

# **MAHAWELI REACH HOTELS PLC**

***INTERIM FINANCIAL STATEMENTS***

***FOR THE 06 MONTHS ENDED***

***30 SEPTEMBER 2014.***

**MAHAWELI REACH HOTELS PLC**  
**STATEMENT OF COMPREHENSIVE INCOME**

Audited 31.03.2014	NOTE	For the 03 Months Ended 30th September		For the 06 Months Ended 30th September	
		2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
531,340,718	Revenue	151,703,733	128,155,582	252,157,496	218,700,672
(218,952,764)	Cost of sales	(65,280,341)	(54,447,268)	(118,896,247)	(102,442,994)
<b>312,387,954</b>	<b>Gross profit</b>	<b>86,423,391</b>	<b>73,708,314</b>	<b>133,261,249</b>	<b>116,257,678</b>
32,216,866	Other income	9,142,629	7,948,895	16,762,423	14,051,675
(21,676,877)	Marketing & Promotional expenses	(8,048,108)	(4,982,449)	(13,610,430)	(10,264,592)
(258,340,815)	Administrative & Other expenses	(67,107,056)	(61,760,872)	(124,872,601)	(113,345,203)
<b>64,587,128</b>	<b>Operating profit</b>	<b>20,410,858</b>	<b>14,913,888</b>	<b>11,540,641</b>	<b>6,699,558</b>
(22,535,045)	Finance costs	(5,032,715)	(6,161,382)	(9,449,577)	(10,914,991)
609,258	Finance income	184,275	156,613	621,273	317,749
(21,925,787)	Finance costs - net	(4,848,440)	(6,004,769)	(8,828,304)	(10,597,242)
<b>42,661,341</b>	<b>Profit before income tax</b>	<b>15,562,418</b>	<b>8,909,119</b>	<b>2,712,337</b>	<b>(3,897,684)</b>
(5,050,811)	Income tax expense	-	-	-	-
<b>37,610,530</b>	<b>Profit for the period</b>	<b>15,562,418</b>	<b>8,909,119</b>	<b>2,712,337</b>	<b>(3,897,684)</b>
<b>Earning per Share Rs.</b>					
0.80	Basic	0.33	0.19	0.06	(0.08)

**MAHAWELI REACH HOTELS PLC**  
**STATEMENT OF FINANCIAL POSITION**

Audited 31.03.2014

Unaudited as at  
30.09.2014  
Rs.

Unaudited as at  
30.09.2013  
Rs.

Assets			
<b>Non-current assets</b>			
1,053,029,898	Property Plant & Equipment	1,058,972,903	1,045,153,262
45,842,434	Deferred Tax Assets	45,842,434	43,548,882
61,694,306	Work in Progress	73,876,170	35,357,523
<b>Current assets</b>			
21,633,925	Inventories	22,761,069	24,576,325
55,566,301	Trade & Other Receivables	55,168,706	45,279,130
21,127,530	Other current assets	18,917,452	29,964,091
1,992,996	Cash and Cash Equivalents	4,131,549	2,341,158
<b>100,320,752</b>		<b>100,978,777</b>	<b>102,160,704</b>
<b>1,260,887,390</b>	<b>Total Assets</b>	<b>1,279,670,284</b>	<b>1,226,220,373</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
585,562,470	Stated Capital	585,445,870	585,562,470
417,122,058	Revaluation Reserves	417,122,058	417,122,058
(49,464,034)	Retained Earnings	(46,751,697)	(90,972,247)
<b>953,220,494</b>	<b>Total equity</b>	<b>955,816,230</b>	<b>911,712,281</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
94,309,552	Interest Bearing Borrowings	82,059,589	110,249,571
48,372,299	Deferred Tax Liability	48,372,299	46,332,944
28,821,998	Retirement Benefit Obligations	28,152,533	23,854,539
<b>Current liabilities</b>			
33,732,462	Trade and Other Payables	39,310,294	28,324,024
29,426,968	Due to Related Companies	33,507,982	30,619,991
21,807,791	Other Current Liabilities	14,546,573	14,000,280
50,264,626	Current Portion of Interest Bearing Borrowings	43,634,952	37,441,584
931,200	Bank Overdrafts	34,269,832	23,685,160
<b>307,666,896</b>	<b>Total liabilities</b>	<b>323,854,053</b>	<b>314,508,093</b>
<b>1,260,887,390</b>	<b>Total equity and liabilities</b>	<b>1,279,670,284</b>	<b>1,226,220,373</b>

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

  
 Sanjeewa Wickramasinghe  
 Accountant

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

Signed for and on behalf of the Board

  
 J A Pathirajake  
 Director  
 29 October 2014

  
 W P Hettiaratchi  
 Director

**MAHAWELI REACH HOTELS PLC**  
**STATEMENT OF CHANGES IN EQUITY**

	<b>Stated Capital Rs.</b>	<b>Revaluation Reserve Rs.</b>	<b>Retained Earnings Rs.</b>	<b>Total Rs.</b>
<b>Balance as at 1st April 2014</b>	<b>585,562,470</b>	<b>417,122,058</b>	<b>(49,464,034)</b>	<b>953,220,494</b>
Profit or loss	-	-	2,712,337	2,712,337
Preference Share Redemption	(116,600)	-	-	(116,600)
<b>Balance as at 30 September 2014</b>	<b>585,445,870</b>	<b>417,122,058</b>	<b>(46,751,697)</b>	<b>955,816,230</b>
<b>Balance as at 1st April 2013</b>	<b>585,562,470</b>	<b>417,122,058</b>	<b>(87,074,564)</b>	<b>915,609,964</b>
Profit or loss	-	-	(3,897,684)	(3,897,684)
<b>Balance as at 30 September 2014</b>	<b>585,562,470</b>	<b>417,122,058</b>	<b>(90,972,248)</b>	<b>911,712,279</b>

**MAHAWELI REACTII HOTELS PLC**  
**STATEMENT OF CASH FLOWS**

Audited 31.03.2014	Unaudited as at 30.09.2014	Unaudited as at 30.09.2013	
	Rs.	Rs.	
<b>Cash flow from operating activities</b>			
42,661,341	Profit / (Loss) for the period	2,712,337	(3,897,684)
<b>Adjustments for :-</b>			
38,854,437	Depreciation of Property, plant and equipment	19,947,681	18,000,000
19,177,105	Interest Expenses	6,386,164	9,168,716
5,133,709	Provision for Gratuity	-	-
2,633,918	Impairment provision for bad debts	-	-
1,393,870	Inventory Written-off	-	-
109,854,380	<b>Changes in Operating Assets and Liabilities :-</b>	<b>29,046,182</b>	<b>23,271,032</b>
1,763,720	(Increase) / Decrease In Inventories	(1,127,144)	215,190
28,908,883	(Increase) / Decrease In Trade and other receivables	2,607,673	32,993,410
(3,148,681)	Increase / (Decrease) in due to related parties	4,081,014	(1,955,658)
7,981,123	Increase / (Decrease) In Trade & Other payables	1,545,049	(8,037,949)
145,359,426		36,152,774	46,486,025
(19,177,105)	Interest paid	(6,386,164)	(9,168,716)
(694,462)	Gratuity paid	(669,465)	(528,213)
(8,108,131)	Tax paid	(3,228,436)	-
117,379,729	<i>Net cash generated from operating activities</i>	25,868,709	36,789,096
<b>Cash flows from investing activities</b>			
(130,203,054)	Purchases of Property Plant & Equipments	(38,189,153)	(91,010,819)
(130,203,054)	<i>Net cash used in investing activities</i>	(38,189,153)	(91,010,819)
<b>Cash flows from financing activities</b>			
35,000,000	Proceeds from Loans	-	35,000,000
(35,297,305)	Repayment of Loans & Lenses	(18,879,635)	(16,304,703)
(297,305)	<i>Net cash used in financing activities</i>	(18,879,635)	18,695,297
(13,120,630)	<i>Net increase in cash and cash equivalents</i>	(31,200,079)	(35,526,426)
14,182,426	Cash & Cash equivalents at beginning of the year	1,061,796	14,182,426
1,061,796	<b>Cash &amp; cash equivalents at end of period</b>	<b>(30,138,283)</b>	<b>(21,344,001)</b>

**CORPORATE INFORMATION**

**INTERIM CONDENSED FINANCIAL STATEMENTS**

**APPROVAL OF FINANCIAL STATEMENTS**

The interim condensed financial statements of the Company for the 06 months ended 30 September 2014 were authorised for issue by the Board of Directors on 29 October 2014.

**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 2015.

These financial statements quarter ended 30 September 2014 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.

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 September 2014 was 24.42%( 30 September 2013- 24.59%)

### Directors' share holdings

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

As at	30-Sep-14	30-Sep-13
Mr J A Panabokke	540,388	520,388
Mr M U Maniku	1,217,306	1,160,380
Mr R T Molligoda	626,200	626,200
Mr A N Esufally	332,000	332,000
Mr K M Panabokke	170,519	170,519
	<u>2,886,413</u>	<u>2,809,487</u>

### Twenty largest shareholders of the company are as follows:

As at	30-Sep-14	%
Universal Enterprises Pvt Ltd	32,683,550	69.44
Estate of Late Mrs L R Panabokke	4,445,062	9.44
Freudenberg Shipping Agencies Limited	2,296,875	4.88
Mr M U Maniku	1,217,306	2.59
Mr R T Molligoda	626,200	1.33
Mercantile Investments and Finance PLC	507,000	1.08
Mr J A Panabokke	484,104	1.03
Mr A N Esufally	332,000	0.71
Gold Investments Ltd	245,000	0.52
Mr J R De Silva	236,919	0.50
Mr A W Nanayakkara	177,500	0.38
Mr K M Panabokke	164,000	0.35
National Savings Bank	153,300	0.28
Dee Investments Pvt Ltd	110,000	0.23
Mr. R A L White	101,554	0.22
Mr J A Panabokke	72,400	0.15
Alliance Finance Company PLC	71,928	0.15
Mr. P Sivagananathan	70,000	0.15
Mr. R Ratnagopal	57,800	0.12
Mrs. K D Panabokke	56,284	0.12
Others	2,977,665	6.33
	<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 September 2014	No of Shares	Holding %	No of Shareholders
Others	35,569,963	75.57	08
Public	11,496,484	24.43	2237
Ordinary shares	47,066,447	100.00	2245

### Net assets per share As at

30-Sep-14	30-Sep-13
20.31	19.70

Net assets per share have been calculated, for all periods, based on the number of shares in issue as at 30 September 2014.

### Market price per share

For the quarter ended 30 September	2014	2013
	Rs.	Rs.
Highest	27.20	20.00
Lowest	19.00	14.7
Last traded	25.20	16.1

### 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.

The following Capital expenditure has been approved by board of Directors but not paid so far,

Spa Rs. 2Mn

### Preference shares

The 11,660 Redeemable Preference shares of Rs.10/- each totalling to Rs.116,600/- issued prior to 1987 were redeemed in terms of the duly approved Board Resolution. These shares were not quoted in the Colombo Stock Exchange.

### Event after the reporting period

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