

MAHAWELI REACH HOTELS PLC

INTERIM FINANCIAL STATEMENTS

FOR THE 09 MONTHS ENDED

31 DECEMBER 2017.

MAHAWELI REACH HOTELS PLC
STATEMENT OF COMPREHENSIVE INCOME

Audited 31.03.2017	NOTE	For the 03 Months Ended 31st December (Unaudited)		For the 09 Months Ended 31st December (Unaudited)	
		2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
599,147,601	Revenue	124,899,619	144,584,421	366,723,104	421,515,462
(272,748,292)	Cost of sales	(72,220,289)	(74,145,990)	(208,076,355)	(218,824,345)
326,399,309	Gross profit	52,679,330	70,438,431	158,646,749	202,691,117
30,123,987	Other income	10,466,323	13,303,521	35,817,302	39,597,922
(28,248,669)	Marketing & Promotional expenses	(8,388,230)	(6,046,480)	(21,839,631)	(19,342,508)
(289,020,814)	Administrative & Other expenses	(69,358,391)	(67,862,897)	(206,113,432)	(205,407,001)
39,253,813	Operating profit	(14,600,968)	9,832,575	(33,489,013)	17,539,530
(23,380,227)	Finance costs	(6,065,570)	(6,588,113)	(17,352,001)	(18,041,359)
3,415,189	Finance income	238,894	220,455	743,731	593,970
(19,965,038)	Finance costs - net	(5,826,677)	(6,367,658)	(16,608,270)	(17,447,389)
19,288,775	Profit before income tax	(20,427,644)	3,464,917	(50,097,283)	92,141
(11,530,755)	Income tax expense	(881,633)	(1,097,004)	(2,458,026)	(1,709,468)
7,758,020	Profit/(Loss) for the period	(21,309,277)	2,367,913	(52,555,309)	(1,617,327)
	Other Comprehensive Income				
	Items that will never be reclassified to Profit or Loss				
1,609,174	Re- Measurement of Defined Benefit & Liability	-	-	-	-
(193,101)	Related Tax	-	-	-	-
1,416,073	Other Comprehensive Income for the Year, Net of Tax	-	-	-	-
9,174,093	Total Comprehensive Income for the Year	(21,309,277)	2,367,913	(52,555,309)	(1,617,327)
	Earning/(Loss) per Share Rs.				
0.16	Basic	(0.45)	0.05	(1.12)	(0.03)

MAHAWELI REACH HOTELS PLC
STATEMENT OF FINANCIAL POSITION

Audited 31.03.2017		Unaudited as at 31.12.2017 Rs.	Unaudited as at 31.12.2016 Rs.
Assets			
Non-current assets			
1,307,280,721	Property Plant & Equipment	1,279,633,654	1,296,140,404
44,197,512	Deferred Tax Assets	44,197,512	48,257,911
27,449,353	Work in Progress	49,911,829	23,404,441
Current assets			
21,061,810	Inventories	23,735,955	21,479,479
70,420,118	Trade & Other Receivables	61,646,880	64,811,389
36,427,833	Other current assets	36,375,648	25,270,146
28,663,889	Cash and Cash Equivalents	13,449,086	55,339,574
156,573,650		135,207,569	166,900,588
1,535,501,236	Total Assets	1,508,950,563	1,534,703,344
Equity and liabilities			
585,445,870	Stated Capital	585,445,870	585,445,870
538,688,179	Revaluation Reserves	538,688,179	538,688,179
36,566,255	Retained Earnings	(15,989,054)	25,774,835
1,160,700,304	Total equity	1,108,144,995	1,149,908,884
Liabilities			
Non-current liabilities			
76,801,134	Interest Bearing Borrowings	97,178,868	88,953,184
95,996,469	Deferred Tax Liability	95,996,469	94,627,197
51,435,969	Retirement Benefit Obligations	48,553,204	45,102,445
Current liabilities			
79,689,608	Trade and Other Payables	57,431,393	58,392,253
3,536,737	Due to Related Companies	9,174,457	4,418,015
953,855	Other Current Liabilities	7,093,005	9,223,149
36,626,161	Current Portion of Interest Bearing Borrowings	28,817,280	32,357,228
29,760,999	Bank Overdrafts	56,560,892	51,720,990
374,800,932	Total liabilities	400,805,568	384,794,461
1,535,501,236	Total equity and liabilities	1,508,950,563	1,534,703,344

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 Panabokke
Director

'20 January 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	-	-	(52,555,309)	(52,555,309)
Balance as at 31 December 2017	585,445,870	538,688,179	(15,989,054)	1,108,144,995
Balance as at 1st April 2016	585,445,870	538,688,179	27,392,162	1,151,526,211
Profit or loss	-	-	(1,617,327)	(1,617,327)
Balance as at 31 December 2016	585,445,870	538,688,179	25,774,836	1,149,908,884

MAHAWELI REACH HOTELS PLC
STATEMENT OF CASH FLOWS

Audited 31.03.2017		Unaudited as at 31.12.2017 Rs.	Unaudited as at 31.12.2016 Rs.
Cash flow from operating activities			
19,288,775	Profit / (Loss) for the period	(50,097,283)	92,141
Adjustments for :-			
54,635,861	Depreciation of Property, plant and equipment	48,287,265	43,988,809
19,356,736	Interest Expenses	17,352,001	14,722,040
8,256,448	Movement in Provision for Gratuity & Accruals	(313,986)	(374,842)
(6,177,735)	Disposal (Profit) / Loss	-	-
2,456,044	Impairment provision for bad debts	-	-
(798,734)	Written Back of Sundry Creditors	-	-
97,017,395	Operating Profits Before Working Capital Changes	65,325,280	58,336,007
(432,199)	(Increase) / Decrease In Inventories	(2,674,145)	(849,868)
(32,478,039)	(Increase) / Decrease In Trade and other receivables	8,825,423	(13,255,579)
(21,772,955)	Increase / (Decrease) in due to related parties	5,637,720	(20,891,677)
10,481,195	Increase / (Decrease) In Trade & Other payables	(16,119,065)	(8,075,109)
52,815,397		10,897,930	15,355,915
(16,731,171)	Interest paid	(17,352,001)	(14,722,040)
(1,417,139)	Gratuity paid	(2,882,765)	(1,103,389)
(11,023,695)	Tax paid	(2,884,627)	(1,334,627)
23,643,392	Net cash generated from operating activities	(12,221,462)	(1,804,141)
Cash flows from investing activities			
(68,159,717)	Purchases of Property Plant & Equipments	(42,362,088)	(47,275,171)
10,900,000	Proceeds from Sale of Property Plant & Equipments	-	-
(57,259,717)	Net cash used in investing activities	(42,362,088)	(47,275,171)
Cash flows from financing activities			
-	Proceeds from Loans	40,000,000	-
(61,338,001)	Repayment of Loans & Leases	(27,431,147)	(41,159,320)
(61,338,001)	Net cash used in financing activities	12,568,853	(41,159,320)
(94,954,326)	Net increase in cash and cash equivalents	(42,014,697)	(90,238,633)
93,857,216	Cash & Cash equivalents at beginning of the year	(1,097,110)	93,857,216
(1,097,110)	Cash & cash equivalents at end of period	(43,111,806)	3,618,584

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 09 months ended 31 December 2017 were authorised for issue by the Board of Directors on 07 February 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 December 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

Income Tax

Income Tax paid includes payment of Economic Service Charge (ESC) amounting to Rs.881,633, which can be claimed against the future profits.

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 modified and the 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 December 2016 was 19.86%(31 December 2016- 21.25%)

Directors' share holdings

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

As at	31-Dec-17	31-Dec-16
Mr J A Panabokke	1,905,858	1,965,791
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	174,634	94,634
Mr J Asitha Panabokke (Alternate Director to Ms D L Panabokke)	151,987	72,400
	<u>4,407,985</u>	<u>4,308,331</u>

Twenty largest shareholders of the company are as follows:

As at	31-Dec-17	%
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 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
Mr. J A Panabokke & Mrs.K D Panabokke	502,459	1.07
Mr. A N Esufally	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	110,000	0.23
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	2,197,773	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 December 2017	No of Shares	Holding %	No of Shareholders
Others	37,718,278	80.14	8
Public	9,348,169	19.86	2,206
Ordinary shares	47,066,447	100.00	2,214

Net assets per share As at	31-Dec-17	31-Dec-16
	23.54	24.43

Net assets per share have been calculated, for all periods, based on the number of shares in issue as at 31 December 2017.

Market price per share	2017	2016
For the quarter ended 31 December	Rs.	Rs.
Highest	18.50	23.00
Lowest	16.80	19.00
Last traded	16.80	20.80

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.