

MAHAWELI REACH HOTELS PLC

INTERIM FINANCIAL STATEMENTS

FOR THE 03 MONTHS ENDED

30 JUNE 2017.

MAHAWELI REACH HOTELS PLC
STATEMENT OF COMPREHENSIVE INCOME

NOTE	For the 03 Months Ended 30 June	
	Unaudited 2017 Rs.	Unaudited 2016 Rs.
Revenue	95,922,813	97,767,273
Cost of sales	(67,409,451)	(68,516,187)
Gross profit	28,513,362	29,251,086
Other income	11,185,508	11,729,465
Marketing & Promotional expenses	(6,505,270)	(6,251,036)
Administrative & Other expenses	(62,965,359)	(63,231,241)
Operating profit	(29,771,759)	(28,501,727)
Finance costs	(5,761,511)	(5,208,169)
Finance income	263,775	182,625
Finance costs - net	(5,497,736)	(5,025,544)
Profit before income tax	(35,269,495)	(33,527,271)
Income tax expense	(1,046,914)	-
Profit/(Loss) for the period	(36,316,409)	(33,527,271)
Earning/(Loss) per Share Rs.		
Basic	(0.77)	(0.71)

MAHAWELI REACH HOTELS PLC
STATEMENT OF FINANCIAL POSITION

	Unaudited 30.06.2017 Rs.	Unaudited 30.06.2016 Rs.
Assets		
Non-current assets		
Property Plant & Equipment	1,290,050,884	1,301,449,862
Deferred Tax Assets	48,257,911	52,809,848
Work in Progress	42,580,257	14,721,160
Current assets		
Inventories	21,138,796	22,963,800
Trade & Other Receivables	39,291,114	29,684,633
Other current assets	39,224,684	16,791,732
Cash and Cash Equivalents	3,054,898	72,222,210
Total Assets	1,483,598,545	1,510,643,245
Equity and liabilities		
Stated Capital	585,445,870	585,445,870
Revaluation Reserves	538,688,179	538,688,179
Retained Earnings	1,086,420	13,583,489
Total equity	1,125,220,469	1,137,717,538
Liabilities		
Non-current liabilities		
Interest Bearing Borrowings	72,360,969	118,520,852
Deferred Tax Liability	94,627,197	83,079,870
Retirement Benefit Obligations	47,208,170	45,133,461
	214,196,336	246,734,183
Current liabilities		
Trade and Other Payables	44,729,404	39,832,473
Due to Related Companies	16,083,962	8,314,453
Other Current Liabilities	11,845,780	2,438,176
Current Portion of Interest Bearing Borrowings	30,563,970	36,563,970
Bank Overdrafts	40,958,623	39,042,451
	144,181,740	126,191,524
Total liabilities	358,378,076	372,925,707
Total equity and liabilities	1,483,598,545	1,510,643,245

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


Sanjeeva Wickramasinghe
Chief Accountant

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

Signed for and on behalf of the Board


J A Panabokka
Director
08 August 2017


W P Hettiaratchi
Director

MAHAWELI REACH HOTELS PLC
STATEMENT OF CHANGES IN EQUITY

	Stated Capital Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 1st April 2017	585,445,870	538,688,179	37,402,829	1,161,536,878
Profit or loss	-	-	(36,316,409)	(36,316,409)
Balance as at 30 June 2017	585,445,870	538,688,179	1,086,420	1,125,220,469
Balance as at 1st April 2016	585,445,870	538,688,179	47,110,760	1,171,244,809
Profit or loss	-	-	(33,527,271)	(33,527,271)
Balance as at 30 June 2016	585,445,870	538,688,179	13,583,489	1,137,717,538

MAHAWELI REACH HOTELS PLC
STATEMENT OF CASH FLOWS

	Unaudited 30.06.2017 Rs.	Unaudited 30.06.2016 Rs.
Cash flow from operating activities		
Profit / (Loss) for the period	(35,269,495)	(33,527,271)
Adjustments for :-		
Depreciation of Property, plant and equipment	15,844,156	14,497,257
Interest Expenses	3,046,699	4,158,984
Movement in Provision for Gratuity & Accruals	(2,546,702)	(232,251)
Changes in Operating Assets and Liabilities :-		
(Increase) / Decrease In Inventories	(76,987)	(2,334,188)
(Increase) / Decrease In Trade and other receivables	24,102,854	21,019,048
Increase / (Decrease) in due to related parties	12,427,303	(16,603,065)
Increase / (Decrease) In Trade & Other payables	(16,504,419)	(21,269,486)
	1,023,408	(34,290,973)
Interest paid	(3,046,699)	(4,158,984)
Tax paid	(1,046,914)	-
<i>Net cash generated from operating activities</i>	(3,070,205)	(38,449,957)
Cash flows from investing activities		
Purchases of Property Plant & Equipments	(20,587,931)	(13,260,760)
<i>Net cash used in investing activities</i>	(20,587,931)	(13,260,760)
Cash flows from financing activities		
Repayment of Loans & Leases	(10,614,677)	(7,895,813)
<i>Net cash used in financing activities</i>	(10,614,677)	(7,895,813)
<i>Net increase in cash and cash equivalents</i>	(34,272,813)	(59,606,530)
Cash & Cash equivalents at beginning of the year	(3,630,912)	92,786,288
Cash & cash equivalents at end of period	(37,903,724)	33,179,759

MAHAWELI REACH HOTELS PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS

CORPORATE INFORMATION

INTERIM CONDENSED FINANCIAL STATEMENTS

APPROVAL OF FINANCIAL STATEMENTS

The interim condensed financial statements of the Company for the 03 Months ended 30 June 2017 were authorised for issue by the Board of Directors on 08 August 2017.

BASIS OF PREPARATION

The interim condensed financial statements have been prepared in compliance with Sri Lanka Accounting Standard (SLAS) LKAS 34 - Interim Financial Reporting. These interim condensed financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2018.

These financial statements quarter ended 30 June 2017 have been prepared on a historical cost basis, except for land and buildings.

SIGNIFICANT ACCOUNTING POLICIES

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

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

Finance costs

Finance Income comprise interest income from Staff Loans.

Finance cost comprise interest expense on borrowings.

Financial assets

Initial recognition and measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available for sale financial assets, as appropriate and determines the classification of its financial assets at initial recognition. At the reporting date there were no financial assets at fair value through profit or loss, available for sale and held to maturity investments.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction cost.

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

Subsequent measurement

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

Loans and receivables

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

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

Derecognition

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

The right to receive cash flows from the asset have expired

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

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

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

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

Impairment of financial assets

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

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

Borrowings

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

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

Offsetting of financial instruments

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

Derecognition

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

Financial risk management objectives and policies

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

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

Share Information

Public share holdings

The percentage of shares held by the public as at 30 June 2017 was 24.47% (30 June 2016- 24.47%)

Directors' share holdings

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

As at	30-Jun-16	30-Jun-16
Mr J A Panabokke	1,965,791	542,388
Mr M U Maniku	1,217,306	1,217,306
Mr R T Molligoda	626,200	626,200
Mr A N Esufally	332,000	332,000
Ms D L Panabokke	124,634	74,234
Mr J Asitha Panabokke (Alternate Director to Ms D L Panabokke)	98,400	72,400
	<u>4,364,331</u>	<u>2,864,528</u>

Twenty largest shareholders of the company are as follows:

As at	30-Jun-17	%
Universal Enterprises Pvt Ltd	32,683,550	69.44
Freudenberg Shipping Agencies Limited	3,279,951	6.97
Mr J A Panabokke	1,965,791	4.18
Mr B D Panabokke	1,502,843	3.19
Mr M U Maniku	1,217,306	2.59
Estate of late Mr K M Panabokke	829,304	1.76
Estate of Late Mrs L R Panabokke	819,050	1.74
Mr R T Molligoda	626,200	1.33
Mercantile Investments and Finance PLC	507,000	1.08
Mr A N Esufally	332,000	0.71
Mackwoods Securities Limited	229,627	0.49
National Savings Bank	133,300	0.28
Ms. D L Panabokke	124,634	0.26
Mrs. K D Panabokke	124,284	0.26
Dee Investments Pvt Ltd	110,000	0.23
Mr J A Panabokke	98,400	0.21
Alliance Finance Company PLC	71,928	0.15
Mackwoods Enterprises Limited	66,593	0.14
Mr. R Ratnagopal	57,800	0.12
Rosewood Pvt Ltd Account No 01.	50,000	0.11
Others	2,236,886	4.75
	<u>47,066,447</u>	<u>100.00</u>

Stated capital

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

As at 30 June 2017	No of Shares	Holding %	No of Shareholders
Others	37,172,165	78.98	08
Public	9,894,282	21.02	2188
Ordinary shares	47,066,447	100.00	2196

Net assets per share As at

30-Jun-17	30-Jun-16
23.91	24.17

Net assets per share have been calculated, for all periods, based on the number of shares in issue as at 30 June 2017.

Market price per share

For the quarter ended 30 June	2017	2016
	Rs.	Rs.
Highest	21.90	23.70
Lowest	19.00	20.60
Last traded	19.50	22.50

Contingencies, capital and other commitments

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

Event after the reporting period

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