers

Hatton National Bank - Kandy
Bank of Ceylon - Kandy
Commercial Bank of Ceylon - Kandy
Sampath Bank, Katugastota

Registered office

35 P. B. A. Weerakoon Mawatha, Kandy



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