



**MAHAWELI PEACH**  
SRI LANKA

ANNUAL REPORT 2013 - 2014

OUR WORLD REVOLVES AROUND YOURS





*"Super heroes do not win matches - it's super teams!"*  
Ajahn Brahmavamso



# CONTENTS

Vision and Mission	2
Hospitality Personified	3
Notice of Meeting	4
Focus on Our People	5
Corporate Social Responsibility Review	6-11
Corporate Governance	12-17
Statement of Directors' Responsibilities	18
Chairman's Review	19-21
Board of Directors	22-24
Report of the Directors	25-27
Twenty Largest Shareholders	28
Five Year Highlights	29
Remuneration Committee Report	30
Audit Committee Report	31-32
Independent Auditors' Report	33
Statement of Comprehensive Income	34
Statement of Financial Position	35
Statement of Changes in Equity	36
Statement of Cash Flows	37
Significant Accounting Policies	38-50
Notes to the Financial Statements	51-68
Proxy Form	69
Instructions as to Completion	70
Corporate Information	Inner Back Cover



## V I S I O N

---

To make ourselves the cynosure of the industry,  
through dedication that goes above and beyond  
the boundaries of duty.

## M I S S I O N

---

To foster continuing excellence in service  
through the nurturing of teamwork and total  
commitment among our staff, thus inspiring  
them to reach greater heights.





**M**ajestic architecture

**A**ppealing character

**H**omely environment

**A**lluring surroundings

**W**elcoming nature

**E**legant setting

**L**uxurious features

**I**ndigenous brand

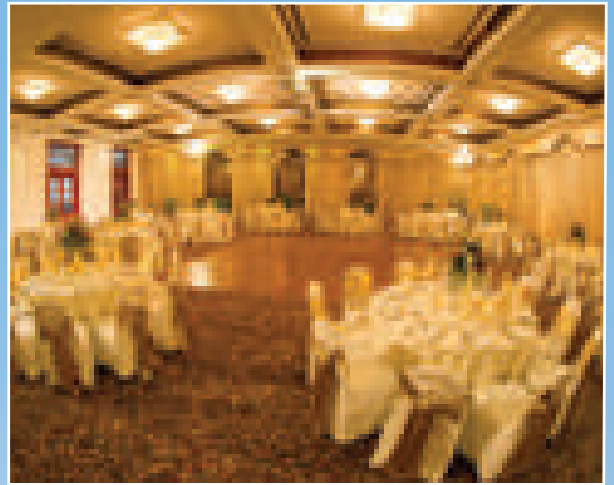
**R**adiant people

**E**picurean delights

**A**ccessible location

**C**ulture and traditions

**H**earthwarming hospitality



# NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Fortieth Annual General Meeting of the shareholders of MAHAWELI REACH HOTELS PLC will be held at the registered office of the Company, No. 35, P. B. A. Weerakoon Mawatha, Kandy, at 11.00 a.m. on 30th September 2014 for the following purposes.

1. To consider and adopt the Report of the Directors and the Statement of Accounts for the year ended 31st March 2014 and the Report of the Auditors thereon.
2. To re-elect Mr. A. N. Esufally who retires by rotation at the Annual General Meeting, a Director.
3. To re-elect Mr. A. U. Maniku who retires by rotation at the Annual General Meeting, a Director.
4. To re-elect Mr. M. Mahir who retires by rotation at the Annual General Meeting, a Director.
5. To re-elect Mr. A. Nooradeen who retires by rotation at the Annual General Meeting, a Director.
6. To re-elect Mr. R. T. Molligoda who attained the age of seventy seven years and the Company has received special notice of intention in compliance with Law, relating to his re-election.
7. To re-elect Mr. R. T. Wijetilleke who attained the age of seventy four years and the Company has received special notice of intention in compliance with Law, relating to his re-election.
8. To re-elect Mr. R. Seevaratnam who attained the age of seventy one years and the Company has received special notice of intention in compliance with Law, relating to his re-election.
9. To authorise the Board of Directors to determine contributions to charities and other donations.
10. To re-appoint Messrs. HLB Edirisinghe & Co. as Auditors and authorise the Directors to determine their remuneration.

By Order of the Board

BUSINESSMATE (Pvt.) Ltd.,  
Secretaries

22nd August, 2014  
Colombo

## Notes:

1. A member entitled to attend and vote at the above-mentioned meeting is entitled to appoint a proxy who need not also be a member.
2. The completed form of proxy should be deposited at the registered office of the Company at No. 35, P. B. A. Weerakoon Mawatha, Kandy, not less than 48 hours before the time fixed for the Meeting.
3. A form of Proxy is attached to the Report.
4. Shareholders / Proxy holders are requested to bring their National Identity Cards for the purpose of identification.
5. No parcels and other belongings will be permitted to be taken into the meeting hall.
6. Only the Shareholder will be permitted to enter the meeting hall. Shareholders are kindly requested to refrain from bringing children in order to avoid any inconvenience.



In order to focus on our customers, it is imperative that we first pay attention to our employees. At Mahaweli Reach, we consider our employees to be the lifeblood of our Company. The Company has therefore invested a great deal towards the betterment of its people, who ultimately represent the brand itself.

We constantly strive to retain our position as a market leader and we believe that this status could only be maintained by ensuring exemplary service standards. Our people are required to adapt to an ever-changing environment, emerging opportunities, new trends and challenges. It is our view that we need to equip them with apt knowledge and skills and hone their talents to optimise their contribution and thereby, ensure the best use of available resources to achieve optimal results.

Mahaweli Reach is an equal opportunities employer and takes pride in the fact that it maintains gender, age and demographic equality among its ranks. We also respectfully open our doors in welcoming the differently-abled and pay special attention to employing those with varying skills.

The management of the Company practises an open door policy which allows for easy interaction between all levels. Knowledge and expertise is passed down from the hierarchy in the form of guidance and internal training programmes. Periodic emphasis is given to external training by renowned corporate trainers and institutions.

Mahaweli Reach also provide its employees with opportunities to enjoy their time spent with the Company through entertaining excursions and recreational activities. These events bring together the staff to create a corporate value of “One family”. Several events fostered this value amongst the staff. Our Company reaches an extra mile in taking Corporate Social Responsibility first to our employees. Part of the Company's CSR activities are directed at the less fortunate among them.

Empowering the people of a Company and taking care of them ensures long-term loyalty. We strongly believe that our journey should be made together with our valuable clients to achieve success. As the Company's final goal is to ensure customer satisfaction through dedication that goes above and beyond the boundaries of duty, it is only appropriate that it first ensures the satisfaction of its internal customers who are its employees.



Mahaweli Reach has made Corporate Social Responsibility a cornerstone for future growth. The Company firmly believes contributing positively to the community is a very important part of doing business. Concern for fellow human beings and reaching out to those less privileged is an instilled value which helps to enhance the quality of life of the receiver which in turn becomes an excellent reward for the giver.

Several CSR activities and programmes were carried out during the last financial year in keeping with the concept of “Do not just live through others - let others live through you”.

We believe that protecting our environment through conservation and active greening policies is a fundamental need. We also believe that educating our community in this respect is of paramount importance.

We commemorated “World Earth Day” by planting trees around the playground of one of our neighboring schools, Mawilmada College.



A *shramadana* was carried out by our team members to clean the Mahaweli river bank in order to commemorate World Environment Day, thereby strengthening our environmental consciousness and reaffirming our commitment to sustainable tourism.





At Mahaweli Reach, World Tourism Day, for which the theme was “Tourism & Water”, was commemorated by organising a seminar for schoolchildren from a number of schools in the vicinity on 27th September 2013. The team members of the hotel also participated in this half day programme conducted by Prof. Sarath Kotagama who emphasised the urgent need to conserve this vital resource.



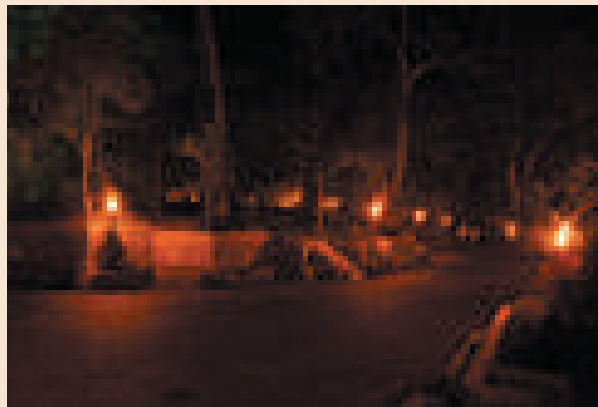
In view of the importance of environmental conservation, our team at Mahaweli Reach commemorated National Tree Planting Day together with Dr. Fritz Schramma the former Lord Mayor of Cologne, Germany who was an occupant of the hotel. Jacaranda plants were planted within the hotel compound by our team together with many distinguished guests.



World Water Day was commemorated jointly with the National Water Supply & Drainage Board whereby a seminar was arranged for the team members and schoolchildren on the management of water and measures that could be taken to overcome water wastage and save energy. This half day programme was beneficial to the participants personally, to the hotel and to the city and country as a whole as it educated everyone on how each person can contribute for the benefit of all.



“Give an Hour for the Earth, 60 mins +” was the theme for “World Earth Hour” this year. Global warming is the greatest threat we have ever faced. We can unite and make a difference if we all act together and this valuable message was communicated by our team members through a street campaign within our neighbourhood.



We at Mahaweli Reach are dedicated to making a genuine commitment to our community and have taken steps to nurture the younger generation while appreciating our elders as well.

In this day and age when child abuse and neglect is widespread, we at Mahaweli Reach looked for ways to uplift the well-being of children. A donation of bed sheets and serviettes were made to the Mahaweli Navodya Maha Vidyalaya to be used by their Cadets during camping. We also train schoolchildren on table etiquette as a gesture towards grooming young citizens.

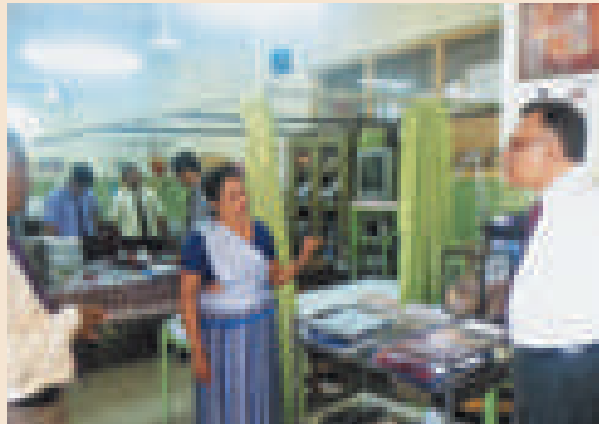


Creating awareness about the industry among youth has been continuous at Mahaweli Reach and we take pride in training youth on overall hotel operations. This year, we had an educational tour for the Navy Catering Staff of the Trincomalee Naval Base. They were trained in the art of laying a table, making up a bedroom and shown the operations of the restaurant and kitchen.

In our endeavour to actively participate in valuing our elders, we hosted the elders at Sarana Sevana Elder's Home, Kandy to a special meal to commemorate World Elders' Day with the hope of showering them with the love and care they so richly deserve. The staff took humble pride in making a difference in these elders' lives.



On the same day, World Children's Day was commemorated together with our team members at the Children's Ward at Kandy General Hospital. We visited the ward and observed the need for Water Boilers and made it an opportunity to donate same on this special day with the hope of helping a friend in need.



Mahaweli Reach, in caring for children continuously hosts the children of the Sarana Sevana Children's Home for a Christmas party. It is an eventful day arranged for them with the hope of brightening their world with lots of fun, games, laughter, surprises, dancing and excitement followed by lunch and a visit by Santa as well as the distribution of Christmas gifts. This annual gesture organised by the hotel gives the team members an opportunity to mingle with the children, making it a memorable day for all to cherish.



Our hotel had a visit from the Jaffna Hoteliers during the *Uthuru Mithuru Hamuwa*. This was an interesting opportunity to interact and exchange views and ideas which would be mutually beneficial.

Mahaweli Reach provides a happy and harmonious work environment to its multi-ethnic, multi-religious and multi-cultural mix of employees, making it easy to organise events that encourage participation by all. This was experienced in the manner in which each staff member came together to lend a helping hand at the Vesak Poya Pahan Pooja, Bakthi Geetha and Christmas Carols.



The eagerness to be a part of the Company's overall CSR programme and the volunteering spirit of our employees is a great indication of the dedication shown to the greater advancement of society. This enthusiasm and commitment, together with the belief that every step makes a difference are the main driving forces behind the initiatives taken by the organisation. "Not all of us can do great things, but we can do small things with great love".





Mahaweli Reach Hotels PLC (MRH) is committed to the highest level of governance and makes every effort to cultivate a culture that values and rewards exemplary ethical standards, personal and corporate integrity and respect for others.

MRH has implemented a Code of Conduct within the Company and the Board of Directors, senior management and employees are expected to strictly adhere to and follow this Code in performing official duties, ensuring that the Company's image remains pristine.

The Corporate Governance practices adopted and practised by the Company are in line with the Listing Rules of the Colombo Stock Exchange and the principles expressed in the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

The Board has appointed Mahaweli Hotel Management Services Pvt. Ltd. as the managing agent of the Company.

## BOARD OF DIRECTORS

The Board of MRH comprises of fourteen Directors, one Executive Director and thirteen Non-Executive Directors out of which five are Independent. The names of the Directors and their profiles are available on page 22 to 24 of this report. Their profiles reflect their experience and expertise and the value they add to the Board deliberations.

The Board meets quarterly as a practice and ad hoc meetings are held whenever necessary. During the year under review, the Board met on four occasions. The attendance at these meetings is given below.

Name of Director	Executive / Non Executive	Attendance
Mr. J. A. Panabokke	- Executive Director	- 4/4
Mr. M. U. Maniku	- Non-Executive Director	-
Mr. K. M. Panabokke	- Non-Executive Director	- 2/4
Mr. R. T. Molligoda	- Independent Non-Executive Director	- 4/4
Mr. A. N. Esufally	- Independent Non-Executive Director	- 2/4
Mr. A. U. Maniku	- Non-Executive Director	-
Dr. I. U. Maniku	- Non-Executive Director	-
Mr. A. M. Didi	- Non-Executive Director	-
Mr. W. P. Hettiaratchi	- Non-Executive Director	- 4/4
Mr. A. Nooradeen	- Non-Executive Director	-
Mr. M. Mahir	- Non-Executive Director	-
Mr. J. C. Ratwatte	- Independent Non-Executive Director	- 3/4
Mr. R. T. Wijetilleke	- Independent Non-Executive Director	- 3/4
Mr. R. Seevaratnam	- Independent Non-Executive Director	- 4/4

## Responsibilities:

The Directors of the Company are responsible inter alia for:

- Enhancing shareholder value, formulating, communicating, implementing and monitoring business policies and strategies.
- Ensuring due compliance with applicable legal, ethical, health, environment and safety standards and regulations.

- Ensuring that due attention is given to appropriate accounting policies and practices and setting priorities and communicating values and ethical standards for management.
- Ensuring that appropriate systems of internal controls are in place to safeguard the assets of the Company.
- Reviewing and approving Annual Budgets and periodic monitoring of performance against the budgets.
- Approving any major investments.
- Ensuring that best practices in relation to human resources are followed.
- Evaluating and monitoring the performance of the Company on a regular basis and initiating remedial action where necessary.
- Approving annual and interim accounts prior to publication and where appropriate recommending dividend for approval by the shareholders.

The annual capital expenditure budgets, non-budgeted capital expenditure and the annual budgeted operating statements require Board approval. The Board meets regularly to review performance and forecasts against budgets, so as to take decisions in the best interests of the Company. Directors' Interests in contracts are regularly disclosed and such disclosure pertaining to year ended 31/03/2014 can be seen on page 27 in the Directors' Report.

The ultimate responsibility of the Company's financial performance lies with its Board of Directors. It is in control of the Company's affairs and conscious of its obligation to all stakeholders.

#### **Managing Director**

The Managing Director is responsible for the efficient conduct of Board meetings. The Managing Director maintains close contact with all Directors, and holds informal meetings with Non-Executive Directors as and when necessary.

#### **Board Balance**

The composition of the Executive and Non-Executive Directors (the latter are over one third of the total number of Directors) satisfies the requirements laid down in the Listing Rules of the Colombo Stock Exchange. The Board has determined that five Non-Executive Directors satisfy the criteria for "Independence" set out in the Listing Rules. The Independent Non-Executive Directors are free from any relationship that can interfere with the affairs of the Company.

The Board is of the opinion that though Mr. R.T. Molligoda and Mr. A.N. Esufally are Independent Non-Executive Directors of the Company, they have been directors of the Company for a period in excess of 10 years and have shareholdings of 1.33% and 0.7% respectively, that these factors do not impair their ability to act independently and that their experience and expertise is of great value to the Company.

#### **Company Secretary**

The service and advice of the Company Secretary are made available to Directors as necessary. The Company Secretary is required to keep the Board informed of any new laws, regulations and requirements coming into effect which are relevant to them as individual Directors and collectively to the Board.

#### **Financial Acumen**

The Board includes three Senior Chartered Accountants who possess the necessary knowledge and competence to guide the Board on matters of finance.

#### **Supply of Information**

Directors are provided with quarterly reports on performance and appropriate documentation in advance of each Board meeting for individual Directors to study matters under discussion. The Managing Director ensures that all Directors are adequately briefed on issues arising at meetings.

#### **Appointment to the Board**

The Board as a whole decides on the appointment of Directors in accordance with the Articles of Association of the Company.

#### **Re-election of Directors**

The provisions of the Company's Articles require a Director appointed by the Board to hold office until the next Annual General Meeting and seek re-appointment by the shareholders at that meeting. The Articles call for one



third of the Directors in office to retire at each Annual General Meeting. The Directors who retire are those who have served for the longest period after their appointment / re-appointment. Retiring Directors are generally eligible for re-election.

The Chairman and Managing Director do not retire by rotation.

## Remuneration Committee

The Company has its own Remuneration Committee. The Committee consists of three Independent Non-Executive Directors. During the year under review, the Remuneration Committee met once. The attendance at this meeting was:

Members of the Remuneration Committee		Attendance
Mr. J. C. Ratwatte (Chairman)	- Independent Non-Executive Director	- 1/1
Mr. R. T. Wijetilleke	- Independent Non-Executive Director	- 1/1
Mr. R. T. Molligoda	- Independent Non-Executive Director	- 1/1

The Remuneration Committee recommends to the Board, the remuneration payable to the Executive Director. The Remuneration Committee works within the given parameters and design compensation levels appropriate for the Company and commensurate with each employees level of expertise and contribution, bearing in mind the business performance and shareholder returns.

The Remuneration Committee report appears on page 30.

## Relations with Shareholders

The Notice of Meeting is included in the Annual Report. The Notice contains the Agenda for the AGM as well as instructions on voting, including appointments of proxies. A Form of Proxy is enclosed with the Annual Report. The period of notice prescribed by the Companies Act No. 7 of 2007 has been met.

## Constructive use of the Annual General Meeting

The Annual General Meeting (AGM) is considered by the Board of Directors as a means of continuing effective dialogue with shareholders and encourages their active participation.

The Board offers clarifications and responds to concerns shareholders have over the content of the Annual Report as well as other matters which are important to them. The AGM is also used to adopt the financial statements for the year.

## Communication with Shareholders

Shareholders are provided with the Annual Report and also with Quarterly Financial Statements via the Colombo Stock Exchange website, which the Company considers as its principal communication with them and other stakeholders.

Shareholders may bring up concerns they have, either with the Chairman, Directors or the Company Secretary as appropriate. The Company maintains an appropriate dialogue with them.

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

The Board places great emphasis on complete disclosure of financial and non-financial information within the bounds of commercial reality and on the adoption of sound reporting practices. Financial information is disclosed in accordance with the Sri Lanka Accounting Standards. Revisions to existing accounting standards and the adoption of new standards are carefully monitored.

The Statement of Directors' Responsibilities for the Financial Statements is given on page 18 of this report.

### Going Concern

The Directors, after making necessary inquiries and reviews including reviews of the company budget for the ensuing year, capital expenditure requirements, future prospects and risks, cash flows and borrowing facilities, have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore, the going concern basis has been adopted in the preparation of the Financial Statements.

## Internal Control

The Board is responsible for the Company's internal controls and its effectiveness. Internal control is established with emphasis placed on safeguarding assets, making available accurate and timely information and imposing greater discipline on decision making. It is important to state that any system can ensure only reasonable, and not absolute, assurance that errors and irregularities are prevented or detected within reasonable time.

The Board has reviewed the effectiveness of the system of financial controls for the period up to the date of signing the accounts.

## Audit Committee

The Audit Committee is chaired by Mr. R. Seevaratnam a graduate of the University of London and a Fellow Member of the Institute of Chartered Accountants of England and Wales and a Fellow Member of the Institute of Chartered Accountants of Sri Lanka.

The committee consists of three Independent Non-Executive Directors and one Non-Executive Director. The Managing Director and the Finance Officer attend the meetings of the Audit Committee by invitation.

The committee has adopted a written Charter for the Audit Committee and the Internal Audit Charter. The Terms of Reference of the Audit Committee are:

- (i) Ensuring that the preparation, presentation and adequacy of disclosures in the financial statements, are in accordance with Sri Lanka Accounting Standards.
- (ii) Ensuring compliance with financial reporting requirements, information requirements of the Companies' Act and other relevant financial reporting-related regulations and requirements.
- (iii) Overseeing the processes to ensure that the internal controls and risk management procedures are adequate, to meet the requirements of the Sri Lanka Auditing Standards.
- (iv) Assessment of the independence and performance of the external auditors.
- (v) To make recommendations to the Board pertaining to appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.

The Internal Auditors attended the meetings when their presence was deemed necessary.

The Committee reviewed the financial statements, internal control procedures, accounting policies, compliance with accounting standards, emerging accounting issues and other related functions that the Board required. It also reviewed the adequacy of systems for compliance with the relevant legal, regulatory and ethical requirements. Significant issues discussed by the Committee at the reviews were communicated by the Managing Director to the Board of Directors for their consideration and action.

The Audit Committee helps the Company strike a balance between conformity and performance. During the year under review, the Audit Committee met on four occasions. The attendance at these meetings were:

Members of the Audit Committee		Attendance
Mr. R. Seevaratnam (Chairman)	- Independent Non-Executive Director	4/4
Mr. R. T. Wijetilleke	- Independent Non-Executive Director	3/4
Mr. J. C. Ratwatte	- Independent Non-Executive Director	3/4
Mr. W. P. Hettiaratchi	- Non-Executive Director	4/4

The Audit Committee recommends the appointment and fees of the External Auditors, having considered their independence and performance.

The Audit Committee Report appears on page 31 to 32.



## Level of Compliance with the Listing Rules of the Colombo Stock Exchange

Level of Compliance with the CSE's New Listing Rules - Section 7.10, Rules on Corporate Governance as at 31st March 2014 are given in the following table.

Rule No.	Subject	Applicable Requirement	Level of Compliance
7.10.1	Non-Executive Directors	At least one third of the total number of Directors should be Non-Executive Directors.	Thirteen of fourteen are Non-Executive Directors.
7.10.2(a)	Independent Directors	Two or one third of Non-Executive Directors which ever is higher should be Independent.	Five of the thirteen Non-Executive Directors are Independent.
7.10.2(b)	Independent Directors	Each Non-Executive Director should submit a declaration of independence / non-independence in the prescribed format.	Non-Executive Directors have submitted the declaration.
7.10.3(a)	Disclosure relating to Directors	Names of Independent Directors should be disclosed in the Annual Report.	Please refer page 12.
7.10.3(b)	Disclosure relating to Directors	The basis for the Board to determine a Director is independent, when the criteria specified for independence is not met.	Please refer page 13 under the heading of Board Balance.
7.10.3(c)	Disclosure relating to Directors	A brief résumé of each Director should be included in the Annual Report including the areas of expertise.	Please refer 'Board of Directors' on page 22 to 24.
7.10.3(d)	Disclosure relating to Directors	Forthwith provide a brief résumé of new Directors appointed to the Board with details specified in 7.10.3 (d) to the Exchange.	A brief résumé provided to the Exchange.
7.10.5	Remuneration Committee	A listed Company shall have a Remuneration Committee.	Names of the Members of the Remuneration Committee are stated on Page 14.
7.10.5(a)	Composition of Remuneration Committee	Shall comprise of Non-Executive Directors, a majority of whom will be Independent.	The Committee consists of three Independent Non-Executive Directors.
7.10.5(b)	Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and Executive Directors.	Please refer Remuneration Committee Report on page 30.
7.10.5(c)	Disclosure in the Annual Report relating to the Remuneration Committee	The Annual Report should set out: a) Names of Directors comprising the Remuneration Committee.	Names of the Members of the Remuneration Committee are stated in this report under the heading of Remuneration Committee. Please refer page 14.
		b) Statement of Remuneration policy.	Please refer Remuneration Committee Report on page 30.
		c) Aggregated Remuneration paid to Executive Directors and Non-Executive Directors.	Please refer page 27.



Rule No.	Subject	Applicable Requirement	Level of Compliance
7.10.6	Audit Committee	The Company shall have an Audit Committee.	Names of the members of the Audit Committee are stated on page 15.
7.10.6(a)	Composition of the Audit Committee	Shall comprise of Non-Executive Directors, a majority of whom will be Independent.	Audit Committee consists of three Independent Non-Executive Directors and one Non-Executive Director.
		A Non-Executive Director shall be appointed as the Chairman of the Committee.	Chairman of the Audit Committee is an Independent Non-Executive Director.
		The Chief Executive Officer and the Chief Financial Officer shall attend Audit Committee Meetings unless otherwise determined.	Managing Director and the Chief Finance Officer attend meetings by invitation.
		The Chairman of the Audit Committee or one member should be a member of a professional accounting body.	Chairman of the Audit Committee and one member of the Committee are members of a professional accounting body.
7.10.6(b)	Audit Committee's Functions	Should be as outlined in Section 7 of the listing rules.	The terms of reference of the Audit Committee have been agreed by the Board.
7.10.6(c)	Disclosure in the Annual Report relating to the Audit Committee	a) Names of Directors comprising the Audit Committee.	Names of the members of the Audit Committee are stated in this Report under the heading of Audit Committee on page 15.
		b) The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination.	Please refer Audit Committee Report on page 31 to 32.
		c) The Annual Report shall contain a Report of the Audit Committee setting out the manner of Compliance with their functions.	Please refer Audit Committee Report on page 31 to 32.



# STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible under the sections 150(1), 151, 152(1) & 153 of the Companies Act No. 7 of 2007, to ensure compliance with the requirements set out therein, to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company as at the end of the financial year and of the Profit or Loss of the Company for the financial year.

The Directors are also responsible, under Section 148 for ensuring that proper accounting records are kept, to disclose with reasonable accuracy, the financial position and enable preparation of the Financial Statements.

The Board accepts responsibility for the integrity and objectivity of the Financial Statements presented. The Directors confirm that in preparing the Financial Statements, appropriate accounting policies have been selected and applied consistently while reasonable and prudent judgments have been made so that the form and substance of transactions are properly reflected.

They also confirm that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards. The Financial Statements provide the information required by the Companies' Act and the Listing Rules of the Colombo Stock Exchange.

The Directors have taken reasonable measures to safeguard the assets of the Company and, in that context, have instituted appropriate systems of internal control in order to prevent and detect fraud and other irregularities.

The External Auditors, Messrs. H.L.B. Edirisinghe & Company, Chartered Accountants, were deemed re-appointed in terms of Section 158 of the Companies' Act No. 7 of 2007 and were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The report of the Auditors, shown on page 33 sets out their responsibilities in relation to the Financial Statements.

## **Compliance Report**

The Directors confirm that to the best of their knowledge, all statutory payments relating to employees and the Government that were due in respect of the Company as at the Balance Sheet date have been paid or where relevant provided for.

By Order of the Board  
**Mahaweli Reach Hotels PLC**

**Secretaries**  
**BUSINESSMATE (Pvt.) Ltd.,**

45, Braybrooke Street, Colombo 2.  
22nd August, 2014





It is with hope and optimism for the future of the tourism industry in Sri Lanka that I present to you the annual report and financial statements for the year 2013/2014.

Let me begin by expressing our profound gratitude to our valued shareholders for the confidence placed in the management and for your continued support and encouragement.

The year under review has been a challenging one for the Company. The Company has recorded a profit after tax of Rs.37.6 Million. Lower occupancy, higher costs of goods, energy, construction and wages have had an impact on results.

The rapid pace at which global travel trends keep moving has meant that the Company has had to evolve continuously and speedily in order to meet the demands made by the ever discerning clientele. Global travel trends as collated by the World Tourism Organisation have shown a spike in international travel of 5% percent for 2013 with forecasts of 4-4.5% growth in the year 2014. South East Asia remains at the forefront of development with a growth rate of 10% while South Asia has shown a modest increase of 5% among international travellers. The Chinese market remains the largest outbound market globally which continues to demonstrate steady growth along with the Russian market.

In Sri Lanka as well emerging markets such as China and the Middle East are outpacing percentage-wise the growth of arrivals from the more traditional source markets of the West albeit very gradually. However in the past year arrivals from the United Kingdom remained the highest for the country. The

resumption of flights by carriers such as British Airways is hoped to continue encouraging growth in these markets.

In view of changing trends in the industry and the increased competition due to newer properties coming online, the hotel is continuing its refurbishment and redevelopment in order to ensure that market share is retained and enhanced and the property remains at the forefront of the industry. It has been the endeavour of the Company to carry out this refurbishment programme mainly through generated funds, thereby managing the finance costs. The rising construction costs and cost of utilities though has made this an onerous task. The refurbishments however, have had a positive effect on the image of the hotel with client feedback affirming the same. The increased web presence of the Company has also yielded positive results with an increase in web bookings. The web footprint of the hotel is being managed actively as latest trends show that most travelers now look to the web before making travel plans.

Most star-class hotels in the country have recorded a decline in occupancy compared to previous years though there appears to be a higher number of persons entering the island for tourism purposes as reflected in official statistics.

The hotel industry in Sri Lanka has also seen a swift increase in available capacity and alternate accommodation such as homestays and this is no different in the areas in and around Kandy. Lower occupancy and the arrival of more price-conscious travellers who appear to be seeking a different experience to the conventional tourism product have caused downward pressure on applicable room rates due to increased competition among hotels. Mahaweli Reach too has experienced the detrimental effect on results as it has been compelled to revise rates constantly. As can be expected in such a scenario, the negative impact of these factors is witnessed in the year on year decline in occupancy and profit margins from the



previous year. While it is argued by some that this is a necessary price correction caused by market forces, it nevertheless has an impact on results of hotels which have for decades faced adverse circumstances due to conditions prevalent in the country at the time and have to still struggle for volume and yield. Efforts have been made to mitigate the effects of these issues through cost-cutting measures and innovative promotions. Also, there appears to be concerted efforts being made to promote the destination in selected markets and it is anticipated that these efforts will assist in increasing arrivals and developing yields. It may also be contended that while targeted marketing will have a positive impact, Sri Lanka is still in need of a cohesive global campaign in order to ensure that the momentum created when it won international accolades as a "must visit destination" is not lost especially in view of the aggressive nature of promotions being carried out by emerging regional destinations which have increased arrivals manifold when compared to Sri Lanka.

Kandy and the central region have to contend with greater obstacles as well. Initiatives to market this region as a destination in its own right are hindered due to a lack of varied attractions and extended travel times. In the past too, these issues have been highlighted, however no new projects in this area have commenced. While it is anticipated that the proposed highway to Kandy, on which work is due to commence shortly, will increase the attractiveness of the destination over time as accessibility will be improved, we await its quick completion and hope that the untapped potential of the region will be leveraged in the future to increase experiential travel.

These factors have affected interest among domestic travellers as well who appear to prefer destinations which are more speedily accessible, allowing for more time to be spent relaxing and enjoying the hotel. The increase of options among the informal sector too have contributed to the decrease in clientele among the domestic segment as well.

The increasing number of banquet and reception halls in the Central region which are offering bargain rates that are difficult for a hotel to match due to overheads and associated costs have also lead to a decline in the income generated from this sector in addition to which, the issue of accessibility has affected the conferences sector.

Mahaweli Reach has always placed emphasis on personalised service delivered to the highest standards as its hallmark and recognises the importance of developing its human capital. In this context the Company continues to conduct operational training through in-house processes and outside expertise to develop skill levels and language proficiency among its employees. Staff attrition remains a challenge as the increase in available opportunities results in migration of skilled personnel, resulting in organisations being forced to constantly expend effort and funds on training new recruits which affects productivity and service standards. The hotel endeavours to formulate attractive benefits and recognise performance excellence in its bid to retain its trained associates.

The Company is conscious of its responsibility to protect the environment. Therefore, the environmental policy followed by the hotel promotes sustainable practices in every sphere of operations. The hotel is also following a staggered programme whereby more energy-efficient equipment is being installed wherever possible in order to reduce consumption and reduce the adverse effects to the environment. These practices have the added advantage of being more cost-effective in the long term. On Earth Day this year, the staff members conducted a door-to-door campaign to educate the community on environmental issues and their causes. This awareness campaign was well received by the community.

As part of the Company's efforts to integrate and contribute to the community in which we operate, the team participated in several initiatives as listed on page 6 to 11 during the year under review.

My sincere appreciation to our faithful customers and travel partners for their continued patronage. I trust that they will extend their loyalty to Mahaweli Reach as their preferred hotel in the coming years as well.

On behalf of the Company, I take this opportunity to express our thankfulness to our bankers and suppliers for their support and co-operation which has been vital to the Company's journey.

It is people who make Mahaweli Reach what it is and I wish to recognise with gratitude, the dedication and commitment of the Managing Director and the entire team whose untiring efforts have allowed Mahaweli

Reach to continue to deliver service of the highest standards and achieve good results despite mounting challenges.

I wish to extend grateful thanks to all my colleagues on the Board for your advice, guidance and leadership which has helped the company to navigate the ever changing path to success.

We continue to believe in Sri Lanka's potential for growth in the tourism industry as its compact offering of culture, nature, adventure and hospitality are incomparable. With your support, we will make all efforts to position Mahaweli Reach as an evolving product which provides its clients with superlative service and an unforgettable experience.

**Mr. M. U. Maniku**  
**Chairman**  
**22nd August, 2014**





**Mr. M. U. Maniku (Chairman)****Non-Executive Director**

Mr. Mohamed U. Maniku was appointed to the Board on 27th February 2003 and was appointed Chairman with effect from 31st May 2012. He is a holder of a Masters Degree in Agriculture from the University of Bangladesh. Mr. Maniku has over 40 years' of experience in the hospitality Industry. He is considered as the pioneer in development of tourism in the Maldives. He is the Chairman of Universal Enterprises Pvt. Ltd. a company that owns and operates eight tourist resorts in the Maldives. He is a Director of Royal Palms Beach Hotels PLC. Mr. Maniku is the Chairman of the Maldives Association of Tourism Industry of the Republic of Maldives.

**Mr. J. A. Panabokke (Managing Director)****Executive Director**

Mr. Jayantha A. Panabokke has over 36 years' of management experience in the hospitality industry and has been a member of the Board of Directors of Mahaweli Reach Hotels PLC since 1988 and has functioned as its Managing Director since 1992. He represents Sri Lanka on the Executive Board of the Pacific Asia Travel Association (PATA), and is a member of the Council of Governors of the Sri Lanka Business Development Centre. He is a Director of Mahaweli Hotel Management Services (Pvt.) Limited and of Mowbray Hotels Ltd. He has also been a former member of the Board of the Sri Lanka Tourist Board and Chairman of the PATA Sri Lanka Chapter. In addition, he has in the past been appointed as the Vice President of the Tourist Hotels Association of Sri Lanka, President of the Kandy Hoteliers Association, Director of the Chamber of Commerce & Industry of the Central Province and a Director of the Sri Lanka Institute of Tourism & Hotel Management.

**Mr. K. Mohan Panabokke****Non-Executive Director**

Mr. K. Mohan Panabokke has over 30 years' of experience in the hospitality industry and functioned as the General Manager of Mahaweli Reach Hotel from 1992 to 2007. He was appointed an alternate Director of the company on 27th September 1996 and was appointed a Director with effect from 5th June 2012. He is a graduate of the Ceylon Hotel School and also the Chairman / Managing Director of Unique Road Hauliers (Pte) Ltd. He is also the present Basnayake Nilame of the Sri Maha Vishnu Devalaya in Kandy and of the Dedimunda Devalaya in Aluth Nuwara. He currently serves on the Board of the Sri Lanka International Buddhist Academy.

**Mr. R. T. Molligoda****Independent Non-Executive Director**

Mr. R. T. Molligoda was appointed as a Director of Mahaweli Reach Hotels PLC on 15th July 1976 and has been associated with the Company since then. He has over 40 years' of management experience in various fields and held Executive Directorships in several companies of the John Keells Group, including the Travel & Hotel sectors prior to his retirement. He has served on the governing bodies of several associations aligned to international bodies and also as a former surveyor of the Chamber of Commerce on Export Products and as an advisor to the Bureau of Standards.

**Mr. A. N. Esufally****Independent Non-Executive Director**

Appointed to the Board of Directors of Mahaweli Reach Hotels PLC on 20th October 1987. Mr. Esufally is a Fellow Member of both the Institute of Chartered Accountants of England and Wales and The Institute of Chartered Accountants of Sri Lanka. He has over 35 years' of experience in Sri Lanka and overseas and has been in the forefront of the leisure industry in Sri Lanka. He is the Honorary Consul General for Bhutan in Sri Lanka and an All Island Justice of the Peace. He is the Chairman of Serendib Hotels PLC, Dolphin Hotels PLC, Hotel Sigiriya PLC and the Deputy Chairman of Printcare PLC. He is also a Director of several other companies including Hemas Holdings PLC and Royal Palms Beach Hotels PLC.

**Mr. A. U. Maniku****Non-Executive Director**

Mr. Ahamed U. Maniku was appointed to the Board on 27th February 2003. He is the Managing Director of Universal Enterprises Pvt. Ltd. of Maldives.

**Dr. I. U. Maniku****Non-Executive Director**

Dr. Ibrahim U. Maniku was appointed to the Board on 27th February 2003. He is a Director of Universal Enterprises Pvt. Ltd. of Maldives.

**Mr. A. M. Didi****Non-Executive Director**

Mr. Ahamed Mahir Didi was appointed to the Board on 27th February 2003. He is the Director - Sales and Marketing of Universal Enterprises Pvt. Ltd. Maldives. He has over 30 years' of experience in Resort Management specialising in Marketing and the promotion of Maldives and the Universal Resorts portfolio around the world. He is also responsible for Universal Travel Services. He is a Director of Silhouette Island Resort and Rocher Marketing and Hospitality Supplies of Seychelles. Mr. Ahamed Mahir Didi is the Honorary Consul for Russia in the Republic of Maldives.

**Mr. W. P. Hettiaratchi****Non-Executive Director**

Mr. W. Priyantha Hettiaratchi was appointed to the Board on 27th February 2003. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. He has been employed by Universal Resorts, Maldives since 1998 and at present heads the Group's operations in Sri Lanka. He is also the Managing Director of The British School in Colombo, CEO/Director of Lanka Valiant Developers Pvt. Ltd. and is the alternate Director to Mr. M. U. Maniku at Royal Palms PLC. He counts over 22 years' experience and exposure in the areas of the soft drinks industry, hospitality, tourism and school operations.

**Mr. A. Nooradeen****Non-Executive Director**

Mr. Ali Nooradeen was appointed to the Board on 15th June 2004. He is a Director of Universal Enterprises Pvt. Ltd.

**Mr. M. Mahir****Non-Executive Director**

Mr. M. Mahir was appointed to the Board on 15th June 2004. He has over 26 years' of experience in the tourism industry. He is the Director in Charge for Procurement of Supplies for the resorts owned by the Universal Group.

**Mr. J. C. Ratwatte****Independent Non-Executive Director**

Mr. J. Charitha Ratwatte is a holder of a Bachelor of Law Degree from the University of Ceylon, Colombo and is an Attorney-at-Law with over 40 years' of experience. He also holds a Post Graduate Diploma in International Relations from the Bandaranaike Center for International Studies. He has worked for the government for over 20 years on various assignments, ranging from Director General of Youth Services, Chairman of the National Youth Services Savings and Credit Co-operative, Commissioner General for Essential Services, Managing Director of the Janasaviya Trust Fund and also as the Secretary to six Ministries. He retired from the government service from the post of Secretary to the Treasury & Ministry of Finance. He now works in the business sector as the Managing Director of the Sri Lanka Business Development Centre, a non-profit, non-stock, private social enterprise. He has been a member of the Committee of the Ceylon Chamber of Commerce, by invitation, since 1995. He serves on the Board of Directors of several companies, mainly in the leisure business. He has been a Lecturer and Examiner in Constitutional Law in Sri Lanka and a Resource Person on Disaster Management to the Asian Disaster Management Center of the Asian Institute of Technology, Bangkok.



**Mr. Rienzie T. Wijetilleke**

**Independent Non-Executive Director**

Mr. Wijetilleke has been a Director of the Company since early 2008. He retired in 2011 as the Chairman of Hatton National Bank. In November 2010, he celebrated his 50 years as a Practicing Banker.

He is a Fellow Member of the Chartered Institute of Bankers, United Kingdom, a Fellow Member of the Institute of Bankers, Sri Lanka and a Companion of the Chartered Management Institute, United Kingdom.

Mr. Wijetilleke is also a Director of several other companies. He is also the former Chairman and a Director of the Colombo Stock Exchange.

**Mr. R. Seevaratnam**

**Independent Non-Executive Director**

Mr. R. Seevaratnam was appointed a Director with effect from 5th June 2012. He is a graduate of the University of London and a Fellow Member of the Institute of Chartered Accountants of England and Wales and a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. He was a senior partner of KPMG Ford Rhodes Thornton & Company. At present, he is a Non-Executive Independent Director of a number of Public Quoted Companies.

## **ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY - FOR YEAR 2013/14.**

The Directors are pleased to present their report together with the audited Financial Statements for the year ended 31st March 2014. The details set out herein provide the pertinent information in compliance with the Companies Act No. 07 of 2007, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Listing Rules of the Colombo Stock Exchange .

### **Principal Activities and Review of Business**

The principal activity of the Company is that of a Hotelier and this has remained unchanged. A review of Business and the Company's performance during the year with comments on financial results is contained in the Chairman's Review.

There are no other classes in which the Company has an interest, either as a Shareholder of another company or otherwise.

The Directors are not aware of any other material information which requires inclusion for the Shareholders to have a further appreciation of the state of the Company's affairs outside the information disclosed in the Financial Statements.

### **Financial Statements**

The Financial Statements of the Company for the accounting period ended 31st March 2014, prepared in compliance with the Sri Lanka Accounting Standards and completed and signed in accordance with the provisions of the Companies Act are given on pages 34 to 68.

### **Auditor's Report**

The Auditor's Report on the Financial Statements of the Company is given on page 33.

### **Accounting Policies**

The Notes to the Financial Statements contained herein describe the accounting policies adopted in the preparation of the Financial Statements.

Changes in Accounting policies made during the accounting period are described under Note 2.2 to the Financial Statements.

### **Stated Capital**

The Stated Capital is the total of the amounts received by the Company in respect of the issue of Shares.

The Stated Capital of the Company as at 31st March 2014 consists of 47,066,447 Ordinary shares and 11,660 Preference shares totalling to Rs. 585,562,470/-. There was no change in the Stated Capital during the year.

### **Dividends**

The Company has not declared or paid any Dividends during the period under review.

### **Investments**

The Company has no investments (quoted or unquoted).

### **Property, Plant & Equipment**

Information relating to movements of Property, Plant & Equipment is given in Note 13 to the Financial Statements.



## Directorate

The Directors of the Company during the accounting period are as follows:

Directors as at 31 <sup>st</sup> March 2014	Remarks
MR. MOHAMED UMAR MANIKU	NON-EXECUTIVE DIRECTOR
MR. RAJA TISSA MOLLIGODA	INDEPENDENT NON-EXECUTIVE DIRECTOR
MR. ABBASALLY NURUDDIN ESUFALLY	INDEPENDENT NON-EXECUTIVE DIRECTOR
MR. JAYANTHA ATUL PANABOKKE	EXECUTIVE DIRECTOR
MR. KSHUDIRAM MOHAN PANABOKKE	NON-EXECUTIVE DIRECTOR
MR. AHAMED UMAR MANIKU	NON-EXECUTIVE DIRECTOR
DR. IBRAHIM UMAR MANIKU	NON-EXECUTIVE DIRECTOR
MR. AHAMED MAHIR DIDI	NON-EXECUTIVE DIRECTOR
MR. WAJJIYA PRIYANTHA HETTIARATCHI	NON-EXECUTIVE DIRECTOR
MR. ALI NOORADEEN	NON-EXECUTIVE DIRECTOR
MR. MOHAMED MAHIR	NON-EXECUTIVE DIRECTOR
MR. JAYAMPATHY CHARITHA RATWATTE	INDEPENDENT NON-EXECUTIVE DIRECTOR
MR. RIENZIE THEOBALD WIJETILLEKE	INDEPENDENT NON-EXECUTIVE DIRECTOR
MR. RANJEEVAN SEEVARATNAM	INDEPENDENT NON-EXECUTIVE DIRECTOR

## Directors

Messrs A. N. Esufally, A. U. Maniku, M. Mahir and A. Nooradeen are due to retire by rotation at the forthcoming Annual General Meeting of the Company in terms of Article 90 of the Articles of Association of the Company, and being eligible, offer themselves for re-election and this is recommended by the Board.

Mr. R. T. Molligoda, who attained the age of seventy seven years on 02nd February 2014 retires pursuant to Section 210 of the Companies Act No. 07 of 2007. Special Notices of intention in compliance with the law have been received by the Company regarding the re-election of Mr. R. T. Molligoda, who being eligible offers himself for re-election and this is recommended by the Board.

Mr. R. T. Wijetilleke, who attained the age of seventy four years on 12th November 2013 retires pursuant to Section 210 of the Companies Act No. 07 of 2007. Special Notices of intention in compliance with the law have been received by the Company regarding the re-election of Mr. R. T. Wijetilleke, who being eligible offers himself for re-election and this is recommended by the Board.

Mr. R. Seevaratnam, who attained the age of seventy one years on 24th September 2014 retires pursuant to Section 210 of the Companies Act No. 07 of 2007. Special Notices of intention in compliance with the law have been received by the Company regarding the re-election of Mr. R. Seevaratnam, who being eligible offers himself for re-election and this is recommended by the Board.

## Directors Shareholdings

The Shareholdings of the Directors together with those of their spouses are as follows:

	As at 31 <sup>st</sup> March 2013	As at 31 <sup>st</sup> March 2014
Mr. J. A. Panabokke	520,388	535,388
Mr. A. N. Esufally	332,000	332,000
Mr. R. T. Molligoda	626,200	626,200
Mr. M. U. Maniku	1,160,380	1,160,380
Mr. K. M. Panabokke	170,519	170,519



## Directors' Remuneration and other benefits

The Directors Remuneration and other benefits from the Company during the Financial year 2013/2014 is Rs. 10,700,049/-.

## Interests Register

The particulars of entries in the Interests Register and the Directors Interests in the Contracts of the Company are disclosed under Note 27 to the Financial Statements contained herein.

The Directors are not either directly or indirectly interested in any existing or proposed contracts with the Company other than what is disclosed in the Financial Statements.

## Post Balance Sheet Events

No circumstances of significance have arisen since the Balance Sheet date, which would require adjustments to or disclosure in the Financial Statements.

## Donations

The total amount of Donations made by the Company during the Financial Year is Rs. 153,250/-.

## Auditors

M/s HLB Edirisinghe & Co., Chartered Accountants, Auditors of the Company, have signified their willingness to continue in office and are recommended for re-appointment.

The amounts payable by the Company to the Auditors as audit fees is Rs. 287,500/-.

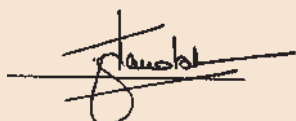
## Employee Share Ownership

The Company does not operate any share option scheme.

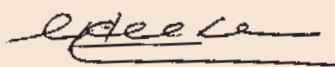
## Going Concern

The Directors have made an assessment and have a reasonable expectation of the Company's ability to continue as a going concern and do not intend either to liquidate or to cease operations of the Company in the foreseeable future.

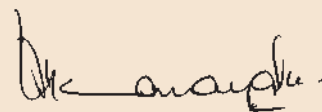
BY ORDER OF THE BOARD.



J. A. Panabokke  
Director



W. P. Hettiaratchi  
Director



BUSINESSMATE (Pvt.) Ltd.,  
Secretaries.

22nd August, 2014



# TWENTY LARGEST SHAREHOLDERS

Name of Shareholder	31.03.14		31.03.13	
	No. of Shares	Holding %	No. of Shares	Holding %
01. Universal Enterprises (Pvt.) Ltd.	32,683,550	69.44	32,683,550	69.44
02. Estate of Late Mrs. L. R. Panabokke	4,445,062	9.44	4,445,062	9.44
03. Mr. J. R. De Silva	1,435,062	3.05	1,069,150	2.27
04. Mr. M. U. Maniku	1,160,380	2.46	1,160,380	2.46
05. Mr. R. T. Molligoda	626,200	1.33	626,200	1.33
06. Mercantile Investments and Finance PLC	507,000	1.08	507,000	1.08
07. Mr. J. A. Panabokke	484,104	1.03	484,104	1.03
08. Mr. A. N. Esufally	332,000	0.71	332,000	0.71
09. Gold Investments Ltd.	286,848	0.61	286,848	0.61
10. Mr. A. W. Nanayakkara	177,500	0.38	175,000	0.37
11. Sinhaputhra Finance Ltd.	167,200	0.35	167,200	0.36
12. Mr. K. M. Panabokke	164,000	0.35	164,000	0.35
13. National Savings Bank	133,300	0.28	133,300	0.28
14. Dee Investments (Pvt.) Ltd.	110,000	0.23	110,000	0.24
15. Mr. M. S. M. Ali	105,038	0.22	-	-
16. Mr. R. A. L. White	100,854	0.21	103,000	0.22
17. Mr. J. A. Panabokke	72,400	0.15	64,900	0.14
18. Alliance Finance Company PLC	71,928	0.15	69,100	0.15
19. Freudenberg Shipping Agencies Limited	70,792	0.15	-	-
20. Mr. P. Sivagananathan	70,000	0.15	100,000	0.21

## SHAREHOLDINGS

	31.03.14		31.03.13	
	No. of Shares held	Holding %	No. of Shares held	Holding %
Others	35,508,037	75.45	35,493,037	75.41
Public	11,558,410	24.55	11,573,410	24.59
<b>Total</b>	<b>47,066,447</b>	<b>100.00</b>	<b>47,066,447</b>	<b>100.00</b>

## Shareholders/Investors Information

### Details of Shareholding

No. of Shareholders	Holdings	Total Holdings	31.03.14 Holdings	%	31.03.13 Holdings	%
31.03.14	31.03.13					
1,554	1,445	Less Than 500	290,655	0.62%	335,864	0.71%
741	889	500 to 5,000	672,420	1.43%	1,229,389	2.61%
75	77	5,001 to 10,000	584,960	1.25%	604,960	1.28%
57	34	10,001 to 20,000	649,749	1.38%	458,335	0.97%
24	21	20,001 to 30,000	542,193	1.15%	479,193	1.02%
06	10	30,001 to 40,000	201,531	0.43%	342,899	0.73%
2	0	40,001 to 50,000	87,332	0.18%	0	0
13	14	50,001 to 100,000	725,540	1.54%	814,115	1.73%
13	11	100,001 to 1,000,000	3,588,013	7.62%	3,388,652	7.20%
4	4	Over 1,000,000	39,724,054	84.40%	39,413,040	83.75%
<b>2489</b>	<b>2505</b>		<b>47,066,447</b>	<b>100.00%</b>	<b>47,066,447</b>	<b>100.00%</b>



# FIVE YEAR HIGHLIGHTS

OPERATING RESULTS		2009/10	2010/11	2011/12	2012/13	2013/14
Occupancy	%	47	61	57	61	60
Gross Revenue	(Rs.000)	279,030	391,017	449,107	594,911	564,167
Interest Charges	(Rs.000)	(20,169)	(11,670)	14,850	(19,350)	(17,385)
Depreciation	(Rs.000)	(21,220)	(20,322)	(32,416)	(35,648)	(38,854)
Profit & Loss before Interest	(Rs.000)	21,449	54,584	28,336	111,161	65,196
after Interest	(Rs.000)	1,280	42,914	13,139	91,811	42,661
ASSETS EMPLOYED						
Non-Current Assets	(Rs.000)	611,460	982,214	1,026,833	1,051,051	1,157,946
Net Current Assets/ (Liabilities)	(Rs.000)	(41,362)	(17,243)	1,404	31,263	(35,842)
Stated Capital						
- Ordinary Shares	(Rs.000)	585,445	585,445	585,445	585,445	585,445
- Preference Shares	(Rs.000)	117	117	117	117	117
Net Reserves	(Rs.000)	(121,310)	253,046	260,992	330,047	367,658
Non-Current Liabilities	(Rs.000)	105,846	126,362	181,681	166,704	168,883
Market Value per share	Rs. Cts	22.00	34.00	25.20	19.70	16.70
Net Assets per share	Rs. Cts	9.86	17.81	17.97	19.45	20.25
Dividend per share	Rs. Cts	-	-	-	-	-
Earnings per share	Rs. Cts	0.71	0.99	0.16	1.47	0.80
Year-on-Year Growth						
- in Earnings per share	%	384	39	(83)	819	(46)
- in Dividend per share	%	-	-	-	-	-
Price Earning Ratio	-	31	34.34	157.50	13.40	20.9
Borrowing as a % of						
Total Assets	%	13%	7.89%	13.10%	10.77%	11.56%
Interest Cover	Times	1.06	4.68	1.91	5.74	2.89

## Highest and lowest value per share

The highest value per share traded during the year is Rs. 21.50 and the lowest value per share traded during the year is Rs. 14.10 and the market value per share as at 31st March 2014 is Rs. 16.70.

The Company has not raised funds on listed securities.



The Remuneration Committee functions with the objective of ensuring that the compensation policy of the Company is consistent and aligned with market reality in order to attract and retain qualified and competent personnel and also to recommend the remuneration payable to the Executive Directors and Chief Executive Officer of the Company.

The Board appointed Remuneration Committee comprises of three members and is chaired by Mr. J. C. Ratwatte with the other two members being Mr. R. T. Wijetilleke and Mr. R. T. Molligoda, who are all Non-Executive Independent Directors.

The three Non-Executive Independent Directors are independent of management and free from any business or other relationship which would otherwise impede the exercise of their independent judgement.

Brief profiles of the members are given on page 22 to 24.

The Remuneration Committee formally met once during the year under review. Attendance of the Committee members at this meeting is given on page 14. The Managing Director and The Company Secretary attended the meeting by invitation.

The Remuneration Committee members interacted among themselves as well as with the Executive Board Members when the necessity arose.

Mahaweli Reach Hotels PLC has complied with the policies and procedures set out by the Remuneration Committee.

**J. C. Ratwatte**  
**Chairman - Remuneration Committee**  
**22nd August, 2014**

## Role

The primary role of the Audit Committee is to review and monitor the financial reporting process of the Company, so as to provide additional assurance on the reliability of the financial statements through a process of independent and objective review. As such, the Audit Committee acts as an effective forum for assisting the Board of Directors in discharging their responsibilities of ensuring the quality of financial reporting and related communications to the shareholders and the public.

The Audit Committee is empowered amongst other functions to examine any matters relating to the financial affairs of the Company and to review the adequacy of the internal control procedures, role and performance of the external auditors, disclosures of accounting policies and compliance with statutory and corporate governance requirements.

## Composition

The Audit Committee comprises of three Independent Non-Executive Directors and one Non-Executive Director. The Chairman of the Audit Committee is Mr. R. Seevaratnam, a fellow member of the Institute of Chartered Accountants of Sri Lanka. The names of the members are given below and a brief profile of each member is given on pages 22 to 24.

The following members serve on the Audit Committee:

- |                          |                                      |
|--------------------------|--------------------------------------|
| • Mr. R. Seevaratnam     | - Independent Non-Executive Director |
| • Mr. R. T. Wijetilleke  | - Independent Non-Executive Director |
| • Mr. J. C. Ratwatte     | - Independent Non-Executive Director |
| • Mr. W. P. Hettiaratchi | - Non-Executive Director             |

## Meetings

The Committee met formally on four occasions during the financial year ended 31st March 2014. Attendance of the Committee members at each of these meetings is given on page 15. The Managing Director, Chief Financial Officer and Company Secretary attended the meetings by invitation.

## Summary of Activities

### Financial Reporting System

The Committee reviewed the financial reporting system adopted by the Company in the preparation of its quarterly and annual statements to ensure reliability of the processes and consistency of the accounting policies and methods adopted in their compliance with the Sri Lanka Accounting Standards and other statutory and regulatory requirements. The Committee recommended the financial statements to the Board for its approval.

### Internal Controls & Internal Audit

The Committee reviewed the processes in place to assess the effectiveness of the Internal Financial Controls that are in place to provide reasonable assurance that assets are safeguarded and that the financial reporting system can be relied upon in preparation and presentation of Financial Statements.

The Committee discharged its duties by reviewing and discussing the Audit Reports submitted by the Internal Auditor. The Audit Committee having reviewed these reports using their extensive experience and expertise, recommended additional controls and risk mitigation strategies that could be implemented to strengthen the existing internal control system.

The Committee is empowered to examine any matter relating to the financial reporting systems and its internal and external audits. Its duties include detailed reviews of financial statements, internal control procedures, accounting policies and compliance with accounting standards. It also reviews the adequacy of systems for compliance with the relevant legal, regulatory and ethical requirements and Company policies.



The Audit Committee is satisfied that the control environment prevailing in the organisation provides reasonable, but not absolute assurance that the financial position of the Company is satisfactory and that the systems are in place to minimise the impact of identifiable risks.

## **External Audit**

The Committee had discussions with the external auditors, to review the nature, approach and scope of the audit. The Committee also reviewed the non-audit services provided by the Auditors to ensure that the provision of such services does not impair their independence.

## **Re-appointment of Auditors**

As far as the Directors are aware, the Auditor does not have any relationship (other than that of an Auditor) with the Company. The Auditors also do not have any interest in the Company. For the said reasons, the Committee has determined that Auditors are independent.

The Audit Committee having evaluated the independence and performance of the external auditors, decided to recommend to the Board of Mahaweli Reach Hotels PLC, the re-appointment of Messrs. HLB Edirisinghe & Co., as auditors of the Company for the current financial year subject to the approval of the shareholders at the Annual General Meeting.

**R. Seevaratnam**  
**Chairman - Audit Committee**

**22nd August, 2014**



**Edirisinghe & Co**

Chartered Accountants

## INDEPENDENT AUDITORS' REPORT

### TO THE SHAREHOLDERS OF MAHAWELI REACH HOTELS PLC

We have audited the accompanying Financial Statements of Mahaweli Reach Hotels PLC, which comprise the Statement of Financial Position as at March 31<sup>st</sup> 2014, and Statements of Comprehensive Income, Changes in Equity and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

#### Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall Financial Statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

#### Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended March 31<sup>st</sup> 2014 and the Financial Statements give a true and fair view of the Financial Position of the Company as at March 31<sup>st</sup> 2014 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Report on Other Legal and Regulatory Requirements

These Financial Statements also comply with the requirements of section 151(2) of the Companies Act No. 07 of 2007.

*HLB Edirisinghe & Co*

HLB Edirisinghe & Co.  
Chartered Accountants  
Colombo  
21<sup>st</sup> August 2014



45, Braybrooke Street, Colombo 02, Sri Lanka. Telephone: +94 11 2433933 Facsimile: +94 11 2445683, E-mail: [info@hlbk.com](mailto:info@hlbk.com)  
A.D. Jayasena FCA, Partner: P.P. Edirisinghe FCA, ACIM, MBA, Partner: Ms. N.G.D.C.K. de Silva Jayawardane FCA, Partner: Ms. K.K. Karunaratne ACA, ACMA,  
Partner: P.K.A.M. Alahakoon ACA, MAAT, Partner: A.T.P. Edirisinghe FCMA, FCA, Consultant/Advisor

HLB Edirisinghe & Co is a member of International. A world-wide organisation of accounting firms and business advisers.





# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31<sup>st</sup> March 2014

	Notes	2013/2014 Rs.	2012/2013 Rs.
Revenue	7	531,340,718	562,364,161
Cost of Sales		(218,952,764)	(209,305,552)
<b>Gross Profit</b>		<u>312,387,954</u>	<u>353,058,609</u>
Other Operating Income	8	32,826,124	32,546,456
Administrative Expenses		(208,631,144)	(199,187,071)
Marketing & Promotion Costs		(21,676,877)	(20,475,806)
Other Costs		(49,709,671)	(49,936,316)
<b>Operating Profit</b>		<u>65,196,386</u>	<u>116,005,872</u>
Finance Cost	10	(22,535,045)	(24,194,627)
<b>Profit before Tax</b>	9	42,661,341	91,811,245
Income Tax Expense	11	(5,050,811)	(22,756,228)
<b>Profit for the Year</b>		<u>37,610,530</u>	<u>69,055,016</u>
Other Comprehensive Income		-	-
<b>Total Comprehensive Income For The Year</b>		<u>37,610,530</u>	<u>69,055,016</u>
Earnings Per Share (Basic) - Rs.Cts.	12	0.80	1.47

The significant accounting policies and Notes on pages 38 to 68 are an integral part of these Financial Statements.



# STATEMENT OF FINANCIAL POSITION

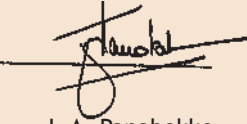
For the year ended 31<sup>st</sup> March 2014

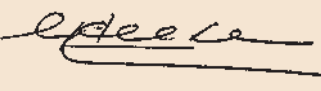
	Notes	31.03.2014 Rs.	31.03.2013 Rs.
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, Plant & Equipment	13	1,114,724,204	1,007,501,937
Deferred Tax Assets	14	45,842,434	43,548,882
		<u>1,160,566,638</u>	<u>1,051,050,819</u>
<b>Current Assets</b>			
Inventories	15	21,633,925	24,791,515
Trade and Other Receivables	16	76,693,831	108,236,632
Cash and Cash Equivalents	17	1,992,996	14,182,426
		<u>100,320,752</u>	<u>147,210,573</u>
<b>Total Assets</b>		<u><u>1,260,887,390</u></u>	<u><u>1,198,261,392</u></u>
<b>EQUITY AND LIABILITIES</b>			
Stated Capital	18	585,562,470	585,562,470
Capital Reserves		417,122,058	417,122,058
Retained Earnings		(49,464,034)	(87,074,564)
<b>Total Equity</b>		<u>953,220,494</u>	<u>915,609,964</u>
<b>Non-Current Liabilities</b>			
Deferred Tax Liabilities	14	48,372,299	46,332,944
Retirement Benefit Obligation	19	28,821,998	24,382,752
Interest Bearing Borrowings	20	94,309,552	95,988,642
		<u>171,503,849</u>	<u>166,704,338</u>
<b>Current Liabilities</b>			
Trade and Other Payables	21	52,235,245	44,254,122
Due to Related Parties	22	29,426,968	32,575,649
Income Tax Liabilities	23	3,305,008	6,108,131
Interest Bearing Borrowings	20	51,195,826	33,009,188
		<u>136,163,047</u>	<u>115,947,090</u>
<b>Total Liabilities</b>		<u>307,666,896</u>	<u>282,651,428</u>
<b>Total Equity and Liabilities</b>		<u><u>1,260,887,390</u></u>	<u><u>1,198,261,392</u></u>

I certify that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

  
Sanjeewa Wickramasinghe  
Finance Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.  
Signed for and on behalf of the Board by:

  
J. A. Panabokke  
Director

  
W. P. Hettiaratchi  
Director

The significant accounting policies and Notes on pages 38 to 68 are an integral part of these Financial Statements.  
21st August 2014,  
Colombo



# STATEMENT OF CHANGES IN EQUITY

For the year ended 31<sup>st</sup> March 2014

	Stated Capital Rs.	Preference Shares Rs.	Retained Earnings Rs.	Capital Reserve Rs.	Total Rs.
Balance as at 1 <sup>st</sup> April 2012	585,445,870	116,600	(156,129,580)	417,122,058	846,554,948
Profit for the year	-	-	69,055,016	-	69,055,016
Other Comprehensive Income	-	-	-	-	-
<b>Total Comprehensive Income For The Year</b>	<u>585,445,870</u>	<u>116,600</u>	<u>(87,074,564)</u>	<u>417,122,058</u>	<u>915,609,964</u>
 Balance as at 31 <sup>st</sup> March 2013	 <u>585,445,870</u>	 <u>116,600</u>	 <u>(87,074,564)</u>	 <u>417,122,058</u>	 <u>915,609,964</u>
 Profit for the year	 -	 -	 37,610,530	 -	 37,610,530
Other Comprehensive Income	-	-	-	-	-
<b>Total Comprehensive Income For The Year</b>	<u>585,445,870</u>	<u>116,600</u>	<u>(49,464,034)</u>	<u>417,122,058</u>	<u>953,220,494</u>
<b>Balance as at 31<sup>st</sup> March 2014</b>	<u><u>585,445,870</u></u>	<u><u>116,600</u></u>	<u><u>(49,464,034)</u></u>	<u><u>417,122,058</u></u>	<u><u>953,220,494</u></u>

The significant accounting policies and Notes on pages 38 to 68 are an integral part of these Financial Statements.



# STATEMENT OF CASH FLOWS

For the year ended 31<sup>st</sup> March 2014

	31.03.2014	31.03.2013
	Rs.	Rs.
<b>Cash Flows from Operating Activities</b>		
Profit Before Taxation	42,661,341	91,811,245
Adjustment for :		
Depreciation	38,854,437	35,648,246
Lease Interest	1,791,664	2,019,938
Interest Expenses	17,385,441	19,349,861
Provision for Gratuity	5,133,709	3,135,591
Impairment provision for bad debts	2,633,918	1,463,150
Inventory Written-off	1,393,870	-
<b>Operating Profits Before Working Capital Changes</b>	<b>109,854,380</b>	<b>153,428,031</b>
(Increase)/Decrease in Inventories	1,763,720	(2,183,515)
(Increase)/Decrease in Trade and Other Receivables	28,908,883	(27,064,060)
Increase/(Decrease) in Trade and Other Payables	7,981,123	(17,545,778)
Increase/(Decrease) in Related Party Balances	(3,148,681)	13,263,708
<b>Cash Flows From Operations</b>	<b>145,359,426</b>	<b>119,898,386</b>
Gratuity Paid	(694,462)	(2,202,700)
Interest Paid	(17,385,441)	(19,349,861)
Tax Paid	(8,108,131)	(2,193,151)
<b>Net Cash From Operating Activities</b>	<b>119,171,392</b>	<b>96,152,673</b>
<b>Cash Flows from/(Used in) Investing Activities</b>		
Acquisition of Property, Plant & Equipment	(130,203,054)	(55,230,025)
<b>Cash Used in Investing Activities</b>	<b>(130,203,054)</b>	<b>(55,230,025)</b>
<b>Cash Flows from/(Used in) Financing Activities</b>		
(Repayments of)/proceeds from Loans	3,882,752	(27,477,288)
(Repayments of)/proceeds from Leases	(5,971,720)	(5,018,966)
<b>Net Cash (Used In)/From Financing Activities</b>	<b>(2,088,968)</b>	<b>(32,496,254)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>(13,120,631)</b>	<b>(8,426,394)</b>
<b>Cash and Cash Equivalents at the beginning of the year</b>	<b>14,182,426</b>	<b>5,756,032</b>
<b>Cash and Cash Equivalents at the end of the year (Note 17)</b>	<b>1,061,796</b>	<b>14,182,426</b>

The significant accounting policies and Notes on pages 38 to 68 are an integral part of these Financial Statements.



For the year ended 31<sup>st</sup> March 2014

## 1 CORPORATE INFORMATION

### 1.1 Reporting Entity

The Company is a quoted public limited liability Company incorporated and domiciled in Sri Lanka. The Registered Office of the Company is located at No. 35, P.B.A Weerakoon Mawatha, Kandy.

The principal place of business is at the same place.

The average number of employees of the Company amounted to 323 and last year 258.

### 1.2 Principal Activities and Nature of Operations

During the year, the principal activity of the Company is that of a hotelier.

### 1.3 Parent Enterprise

The Company's parent undertaking is Universal Enterprises Private Ltd., which holds 69.44% of shares of Mahaweli Reach Hotels PLC.

### 1.4 Date of Authorisation for Issue

The Financial Statements of the Company for the year ended 31st March 2014 were authorised for issue in accordance with a resolution of the directors on 21st August 2014.

### 1.5 Management Contract

The Company is managed by Mahaweli Hotels Management Services Private Ltd., under an agreement.

## 2 BASIS OF PREPARATION

### 2.1 Statement of Compliance

The Company prepares its Financial Statements in accordance with Sri Lanka Accounting Standards (SLAS) prefixed both SLFRS (corresponding to IFRS) and LKAS (corresponding to IAS), promulgated by The Institute of Chartered Accountants of Sri Lanka (ICASL) and complies with the requirements of the Companies Act No. 7 of 2007.

These Financial Statements have been prepared on the historical cost basis, except that certain lands and buildings are measured at fair value and the retirement benefit obligations are measured at the present value of the defined benefit plans as explained in the respective notes to the Financial Statements.

### 2.2 Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease trading.

### 2.3 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees which is the functional currency of the Company.

For the year ended 31<sup>st</sup> March 2014

## 2 BASIS OF PREPARATION (Continued)

### 2.4 Use of Estimates and Judgments

The preparation of Financial Statements in conformity with SLFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenue and expenses during the reporting period. Although the judgments and estimates are based on the management's best knowledge of the current events and actions, actual results may ultimately differ from those estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note No. 05.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been consistently applied to all periods presented in these Financial Statements, unless otherwise indicated.

### 3.1 Foreign Currency

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. All differences arising on settlement or translation of monetary items are taken to the Statement of Comprehensive Income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

### 3.2 Property, Plant and Equipment

Items of Property, Plant and Equipment are measured at cost or valuation less accumulated depreciation and accumulated impairment losses.

#### 3.2.1 Cost / Valuation

Cost includes expenditure that is directly attributable to the acquisition of the asset and includes the cost of replacing part of the Property, Plant and Equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of Property, Plant and Equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

All items of Property, Plant and Equipment are initially recorded at cost. Where items of Property, Plant and Equipment are subsequently revalued, the entire class of such assets are revalued.



For the year ended 31<sup>st</sup> March 2014

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lands and buildings are measured at fair value. Revaluations are carried out when there is a substantial difference between the fair value and the carrying amount of the Property, and is undertaken by professionally qualified valuers. All other Property, Plant and Equipment are stated at historical cost less accumulated depreciation.

Increase in the carrying amount arising on revaluation of lands and buildings are recognised in Other Comprehensive Income and accumulated in equity under the heading of revaluation surplus. Decreases that offset previous increases of the same asset is charged in Other Comprehensive Income and debited against the revaluation reserve in equity, all other decreases are charged to the Statement of Comprehensive Income.

The revaluation surplus included in the equity in respect of lands and buildings are transferred directly to retained earnings when the asset is derecognised. This may involve transferring the whole of the surplus when the asset is retired or disposed of.

### 3.2.2 Subsequent Costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Property, Plant and Equipment are derecognised upon replacement, disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of Property, Plant and Equipment is included in the Statement of Comprehensive Income in the year it is derecognised. All other repairs and maintenance costs are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

### 3.2.3 Depreciation

Provision for depreciation is calculated based on their estimated useful lives of each part of an item of Property, Plant and Equipment other than land. Depreciation is calculated using reducing balance method to allocate their cost or revalued amounts to their residual values over their estimated useful lives.

The principal annual rates used are as follows:

Buildings	2.5%
Office Equipment	10%
Furniture & Fittings	20%
Motor Vehicles	25%

Items of Property, Plant and Equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The assets residual values, useful lives and methods of depreciation are reviewed and adjusted as appropriate at each financial year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Statement of Comprehensive Income.



For the year ended 31<sup>st</sup> March 2014

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.3 Impairment of Non-Financial Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

### 3.4 Financial Assets

#### 3.4.1 Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. At the end of the reporting date, there were no financial assets at fair value through profit or loss, available for sale and held to maturity investments.

##### Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting date. These are classified as non-current assets. The Company's loans and receivables comprise of 'Trade and Other Receivables' and 'Cash and Cash Equivalents' in the Statement of Financial Position.

#### 3.4.2 Recognition and Measurement

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

#### 3.4.3 Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

#### 3.4.4 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 (an incurred 'loss event') 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 re-organisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.



For the year ended 31<sup>st</sup> March 2014

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial Assets Carried at Amortised Cost

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Assets are individually assessed for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The Company assesses, at end of the reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade receivables is described in Note No. 3.5.

### 3.4.5 Financial Liabilities

The Company's financial liabilities consist of "Trade and Other Payables, Bank Overdrafts, Loans and Other Borrowings". Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

All financial liabilities are recognised initially at their fair values and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

### Loans and Borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in the Statement of Comprehensive Income when the liabilities are derecognised as well as through the EIR amortisation 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 amortisation is included in the Statement of Comprehensive Income as finance costs.

### Derecognition

A financial liability is derecognised when its contractual obligations under the liability are discharged, cancelled or expired. 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 substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Comprehensive Income.

## 3.5 Trade Receivables

Trade receivables are amounts due from customers for the services rendered in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

For the year ended 31<sup>st</sup> March 2014

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If a loan or receivable has a variable interest rate, the discount rate for measuring any impairment loss is current effective interest rates determined under the contract.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Statement of Comprehensive Income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the Statement of Comprehensive Income .

### 3.6 Inventories

Inventories are measured at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. The cost of inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of each category of inventory is determined on the following basis:

Beverages	Actual cost on a First In First Out - (FIFO) basis
Room Supplies	Actual cost on a First In First Out - (FIFO) basis
Stationery	Actual cost on a First In First Out - (FIFO) basis
Provisions	At weighted average basis
Maintenance	Actual cost on a First In First Out - (FIFO) basis

### 3.7 Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, net of bank overdrafts. In the Statement of Financial Position, bank overdrafts are included in borrowings in current liabilities.

For the purpose of the Company Statement of Cash Flows, cash and cash equivalents consist of cash in hand, deposits held at banks net of outstanding bank overdrafts.

### 3.8 Stated Capital

Stated capital consists solely of ordinary share capital. Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown as a deduction, net of tax, in equity from the proceeds.

### 3.9 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.



For the year ended 31<sup>st</sup> March 2014

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.10 Provisions

Provisions are recognised when the Company has a present obligation (legal and constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at the end of the reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

### 3.11 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting date.

### 3.12 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases net of any incentives received from lessor are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Lease of Property, Plant and Equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the Statement of Comprehensive Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The Property, Plant and Equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

### 3.13 Current and Deferred Income Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Comprehensive Income, except that a change attributable to an item of income or expense recognised as Other Comprehensive Income is also recognised directly in Other Comprehensive Income.

The current income tax is recognised on the basis of tax rates and laws that have been enacted or substantively enacted at the end of the reporting date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements.

For the year ended 31<sup>st</sup> March 2014

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred income tax is determined using tax rates that have been enacted or substantially enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred income tax assets and liabilities relates to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### 3.14 Employee Benefits

#### 3.14.1 Defined Benefit Plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The Company measures the present value of the promised retirement benefit of the gratuity which is a defined benefit plan with the advice of an actuary using the project benefit valuation method.

Actuarial gains and losses for defined benefit plans are recognised in full for the period in which they occur in the Statement of Comprehensive Income.

Past-service costs are recognised immediately in the Statement of Comprehensive Income.

The liability is not externally funded.

The result of calculation based on the gratuity formula, is included in Note No. 19 to the Financial Statements.

#### 3.14.2 Defined Contribution Plans - Employees' Provident Fund and Employees' Trust Fund

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with respective statutes and regulations. The Company contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively and is recognised as an expense in the Statement of Comprehensive Income in the periods during which services are rendered by employees.

#### 3.14.3 Short-Term Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

### 3.15 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes.

The following specific recognition criteria must also be met before revenue is recognised:



For the year ended 31<sup>st</sup> March 2014

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (a) Apartment, Food & Beverage Sales

Apartment revenue is recognised on the rooms occupied on a daily basis, and food and beverage are accounted for at the time of sales.

### (b) Rendering of Services

Revenue from rendering of services is recognised in the accounting period in which the services are rendered or performed.

### (c) Interest Income

Interest income is recognised in the Statement of Comprehensive Income as it accrues and is calculated by using the effective interest rate method.

### (d) Others

Other income is recognised on an accrual basis.

## 4 FINANCIAL RISK MANAGEMENT

### 4.1 Financial Risk Factors

The Company's activities may expose it to a variety of financial risks such as market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price 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.

#### (a) Market Risk

##### (i) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's functional currency).

##### (ii) Interest Rate Risk

The Company adopts a policy of ensuring borrowings are maintained at manageable levels while optimising returns. Interest rates are negotiated leveraging on the strength of the Company, thereby ensuring the availability of cost-effective funding at all times, while minimising the negative effect of market fluctuations. In addition, Company has considered banking facilities with several reputed banks which has enabled the Company to negotiate competitive rates.

#### Interest Rate Sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the Company's profit before tax as affected through an impact on floating rate borrowings.

	Assumed Impact due to Increase/(Decrease) in Basis Points	Effect on Profit Before Tax (Rs.)
Bank Loans (Rs.)	(+)50 Basis Points	8,127,574
Bank Loans (Rs.)	(-) 50 Basis Points	(8,127,574)

For the year ended 31<sup>st</sup> March 2014

## 4 FINANCIAL RISK MANAGEMENT (Continued)

### (iii) Price Risk

The Company is not exposed to price risks such as commodity price risk, equity price risk and residual value risk.

### (b) Credit Risk

Financial assets of the Company, which are subject to credit risk, consist mainly of cash and cash equivalents, deposits with banks and credit customers, cash and cash equivalents are placed with banks / financial institutions of national repute and rating. The management assess the credit quality of the customer, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. Sales to customers are settled mainly in cheques or bank transfers.

The credit quality of financial assets is disclosed in Note No. 16.3 to the Financial Statements.

### (c) Liquidity Risk

Management monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient head-room on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance.

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31 <sup>st</sup> March 2014	Less than 1 Year	Between 1 and 5 Years
	Rs.	Rs.
Borrowings	51,195,826	94,309,552
Trade and other Payables (excluding statutory liabilities)	52,235,245	-
<b>Total</b>	<b>103,431,071</b>	<b>94,309,552</b>
As at 31 <sup>st</sup> March 2013		
Borrowings	33,009,188	95,988,642
Trade and other Payables (excluding statutory liabilities)	44,254,122	-
<b>Total</b>	<b>77,263,310</b>	<b>95,988,642</b>

## 4.2 Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders as well as to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

During 2014, the Company's strategy, which was unchanged from 2013, was to maintain the gearing ratio within 10% to 15%. The gearing ratios at 31st March 2014 and 2013 were as follows:





For the year ended 31<sup>st</sup> March 2014

## 4 FINANCIAL RISK MANAGEMENT (Continued)

	2013/2014	2012/2013
	Rs.	Rs.
Total Borrowings (Note No. 20)	145,505,378	128,997,830
Less Cash and Cash Equivalents (Note No. 17)	(1,992,996)	(14,182,426)
Net Borrowings	143,512,382	114,815,404
Total Equity	953,220,494	915,609,964
Total Capital	1,096,732,876	1,030,425,368
Gearing Ratio	13%	11%

## 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year are discussed below:

### (a) Allowance for Doubtful Debts

The Company reviews its debtors to assess impairment on a continuous basis. In determining whether an impairment loss should be recorded in the Statement of Comprehensive Income, the Company makes judgments as to whether there is any observable data indicating that there is measurable decrease in estimated cash flows from debtors. The management uses estimates based on historical loss experience of assets. The assumptions used for estimating the amount and timing of cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

### (b) Income Taxes

The Company is subject to income tax under the Income Tax Act in Sri Lanka. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

### (c) Residual Value and Useful Lives of Property, Plant and Equipment

The Company determines the estimated useful lives and related depreciation charges for its plant and equipment. This estimate is based on projections about the continued existence of a market for its products and the ability of the Company to penetrate a sufficient portion of that market in order to operate profitably. The Company increases the depreciation charge where the useful lives are less than previously estimated, or it will appropriately impair, technically obsolete or non-strategic assets that have been abandoned or identified for sale.

Residual values are based on current estimates of the value of these assets at the end of their useful lives.

For the year ended 31<sup>st</sup> March 2014

## 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

### (d) Retirement Benefits Obligation

The present value of the gratuity obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for gratuity include the discount rate. Any changes in these assumptions will impact the carrying amount of gratuity obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the gratuity obligations. In determining the appropriate discount rate, the Company considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid.

Other key assumptions for gratuity obligations are based in part on current market conditions, additional information is disclosed in Note No. 19.

## 6. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following SLFRS have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these Financial Statements. Those SLFRS can have an effect on the accounting policies currently adopted by the Company and may have an impact on the future Financial Statements.

(a) SLFRS 9 - Financial Instruments: Classification and Measurement SLFRS 9, as issued reflect the first phase of work on replacement of LKAS 39 and applies to Classification and Measurement of Financial Assets and Liabilities. This standard will be effective from the financial period beginning on or after 1st January 2015. However, the effective date has been deferred subsequently.

(b) SLFRS 13 - Fair Value measurements SLFRS 13 establishes a single source of guidance under SLFRS 13 provides guidance on all fair value measurements under SLFRS.

This standard will be effective for the annual period beginning on or after 1st January 2014. However, use of fair value measurement principles contained in this standards are currently recommended.

(c) In addition to the above, the following standards will also be effective for the annual periods commencing on or after 1st January 2014:

SLFRS 10 - Consolidated Financial Statements

SLFRS 11 - Joint Arrangements

SLFRS 12 - Disclosure of Interest in Other Entities

The above parcel of three standards will impact the recognition, measurement and disclosure aspects currently contained in LKAS 27 - Consolidated and Separate Financial Statements, LKAS 28 - Investments in Associates, LKAS 31 - Interest in Joint Ventures and SIC-12 and SIC 13 which are on consolidation of special purpose entities (SPEs) and jointly controlled entities respectively.



For the year ended 31<sup>st</sup> March 2014

## 6 NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (Continued)

Establishing a single control model that applies to all entities including SPEs and removal of option to proportionate consolidation of jointly controlled entities are the significant changes introduced under SLFRS 10 and 11 respectively.

SLFRS 12, establishes a single standard on disclosures related to interests in other entities. This incorporates new disclosures as well as the ones previously captured in earlier versions of LKAS 27, LKAS 28 and LKAS 31.

The impact on the implementation of the above Standards were assessed as at the reporting date and concluded that there are no impact on the Company's Financial Statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2014

7.	REVENUE	2013/2014	2012/2013
		Rs.	Rs.
	Front Office & Apartment	323,927,873	345,448,540
	Restaurant	179,857,094	190,065,736
	Beverage	27,555,751	26,849,885
		<u>531,340,718</u>	<u>562,364,161</u>
8.	OTHER OPERATING INCOME		
	Gain on Exchange	516,570	646,425
	Minor Operating Profit	31,700,296	31,239,534
	Staff Loan Interest	609,258	660,497
		<u>32,826,124</u>	<u>32,546,456</u>
9.	PROFIT/(LOSS) BEFORE TAX		
	is stated after charging all expenses including the following:		
	Staff Cost (Note 9.1)	104,556,769	86,019,632
	Directors Remuneration	10,700,049	9,967,356
	Auditors Remuneration Fees	287,500	260,700
	Auditors Non-Assurance Fees & Expenses	702,960	1,381,958
	Depreciation	38,854,437	35,648,246
	Impairment of Debts	2,633,918	1,463,150
	Advertising & Sales Promotion Cost	9,980,568	12,580,003
	Legal Fees	63,500	128,630
9.1	EMPLOYEE BENEFIT EXPENSES		
	Salaries & Other Allowances	85,214,800	71,912,097
	Staff Welfare	829,156	151,445
	Medical Expense	1,626,153	1,262,319
	EPF & ETF	11,422,105	9,315,713
	Post Employment Benefit - Gratuity	5,133,709	3,135,591
	Incentives	330,846	242,467
	Total Employee Benefit Expenses	<u>104,556,769</u>	<u>86,019,632</u>
10.	FINANCE EXPENSES		
	Interest Expenses	17,385,441	19,349,861
	Finance Charges on Lease Liabilities	1,791,664	2,019,938
	Other Financial Charges	3,357,940	2,824,828
		<u>22,535,045</u>	<u>24,194,627</u>



For the year ended 31<sup>st</sup> March 2014

## 11. INCOME TAX

The major components of income tax expense for the year ended 31<sup>st</sup> March are as follows:

	Notes	2013/2014 Rs.	2012/2013 Rs.
<b>Current Income Tax</b>			
Current Income Tax Charge	11.1	5,305,008	10,320,973
<b>Deferred Tax</b>			
Deferred Tax Charge / (Credit)	11.2	(254,197)	12,435,255
Income tax expense reported in the Statement of Comprehensive Income		<u>5,050,811</u>	<u>22,756,228</u>

### 11.1 A reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows:

Accounting Profit before tax from continuing operations	42,661,341	91,811,245
Non-deductible expenses	88,430,291	85,810,966
Deductible expenses	(63,078,710)	(45,302,042)
	<u>68,012,922</u>	<u>132,320,169</u>
<b>Total Statutory Income</b>	68,012,922	132,320,169
Set off against Tax losses	(23,804,523)	(46,312,057)
<b>Taxable income</b>	<u>44,208,399</u>	<u>86,008,112</u>
Income tax at 12% (in 2013 - 12%)	<u>5,305,008</u>	<u>10,320,973</u>
<b>Tax losses brought forward and utilised during the year</b>		
Tax losses brought forward	338,494,273	384,806,330
Tax losses (utilised)/increased during the year	(23,804,523)	(46,312,057)
Unutilised Tax losses carried forward	<u>314,689,750</u>	<u>338,494,273</u>

### 11.2 Deferred Tax Expense/(Income)

The following table shows deferred tax expense recorded in the Statement of Comprehensive Income due to changes in the deferred tax assets and liabilities:

<b>Deferred Tax Liabilities</b>		
Accelerated depreciation - Assets	2,039,355	6,993,394
Reversal of carried forward unused tax losses	-	5,553,808
	<u>2,039,355</u>	<u>12,547,202</u>
<b>Deferred Tax Assets</b>		
Defined benefit obligation	532,710	111,947
Accelerated depreciation - Assets	1,760,842	-
	<u>2,293,552</u>	<u>111,947</u>
<b>Deferred Tax Charge/(Reversal) for the Year</b>	<u>(254,197)</u>	<u>12,435,255</u>

For the year ended 31<sup>st</sup> March 2014

## 12. EARNINGS PER SHARE

12.1 Basic Earnings Per Share amounts are calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

12.2 The following reflects the income and share data used in basic earnings per share computation

Amount Used as the Numerator	2013/14	2012/13
	Rs.	Rs.
Profit for the year	37,610,530	69,055,016
<b>Amount Used as the Denominator</b>		
Number of Ordinary Shares	47,066,447	47,066,447
Earnings per Share - Rs.Cts.	0.80	1.47



For the year ended 31<sup>st</sup> March 2014

## 13. PROPERTY, PLANT & EQUIPMENT

### 13.1 At Cost or Valuation

	Balance as at 01.04.2013	Additions	Disposal	Balance as at 31.03.2014
	Rs.	Rs.	Rs.	Rs.
<b>Freehold Assets</b>				
Freehold Land	238,800,000	37,804,501	-	276,604,501
Buildings	608,512,304	21,074,615	-	629,586,919
Motor Vehicles	15,320,263	-	(1,517,293)	13,802,970
Office Equipment	190,607,798	47,755,332	-	238,363,130
Furniture and Fittings	136,617,240	10,018,125	-	146,635,365
	<u>1,189,857,604</u>	<u>116,652,573</u>	<u>(1,517,293)</u>	<u>1,304,992,885</u>
<b>Leasehold Assets</b>				
Motor Vehicles	11,239,285	7,211,643	-	18,450,928
Generator	10,077,810	-	-	10,077,810
	<u>21,317,095</u>	<u>7,211,643</u>	<u>-</u>	<u>28,528,738</u>
<b>Total Value of Assets</b>	<u>1,211,174,699</u>	<u>123,864,216</u>	<u>(1,517,293)</u>	<u>1,333,521,623</u>

### Accumulated Depreciation

At Cost or Valuation	Balance as at 01.04.2013	Charge for the year	Disposal	Balance as at 31.03.2014
	Rs.	Rs.	Rs.	Rs.
<b>Freehold Assets</b>				
Freehold Land	-	-	-	-
Buildings	29,390,822	14,674,157	-	44,064,979
Motor Vehicles	14,257,590	421,766	(1,517,293)	13,162,063
Office Equipment	91,774,328	13,250,584	-	105,024,912
Furniture and Fittings	102,941,542	7,663,975	-	110,605,517
	<u>238,364,282</u>	<u>36,010,482</u>	<u>(1,517,293)</u>	<u>272,857,471</u>
<b>Leasehold Assets</b>				
Motor Vehicles	3,782,518	1,936,952	-	5,719,470
Generator	1,007,781	907,003	-	1,914,784
	<u>4,790,299</u>	<u>2,843,955</u>	<u>-</u>	<u>7,634,254</u>
<b>Total Depreciation</b>	<u>243,154,581</u>	<u>38,854,437</u>	<u>(1,517,293)</u>	<u>280,491,725</u>

	31.03.2013	31.03.2014
	Rs.	Rs.
<b>Net Book Value</b>		
Freehold Assets	951,493,322	1,032,135,414
Leasehold Assets	16,526,796	20,894,484
	<u>968,020,118</u>	<u>1,053,029,898</u>





For the year ended 31<sup>st</sup> March 2014

## 13. PROPERTY, PLANT & EQUIPMENT (Continued)

### 13.2 Work-In-Progress

	Balance as at 01.04.2013	Additions	Re-classifications	Balance as at 31.03.2014
	Rs.	Rs.	Rs.	Rs.
Construction of Chiller	20,578,638	2,853,305	(321,990)	23,109,953
Construction of Buildings	18,903,180	2,383,079	-	21,286,259
Construction of Power Plant	-	10,535,175	-	10,535,175
Construction of Spa	-	6,762,919	-	6,762,919
	<u>39,481,818</u>	<u>22,534,478</u>	<u>(321,990)</u>	<u>61,694,306</u>
<b>Total Assets</b>	<u>1,007,501,937</u>			<u>1,114,724,204</u>

- 13.3** The last revaluation was carried out by Mr. T. B. Balasuriya, (Bsc.) EMV Spl (Hons), SJP, on 31st March 2011. The appreciation in value of Land & Building arising from the revaluation was credited to capital reserve amounting to Rs.360,792,224 /-.

The carrying amount of revalued assets that would have been included in the Financial Statements had the assets been carried at cost less depreciation is as follows:

	2014	2013
	Rs.	Rs.
Lands	98,116,927	60,312,427
Buildings	443,088,165	422,013,550
Accumulated Depreciation	(107,747,091)	(96,463,534)
Net Book amount	<u>433,458,001</u>	<u>385,862,443</u>

### 13.4 Location of lands

Lands comprise of Walawwewatta and Siyambalagahakotuwa (368.4 perches), Meegonkattuwekubura (150.56 perches), Weralugasdeniye Kumbura & Pillewa (152.5 perches), Siyabalagastenna (43.87 perches) which are situated within municipal council limits of Kandy.



For the year ended 31<sup>st</sup> March 2014

	<u>31.03.2014</u>	<u>31.03.2013</u>
	Rs.	Rs.
<b>14. DEFERRED INCOME TAX ASSETS AND LIABILITIES</b>		
<b>14.1 Deferred Tax Liabilities</b>		
Balance at the beginning of the year	46,332,944	39,339,550
Temporary differences arising from PPE	<u>2,039,355</u>	<u>6,993,394</u>
Balance at the end of the year	<u>48,372,299</u>	<u>46,332,944</u>
<b>14.2 Deferred Tax Assets</b>		
Balance at the beginning of the year	43,548,882	48,990,743
Temporary differences arising from Retirement Benefit	532,710	111,947
Temporary differences arising from unused tax losses	<u>1,760,842</u>	<u>(5,553,808)</u>
	<u>45,842,434</u>	<u>43,548,882</u>

**14.3 Recognised Deferred Tax Assets and Liabilities**

	<u>31.03.2014</u>		<u>31.03.2013</u>	
	Assets	Liabilities	Assets	Liabilities
	Rs.	Rs.	Rs.	Rs.
Property, Plant & Equipment	-	15,328,857	-	13,289,502
Revaluation of Buildings	-	33,043,442	-	33,043,442
Defined Benefit Obligation	3,458,640	-	2,925,930	-
Unused Tax Losses	42,383,794	-	40,622,952	-
<b>Total</b>	<u>45,842,434</u>	<u>48,372,299</u>	<u>43,548,882</u>	<u>46,332,944</u>

	<u>31.03.2014</u>	<u>31.03.2013</u>
	Rs.	Rs.
<b>15 INVENTORIES</b>		
Food Stock	3,746,142	4,135,133
Beverage Stock	3,372,519	3,229,621
Housekeeping & Maintenance Stock	5,299,587	6,857,331
Printing & Stationery Stock	1,989,636	2,608,732
General Stock	5,357,500	6,725,511
Gas Stock	309,546	135,656
Fuel Stock	1,558,995	1,099,531
	<u>21,633,925</u>	<u>24,791,515</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2014

16. TRADE AND OTHER RECEIVABLES	31.03.2014	31.03.2013
	Rs.	Rs.
<b>Current</b>		
Trade Debtors	65,133,305	100,849,551
Less: Provision for impairment of trade receivables	(9,567,004)	(6,933,087)
Trade receivables - net	55,566,301	93,916,464
 Refundable Deposits	 1,937,174	 1,928,174
Prepayments	4,080,030	4,732,170
Other Receivables	15,110,326	7,659,824
<b>Total</b>	<b>76,693,831</b>	<b>108,236,632</b>

As of 31<sup>st</sup> March 2014, Trade Receivables of Rs 41,407,863/- (as of 31<sup>st</sup> March 2013 was Rs. 78,116,976/-) were fully performing.

As of 31<sup>st</sup> March 2014, Trade Receivables of Rs.14,158,438/- (as of 31<sup>st</sup> March 2013 was Rs.15,799,489/-) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	31.03.2014	31.03.2013
	Rs.	Rs.
Up to 3 months	871,766	4,811,949
3 to 4 months	1,255,248	476,413
Over 4 months and above	12,031,425	10,511,127
	14,158,438	15,799,489

As of 31<sup>st</sup> March 2014, trade receivables of Rs. 9,567,004/- (2013: Rs. 6,933,087/-) were impaired and provided for. The individually impaired receivables mainly relate to customers, who are in unexpectedly difficult economic situations. It was assessed that no portion of the impairment provision for receivables is expected to be recovered.

Movements on the Company provision for impairment of trade receivables are as follows:

	31.03.2014	31.03.2013
	Rs.	Rs.
16.1 As at 1 <sup>st</sup> April	6,933,087	5,469,937
Provision for Receivable Impairment	2,633,917	1,463,150
As at 31 <sup>st</sup> March	9,567,004	6,933,087

The creation and release of provision for impaired receivables have been included in 'operating expenses' in the Statement of Comprehensive Income (Note 9). Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above and is further analysed in note 16.3. The Company does not hold any collateral as security.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2014

	31.03.2014	31.03.2013
	Rs.	Rs.
<b>16.2 Analysis of Financial Instruments</b>		
<b>Financial Instruments By Category</b>		
<b>Loans and Receivables</b>		
Trade and other receivables excluding prepayments, statutory payments and advances	59,685,365	95,902,284
Cash and Cash Equivalents (Note 17)	1,992,996	14,182,426
	<u>61,678,361</u>	<u>110,084,710</u>
Financial Liabilities at Amortised cost		
Trade and Other Payables (Excluding Statutory Liabilities) (Note 21)	44,815,666	37,386,831
Borrowings (Excluding Finance Leases) (Note 20)	118,423,881	113,609,930
Amounts due to Related Companies (Note 22)	29,426,968	32,575,649
	<u>192,666,515</u>	<u>183,572,410</u>

## 16.3 Exposure to Credit Risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as follows:

	Rs.	Rs.
Trade and Other Receivables	59,685,365	95,902,284
Banks with Credit Ratings	1,992,996	14,182,426
Trade receivables - net	<u>61,678,361</u>	<u>110,084,710</u>

The maximum exposure to credit risk for trade and other receivables at the end of the reporting period by type of counterparty is as follows:

Trade Receivables - Others	55,566,301	93,916,464
Loans to Company Officers	2,181,890	2,253,937
Other Receivables	3,930,170	13,914,309
	<u>61,678,361</u>	<u>110,084,710</u>

Loans are given to permanent confirmed employees and are deducted from the salaries as per the terms of granting the loan.

## Cash and Cash Equivalents

The Company held cash and cash equivalents with reputed commercial banks.

## 17. CASH IN HAND AND AT BANK

Favorable Balances		
Cash in Hand and at Bank	1,992,996	14,182,426
Unfavorable Balances		
Bank Overdraft - (Note 20)	<u>931,200</u>	<u>-</u>
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	<u>1,061,796</u>	<u>14,182,426</u>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2014

		<u>31.03.2014</u>	<u>31.03.2013</u>
	Number of Shares	Rs.	Rs.
<b>18. STATED CAPITAL</b>			
<b>Fully Paid Up Ordinary Shares</b>			
At the beginning of the year	<u>47,066,447</u>	<u>585,445,870</u>	<u>585,445,870</u>
At the end of the year	<u>47,066,447</u>	<u>585,445,870</u>	<u>585,445,870</u>
<b>Preference Shares</b>			
At the beginning of the year	<u>11,660</u>	<u>116,600</u>	<u>116,600</u>
At the end of the year	<u>11,660</u>	<u>116,600</u>	<u>116,600</u>
<b>19. EMPLOYEE BENEFIT LIABILITY</b>		<b>31.03.2014</b>	<b>31.03.2013</b>
		Rs.	Rs.
At the beginning of the year		24,382,752	23,449,861
Interest charged for the year		2,632,825	2,579,485
Current service cost		2,096,217	1,726,313
Payments made during the year		(694,462)	(2,202,700)
Actuarial (Gain) / Loss		404,666	(1,170,207)
<b>At the end of the year</b>		<b>28,821,998</b>	<b>24,382,752</b>

LKAS 19 "Employee Benefits" requires the use of actuarial techniques to make a reliable estimate of the amount of retirement benefit that employees have earned in return for their service in the current and prior periods and discount that benefit using the Projected Unit Credit Method in order to determine the present value of the retirement benefit obligation and the current service cost. This requires an entity to determine how much benefit is attributable to the current and prior periods and to make estimates about demographic variables and financial variables that will influence the cost of the benefit.

The following key assumptions were made in arriving at the above figures:

## Demographic Assumptions

**Mortality:** In service - 67/70, Mortality table, issued by the Institute of Actuaries, London.

## Withdrawal

The withdrawal rate at an age represents the probability of an employee leaving within one year of that age due to reasons other than death, ill health and normal retirement.

**Normal Retirement Age** 55 years

## Financial Assumptions

**Salary Increases** 10%

**Rate of Discount** 11%

The present value of the Defined Benefit Obligation as at 31st March 2014, with respect to employees in service, based on the above assumptions is Rs.28,821,998/- (2013: Rs.24,382,752/-).



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2014

## 20. INTEREST BEARING BORROWINGS

	31.03.2014 Amount Repayable Within 1 Year Rs.	31.03.2014 Amount Repayable After 1 Year Rs.	31.03.2014 Total Rs.	31.03.2013 Amount Repayable Within 1 Year Rs.	31.03.2013 Amount Repayable After 1 Year Rs.	31.03.2013 Total Rs.
Finance Leases	6,692,886	20,388,610	27,081,496	3,652,988	11,734,912	15,387,900
Bank Loans	43,571,740	73,920,942	117,492,682	29,356,200	84,253,730	113,609,930
Bank Overdrafts	931,200	-	931,200	-	-	-
	51,195,826	94,309,552	145,505,378	33,009,188	95,988,642	128,997,830

20.1 Finance Leases	Current As At 31.03.2014 Rs.	Non-Current As At 31.03.2014 Rs.	Total As At 31.03.2014 Rs.	Current As At 31.03.2013 Rs.	Non-Current As At 31.03.2013 Rs.	Total As At 31.03.2013 Rs.
Gross Liability Finance	9,661,740 (2,968,854)	24,341,766 (3,953,156)	34,003,506 (6,922,010)	5,065,524 (1,412,536)	13,649,876 (1,914,964)	18,715,400 (3,327,500)
Net Liability	6,692,886	20,388,610	27,081,496	3,652,988	11,734,912	15,387,900

20.2 Bank Loans	31.03.2014 Amount Repayable Within 1 Year Rs.	31.03.2014 Amount Repayable After 1 Year Rs.	31.03.2014 Total Rs.	31.03.2013 Amount Repayable Within 1 Year Rs.	31.03.2013 Amount Repayable After 1 Year Rs.	31.03.2013 Total Rs.
Bank	43,571,740	73,920,942	117,492,682	29,356,200	84,253,730	113,609,930
	43,571,740	73,920,942	117,492,682	29,356,200	84,253,730	113,609,930

### Movement of Bank Loans and Finance Leases

	As At 31.03.2014 Rs.	Repayment Rs.	Loans Obtained Rs.	As At 31.03.2013 Rs.
Bank	117,492,681	(31,117,248)	35,000,000	113,609,930
Lease	34,003,506	(5,971,720)	21,259,826	18,715,400
	151,496,187	(37,088,969)	56,259,826	132,325,330

\* Refer Note No. 25 for details of Interest Bearing Borrowings



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2014

21. TRADE AND OTHER PAYABLES	31.03.2014	31.03.2013
	Rs.	Rs.
Trade Creditors	33,732,462	24,904,779
Other Payables	1,697,679	2,203,066
Expense Creditors	16,805,104	17,146,277
	<u>52,235,245</u>	<u>44,254,122</u>
<b>22. AMOUNTS DUE TO RELATED PARTIES</b>		
Universal Enterprises (Pvt.) Ltd.	4,634,625	4,634,625
Mahaweli Hotel Management Services (Pvt.) Ltd.	24,792,343	27,941,024
	<u>29,426,968</u>	<u>32,575,649</u>
<b>23. INCOME TAX LIABILITIES</b>		
Balance receivables at the beginning of the year	6,108,131	(2,019,691)
Tax paid for previous year	<u>(6,108,131)</u>	<u>-</u>
	-	-
Income tax on current year profits	5,305,008	10,320,973
Payment made during the year	<u>(2,000,000)</u>	<u>(2,193,151)</u>
Balance Payable/(Recoverable) at the end of the year	<u>3,305,008</u>	<u>6,108,131</u>
<b>24. COMMITMENTS &amp; CONTINGENCIES</b>		
<b>24.1 Commitments</b>		
There were no commitments as at the end of the reporting date.		
<b>24.2 Contingent Liabilities</b>		
a)	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 matter is pending as at 31 <sup>st</sup> March, 2014. The Board of Directors believe that a favorable outcome will result by the institution of this application in the court of appeal.	
b)	Contingent liability of Rs. 10 Million exist as at balance sheet date in respect of legal claim arising in the ordinary course of business. The Company maintains a public liability insurance policy and the matter has been referred to the insurer. Our lawyers have advised that an evaluation of an unfavorable outcome and the amount or range of potential loss cannot be quantified or commented upon at this stage.	



For the year ended 31<sup>st</sup> March 2014

## 25. INTEREST BEARING BORROWINGS

Lending Institution	Nature of Facility	Interest Rate	Repayment Term	Outstanding Balance Rs.		Security
				2014 Rs.	2013 Rs.	
Hatton National Bank PLC	Term Loan 55 Million	AWPLR + 1 % p.a	14 quarterly capital instalments of Rs. 1,069,500/- each and a final instalment of Rs.699,000/- together with interest to be serviced monthly.	6,168,746	10,324,500	Registered primary floating mortgage bond No. 388 for Rs. 62.5 million, over hotel premises bearing assessment No. 35, P.B.A. Weerakoon Mawatha, Kandy.
	Term Loan 50 Million	AWPLR + 1 % p.a	08 quarterly capital instalments of Rs. 1,250,000/- each & 04 Quarterly capital instalments of Rs. 2,500,000/- each and 08 quarterly capital instalments of Rs. 3,750,000/- each (with an initial grace period of 6 months). Interest to be serviced monthly.	22,249,550	26,249,550	Registered primary floating mortgage bond No. 388 for Rs. 62.5 million, Rs. 10.34 million available in the existing secondary floating mortgage bond No. 427 for Rs.15 million and Rs. 24.32 million available in the existing registered tertiary floating mortgage bond No. 2193 for Rs. 56.40 million over hotel premises bearing assessment No. 35, P.B.A. Weerakoon Mawatha, Kandy.
	Term Loan 15 Million	AWPLR + 1 % p.a	14 quarterly instalments of Rs. 283,500/- each and a final instalment of Rs.690,500/- interest to be serviced monthly.	2,108,000	3,242,000	Registered secondary floating mortgage bond No. 477 for Rs. 15 million over hotel premises bearing assessment No. 35, P.B.A. Weerakoon Mawatha, Kandy.
	Development Loan 10.225 Million	8.5 % p.a	To be repaid in 30 monthly instalments of Rs. 243,452/- each and a final instalment of Rs.243,468/- together with interest.	973,824	3,895,248	Registered primary floating mortgage bond No. 388 for Rs. 62.5 million over hotel premises bearing assessment No. 35, P.B.A. Weerakoon Mawatha, Kandy.
	Term Loan Rs. 0.925 Million	AWPLR + 1 % p.a	To be repaid in 30 monthly instalments of Rs. 25,694/- and a final instalment of Rs. 25,710/- together with interest.	128,486	411,120	Registered primary floating mortgage bond No. 388 for Rs. 62.5 million over hotel premises bearing assessment No. 35, P.B.A. Weerakoon Mawatha, Kandy.
	Development Loan 9.775 Million	8.5 % p.a	To be repaid in 29 monthly instalments of Rs. 271,528/- each and a final instalment of Rs. 271,520/- together with interest.	814,576	4,072,912	Registered primary floating mortgage bond No. 388 for Rs. 62.5 million over hotel premises bearing assessment No. 35, P.B.A. Weerakoon Mawatha, Kandy.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2014

## 25. INTEREST BEARING BORROWINGS (Continued)

Lending Institution	Nature of Facility	Interest Rate	Repayment Term	Outstanding Balance Rs.		Security
				2014 Rs.	2013 Rs.	
Hatton National Bank PLC	Term Loan 50 Million	AWPLR + 1 % p.a	12 quarterly capital instalments of Rs. 1,000,000/- each and 6 Quarterly capital instalments of Rs. 2,750,000/- each and a final instalments of Rs. 2,749,550/- together with interest to be serviced monthly.	41,250,000	46,250,000	Registered tertiary floating mortgage bond No. 2193 for Rs. 56.40 Million over hotel premises bearing assessment No. 35, P.B.A. Weerakoon Mawatha, Kandy.
	Term Loan 26.5 Million	AWPLR + 1.75 % p.a	71 equal monthly instalments of Rs. 486,000/- and a final instalment of Rs. 494,000/- together with interest to be serviced monthly.	22,126,000	Nil	Registered primary floating mortgage bond for Rs. 62.5 Million, Rs. 15 Million available in the existing secondary floating mortgage bond for Rs. 56.40 Million over hotel premises bearing assessment No. 35, P.B.A. Weerakoon Mawatha, Kandy.
	Overdraft 15 Million	AWPLR + 1 % p.a	On demand / To be reviewed annually.	931,200	Nil	Registered primary floating mortgage bond No 388 for Rs. 62.5 Million over hotel premises bearing assessment No. 35, P.B.A. Weerakoon Mawatha, Kandy.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2014

## 25. INTEREST BEARING BORROWINGS (Continued)

Lending Institution	Nature of Facility	Interest Rate	Repayment Term	Outstanding Balance Rs.		Security
				2014 Rs.	2013 Rs.	
Commercial Bank of Ceylon PLC	Term Loan 20 Million	AWPLR + 1 % p.a	71 equal monthly instalments of Rs. 278,000/- and a final instalment of Rs. 262,000/- together with interest to be serviced monthly.	Nil	19,164,600	Concurrent primary mortgage bond No. 721/3274 dated 19th and 22nd December 2006 and 1st of January 2007 for Rs. 30 Million executed over free hold property of Maheweli Reach Hotels PLC at No. 35, P.B.A. Weerakoon Mawatha, Kandy.
	Term Loan 3.5 Million	AWPLR + 1 % p.a	71 equal monthly instalments of Rs. 48,600/- and a final instalment of Rs. 49,400/- together with interest to be serviced monthly.	Nil		Concurrent primary mortgage bond No. 721/3274 dated 19th and 22nd December 2006 and 1st of January 2007 for Rs. 30 Million executed over free hold property of Maheweli Reach Hotels PLC at No. 35, P.B.A. Weerakoon Mawatha, Kandy.
	Term Loan 3.5 Million	AWPLR + 1.5 % p.a	73 equal monthly instalments of Rs. 47,000/- and a final instalment of Rs. 69,000/- together with interest to be serviced monthly.	Nil		Concurrent primary mortgage bond No. 721/3274 dated 19th and 22nd December 2006 and 1st of January 2007 for Rs. 30 Million executed over free hold property of Maheweli Reach Hotels PLC at No. 35, P.B.A. Weerakoon Mawatha, Kandy.
	Term Loan 21 Million	AWPLR + 1.5 % p.a	60 equal monthly instalments of Rs. 350,000/- and a grace period of 6 months.	14,800,000		Concurrent primary mortgage bond No. 721/3274 dated 19th and 22nd December 2006 and 1st of January 2007 for Rs. 30 Million executed over free hold property of Maheweli Reach Hotels PLC at No. 35, P.B.A. Weerakoon Mawatha, Kandy.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2014

## 25. INTEREST BEARING BORROWINGS (Continued)

Lending Institution	Nature of Facility	Interest Rate	Repayment Term	Outstanding Balance Rs.		Security
				2014 Rs.	2013 Rs.	
Commercial Bank of Ceylon PLC	Term Loan 5 Million	AWPLR + 2 % p.a	35 equal monthly instalments of Rs.139,000/- and a final instalment of Rs.135,000/- together with interest to be serviced monthly.	Nil	Nil	Concurrent primary mortgage bond No. 721/3274 dated 19th and 22nd December 2006 and 1st of January 2007 for Rs. 30 Million executed over free hold property of Maheweli Reach Hotels PLC at No. 35, P.B.A. Weerakoon Mawatha, Kandy.
	Term Loan 8.5 Million	AWPLR + 1 % p.a	71 equal monthly instalments of Rs.118,100/- and a final instalment of Rs.114,900/- together with interest to be serviced monthly.	7,673,300	Nil	Concurrent primary mortgage bond No. 721/3274 dated 19th and 22nd December 2006 and 1st of January 2007 for Rs. 30 Million executed over free hold property of Maheweli Reach Hotels PLC at No. 35, P.B.A. Weerakoon Mawatha, Kandy.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2014

## 25. INTEREST BEARING BORROWINGS (Continued)

Lending Institution	Nature of Facility	Interest Rate	Repayment Term	Outstanding Balance Rs.		Security
				2014 Rs.	2013 Rs.	
Hatton National Bank PLC	Finance Lease	12% p.a.	(60 months) Remaining 23 equal monthly instalments of Rs. 99,402/-	2,385,682	3,479,069	Absolute ownership of the vehicle.
	Finance Lease	12.5% p.a.	(60 months) Remaining 27 equal monthly instalments of Rs. 101,887/-	2,750,949	3,973,593	Absolute ownership of the vehicle.
	Finance Lease	12.5% p.a.	(60 months) Remaining 39 equal monthly instalments of Rs. 220,838/-	8,612,697	11,262,738	Absolute ownership of the generator.
	Finance Lease	12.5% p.a.	(60 months) Remaining 57 equal monthly instalments of Rs. 239,580/-	13,656,060	Nil	Absolute ownership of the generator.
Sampath Bank PLC	Finance Lease	12% p.a.	(48 months) Remaining 46 equal monthly instalments of Rs. 143,438/-	6,741,588	Nil	Absolute ownership of the vehicle.

## 26. EVENTS AFTER THE END OF THE REPORTING DATE

No circumstances of significance have arisen since the end of the reporting date, which would require adjustments to or disclosure in the Financial Statements.

## 27. RELATED PARTY DISCLOSURES

27.1 The Directors of the Company are also the Directors of the following companies:

Name of Company	Names of Directors	Relationship
Mahaweli Hotel Management Services (Pvt.) Ltd.	Mr. J. A. Panabokke	Managing Agents
	Mr. K. M. Panabokke	-do-
Universal Enterprise Pvt. Ltd.	Mr. M. U. Maniku	Parent Company
	Mr. A. U. Maniku	-do-
	Dr. I. U. Maniku	-do-
	Mr. A. M. Didi	-do-
	Mr. M. M. Didi	-do-
	Mr. Ali Nooradeen	-do-



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2014

## 27. RELATED PARTY DISCLOSURES (Continued)

### 27.2 Transactions with Related Parties

The Company has entered into transactions during the year with the following companies;

Name of Company	Nature of Transaction	<u>2013/2014</u> Rs.	<u>2012/2013</u> Rs.
Mahaweli Hotel Management Services (Pvt.) Ltd.	Management Fees	39,563,323	45,206,334

#### Basis of Management Fees calculation

(Net Turnover + Service Charges) \* 6% + (7% on Net Profit after Depreciation and Finance Charges)

Diethelm Travels (Pvt.) Ltd.	Service Rendered	6,326,319	5,277,451
------------------------------	------------------	-----------	-----------

Mr. A. N. Esufally, who is a Director of the Company is also the Chairman / Director of Diethelm Travels.

For the purposes of these Financial Statements, parties are considered to be related to the Company, if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence.

### 27.3 Transaction with key management personnel of the Company

The key management personnel of the Company are the members of its Board of Directors.

Key management personnel compensation:

	<u>2013/2014</u> Rs.	<u>2012/2013</u> Rs.
(a) Short term employee Benefits	10,700,049	9,967,356
(b) Post employment Benefits	11,499,255	11,650,500
(c) Long term Benefits	nil	nil
(d) Termination Benefits	nil	nil
(e) Share based Payments	nil	nil

There have been no related party transactions other than those disclosed in Note No. 27 to the Financial Statements.

## 28 COMPARATIVE INFORMATION

The following comparative figures have been reclassified in the 2014 Financial Statements to maintain comparability of Financial Statements in order to provide better presentation.

	<u>Amount</u> Rs.	<u>2013/2014</u> Current Presentation	<u>2012/2013</u> As Approved Previously
Exgratia	1,686,739	Administration Cost	Cost of Sales (Front Office)
Cafe M Food Income	1,899,590	Income of Restaurant	Minor Operating Income



For the year ended 31<sup>st</sup> March 2014

## 29 Fair Value

Set out below is a comparison by class of the carrying amounts and fair values of the Company's financial instruments that are carried in the Financial Statements.

	Carrying amount		Fair value	
	31.03.2014 Rs.	31.03.2013 Rs.	31.03.2014 Rs.	31.03.2013 Rs.
<b>Financial Assets</b>				
Trade and Other Receivables	59,685,365	95,902,284	59,685,365	95,902,284
Cash and Bank Balances	1,992,996	14,182,426	1,992,996	14,182,426
<b>Total</b>	<u>61,678,361</u>	<u>110,084,710</u>	<u>61,678,361</u>	<u>110,084,710</u>
<b>Financial Liabilities</b>				
Interest Bearing Borrowings	118,423,881	113,609,930	118,423,881	113,609,930
Bank Overdraft	931,200	-	931,200	-
Trade and Other Payables	44,815,666	37,386,831	44,815,666	37,386,831
Amounts Due to Related Companies	29,426,968	32,575,649	29,426,968	32,575,649
	<u>193,597,715</u>	<u>183,572,410</u>	<u>193,597,715</u>	<u>183,572,410</u>

Cash and Bank Balances, Trade Receivables, Trade Payables and Related Party Payables approximate their carrying amounts largely due to the short term maturities of these instruments.

# PROXY FORM

I/We..... of  
 .....  
 being a member/members of Mahaweli Reach Hotels PLC hereby appoint .....  
 .....  
 .....of.....or failing him/her

MR. MOHAMED UMAR MANIKU	Whom failing
MR. JAYANTHA ATUL PANABOKKE	Whom failing
MR. AHAMED MAHIR DIDI	Whom failing
MR. ABBASALLY NURUDDIN ESUFALLY	Whom failing
MR. WAJJIYA PRIYANTHA HETTIARATCHI	Whom failing
MR. RAJA TISSA MOLLIGODA	Whom failing
MR. AHAMED UMAR MANIKU	Whom failing
DR. IBRAHIM UMAR MANIKU	Whom failing
MR. MOHAMED MAHIR	Whom failing
MR. ALI NOORADEEN	Whom failing
MR. KSHUDIRAM MOHAN PANABOKKE	Whom failing
MR. JAYAMPATHY CHARITHA RATWATTE	Whom failing
MR. RANJEEVAN SEEVARATNAM	Whom failing
MR. RIENZIE THEOBALD WIJETILLEKE	Whom failing

As my / our proxy to represent me / us and to vote for me / us on my / our behalf at the Annual General Meeting of the Company to be held on the 30th September 2014 and at any adjournment thereof and at every poll which may be taken in consequence thereof.

		For	Against
1.	To receive and adopt the Report of the Directors and the Statement of Accounts for the year ended 31st March 2014 and the Report of the Auditors thereon.	.....	.....
2.	To re-elect Mr. A. N. Esufally who retires by rotation at the Annual General Meeting, a Director.	.....	.....
3.	To re-elect Mr. A. U. Maniku who retires by rotation at the Annual General Meeting, a Director.	.....	.....
4.	To re-elect Mr. M. Mahir who retires by rotation at the Annual General Meeting, a Director.	.....	.....
5.	To re-elect Mr. A. Nooradeen who retires by rotation at the Annual General Meeting, a Director.	.....	.....
6.	To re-elect Mr. R. T. Molligoda who attained the age of seventy seven years and the Company has received special notice of intention in compliance with Law, relating to his re-election.	.....	.....
7.	To re-elect Mr. R. T. Wijetilleke who attained the age of seventy four years and the Company has received special notice of intention in compliance with Law, relating to his re-election.	.....	.....
8.	To re-elect Mr. R. Seevaratnam who attained the age of seventy one years and the Company has received special notice of intention in compliance with Law, relating to his re-election.	.....	.....
9.	To authorise the Board of Directors to determine contributions to charities and other donations.	.....	.....
10.	To re-appoint Messrs. HLB Edirisinghe & Co. as Auditors and authorise the Directors to determine their remuneration.	.....	.....

As witness my/our hand this.....day of .....2014.

.....  
 Signature

Note: Instructions as to completion are noted on the reverse.



# INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the form of proxy, after filling in legibly your full name and address by signing in the space provided and please fill in the date of signature.
2. If the proxy form is signed by an Attorney, the relative Power of Attorney should also accompany the Proxy form for registration, if such Power of Attorney has not already been registered with the Company.
3. In the case of a Company / Corporation, the proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.

The completed Form of Proxy should be deposited at the Registered Office of the Company, No. 35, P. B. A. Weerakoon Mawatha, Kandy before 11.00 a.m. on 28th September 2014 being 48 hours before the time appointed for holding of the meeting.





## Corporate Information

Name of the Company  
Mahaweli Reach Hotels PLC

Legal Form  
A Quoted Public Limited Liability Company  
Incorporated on 21<sup>st</sup> September 1973  
Company Registration No. PQ 127

Directors  
Mr. M. U. Maniku – Chairman  
Mr. J. A. Panabokke – Managing Director  
Mr. K. M. Panabokke  
Mr. R. T. Molligoda  
Mr. A. N. Esufally  
Mr. A. U. Maniku  
Dr. I. U. Maniku  
Mr. A. M. Didi  
Mr. W. P. Hettiaratchi – (FCA, FFA, FSCMA, MCMI)  
Mr. A. Nooradeen  
Mr. M. Mahir  
Mr. J. C. Ratwatte  
Mr. R. T. Wijetilleke – FCIB (UK), FIB (Sri Lanka), CCMI(UK)  
Mr. R. Seevaratnam

Audit Committee  
Mr. R. Seevaratnam  
Mr. R. T. Wijetilleke  
Mr. J. C. Ratwatte  
Mr. W. P. Hettiaratchi

Remuneration Committee  
Mr. J. C. Ratwatte  
Mr. R. T. Wijetilleke  
Mr. R. T. Molligoda

Secretaries  
Businessmate (Private) Limited  
45, Braybrooke Street, Colombo 2.  
Tel: +94 112 433933

Auditors  
HLB Edirisinghe & Co.,  
Chartered Accountants  
45, Braybrooke Street, Colombo 2.

Bankers  
Hatton National Bank – Kandy  
Hongkong & Shanghai Banking Corporation – Kandy  
Bank of Ceylon – Kandy  
Commercial Bank of Ceylon – Kandy

Registered office  
35, P. B. A. Weerakoon Mawatha, Kandy.





**MAHAWELI PEACH**  
SRI LANKA

---

OUR WORLD REVOLVES AROUND YOURS