

MAHAWELI REACH HOTELS PLC

INTERIM FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED

31 MARCH 2018.

MAHAWELI REACH HOTELS PLC
STATEMENT OF COMPREHENSIVE INCOME

NOTE	For the 03 Months Ended 31st March		For the 12 Months Ended 31st March	
	2018 Rs.	2017 Rs.	Unaudited 2018 Rs.	Audited 2017 Rs.
Revenue	175,956,885	168,083,692	544,680,346	599,147,601
Cost of sales	(78,618,639)	(75,031,332)	(289,090,454)	(272,748,292)
Gross profit	97,338,246	93,052,360	255,589,892	326,399,309
Other income	12,607,649	17,327,147	46,423,992	30,123,987
Marketing & Promotional expenses	(8,436,467)	(9,576,670)	(30,327,490)	(28,248,669)
Administrative & Other expenses	(76,206,574)	(73,023,561)	(284,373,146)	(289,020,814)
Operating profit	25,302,253	27,779,276	(12,686,751)	39,253,813
Finance costs	(5,918,247)	(6,136,894)	(23,270,246)	(23,380,227)
Finance income	236,875	606,764	980,608	3,415,189
Finance costs - net	(5,681,372)	(5,530,130)	(22,289,640)	(19,965,038)
Profit before income tax	(9,620,881)	22,249,146	(34,976,391)	19,288,775
Income tax expense	(1,312,204)	(907,802)	(3,770,230)	(11,530,755)
Profit/(Loss) for the period	(8,308,677)	21,341,344	(38,746,621)	7,758,020
Other Comprehensive Income				
Items that will never be reclassified to Profit or Loss				
Re- Measurement of Defined Benefit & Liability	-	-	-	1,609,174
Related Tax	-	-	-	(193,101)
Other Comprehensive Income for the Year, Net of Tax	-	-	-	1,416,073
Total Comprehensive Income for the Year	18,308,677	21,341,344	(38,746,621)	9,174,093
Earning/(Loss) per Share Rs.				
Earning/(Loss) per Share Rs.				
Basic	0.39	0.45	(0.82)	0.16

MAHAWELI REACH HOTELS PLC
STATEMENT OF FINANCIAL POSITION

	Unaudited 31.03.2018 Rs.	Audited 31.03.2017 Rs.
Assets		
Non-current assets		
Property Plant & Equipment	1,278,435,024	1,307,280,721
Deferred Tax Assets	44,197,512	44,197,512
Work in Progress	58,685,800	27,449,353
Current assets		
Inventories	21,728,918	21,061,810
Trade & Other Receivables	64,948,781	70,420,118
Other current assets	30,693,856	36,427,833
Cash and Cash Equivalents	11,633,365	28,663,889
	129,004,920	156,573,650
Total Assets	1,510,323,255	1,535,501,236
Equity and liabilities		
Equity		
Stated Capital	585,445,870	585,445,870
Revaluation Reserves	538,688,179	538,688,179
Retained Earnings	(2,180,366)	36,566,255
Total equity	1,121,953,683	1,160,700,304
Liabilities		
Non-current liabilities		
Interest Bearing Borrowings	102,374,601	76,801,134
Deferred Tax Liability	95,996,469	95,996,469
Retirement Benefit Obligations	52,429,654	51,435,969
	250,800,724	224,233,572
Current liabilities		
Trade and Other Payables	62,939,433	79,689,608
Due to Related Companies	11,106,325	3,536,737
Other Current Liabilities	3,271,301	953,855
Current Portion of Interest Bearing Borrowings	16,197,276	36,626,161
Bank Overdrafts	44,054,512	29,760,999
	137,568,847	150,567,360
Total liabilities	388,369,572	374,800,932
Total equity and liabilities	1,510,323,255	1,535,501,236

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. Panigboko
 Director
 09 May 2018


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	36,566,255	1,160,700,304
Profit or loss	-	-	(38,746,621)	(38,746,621)
Balance as at 31 March 2018	585,445,870	538,688,179	(2,180,366)	1,121,953,683
Balance as at 1st April 2016	585,445,870	538,688,179	27,392,162	1,151,526,211
Profit or loss	-	-	7,758,020	7,758,020
Total Other Comprehensive Income for the Year	-	-	1,416,073	1,416,073
Balance as at 31 March 2017	585,445,870	538,688,179	36,566,255	1,160,700,304

MAHAWELI REACH HOTELS PLC
STATEMENT OF CASH FLOWS

	Unaudited 31.03.2018 Rs.	Audited 31.03.2017 Rs.
Cash flow from operating activities		
Profit / (Loss) for the period	(34,976,391)	19,288,775
Adjustments for :-		
Depreciation of Property, plant and equipment	64,869,629	54,635,861
Interest Expenses	11,622,439	19,356,736
Movement in Provision for Gratuity & Accruals	6,000,000	8,256,448
Disposal (Profit) / Loss	-	(6,177,735)
Impairment provision for bad debts	450,000	2,456,044
Written Back/Off of Payables/Receivables	-	(798,734)
Changes in Operating Assets and Liabilities :-	47,965,676	97,017,395
(Increase) / Decrease In Inventories	(667,108)	(432,199)
(Increase) / Decrease In Trade and other receivables	10,755,314	(32,478,039)
Increase / (Decrease) in due to related parties	7,569,588	(21,772,955)
Increase / (Decrease) In Trade & Other payables	(14,432,729)	10,481,195
	51,190,742	52,815,397
Interest paid	(11,622,439)	(16,731,171)
Gratuity paid	(5,006,315)	(1,417,139)
Tax paid	(3,770,230)	(11,023,695)
<i>Net cash generated from operating activities</i>	30,791,758	23,643,392
Cash flows from investing activities		
Purchases of Property Plant & Equipments	(67,260,378)	(68,159,717)
Proceeds from Sale of Property Plant & Equipments	-	10,900,000
<i>Net cash used in investing activities</i>	(67,260,378)	(57,259,717)
Cash flows from financing activities		
Proceeds from Loans	40,000,000	-
Repayment of Loans & Leases	(34,855,419)	(61,338,001)
<i>Net cash used in financing activities</i>	5,144,581	(61,338,001)
Net increase in cash and cash equivalents	(31,324,038)	(94,954,326)
Cash & Cash equivalents at beginning of the year	(1,097,110)	93,857,216
Cash & cash equivalents at end of period	(32,421,147)	(1,097,110)

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 12 months ended 31 March 2018 were authorised for issue by the Board of Directors on 09 May 2018.

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 31 March 2018 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 31 March 2018 was 19.86% (31 March 2017- 21.02%)

Directors' share holdings

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

As at	31-Mar-18	31-Mar-17
Mr J A Panabokke	1,905,858	1,965,791
Mr M U Mamsu	1,217,306	1,217,306
Mr R T Molligoda	626,200	626,200
Mr A N Esubally	332,000	332,000
Ms D L Panabokke	174,634	124,634
Mr J Asitha Panabokke (Alternate Director to Ms D L Panabokke)	151,987	98,400
	<u>4,407,985</u>	<u>4,364,331</u>

Twenty largest shareholders of the company are as follows:

As at	31-Mar-18	%
Universal Enterprises Pvt Ltd	32,683,550	69.44
Freudenberg Shipping Agencies Limited	3,279,951	6.97
Mr J A Panabokke	1,905,858	4.05
Mr B D Panabokke	1,502,843	3.19
Mr M U Mamsu	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
Mr J A Panabokke & Mrs K D Panabokke	502,459	1.07
Mr A N Esubally	332,000	0.71
Mackwoods Securities Limited	229,627	0.49
Ms D L Panabokke	174,634	0.37
Mr J Asitha Panabokke	151,987	0.32
National Savings Bank	133,300	0.28
Mrs K D Panabokke	124,284	0.26
Dee Investments Pvt Ltd	109,800	0.23
Alliance Finance Company PLC	71,928	0.15
Mackwoods Enterprises Limited	66,593	0.14
Mr R Rattagopal	57,800	0.12
Rosewood (Pvt) Ltd - Account No D1	30,000	0.11
Others	2,197,873	4.67
	<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 31 March 2018	No of Shares	Holding %	No of Shareholders
Others	37,718,278	80.14	08
Public	9,348,169	19.86	2218
Ordinary shares	<u>47,066,447</u>	<u>100.00</u>	<u>2226</u>

Net assets per share As at

31-Mar-18	31-Mar-17
23.84	24.66

Net assets per share have been calculated, for all periods, based on the number of shares in issue as at 31 March 2018

Market price per share

For the quarter ended 31 March	2018	2017
	Rs.	Rs.
Highest	19.80	22.00
Lowest	16.80	18.00
Last traded	17.20	19.00
Market Capitalization on 31 March	<u>809,542,888</u>	<u>894,262,493</u>

Minimum Public Holding Requirement as per Listing Rules 7.13.1

	Float Adjusted Market Capitalisation - (Rs.)	Public Holding Percentage	No of Shareholders	Options
Minimum Public Holding	160,775,218	19.86	2,218	2

Contingencies, capital and other commitments

A Contingent Liability of Rs 10 million exists due to a legal claim by a customer in the ordinary course of business. Mahaweli Rench 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.