



MAHAWELI REACH
SRI LANKA

OUR WORLD REVOLVES AROUND YOURS

ANNUAL REPORT 2014-15

Flowing Forward



The mighty Mahaweli River keeps flowing forward, twisting and turning, overcoming obstacles in its path. Learning from this creation of nature, Mahaweli Reach too continues to stride forward adapting to new operating environments and challenges.



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VISION

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

MISSION

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



Majestic architecture

Appealing character

Homely environment

Alluring surroundings

Welcoming nature

Elegant setting

Luxurious features

Indigenous brand

Radiant people

Epicurean delights

Accessible location

Culture and traditions

Hearthwarming hospitality



NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Forty First 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 2015 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 2015 and the Report of the Auditors thereon.
2. To re-elect Mr. J. C. Ratwatte who retires by rotation at the Annual General Meeting, a Director.
3. To re-elect Mr. K. M. Panabokke who retires by rotation at the Annual General Meeting, a Director.
4. To re-elect Mr. R. Seevaratnam who retires by rotation at the Annual General Meeting, a Director.
5. To re-elect Mr. R. T. Molligoda who attained the age of seventy eight years and the Company has received special notice of intention in compliance with Law, relating to his re-election.
6. To re-elect Mr. R. Seevaratnam who attained the age of seventy two years and the Company has received special notice of intention in compliance with Law, relating to his re-election.
7. To authorise the Board of Directors to determine contributions to charities and other donations.
8. To re-appoint Messrs. Edirisinghe & Co. as Auditors and authorise the Directors to determine their remuneration.

By Order of the Board

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

21st August 2015
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.

FOCUS ON OUR PEOPLE

HUMAN RESOURCE REVIEW

A resource may be defined to mean a source of wealth and there can be no greater source of wealth than people. The success of any organisation's quest to develop and prosper depends on its personnel. Late Akio Morita, Co-Founder of Sony has stated "I emphasize this - no matter how good or how successful you are or how clever or crafty, your business and its future are in the hands of the people you hire".

At Mahaweli Reach, we have always recognised that the greatest asset we possess is our human resource. Being in the tourism industry, it is a business very much dependant on people, be it the clients, other stakeholders or employees.

Personalised service has always been the hallmark of Mahaweli Reach over the last four decades and we strive to ensure that standards are maintained with service being consistent and anticipatory of the needs of the client.

We also recognise that in order for our people to perform at optimum levels and provide service from the heart and with a smile, they should be happy individuals. Therefore, while we emphasise the need for high performance standards, we also take into account the need to assist our people in developing themselves in both a professional and personal context.

From an organisational perspective, we continue to provide training to our employees from both an operational stand point and by obtaining the services of external trainers. We continue to motivate them to improve their skills by providing exposure to the emerging trends in the industry. Furthermore, the staff is encouraged to innovate and improve processes which improve efficiency.

At Mahaweli Reach, dedication and commitment has been the foundation upon which its success has been built. Our employees continue to carry out their duties with enthusiasm and a commitment to ensure that Mahaweli Reach remains at the forefront of the industry. They are also keen to ensure that the company introduces standards and processes which will help it sustain its position in line with international standards. It is due to the efforts and dedication of the team that Mahaweli Reach was able to obtain the certification of Quality Management System - ISO 9001:2008 during the last financial year which is in addition to the Food Safety Management Systems - ISO 22000:2005 certification which was awarded in 2012.

It is hoped that with these certifications, service excellence could be maintained and efficiency improved. The re-engineering of certain processes





FOCUS ON OUR PEOPLE HUMAN RESOURCE REVIEW



following from certification requirements also assist in developing effectiveness and optimal use of resources.

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

The Management of the Company practices an open door policy which allows for easy interaction and communication between all levels. All personnel are encouraged to pass on knowledge and expertise and share experiences in order that everyone may benefit from each person's know-how. Such practices contribute to the betterment of the organisation and also to improve the knowledge and skill levels of the personnel.

The Company also endeavours to ensure that remuneration for services provided is competitive

and commensurate with the responsibilities and duties of the employee.

We also encourage the development of soft skills, since as experienced by many organisations, this is one of the most important proficiencies for any staff member. They are provided training and guidance to help them improve their inter-personal relations, thereby improving team work and co-ordination between persons and departments. One of the objectives of providing training to our personnel is also to hone inherent talents and assist them in reaching their full potential.

At Mahaweli Reach, we believe in not only encouraging service excellence but also supporting our employees in developing their natural talents and in providing opportunities for recreation. Our personnel are very enthusiastic in their participation at events organised by the hotel, and those who are vocally talented showcase their talents singing Bakthi Geetha during Vesak and Poson and singing carols during Christmas.

FOCUS ON OUR PEOPLE
HUMAN RESOURCE REVIEW





FOCUS ON OUR PEOPLE HUMAN RESOURCE REVIEW



We also encourage our personnel to participate in the Company's Corporate Social Responsibility initiatives. They actively participate in the projects to protect the environment. Their volunteering spirit is also much appreciated as they join hands each year for charitable causes, indicating their commitment to the greater advancement of society.

The Company also has an annual Sports Day for the employees where everyone gets an opportunity to not only develop their sporting prowess but also to get to know their colleagues better and to build relationships which will improve camaraderie and team spirit.

On the part of the Company, it is understood that we should assist our personnel wherever possible to overcome challenges faced by them personally. The education of children is one such hurdle experienced by many and therefore it has been

decided to initiate a scheme for the recognition of children of employees who obtain the requisite results at the Grade Five Scholarship exam by way of a grant. This scheme was devised in order to motivate the students who are the future of our country and also to provide support to their parents.

In an industry where staff attrition remains high with opportunities for mobility constantly becoming available, it is important to endeavour to retain skilled personnel. Mahaweli Reach recognises this challenge and has taken measures to empower its people with a view to ensuring long term loyalty to the Company. While Mahaweli Reach is always mindful of its responsibility to its shareholders, it is also aware that exemplary service standards can only be delivered and maintained by truly skilled and committed people who are the lifeblood of the Company.

CORPORATE SOCIAL RESPONSIBILITY REVIEW

At Mahaweli Reach, we strongly believe in upholding our ethical responsibility to contribute positively to our community and environment while meeting our shareholders' expectations. We attempt at every possible opportunity to ensure that our operational processes and stakeholder interactions take into consideration this responsibility to carry out social good.

During the course of the year, we have taken and continued certain initiatives with this commitment to contribute to the society in which we operate, as their cornerstone.

One of the initiatives taken is to identify opportunities within our operations for the differently abled. At Mahaweli Reach Hotel, one of the only bands in Sri Lanka consisting of members who are visually impaired, perform for guests every week. This has assisted their craft and livelihood and has also created one of

the most popular features in our entertainment calendar.

Mahaweli Reach also endeavours to make a positive contribution to the community in which we conduct our daily operations. The persons manning the railway gates at the end of P.B.A. Weerakoon Mawatha did not have a place to stay while performing duties and as a result the crossing had become virtually an unguarded railway crossing. This has been an issue causing grave concern to the residents of our village. Therefore, on World Tourism Day, in commemoration of the theme this year which was "Tourism and Community Development" we commenced upgrading the existing railway gates and building a place for the Railway Gatemen to stay while performing their duties. Mahaweli Reach has also undertaken the maintenance of this hut on an ongoing basis.





CORPORATE SOCIAL RESPONSIBILITY REVIEW

We also believe in creating awareness among and educating the youth of our country. With this in mind, we made a presentation on hotel operations, food hygiene, health and safety to medical students from the Faculty of Medicine, University of Peradeniya and to the students of the Wayamba Institute of Tourism & Hotel Management. They were provided an orientation in respect of the main operations of a hotel such as the Front Office, Housekeeping and Food and

Beverages including active service operations in the restaurant.

A half day programme was also organised for the children of our employees to give them an insight into culinary art, when they participated in the annual mixing of the Christmas cake. Santa made a special appearance on this day along with the Santarinas, bringing tokens for the children and entertaining them with some activities, music and refreshments.



CORPORATE SOCIAL RESPONSIBILITY REVIEW

In commemoration of 'International Women's Day' an awareness programme was organised for people from our community and students of neighbouring schools, which was conducted by a guest speaker emphasising the theme "Empowering Women & Humanity".





CORPORATE SOCIAL RESPONSIBILITY REVIEW

To mark 'International Water Day' a half day programme was arranged jointly with the Greater Kandy Water Supply Project to generate awareness among school children and corporate clients on the

importance of saving this important resource and how daily actions can contribute to this task. It was a very informative programme which was well received.



CORPORATE SOCIAL RESPONSIBILITY REVIEW

In a bid to reduce the effect of CO2 emissions and spread the message of the importance of protecting our environment, our Green Team members were involved in a Tree Planting Campaign carried out on World Earth Day and National Tree Planting Day. The trees were planted on the Mahaweli River Bank within Katugastota Town which is maintained by the hotel and as a part of an ongoing project at the Sports grounds of the Mawilmada School which is one of our neighbouring schools. These grounds are maintained by the hotel as a service to our community.





CORPORATE SOCIAL RESPONSIBILITY REVIEW

We also joined hands with the staff of the Mahaweli Authority, Polgolla, with a view to further this need to protect the environment. We cleaned a portion of the Mahaweli River and river banks stretching from the Katugastota

town to Polgolla. Members from all departments participated in this project, promoting an environmental consciousness and reaffirming our commitment to sustainable tourism.



CORPORATE SOCIAL RESPONSIBILITY REVIEW

Together with our guests, we commemorated World Earth Hour by lighting candles and saving energy for an hour, which was a symbolic gesture but part of a greater plan being implemented by

the hotel to increase energy efficiency and reduce consumption which will have beneficial results for the environment and the bottom line.





CORPORATE SOCIAL RESPONSIBILITY REVIEW

The Company also actively participates in perpetuating, among our team members, the need to be mindful of others needs and to lend a helping hand where necessary.

To this end, during the course of the year, we have participated in several charitable events with the fullest participation of our employees.

The Company hosted the residents of the Sarana Sevana Elders' Home, Kandy with tea and refreshments in commemoration of 'World Elders' Day'. The members participating were happy to spend time with these elders to bring some happiness to them.



CORPORATE SOCIAL RESPONSIBILITY REVIEW

Creating an enjoyable experience for the children as well, the team at Mahaweli Reach also hosted the children from the Children's Home in Wategama to a special lunch in view of Christmas in the spirit of giving and sharing.

The Company makes an annual contribution to the Sports Day of Mawilmada Central College and Risikala Aesthetic College Katugastota, which are neighbouring educational institutions grooming the youth who are the future of our country.

The District Hospital in Katugastota was in need of mattresses for the Children's Ward and the Company made a contribution to this end on World Children's Day.





CORPORATE SOCIAL RESPONSIBILITY REVIEW

We also inquired into the needs of the Cancer Surgical Ward at the Kandy Teaching Hospital and made a contribution of Furniture and Equipment in commemoration of World Cancer Day.



At Mahaweli Reach, we endeavour to ensure that at every possible opportunity we contribute to our community and ensure the protection of our environment while always being mindful of our responsibility to our shareholders and other stakeholders.



CORPORATE GOVERNANCE

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 practiced 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 pages 31-33 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 three occasions. The attendance at these meetings is given below.

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



CORPORATE GOVERNANCE

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 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, the annual budgeted operating statements require Board approval. The Board meets regularly to review performance and forecasts against budget 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 31/03/2015 can be seen on page 36 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 who are Independent Non-Executive Directors of the Company, have been directors of the Company for a period in excess of 10 years and have shareholdings of 1.33% and 0.71% 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.

CORPORATE GOVERNANCE

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 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 & 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 designs compensation levels appropriate for the Company and commensurate with each employee's level of expertise and contribution, bearing in mind the business performance and shareholder returns.

The Remuneration Committee report appears on page 39.

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



CORPORATE GOVERNANCE

practices. Financial information is disclosed in accordance with the Sri Lanka Accounting Standards. Revisions to existing accounting standards and adoption of new standards are carefully monitored.

The Statement of Directors' Responsibilities for the Financial Statements is given on page 26 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 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 the 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 Committee to the Board of Directors for their consideration and action.

CORPORATE GOVERNANCE

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

Members of the Audit Committee	Attendance
Mr. R. Seevaratnam (Chairman)	
- Independent Non-Executive Director	3/3
Mr. R. T. Wijetilleke	
- Independent Non-Executive Director	2/3
Mr. J. C. Ratwatte	
- Independent Non-Executive Director	3/3
Mr. W. P. Hettiaratchi	
- Non-Executive Director	3/3

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 40 - 41.

Level of Compliance with the CSE's New Listing Rules - Section 7.10, Rules on Corporate Governance as at 31st March 2015 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 19.
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 20 under the heading of Board Balance.

Rule No.	Subject	Applicable Requirement	Level of Compliance
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 pages 31 to 33.
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 21.
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)	Remuneration Committee Functions	Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and Executive Directors.	Please refer Remuneration Committee Report on page 39 of this report.
7.10.5(c)	Disclosure in the Annual Report relating to the Remuneration Committee	The Annual Report should set out:	Names of the Members of the Remuneration Committee are stated in this report under the heading of Remuneration Committee. Please refer page 21.
		a) Names of Directors comprising the Remuneration Committee	Please refer Remuneration Committee Report on page 39.
		b) Statement of Remuneration policy	Please refer page 36.
		c) Aggregated Remuneration paid to Executive Directors & Non-Executive Directors	
7.10.6	Audit Committee	The Company shall have an Audit Committee.	Names of the members of the Audit Committee are stated on page 23.



CORPORATE GOVERNANCE

Rule No.	Subject	Applicable Requirement	Level of Compliance
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.
		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 & 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 23.
		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 40 to 41.
		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 40 to 41.



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. 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 42 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
21st August 2015



CHAIRMAN'S REVIEW

“ At Mahaweli Reach, we believe in contributing to the community in which we operate in a manner which benefits all stakeholders and as such, our corporate social responsibility projects are undertaken with several objectives in mind. ”





CHAIRMAN'S REVIEW

It is with great pleasure that I present the Annual Report and Financial Statements for the financial year ended 31st March 2015.

The global tourism industry is on an upward trajectory with the number of tourists travelling globally increasing by 4.4% according to statistics published by the United Nations World Tourism Organisation (UNWTO). It has been stated by Taleb Rifai, Secretary General of the UNWTO that tourism is an industry uniquely positioned to contribute to job creation, poverty alleviation, environmental protection and multicultural peace and understanding, thereby making an important contribution to expanding the global economy. This is true of the industry's role in Sri Lanka as well. In 2014, it is reported that worldwide, receipts from tourism have grown to USD 1,245 billion with South Asia being one of the fastest growing regions.

In Sri Lanka, the country and the industry is experiencing a period of transformation. The proposals under discussion appear to have ramifications for the political, legal, financial and commercial spheres and it is yet unclear as to how all of the changes will impact the industry and Company. At present, there are positive suggestions for improving marketing of the destination which has to be the starting point of exploiting the full potential of the island. It has been proposed that the tourism, tea and export sectors collectively carry out promotions which will assist in utilising marketing resources to the fullest. It is hoped that these strategies will create better opportunities for the nation to compete with its regional rivals. Unless Sri Lanka aggressively positions the destination, it will not be possible to tap the emerging markets such as India, China and the Middle East which are being attracted by regional destinations, especially in North and South East Asia which are being touted as new hotspots for tourism. This country has a unique product, being able to present great diversity of sun, sand, adventure, culture, history, wildlife and natural beauty within a compact offering. However, it is necessary to address the perceptions of the potential visitor. The needs and interests of the traveler in the age of technology are changing. Also, tourists from different geographical areas have varied interests. Therefore, the packages offered and

services provided have to reflect these diverse tastes. In order to achieve this, all stakeholders of the industry should work together to innovate and promote firstly, the destination and then the individual products as in that manner everyone including the visitor has a positive experience. Improving air connectivity and facilities for cruise liners are also issues which require consideration.

In the period under review, Sri Lanka welcomed her 1,500,000th visitor while several new products have entered the market. The product offerings are becoming more varied while redefining standards constantly. However, the star classed hotels still seem to be competing for a smaller share of the market while the informal sector such as unclassified properties and homestays seem to be increasing market share. With travellers in ever rising numbers seeking the internet as the primary source of information regarding properties, mainstream hotels are compelled to compete with smaller establishments. In the Kandy region alone, there are more than 380 properties being promoted online, with most being guesthouses or other unclassified accommodation, which due to lesser overhead costs are able to provide lower rates. This is resulting in intensified competition between hotels, vying for the lesser number of tourists seeking hotel accommodation. This situation may be a reflection on the profile of visitor entering the island and while any destination requires a mixed profile of guests it is becoming increasingly important for the country to attract more high yield travellers.

In order to accomplish this task, it is necessary to establish the infrastructure required and improve service standards across the board so that the perceptions among this clientele improves and makes the destination more attractive. The development of accessibility of domestic destinations is imperative. For instance, it is hoped that the highway to Kandy will commence and be completed soon, as currently, Kandy continues to suffer due to the congestion on the roads leading to this scenic city. The development of the railway service could also assist in this case. Furthermore, improving services such as regulated taxi services, developing and maintaining public facilities at tourist attractions and creating experiential travel experiences requires further attention. Improving

CHAIRMAN'S REVIEW

service standards in every sector is also very important, be it at the airport which is the first and final point of contact for a guest, or among taxi drivers, tourist guides, hotel employees, shop assistants, service providers or any person who may interact with the tourists is of utmost importance. Sri Lankans are considered to be one of the most hospitable peoples in the world. However, it is necessary to hone this innate spirit and create a workforce which is committed to excellence in every area. Language skills of those engaged in tourism-related activities require improvement. If the traveler of the emerging markets such as China and the Middle East is to be enticed to visit, it is necessary to sensitise our work force to accommodate their cultural values and interests.

At Mahaweli Reach, we are faced with mounting challenges. As discussed, the downward pressure on applicable rates has a direct effect on the bottom line especially due to rising costs. With the increase in room inventory during this year and in view of the discerning clientele, we have been carrying out a phased refurbishment and upgrade of the property financed mainly through generated funds with shortfalls being bridged through borrowings in order to better manage finance costs. The lower margins and rising costs of commodities, building materials, equipment and labour have consistently eroded profits even though turnover has been higher year on year. Decrease in banquet revenues due to the increase in alternate, less expensive venues has also impacted the results. We have been obliged to carry out some capital intensive equipment replacements due to the wear and tear of age, as part of the ongoing maintenance programme. Further, in this era of the tech savvy traveller, upgrades of information technology are required along with technological upgrades for rooms and public areas which is a focus area for the hotel. Reducing our carbon footprint by incorporating sustainable practices and energy efficient equipment into operations is another development area for the Company which will also have a long term positive effect on results. The possibility of increases in applicable wages may also have a further impact on results in the coming months. We are constantly striving to improve revenue streams and develop and retain market share in order to mitigate the effects of these rising costs.

We are consciously managing our web footprint as this is an increasingly growing source of customers. Online sales continue to grow year on year and in view of this, we continue to revamp our website and information available on social media outlets and our partnerships with booking engines. In the words of Winston Churchill, "to improve is to change; to be perfect is to change often".

We are very proud to announce the soft launch of a luxury spa at the hotel which is managed by Spa Ceylon, one of the main indigenous spa operators in Sri Lanka having a global presence. The spa has been well received by guests and is awaiting the completion of fitting out works prior to the main launch. Mahaweli Reach also achieved ISO 9001:2008 status this year which is a certification that is internationally recognised and which is hoped will develop quality standards and efficiency in operations.

During the period under review, the Company has recorded a turnover of Rs. 576.96 million yielding Rs. 44.41 million in profit before taxation in comparison to a turnover of Rs. 531.34 million and a profit of Rs. 43.07 million before taxation in the previous year. The income tax provision for the year is Rs. 19.97 million. The gross profit margin for the year was 58%. The investments being made for the upgrade and refurbishment of the property has been one of the principal reasons for the increased expenses which have had an impact on the net profit for the period under review. However, these developments have enhanced the marketability of the property and improved stakeholder value.

The hospitality industry in Sri Lanka as a whole is affected by the dearth in skilled professionals. With many new properties coming online this problem is further exacerbated while migration of talented, trained individuals remains an issue. In order to maintain high service standards, it is imperative that employees are trained and retained. At Mahaweli Reach, we consider this a priority and endeavour to create an attractive working environment for our associates while ensuring that they are equipped with the knowledge and skills to handle the latest trends and demands of this age. We conduct surveys through the market research company, A Great



CHAIRMAN'S REVIEW

Place to Work, to ensure that the expectations of our workforce are considered and to make certain that any shortcomings on the part of the management are addressed effectively. Training is provided through internal and external trainers while we try to encourage our associates to develop their hidden talents and hone skills to help them both professionally and personally. We always try to create an environment whereby any vacancies are filled from within the ranks and opportunities created for vertical movement for our associates and where a culture of belonging is propagated. Various activities are organised for their entertainment and as an outlet to develop their natural talents as detailed elsewhere in the report. We are also actively considering as to how we can improve the facilities provided to them in a manner which is mutually beneficial.

At Mahaweli Reach, we believe in contributing to the community in which we operate in a manner which benefits all stakeholders and as such our corporate social responsibility projects are undertaken with several objectives in mind. We have ongoing projects to beautify and maintain green spaces in surrounding areas and to encourage education and the development of our youth. We have also undertaken one-off projects which benefit the community and our staff. The details of these projects are provided in the annual report.

The Company makes best efforts to ensure compliance with the corporate governance rules of the Colombo Stock Exchange and practices espoused by the Securities Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka. Further details of compliance are presented in this report.

Let me take this opportunity to say a heartfelt thank you to all our shareholders for the continued trust and confidence placed in us and to our loyal clientele and resolute business partners for your support and kind consideration which we hope will continue into the future.

We acknowledge with gratitude the steadfast support and co-operation of our bankers and suppliers.

We truly value the dedication and commitment of our Managing Director and all our team members which qualities are invaluable and make all the achievements possible.

Let me also express my appreciation to my colleagues on the Board for their valuable insights, guidance and support at all times. Mr. Rienzie T. Wijetilleke, our esteemed colleague, has tendered his resignation from his position as a director effective from 5th June 2015 and on behalf of the Board, I wish to express our deep gratitude to him for the service rendered during his tenure. His advice, experience and expertise will be greatly missed. We wish him well.

Dr. Nido Qubein has stated that “Change brings opportunity” and we hope that the future will present greater prospects for development and growth for our Company and the Country.

Mr. M. U. Maniku
Chairman
21st August 2015



BOARD OF DIRECTORS

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 experience in the hospitality Industry. He is considered the pioneer of the 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.

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 experience in the hospitality industry and functioned as 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. J. A. Panabokke (Managing Director)

Executive Director

Mr. Jayantha A. Panabokke has over 36 years 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 Vice President of the Tourist Hotels Association of Sri Lanka, President

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 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.



BOARD OF DIRECTORS

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 36 years' 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. 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 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. 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.

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 & exposure in the areas of the soft drinks industry, hospitality, tourism & school operations.

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. 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.



BOARD OF DIRECTORS

Mr. M. Mahir

Non-Executive Director

Mr. M. Mahir was appointed to the Board on 15th June 2004. He has over 26 years 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 of Law of the Supreme Court of Sri Lanka, with over 43 years 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 in 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 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, 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. Ratwatte is presently also, the Senior Adviser to the Prime Minister of the Government of Sri Lanka.

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 has served on the boards of several other companies. He was also a 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.



REPORT OF THE DIRECTORS

Annual Report of The Board of Directors on The Affairs of The Company - For Year 2014/15

The Directors are pleased to present their report together with the audited Financial Statements for the year ended 31st March 2015. The details set out herein provide the pertinent information in compliance with the Companies Act No. 7 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 result 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 2015, 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 43 to 78.

Auditor's Report

The Auditor's Report on the Financial Statements of the Company is given on page 42.

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 2.5 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 2015 consists of 47,066,447 Ordinary shares totaling to Rs. 585,445,870/-. Refer Note 18.

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.

REPORT OF THE DIRECTORS

Directorate

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

DIRECTORS AS AT 31ST MARCH 2015	DESCRIPTION	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	Resigned with effect from 05.06.2015
MR. RANJEEVAN SEEVARATNAM	INDEPENDENT NON-EXECUTIVE DIRECTOR	

Directors

Messrs J. C. Ratwatte, K. M. Panabokke and R. Seevaratnam 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 eight years on 2nd February 2015 retire pursuant to Section 210 of the Companies Act No. 7 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. Seevaratnam, who attained the age of seventy two years on 24th September 2014 retire pursuant to Section 210 of the Companies Act No. 7 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.

REPORT OF THE DIRECTORS

Directors Shareholdings

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

	As at 31st March 2014	As at 31st March 2015
Mr. J. A. Panabokke	535,388	540,388
Mr. A. N. Esufally	332,000	332,000
Mr. R. T. Molligoda	626,200	626,200
Mr. M. U. Maniku	1,160,380	1,217,306
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 2014/2015 is Rs. 13,374,825/-.

Interests Register

The particulars of entries in the Interests Register and the Directors Interests in the Contracts of the Company are disclosed under Note 28 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. 95,000/-.

Auditors

M/s 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. 316,300/-.

As far as the Directors are aware, the Auditors do not have any other relationship or interest in the Company.

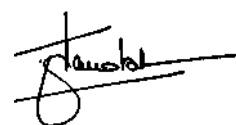
Employee Share Ownership

The Company does not operate any share option scheme.

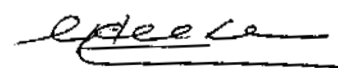
Going Concern

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.

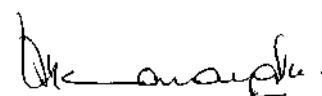
BY ORDER OF THE BOARD.



J. A. Panabokke
Director



W. P. Hettiaratchi
Director



BUSINESSMATE (Pvt.) Ltd.,
Secretaries

21st August 2015



TWENTY LARGEST SHAREHOLDERS

Name of Shareholder	31.03.15		31.03.14	
	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. Freudenberg Shipping Agencies Limited	2,416,522	5.13	70,792	0.15
04. Mr. M. U. Maniku	1, 217,306	2.58	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. Mr. J. R. De Silva	318,514	0.67	1,435,062	3.05
10. Mr. K. M. Panabokke	164,000	0.35	164,000	0.35
11. Gold Investments Ltd.	150,000	0.32	286,848	0.61
12. National Savings Bank	133,300	0.28	133,300	0.28
13. Rosewood (Pvt.) Ltd.	123,300	0.26		
14. Dee Investments (Pvt.) Ltd.	110,000	0.23	110,000	0.23
15. Mr. R. A. L. White	101,554	0.22	100,854	0.21
16. Mr. J. A. Panabokke	72,400	0.15	72,400	0.15
17. Alliance Finance Company PLC	71,928	0.15	71,928	0.15
18. Mr. P. Sivagananathan	70,000	0.15	70,000	0.15
19. Mr. R. Ratnagopal	57,800	0.13		
20. Mrs. K. D. Panabokke	56,284	0.12		

SHAREHOLDINGS	No. of Shares held 31.03.15	Holding %	No. of Shares held 31.03.14	Holding %
Others	35,569,963	75.57	35,508,037	75.44
Public	11,496,484	24.43	11,558,410	24.56
Total	47,066,447	100.00	47,066,447	100.00

Shareholders/Investors Information

Details of Shareholding

No. of Shareholders		Holdings	Total Holdings	31.03.15 Holdings	%	31.03.14 Holdings	%
31.03.15	31.03.14						
1579	1,554	Less than 500		330,072	0.70	290,655	0.62
567	741	500	to 5,000	313,400	0.66	672,420	1.43
70	75	5,001	to 10,000	452,237	0.96	584,960	1.25
40	57	10,001	to 20,000	495,538	1.05	649,749	1.38
15	24	20,001	to 30,000	240,075	0.51	542,193	1.15
7	6	30,001	to 40,000	241,248	0.52	201,531	0.43
0	2	40,001	to 50,000	-	-	87,332	0.18
7	13	50,001	to 100,000	504,938	1.07	725,540	1.54
14	13	100,001	to 1,000,000	3,726,499	7.92	3,588,013	7.62
4	4	Over	1,000,000	40,762,440	86.61	39,724,054	84.40
2303	2489			47,066,447	100.00	47,066,447	100.00

FIVE YEAR HIGHLIGHTS

OPERATING RESULTS		2010/11	2011/12	2012/13	2013/14	2014/15
Occupancy	%	61	57	61	60	66
Gross Revenue	(Rs.000)	391,017	449,107	594,911	564,167	614,483
Interest Charges	(Rs.000)	(11,670)	14,850	(19,350)	(17,385)	(12,104)
Depreciation	(Rs.000)	(20,322)	(32,416)	(35,648)	(38,854)	(46,920)
Profit & Loss - before Interest	(Rs.000)	54,584	28,336	111,161	65,196	64,977
- after Interest	(Rs.000)	42,914	13,139	91,811	42,661	52,873
ASSETS EMPLOYED						
Non-Current Assets	(Rs.000)	982,214	1,026,833	1,051,051	1,157,946	1,340,859
Net Current Assets/ (Liabilities)	(Rs.000)	(17,243)	1,404	31,263	(35,842)	(11,942)
Stated Capital						
Ordinary Shares	(Rs.000)	585,445	585,445	585,445	585,445	585,445
Net Reserves	(Rs.000)	253,046	260,992	330,047	367,658	507,356
Non-Current Liabilities	(Rs.000)	126,362	181,681	166,704	168,883	236,115
Market Value per share	Rs. Cts	34.00	25.20	19.70	16.70	21
Net Assets per share	Rs. Cts	17.81	17.97	19.45	20.25	23.22
Dividend per share	Rs. Cts	-	-	-	-	-
Earnings per share	Rs. Cts	0.99	0.16	1.47	0.81	0.52
Year on Year Growth						
- in Earnings per share	%	39	(83)	819	(46)	(36)
- In Dividend per share	%	-	-	-	-	-
Price Earning Ratio	-	34.34	157.50	13.40	20.90	40.38
Borrowing as a % of Total Assets	%	7.89	13.10	10.77	11.56	11.00
Interest Cover	Times	4.68	1.91	5.74	2.89	5.36

Highest and Lowest Value Per Share

The highest value per share traded during the year is Rs. 26.30 and the lowest value per share traded during the year is Rs. 20.00 and the market value per share as at 31st March 2015 is Rs. 21.00.

The Company has not raised funds on listed securities.



REMUNERATION COMMITTEE REPORT

The Remuneration Committee, appointed by the Board of Directors, includes three Independent Non-Executive Directors.

Composition

Mr. J. C. Ratwatte (Chairman)
Mr. R. T. Wijetilleke
Mr. R. T. Molligoda

Brief profiles of the members are given on pages 31 to 33.

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

Remuneration Policy

The Mahaweli Reach Hotels PLC remuneration policy aims to draw, motivate and retain talent in a competitive environment.

The Company's remuneration framework for the Chief Executive Officer and Executive Director is structured to identify the contribution made & remunerate appropriately.

Scope

The Remuneration Committee evaluates and recommends to the Board of Directors the remuneration packages & 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. It also recommends the remuneration payable to the Executive Directors and Chief Executive Officer of the Company.

Committee Meetings

The Remuneration Committee formally met once during the year under review. Attendance of the Committee members at this meeting is given on page 21. 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
21st August 2015



AUDIT COMMITTEE REPORT

The Composition of the Committee

In accordance with the currently accepted Best Practice and Corporate Governance Guidelines, the Board-appointed Audit Committee comprises of the following Directors of the Company.

Mr. R. Seevaratnam (Chairman) -
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

The Chairman of the Audit Committee, Mr. R. Seevaratnam is a fellow member of the Institute of Chartered Accountants of Sri Lanka. The Committee is accountable and reports to the Board of Directors.

Brief profiles of each member is given on pages 31 to 33.

The Role of the Committee

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.

Meetings

The Committee met formally on three occasions during the financial year ended 31st March 2015. Attendance of the Committee members at each of these meetings is given on page 23.

The Managing Director, Chief Financial Officer and Company Secretary attended the meetings by invitation. The proceedings of the Audit Committee meetings are regularly reported to the Board of Directors.

The Committee carried out the following activities.

Financial Reporting

The Committee reviewed the effectiveness of the financial reporting system to ensure that the information provided to stakeholders is reliable and is in strict adherence and compliance with the Sri Lanka Accounting Standards and disclosure requirements.

Having assessed the internal financial controls, the Committee is of the view that adequate procedures are in place to provide reasonable assurance that the Company's assets are safeguarded and that the Financial Position of the Company is well monitored.

The Committee recommended the financial statements to the Board for its approval.

Regulatory Compliance

The Company's procedures are in place to ensure compliance with regulatory requirements and all other statutory requirements were under close scrutiny and were found to be in order.

Internal Audit

The Company has engaged the services of a firm of Chartered Accountants as Internal Auditors. Their reports are periodically reviewed and follow-up action is monitored by the Committee.

Internal Controls

The effectiveness of the internal control procedures in place for selected processes were carefully evaluated.

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.



AUDIT COMMITTEE REPORT

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 the 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. 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

21st August 2015

INDEPENDENT AUDITORS' REPORT



INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF MAHAWELI REACH HOTELS PLC.

Report on the Financial Statements

We have audited the accompanying financial statements of Mahaweli Reach Hotels PLC, ("the Company") which comprise the statement of financial position as at March 31, 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and, statement of cash flows for the year then ended, and summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or

error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statement that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at March 31, 2015 and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by section 163(2) of the Companies Act No. 7 of 2007, we state the following:

a) The basis of opinion and scope and limitations of the audit are as stated above.

b) In our opinion:

-we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

-the financial statements of the company comply with the requirements of section 151 of the Companies Act No. 7 of 2007.

Edirisinghe & Co.,
Chartered Accountants.
Colombo 02.
20-Aug-15



45, Braybrooke Street, Colombo 02, Sri Lanka. Telephone: +94 11 2433933 Fax: +94 11 2445683, E-mail: info@eco.lk Web: www.eco.lk
A. D. Jayasena FCA, Partner, P. P. Edirisinghe FCA, ACIM, MBA, Partner, Ms. N.G.D.C.K. De Silva Jayawardene, FCA, Partner:
Ms. M. K. K. Karunaratne, ACA, ACMA, Partner, P. K. A. M. Alahakoon, ACA, MAT, Partner
A. T. P. Edirisinghe, FCA, FCMA, Consultant/Advisor

An independent member of BAKER TILLY International



STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March 2015	Notes	2014/2015 Rs.	2013/2014 Rs.
Revenue	7	576,957,255	531,340,718
Cost of Sales		(241,992,083)	(218,952,764)
Gross Profit		334,965,172	312,387,954
Other Operating Income	8	37,525,729	32,826,124
Administrative Expenses		(220,272,612)	(208,226,476)
Marketing & Promotion Costs		(25,802,880)	(21,676,877)
Other Cost		(61,437,965)	(49,709,671)
Operating Profit		64,977,444	65,601,053
Finance Income	9	66,774	-
Finance Cost		(20,637,442)	(22,535,045)
Finance Cost-Net		(20,570,668)	(22,535,045)
Profit Before Tax	10	44,406,776	43,066,008
Income Tax Expenses	11	(19,966,614)	(5,099,371)
Profit for the Year		24,440,162	37,966,637
Other Comprehensive Income			
Items that will never be reclassified to Profit or Loss			
Revaluation of Property, Plant & Equipment		135,416,047	-
Re-measurement of Defined Benefit Liability		(7,168,074)	(404,667)
Related Tax		(12,989,757)	48,560
Other Comprehensive Income for the Year, Net of Tax		115,258,216	(356,107)
Total Comprehensive Income for the Year		139,698,378	37,610,530
Earnings Per Share (Basic) - Rs.Cts.	12	0.52	0.81

The accounting policies and notes from pages 47 to 78 form an integral part of these Financial Statements.

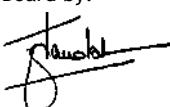
STATEMENT OF FINANCIAL POSITION

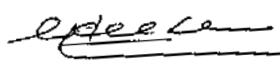
For the year ended 31st March 2015	Notes	31.03.2015 Rs.	31.03.2014 Rs.
ASSETS			
Non-Current Assets			
Property, Plant & Equipment	13	1,288,049,325	1,114,724,204
Deferred Tax Assets	14	52,809,848	45,842,434
		1,340,859,173	1,160,566,638
Current Assets			
Inventories	15	20,700,574	21,633,925
Trade and Other Receivables	16	82,686,282	76,693,831
Cash and Cash Equivalents	17	32,721,269	1,992,996
		136,108,125	100,320,752
Total Assets		1,476,967,298	1,260,887,390
EQUITY AND LIABILITIES			
Stated Capital	18	585,445,870	585,562,470
Revaluation Reserve	19	538,688,179	417,122,058
Retained Earnings		(31,331,777)	(49,464,034)
Total Equity		1,092,802,272	953,220,494
Non-Current Liabilities			
Deferred Tax Liabilities	14	83,079,870	48,372,299
Retirement Benefit Obligation	20	40,670,236	28,821,998
Interest Bearing Borrowings	21	112,365,113	94,309,552
		236,115,219	171,503,849
Current Liabilities			
Trade and Other Payables	22	61,433,416	52,235,245
Due to Related Parties	23	32,976,000	29,426,968
Income Tax Liabilities	24	3,492,787	3,305,008
Interest Bearing Borrowings	21	50,147,604	51,195,826
		148,049,807	136,163,047
Total Liabilities		384,165,026	307,666,896
Total Equity and Liabilities		1,476,967,298	1,260,887,390

I certify that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 7 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 accounting policies and notes from pages 47 to 78 form an integral part of these Financial Statements.
20th August 2015,
Colombo



STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2015	Stated Capital Rs.	Preference Shares Rs.	Retained Earnings Rs.	Revaluation Reserve Rs.	Total Rs.
Balance as at 1st April 2013	585,445,870	116,600	(87,074,564)	417,122,058	915,609,964
Profit for the Year	-	-	37,966,637	-	37,966,637
Other Comprehensive Income					
Other Comprehensive Income for the year	-	-	(404,667)	-	(404,667)
Related Tax	-	-	48,560	-	48,560
Total Other Comprehensive Income for the Year	-	-	(356,107)	-	(356,107)
Total Comprehensive Income for the Year	-	-	37,610,530	-	37,610,530
Balance as at 31st March 2014	585,445,870	116,600	(49,464,034)	417,122,058	953,220,494
Profit for the Year	-	-	24,440,162	-	24,440,162
Redemption of Shares - Note 18	-	(116,600)	-	-	(116,600)
Other Comprehensive Income					
Other Comprehensive Income for the Year	-	-	(7,168,074)	135,416,047	128,247,973
Related Tax	-	-	860,169	(13,849,926)	(12,989,757)
Total Other Comprehensive Income for the Year	-	-	(6,307,905)	121,566,121	115,258,216
Total Comprehensive Income for the Year	-	(116,600)	18,132,257	121,566,121	139,581,778
Balance as at 31st March 2015	585,445,870	-	(31,331,777)	538,688,179	1,092,802,272

The accounting policies and notes from pages 47 to 78 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

For the year ended 31st March 2015	31.03.2015 Rs.	31.03.2014 Rs.
Cash Flows From Operating Activities		
Profit Before Taxation	44,406,776	43,066,008
Adjustment for:		
Depreciation	46,919,569	38,854,437
Lease Interest	3,715,642	1,791,664
Interest Expenses	12,103,711	17,385,441
Provision for Gratuity	5,761,709	4,729,042
Impairment Loss on Trade & Other Receivables	5,027,244	2,633,917
Inventory Written-off	-	1,393,870
Written Back of Sundry Creditors	(5,068,803)	-
Profit on Disposal of Fixed Assets	(530,000)	-
Operating Profits Before Working Capital Changes	112,335,848	109,854,379
(Increase) / Decrease in Inventories	933,351	1,763,720
(Increase) / Decrease in Trade and Other Receivables	(11,019,695)	28,908,883
Increase / (Decrease) in Trade and Other Payables	14,150,374	7,981,123
Increase / (Decrease) in Related Party Balances	3,549,032	(3,148,681)
Cash Flows From Operations	119,948,911	145,359,424
Gratuity Paid	(1,081,545)	(694,462)
Interest Paid	(12,103,711)	(17,385,441)
Tax Paid	(5,028,436)	(8,108,131)
Net Cash Generated From Operating Activities	101,735,219	119,171,392
Cash Flows from Investing Activities		
Acquisition of Property, Plant & Equipment	(84,828,643)	(130,203,054)
Proceeds from Sale of Property, Plant & Equipment	530,000	-
Net Cash Used in Investing Activities	(84,298,643)	(130,203,054)
Cash Flows from Financing Activities		
Proceeds from Loans	50,000,000	35,000,000
Repayment of Loans	(33,400,532)	(31,117,248)
Repayment of Finance Lease Liability	(9,661,740)	(5,971,720)
Net Cash Generated From / (Used In) Financing Activities	6,937,728	(2,088,968)
Net Increase / (Decrease) in Cash and Cash Equivalents	24,374,304	(13,120,631)
Cash and Cash Equivalents at the beginning of the year	1,061,796	14,182,426
Cash and Cash Equivalents at the end of the year (Note 17)	25,436,100	1,061,796

The accounting policies and notes from pages 47 to 78 form an integral part of these Financial Statements.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

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 336 and last year 323.

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 2015 were authorised for issue in accordance with a resolution of the Directors on 20th August 2015

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 Financial Statements have been prepared 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.

The 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.

2.4 Use of Estimates and Judgments

The preparation of the 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 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



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

2.4 Use of Estimates and Judgments (Continued)

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. 5.

2.4.1 Measurement of Fair Values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, the Company assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses observable market data as much as possible. Fair values are categorised into different levels in fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Further information about the assumption made in measuring fair value is included in Note 13.6.

2.5 Changes to Accounting Policies and Adoption of New Accounting Standards

Except for the changes below, the Company has consistently applied the accounting policies as set out in Note No. 3 to all periods presented in these financial statements.

The Company has adopted the following new standards with a date of initial application of 1st April 2014.

Sri Lanka Accounting Standards - SLFRS 13 'Fair Value Measurement'

In accordance with the SLFRS 13, the Company has applied the new definition of fair value, it verifies the definition of fair values as the price of that would be received to sell an asset or paid to transfer liability in an orderly transaction between market participants at the measurement date prospectively. The change had no significant impact on the measurement of Company's assets and liabilities, but the Company has included new disclosures in the financial statements, which are required under SLFRS 13.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

- 2.6 New standards applicable to the current period but not applicable to the Company**
Management assessed the relevance of the following new standards with respect to the Company's operations and concluded that they are not relevant to the Company.

SLFRS 10 - Consolidated Financial Statements (applicable from 1 April 2014)

SLFRS 12 - Disclosure of Interests in Other Entities (applicable from 1 April 2014)

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 profit or loss.

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.

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 Profit or Loss.

The revaluation surplus included in the equity in respect of lands and buildings are transferred directly to retained

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

3.2.1 Cost / Valuation (Continued)

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 profit or loss in the year it is derecognised. All other repairs and maintenance costs are charged to the statement of profit or loss 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% to 20%
Linen Items	33%
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 profit or loss.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

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 '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.

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



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

3.4.4 Impairment of Financial Assets (Continued)

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 (EIR). 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 EIR method. Gains and losses are recognised in the statement of profit or loss 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 profit or loss 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 profit or loss.

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 EIR 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.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

3.5 Trade Receivables (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 EIR. 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 profit or loss. 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 profit or loss.

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.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

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 EIR method.

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 profit or loss over the period of the borrowings using the EIR 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 the lessor are charged to the Statement of Profit or Loss 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 Profit or Loss 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 profit or loss, 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



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

3.13 Current and Deferred Income Tax (Continued)

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.

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 in the period in which they occur in the Statement of other comprehensive income.

Past-service costs are recognised immediately in profit or loss. The liability is not externally funded.

The result of calculation based on the gratuity formula, is included in Note No. 20 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 the Employees' Provident Fund and Employees' Trust Fund respectively and is recognised as an expense in profit or loss 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

3.15 Revenue Recognition (Continued)

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

(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) Rending of Services

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

(c) Interest Income

Interest income is recognised in profit or loss as it accrues and is calculated by using the EIR 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, the 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	5,851,820
Bank Loans (Rs.)	(-) 50 Basis Points	(5,851,820)

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

4.1 Financial Risk Factors (Continued)

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 31st March 2015	Less than 1 Year Rs.	Between 1 and 5 Years Rs.
Borrowings	50,147,604	112,365,113
Trade and Other Payables (excluding statutory liabilities)	56,360,036	-
Total	106,507,640	112,365,113
As at 31st March 2014		
Borrowings	51,195,826	94,309,552
Trade and Other Payables (excluding statutory liabilities)	44,815,666	-
Total	96,011,492	94,309,552

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 and 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 2015, the Company's strategy, which was unchanged from 2014, was to maintain the gearing ratio within 11% to 13%. The gearing ratios at 31st March 2015 and 2014 were as follows:

	2014/2015 Rs.	2013/2014 Rs.
Total Borrowings (Note No. 21)	162,512,717	145,505,378
Less Cash and Cash Equivalents (Note No.17)	(32,721,269)	(1,992,996)
Net Borrowings	129,791,448	143,512,382
Total Equity	1,092,802,272	953,220,494
Total Capital	1,222,593,720	1,096,732,876
Gearing Ratio	11%	13%



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

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 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 Profit or Loss, the Company makes judgments as to whether there is any observable data indicating that there is measurable decrease in estimated cash flows from debtors. 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.

(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.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

5 Critical Accounting Estimates and Judgments (Continued)

Other key assumptions for gratuity obligations are based in part on current market conditions, additional information is disclosed in Note No. 20.

6. NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT 31ST MARCH 2015

There are a number of new Accounting Standards, amendments to standards, which have been issued but not yet effective as at the reporting date, and have not been applied in preparing these Financial Statements. The Company will adopt the following new/revised Accounting Standards when they become effective. Accordingly, these Accounting Standards have not been applied in preparing these Financial Statements.

SLFRS 9 - Financial Instruments

SLFRS 14 - Regulatory Deferral Accounts

SLFRS 15 - Revenue from Contracts with Customers

Sri Lanka Accounting Standard- SLFRS 9 'Financial Instruments'

The objective of this Accounting Standard is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

An entity shall apply this SLFRS to all items within the scope of LKAS 39 'Financial Instruments: Recognition and Measurement'.

SLFRS 9 is applicable for annual reporting periods beginning on or after 1st April 2018, with early adoption permitted.

Sri Lanka Accounting Standards - SLFRS 14 'Regulatory Deferral Accounts'

The objective of this Standard is to specify the financial reporting requirements for regulatory deferral account balances that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation.

SLFRS 14 will become applicable on 1st April 2016. However, the Company will not have an impact on the financial statements from the application of SLFRS 14.

Sri Lanka Accounting Standard - SLFRS 15 'Revenue from Contracts with Customers'

This Accounting Standard establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18-Revenue, LKAS 11-Construction Contracts and IFRIC 13-Customer Loyalty Programmes.

This SLFRS will become effective from 1st April 2017 and shall be applied prospectively as of the beginning of the annual period in which it is initially applied. The Disclosure requirements of this SLFRS need not to be applied comparative information provided for periods before initial application of this SLFRS.

However, the Company will not have an impact on the financial statements from the application of SLFRS 15.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

	31.03.2015 Rs.	31.03.2014 Rs.
7. REVENUE		
Front Office & Apartment	338,273,890	323,927,873
Restaurant	193,842,893	179,857,094
Beverage	44,840,472	27,555,751
	576,957,255	531,340,718
8. OTHER OPERATING INCOME		
Gain on Exchange	748,221	516,570
Minor Operating Profit	30,450,404	31,700,296
Staff Loan Interest	728,301	609,258
Creditors Written Back	5,068,803	-
Profit on Disposal of Fixed Assets	530,000	-
	37,525,729	32,826,124
9. FINANCE INCOME/COST		
NOTE 9.1 - FINANCE INCOME		
Interest Income	66,774	-
	66,774	-
NOTE 9.2 - FINANCE COST		
Interest Expenses	12,103,711	17,385,441
Finance Charges on Lease Liabilities	3,715,642	1,791,664
Other Financial Charges	4,818,089	3,357,940
	20,637,442	22,535,045
Finance Cost Net	(20,570,668)	(22,535,045)
10. PROFIT BEFORE TAX		
is stated after charging all expenses including the following:		
Staff Cost (Note 10.1)	109,597,358	104,152,102
Directors Remuneration	13,374,825	10,700,049
Auditors Remuneration Fees	316,300	287,500
Non-Assurance Fees & Expenses	1,222,122	702,960
Depreciation	46,919,569	38,854,437
Impairment Loss on Trade & Other Receivables	5,027,244	2,633,917
Advertising & Sales Promotion Cost	11,177,737	9,980,568
Legal Fees	89,822	63,500
10.1 EMPLOYEE BENEFIT EXPENSES		
Salaries & Other Allowances	88,037,342	85,214,800
Staff Welfare	717,408	829,156
Medical Expense	1,858,582	1,626,153
EPF & ETF	12,854,317	11,422,105
Post Employment Benefit - Gratuity	5,761,709	4,729,042
Incentive	368,000	330,846
Total Employee Benefit Expenses	109,597,358	104,152,102

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

11 INCOME TAX

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

	Notes	2014/2015 Rs.	2013/2014 Rs.
Current Income Tax			
Current Income Tax Charge	11.1	5,338,507	5,305,008
Under/(Over) Provision of Current Taxes with respect to prior periods		(122,293)	-
Deferred Tax			
Deferred Tax Charge/(Credit)	11.2	14,750,400	(205,637)
Income tax expense reported in the Statement of Profit or Loss		19,966,614	5,099,371

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	44,406,776	43,066,008
Non-deductible Expenses	107,814,474	88,025,624
Deductible Expenses	(83,778,847)	(63,078,710)
	68,442,403	68,012,922
Total Statutory Income	68,442,403	68,012,922
Set off against Tax Losses	(23,954,842)	(23,804,523)
Taxable Income	44,487,561	44,208,399
Income tax at 12% (in 2014 - 12%)	5,338,507	5,305,008
Tax losses brought forward and utilised during the year		
Tax losses brought forward	314,689,750	338,494,273
Tax losses (utilised)/increased during the year	(23,954,842)	(23,804,523)
Tax losses (utilised)/increased for previous year	343,591	-
Unutilised tax losses carried forward	291,078,499	314,689,750

11.2 Deferred Tax Expense/(Income)

The following table shows deferred tax expense/(Credit) recorded in the Statement of Profit or Loss due to changes in the deferred tax assets and liabilities.

Deferred Tax Liabilities		
Accelerated Depreciation - Assets	20,857,645	2,039,355
	20,857,645	2,039,355
Deferred Tax Assets		
Defined Benefit Obligation	561,619	484,150
Carried forward unused tax losses claimed	5,545,626	1,760,842
	6,107,245	2,244,992
Deferred Tax Charge/(Credit) for the Year	14,750,400	(205,637)



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

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	2014/2015 Rs.	2013/2014 Rs.
Profit for the Year	24,440,162	37,966,637
Amount Used as the Denominator		
Number of Ordinary Shares	47,066,447	47,066,447
Earnings per Share - Rs.Cts.	0.52	0.81



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

13. PROPERTY, PLANT & EQUIPMENT

13.1

At Cost or Valuation	Balance as at 01.04.2014	Additions	Re-Classification / Transfers	Revaluation	Disposals	Balance as at 31.03.2015
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Freehold Assets						
Freehold Lands	276,604,501	-	-	20,000,000	-	296,604,501
Buildings	629,586,919	14,981,702	84,182,636	56,358,516	-	785,109,773
Motor Vehicles	13,802,970	254,968	-	-	-	14,057,938
Office Equipment	238,363,130	22,966,700	1,617,276	-	(1,402,325)	261,544,781
Furniture and Fittings	146,635,365	4,405,348	(1,617,276)	-	-	149,423,437
Linen	-	7,569,764	-	-	-	7,569,764
	1,304,992,885	50,178,482	84,182,636	76,358,516	(1,402,325)	1,514,310,194
Leasehold Assets						
Motor Vehicles	18,450,928	-	-	-	-	18,450,928
Generator	10,077,810	-	10,535,175	-	-	20,612,985
	28,528,738	-	10,535,175	-	-	39,063,913
Total Value of Assets	1,333,521,623	50,178,482	94,717,811	76,358,516	(1,402,325)	1,553,374,107

13.2 Accumulated Depreciation

At Cost or Valuation	Balance as at 01.04.2014	Charge for the year	Re-Classification / Transfers	Revaluation Adjustment	Revaluation	Disposals	Balance as at 31.03.2015
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Freehold Assets							
Freehold Lands	-	-	-	-	-	-	-
Buildings	44,064,979	14,992,552	-	(59,057,531)	-	-	-
Motor Vehicles	13,162,063	223,969	-	-	-	-	13,386,032
Office Equipment	105,024,912	14,583,430	551,486	-	-	(1,402,325)	118,757,503
Furniture and Fittings	110,605,517	7,674,111	(551,486)	-	-	-	117,728,142
Linen	-	2,523,002	-	-	-	-	2,523,002
	272,857,471	39,997,064		(59,057,531)	-	(1,402,325)	252,394,679
Leasehold Assets							
Motor Vehicles	5,719,470	3,182,865	-	-	-	-	8,902,335
Generator	1,914,784	3,739,640	-	-	-	-	5,654,424
	7,634,254	6,922,505	-	-	-	-	14,556,759
Total Depreciation	280,491,725	46,919,569	-	(59,057,531)	-	(1,402,325)	266,951,438
Net Book Value	01.04.2014 Rs.						31.03.2015 Rs.
Freehold Assets	1,032,135,414						1,261,915,515
Leasehold Assets	20,894,484						24,507,154
	1,053,029,898						1,286,422,669

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

13.3 Work-In-Progress

	Balance as at 01.04.2014	Additions	Transfer to Property, Plant & Equipment	Balance as at 31.03.2015
	Rs.	Rs.	Rs.	Rs.
Construction of Chiller	23,109,953	267,099	(23,377,052)	-
Construction of Buildings	21,286,259	767,283	(22,053,542)	-
Construction of Power Plant	10,535,175	-	(10,535,175)	-
Construction of Spa	6,762,919	31,989,123	(38,752,042)	-
Construction of Fire System	-	1,626,656	-	1,626,656
	61,694,306	34,650,161	(94,717,811)	1,626,656
Total Assets	1,114,724,204			1,288,049,325

13.4 Profit on Disposal of Property, Plant and Equipment

Description of Assets	Cost	Accumulated Depreciation	Net Book Value	Sales Proceeds	Profit / (Loss)
	Rs.	Rs.	Rs.	Rs.	Rs.
Freehold					
Office Equipment	1,402,325	(1,402,325)	-	530,000	530,000
	1,402,325	(1,402,325)	-	530,000	530,000

13.5 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:

	2015 Rs.	2014 Rs.
Lands	98,116,927	98,116,927
Buildings	542,252,503	443,088,165
Accumulated depreciation	(116,390,474)	(107,747,091)
Net book amount	523,978,956	433,458,001

13.6 Property, Plant and Equipment at Fair Value

(a) Reconciliation of Carrying Amount

	2015 Rs.	2014 Rs.
Balance as at 1st April	906,191,420	847,312,304
Addition	99,164,338	58,879,116
Adjustment on Revaluation	(59,057,531)	-
Charge in Fair Value	135,416,047	-
Balance as at 31st March	1,081,714,274	906,191,420

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

13.6 Property, Plant and Equipment at Fair Value (Continued)

(b) Measurement of Fair Value

Fair Value Hierarchy

The freehold land and buildings were valued on 31st March 2015 by Mr. T. B. Balasuriya, (Bsc.) EMV Spl (Hons), SJP, an Independent Qualified Valuer. The result of such revaluation was incorporated in these financial statements from its effective date which is 31st March 2015. The surplus arising from the revaluation was transferred to a revaluation reserve.

(c) Level 3 Fair Value

Reconciliation of opening balance to the closing balance is shown in Note 13.6 (a) above.

(d) Valuation Techniques and Significant Unobservable Inputs

The property is valued in an open market value for existing use basis. The following table shows the valuation techniques used in measuring the fair value of freehold land and building, as well as the significant unobservable inputs used.

	Valuation	Significant Unobservable Inputs 2015
Land & Building	Open market value for existing use basis / Contractors Method	625,000 /- per occupied perch

Location of Lands

Lands comprise of Walawwewatta and Siyambalagahakotuwa (368.4 perches), Meegonkattuwa Kubura (150.56 perches), Weralugasdeniye Kumbura & Pillewa (152.5 perches), Siyabalagastenna (43.87 perches) which are situated within Municipal Council limits of Kandy.

14. DEFERRED INCOME TAX ASSETS AND LIABILITIES

	31.03.2015 Rs.	31.03.2014 Rs.
14.1 Deferred Tax Liabilities		
Balance at the Beginning of the Year	48,372,299	46,332,944
Temporary Differences arising from Property, Plant & Equipment	20,857,645	2,039,355
Temporary Differences arising from Revaluation	13,849,926	-
Balance at the end of the year	83,079,870	48,372,299
14.2 Deferred Tax Assets		
Balance at the Beginning of the Year	45,842,434	43,548,882
Temporary Differences arising from Retirement Benefit	1,421,788	532,710
Temporary Differences arising from Unused Tax Losses	5,545,626	1,760,842
	52,809,848	45,842,434

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

14. DEFERRED INCOME TAX ASSETS AND LIABILITIES (Continued)

14.3 Recognised Deferred Tax Assets and Liabilities

	31.03.2015		31.03.2014	
	Assets Rs.	Liabilities Rs.	Assets Rs.	Liabilities Rs.
Property, Plant & Equipment	-	36,186,502	-	15,328,857
Revaluation of Buildings	-	46,893,368	-	33,043,442
Defined Benefit Obligation	4,880,428	-	3,458,640	-
Un-used Tax Losses	47,929,420	-	42,383,794	-
Total	52,809,848	83,079,870	45,842,434	48,372,299

15. INVENTORIES

	31.03.2015 Rs.	31.03.2014 Rs.
Food Stock	3,837,727	3,746,142
Beverage Stock	3,763,329	3,372,519
Housekeeping	1,277,337	1,965,948
Maintenance Stock	3,522,940	3,333,639
Printing & Stationery Stock	1,886,524	1,989,636
General Stock	5,501,200	5,357,500
Gas Stock	87,193	309,546
Fuel Stock	824,324	1,558,995
	20,700,574	21,633,925

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

16. TRADE AND OTHER RECEIVABLES

	31.03.2015 Rs.	31.03.2014 Rs.
Current		
Trade Debtors	78,604,374	65,133,305
Less: Provision for Impairment of Trade Receivables 16.1	(14,594,248)	(9,567,004)
Trade Receivables - Net	64,010,126	55,566,301
Refundable Deposits	2,018,824	1,937,174
Prepayments	6,932,680	4,080,030
Other Receivables	9,724,652	15,110,326
Total	82,686,282	76,693,831

As of 31st March 2015, Trade Receivables of Rs.38,483,855/- (as of 31st March 2014 was Rs.41,407,863/-) were fully performing.

As of 31st March 2015, Trade Receivables of Rs.25,526,271/- (as of 31st March 2014 was Rs.14,158,438/-) 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:

	31.03.2015 Rs.	31.03.2014 Rs.
Up to 3 months	5,702,022	871,766
3 to 4 months	3,074,251	1,255,248
Over 4 months and above	16,749,998	12,031,425
	25,526,271	14,158,438

As of 31st March 2015, Trade Receivables of Rs.14,594,248/- (2014: 9,567,004/-) 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 as follows:

16.1 IMPAIRMENT FOR TRADE RECEIVABLE

	31.03.2015 Rs.	31.03.2014 Rs.
As At 1st April	9,567,004	6,933,087
Impairment Provision for Trade & Other Receivables	5,027,244	2,633,917
As At 31st March	14,594,248	9,567,004

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

16.1 IMPAIRMENT FOR TRADE RECEIVABLE (Continued)

The creation and release of provision for impaired receivables have been included in 'operating expenses' in the Statement of Profit or Loss (Note 10). Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

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.

16.2

Analysis of Financial Instruments Financial Instruments By Category Loans and Receivables	31.03.2015 Rs.	31.03.2014 Rs.
Trade and Other Receivables excluding Prepayments, Statutory Payments and Advances	70,273,763	59,685,365
Cash and Cash Equivalents (Note 17)	32,721,269	1,992,996
	102,995,032	61,678,361
Financial Liabilities at Amortised cost		
Trade and Other Payables (Excluding Statutory Liabilities) (Note 22)	56,360,036	44,815,666
Borrowings (Excluding Finance Leases) (Note 21)	141,377,319	118,423,882
Amounts due to Related Companies (Note 23)	32,976,000	29,426,968
	230,713,355	192,666,516

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:

	31.03.2015 Rs.	31.03.2014 Rs.
Trade and Other Receivables	70,273,763	59,685,365
Banks with Credit Ratings	32,721,269	1,992,996
	102,995,032	61,678,361

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	64,010,126	55,566,301
Loans to Company Officers	2,293,999	2,181,890
Other Receivables	3,969,638	1,937,174
	70,273,763	59,685,365

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

17. CASH IN HAND AND AT BANK

	31.03.2015 Rs.	31.03.2014 Rs.
Favorable Balances		
Cash in Hand and at Bank	32,721,269	1,992,996
Unfavorable Balances		
Bank Overdraft - (Note 21)	7,285,169	931,200
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	25,436,100	1,061,796

18

STATED CAPITAL	Number of Shares	31.03.2015 Rs.	31.03.2014 Rs.
Fully Paid Up Ordinary Shares			
At the beginning of the year	47,066,447	585,445,870	585,445,870
At the end of the year	47,066,447	585,445,870	585,445,870
Preference Shares			
At the beginning of the year	11,660	116,600	116,600
Redeemed Shares - Note 18 (a)	(11,660)	(116,600)	-
At the end of the year	-	-	116,600

18 (a) To be conservative though not material, the 11,660 Preference Shares of Rs. 10/- each totaling to Rs. 116,600/- issued prior to 1987 were carried forward in the books even though this was taken to account as part of the settlement of the term loan at that time. These were redeemed during the year by the write back, in terms of the duly approved Board Resolution. These Shares were not quoted in the Colombo Stock Exchange.

19.

REVALUATION RESERVE	31.03.2015 Rs.	31.03.2014 Rs.
Revaluation Reserve Related to the Surplus on Revaluation of Land and Building		
The movement of revaluation reserve as follows:		
At the Beginning of the Year	417,122,058	417,122,058
Surplus from Revaluation of Land & Building	135,416,047	-
Deferred tax effect on Surplus on Revaluation	(13,849,926)	-
Balance at the End of the Year	538,688,179	417,122,058

20.

EMPLOYEE BENEFIT LIABILITY	31.03.2015 Rs.	31.03.2014 Rs.
At the Beginning of the Year	28,821,998	24,382,752
Interest Charged for the Year	3,170,421	2,632,825
Current Service Cost	2,591,288	2,096,217
Payments made during the Year	(1,081,545)	(694,462)
Actuarial (Gain)/Loss	7,168,074	404,667
At the End of the Year	40,670,236	28,821,998

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

20. EMPLOYEE BENEFIT LIABILITY (Continued)

The expense are recognised in the following line items:

	31.03.2015 Rs.	31.03.2014 Rs.
Administrative Expenses	5,761,709	4,729,042
Other Comprehensive Income	7,168,074	404,667
	12,929,783	5,133,709

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 or 60 years
Financial Assumptions	
Salary Increases	10%
Rate of Discount	11%

The present value of the Defined Benefit Obligation as at 31st March 2015, with respect to employees in service, based on the above assumptions is Rs.40,670,236/- (2014: Rs.28,821,998/-)

Change of Classification

The Company has reclassified its presentation in accordance with LKAS 19 (Employee Benefits) accordingly actuarial loss net 2015: Rs. 6,307,905/-, (2014: Rs. 356,107/-) have been transferred from Profit or Loss to Other Comprehensive Income.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

21. INTEREST BEARING BORROWINGS

	31.03.2015 Amount Repayable Within 1 Year Rs.	31.03.2015 Amount Repayable After 1 Year Rs.	31.03.2015 Total Rs.	31.03.2014 Amount Repayable Within 1 Year Rs.	31.03.2014 Amount Repayable After 1 Year Rs.	31.03.2014 Total Rs.
Finance Leases	7,921,135	13,214,263	21,135,398	6,692,886	20,388,610	27,081,496
Bank Loans	34,941,300	99,150,850	134,092,150	43,571,740	73,920,942	117,492,682
Bank Overdrafts	7,285,169	-	7,285,169	931,200	-	931,200
	50,147,604	112,365,113	162,512,717	51,195,826	94,309,552	145,505,378

21.1	Finance Leases	Current As At 31.03.2015 Rs.	Non-Current As At 31.03.2015 Rs.	As At 31.03.2015 Rs.	Current As At 31.03.2014 Rs.	Non-Current As At 31.03.2014 Rs.	As At 31.03.2014 Rs.
	Gross Liability	9,661,758	14,680,008	24,341,766	9,661,740	24,341,766	34,003,506
	Charges	(1,740,623)	(1,465,745)	(3,206,368)	(2,968,854)	(3,953,156)	(6,922,010)
	Net Liability	7,921,135	13,214,263	21,135,398	6,692,886	20,388,610	27,081,496

21.2	Bank Loans	31.03.2015 Amount Repayable Within 1 Year Rs.	31.03.2015 Amount Repayable After 1 Year Rs.	31.03.2015 Total Rs.	31.03.2014 Amount Repayable Within 1 Year Rs.	31.03.2014 Amount Repayable After 1 Year Rs.	31.03.2014 Total Rs.
	Bank	34,941,300	99,150,850	134,092,150	43,571,740	73,920,942	117,492,682
		34,941,300	99,150,850	134,092,150	43,571,740	73,920,942	117,492,682

Movement of Bank Loans and Finance Leases

	As At 31.03.2015 Rs.	Repayment Rs.	Loans Obtained Rs.	As At 31.03.2014 Rs.
Banks	134,092,150	(33,400,532)	50,000,000	117,492,682
Leases	24,341,766	(9,661,740)	-	34,003,506
	158,433,916	(43,062,272)	50,000,000	151,496,188

* Refer Note No. 26 for details of Interest Bearing Borrowings

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

22.	TRADE AND OTHER PAYABLES	31.03.2015 Rs.	31.03.2014 Rs.
	Trade Creditors	43,268,910	33,732,462
	Other Payables	2,815,100	1,697,679
	Expense Creditors	15,349,406	16,805,104
		61,433,416	52,235,245
23.	AMOUNTS DUE TO RELATED PARTIES		
	Universal Enterprises (Pvt.) Ltd.	4,634,625	4,634,625
	Mahaweli Hotel Management Services (Pvt.) Ltd.	28,341,375	24,792,343
		32,976,000	29,426,968
24.	INCOME TAX LIABILITIES		
	Balance receivables at the beginning of the year	3,305,008	6,108,131
	Tax paid for previous year	(3,228,436)	(6,108,131)
	(Over)/Under provision in respect of previous year	(122,293)	-
		(45,721)	-
	Income tax on current year	5,338,508	5,305,008
	Payment made during the year	(1,800,000)	(2,000,000)
	Balance Payable/(Recoverable) at the end of the year	3,492,787	3,305,008

25. COMMITMENTS & CONTINGENCIES

25.1 Commitments

There were no commitments as at the end of the reporting date.

25.2 Contingent Liabilities

- 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 31st March 2015. 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 exists as at the end of the reporting 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.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

26. INTEREST BEARING BORROWINGS

Lending Institution	Nature of Facility	Interest Rate	Repayment Term	Outstanding Balance		Security
				2015 Rs.	2014 Rs.	
Hatton National Bank PLC	Term Loan Rs.55 Million	AWPLR + 1 % p.a	14 quarterly capital installments of Rs. 1,069,500/- each and a final installment of Rs.699,000/- together with interest to be serviced monthly.	1,768,500	6,168,746	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.50 Million	AWPLR + 1 % p.a	8 quarterly capital installments of Rs. 1,250,000/- each & 4 quarterly capital installments of Rs. 2,500,000/- each and 8 quarterly capital installments of Rs. 3,750,000/- each (with an initial grace period of 6 months). Interest to be serviced monthly.	16,499,550	22,249,550	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 Rs.15 Million	AWPLR + 1 % p.a	14 quarterly installments of Rs. 283,500/- each and a final installment of Rs.690,500/- interest to be serviced monthly.	974,000	2,108,000	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 Rs.10.225 Million	8.5 % p.a	To be repaid in 30 monthly installments of Rs. 243,452/- each and a final installment of Rs.243,468/- together with interest.	Nil	973,824	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 of Rs.0.925 Million	AWPLR + 1 % p.a	To be repaid in 30 monthly installments of Rs. 25,694/- and a final installment of Rs.25,710/- together with interest.	Nil	128,486	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 31st March 2015

26. INTEREST BEARING BORROWINGS (Continued)

Lending Institution	Nature of Facility	Interest Rate	Repayment Term	Outstanding Balance		Security
				2015 Rs.	2014 Rs.	
Hatton National Bank PLC	Development Loan Rs.9.775 Million	8.5 % p.a	To be repaid in 29 monthly installments of Rs. 271,528/- each and a final installment of Rs.271,520/- together with interest.	Nil	814,576	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.50 Million	AWPLR + 1 % p.a	12 quarterly capital installments of Rs. 1,000,000/- each and 6 quarterly capital installment of Rs. 2,750,000/- each and a final installment of Rs. 2,749,550/- together with interest to be serviced monthly.	32,500,000	41,250,000	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 Rs.26.5 Million	AWPLR + 1.75 % p.a	71 equal monthly installments of Rs. 486,000/- and a final installment of Rs. 494,000/- together with interest to be serviced monthly.	16,294,000	22,126,000	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 Rs.15 Million	AWPLR + 1 % p.a	On demand / To be reviewed annually.	7,285,169	931,200	Registered primary floating mortgage Bond 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 31st March 2015

26. INTEREST BEARING BORROWINGS (Continued)

Lending Institution	Nature of Facility	Interest Rate	Repayment Term	Outstanding Balance		Security
				2015 Rs.	2014 Rs.	
Commercial Bank of Ceylon PLC	Term Loan Rs. 8.5 Million	AWPLR + 1 % p.a	71 equal monthly installments of Rs. 118,100/- and a final installment of Rs. 114,900/- together with interest to be serviced monthly.	6,256,100	7,673,300	Concurrent primary mortgage Bond No. 721/3274 dated 19th & 22nd December 2006 and 1st of January 2007 for Rs. 30 million executed over freehold property of Maheweli Reach Hotels PLC at No. 35, P.B.A. Weerakoon Mawatha, Kandy.
	Term Loan Rs. 21 Million	AWPLR + 1.5 % p.a	60 equal monthly installments of Rs. 350,000/- and a grace period of 6 months.	9,800,000	14,800,000	Concurrent primary mortgage Bond No. 721/3274 dated 19th & 22nd December 2006 and 1st of January 2007 for Rs. 30 million executed over freehold property of Maheweli Reach Hotels PLC at No. 35, P.B.A. Weerakoon Mawatha, Kandy.
	Term Loan Rs. 50 Million	AWPLR + 1.5 % p.a	95 equal monthly installments of Rs. 520,800/- and a final installment of Rs. 524,000/- together with interest to be serviced monthly.	50,000,000	Nil	Concurrent primary mortgage Bond No. 721/3274 dated 19th & 22nd December 2006 and 1st of January 2007 for Rs. 30 million executed over freehold property of Maheweli Reach Hotels PLC at No. 35, P.B.A. Weerakoon Mawatha, Kandy.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

26. INTEREST BEARING BORROWINGS (Continued)

Lending Institution	Nature of Facility	Interest Rate	Repayment Term	Outstanding Balance		Security
				2015 Rs.	2014 Rs.	
Hatton National Bank PLC	Finance Lease	12% p.a	(60 months) Remaining 12 equal monthly installments of Rs. 99,402/-	1,192,841	2,385,682	Absolute ownership of the vehicle
	Finance Lease	12.5% p.a	(60 months) Remaining 15 equal monthly installments of Rs. 101,887/-	1,528,305	2,750,949	Absolute ownership of the vehicle
	Finance Lease	12.5% p.a	(60 months) Remaining 27 equal monthly installments of Rs. 220,838/-	5,962,626	8,612,697	Absolute ownership of the generator
	Finance Lease	12.5% p.a	(60 months) Remaining 45 equal monthly installments of Rs. 239,580/-	10,781,100	13,656,060	Absolute ownership of the generator
Sampath Bank PLC	Finance Lease	12% p.a	(48 months) Remaining 34 equal monthly installments of Rs. 143,438/-	4,876,894	6,741,588	Absolute ownership of the vehicle

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

27. 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.

28. RELATED PARTY DISCLOSURES

28.1 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-

28.2 Transactions with Related Parties

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

Name of Company	Nature of Transaction	2014/2015 Rs.	2013/2014 Rs.
Mahaweli Hotel Management Services (Pvt.) Ltd.	Management Fees	43,558,467	39,563,323
Basis of Management Fees calculation , (Net Turnover + Service Charges) * 6% + (7% on Net Profit after Depreciation & Finance Charges)			
Diethelm Travels (Pvt.) Ltd.	Service Rendered	9,009,754	6,326,319

Mr. A. N. Esuffally, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

28.3 Transactions 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:

	2014/2015 Rs.	2013/2014 Rs.
(a) Short-Term Employee Benefits	13,374,825	10,700,049
(b) Post-Employment Benefits	21,129,727	11,499,255
(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. 28 to the Financial Statements.

29 COMPARATIVE INFORMATION

The following comparative figures have been reclassified in the 2015 Financial Statements to maintain comparability of Financial Statements in order to provide better presentation.

	Amount Rs.	2014/2015 Current Presentation	2013/2014 As Approved Previously
Re-measurment of Defined Benefit Liability	404,667	Other Comprehensive Income	Statement of Comprehensive Income
Related Tax	48,560	Other Comprehensive Income	Statement of Comprehensive Income

30. 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	
	31.03.2015 Rs.	31.03.2014 Rs.	31.03.2015 Rs.	31.03.2014 Rs.
Financial Assets				
Trade and Other Receivables	70,273,763	59,685,365	70,273,763	59,685,365
Cash and Bank Balances	32,721,269	1,992,996	32,721,269	1,992,996
Total	102,995,032	61,678,361	102,995,032	61,678,361
Financial Liabilities				
Interest Bearing Borrowings	134,092,150	118,423,882	134,092,150	118,423,882
Bank Overdraft	7,285,169	931,200	7,285,169	931,200
Trade and Other Payables	56,360,036	44,815,666	56,360,036	44,815,666
Amounts Due to Related Companies	32,976,000	29,426,968	32,976,000	29,426,968
	230,713,355	193,597,716	230,713,355	193,597,716

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

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 2015 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 2015 and the Report of the Auditors thereon.
2. To re-elect Mr. J. C. Ratwatte who retires by rotation at the Annual General Meeting, a Director.
3. To re-elect Mr. K. M. Panabokke who retires by rotation at the Annual General Meeting, a Director.
4. To re-elect Mr. R. Seevaratnam who retires by rotation at the Annual General Meeting, a Director.
5. To re-elect Mr. R. T. Molligoda who attained the age of seventy eight years and the Company has received special notice of intention in compliance with Law, relating to his re-election.
6. To re-elect Mr. R. Seevaratnam who attained the age of seventy two years and the Company has received special notice of intention in compliance with Law, relating to his re-election.
7. To authorise the Board of Directors to determine contributions to charities and other donations.
8. To re-appoint Messrs. Edirisinghe & Co. as Auditors and authorise the Directors to determine their remuneration.

As witness my/our hand this.....day of2015.

.....
 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 the 28th September 2015, being 48 hours before the time appointed for the holding of the meeting.

Corporate Information

Name of the Company

Mahaweli Reach Hotels PLC

Legal Form

A Quoted Public Limited Liability Company

Incorporated on 21st 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

Messrs. Edirisinghe & Co.,

Chartered Accountants

45, Braybrooke Street, Colombo 2.

Bankers

Hatton National Bank - Kandy

Commercial Bank of Ceylon - Kandy

Bank of Ceylon - Kandy

Sampath Bank - Katugastota

Registered Office

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



MAHAWELI REACH
SRI LANKA

OUR WORLD REVOLVES AROUND YOURS