

MAHAWELI REACH HOTELS PLC

INTERIM FINANCIAL STATEMENTS

FOR THE 09 MONTHS ENDED

31 DECEMBER 2018.


MAHAWELI REACH HOTELS PLC
STATEMENT OF COMPREHENSIVE INCOME

Audited 31.03.2018	NOTE	For the 03 Months Ended 31st December (Unaudited)		For the 09 Months Ended 31st December (Unaudited)	
		2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
548,395,402	Revenue	166,520,211	124,899,619	410,279,784	366,723,104
(270,579,357)	Cost of sales	(83,364,830)	(72,220,289)	(232,397,197)	(208,076,355)
277,816,045	Gross profit	83,155,381	52,679,330	177,882,587	158,646,749
50,608,799	Other income	17,247,249	10,466,323	41,479,788	35,817,302
(30,374,058)	Marketing & Promotional expenses	(8,508,567)	(8,388,230)	(23,538,236)	(21,839,631)
(311,285,087)	Administrative & Other expenses	(71,742,575)	(69,358,391)	(206,841,475)	(206,113,432)
(13,234,301)	Operating Profit/(Loss)	20,151,488	(14,600,968)	(11,017,336)	(33,489,013)
(23,032,508)	Finance costs	(9,578,503)	(6,065,570)	(24,160,734)	(17,352,001)
249,830	Finance income	272,325	238,894	773,075	743,731
(22,782,678)	Finance costs - net	(9,306,178)	(5,826,677)	(23,387,659)	(16,608,270)
(36,016,979)	Profit before income tax	10,845,310	(20,427,644)	(34,404,995)	(50,097,283)
(2,950,415)	Income tax expense	(903,357)	(881,633)	(2,546,441)	(2,458,026)
(38,967,394)	Profit/(Loss) for the period	9,941,953	(21,309,277)	(36,951,436)	(52,555,309)
	Other Comprehensive Income				
	Items that will never be reclassified to Profit or Loss				
1,150,247	Re- Measurement of Defined Benefit & Liability	-	-	-	-
(161,035)	Related Tax	-	-	-	-
(7,815,561)	Deferred Tax Impact on Revalued Buildings	-	-	-	-
(24,472,488)	Deferred Tax Impact on Revalued Lands	-	-	-	-
(31,298,837)	Other Comprehensive Income for the Year, Net of Tax	-	-	-	-
(70,266,231)	Total Comprehensive Income for the Year	9,941,953	(21,309,277)	(36,951,436)	(52,555,309)
	Earning/(Loss) per Share Rs.				
(0.83)	Basic	0.21	(0.45)	(0.79)	(1.12)

MAHAWELI REACH HOTELS PLC
STATEMENT OF FINANCIAL POSITION

Audited 31.03.2018		Unaudited as at 31.12.2018	Unaudited as at 31.12.2017
		Rs.	Rs.
Assets			
Non-current assets			
1,286,256,200	Property Plant & Equipment	1,331,714,209	1,279,633,654
44,589,644	Deferred Tax Assets	44,589,644	44,197,512
58,685,800	Work in Progress	1,117,000	49,911,829
Current assets			
21,702,438	Inventories	21,908,330	23,735,955
102,908,753	Trade & Other Receivables	60,917,775	61,646,880
4,101,224	Other current assets	34,444,065	36,375,648
12,317,285	Cash and Cash Equivalents	49,651,447	13,449,086
141,029,700		166,921,617	135,207,569
1,530,561,344	Total Assets	1,544,342,470	1,508,950,563
Equity and liabilities			
585,445,870	Stated Capital	585,445,870	585,445,870
506,400,130	Revaluation Reserves	506,400,130	538,688,179
(1,411,927)	Retained Earnings	(38,363,363)	(15,989,054)
1,090,434,073	Total equity	1,053,482,637	1,108,144,995
Liabilities			
Non-current liabilities			
96,611,699	Interest Bearing Borrowings	81,622,066	97,178,868
131,742,631	Deferred Tax Liability	131,742,631	95,996,469
53,902,616	Retirement Benefit Obligations	53,856,866	48,553,204
Current liabilities			
78,290,357	Trade and Other Payables	85,928,708	64,524,398
9,229,295	Due to Related Companies	696,290	9,174,457
29,414,365	Current Portion of Interest Bearing Borrowings	21,685,884	28,817,280
40,936,308	Bank Overdrafts	115,327,387	56,560,892
440,127,271	Total liabilities	490,859,833	400,805,568
1,530,561,344	Total equity and liabilities	1,544,342,470	1,508,950,563

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

28 January 2019


W P Herffiaratchi
 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 2018	585,445,870	506,400,130	(1,411,927)	1,090,434,073
Profit or loss	-	-	(36,951,436)	(36,951,436)
Balance as at 31 December 2018	585,445,870	506,400,130	(38,363,363)	1,053,482,637
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	(15,989,053)	1,108,144,995

MAHAWELI REACH HOTELS PLC
STATEMENT OF CASH FLOWS

Audited 31.03.2018		Unaudited as at 31.12.2018 Rs.	Unaudited as at 31.12.2017 Rs.
Cash flow from operating activities			
(36,016,979)	Profit / (Loss) for the period	(34,404,995)	(50,097,283)
Adjustments for :-			
56,359,652	Depreciation of Property, plant and equipment	41,948,441	48,287,265
19,445,004	Interest Expenses	24,160,734	17,352,001
8,623,209	Movement in Provision for Gratuity & Accruals	(70,360)	(313,986)
-	Disposal (Profit) / Loss	-	-
2,923,167	Impairment provision for bad debts	-	-
1,112,365	Written Back of Sundry Creditors	-	-
52,446,418	Operating Profits Before Working Capital Changes	66,038,815	65,325,280
(640,628)	(Increase) / Decrease In Inventories	(205,892)	(2,674,145)
(1,964,075)	(Increase) / Decrease In Trade and other receivables	11,648,137	8,825,423
5,692,558	Increase / (Decrease) in due to related parties	(8,533,005)	5,637,720
468,492	Increase / (Decrease) In Trade & Other payables	7,638,351	(16,119,065)
56,002,765		42,181,412	10,897,930
(17,259,063)	Interest paid	(24,160,734)	(17,352,001)
(5,006,315)	Gratuity paid	(1,060,815)	(2,882,765)
(5,100,548)	Tax paid	(2,551,224)	(2,884,627)
28,636,839	<i>Net cash generated from operating activities</i>	14,408,638	(12,221,462)
Cash flows from investing activities			
(59,376,742)	Purchases of Property Plant & Equipments	(28,747,444)	(42,362,088)
(59,376,742)	<i>Net cash used in investing activities</i>	(28,747,444)	(42,362,088)
Cash flows from financing activities			
40,000,000	Proceeds from Loans	-	40,000,000
(36,782,010)	Repayment of Loans & Leases	(22,718,112)	(27,431,147)
3,217,990	<i>Net cash used in financing activities</i>	(22,718,112)	12,568,853
(27,521,913)	<i>Net increase in cash and cash equivalents</i>	(37,056,918)	(42,014,697)
(1,097,110)	Cash & Cash equivalents at beginning of the year	(28,619,023)	(1,097,110)
(28,619,023)	Cash & cash equivalents at end of period	(65,675,940)	(43,111,806)

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 2018 were authorised for issue by the Board of Directors on 06 February 2019.

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 2019.

These financial statements quarter ended 31 December 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

Income Tax

Income Tax paid includes payment of Economic Service Charge (ESC) amounting to Rs.2,551,224, 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 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 December 2018 was 20.86% (31 December 2017- 19.86%)

Directors' share holdings

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

As at	31-Dec-18	31-Dec-17
Mr J A Panabokke	1,905,858	1,905,858
Mr M U Maniku	1,217,306	1,217,306
Mr R T Molligoda	-	626,200
Mr A N Esufally	332,000	332,000
Ms D L Panabokke	208,634	174,634
Mr J Asitha Panabokke	152,988	151,987
Mr. P.B.Panabokke (Alternate Director to Ms D L. Panabokke)	15,500	-
	<u>3,832,286</u>	<u>4,407,985</u>

Twenty largest shareholders of the company are as follows:

As at	31-Dec-18	%
Universal Enterprises Pvt. Ltd	32,683,550	69.44
Freudenberg Shipping Agencies Limited	3,308,623	7.03
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	527,060	1.12
Mr. A N Esufally	332,000	0.71
Mackwoods Securities Limited	229,627	0.49
Ms D L Panabokke	208,634	0.44
Mrs. K D Panabokke	204,550	0.43
Mr J Asitha Panabokke	152,988	0.33
National Savings Bank	133,300	0.28
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
Mr. S Abishek	39,000	0.08
Others	2,100,233	4.46
	<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 2018	No of Shares	Holding %	No of Shareholders
Others	37,247,446	79.14	9
Public	9,819,001	20.86	2,265
Ordinary shares	47,066,447	100.00	2,274

Net assets per share As at

31-Dec-18	31-Dec-17
22.38	23.54

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

Market price per share

For the quarter ended 31 December	2018	2017
	Rs.	Rs.
Highest	15.90	18.50
Lowest	12.60	16.80
Last traded	13.00	16.80

Market Capitalization on 30 September

611,863,811	790,716,310
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Minimum Public Holding Requirement as per Listing Rules 7.13.1

	Float Adjusted Market Capitalisation - (Rs.)	Public Holding Percentage	No of Shareholders	Option
Minimum Public Holding	127,634,791	20.86	2,274	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 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.

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, granting a Writ of Certiorari 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) within four months of the judgement. No material losses are anticipated as a result.

Event after the reporting period

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