

MAHAWELI REACH HOTELS PLC

INTERIM FINANCIAL STATEMENTS

FOR THE 06 MONTHS ENDED

30 SEPTEMBER 2016.

MAHAWELI REACH HOTELS PLC
STATEMENT OF COMPREHENSIVE INCOME

Audited 31.03.2016	NOTE	For the 03 Months Ended 30th September (Unaudited)		For the 06 Months Ended 30th September (Unaudited)	
		2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
628,694,758	Revenue	179,354,658	166,772,229	276,931,041	269,471,556
(248,468,604)	Cost of sales	(75,601,831)	(70,180,473)	(143,927,128)	(130,570,590)
380,226,154	Gross profit	103,752,827	96,591,756	133,003,913	138,900,966
37,097,181	Other income	14,564,936	18,137,761	26,294,401	32,417,754
(26,934,430)	Marketing & Promotional expenses	(6,481,878)	(6,092,088)	(12,732,914)	(13,088,209)
(288,210,885)	Administrative & Other expenses	(73,429,828)	(72,255,854)	(136,661,069)	(132,663,799)
102,178,020	Operating profit	38,406,057	36,381,575	9,904,330	25,566,712
(18,258,506)	Finance costs	(6,245,076)	(5,100,997)	(11,453,245)	(9,593,529)
110,084	Finance income	190,890	203,133	373,515	418,987
(18,148,422)	Finance costs - net	(6,054,186)	(4,897,864)	(11,079,730)	(9,174,542)
84,029,598	Profit before income tax	32,351,871	31,483,711	(1,175,400)	16,392,170
(25,728,808)	Income tax expense	(612,464)	(1,500,000)	(612,464)	(1,500,000)
58,300,790	Profit/(Loss) for the period	31,739,408	29,983,711	(1,787,864)	14,892,170
	Other Comprehensive Income				
	Items that will never be reclassified to Profit or Loss				
480,851	Re- Measurement of Defined Benefit & Liability	-	-	-	-
(57,702)	Related Tax	-	-	-	-
423,149	Other Comprehensive Income for the Year, Net of Tax	-	-	-	-
58,723,939	Total Comprehensive Income for the Year	31,739,408	29,983,711	(1,787,864)	14,892,170
	Earning/(Loss) per Share Rs.				
1.24	Basic	0.67	0.64	(0.04)	0.32

MAHAWELI REACH HOTELS PLC
STATEMENT OF FINANCIAL POSITION

Audited 31.03.2016		Unaudited as at 30.09.2016 Rs.	Unaudited as at 30.09.2015 Rs.
Assets			
Non-current assets			
1,305,512,273	Property Plant & Equipment	1,294,409,286	1,297,633,738
48,257,911	Deferred Tax Assets	48,257,911	52,809,848
10,746,210	Work in Progress	21,450,030	20,690,312
Current assets			
20,629,611	Inventories	20,918,035	20,858,692
53,028,484	Trade & Other Receivables	43,023,523	57,552,630
23,797,472	Other current assets	27,529,084	11,740,784
93,890,524	Cash and Cash Equivalents	66,545,328	10,813,874
191,346,091		158,015,970	100,965,980
1,555,862,485	Total Assets	1,522,133,196	1,472,099,878
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
27,392,162	Retained Earnings	25,604,299	(16,439,607)
1,151,526,211	Total equity	1,149,738,348	1,107,694,442
Liabilities			
Non-current liabilities			
105,200,351	Interest Bearing Borrowings	90,839,269	99,173,265
94,627,197	Deferred Tax Liability	94,627,197	83,079,870
46,205,834	Retirement Benefit Obligations	45,822,825	40,265,314
Current liabilities			
70,007,147	Trade and Other Payables	37,759,399	45,147,340
25,309,692	Due to Related Companies	5,017,652	18,461,010
5,683,365	Other Current Liabilities	9,492,260	11,986,213
57,269,380	Current Portion of Interest Bearing Borrowings	48,371,960	48,371,960
33,308	Bank Overdrafts	40,464,287	17,920,465
404,336,274	Total liabilities	372,394,849	364,405,436
1,555,862,485	Total equity and liabilities	1,522,133,196	1,472,099,878

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 Panabokke
Director
27 October 2016



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 2016	585,445,870	538,688,179	27,392,162	1,151,526,211
Profit or loss	-	-	(1,787,864)	(1,787,864)
Balance as at 30 September 2016	585,445,870	538,688,179	25,604,299	1,149,738,347
Balance as at 1st April 2015	585,445,870	538,688,179	(31,331,777)	1,092,802,272
Profit or loss	-	-	14,892,170	14,892,170
Balance as at 30 September 2015	585,445,870	538,688,179	(16,439,607)	1,107,694,442

MAHAWELI REACH HOTELS PLC
STATEMENT OF CASH FLOWS

Audited 31.03.2016		Unaudited as at 30.09.2016 Rs.	Unaudited as at 30.09.2015 Rs.
Cash flow from operating activities			
84,029,598	Profit / (Loss) for the period	(1,175,400)	16,392,170
Adjustments for :-			
53,257,056	Depreciation of Property, plant and equipment	29,380,061	26,180,747
13,844,426	Interest Expenses	8,237,126	6,576,752
7,318,599	Movement in Provision for Gratuity & Accruals	(9,996,298)	(1,499,997)
(1,154,971)	Disposal (Profit) / Loss	-	-
4,148,998	Impairment provision for bad debts	-	-
(1,009,421)	Written Back of Sundry Creditors	-	-
76,404,687	Changes in Operating Assets and Liabilities :-	27,620,889	31,257,502
70,963	(Increase) / Decrease In Inventories	(288,424)	(158,118)
648,400	(Increase) / Decrease In Trade and other Receivables	6,273,349	13,392,868
(7,666,308)	Increase / (Decrease) in due to Related parties	(20,292,040)	(14,514,990)
10,646,080	Increase / (Decrease) In Trade & Other Payables	(28,438,853)	(4,467,363)
164,133,420		(16,300,478)	41,902,069
(11,262,555)	Interest paid	(8,237,126)	(6,576,752)
(1,302,150)	Gratuity paid	(383,009)	(404,922)
(7,496,668)	Tax paid	(5,637,543)	(3,325,287)
144,072,047	<i>Net cash generated from operating activities</i>	(30,558,156)	31,595,108
Cash flows from investing activities			
(68,561,243)	Purchases of Property Plant & Equipments	(28,980,893)	(56,455,477)
1,250,000	Proceeds from Sale of Property Plant & Equipments	-	-
(67,311,243)	<i>Net cash used in investing activities</i>	(28,980,893)	(56,455,477)
Cash flows from financing activities			
50,000,000	Proceeds from Loans	-	-
(58,339,688)	Repayment of Loans & Leases	(8,237,126)	(7,682,322)
(8,339,688)	<i>Net cash used in financing activities</i>	(8,237,126)	(7,682,322)
68,421,116	<i>Net increase in cash and cash equivalents</i>	(67,776,175)	(32,542,691)
25,436,100	Cash & Cash equivalents at beginning of the year	93,857,216	25,436,100
93,857,216	Cash & cash equivalents at end of period	26,081,042	(7,106,590)

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 06 months ended 30 September 2016 were authorised for issue by the Board of Directors on 27 October 2016.

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 2017.

These financial statements quarter ended 30 September 2016 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 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 30 September 2016 was 23.01% (30 September 2015- 24.43%)

Directors' share holdings

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

As at	30-Sep-16	30-Sep-15
Mr J A Panabokke	1,217,525	540,388
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
Mr. K M Panabokke	-	170,519
Ms D L Panabokke	86,734	-
Mr. Janaka Asitha Panabokke (Alternate Director to Ms. D L Panabokke)	72,400	-
	<u>3,552,165</u>	<u>2,886,413</u>

Twenty largest shareholders of the company are as follows:

As at	30-Sep-16	%
Universal Enterprises Pvt Ltd	32,683,550	69.44
Freudenberg Shipping Agencies Limited	3,193,169	6.78
Estate of Late Mrs L R Panabokke	3,119,787	6.63
Mr M U Maniku	1,217,306	2.59
Mr J A Panabokke	1,146,741	2.44
Mr B D Panabokke	690,193	1.47
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
Estate of Late Mr K M Panabokke	170,519	0.36
Gold Investments Ltd	150,000	0.32
National Savings Bank	133,300	0.28
Dee Investments Pvt Ltd	110,000	0.23
Ms. D L Panabokke	86,734	0.18
Mr J A Panabokke	72,400	0.15
Alliance Finance Company PLC	71,928	0.15
Mrs. K D Panabokke	70,784	0.15
Mr. R Ratnagopal	57,800	0.12
Mr. H P N Fonseka	50,000	0.11
Mr. B M G Rathnasiri	40,000	0.08
Others	2,537,036	5.39
	<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 2016	No of Shares	Holding %	No of Shareholders
Others	36,235,715	76.99	07
Public	10,830,732	23.01	2162
Ordinary shares	<u>47,066,447</u>	<u>100.00</u>	<u>2253</u>

Net assets per share As at

30-Sep-16	30-Sep-15
24.43	23.53

Net assets per share have been calculated, for all periods, based on the number of shares in issue as at 30 September 2015.

Market price per share

For the quarter ended 30 September	2016	2015
	Rs.	Rs.
Highest	25.00	25.90
Lowest	20.00	21.00
Last traded	20.70	23.00

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.