



MAHAWELI REACH
SRI LANKA

OUR WORLD REVOLVES AROUND YOURS

ANNUAL REPORT 2021 - 2022





SEIZING OPPORTUNITIES...



The kingfisher, a master of capitalizing on opportunities as they arise. A lesson from nature to all of us who believe in seizing the moment and adapting to challenges as they arise.

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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 Eighth Annual General Meeting of MAHAWELI REACH HOTELS PLC on the 28th day of September 2022 at 11.00 a.m., via audio or audio and visual technology, taking into account the current situation in the country and due to the health and safety guidelines issued by the authorities.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of MAHAWELI REACH HOTELS PLC will be held on the 28th day of September 2022 at 11.00 a.m., by virtual means of audio and visual technology at the registered office of the Company No.35, P.B.A. Weerakoon Mawatha, Kandy, Sri Lanka for the following purpose:

AGENDA

1. To receive and adopt the Annual Report of the Board of Directors and the Financial Statements for the year ended 31st March 2022 together with the report of the Independent Auditors thereon.
2. To re-elect Mr. A. M. Didi who retires by rotation in terms of Articles 90, 91 & 92 of the Articles of Association of the Company.
3. To re-elect Mr. J. R. P. M. Paiva who retires by rotation in terms of Articles 90, 91 & 92 of the Articles of Association of the Company.
4. To re-elect Ms. D. L. Panabokke who retires by rotation in terms of Articles 90, 91 & 92 of the Articles of Association of the Company.
5. To re-elect Mr. J. A. Panabokke who retires by rotation in terms of Articles 90, 91 & 92 of the Articles of Association of the Company.
6. To re-appoint Mr. R. Seevaratnam who is over Seventy years of age as a Director of the Company. Special Notice has been received of the intention to pass a resolution which is set out below in compliance with law, relating to his re-appointment.

"IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act, No. 07 of 2007 shall not be applicable to Mr. R. Seevaratnam who is 79 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."

7. 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 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."

8. 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.



NOTICE OF MEETING

"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 74 years of age and that he be re-appointed as a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year."

9. To authorize the Board of Directors to determine contributions to charities and other donations.
10. 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 (Pvt) Limited
Secretaries
Colombo
31st August 2022

Notes:

1. A member is entitled to appoint a proxy to attend and vote instead of him/herself. A proxy need not be a member of the Company. A Form of Proxy accompanies this Notice.
2. The completed Form of Proxy must be deposited at the Registered Office, No. 35, P. B. A. Weerakoon Mawatha, Kandy, Sri Lanka not later than 11.00 a.m. on the 26th September 2022.
3. A person representing a corporation is required to carry a certified copy of the resolution authorizing him/her to act as the representative of the Corporation. A representative need not be a member.
4. The transfer books of the Company will remain open.



MANAGEMENT, DISCUSSION AND ANALYSIS...

Operating Environment

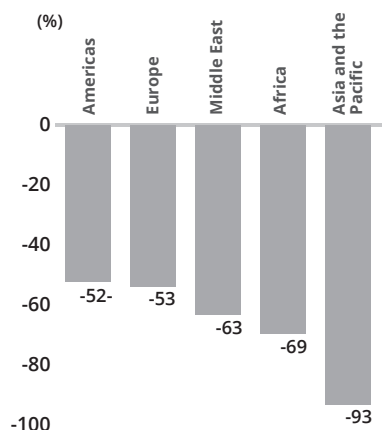
Global Tourism

Internationally the tourism industry experienced a recovery in the year under review, even though travel has not yet reached pre-pandemic levels and may not for a few years to come. A 4% growth rate was witnessed in 2021. The Americas and Europe have shown a faster pace of recovery though the Asia Pacific Region which has traditionally taken a more cautious approach to opening has recovered at a slower pace. South Asia appears to have performed better when compared to the rest of the Asia Pacific Region. Month on month comparisons also show volatility too. International arrivals and airline capacity are yet to return to pre-2019 capacities. While a slight rebound was seen in the first quarter of 2022, the re-emergence of COVID variants in various parts of the world is once again affecting the nascent recovery. The slowdown in tourism has impacted nearly 100 million jobs worldwide. The conflict between Russia and Ukraine has also introduced an element of unpredictability to the geo-political scenario while tensions in the South China Seas too may add further uncertainty. Tourism is an industry which is sensitive to all these elements and the economic slowdowns and uncertainties in most parts of the world too makes a quick recovery seem unlikely.

International Tourist Arrivals

By region

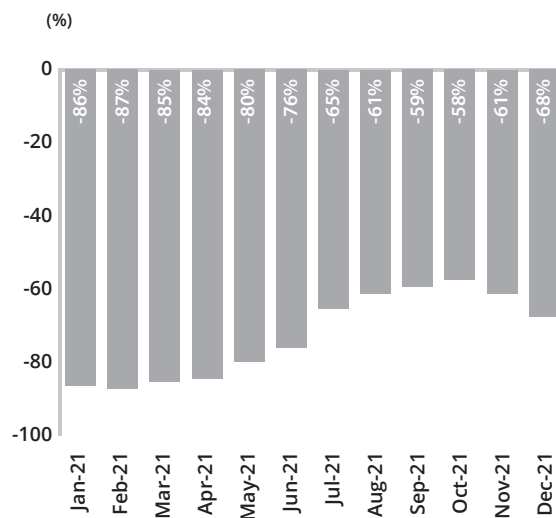
Tourism industry recovery as at January 2022, compared to 2019



Source: UNWTO

By month

International tourist arrivals



Source: UNWTO



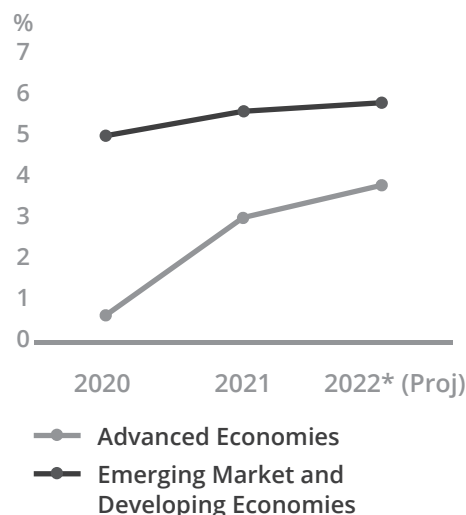
Sri Lankan Context

Tourism in Sri Lanka remains affected by the many factors which have impacted the country. The pandemic has resulted in lower demand for over two years with early 2021 continuing to be subdued. A minor recovery was witnessed towards the latter part of the year with November and December 2021 showing promise. The vaccination drive which took place gave greater confidence of an effective recovery. Air connectivity too began to improve. However, the emergence of COVID variants once again resulted in a decline.

India, Russia, United Kingdom, Germany and Australia were Sri Lanka's top five international tourist generating markets in 2021.

The deterioration of the macro-economic situation in the country has gravely affected the recovery of the tourism sector and the economy as a whole. With tourism receipts and remittances declining sharply among other factors, an acute shortage of foreign currency in the country became apparent. The Central Bank of Sri Lanka floated the rupee in early March 2022 causing it to fall sharply during the latter part of the financial year, accelerating depreciation which in turn caused higher inflation. The higher global commodity prices, resultant import restrictions and severe fuel shortages have had ramifications across the board. Many Sri Lankans have been faced with a shortage of essential foods and medicines.

Global inflation



Source: IMF

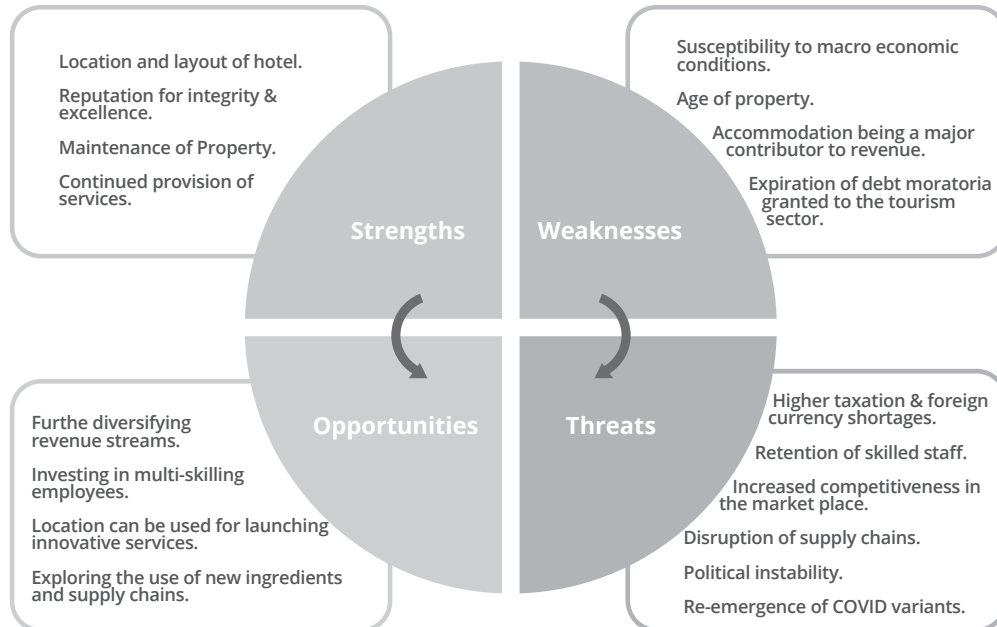
The tourism industry which is highly susceptible to these changes has struggled in the aftermath of these changes. The recent political upheavals too have severely impacted the country's international image with many governments in source markets issuing travel advisories advising citizens against travel to Sri Lanka. The negative publicity generated by the general instability and shortages of essentials has caused further damage to the possible recovery of the industry. Airline capacities too have been reduced due to the issues surrounding shortages of jet fuel. The combination of these factors make a recovery in the short term elusive though the resilience displayed by the industry and the country in overcoming adversity in the past may assist a moderate revival in the medium term.

The Company continues to do business in this environment by constantly adapting and transforming. The agility demonstrated has assisted the Company in responding fast to a changing landscape and mitigating risks where possible.

The traveller demographic appears to be changing along with their expectations. Therefore, offerings are changing to cater to these differentiated demands. Constant reviews are carried out to identify weaknesses and opportunities and apply proactive or mitigatory measures.

MANAGEMENT, DISCUSSION AND ANALYSIS...

SWOT Analysis



The location of the hotel by the Mahaweli River with its expansive layout and open architecture makes it an ideal location even during the pandemic. Customers continue to patronise the hotel and its food and beverage outlets.

The safety of staff and guests alike remains a top priority. The hotel received the Safe and Secure Certification and all efforts are made to maintain these stringent safety protocols. While these may contribute towards higher operational costs it is acknowledged that compromises cannot be made in this respect and following these measures have contributed towards ensuring continuous services.

The age of the property is a concern as operational issues can be caused due to this fact. However, timely actions in terms of preventive maintenance has assisted in mitigating these factors to a great extent.

The Company has continued to strengthen the diversified revenue streams. The online platform for food deliveries which was launched with the advent of COVID in Sri Lanka has continued to gain popularity and remains a sought after service. Customers have a call-in service and pick up too is facilitated at the hotel or at the hotel's outlets in different locations. The laundry service too remains a customer favourite. While the most recent fuel shortages compelled these services to be curtailed, it is anticipated that these services will once again return to normalcy soon.

The macro-economic changes will continue to impact operations in the short-term with higher taxation and exponential increases in cost of commodities becoming factors of concern. The increase in utility costs and expiration of debt moratoria are also expected to have a significant impact on results.

Attrition of skilled personnel from the tourism sector also remains a cause for concern. All possible efforts are made to retain these professionals and upskill them in order to encourage them to stay in this sector as their departure will have a severe effect on the service standards within the industry.

The third and fourth quarters of the year under review witnessed a slight recovery in terms of arrivals to the hotels. However, towards the end of the financial year the free float of the Rupee and ensuing depreciation together with the massive debt burden of the state brought about an economic crisis in the country. The higher commodity prices in the global market further exacerbated these issues.



MANAGEMENT, DISCUSSION AND ANALYSIS...

The tourism industry and the hotel were severely impacted by this situation. Supply chain disruptions caused difficulties in obtaining essential items and remain a concern. While the energy crisis and fuel shortages have made daily operations a challenge. The Company has taken all possible steps to manage these issues while ensuring continued services.

Liquidity risk is one of the biggest challenges to operational continuity. The energy and fuel crisis together with the skyrocketing prices of commodities have brought stress on cashflows.

The high fixed costs too have to be contended with when budgeting and forecasting. The debt moratoria granted to the tourism industry expired on 30th June 2022 and lending institutions are currently considering methods of rescheduling debt. The recent hikes in utility costs and applicable taxes too have long term ramifications for the sustainability of the industry. The company is in constant contact with its lenders in reaching a mutually beneficial long-term arrangement.

The recent interest hike too will have an impact on borrowing capabilities. However the Company is actively engaged in strengthening revenue optimization and productivity enhancement with a view to mitigating the effects of these macro-economic challenges which are impacting the entire industry.

While the short-term outlook for the industry remains concerning due to the many surrounding uncertainties, the medium to long-term view remains positive with the hotel uniquely positioned to capitalize once the industry revives.

The intense price pressure brought about by the prevailing circumstances and practices adopted by the competition remains an issue. It is necessary for all the players in the industry to reach a common consensus on following practices which will benefit the entire industry and thereby uplift the standards and image of the country.

The trajectory of the pandemic which appears to be once again re-emerging in many source markets is another factor which will influence the pace of recovery. While most countries in the western bloc have not tightened restrictions, Asia maintains a cautious approach. These numbers will directly impact airline capacity and demand and therefore is very much an important factor in the revival of the industry.

The Company continues to explore opportunities for growth even in the bleakest of climates. We have continued to innovate and introduce new offerings to our clientele. New packages from an accommodation stand point targeting various segments and demographics have been introduced and we continue to maintain our rapport with our travel partners and local clientele. Flexible cancellation policies too have aided in attracting more customers.

From a perspective of food offerings, we continue to create new products and encourage our local and overseas clientele to patronize same for themselves and their loved ones. It is anticipated that supply chain disruptions too could be minimized by using more local produce and items.

It is expected that once tourism revives in the source markets, there will be greater demand for experiential travel.

There has been a shift in focus to incorporate more local produce to the ingredients used which is more sustainable and cost effective. There is a concerted effort being made to further decrease the energy used in operations.

We have also commenced growing some produce within our property whereby our kitchens can take the harvest direct from our gardens. We hope to further develop this initiative in time to come.

Also, non-essential expenditure has been curtailed in our efforts to optimize revenue.

Human Resources

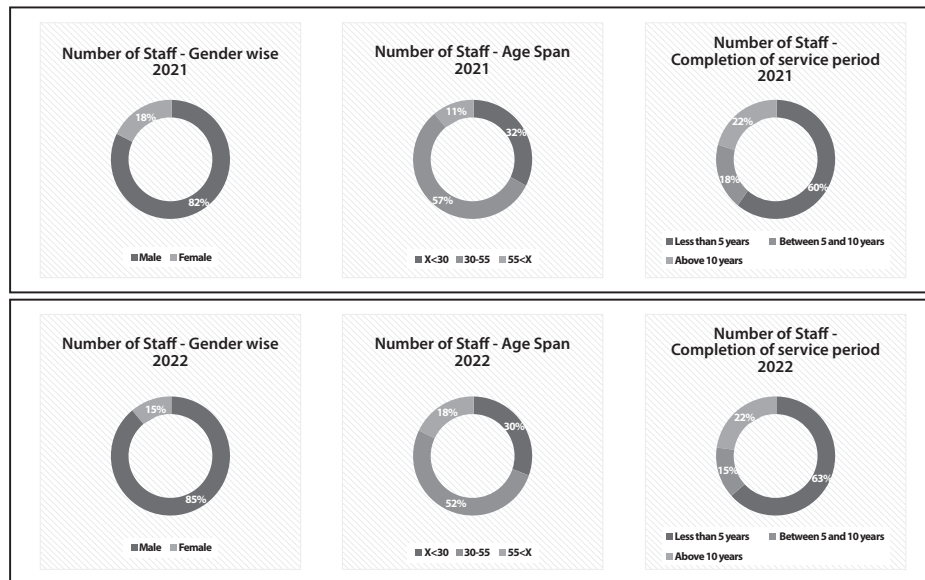
We continue to invest in upskilling our employees and developing their innate talents. As a service oriented business we recognize that our people are the most valued asset and service excellence is the cornerstone for survival in a competitive environment. While many of our staff opted for a voluntary reduction in remuneration, since the last quarter of the financial year the Company has reverted back to full remuneration together with service charge. Though it may impact financial performance, retaining these talented individuals is the only way to ensure service excellence. Further, from a humanitarian point of view, it is important to support our associates given the prevailing economic conditions.



MANAGEMENT, DISCUSSION AND ANALYSIS...

We are also committed to nurturing the youth and providing a path to skilled jobs. Female participation in the workforce is an important driver of economic growth and while new hires have been curtailed in the past period, we remain committed to furthering the mission of greater inclusivity within our work force.

Breakdown of Employees – Gender / Age / Service



It is to be mentioned that the Company has staff deployed both in the direct hotel operations as well as in the food and laundry outlets, banquets division and food delivery and take away services which include the call centre operations, enhanced kitchen cadre and other such connected services.

When the permanent cadre together with the contractual staff are considered, each employee has generated approximately LKR 1,208,551/77 in the year under review.

Endeavours are made to engage staff in proactive self-development in terms of language skills and product knowledge. Efforts are also made to impress upon them the need for mental wellbeing and to support them in these matters. The team is also provided constant reminders of the need to be aware of the one's health and safety and take the necessary precautionary measures.

The management maintains an open door policy and grievances are handled equitably. During the year under review there are no specific employee related matters to report and the entire team has been extremely supportive of the endeavours to diversify and consolidate.

Staff are made aware of the critical need to be cost conscious in all operational procedures and from

an environmental standpoint. They are strongly advised of the need for accountability, honesty and transparency through a code of conduct that they are required to follow and by reinforcing these values through daily interactions.

The present situation which has brought challenges to all has strengthened our resolve to always encourage discussion and mutual respect among all.

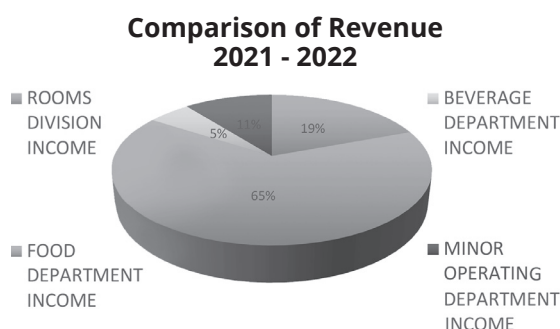
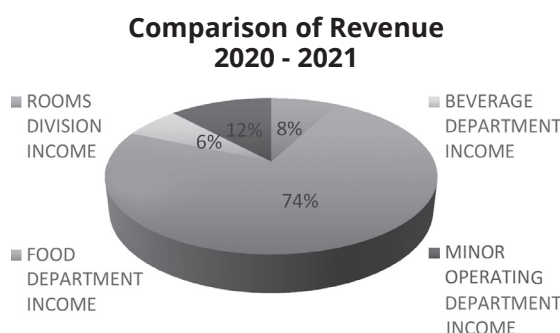
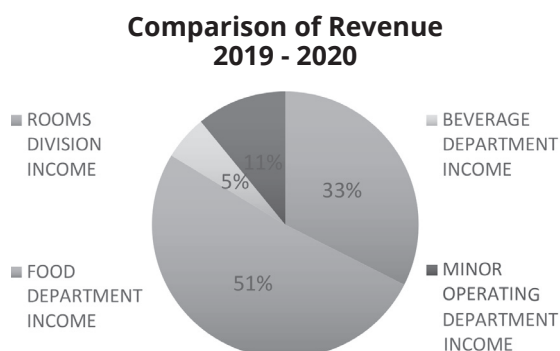
Financial Performance

The revenue for the financial year was LKR 375,859,602/- in one of the most challenging years for the industry. The Company has continued its strategy of diversifying revenue streams while a slight uptick in occupancy was also witnessed during the latter part of 2021 and the early part of 2022. Occupancy for the year was 14.8% there was a slight improvement from the previous year's result of 4%. The online platform introduced for food delivery orders and orders received from other channels contributed significantly to the revenue. The outlets operated by the hotel in different location in Kandy made a major contribution towards revenue as well together with income generated by the laundry outlets of the hotel. Banquets revenue is also a contributor towards overall results.

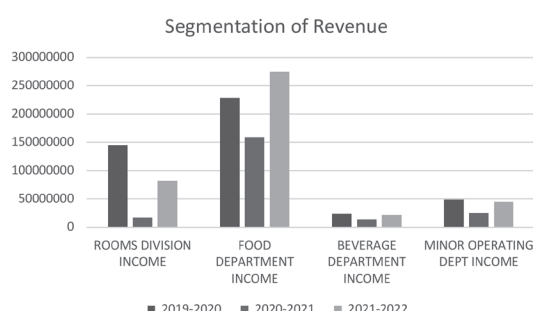


MANAGEMENT, DISCUSSION AND ANALYSIS...

Comparison of revenue - 2019 /2020, 2020/2021 & 2021/2022



Segmentation of revenue – Room / F & B / Other



The increase in business volume has resulted in higher operating costs along with higher staff costs since remuneration was restored to previous levels. The increased utility costs and other costs associated with the increase in business volumes have also contributed to this rise. The continuous escalation of the price of commodities have directly impacted on higher operating costs with difficulties in procuring certain items driving up the cost of supplies.

The Finance cost for the year amounted to LKR 53,245,652/- which is an increase when compared to last year. This is mainly due to the changes in interest rates and the fact that the Company obtained short term facilities for working capital needs. Depreciation for the year was LKR 69,031,553/-.

The Company recorded a loss of LKR 172,796,337/- before tax compared to the previous year's result of LKR 223,211,929/-. The improved position is due to the increased revenue generated during the period under review.

The negative cash flow position of the Company as at 31st March 2022 was Rs. 97,136,577/- all possible steps are being taken to improve cashflows and ensure preservation of liquidity.

Sustainability

The Company continues to focus on environmentally friendly processes. All endeavours are taken to limit the use of plastics though COVID-19 safety protocols have impacted these practices in some areas of operations.

Further, waste management practices are stringently followed with wet and dry garbage separated and dealt with in suitable ways, either recycled or disposed of in a responsible manner. 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 control water usage.

The present conditions will no doubt continue to challenge the Company on many fronts. But as in the past, strong fundamentals with an emphasis on service excellence and honesty and integrity in all interactions will assist in the journey of resilience and resolve as we take steps to mitigate and manage the foreseeable risks.



CORPORATE GOVERNANCE REPORT...

The Company endeavours to maintain a strong governance framework focused on professionalism, integrity and ethics. It mainly exists to increase the accountability of all individuals and teams within the Company.

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

The Board of Mahaweli Reach Hotels PLC comprised of thirteen Directors, two Executive Directors and eleven Non-Executive Directors out of which four Directors are Independent Non-Executive Directors.

The number of Non-Executive Directors meets the requirement of the Listing Rules of the Colombo Stock Exchange for the number to be more than one-third of the total number of Directors.

Four Non-Executive Directors have been determined by the Board to satisfy the criteria for "Independence" during the year as set out in the Listing Rules. The Independent Non-Executive Directors are free from any relationship that can interfere with the affairs of the Company.

Mr. A. N. Esufally and Mr. J. C. Ratwatte who are Independent Non-Executive Directors of the

Company, have been directors of the Company for a period in excess of 13 years and Mr. Esufally has a shareholding of 0.71%. The Board has determined that these factors do not impair their ability to act independently and objectively, in the best interests of the Company.

Brief profiles of all directors setting out the experience and expertise they provide to the Board are provided on page 23 - 25 of this Report.

Financial Acumen

The Board includes three Senior Chartered Accountants who possess the necessary knowledge and competence to guide the Board on matters of finance.

Re-Election of Directors

The provisions of the Company's Articles require a Director appointed by the Board to hold office until the next Annual General Meeting and seek re-appointment by the Shareholders at that meeting.

The Articles call for one-third of the Directors in office to retire at each Annual General Meeting. The Directors who retire are those who have served for the longest period after their appointment/re-appointment. Retiring Directors are generally eligible for re-election.

The Chairman & Managing Director do not retire by rotation.

Board Meetings

The Board generally meets quarterly and ad hoc meetings are held whenever necessary. During the year under review, the Board met on 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	2/4
Mr. M. U. Maniku	Non-Executive Director	-
Mr. A. N. Esufally	Independent Non-Executive Director	1/4
Mr. A. U. Maniku	Non-Executive Director	-
Mr. A. M. Didi	Non-Executive Director	-
Mr. W. P. Hettiaratchi	Non-Executive Director	4/4
Mr. A. Nooradeen	Non-Executive Director	-
Mr. M. Mahir (Deceased 22/6/2022)	Non-Executive Director	-
Mr. J. C. Ratwatte	Independent Non-Executive Director	4/4
Mr. R. Seevaratnam	Independent Non-Executive Director	2/4
Mr. J. R. P. M. Paiva	Independent Non-Executive Director	4/4
Ms. D. L. Panabokke	Non-Executive Director	4/4
Mr. J. A. Panabokke	Executive Director	4/4
<u>Mr. P. B. Panabokke</u>		-
<u>Alternate Director to Ms. D. L. Panabokke</u>		

Supply of Information

Directors are provided with monthly updates, quarterly reports on performance and appropriate documentation in advance of each Board meeting for individual Directors to study matters under discussion. The Managing Director ensures all Directors are adequately briefed on issues arising at meetings.

Responsibilities of The Board of Directors

The Directors of the Company are responsible inter alia for:

- * Enhancing Shareholder value, formulating, communicating, implementing and monitoring business policies and strategies.
- * Monitoring progress of these policies and strategies.
- * Ensuring due compliance with applicable legal, ethical, health, environment and safety standards and regulations.
- * Ensuring that due attention is given to appropriate accounting policies and practices and setting priorities and communicating values and ethical standards for management.
- * Ensuring that appropriate systems of internal controls are in place to safeguard the assets of the Company.
- * Reviewing and approving Annual Budgets and periodic monitoring of performance against the budgets.

- * Approving any major investments.
- * Succession Planning.
- * Ensuring best practices in relation to human resources are followed.
- * Evaluating and monitoring the performance of the Company on a regular basis and initiating remedial action where necessary.
- * Approving annual and interim accounts prior to publication and where appropriate recommending dividend for approval by the Shareholders.
- * Ensuring optimal resource allocation for sustainable value creation.

The annual capital expenditure budgets, non-budgeted capital expenditure, the annual budgeted operating statements require Board approval. The Board meets regularly to review performance and forecasts against budget so as to take decisions in the best interests of the Company.



CORPORATE GOVERNANCE REPORT...

Directors' Interests

Directors' Interests in contracts are regularly disclosed and such disclosure pertaining to the year ended 31/03/2022 can be seen on page 32 in the Directors' Report. Related Party Transactions are monitored by the Related Party Transactions Review Committee and details are provided on page 79 of the annual report.

The Board of Directors is ultimately responsible to stakeholders for the performance of the Company.

Managing Director

The Managing Director is responsible for the efficient conduct of Board meetings. The Managing Director maintains close contact with all Directors and holds informal meetings with Non-Executive Directors whenever necessary.

Company Secretary

The service and advice of the Company Secretary are made available to Directors as necessary. The Company Secretary is required to keep the Board informed of any new laws, regulations and requirements coming into effect which are relevant to them as individual Directors and collectively to the Board.

Sub-Committees

The Board while assuming the overall responsibility and accountability for the management of the Company, has also appointed Board Sub-Committees to ensure more effective control over certain affairs of the Company, conforming to the Corporate Governance requirements of the Listing Rules of the CSE and industry best practices.

Accordingly, the following Board Sub-Committees have been constituted by the Board.

1. Remuneration Committee
2. Audit Committee
3. Related Party Transactions Review Committee

The Sub-Committees are headed by Independent Non-Executive Directors.

Remuneration Committee

The Company has its own Remuneration Committee. The Committee consists of two Independent Non-Executive Directors. During the year under review the Remuneration Committee met and discussed the remuneration policy for the Company. The policy changes were reviewed by the committee members on an ongoing basis when necessary.

Members Of The Remuneration Committee

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

Mr. J. R. P. M. Paiva - Independent Non-Executive Director

The Remuneration Committee recommends to the Board, the remuneration payable to the Executive Director/s and reviews the remuneration policies of the Company. The Remuneration Committee aims to design compensation as appropriate for the Company and commensurate with each employee's level of expertise and contribution, bearing in mind business performance and shareholder returns.

The Remuneration Committee report is provided on page 36.

Audit Committee

The Committee consists of two Independent Non-Executive Directors and one Non-Executive Director. The Managing Director and the Finance Officer attend the meetings of the Audit Committee by invitation.

The Audit Committee is chaired by Mr. R. Seevaratnam, an Independent Non-Executive Director.

During the year under review, the Audit Committee met formerly on two 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	1/2
Mr. J. C. Ratwatte	
- Independent Non-Executive Director	2/2
Mr. W. P. Hettiaratchi	
- Non-Executive Director	2/2



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 37 - 38.

Related Party Transactions Review Committee

The Committee comprises of four Directors. Three are Non-Executive Directors of whom two are Independent and one Executive Director. The Committee is chaired by Mr. J. C. Ratwatte an Independent Non-Executive Director.

The following Directors serve on the committee and attendance at meetings were as follows:

Members of the Related Party Transactions Review Committee Attendance

Mr. J. C. Ratwatte (Chairman)	
- Independent Non-Executive Director	4/4
Mr. R. Seevaratnam	
- Independent Non-Executive Director	2/4
Mr. W. P. Hettiaratchi	
- Non-Executive Director	4/4
Mr. J. A. Panabokke	
- Executive Director	2/4

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 2021/2022 are provided in Note No. 29 to the financial statements.

The Company has entered into two non-recurrent transactions during the period under review when a Director and a spouse of a Director of the company provided loans to the Company for working capital needs. These loans were given without any interest being charged and only the capital is repayable to the said parties. As reported in the previous year, the repayments to the financial institution are being carried out for the sum provided to the Company by the spouse of a Director which was obtained by way of providing a personal asset to secure funding for the Company. This transaction was done by way of an arms-length transaction with a financial institution with the funds being provided to the



CORPORATE GOVERNANCE REPORT...

Company. The repayment directly to the relevant institution includes the cost of funding. Details are provided in Note No. 21.2 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 39 - 40.

Relations with Shareholders

The Notice of Meeting is included in the Annual Report. The Notice contains the Agenda for the AGM as well as instructions on voting, including appointments of proxies. A Form of Proxy is enclosed with the Annual Report. The period of notice prescribed by the Companies Act No. 07 of 2007 has been met.

Constructive use of the Annual General Meeting

The Annual General Meeting (AGM) is considered by the Board of Directors as a means of continuing effective dialogue with Shareholders and encourages their active participation.

The Board offers clarifications and responds to concerns Shareholders have over the content of the Annual Report as well as other matters which are important to them. The AGM is also used to adopt the financial statements for the year.

Communication with Shareholders

Shareholders are provided with the Annual Report and also with Quarterly Financial Statements via the Colombo Stock Exchange website, which the Company considers as its principal communication with them and other stakeholders. In view of the COVID-19 outbreak, the reports are also now made available on the Company website for the ease of access by Shareholders.

Shareholders may bring up concerns they have, either with the Chairman, Directors or the Company

Secretary as appropriate. The Company maintains an appropriate dialogue with them.

Accountability and Audit Financial Reporting

The Board places great emphasis on complete disclosure of financial and non-financial information within the bounds of commercial reality and on the adoption of sound reporting practices. Financial information is disclosed in accordance with the Sri Lanka Accounting Standards. Revisions to existing accounting standards and adoption of new standards are carefully monitored.

The Statement of Directors' Responsibilities for the Financial Statements are given in page 19 of this report.

Going Concern

After making necessary inquiries and reviews including reviews of the Company budget for the ensuing year, future prospects and risks, cash flows and borrowing facilities, including the implications of the prolonged COVID-19 outbreak which has had a significant impact on business, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore, the going concern basis has been adopted in the preparation of the Financial Statements.

Internal Control

The Board is responsible for the Company's internal controls and its effectiveness. Internal control is established with emphasis placed on safeguarding assets, making available accurate and timely information and imposing greater discipline on decision making. It is important to state that any system can ensure only reasonable, and not absolute assurance that errors and irregularities are prevented or detected within a reasonable time.

The Board has reviewed the effectiveness of the system of financial controls for the period up to the date of signing the accounts.



CORPORATE GOVERNANCE REPORT...

The Level of Compliance with the Listing Rules of the CSE – Sections 7.10 and 9 - Rules on Corporate Governance as at 31st March 2022 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	Eleven of Thirteen were Non-Executive Directors
7.10.2(a)	Independent Directors	Two or one-third of Non-Executive Directors whichever is higher should be Independent	Four of the Eleven Non-Executive Directors are Independent for the financial year
7.10.2(b)	Independent Directors	Each Non-Executive Director should submit a declaration of independence / non-independence in the prescribed format	Non-Executive Directors have submitted the declaration
7.10.3(a)	Disclosure relating to Directors	The Board shall annually make determination as to the independence or otherwise of the Non-Executive Directors and names of Independent Directors should be disclosed in the Annual Report	Please refer page 12
7.10.3(b)	Disclosure relating to Directors	The basis for the Board to determine a Director is independent, when the criteria specified for independence is not met	Please refer page 11 under the heading of composition of the Board
7.10.3 (c)	Disclosure relating to Directors	A brief résumé of each Director should be included in the Annual Report including the areas of expertise	Please refer 'Board of Directors' on page 23 - 25
7.10.3(d)	Disclosure relating to Directors	Forthwith provide a brief résumé of new Directors appointed to the Board with details specified in 7.10.3 (d) to the Exchange	A brief résumé provided to the Exchange at the time of appointment is available on page 23 - 25
7.10.5	Remuneration Committee	A listed Company shall have a Remuneration Committee	Names of the members of the Remuneration Committee are stated on page 13
7.10.5(a)	Composition of the Remuneration Committee	Shall comprise of a minimum of two Independent Non-Executive Directors a majority of whom shall be independent	The Committee consists of two Independent Non-Executive Directors
7.10.5(b)	Remuneration Committee Functions	The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and Executive Directors	Please refer Remuneration Committee Report on page 36 of this report



CORPORATE GOVERNANCE REPORT...

Rule No.	Subject	Applicable Requirement	Level of Compliance
7.10.5(c)	Disclosure in the Annual Report relating to the Remuneration Committee	The Annual Report should set out a) Names of Directors comprising the Remuneration Committee	Names of the Members of the Remuneration Committee are stated in this report under the heading of Remuneration Committee. Please refer page 13
		b) Statement of the Remuneration Policy	Please refer Remuneration Committee Report on page 36
		c) Aggregate Remuneration paid to Executive Directors and Non-Executive Directors	Please refer page 32
7.10.6	Audit Committee	The Company shall have an Audit Committee	Names of the Members of the Audit Committee are stated on page 13
7.10.6(a)	Composition of the Audit Committee	Shall comprise of Non-Executive Directors a majority of whom will be independent	Audit Committee consists of two Independent Non-Executive Directors and one Non-Executive Director
		A Non-Executive Director shall be appointed as the Chairman of the Committee	Chairman of the Audit Committee is an Independent 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 of the committee should be a member of a professional accounting body	The Chairman of the Audit Committee and one member of the committee are members of a professional accounting body
7.10.6(b)	Audit Committee's Functions	Should be as outlined in Section 7.10.6(b) of the Listing Rules	The terms of reference of the Audit Committee have been agreed by the Board
7.10.6(c)	Disclosure in the Annual Report relating to the Audit Committee	a) Names of Directors comprising the Audit Committee b) The Audit Committee shall make a determination on the independence of the Auditors and disclose the basis for such determination c) The Annual Report shall contain a Report of the Audit Committee setting out the manner of Compliance with their Functions	Names of the members of the Audit Committee are stated in this Report under the heading of Audit Committee on page 13 Please refer Audit Committee Report on page 37 - 38 Please refer Audit Committee Report on page 37 - 38



CORPORATE GOVERNANCE REPORT...

Rule No.	Subject	Applicable Requirement	Level of Compliance
9.2	Related Party Transaction 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 An Independent Non-Executive Director shall be appointed as the Chairman of the Committee	The Related Party Transactions Review Committee consists of two Independent Non-Executive Directors, one Non-Executive Director and One Executive Director 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 14
9.2.4	Related Party Transactions Review Committee meetings	Shall meet once a calendar quarter	Committee has met four times for the year under review
9.3.2	Disclosure in the Annual Report relating to the Related Party Transactions Review Committee	a) Names of Directors comprising the Related Party Transactions Review Committee	Names of the members of the Related Party Transactions Review Committee are stated in this Report under the heading of Related Party Transactions Review Committee on page 14
		b) The Annual Report shall contain a Report of the Related Party Transactions Review Committee setting out the manner of compliance with their functions	Please refer Related Party Transactions Review Committee Report on page 39 - 40
		c) Statement of Policies and Procedures	Please refer Related Party Transactions Review Committee Report on page 39 - 40



STATEMENT OF DIRECTORS' RESPONSIBILITIES...

The Directors are responsible under the sections 150(1), 151, 152(1) & 153 of the Companies Act No. 07 of 2007, to ensure compliance with the requirements set out therein, to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company as at the end of the financial year and of the Profit or Loss of the Company for the financial year.

The Directors are also responsible, under Section 148 for ensuring that proper accounting records are kept, to disclose with reasonable accuracy, the financial position and enable preparation of the Financial Statements.

The Board accepts responsibility for the integrity and objectivity of the Financial Statements presented. The Directors confirm that in preparing the Financial Statements, appropriate accounting policies have been selected and applied consistently while reasonable and prudent judgments have been made so that the form and substance of transactions are properly reflected.

They also confirm that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards. The Financial Statements provide the information required by the Companies' Act and the Listing Rules of the Colombo Stock Exchange.

The Directors have taken reasonable measures to safeguard the assets of the Company and, in that context, have

instituted appropriate systems of internal control in order to prevent and detect fraud and other irregularities.

The External Auditors, Messrs. 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 41 - 43 sets out their responsibilities in relation to the Financial Statements.

Compliance Report

The Directors confirm that to the best of their knowledge, all statutory payments relating to employees and the Government that was due in respect of the Company as at the Balance Sheet date have been paid or provided for.

By Order of the Board
Mahaweli Reach Hotels PLC

Secretaries
Businessmate Pvt Ltd
45, Braybrooke Street, Colombo 2

31st August 2022



CHAIRMAN'S REVIEW...

Dear Shareholder,

We have witnessed yet another tumultuous year, followed by seismic changes in the macro-economic landscape of the country. It is under these circumstances that we present the financial statements for the financial year ended 31st March 2022.

In the year under review, the COVID-19 pandemic continued to have a far reaching impact on the tourism industry globally and in the island. International travel saw a marginal increase as the pandemic situation abated in certain countries and governments changed their approach in combating the disease. This resulted in a minor resurgence with the UNWTO showing a 4% increase in international travel.



The Sri Lankan industry experienced a moderate recovery during the latter part of 2021 and the early part of 2022 which was heartening and gave a glimmer of hope of a resurgence to those engaged in tourism which has suffered for nearly three years due to the pandemic and other factors. During this period, Sri Lanka saw a shift in source markets, from the traditional markets to hitherto unexplored emerging markets. However, the conflict between Russia and Ukraine will have an impact on travel from these markets.

Currently, Sri Lanka is witnessing one of the most difficult periods in its history. The foreign

exchange crisis in the country has had far reaching effects. The resultant scarcity of fuel and import restrictions have impacted virtually every sector. The cost of commodities has increased exponentially, having a direct impact on the daily lives of locals and especially the hospitality segment. Shortages of food items and essential medicines in the country, the long power cuts that prevailed coupled with the fuel shortages have changed the landscape in Sri Lanka. Many have to now plan around these issues in order to manage routines and activities.

Tourism which has been the third highest foreign exchange earner to the country for many years with the ability to generate net foreign exchange earnings has had to contend with several years of uncertainty and hardship along with the many persons engaged in the industry in various capacities. Even in the present context, tourism is uniquely positioned to contribute towards the revival of the economy through its foreign currency earnings provided that some stability returns to the island and confidence is created in a safe and stable environment. The prevailing turbulence has greatly affected the domestic tourism market too which has been a mainstay for the past several years and has aided the industry in its survival. With both foreign and local markets getting affected in the fourth year of lean results for the tourism industry the outlook remains murky.

However, these challenges have also created opportunities for adapting and innovating. The digital economy has gained in popularity in



CHAIRMAN'S REVIEW...

Sri Lanka at a much faster pace as a result of the pandemic induced restrictions in movement. Attention is now being given to the introduction of more main stream use of renewable energy sources which in the long term will be greatly beneficial to the country and its people. The tourism industry too is now moving away from the use of imported goods and looking at ways in which to increase the use of local produce. The average consumer too will eventually move towards the use of locally produced fruit and vegetables which will have a beneficial impact to the agricultural sector. It is expected that policy changes will support the farming community in increasing yield and profitability over the years to come. It may also create an environment conducive for the local entrepreneur to succeed in the various industries as Sri Lanka has many innovative products which could be made available not only locally but internationally too.

In the hospitality sector, it is anticipated that in the event a stable environment prevails with adequate distribution of fuel and other essentials, tourism will be able to rebound and once again start contributing towards the upliftment of the lives of the many people who benefit directly and indirectly from employees to suppliers, artisans and service providers.

One of the greatest challenges to the Company is the preservation of liquidity and managing cashflows. Due to the prolongation of the downturn in tourism to a fourth year, it is becoming more challenging with battles on many fronts including supply chain disruptions. However, the Company has been able to weather the storm and ensure continuous services over this entire period both in terms of the traditional hotel business of accommodation and banqueting services and also the non-traditional business of food takeaway and delivery services and laundry collection and delivery services. Diversifying services in this way has assisted the Company in offsetting some of the detrimental effects on the traditional business. While the present context is creating greater obstacles, the Company continues to meet and overcome in the best ways possible. Ensuring continuous operations has also permitted timely preventive maintenance which is necessitated given the age of the plant. Steps are taken to carry out only necessary maintenance while postponing any other types of expenditure in view of the prevailing volatility unless it directly contributes towards revenue generation.

The Company has availed itself of available debt moratoriums over the last three years in order to manage liquidity. These steps have assisted in tiding over the immediate cashflow issues. The debt moratoria announced by the Government ended on 30th June 2022. However, given the present macro-economic conditions under which the hotel sector is operating, it is anticipated that lenders will be amenable to restructuring the loan facilities in a manner that is mutually beneficial to the lender and the borrower.

Throughout this period of three years, the Company has taken all possible steps to protect the health and safety of our team and patrons. Having obtained the Safe and Secure Certification for Mahaweli Reach, efforts are constantly made to strengthen the protocols and maintain stringent safety measures as there appears to be a re-emergence of COVID-19 variants in the country and internationally.

Our team of motivated and dedicated personnel remains our most valuable asset. In an environment which is heavily competitive, it's their commitment to service excellence that has assisted the Company in maintaining its position as one of the premier hospitality providers in the Central Region. Throughout the period of three years, the Company has done its utmost to retain its skilled personnel other than those who have departed of their own volition. During this period the Company was compelled to request most of our members to undertake a voluntary reduction in remuneration. From the last quarter of the financial year, remuneration has been restored, as we recognized the need to ensure competitive remuneration especially in light of the economic conditions. Though this may have an impact on the financial results of the Company, we are also conscious of the need to support our employees at a time when they have demonstrated their agility in adapting to new operating procedures and supported the endeavours of the management to preserve liquidity and ensure continuous services of the highest quality with existing resources.



CHAIRMAN'S REVIEW...

Retaining skilled personnel within the industry had proven to be a difficult task and motivating those who have remained is also a challenge. Constant endeavours are made to upskill these members and provide them with opportunities for development which will inspire and encourage them to keep performing at the highest levels.

I take this opportunity to express my sincere appreciation to each and every member of the team at Mahaweli Reach for their commitment and untiring efforts which has been the one constant that has assisted the Company in maintaining services of the highest quality and consistency. They have supported each other in difficult times, adapting and overcoming the many challenges that we have had to face.

It is expected that in the short to medium term, hotels will have to contend with higher costs and intense competition given that international tourist arrivals will take some time to return to sustaining levels. Price pressure will continue to be a major factor in future planning. Ensuring development of business processes to ensure operational efficiencies will continue to be of paramount importance in order to sustain the business during this period. We, as a Company continue to focus on exploring new areas and maximizing productivity with available resources.

It is hoped that meaningful steps will be taken to support the industry in these times of great volatility in order that the industry, financial system and community may ride out these dark days and once again reach true potential.

I take this opportunity to express my sincere appreciation to my colleagues on the Board for their guidance and assistance during a period of strife. The support extended and advice given have been invaluable.

It is also with deep sorrow that I acknowledge the passing of late Mr. M. M. Didi in June 2022. As a Director, he supported the Company and will be missed.

Our gratitude goes out to our Bankers, Suppliers and other partners for the co-operation and understanding. We are certain that together, we will be able to reach consensus on a mutually beneficial future pathway.

It is also with a deep sense of gratefulness that I acknowledge the patronage, co-operation and encouragement received from our customers without which we could not have thought of future plans.

To the Shareholders, we truly value and appreciate your co-operation and support. It has been an incredibly challenging period for the Company and we assure you that all possible steps are being taken to protect and enhance value even during these difficult days.

It is our fervent wish that the country will soon stabilize so that everyone can resume daily operations and change the trajectory of the country so that its full potential can be realized. We continue to be hopeful for better tomorrows.

"No matter how bleak or menacing a situation may appear, it does not entirely own us. It can't take away our freedom to respond, our power to take action."

— Ryder Carroll

M. U. Maniku
Chairman

31st August 2022



BOARD OF DIRECTORS...

Mr. M. U. Maniku

(Chairman)

Non-Executive Director

Mr. M. U. Maniku was appointed to the Board on 27th February 2003 and was appointed Chairman with effect from 31st May 2012. He is a holder of a Masters Degree in Agriculture from the University of Bangladesh.

Mr. Maniku has over 40 years experience in the hospitality Industry. He is considered as the pioneer in development of tourism in the Maldives. He is the Chairman of Universal Enterprises Pvt Ltd a company that owns and operates eight tourist resorts in the Maldives. He is a Director of Royal Palms Beach Hotels PLC. Mr. Maniku is the Chairman of the Maldives Association of Tourism Industry of the Republic of Maldives.

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. A. N. Esufally

Independent Non-Executive Director

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

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

Mr. Esufally is a Fellow Member of both the Institute of Chartered Accountants of England & Wales and the Institute of Chartered Accountants of Sri Lanka.

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

Mr. J. A. Panabokke

(Managing Director)

Executive Director

Mr. J. A. Panabokke has approximately four decades of management experience in the hospitality industry and has been a Member of the Board of Directors of Mahaweli Reach Hotels PLC since 1988. 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 International - Colombo.

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.



BOARD OF DIRECTORS...

Mr. A. M. Didi

Non-Executive Director

Mr. A. M. Didi was appointed to the Board on 27th February 2003. He is the Director – Sales and Marketing of Universal Enterprises Pvt Ltd, Maldives. He has over 30 years experience in Resort Management specializing in Marketing and the promotion of Maldives and the Universal Resorts portfolio around the world. He is also responsible for Universal Travel Services. He is a Director of Silhouette Island Resort and Rocher Marketing and Hospitality Supplies of Seychelles. Mr. Didi is the Honorary Consul for Russia in the Republic of Maldives.

Mr. M. Mahir

*Non-Executive Director
(Deceased on 22/06/2022)*

Mr. M. Mahir was appointed to the Board on 15th June 2004. He has over 26 years experience in the tourism industry. He is the Director in Charge for Procurement of Supplies for the resorts owned by the Universal Group.

Mr. W. P. Hettiaratchi

Non-Executive Director

Mr. W. P. Hettiaratchi was appointed to the Board on 27th February 2003. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. He has been employed by Universal Resorts, Maldives since 1998 and at present heads the Group's operations in Sri Lanka.

He is also the Managing Director of The British School in Colombo, CEO/Director of Lanka Valiant Developers Pvt Ltd, and is the alternate Director to Mr. M. U. Maniku at Royal Palms PLC. He counts over 25 years experience & exposure in the areas of the soft drinks industry, hospitality, tourism & school operations.

Mr. J. C. Ratwatte

Independent Non-Executive Director

Mr. J. C. Ratwatte is a holder of a Bachelor of Law Degree from the University of Ceylon, Colombo and is an Attorney at Law of the Supreme Court of Sri Lanka, with over 48 years experience. He also holds a Post Graduate Diploma in International Relations from the Bandaranaike Center for International Studies. He has worked for the government for over 20 years in various assignments, ranging from Director General of Youth Services, Chairman of the National Youth Services Savings and Credit Co-operative, Commissioner General for Essential Services, Managing Director of the Janasaviya Trust Fund and also as Secretary to six Ministries. He retired from the government service from the post of Secretary to the Treasury & Ministry of Finance. He now works in the business sector as a Director of the Sri Lanka Business Development Centre, a non-profit, non stock, social enterprise. He serves on the Board of Directors of several companies, mainly in the leisure business. He has been a Lecturer and Examiner in Constitutional Law in Sri Lanka and a Resource Person on Disaster Management to the Asian Disaster Management Center of the Asian Institute of Technology, Bangkok.

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

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.



BOARD OF DIRECTORS...

Mr. R. Seevaratnam

Independent Non-Executive Director

Mr. R. Seevaratnam was appointed a Director with effect from 5th June 2012. He is a Graduate of the University of London and a Fellow Member of the Institute of Chartered Accountants of England and Wales and a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. He was a senior Partner of KPMG Ford Rhodes Thornton & Company. At present he is a Non Executive Independent Director of a number of Public Quoted Companies.

Mr. M. Paiva

Independent Non-Executive Director

Mr. M. Paiva was appointed to the Board on 21st September 2015. He holds a BA (Hons) Degree from the University of Peradeniya.

Mr. Paiva was the former Vice President – Administration & Services of the National Development Bank PLC (NDB), overlooking Human Resources, Administration, Maintenance, Security & SMS Operations.

He joined NDB from Hatton National Bank PLC (HNB), where he counts over 30 years experience at senior management level. Prior to joining NDB, he held the position of Deputy General Manager (DGM) – Strategy & Compliance and has also overlooked the Human Resources & Administration areas of HNB.

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

Ms. D. L. Panabokke

Non-Executive Director

Holding a Masters in Law Degree from the University of London and a Bachelor of Laws Degree from the University of Colombo, Ms. Panabokke is an Attorney-at-Law by profession. 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 and banking law. 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

(Alternate Director to Ms. D. L. Panabokke).

A Graduate of the Sri Lanka Institute of Tourism & Hotel Management. Mr. Panabokke has garnered expertise in Food and Beverage Operations during his tenures with Cinnamon Hotels and Uga Resorts, two of the most successful hospitality brands in the country. He presently functions as the Director Operations at Mahaweli Reach. He is a Member of the Institute of Hospitality.



REPORT OF THE DIRECTORS...

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY- FOR YEAR 2021/22

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 2022.

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 17th August 2022.

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.

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 2022, 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 page 44 - 79.

(In Rupees Thousand) For the year ended 31st March	2022	2021
Profit / (Loss) for the year	(176,648,766)	(223,593,232)
Other comprehensive income / (expense) for the year, adjusted for revaluation of Property Plant and Equipment and related tax	3,852,429	381,303
Total comprehensive income / (expense) for the year	(172,796,337)	(223,211,929)
Retained earnings as at the beginning of the year	(408,469,056)	(185,257,127)
Retained earnings as at the end of the year	(581,265,393)	(408,469,056)



REPORT OF DIRECTORS...

4. TURNOVER

The turnover for the year was Rs. 375,859,602/- in the year 2021/22, and Rs. 213,128,414/- in the year 2020/21.

5. AUDITOR'S REPORT

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

6. ACCOUNTING POLICIES

The Notes to the Financial Statements contained herein describe the accounting policies adopted in the preparation of the Financial Statements.

Changes in accounting policies made during the accounting period are described under Note No. 3 to the Financial Statements. In the year under review there have been no significant changes to accounting policies of the Company.

7. RELATED PARTY TRANSACTIONS

The Company has complied with the rules set out in Section 9 of the Listing Rules pertaining to Related Party Transactions. In accordance with 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. 29 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 2022 consists of 47,066,447 Ordinary shares totaling to Rs. 585,445,870/=. Refer Note No. 17.

9. PROPERTY, PLANT AND EQUIPMENT

Information relating to movements of Property, Plant & 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 page 16 - 18.



10.1 - Board of Directors

The following Directors held office during the period under review and their brief profiles are given on Page 23 - 25 of the Annual Report.

DIRECTORS	Executive/Non-Executive/Independent
Mr. Mohamed Umar Maniku	Non-Executive
Mr. Abbasally Nuruddin Esufally	Non-Executive/ Independent
Mr. Jayantha Atul Panabokke	Executive
Mr. Ahamed Umar Maniku`	Non-Executive
Mr. Ahamed Mahir Didi	Non-Executive
Mr. Wajjiya Priyantha Hettiaratchi	Non-Executive
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
Mr. Joseph Rosario Phillip Mancius Paiva	Non-Executive/ Independent
Ms. Dayanthi Lakshmi Panabokke	Non-Executive
Mr. Janaka Asitha Panabokke	Executive
Mr. Priyanjith Buddhika Panabokke (Alternate Director to Ms. Dayanthi Lakshmi Panabokke)	Non- Executive

Each of the Non-Executive Directors of the Company have submitted signed declarations on Independence/ Non-Independence as per Rule 7.10.2(b) of the Listing Rules of the Colombo Stock Exchange (CSE). The said declarations were tabled at a meeting of the Board of Directors of the Company held on 17th August 2022 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. J. R. P. M. Paiva, Ms. D. L. Panabokke, Messrs. A. M. Didi and J. A. Panabokke retire by rotation and being eligible offer themselves for re-election.

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

It is recommended that Messrs. R. Seevaratnam, M. U. Maniku and J. C. Ratwatte who are over 70 years of age be re-appointed as Directors of the Company for a further period of one year from the conclusion of the Annual General Meeting and that the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not be applicable to the said Directors.

10.4 - Remuneration Committee

The Remuneration Committee of the Company comprises of the following members:

Remuneration Committee Members	Executive/Non-Executive/Independent
Mr. J. C. Ratwatte (Chairman)	Non-Executive/Independent
Mr. J. R. P. M. Paiva	Non-Executive/Independent

10.5 - Audit Committee

The Audit Committee of the Company comprises of the following members:

Audit Committee Members	Executive/Non-Executive/Independent
Mr. R. Seevaratnam (Chairman)	Non-Executive/Independent
Mr. J. C. Ratwatte	Non-Executive/Independent
Mr. W. P. Hettiaratchi	Non-Executive

10.6 - Related Party Transactions Review Committee

The Related Party Transactions Review Committee of the Company comprises of the following members:

Related Party Transactions Review Committee Members	Executive/Non-Executive/Independent
Mr. J. C. Ratwatte (Chairman)	Non-Executive/Independent
Mr. R. Seevaratnam	Non-Executive/Independent
Mr. W. P. Hettiaratchi	Non-Executive
Mr. J. A. Panabokke	Executive

The details of the Related Party Transactions are given in Note No. 29 on page 78 - 79 of the Financial Statements.



- **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 2022.

- **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 2022.

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. 34,750/-

14. AUDITORS

The Company's auditors during the year under review were Messrs. Bakertilly Edirisinghe & Co., Chartered Accountants, and a sum of Rs. 348,000/- was paid to them by the Company as audit fees for the year ended 31st March 2022.

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 Company has been significantly affected by the prolonged COVID-19 outbreak which has restricted operation of the hotel during 2020 and 2021. In view of the prevailing situation, the Directors have made an assessment and have a reasonable expectation of the Company's ability to continue as a going concern and do not intend either to liquidate or to cease operations of the Company in the foreseeable future. Accordingly, these financial statements are prepared on the Going Concern Concept.

16. HUMAN RESOURCES

The Company continues to invest in human capital development and implement effective human resource practices and policies to develop and build an efficient and effective workforce aligned around its business priorities and to ensure that its employees are developing the skills and knowledge required for the future success of the Company.

17. ONGOING LITIGATIONS

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

REPORT OF DIRECTORS...

18. EQUITABLE TREATMENT TO SHAREHOLDERS

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

19. EVENT AFTER THE REPORTING DATE

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

20. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The contingent liabilities and commitments as at 31st March 2022 are given in Note No. 26 to the financial statements.

21. TWENTY MAJOR SHAREHOLDERS WITH COMPARATIVES

Name of Shareholder	31.03.2022		31.03.2021	
	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	3,035,220	6.44	3,194,928	6.79
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	1.75	829,304	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	681,068	1.45	681,068	1.45
Mr. A. N. Esufally	332,000	0.71	332,000	0.71
Ms. D. L. Panabokke	262,033	0.56	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. D. A. Molligoda	218,960	0.47	218,960	0.47
Mr. H. D. Molligoda	187,965	0.40	187,965	0.40
Mr. J. Asitha Panabokke	174,460	0.37	174,460	0.37
Ms. R. S. Molligoda	156,345	0.33	156,345	0.33
Alliance Finance Company PLC	71,928	0.15	71,928	0.15
Mackwoods Enterprises Limited	66,593	0.14	66,593	0.14
R. Ratna Gopal	57,800	0.12	57,800	0.12
Mr. P. B. Panabokke	45,160	0.09	45,160	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 2022	As at 31st March 2021
Mr. J. A. Panabokke	1,905,858	1,905,858
Mr. M. U. Maniku	1,217,306	1,217,306
Mr. A. N. Esufally	332,000	332,000
Ms. D. L. Panabokke	262,033	262,033
Mr. J. Asitha Panabokke	174,460	174,460
Mr. P. B. Panabokke (Alternate Director to Ms. D. L. Panabokke)	45,160	45,160

23. DIRECTOR'S REMUNERATION AND OTHER BENEFITS

The Directors remuneration and other benefits from the Company during the financial year 2021/2022 are Rs. 11,952,093/-

24. INTERESTS REGISTER

The particulars of entries in the Interests Register and the Directors' Interests in the Contracts of the Company are disclosed under Note No. 29 to the Financial Statements contained herein.

The Directors are not either directly or indirectly interested in any existing or proposed contracts with the Company other than what is disclosed in the Financial Statements.

A review of these contracts are undertaken by the Related Party Transactions Review Committee of the Company. The Committee's report is found on page 39 - 40.

25. ANNUAL REPORT

The information provided herein is pursuant to the requirements of the Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

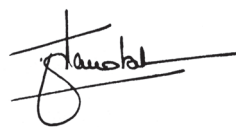
The Board of Directors have approved the Audited Financial Statements of the Company together with the Reviews and other Reports which form part of the Annual Report.

26. ANNUAL GENERAL MEETING

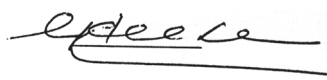
The 48th Annual General Meeting of the Company will be held on 28th September, 2022 at 11.00 a.m. at the Registered Office of the Company, No. 35, P. B. A. Weerakoon Mawatha, Kandy, Sri Lanka by way of a virtual meeting.

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

Signed on behalf of the Board



J. A. Panabokke
Director



W.P. Hettiaratchi
Director



Businessmate (Pvt) Limited
Company Secretaries
31st August 2022



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	2022	2021
Number of Shareholders	2,256	2,256

2.2 - Distribution and Composition of Shareholders

No. of Shareholders		Distribution of Shares		31.03.2021 Holding	%	31.03.2022 Holding	%
31.03.2022	31.03.2021						
1,851	1,863	1	1,000	387,831	0.82	384,224	0.82
336	335	1,001	10,000	1,045,531	2.22	1,068,653	2.27
52	41	10,001	100,000	990,238	2.10	1,133,098	2.40
13	13	100,001	1,000,000	5,355,668	11.38	5,353,001	11.37
4	4	Above	1,000,000	39,287,179	83.47	39,127,471	83.13
2,256	2,256			47,066,447	100.00	47,066,447	100.00

Categories of Shareholders	As at 31st March 2022		
	No. of Shareholders	No. of Shares	%
Institutions	68	36,409,536	77.36
Individuals	2,188	10,656,911	22.64
Total	2,256	47,066,447	100.00

3. Market performance - Ordinary shares

For the year ended 31st March	2022	2021
As at 31st March (Rs.)	12.00	17.00
Highest (Rs.)	18.90	17.20
Lowest (Rs.)	11.90	10.60
Value of shares traded (Rs.)	12,108,270.6	5,900,594
No. of shares traded	757,479	440,870
Volume of transactions	1,860	1,039



INFORMATION TO SHAREHOLDERS AND INVESTORS...

4. Market Capitalization

Market capitalization of the Company which is the number of ordinary shares in issue multiplied by the market value of an ordinary share was Rs. 517,730,917/- as at 31st March 2022 (2021 - Rs. 611,863,811/-).

5. Public Holding

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

The percentage of Ordinary Shares held by public – 20.20%

Number of Public Shareholders – 2,247

Number of Non-public Shareholders – 09

Float adjusted market capitalization – Rs. 104,581,645/23

Shareholdings	No. of Shares held as at 31.03.2022	Holding %	No. of Shares held as at 31.03.2021	Holding %
Others	37,556,795	79.80	37,548,985	79.78
Public	9,509,652	20.20	9,517,462	20.22
Total	47,066,447	100.00	47,066,447	100.00



FIVE YEAR HIGHLIGHTS...

Operating Results		2017/18	2018/19	2019/20	2020/21	2021/22
Occupancy	%	61	66	40	4	15%
Gross Revenue	(Rs.000)	599,004	654,310	446,380	213,128	423,434
Interest Charges	(Rs.000)	(17,259)	(24,803)	(18,752)	(23,065)	(53,201)
Depreciation	(Rs.000)	(56,359)	(58,764)	(62,675)	(72,571)	(69,031)
Profit & (Loss) - before Interest	(Rs.000)	(13,234)	(10,420)	(140,034)	(200,720)	(106,631)
- after Interest	(Rs.000)	(30,493)	(35,223)	(151,447)	(225,058)	(166,902)
Assets Employed						
Non-Current Assets	(Rs.000)	1,389,531	1,358,248	1,722,815	1,664,708	1,601,741
Net Current Assets/ (Liabilities)	(Rs.000)	(16,841)	(56,769)	(124,049)	(260,574)	(346,571)
Stated Capital						
Ordinary Shares	(Rs.000)	585,445	585,445	585,446	585,446	585,446
Net Reserves	(Rs.000)	504,988	468,114	634,361	411,149	248,099
Non-Current Liabilities	(Rs.000)	282,256	247,919	378,959	407,539	421,625
Market Value per share	Rs. Cts.	17.20	13.60	12.00	17.00	12
Net Assets per share	Rs. Cts.	23.17	22.38	25.92	21.17	18.38
Dividend per share	Rs. Cts.	-	-	-	-	-
Earnings per share	Rs. Cts.	(0.83)	(0.88)	(3.31)	(4.75)	(3.75)
Year on Year Growth						
- in Earnings per share	%	(619)	(6)	(275.69)	(43.69)	1
- In Dividend per share	%	-	-	-	-	-
Price Earning Ratio	-	(20.72)	(15.45)	(3.63)	(3.58)	(3.38)
Borrowing as a % of Total Assets	%	10.90	12.29	15.45	18.94	21.24%
Interest Cover	Times	(0.76)	(0.42)	(7.52)	(8.76)	(2.98)



REMUNERATION COMMITTEE REPORT...

In keeping with the requirements of the Listing Rules of the Colombo Stock Exchange the Remuneration Committee, appointed by the Board of Directors, comprises of two Independent Non-Executive Directors.

The two Independent Non-Executive Directors are independent of management and free from any business or other relationship which would otherwise impede the exercise of their independent judgment.

The following Directors served on the Committee:

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

Mr. J. R. P. M. Paiva
- Independent Non-Executive Director

Brief profiles of the Directors are given on pages 23 - 25 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 situation prevalent in the country.

Regular Attendees by Invitation

The Managing Director who is responsible for the overall management of the Company, attends meetings and participates by invitation.

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

Policy

The Company's remuneration policy aims to attract, motivate and retain talent with the appropriate professional, managerial and operational expertise, necessary to achieve the objectives of the Company in a competitive environment.

All statutory increases are taken into account to ensure that the Company is compliant with any regulatory changes which are mandated.

It is the focus of the Committee to ensure that the total remuneration package takes into consideration increases in cost of living and industry norms.

The remuneration of the Executive Directors is designed to create and enhance value for all stakeholders of the Company and to ensure alignment between the short and long-term interests of the Company and its management.

In the current context, the employees agreed to voluntarily submit to a pay cut from April 2021 to December 2021. This voluntary reduction was reversed in the last quarter of the financial year and remuneration levels restored especially in view of the economic circumstances in the country.

Other than this change in the administration of payable remuneration, the remuneration policy of the organization has remained unchanged for the year and Mahaweli Reach Hotels PLC has complied with the policies and procedures set out by the Remuneration Committee.

Scope

The Committee is vested with power to examine, evaluate and recommend to the Board of Directors in respect of any matter that may affect the management of human resources within its Terms of Reference (TOR) and any other matters as may be referred to it by the Board.

It reviews all significant policies and initiatives relating to human resources, salary structures and terms and conditions relating to staff.

Reports of meetings of the Committee with its recommendations are referred to the Board for discussion, to be ratified or otherwise acted upon by the Board of Directors.

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

J. C. Ratwatte
Chairman – Remuneration Committee

31st August 2022



AUDIT COMMITTEE REPORT...

The Board's Audit Committee, appointed by and responsible to the Board of Directors comprises of two Independent Non-Executive Directors and one Non-Executive Director.

The following Directors serve on the Audit Committee.

Mr. R. Seevaratnam (Chairman)
- Independent Non-Executive Director

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

Mr. W. P. Hettiaratchi
- Non-Executive Director

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

For more information on the experience of and brief profiles of the Members please refer pages 23 - 25 of the Annual Report.

The Chairman of the Audit Committee, is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka.

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

Regular Attendees by Invitation

The Managing Director and The 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.

Summary of the Audit Committee Charter

The Terms of Reference (TOR) mainly cover the purpose of and the responsibilities entrusted to the Board's Audit Committee. It also spells out the constitution and the composition of the

Committee; that the Chairman of the Committee should be an Independent Non-Executive Director and that a majority of the Committee should be Independent Non-Executive Directors. The Meetings are to be held at least once in every quarter. The Committee Members have direct access to the required data and information in order to discharge their duties; it also authorizes the Committee to obtain appropriate opinions when in doubt; the Committee also has the investigative authority conferred upon it under the TOR.

Audit Committee Responsibilities

The Committee is mainly responsible for,

- (i) Monitoring the integrity of the Company's financial reporting and satisfying itself that any significant financial judgments by the management are sound 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/s, 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 two 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 13 of the Annual Report.

The proceedings of the Audit Committee meetings are regularly reported to the Board of Directors.

The Committee is conscious of the need to keep its knowledge up to date.



AUDIT COMMITTEE REPORT...

Activities Undertaken by 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.

R. Seevaratnam
Chairman – Audit Committee

31st August 2022



RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT...

The Board's Related Party Transactions Review Committee, was formed by the Board of Directors in compliance with Section 9 of the Listing Rules of the Colombo Stock Exchange with effect from 21st December 2015.

The Committee comprises of four Directors. The Chairman of the Committee is a Non-Executive Independent Director.

The Composition of the Committee is as follows:

Mr. J. C. Ratwatte (Chairman)	- Independent Non-Executive Director
Mr. R. Seevaratnam	- Independent Non-Executive Director
Mr. W. P. Hettiaratchi	- Non-Executive Director
Mr. J. A. Panabokke	- Executive Director

Brief profiles of the Directors representing the Committee are given on page 23 - 25 of the Annual Report.

Committee Meetings

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

Meetings are to be held at least once a quarter. During the year under review, the Committee met on 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.

Attendance at these meetings are given on page 14 of the Annual Report.

Reports of meetings of the Committee with its recommendations are referred to the Board for discussion and ratified or otherwise acted upon by the Board of Directors.

Policies and Procedures adopted by the Committee

The Company has in place a Related Party Transaction identification and disclosure procedure whereby the categories of persons who shall be considered as related parties has been identified. In accordance with the above procedures, self-declarations are obtained from each Director/ Key Management Personnel of the Company for the purpose of identifying parties related to them. The nature of the transactions, the quantum, parties and terms and conditions relating to the transactions are reviewed to ensure transparency. The Committee endeavours to meet at least quarterly, review and report to the Board on matters involving Related Party Transactions falling under its scope.

The Committee is of the view that the Related Party Transactions as disclosed have been carried out on an arms' length basis in the ordinary course of business and in the manner disclosed to Shareholders and regulatory authorities. These recurrent and non-recurrent transactions are not prejudicial to the interests of the Company or its Shareholders.



RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT...

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

Related Party Transaction during the year

The Company has entered into two non-recurrent transactions during the period under review when a director and a spouse of a Director of the Company provided loans to the Company for working capital needs. These loans were given without any interest being charged and only the capital is repayable to the said parties. As reported in the previous year, the repayments to the financial institution are being carried out for the sum provided to the Company by the spouse of a Director which was obtained by way of providing a personal asset to secure funding for the Company. This transaction was done by way of an arms-length transaction with a financial institution with the funds being provided to the Company. The repayment directly to the relevant institution includes the cost of funding. Details are provided in Note No. 21.2 to the financial statements. Details of recurrent Related Party Transactions entered into by the Company during the year 2021/2022 are provided in Note No. 29 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

31st August 2022



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, 2022, 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, 2022, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards ("SLAuS"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka ("Code of Ethics") and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. The key audit matters below was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matters. We have provided below a description of how our audit procedures addressed the matter in that context.

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

Key audit matter	How our audit procedures addressed the key audit matters
01. Management Assessment of the Company's Impacts of the COVID-19 Related Events Refer to Note 31 in the financial statements The Company incurred net loss of Rs. 176.6 Mn for the year ended 31 March 2022. Further, current liabilities of the Company exceeded its current assets by Rs. 345.7 Mn as at the reporting date. However, these financial statements have been prepared on a going concern basis. When adopting the going concern basis in preparation of the financial statements, the directors have reviewed the Company's cash flow projections, prepared by the management. The cash flow projections were based on management's assumptions and estimation of future cash inflows and outflows, also taking into consideration the impact of COVID-19 related events.	Our procedures included the following: • Obtained the Company's cash flow projections and verified key assumptions used in preparing the projections. • Verified the facility agreements for the Company's long-term loans to identify any financial covenants or similar terms and assessing the implication of these on the Company's liquidity. • Assessed the adequacy of disclosures in the financial statements, in relation to the impact of pandemic situation.



INDEPENDENT AUDITOR'S REPORT...

Other Information

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

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

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

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.



INDEPENDENT AUDITOR'S REPORT...

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3534.

Edirisinghe & Co.

Edirisinghe & Co.,
Chartered Accountants
Colombo
31 August 2022



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

For the year ended 31 March	Notes	2022 Rs.	2021 Rs.
Revenue	06	374,561,206	187,980,822
Cost of sales		(249,531,481)	(167,647,798)
Gross profit		124,766,983	20,333,024
Other operating income	07	47,579,026	25,147,592
Administration expenses		(194,769,691)	(178,073,610)
Marketing and promotional expenses		(13,023,751)	(11,817,706)
Laundry and Maintenance expenses		(72,681,848)	(57,582,808)
Profit / (loss) from operations	08	(108,129,281)	(201,993,508)
Finance income	09.1	1,271,024	636,860
Finance cost	09.2	(53,245,652)	(26,931,751)
Profit / (loss) before income taxation		(160,103,909)	(228,288,399)
Income tax credits / (expenses)	10	(16,544,857)	4,695,167
Profit / (loss) for the year		(176,648,766)	(223,593,232)
Other comprehensive income			
Other comprehensive income not to be reclassified to profit or loss ;			
Re-measurement of retirement benefit obligation		4,479,569	443,375
Deferred tax impact on re-measurement of retirement benefit obligation		(627,140)	(62,073)
		3,852,429	381,303
Revaluation gain on lands		-	-
Revaluation gain on buildings		-	-
Deferred tax impact on revaluation of buildings		-	-
		-	-
Other comprehensive income / (expense) for the year, net of tax		3,852,429	381,303
Total comprehensive income / (expense) for the year		(172,796,337)	(223,211,929)
Basic earnings / (loss) per share (Rs.Cts)	11	(3.75)	(4.75)

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.

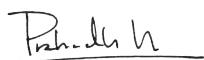


STATEMENT OF FINANCIAL POSITION...

As at 31st March	Notes	2022 Rs.	2021 Rs.
Assets			
Non current assets			
Property, plant and equipment	12	1,601,741,923	1,664,708,213
		1,601,741,923	1,664,708,213
Current assets			
Inventories	13	21,776,345	18,392,290
Trade and other receivables	14	70,974,456	42,165,299
Income tax refund	15	2,410,646	4,121,274
Cash and cash equivalents	16	27,196,856	14,315,262
		122,358,303	78,994,125
Total assets		1,724,100,226	1,743,702,338
Equity and liabilities			
Equity			
Stated capital	17	585,445,870	585,445,870
Revaluation reserve	18	819,618,393	819,618,393
Accumulated loss		(581,265,393)	(408,469,057)
		823,798,870	996,595,207
Non current liabilities			
Deferred tax liabilities	19	198,355,522	182,894,153
Retirement benefit obligation	20	51,846,885	55,892,590
Borrowings	21	175,961,754	163,775,415
Deferred income	22	6,054,556	4,976,573
		432,218,717	407,538,731
Current liabilities			
Trade and other payables	23	230,697,182	154,497,912
Due to related parties	24	53,923,216	18,144,029
Borrowings	21	180,833,216	166,428,802
Deferred income	22	2,628,566	497,657
		468,082,639	339,568,400
Total equity and liabilities		1,724,100,226	1,743,702,338

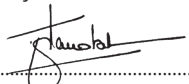
All values are in Sri Lanka Rupees, unless otherwise stated. Figures in brackets indicate deductions.

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

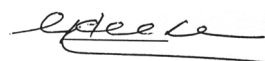


Mr. M. P. S. Dias - Finance Officer

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. Hettiaratchi - Director

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

19th August 2022



STATEMENT OF CHANGES IN EQUITY...

For the year ended 31st March, 2022	Stated Capital Rs.	Accumulated loss Rs.	Revaluation Reserve Rs.	Total Rs.
Balance as at 01 April 2020	585,445,870	(185,257,127)	819,618,393	1,219,807,136
Profit / (loss) for the year - As previously stated	-	(223,593,232)	-	(223,593,232)
Other comprehensive income	-	381,303	-	381,303
Balance as at 31 March 2021 - As previously stated	585,445,870	(408,469,057)	819,618,393	996,595,207
Prior year adjustment (Note 30)	-	-	-	-
Balance as at 31 March 2022 - Restated	585,445,870	(408,469,057)	819,618,393	996,595,207
Balance as at 01 April 2021	585,445,870	(408,469,057)	819,618,393	996,595,207
Profit / (loss) for the year	-	(176,648,766)	-	(176,648,766)
Other comprehensive income	-	3,852,429	-	3,852,429
Balance as at 31 March 2022	585,445,870	(581,265,393)	819,618,393	823,798,870

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

The accounting policies and notes form an integral part of these Financial Statements.



STATEMENT OF CASH FLOWS...

For the year ended 31st March	Note	2022 Rs.	2021 Rs.
Cash flows from operating activities			
Profit / (loss) before taxation		(160,103,909)	(228,288,399)
Adjustment for :			
Depreciation	12	69,031,553	72,571,419
Lease interest	21	571,750	231,204
Bank overdraft and loan interest	09.2	8,762,679	7,600,399
Related party loan interest	09.2	522,510	89,720
Other financial charges	09.2	3,398,081	1,755,171
Moratorium loan interest	09.2	39,550,505	15,374,802
Provision for gratuity	20	4,664,414	8,901,658
Impairment loss on trade and other receivables	14	3,433,814	1,266,320
Other receivables written off		-	-
Disposal gain of fixed assets		-	(89,413)
Disposal gain on sales and lease back transaction		(2,469,082)	(497,657)
Moratorium lease interest	21	440,127	1,880,455
Operating profit / (loss) before working capital changes		(32,197,558)	(119,204,321)
(Increase) / decrease in inventories	13	(3,384,055)	4,435,728
(Increase) / decrease in trade and other receivables	14	(32,242,969)	24,804,497
Increase / (decrease) in trade and other payables	-	76,199,270	40,990,232
Increase / (decrease) in related party balances	-	35,779,187	11,518,180
Cash generated from / (used in) operations		44,153,876	(37,455,684)
Gratuity paid	20	(4,230,550)	(2,555,650)
Tax paid	15	-	-
Net cash flow from / (used in) operating activities		39,923,326	(40,011,334)
Cash flows from investing activities			
Acquisition of property, plant and equipment	12	(387,290)	(6,011,746)



STATEMENT OF CASH FLOWS...

Statement of Cash Flows (Continued)

Investment in work in progress assets	12	-	(178,586)
Net cash flow from / (used in) investing activities		(387,290)	(6,190,332)
Cash flows from financing activities			
Proceeds from bank borrowings	21	18,000,000	54,059,429
Proceeds from sales and lease back arrangements	21.1	7,350,000	6,500,000
Repayment of bank borrowings	21	(14,108,798)	-
Proceeds from related party borrowings	21.2	-	10,000,000
Repayment of related party borrowings	21.2	(2,243,363)	(986,241)
Bank overdraft and loan Interest	09.2	(48,313,184)	-
Other financial charges	09.2	(3,398,081)	(1,755,171)
Repayment of finance lease liability	21.1	(3,193,694)	(806,415)
Net cash flow from / (used in) financing activities		(45,907,121)	67,011,602
Net increase / (decrease) in cash and cash equivalents		(6,371,086)	20,809,936
Cash and cash equivalents at the beginning of the year		(90,765,491)	(111,575,426)
Cash and cash equivalents at the end of the year	16.1	(97,136,577)	(90,765,491)

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 2022

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 2022 the number of employees of the Company is 201 (31 March 2021 - 211).

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 2022 were authorized for issue in accordance with a resolution of the Directors on 31st August 2022.

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 2022

2.4.1 - Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, the Company assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRSs, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 : Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 : Inputs for the asset or liability that are not based on observable market data. (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Further information about the assumption made in measuring fair value is included in Note No. 12.2.

Note 03 - Summary of significant accounting policies

The accounting policies set out below have been consistently applied to all periods presented in these Financial Statements, unless otherwise indicated.

3.1 - Foreign currency

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. All differences arising on settlement or translation of monetary items are taken to the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

3.2 - Property plant and equipment

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

3.2.1 - Cost / valuation

Cost includes expenditure that is directly attributable to the acquisition of the asset and includes the cost of replacing part of the Property, Plant and Equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

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

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

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



SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2022

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 2022

3.4 - Financial assets Initial recognition and measurement

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

3.4.1 - Subsequent measurement

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

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

a) Financial assets at amortized cost (Debt instruments)

The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial

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

The Company's financial assets at amortized cost includes trade receivables.

b) Financial assets at fair value through OCI (Debt instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the Statement of Profit or Loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

c) Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to Statement of Profit or Loss. Dividends are recognized as other income in the Statement of Profit or Loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI.



For the year ended 31 March 2022

Equity instruments designated at fair value through OCI are not subject to impairment assessment.

d) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the Statement of financial position at fair value with net changes in fair value recognized in the Statement of profit or loss.

3.4.2 - De-recognition

A financial asset is de-recognized when:

- The rights to receive cash flows from the asset have expired
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of it, the asset is recognized to the extent of the Company continuing involvement in it.

3.4.3 - Impairment of financial assets

The Company recognizes an allowance for Expected Credit Losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

**3.4.4 - Financial liabilities
Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, carried at amortized cost. This includes directly attributable transaction costs.

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

Subsequent measurement

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



For the year ended 31 March 2022

a) Financial liabilities at fair value through profit or loss

Financial liabilities are classified as measured at amortized cost or FVPL. A financial liability is classified as at FVPL, if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on de-recognition is also recognized in profit or loss.

b) Borrowings

After initial recognition, interest-bearing borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are de-recognized as well as through the EIR amortization process. Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the Statement of Profit or Loss. This category generally applies to interest bearing loans and borrowings.

De-recognition

A financial liability is de-recognized when the obligation under the liability is discharged or cancelled or expires.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

3.5 - Inventories

Inventories are measured at the lower of cost and net realizable value, after making due allowances for obsolete and slow moving items. The cost of inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of each category of inventory is determined on the following basis:

Beverages	Actual cost on a First In First Out -(FIFO) basis
Room Supplies	Actual cost on a First In First Out -(FIFO) basis
Stationery	Actual cost on a First In First Out -(FIFO) basis
Provisions	At weighted average basis
Maintenance	Actual cost on a First In First Out -(FIFO) basis

3.6 - Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, net of bank overdrafts. In the Statement of Financial Position, bank overdrafts are included in borrowings in current liabilities.

For the purpose of the Statement of cash flows, cash and cash equivalents consist of cash in hand, deposits held at banks net of outstanding bank overdrafts.

3.7 - Stated capital

Stated capital consists solely of ordinary share capital. Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown as a deduction, net of tax, in Equity from the proceeds.



For the year ended 31 March 2022

3.8 - Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

3.9 - Provisions

Provisions are recognized when the Company has a present obligation (legal and constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at the end of the reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

3.10 - Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting date.

3.11 - Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases net of any incentives received from lessor are charged to the Statement of Profit or Loss on a straight-line basis over the period of the lease.

Lease of Property, Plant and Equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The Property, Plant and Equipment acquired under Finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

3.12 - Current and deferred tax

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

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

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax is determined using tax rates that have been enacted or 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.



For the year ended 31 March 2022

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 to uncertainty of claiming tax losses on a taxable income.

3.13 - Employee benefits

3.13.1 - Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The Company measures the present value of the promised retirement benefit of the gratuity which is a defined benefit plan with the advice of an actuary using the projected unit credit method.

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

Past-service costs are recognized immediately in profit or loss. The liability is not externally funded.

The result of calculation based on the gratuity formula, is included in Note No. 20 to the Financial Statements.

3.13.2 - Defined contribution plans - Employees' Provident Fund and Employees' Trust Fund

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with respective statutes and regulations. The Company contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively and is recognized as an expense in profit or loss in the periods during which services are rendered by employees.

3.13.3 - Short-term benefits

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

3.14 - Revenue recognition

3.14.1 - Revenue from contracts with customers

SLFRS 15 "Revenue from Contracts with Customers" outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance found across several Standards and Interpretations within SLFRSs. It establishes a new five-step model that will apply to revenue arising from contracts with customers.

- Step 1: Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that create enforceable rights and obligations and sets out the criteria for each of those rights and obligations.
- Step 2: Identify the performance obligations in the contract: A performance obligation in a contract is a promise to transfer a good or service to the customer that is distinct.
- Step 3: Determine the transaction price: Transaction price is the amount of consideration to which the entity expects to be entitled to in exchange for transferring the promised goods and services to a customer, excluding amounts collected from third parties.

SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2022

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 in daily basis, after completing all other obligation related to the room.

(b) Food and beverage revenue

Food and beverage revenue is accounted at the time of sale.

(c) Other hotel related revenue

Other hotel related revenue is accounted when such service is rendered.

(d) Others

Other income is recognized on an accrual basis.

(e) Interest income

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

Note 04 - Risk management

4.1 - Financial risk factors

The Company's activities may expose it to a variety of financial risks such as market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk

management is carried out under policies approved by the Board of Directors.

(a) Market risk

(i) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's 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 enabled 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	51,566,453
Bank Loans (Rs.)	(-) 50 Basis Points	(51,566,453)

(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



SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2022

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.

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31st March, 2021	Less than 1 Year Rs.	Between 1 and 5 Years Rs.
Borrowings	180,833,675	175,961,754
Trade and other payables (excluding statutory liabilities)	194,873,750	-
Total	375,707,425	175,961,754
As at 31st March 2020		
Borrowings	166,428,802	163,775,415
Trade and other payables (excluding statutory liabilities)	125,466,189	
Total	291,894,991	163,775,415

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 2022 Rs.	31 March 2021 Rs.
Total Borrowings (Note No. 21)	356,795,430	330,204,217
Less Cash and Cash Equivalents (Note No.16)	(27,196,856)	(14,315,262)
Net Borrowings	329,598,574	315,888,955
Total Equity	823,798,870	996,595,207
Total Capital	1,153,397,444	1,312,484,162
Gearing Ratio	29%	24%



For the year ended 31 March 2022

Note 05 - Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within financial year are discussed below.

(a) Allowance for doubtful debts

The Company reviews its debtors to assess impairment on a continuous basis. In determining whether an impairment loss should be recorded in the Profit or Loss, the Company makes judgments as to whether there is any observable data indicating that there is measurable decrease in estimated cash flows from debtors. Management uses estimates based on historical loss experience of assets. The assumptions used for estimating the amount and timing of cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(b) Income taxes

The Company is subject to income tax under the Income Tax Act in Sri Lanka. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) Residual value and useful lives of property, plant and equipment

The Company determines the estimated useful lives and related depreciation charges for its plant and equipment. This estimate is based on projections about the continued existence of a market for its products and the ability of the Company to penetrate a sufficient portion of that market in order to operate profitably. The Company increases the depreciation charge where the useful lives are less than previously estimated, or it will appropriately impair, technically obsolete or non-strategic assets that have been abandoned or identified for sale.

Residual values are based on current estimates of the value of these assets at the end of their useful lives.

(d) Retirement benefits obligation

The present value of the gratuity obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for gratuity include the discount rate. Any changes in these assumptions will impact the carrying amount of gratuity obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the gratuity obligations. In determining the appropriate discount rate, the Company considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid.

Other key assumptions for gratuity obligations are based in part on current market conditions, additional information is disclosed in Note No. 20.



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March	2022 Rs.	2021 Rs.
NOTE 06 - REVENUE		
Front Office and Apartment	81,061,591	16,611,522
Restaurant	271,851,235	157,496,080
Beverage	21,648,380	13,873,220
	374,561,206	187,980,822
NOTE 07 - OTHER OPERATING INCOME		
Laundry income	22,725,842	15,774,834
Banquet others	5,920,028	2,362,678
Shop rental	1,078,002	431,201
Boating, swimming and tennis	498,407	106,964
Hire of vehicles	6,553,122	3,226,381
Leaves and petals	714,454	590,283
Health centre	11,227	-
Sports centre	968,787	1,055,744
Minor operating income	6,657,798	988,808
Disposal gain on sales and lease back transaction	2,469,082	497,657
Exchange gain	(17,723)	113,042
	47,579,026	25,147,592
NOTE 08 - PROFIT / (LOSS) FROM OPERATIONS IS STATED AFTER CHARGING ALL EXPENSES INCLUDING FOLLOWING:		
Employee benefit expenses (Note No. 8.1)	144,391,904	125,370,305
Directors' remuneration	11,952,093	9,510,212
Auditor's remuneration fees	348,000	284,000
Non assurance fees and expenses	56,600	296,600
Depreciation	69,031,553	72,571,423
Impairment loss on trade and other receivables	3,433,814	1,266,320
Advertising and sales promotion cost	1,889,627	1,215,535
Other costs	299,165,922	204,607,527
Total cost of sales, distribution costs and administration expenses	530,269,513	415,121,922
Note 08.1 - Employee benefit expenses		
Salaries, wages and allowances	114,082,985	94,344,141
EPF and ETF	12,471,640	10,809,486
Post employment benefit - Gratuity	4,664,414	8,901,658
Other staff cost	13,172,865	11,315,020
	144,391,904	125,370,305



For the year ended 31 March	2022 Rs.	2021 Rs.
NOTE 09 - Finance income / (cost)		
Note 09.1 - Finance income		
Interest income on fixed and savings deposits Note 09.3	1,271,024	636,860
	1,271,024	636,860
Note 09.2 - Finance cost		
Bank overdraft and loan interest	8,752,679	7,600,399
Related party loan interest	522,510	89,720
Moratorium loan interest	39,550,505	15,374,802
Moratorium lease interest	440,127	1,880,455
Lease interest	571,750	231,204
Other financial charges	3,398,081	1,755,171
Note 09.4	53,245,652	26,931,751
Net finance cost	(51,974,628)	(26,294,891)

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	2022 Rs.	2021 Rs.
NOTE 10 - Income tax (credits) / expenses		
Income tax provision for the year Note 10.1	305,046	152,846
ESC written off	1,405,582	3,423,930
Income tax under provision of previous years	-	166
Deferred tax charge / (credits) Note 10.3	14,834,229	(8,272,109)
Income tax (Credits) / Expenses	16,544,857	(4,695,167)
Note 10.1 - Reconciliation income tax expense between accounting profit / (loss) and tax profit / (loss) as follows :		
Accounting profit / (loss) before tax	(160,103,909)	(228,288,399)
Non deductible expenses	87,695,376	92,349,584
Deductible expenses	(44,427,861)	(45,539,629)
Other sources of income	(3,740,106)	(636,860)
Taxable business profit / (loss) Note 10.2	(120,576,500)	(182,115,304)
Interest income	1,271,024	636,860
Total assessable income	1,271,024	636,860
Set off against tax losses	-	-
Total taxable income	1,271,024	636,860
Income tax at 14%		
Income tax at 24%	305,046	152,846
	305,046	152,846

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

Note 10.2 - Carried forwarded tax losses		
Balance brought forward	569,545,754	387,430,450
Adjustment for previous year	89,363	-
Tax loss during the year	120,576,500	182,115,304
Tax loss claimed during the year	-	-
Balance carried forward	690,211,617	569,545,754

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)	14,894,970	(7,383,668)
	14,894,970	(7,383,668)
Deferred tax assets		
Defined benefit obligation	60,741	888,441
Carried forward unused tax losses charged / (reversed)	-	-
	60,741	888,441
Deferred tax charge / (credit) for the year	14,834,229	(8,272,109)



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2022

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 2022 due to the uncertainty of utilizing against future taxable profits. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that is no longer probable that the related tax benefit will be realized.

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

For the year ended 31 March	2022 Rs.	2021 Rs.
NOTE 11 - BASIC EARNINGS / (LOSS) PER SHARE		
Amount used as the numerator		
Profit / (loss) for the year	(176,648,766)	(223,593,232)
Amount used as the denominator		
Number of ordinary shares	47,066,447	47,066,447
Earnings / (loss) per share - Rs.Cts.	(3.75)	(4.75)

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.

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

Cost / valuation	As at 01.04.2021 Rs.	Additions Rs.	Disposal Rs.	Transfers Rs.	As at 31.03.2022 Rs.
Freehold assets					
Freehold lands - (at valuation)	445,738,750	-	-	-	445,738,750
Buildings - (at valuation)	1,161,908,706	-	-	-	1,161,908,706
Motor vehicles	14,037,938	-	(9,250,000)	9,250,000	14,037,938
Office equipment	419,984,439	387,288	-	-	420,371,727
Furniture and fittings	157,763,950	-	-	-	157,763,950
Linen	17,170,387	-	-	-	17,170,387
	2,216,604,170	387,288	(9,250,000)	9,250,000	2,216,991,458



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2022

Note 12 - Property, plant and equipment (Continued)

	As at 01.04.2021	Additions	Disposal	Transfers	As at 31.03.2022
	Rs.	Rs.	Rs.	Rs.	Rs.
Leasehold assets					
Motor vehicles	32,330,905	7,350,000	-	(9,250,000)	30,430,905
Office equipment	4,387,500	-	-	-	4,387,500
Laundry machine	13,377,639	-	-	-	13,377,639
Kitchen equipment	5,620,417	-	-	-	5,620,417
	55,716,461	7,350,000	-	(9,250,000)	53,816,461
Total value of assets	2,272,320,631	7,737,288	(9,250,000)	-	2,270,807,919
Accumulated depreciation					
	Balance as at 01.04.2021	Additions	Disposal	Transfers	As at 31.03.2022
	Rs.	Rs.	Rs.	Rs.	Rs.
Freehold assets					
Freehold lands - (at valuation)	-	-	-	-	-
Buildings - (at valuation)	166,447,515	40,991,166	-	-	207,438,681
Motor vehicles	13,566,797	117,786	(7,577,975)	7,577,975	13,684,583
Office equipment	242,461,061	17,779,245	-	-	260,240,306
Furniture and fittings	145,383,796	2,476,026	-	-	147,859,822
Linen	14,735,176	803,620	-	-	15,538,796
	582,594,345	62,167,843	(7,577,975)	7,577,975	644,762,188
Leasehold assets					
Motor vehicles	20,103,497	4,100,572	-	(7,577,975)	16,626,094
Office equipment	292,099	409,540	-	-	701,639
Laundry machine	5,588,593	1,557,809	-	-	7,146,402
Kitchen equipment	1,641,470	795,789	-	-	2,437,259
	27,625,659	6,863,710	-	(7,577,975)	26,911,394
Total depreciation	610,220,004	69,031,553	(7,577,975)	-	671,673,582



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2022

Note 12 - Property, plant and equipment (Continued)

Written down value	As at 01.04.2021	As at 31.03.2022
	Rs.	Rs.
Freehold asset		
Freehold lands - (at valuation)	445,738,750	445,738,750
Buildings - (at valuation)	995,461,191	954,470,025
Motor vehicles	471,141	353,355
Office equipment	177,523,378	160,131,421
Furniture and fittings	12,380,154	9,904,128
Linen	2,435,211	1,631,592
	1,634,009,825	1,572,229,271
Leasehold assets		
Motor vehicles	12,227,408	13,804,811
Office equipment	4,095,401	3,685,861
Laundry machine	7,789,046	6,231,237
Kitchen equipment	3,978,947	3,183,158
	28,090,802	26,905,067
Total written down value	1,662,100,627	1,599,134,337

Work in progress assets	As at 01.04.2021	Additions	Transfers	As at 31.03.2022
	Rs.	Rs.	Rs.	Rs.
Installation of salary system	1,117,000	-	-	1,117,000
Wet garbage room	1,490,586	-	-	1,490,586
	2,607,586	-	-	2,607,586
Total assets	1,664,708,213			1,601,741,923

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

Cost	As at 01.04.2020	Additions	As at 31.03.2022
	Rs.	Rs.	Rs.
Land	98,116,927	-	98,116,927
Buildings	602,561,563	-	602,561,563
	700,678,490	-	700,678,490
Accumulated depreciation			
Land	-	-	-
Buildings	190,295,267	14,991,426	205,286,693
	190,295,267	14,991,426	205,286,693
Written down value			
Land	98,116,927		98,116,927
Buildings	412,266,295		397,274,869
	510,383,222		495,391,796



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2022

Note 12 - Property, plant and equipment (Continued)

Note 12.2 - Reconciliation of carrying amounts of revalued assets

	Lands Rs.	Buildings Rs.	Total Rs.
Carrying value as at 01 April 2021 Note 12.2.2	445,738,750	995,461,191	1,441,199,941
Additions	-	-	-
Fair value gain	-	-	-
Depreciation for the year	-	(40,991,166)	(40,991,166)
Carrying value as at 31 March 2022	445,738,750	954,470,025	1,400,208,775

NOTE 13 - INVENTORIES	2022 Rs.	2021 Rs.
Food stock	5,730,865	2,633,022
Beverage stock	3,026,755	4,003,998
House keeping	3,198,224	2,273,080
Maintenance stock	1,198,102	1,341,959
Printing and stationery stock	1,902,272	2,099,105
General stock	4,121,474	4,602,547
Gas stock	1,703,978	620,801
Fuel stock	894,675	817,778
Total	21,776,345	18,392,290



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2022

NOTE 14 - Trade and other receivables	2022 Rs.	2021 Rs.
Trade debtors	65,952,256	39,215,806
Less: Provision for impairment Note 14.1	(37,069,473)	(33,635,659)
Trade receivables - net	28,882,783	5,580,147
Refundable deposits	3,223,929	3,200,803
Prepayments	552,914	314,417
Other receivables	38,314,830	33,069,932
Total	70,974,456	42,165,299

Note 14.1 - Provision for impairment

Balance at the beginning of the year	33,635,659	32,369,339
Provision for the year	3,433,814	1,266,320
Unrecoverable receivable balances written off	-	-
Balance at the end of the year	37,069,473	33,635,659

As of 31st March 2022, Trade Receivables of Rs. 24,281,336/- (as of 31st March 2021 was Rs. 3,888,700/-) were fully performing.

As of 31st March 2022, Trade Receivables of Rs. 4,601,447 /- (as of 31st March 2021 was Rs. 1,691,447 /-) 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:

	2022 Rs.	2021 Rs.
Over 90 days	1,615,033	174,063
Over 120 days	2,986,414	1,517,384
	4,601,447	1,691,447

As of 31st March 2022, trade receivables of Rs. 37,069,473/- (31.03.2021 : Rs. 33,635,659/-) were impaired and provided for. The individually impaired receivables mainly relate to customers, who are in unexpectedly difficult economic situations. It was assessed that no portion of the impairment provision for receivables is expected to be recovered.

The creation and release of provision for impaired receivables have been included in 'Administration expenses' in the statement of profit or loss. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above and is further analyzed in note 14.2. The Company does not hold any collateral as security.



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2022

As at 31 March	2022 Rs.	2021 Rs.
Note 14.2 - Exposure to credit risk		

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as follows:

Trade and other receivables	38,968,045	15,286,079
Banks with credit ratings	27,196,856	14,315,262
	66,146,901	29,601,341

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	28,882,783	5,580,147
Loans to company officers	3,091,000	2,911,999
Other receivables	6,994,262	6,793,934
	38,968,045	15,286,079

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

NOTE 15 - Income tax refund

Balance at the beginning of the year	(4,121,274)	(7,698,217)
Income tax under provision of previous years	-	166
	(4,121,274)	(7,698,051)
Income tax provision for the year	-	152,846
ESC written off	1,415,575	3,423,930
Payment made during the year	-	-
WHT paid	-	-
Balance at the end of the year	(2,410,646)	(4,121,274)

NOTE 16 - Cash and cash equivalents

Cash at bank	25,944,821	13,243,970
Cash in hand	1,252,035	1,071,292
	37,196,856	14,315,262

Note 16.1 - For the purpose of Statement of cash flows, cash and cash equivalents includes following :

Cash in hand and at bank	27,196,856	14,315,262
Bank overdraft	(124,333,433)	(105,080,753)
	(97,136,577)	(90,765,491)



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2022

As at 31 March	2022 Rs.	2021 Rs.
NOTE 17 - Stated capital		
47,066,447 No. of Ordinary shares issued and fully paid	585,445,870	585,445,870
	585,445,870	585,445,870

NOTE 18 - Revaluation reserve		
Balance at the beginning of the year	819,618,393	530,872,618
Revaluation gain on land and buildings	-	-
Deferred tax impact on revaluation	-	-
Balance at the end of the year	819,618,393	819,618,393

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

NOTE 19 - Deferred tax assets and liabilities		
Note 19.1 - Deferred tax liabilities Restated		
Balance at the beginning of the year	190,719,116	198,102,784
Prior year adjustment	-	-
Provision / (reversal) for the year	14,894,970	(7,383,668)
Deferred tax impact to OCI on revalued buildings	-	-
Balance at the end of the year	205,614,086	190,719,116
Note 19.2 - Deferred tax assets		
Balance at the beginning of the year	7,824,973	6,998,594
Provision / (reversal) for the year	60,741	888,441
Deferred tax impact to OCI on actuarial gain on gratuity	(627,140)	(62,073)
Temporary differences arising / (reversed) from unused tax losses	-	-
Prior year adjustment	-	-
Balance at the end of the year	7,258,564	7,824,963
Net deferred tax liability	198,355,522	182,894,153



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2022

Note 19.3 - Composition of deferred tax assets and liabilities

At Cost or Valuation	31.03.2022		31.03.2021	
	Temporary difference Rs.	Tax effect Rs.	Temporary difference Rs.	Tax effect Rs.
Deferred tax liability				
Property, plant and equipment	475,268,179	66,537,545	368,875,540	51,642,576
Revaluation of buildings	669,466,131	93,725,258	669,466,131	93,725,258
Revaluation of lands	323,937,732	45,351,282	323,937,732	45,351,282
Deferred tax assets				
Defined benefit obligation	(51,846,885)	(7,258,564)	(55,892,590)	(7,824,963)
Net balance	1,416,825,157	198,355,522	1,306,386,814	182,894,153

	2022 Rs.	2021 Rs.
NOTE 20 - Retirement benefit obligation		
Balance at the beginning of the year	55,892,590	49,989,957
Provision / (reversal) made during the year Note 20.1	184,845	8,458,283
Payments / payables of the year	(4,230,550)	(2,555,650)
Balance at the end of the year	51,846,885	55,892,590
Note 20.1 - Provision / (reversal) made during the year		
Interest charged for the year	3,912,481	5,998,795
Current service cost	751,933	2,902,863
	4,664,414	8,901,658
Actuarial (gain) / loss	(4,479,569)	(443,375)
	184,845	8,458,283
Note 20.2 - The principle assumptions used are as follows :		
Long term interest rate	14.5%	7%
Future salary increment rate	0%	0%
Staff turnover ratio	18%	15%
Retirement age	60	54



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2022

Note 20.3 - Sensitivity analysis of present value of defined benefit obligation

Assumption changed (while all other assumptions remain unchanged)	Amount Rs. .
1% increase in discount rate	51,331,273
1% decrease in discount rate	52,390,391
1% increase in Salary Escalation rate	52,171,361
1% decrease in Salary Escalation rate	51,537,833

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

Within the next 12 months	41,236,676
Between 1-2 years	2,798,150
Between 2-5 years	4,180,213
Between 5-10 years	2,995,788
Beyond 10 years	636,055
	51,846,883
Weighted Average Duration of Defined Benefit Obligation (Years)	1.10

NOTE 21 - BORROWINGS		2022 Rs.	2021 Rs.
Non current maturity portion		25,800,722	8,499,405
Lease creditor	Note 21.1	148,684,507	148,903,574
Bank loans	Note 27	1,476,525	6,372,435
Borrowings from related parties	Note 21.2	175,961,754	163,775,415
Current maturity portion			
Lease creditor	Note 21.1	8,919,180	21,052,314
Bank loans	Note 27	41,674,961	37,564,691
Bank overdraft		124,333,433	105,080,753
Borrowings from related parties	Note 21.2	5,906,101	2,731,044
		180,833,675	166,428,802
		356,795,430	330,204,217



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2022

Note 21.1 - Lease creditor	2022 Rs.	2021 Rs.
Balance at the beginning of the year	36,198,465	27,382,841
Addition during the year	9,137,599	7,741,584
Moratorium interest addition during the year	440,127	1,880,455
Settlements during the year	(3,193,694)	(806,415)
	42,582,497	36,198,465
Interest in suspense Note 21.1.1	(7,862,595)	(6,646,746)
	34,719,902	29,551,719
Current maturity portion	8,919,180	21,052,314
Non current maturity portion	25,800,722	8,499,405
	34,719,902	29,551,719

Note 21.1.1 - Interest in suspense		
Balance at the beginning of the year	6,646,746	5,636,366
Addition during the year	1,787,599	1,241,584
Moratorium interest addition during the year	440,127	1,880,455
Settlements during the year	(571,750)	(231,204)
Moratorium interest charge during the year	(440,127)	(1,880,455)
	7,862,595	6,646,746
Current maturity portion	3,355,793	4,715,230
Non current maturity portion	4,506,802	1,931,516
	7,862,595	6,646,746

Note 21.2 - Borrowings from related parties		
Balance at the beginning of the year	11,563,620	-
Loans obtained during the year Note 21.2.2	-	12,549,861
Repayment during the year	(2,243,363)	(986,241)
	9,320,257	11,563,620
Less : Interest in suspense Note 21.2.1	(1,937,631)	(2,460,141)
Balance at the end of the year	7,382,626	9,103,479
Current maturity portion	5,906,101	2,731,044
Non current maturity portion	1,476,525	6,372,435
	7,382,626	9,103,479

Note 21.2.1 - Interest in suspense		
Balance at the beginning of the year	2,460,141	-
Addition during the year	-	2,549,861
Charged to profit or loss	(522,510)	(89,720)
Balance at the end of the year	1,937,631	2,460,141



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2022

As at 31 March	2022 Rs.	2021 Rs.
Note 22 - Deferred income		
Disposal gain on sale and lease back arrangement under finance lease		
Non current portion	6,054,556	4,976,573
Current portion	2,628,566	497,657
Note 22.1	8,683,123	5,474,230

Note 22.1 - Sale and lease back arrangement

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

The resulted amortized value (disposal gain) to the financial year ended 31 March 2022 amounting to Rs. 2,469,082/- recognized as an other operating income under Note 07 to these financial statements.

As at 31 March	2022 Rs.	2021 Rs.
Note 23 - Trade and other payables		Restated
Trade creditors	56,588,615	56,116,434
Other payables	15,056,090	412,527
Expense creditors	159,052,477	97,968,951
Note 22.1	230,697,182	154,497,912

As at 31 March	2022 Rs.	2021 Rs.
Note 24 - Amounts due to related parties		
Mahaweli Hotel Management Services (Pvt) Ltd	45,523,216	18,144,029
Mr. Priyanjith Panabokke (Director)	5,400,000	-
Ms. K. D. Panabokke (Director)	3,000,000	-
	53,923,216	18,144,029



For the year ended 31 March 2022

NOTE 25 - Analysis of financial instruments financial instruments by category		
Financial asset at amortized cost		
Trade and other receivables excluding prepayments, statutory payments and advances	38,968,045	15,286,080
Cash and cash equivalents (Note 16)	27,196,856	14,315,262
	66,164,901	29,601,342
Financial liabilities at amortized cost		
Trade and other payables (Excluding statutory liabilities) (Note 23)	194,873,750	125,466,189
Amounts due to related companies (Note 24)	53,923,216	18,144,029
	248,796,966	143,610,218

NOTE 26 - Commitments and contingencies

Note 26.1 - Commitments

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

Note 26.2 - Contingent liabilities

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

Following the termination of employees on disciplinary grounds an inquiry was held by the Commissioner General of Labour and an order was issued for reinstatement and the payment of back wages. The Company filed a Writ Application in the Court of Appeal to have this order quashed. The Honourable Court delivered its judgement on 12th December 2018, quashing the order of the Commissioner General of Labour which required reinstatement of these employees and stating that the Commissioner General of Labour should hear the parties and make an order regarding the compensation payable to these persons in terms of the Termination of Employment of Workmen (Special Provisions) Act No: 45 of 1971 (as amended). Legal Advice has been sought with respect to the decision of the Commissioner General of Labour which was received on 05th August 2019. In view of legal advice that the determination received from the Commissioner General of Labour on 05th August 2019 was incorrect in law, the company has filed a Writ Application before the Court of Appeal seeking an order quashing the said decision. No material losses are anticipated as a result.



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2022

NOTE 27 - Assets Pledge

Lending Institution	Nature of Facility	Interest Rate	Repayment Term	Outstanding Balance		Security
				31.3.2022 Rs.	31.3.2021 Rs.	
Hatton National Bank PLC	Term Loan Rs.50 Million	AWPLR + 1.25% p.a	59 equal monthly instalments of Rs. 833,000/- and a final instalment of Rs. 853,000/- together with interest to be serviced monthly.	16,680,000	16,680,000	Registered primary and additional floating mortgage bonds totalling 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.	15,000,000	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.	82,077,950	84,185,642	Registered primary and additional floating mortgage bonds totalling to Rs.133.9 Mn over the hotel premises bearing assessment No. 35. PBA Weerakoon Mawatha, Kandy.



NOTES TO THE FINANCIAL STATEMENTS...

For the year ended 31 March 2022

Note. 27 - Assets Pledge (Continued)

Lending Institution	Nature of Facility	Interest Rate	Repayment Term	Outstanding Balance		Security
				31.3.2022 Rs.	31.3.2021 Rs.	
Commercial Bank of Ceylon PLC	Term Loan Rs.8.5 Million	AWPLR + 1 % p.a	71 equal monthly instalments of Rs. 118,100/- and a final instalment of Rs. 114,900/- together with interest to be serviced monthly.	351,100	351,100	Concurrent primary mortgage bond No. 721/3274 dated 19th & 22nd December 2006 and 1st of January 2007 for Rs. 30 million executed over freehold property of Mahaweli Reach Hotels PLC at No. 35, PBA Weerakoon Mawatha, Kandy.
	Term Loan Rs.50 Million	AWPLR + 1.5 % p.a	65 equal monthly instalments of Rs. 520,800/- and a final instalment of Rs. 524,000/- together with interest to be serviced monthly.	27,084,800	27,084,800	Concurrent primary mortgage bond No. 721/3274 dated 19th & 22nd December 2006 and 1st of January 2007 for Rs. 30 Million executed over freehold property of 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	19,770,052	19,739,224	Concurrent primary mortgage bond No. 721/3274 dated 19th & 22nd December 2006 and 1st of January 2007 for Rs. 30 million executed over freehold property of 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.	3,121,326	4,044,579	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 02 directors of the company.



For the year ended 31 March 2022

Note. 27 - 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 Registered Concurrent Primary Floating Mortgage Bonds totalling to Rs. 208,900,000/- to be enhanced 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 and 8th 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.	15,000,000	15,000,000	The Existing Registered Concurrent Mortgage Bonds totalling 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	Short term Loan Rs. 15 million	13% p.a	01st to 05th month only the interest and on 06th month capital + interest.	14,234,485	14,610,030	Loan agreement for short term loan amount to Rs. 15 Million.



For the year ended 31 March 2022

Note 28 - Events after the end of the reporting date

No circumstances of significance have arisen since the end of the reporting date, which would require adjustments to or disclosure in the Financial Statements.

Note 29 - Related party disclosures

Note 29.1 - The Directors of the Company are also the Directors of the following companies;

Note 29.1 - Key Management Personnel of the Company

The Key Management personnel (KMP) comprise the members of its Board of Directors.

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	- Director

Subsequently retired directors details:

Mr. M. Mahir - Non Executive Director

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.	Dr. I. U. Maniku	Parent Company
Universal Enterprise (Pvt) Ltd.	Mr. A. M. Didi	Parent Company
Universal Enterprise (Pvt) Ltd.	Mr. M. M. Didi	Parent Company
Universal Enterprise (Pvt) Ltd.	Mr. Ali Nooradeen	Parent Company

Note 29.2 - 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 2022

Note 29.2.1 - Management fee payments / Loan

Name of the related party	Nature of Transaction	2021/22 Rs.	2020/21 Rs.
Mahaweli Hotel Management Services (Pvt.) Ltd.	Management Fees	25,385,805	12,618,181
	Loan Receipt	3,478,854	
Basis of Management Fees calculation (Net Turnover + Service Charges) * 6% + (7% on Net Profit after Depreciation & Finance Charges)			

Note 29.2.2 - Borrowings from related parties

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

The details of the transaction is as follows :

Date granted	Amount granted Rs.	Amount outstanding as at 01.04.2021 Rs.	Rental paid during 2020/21 Rs.	Amount outstanding as at 31.03.2022 Rs.	Amount outstanding as at 31.03.2021 Rs.
24.02.2021	10,000,000	11,563,620	(2,243,363)	9,320,257	11,563,620

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 it's Board of Directors. Key management personnel compensation;

	2021/22 Rs.	2020/21 Rs.
(a) Short-term employee benefits	11,952,093	9,510,212
(b) Post employment benefits	nil	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.



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
Mr. Jayantha Atul Panabokke
Mr. Ahamed Mahir Didi
Mr. Abbasally Nuruddin Esufally
Mr. Wajjiya Priyantha Hettiaratchi
Mr. Ahamed Umar Maniku
Mr. Ali Noordeen
Mr. Jayampathy Charitha Ratwatte
Mr. Ranjeevan Seevaratnam
Mr. Joseph Rosario Philip Mancius Pavia
Ms. Dayanthi Lakshmi Panabokke
Mr. Janaka Asitha Panabokke
Mr. Priyanjith Buddhika Panabokke

or failing him,
or failing him,
or failing him,
or failing him,
or failing him,
or failing him,
or failing him,
or failing him,
or failing him,
or failing her,
or failing him,

as *my/our proxy to attend and vote at the 48th Annual General Meeting of the Company to be held on theday of September 2022 at 11.00 a.m., at the registered office of the Company No. 35, P. B. A. Weerakoon Mawatha, Kandy, Sri Lanka by way of audio and audio visual means in view of the social distancing measures required. All information in this respect will be provided for the following purposes and any adjournment thereof and at every poll which may be taken in consequence thereof.

- | | | |
|---|--------------------------|--------------------------|
| 1. To adopt the Annual Report of the Board of Directors and the Financial Statements for the year ended 31st March 2022, together with the Report of the Independent Auditors thereon | ☐ | ☐ |
| 2. To re-elect Mr. A. M. Didi who retires by rotation in terms of Articles 90, 91 & 92 of the Articles of Association of the Company | ☐ | ☐ |
| 3. To re-elect Mr. J. R. P. M Paiva who retires by rotation in terms of Articles 90, 91 & 92 of the Articles of Association of the Company | ☐ | ☐ |
| 4. To re-elect Ms. D. L. Panabokke who retires by rotation in terms of Articles 90, 91 & 92 of the Articles of Association of the Company | ☐ | ☐ |
| 5. To re- elect Mr. J. A. Panabokke who retires by rotation in terms of Articles 90,91 & 92 of the Articles of Association of the Company | ☐ | ☐ |
| 6. To re-appoint Mr. R. Seevaratnam who is over Seventy years of age as a Director of the Company. | ☐ | ☐ |
| 7. To re-appoint Mr. M. U. Maniku who is over Seventy years of age as a Director of the Company. | ☐ | ☐ |
| 8. To re-appoint Mr. J. C. Ratwatte who is over Seventy years of age as a Director of the Company. | ☐ | ☐ |
| 9. To authorize the Board of Directors to determine contributions to charities and other Donations. | ☐ | ☐ |
| 10. To re-appoint Messrs. Bakertily Edirisinghe & Co, Chartered Accountants as Auditors of the Company as set out in Section 154(1) of the Companies Act No. 07 of 2007 and to authorize the Directors to determine their remuneration. | ☐ | ☐ |

Signed thisday of Two Thousand and Twenty Two (2022).

Signature /s

Note:

- (a) *Please delete the inappropriate words.
(b) A shareholder entitled to attend and vote at a General Meeting of the company, is entitled to appoint a proxy to attend and vote instead of him/ her and the proxy need not be a shareholder of the company. A proxy so appointed shall have the right to vote on a show of hands or on a poll and to speak at the General Meeting of the shareholders.
(c) A shareholder is not entitled to appoint more than one proxy to attend on the same occasion.
(d) Instructions are noted on the reverse hereof.

Note: Instructions as to completion are noted on the reverse.



INSTRUCTIONS AS TO COMPLETION...

1. Kindly perfect the form of proxy after filling in legibly your full name and address, by signing in the space provided. Please fill in the date of signature.
2. If you wish to appoint a person other than the Directors as your proxy, please insert the relevant details in the space provided overleaf.
3. In terms of Article 72 of the Articles of Association of the Company:
 - 1) Any Shareholder entitled to attend and vote at a meeting shall be entitled to appoint another person (whether a shareholder or not) as his proxy to attend and vote instead of him. A proxy so appointed shall have the same right as the Shareholder to vote on a show of hands or on a poll and to speak at the meeting.
 - 2) An instrument appointing a proxy shall be in writing and:
 - (a) in the case of an individual shall be signed by the appointor or by his attorney; and
 - (b) in the case of a corporation shall be either under the common seal, or signed by its attorney, or by an authorized officer on behalf of the corporation.
 - 3) An instrument appointing a proxy or the power of attorney or other authority, if any, must be left or received at the Office or such other place (if any) as is specified for the purpose in the notice convening the meeting not less than forty eight (48) hours before the time appointed for the holding of the meeting or adjourned meeting (or in the case of a poll before the time appointed for the taking of the poll) at which it is to be used and in default shall not be treated as valid unless the Directors otherwise determine.
4. Where there are joint registered holders of any Share, any one (01) of such persons may vote and be reckoned in a quorum at any meeting either personally or by proxy as if he were solely entitled thereto and if more than one (01) of such joint holders be so present at any meeting, one (01) of such persons so present whose name stands first in the Register in respect of such Share, shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased Shareholder in whose name any Share stands shall for the purpose of this Article be deemed joint holders thereof.
5. To be valid the completed form of proxy should be deposited at the Registered Office of the Company situated at No. 35, P.B.A. Weerakoon Mawatha, Kandy, Sri Lanka not later than 11.00 a.m., on 26th September 2022.

Please fill in the following:

Name :

Address :

Jointly :

Folio No. :





Corporate Information

Name of the Company

Mahaweli Reach Hotels PLC

Legal Form

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

Company Registration No. PQ 127

Directors

Mr. M. U. Maniku – Chairman
Mr. J. A. Panabokke – Managing Director
Mr. A. N. Esufally
Mr. A. U. Maniku
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
Mr. J. R. P. M. Paiva
Ms. D. L. Panabokke - Alternate Director Mr. P. B. Panabokke
Mr. J. Asitha Panabokke

Audit Committee

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

Remuneration Committee

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

Related Party Transaction Review Committee

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

Secretaries

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

Lawyers

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

Auditors

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

Bankers

Hatton National Bank – Kandy
Bank of Ceylon – Kandy
Commercial Bank of Ceylon – Kandy
Sampath Bank – Katugastota

Registered Office

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



MAHAWELI REACH
SRI LANKA

OUR WORLD REVOLVES AROUND YOURS