

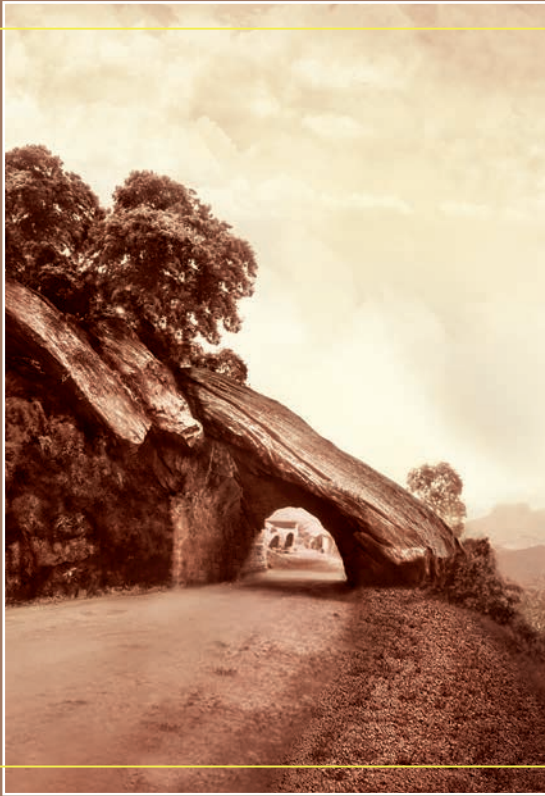


**MAHAWELI REACH**  
SRI LANKA

OUR WORLD REVOLVES AROUND YOURS

Annual Report  
2015 - 2016





# A landscape of legacy

The historic road to Kandy has always been filled with natural obstacles that have been surmounted through ingenuity and foresight, very much like what we at Mahaweli Reach have achieved through our operations in this year. Through this journey we overcame the many challenges and barriers strewn across our path to reach the ultimate goal of achieving success in our enterprise. And now, in the coming year, we have new roads to explore and conquer.



# Contents

Vision and Mission	2
Hospitality Personified	3-4
Notice of Meeting	5
Human Resource Review	6-9
Corporate Social Responsibility Review	10-19
Corporate Governance Report	20-28
Statement of Directors' Responsibilities	29
Chairman's Review	30-32
Board of Directors	33-35
Report of the Directors	36-38
Twenty Largest Shareholders	39
Five Year Highlights	40
Remuneration Committee Report	41
Audit Committee Report	42-43
Related Party Transactions	
Review Committee Report	44
Independent Auditors' Report	45
Statement of Profit or Loss and	
Other Comprehensive Income	46
Statement of Financial Position	47
Statement of Changes in Equity	48
Statement of Cash Flows	49
Notes to the Financial Statements	50-82
Proxy Form	83
Instructions as to Completion	84
Corporate Information	Inner Back Cover

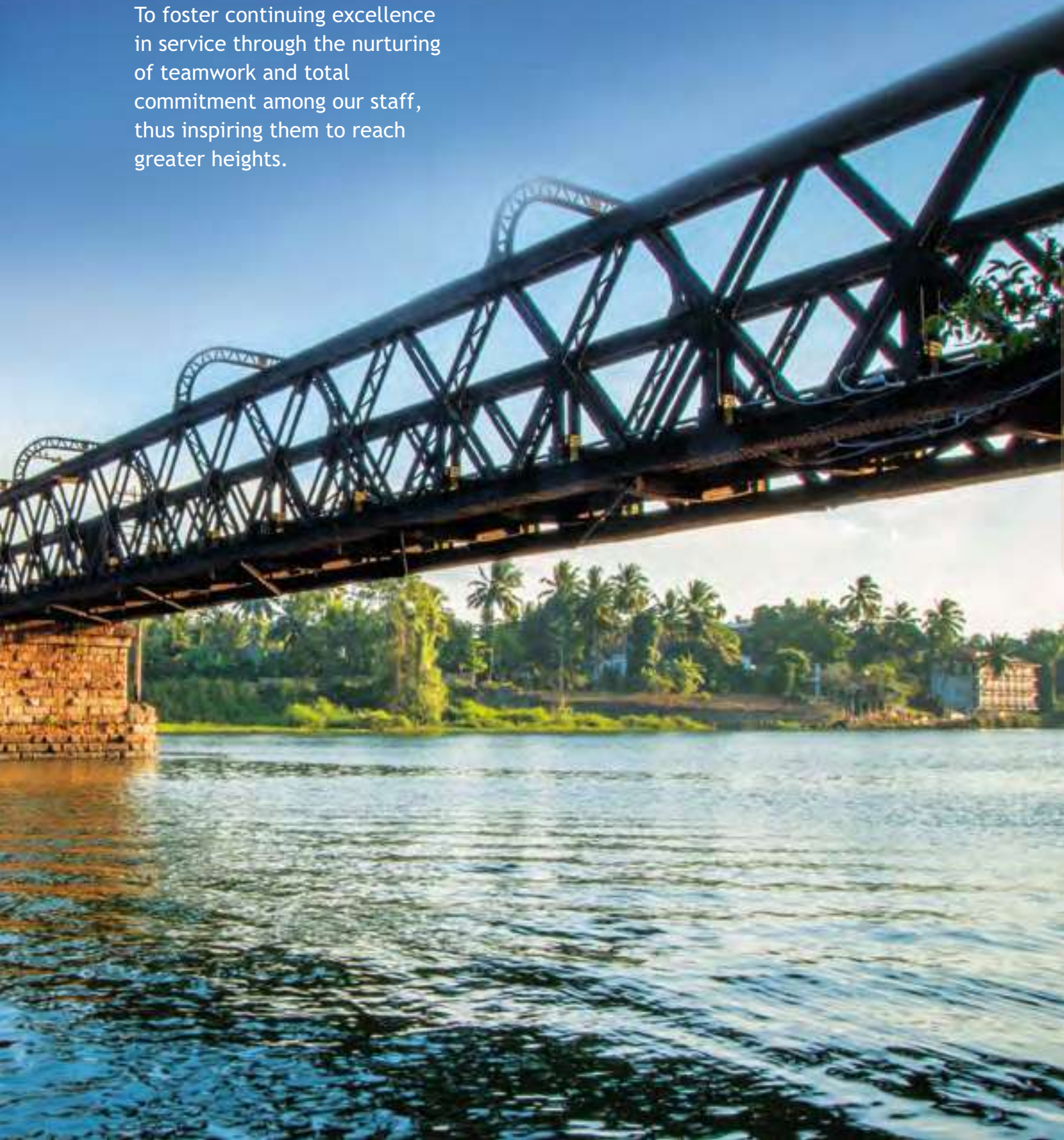


## VISION

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.







## HOSPITALITY PERSONIFIED

As a center of hospitality and heritage located in the heart of the hill country, Mahaweli Reach had the honour and privilege of hosting some of the world's most distinguished VIPs. In the preceding year, we had the pleasure of accommodating three visiting global leaders at our hotel;

His Excellency Tshering Tobgay, Prime Minister of the Kingdom of Bhutan, Madam Tashi Doma, and the visiting Bhutanese delegation were hosted to lunch by the Honourable Governor of the Central Province, Madam Surangani Ellawela, on April 11th, 2015.

His Excellency Muhummed Nawaz Sharif, Prime Minister of Pakistan, Madam Kalsoom Nawaz Sharif, and the visiting Pakistani delegation were hosted to lunch by the Honourable Chief Minister of the Central Province, Sarath Ekanayake, on January 6th, 2016.

The Right Honourable John Key, Prime Minister of New Zealand, and the visiting delegation were hosted to lunch by the Honourable Governor of the Central Province, Madam Surangani Ellawela, on February 25th, 2016.





**M**ajestic architecture  
**A**ppealing character  
**H**omely environment  
**A**lluring surroundings  
**W**elcoming nature  
**E**legant setting  
**L**uxurious features  
**I**ndigenous brand  
**R**adiant people  
**E**picurean delights  
**A**ccessible location  
**C**ulture and traditions  
**H**earthwarming hospitality





## NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Forty Second 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 28th September, 2016 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, 2016 and the Report of the Auditors thereon.
2. To re-elect Mr. M. Mahir who retires by rotation at the Annual General Meeting, a Director.
3. To re-elect Mr. I. U. Maniku who retires by rotation at the Annual General Meeting, a Director.
4. To re-elect Mr. A. M. Didi who retires by rotation at the Annual General Meeting, a Director.
5. To re-elect Mr. W. P. Hettiaratchi who retires by rotation at the Annual General Meeting, a Director.
6. To re-elect Mr. A. Nooradeen who retires by rotation at the Annual General Meeting, a Director.
7. To re-elect Mr. R. T. Molligoda who attained the age of seventy nine years and the Company has received special notice of intention in compliance with Law, relating to his re-election.
8. To re-elect Mr. R. Seevaratnam who attained the age of seventy three years and the Company has received special notice of intention in compliance with Law, relating to his re-election.
9. To re-appoint Mr. J. R. P. M. Paiva who was appointed to the Board since the last Annual General Meeting and retires in terms of the Articles of Association of the Company, a Director.
10. To re-appoint Ms. D. L. Panabokke who was appointed to the Board since the last Annual General Meeting and retires in terms of the Articles of Association of the Company, a Director.
11. To authorise the Board of Directors to determine contributions to charities and other donations.
12. 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

11 August, 2016  
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.

## THE GREATEST ASSET..... OUR PEOPLE

### HUMAN RESOURCE REVIEW

"...while extraordinary products and unique services still afford a competitive advantage, the one advantage that stands the test of time... is people"  
- Mark Salisbury.

The tourism industry is rapidly evolving and in order to maintain market position and stay abreast if not ahead of the competition it is imperative that businesses adapt and change. One of the principal methods by which to achieve the greatest transformation is to encourage changes in attitudes and work ethic among employees while ensuring that values and integrity remain the cornerstone.

At Mahaweli Reach, it has always been recognised that the most fundamentally important asset in our business remains our people. It is especially so in today's context where competition is increasing exponentially and products continue to be newer, offering greater variety. The one factor which seems to capture a guest's attention in an era of

change is exemplary service. The highest standards of service especially when delivered with warmth and a genuine smile can make the difference which elevates an organisation among its peers.

Increasing competition is also making it difficult to attract skilled personnel as there appears to be a shortage of such people with necessary language and professional skills. Therefore, we at Mahaweli Reach hire for attitude and provide the necessary training in-house. We have found that sometimes, being eager to learn and contribute makes for a more productive employee. As such, we focus on providing ample training opportunities on a needs basis, using both internal and external trainers. Such training is provided in a classroom as well as in an operational setting.







## THE GREATEST ASSET..... OUR PEOPLE

### HUMAN RESOURCE REVIEW

We also try to inculcate in our associates, the culture of the organisation which is one that values co-operation, team work, honesty and integrity. All associates are encouraged to always deal honestly and with accountability with all stakeholders and one another.

Emphasis is also placed on enhancing the soft skills of personnel as it is considered an integral part of personal and professional development. Further, all staff are strongly urged to familiarise themselves with health and safety procedures. In view of the international certifications obtained by the organisation, operational processes have been adapted to ensure that the highest level of hygiene, health and safety standards are maintained. Employees are enthusiastic about the introduction of new methodologies and actively participate.

The Company follows a remuneration policy which takes into consideration industry norms and performance based recognition. Vertical and lateral movement is also encouraged and opportunities created for career development in order to mitigate the negative effects of high staff attrition which is an industry wide issue.

Mahaweli Reach prides itself on being an equal opportunity employer and maintains a healthy diversity of gender, age and has several differently abled employees who are integrated into operations where possible.

Management maintains an open door policy and encourages all staff to have an open dialogue and present any suggestions for improvement of processes or to discuss any issues concerning them. The management also uses the survey organisation Great Place to Work in order to inquire into and address any issues or concerns affecting the workforce.

When commemorating occasions such as World Environment Day and World Water Day, the Company takes the opportunity to organise workshops which will be beneficial to the members of the staff not only in their professional lives but in the personal lives as well. Through these workshops they have been given useful

tips on topics such as energy conservation, safety and first aid and child welfare.

At Mahaweli Reach, we also focus on creating enjoyable experiences for our associates. One of the highlights of the year is the Annual Sports Day, where four teams, made up of different departments, compete in the spirit of camaraderie in a variety of events including cricket matches, cooking competitions, obstacle races, eating competitions, dancing competitions, a fancy dress parade and many more. It is a much looked forward to event with a majority of staff participating with some taking turns and ensuring that the hotel's operations continue without disruption.



## THE GREATEST ASSET..... OUR PEOPLE

### HUMAN RESOURCE REVIEW

All staff are also provided the opportunity to hone their innate talents. Those who are vocally talented, participate in the Vesak and Poson Bhakthi Gee performances and Christmas Carols. Those who are artistically inclined have several opportunities to contribute towards the hotel's decorations on different occasions. Culinary talents have ample chances to display their prowess. Environmentalists are provided opportunities to spearhead conservation initiatives.

The Company is continuing with the grant programme for successful candidates at the Year 5 scholarship exam in our endeavour to provide encouragement to these young students and their parents, who are employees of this organisation.



We also continued our annual event of mixing the Christmas cake with our very special guests, the children of our associates. It is always an enjoyable event and this year too our young chefs enthusiastically carried out their duties, while also enjoying the entertainment and activities organised for them and a special appearance by Santa.





## THE GREATEST ASSET..... OUR PEOPLE

### HUMAN RESOURCE REVIEW



We are also very proud of the spirit of volunteerism displayed by our employees. This year, they took the initiative and contributed financially and also their various talents in construction towards building a house for a fellow colleague. It was indeed heartening that from start to completion everyone worked together on this project and completed this project in the short period of one month and made the dream of a home come true for one of our own. This act was a true testament to the values the organisation attempts to inculcate in our associates.



The Company also organised a blood donation campaign in collaboration with the National Blood Transfusion Unit in Kandy. The personnel of the Sri Lanka Army Division in Pallekele also volunteered for this noble purpose along with our employees to help save and change lives. With over 120 participants, this blood donation drive was a success and once again displayed their commitment to our community.

We recognise that the value of the organisation is intrinsically linked to our associates and therefore, steps are being taken to further ensure that facilities and opportunities provided to our associates are continuously upgraded and improved as we firmly believe that our greatest asset should be safeguarded and encouraged to develop.

## CORPORATE SOCIAL RESPONSIBILITY REVIEW

At Mahaweli Reach, we are very conscious of the impact our operations have on the environment and the community in which we operate. We are also concerned about the influence work life has on our employees. We strive to ensure that our business processes produce a positive impact on society and the environment whilst ensuring the interests of shareholders are safeguarded.

At present global travellers are more and more aware and more sensitive to the green initiatives taken by the hotels they patronise and also the positive actions of these organisations in respect of their communities. Often the choice of hotel is influenced not only by the facilities and services offered, but by these standards as well. Therefore, being a good corporate citizen is not just a good thing to do but rather a need in today's competitive world, where business processes and expectations are constantly evolving.

At Mahaweli Reach, we have always considered contributing positively to our community and environment as a necessary part of being a responsible corporate citizen and have continuously carried out initiatives that assist the Company in achieving these objectives. We endeavour to ensure that our operational processes and stakeholder interactions contribute towards the social good.

We have also attempted to ensure that while our efforts make a positive contribution to society at large that our employees too benefit and receive assistance where possible. Welfare measures are being



implemented to assist them in meeting the challenges in their personal lives.

An ongoing program has been initiated by Mahaweli Reach in the past years, whereby together with our guests and staff we commemorate "World Earth Hour" in a meaningful manner by lighting candles and saving energy for an hour despite high occupancy, which though a symbolic gesture increases awareness of the need to conserve energy. This indeed contributes further to part of a greater plan being implemented by the hotel to increase energy efficiency and reduce consumption which has had a beneficial effect on the environment and the bottom line.

This year, Mahaweli Reach in a step forward and in taking this global movement further, enhanced our program by introducing an awareness program and promotion by Orange Electricals together with our maintenance team. The staff were given an opportunity to discuss their concerns and benefit from this promotion whereby they were able to address their personal needs direct and make purchases at a discounted rate. The significance of using CFL & LED bulbs was highlighted and demonstrated and was of immense benefit to the employees. This minor act would indeed create an immense impact and benefit to the nation whereby the saving of energy with the distribution of over 400 bulbs ranging from 3W to 12W would be of substantial value and energy saving.







## CORPORATE SOCIAL RESPONSIBILITY REVIEW

Mahaweli Reach, hopes to continue this kind of program periodically for the benefit of our staff, organisation and nation at large with the intention of saving energy and not merely limiting the effort to an hour for a year. This gesture was well received and for the benefit of all.

The Company also actively participates in perpetuating among our team members the need to be mindful of the needs of others and to lend a helping hand where necessary. To this end, in the course of the year, we have participated in several charitable events with the fullest participation by our employees.

Mahaweli Reach, commemorated Poson Poya Day through a noble gesture of giving. The employees from all departments contributed by way of material, labour and funds toward building a much needed house for one of our colleagues. It was built by our staff who handled the masonry,

wiring, painting, wood work and every aspect it took to build a home. It was completed and handed over on Poson Poya, on the 2nd of June, 2015 by our Managing Director & Director of Mahaweli Reach Hotels PLC. It is with great satisfaction that we place on record that this house was built within a very short period of one month and most heartening was the manner in which every individual demonstrated the utmost dedication towards contributing in whatever way possible to make this gift of a home for one of our own possible.



Before



After

## CORPORATE SOCIAL RESPONSIBILITY REVIEW







## CORPORATE SOCIAL RESPONSIBILITY REVIEW

In keeping with the promise of being a socially responsible corporate body, Mahaweli Reach Hotels PLC celebrated 'World Children's Day' in a meaningful manner this year by conducting an awareness program for school children in the Kandy District. Many schools from Kandy participated and it was a very informative program coordinated by the Senior Superintendent of the Kandy Police who discussed topics that were most relevant to society and issues faced in today's complex world.

An officer from the Child & Women's Bureau of the Kandy Police highlighted critical issues on the topic of 'Child Abuse & Exploitation' while a District

Officer from the National Dangerous Drugs Control Board held a discussion on the 'Responsibilities of a Young Child' in order to maintain a healthy lifestyle. The event concluded with a discussion on the 'Most common causes of traffic accidents and prevention' which was presented by the OIC of the Kandy City Traffic Police.



## CORPORATE SOCIAL RESPONSIBILITY REVIEW

In commemoration of 'International Women's Day' an awareness program was organised for the female students of our neighbouring schools, namely St. Anthony's Girls College, Mawilmada Central College, Samudradevi Balika College, Risikala Aesthetic College and Mahaweli Navodya, which was conducted by two guest speakers emphasising the theme "Planet 50-50 by 2030: Step It Up for Gender Equality". We took the opportunity to increase awareness among the attendees of the possibilities available in the hospitality industry, the fact that it is an equal opportunity employer and the current dearth of workforce in the hotel industry. The speakers

emphasised the "Equal opportunities for women in the Hospitality Industry" and also how to "Unleash inner strengths to transform ourselves to be equal in society".

Mahaweli Reach made a presentation on the opportunities that are available in the hospitality industry with the many new properties and rooms being added on to cater to the influx of tourist arrivals. Our own staff in the kitchen, house keeping and restaurant departments shared their experience and challenges at work as females with the school children, giving them an insight into the industry with the intention of encouraging them to join the hospitality industry in the future.







## CORPORATE SOCIAL RESPONSIBILITY REVIEW

We are firmly committed towards educating and developing the younger generation. We believe that it is only by engaging them that our country can move towards a more productive and committed workforce.

We also believe in creating awareness among the youth of our country on the specific benefits of the hospitality industry. With this in mind, presentations were made on hotel operations, food hygiene, health and safety in the hospitality industry to the students from the National Vocational Training Authority, Moneragala, Paranagama Central College, Jambugahapitiya, Rivisanda Central College, Ussapitiya and also

to the Medical Students of the Department of Community Medicine of the Faculty of Medicine, University of Peradeniya. The students received an insight into Tourism & Hotel Management. We also had a visit from the Nepal Delegates arranged by the Provincial Council of the Central Province together with Regional Economic Development Authority and they were provided an orientation in respect of the main operations of a hotel such as the Front Office, Housekeeping and Food and Beverages operations including active service operations in the Restaurant.



## CORPORATE SOCIAL RESPONSIBILITY REVIEW



Mahaweli Reach also had an opportunity to provide an orientation on Table Etiquette to the Junior Prefects' Guild of St. Anthony's College, Katugastota and to the Advanced Level students of Gateway College, Kandy.





## CORPORATE SOCIAL RESPONSIBILITY REVIEW

Mahaweli Reach annually contributes towards the Sports Day of our neighbouring schools, Mawilmada Central College and Risikala Aesthetic College, Katugastota as a gesture of goodwill in serving our community.

We as an organisation, are committed towards protecting our environment and introducing processes which are environmentally friendly. We encourage our personnel to actively participate in initiatives to protect the environment and to educate themselves on the need for conservation.

We, continue to maintain the Mawilmada School grounds in the vicinity of the hotel and also maintain the plants that were planted in the past years by our Green Team members during



a Tree Planting campaign on 'National Tree Planting Day' & 'World Earth Day', in a bid to reduce the effect of CO2 emissions and to spread the message and importance in protecting our environment.



## CORPORATE SOCIAL RESPONSIBILITY REVIEW



We also continue to maintain the garden and trees planted on the same instances on the Mahaweli River Bank within the Katugastota Town as part of an ongoing project which is in the vicinity of the Katugastota Hospital.



Mahaweli Reach also keeps developing the garden area adjoining our Railway Gateman's Hut built for them last year, as an initiative taken in contributing positively to the community and in maintaining a good understanding with the residents of the village and our neighbours. This will be an ongoing project where we develop sections each year.







## CORPORATE SOCIAL RESPONSIBILITY REVIEW

As an organisation we continue to review our processes to include the differently abled wherever possible. While we now have several employees in our ranks, we continue to promote the oriental band made up of members who are sight impaired. They remain the most popular entertainers in our lineup and have had the opportunity to play for several heads of state who have visited the hotel. We are glad to have the opportunity to support these musicians who continue to strive to improve the craft and talents.



We will continue to work towards improving our commitment to ensuring a positive contribution towards our employees, community, the environment and shareholders, keeping in mind that being a socially responsible corporate citizen requires long term dedication and effort.

# CORPORATE GOVERNANCE REPORT

Corporate Governance structures assist a company in ensuring accountability, fairness and transparency in relationships with its stakeholders. It lays the foundations for corporate integrity and ethical business practices. Mahaweli Reach Hotels PLC (MRH) is committed to maintaining operational processes which are ethical, socially responsible and sustainable and in the best interests of the Company and its stakeholders. Best efforts are made to ensure these values are followed in every possible arena of the business and by its personnel.

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. They are also encouraged to carry these principles of fair play and accountability into their every day lives as well.

The Corporate Governance practices adopted and practised by the Company are in keeping with the mandatory requirements of the Listing Rules of the Colombo Stock Exchange and the Companies Act No. 7 of 2007. Where possible 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 are also followed by the Company. The report indicates compliance with the requirements of the Listing Rules.

The Board of Directors ensure that the stewardship of the Company is carried out in line with these sound values.

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

## COMPOSITION OF THE BOARD OF DIRECTORS

The Board of MRH comprises of fourteen Directors, One Executive Director and thirteen Non-Executive Directors out of which five directors are Independent Non-Executive Directors.

The number of Non-Executive Directors, meets the requirement of the Listing Rules of the Colombo Stock Exchange for the number to be more than one third of the total number of Directors.

Five Non-Executive Directors have been determined by the Board to 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.

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, the Board has determined that these factors do not impair their ability to act independently and objectively, in the best interests of the Company.

In the year under review, Mr. R.T. Wijetilleke resigned from his position as a director of the Company with effect from 5th June 2015 and upon his sudden demise on 20th October 2015, late Mr. K. M. Panabokke ceased to be a director of the Company.

Mr. J. R. P. M. Paiva and Ms. D. L. Panabokke were appointed to the Board and will seek re-appointment at the Annual General Meeting. Mr. J. A. Panabokke was appointed as an alternate director to Ms. D. L. Panabokke.

Brief profiles of all directors setting out the experience and expertise they provide to the Board are provided on page 33 - 35 of this Report.

## FINANCIAL ACUMEN

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

## APPOINTMENT OF NEW DIRECTORS

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





## CORPORATE GOVERNANCE REPORT

new appointments or changes to the Board are informed to the Colombo Stock Exchange along with brief résumés of the directors.

### 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.

### BOARD MEETINGS

The Board generally meets quarterly and ad hoc meetings are held whenever necessary. During the year under review the Board met on three occasions. The attendance at these meetings are 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	- 1/3
Mr. R. T. Molligoda	- Independent Non-Executive Director	- 2/3
Mr. A. N. Esufally	- Independent Non-Executive Director	- 1/3
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. Seevaratnam	- Independent Non-Executive Director	- 3/3
Mr. J. R. P. M. Paiva	- Independent Non-Executive Director	- 1/3

## CORPORATE GOVERNANCE REPORT

### 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.

### RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Directors of the Company are responsible inter alia for:

- Enhancing shareholder value, formulating, communicating, implementing and monitoring business policies and strategies.
- Monitoring progress of these 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

Directors' Interests in contracts are regularly disclosed and such disclosure pertaining to year ended 31/03/2016 can be seen on page 38 in the Directors' Report. Related Party Transactions are monitored by the Related Party Transactions Review Committee and details are provided on page 81 of the annual report.

The Board of Directors is ultimately responsible to stakeholders for the performance of the Company.

### 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.

### 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.

### SUB COMMITTEES

In keeping with the requirements of the Listing Rules, the Board has established Sub Committees to review specific subjects in order that the committee members having expertise and specific experience may give special attention to the issues requiring consideration and apprise the Board of same.

The Sub Committees are headed by Independent Non-Executive Directors.





## CORPORATE GOVERNANCE REPORT

### 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. Molligoda	
- Independent Non-Executive Director	- 1/1

The Remuneration Committee recommends to the Board, the remuneration payable to the Executive Director/s and reviews the remuneration policies of the Company. The Remuneration Committee aims to design compensation as appropriate for the Company and commensurate with each employee's level of expertise and contribution, bearing in mind business performance and shareholder returns.

The Remuneration Committee report is provided on page 41.

### AUDIT COMMITTEE

The committee consists of two 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 Audit Committee is chaired by Mr. R. Seevaratnam, an Independent Non-Executive Director.

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. J. C. Ratwatte	
- Independent Non-Executive Director	- 3/3
Mr. W. P. Hettiaratchi	
- Non-Executive Director	- 3/3

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,

- Ensuring the preparation, presentation and adequacy of disclosures in the financial statements, are in accordance with the Sri Lanka Accounting Standards.
- Ensuring compliance with financial reporting requirements, information requirements of the Companies' Act and other relevant financial reporting related regulations and requirements.
- 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.
- Assessment of the independence and performance of the external auditors.
- To make recommendations to the Board pertaining to appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.

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

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

The Audit Committee helps the Company to strike a balance between conformity and performance.

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 42 - 43.

## CORPORATE GOVERNANCE REPORT

### RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions Review Committee, was appointed by the Board of Directors on the 21st December, 2015, following the amendment to the Listing Rules of the Colombo Stock Exchange.

The committee comprises of four Directors, of which three are Non-Executive Directors of whom two are Independent and one Executive Director.

The Chairman of the Committee is Mr. J. C. Ratwatte.

The following Directors serve on the committee and attendance at meetings were as follows:

<b>Members of the Related Party Transactions Review Committee</b>		<b>Attendance</b>
Mr. J. C. Ratwatte (Chairman)		
- Independent Non-Executive Director		- 1/1
Mr. R. Seevaratnam		
- Independent Non-Executive Director		- 1/1
Mr. W. P. Hettiaratchi		
- Non-Executive Director		- 1/1
Mr. J. A. Panabokke		
- Executive Director		- 1/1

The Company Secretaries attend meetings and participate in the Committee meetings by invitation.

The Committee met on one occasion during the year under review. The Committee is mandated to review all related party transactions to ensure that they are in the best interests of the Company.

The Company has not entered into any non recurrent transactions during this financial year. Details of recurrent Related Party Transactions entered into by the Company during the year 2015/2016 are provided in Note No. 28 to the financial statements.

The report of the Committee is provided on page 44.

### RELATIONS WITH SHAREHOLDERS

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

### CONSTRUCTIVE USE OF THE ANNUAL GENERAL MEETING

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

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

### COMMUNICATION WITH SHAREHOLDERS

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

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

### ACCOUNTABILITY AND AUDIT FINANCIAL REPORTING

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

The Statement of Directors' Responsibilities for the Financial Statements is given on page 29 of this report.





## CORPORATE GOVERNANCE 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.

**Level of Compliance with the Listing Rules of the CSE-Section 7.10 & 9 Rules on Corporate Governance as at 31st March, 2016 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 21.
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 Composition of the Board.

## CORPORATE GOVERNANCE REPORT

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 33 to 35.
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 23.
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 two 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 41 of this report.
7.10.5 (c)	Disclosure in the Annual Report relating to the Remuneration Committee	The Annual Report should set out -  a) Names of Directors comprising the Remuneration Committee.	Names of the Members of the Remuneration Committee are stated in this report under the heading of Remuneration Committee. Please refer Page 23.
		b) Statement of Remuneration policy.	Please refer Remuneration Committee Report on Page 41.
		c) Aggregated Remuneration paid to Executive Directors & Non-Executive Directors.	Please refer Page 38.
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 REPORT

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 two 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 42 - 43.
		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 42 - 43.

## CORPORATE GOVERNANCE REPORT

Rule No.	Subject	Applicable Requirement	Level of Compliance
9.2	Related Party Transaction Review Committee's Functions	Should be as outlined in Section 9 of the listing rules.	The policies and procedures adopted by the Committee for reviewing the Related Party Transactions have been agreed by the Board.
9.2.2	Composition of the Related Party Transactions Review Committee	Shall comprise a combination of Non-Executive Directors and Independent Non-Executive Directors . It may include Executive Directors at the option of the Company.	Related Party Transactions Review Committee consists of two Independent Non-Executive Directors, one Non-Executive Director and One Executive Director.
		An Independent Non-Executive Director shall be appointed as the Chairman of the Committee.	Chairman of the Related Party Transactions Review Committee is an Independent Non-Executive Director.
9.2.3	Related Party Transaction Review Committee	The Company shall have a Related Party Transaction Review Committee.	Names of the members of the Related Party Transaction Review Committee are stated on page 24.
9.2.4	Related Party Transaction Review Committee meetings	Shall meet once a calendar quarter.	Committee was formed on 21/12/2015.
9.3.2	Disclosure in the Annual Report relating to the Related Party Transactions Review Committee	a) Names of Directors comprising the Related Party Transactions Review Committee.	Names of the members of the Related Party Transactions Review Committee are stated in this Report under the heading of Related Party Transactions Review Committee on page 24.
		b)The Annual Report shall contain a Report of the Related Party Transactions Review Committee setting out the manner of Compliance with their Functions.	Please refer Related Party Transactions Review Committee Report on page 44.
		c) Statement of Policies and procedures.	Please refer Related Party Transactions Review Committee Report on page 44.





## 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, formally known as HLB 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 45 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.  
11 August, 2016.

## CHAIRMAN'S REVIEW



“

**It is with great pleasure that I present to you the Annual Report and Financial Statements for the financial year ended 31st March, 2016.**

**This year's results are significant since it has been possible for the Company to wipe out the carried forward losses. No doubt this will greatly assist in future performance having a positive outcome for the Company and its shareholders.**

”





## CHAIRMAN'S REVIEW

I am extremely pleased to note that the Company has performed exceptionally well as denoted by a growth in both the top line as well as the bottom line. I believe this is the result of being consistent in the implementation of our plan to create a luxury experience for our guests.

During the period under review, the Company has recorded a turnover of Rs. 628.69 million yielding Rs. 84.03 million in profit before taxation in comparison to a turnover of Rs. 576.96 million and a profit of Rs. 44.41 million before taxation in the previous year. The Income Tax provision for the year is Rs. 25.73 million & the Gross profit margin for the year was 60%.

These positive results have been achieved despite many operational challenges and though revenue has increased year on year, profitability is affected due to rising operational costs. Arrivals to the country appear to have increased which has certainly been beneficial to the hotel. However, despite the increased arrivals, competition among hotels and the informal sector remains high. This has had a severe impact on prices commanded by hotels with constant downward pressure on applicable rates and also occupancy levels.

The increase in applicable taxes will have a significant impact on results as the Company will have to bear increased costs both directly and indirectly in the form of higher prices for commodities, equipment, services and infrastructure development.

The regulatory changes in respect of wages will also affect results with lump sum payments which were required by legislative requirements already having an impact on future results.

The slow rate of development in infrastructure remains an area of concern for hotels in the central region. Properties in the southern areas of the country have benefited from greater accessibility while Kandy continues to suffer due to congestion on the roads. Though the air taxi service has been introduced, we are yet to experience the anticipated increase in the high yield travellers and therefore the road network remains the main artery for travel. As mentioned in previous years, it is sincerely hoped that the proposed highway will be completed as soon as possible. An improvement in facilities available to visitors to tourist attractions is still an area which requires greater focus and action. Several developments and innovations are

being discussed and some have been introduced and it is hoped that the Central region too will benefit from same.

While tourist arrivals appear to be increasing, it may be prudent to consider if the necessary mix of tourist profile is being attracted to the country. For any destination to flourish and increase the receipts from tourism, it is imperative to encourage visitors with a mixed yield profile. Further, it may be necessary to reconsider the exponential increase in available rooms and perhaps review the proposed timeframe for this increase as currently it appears that there may be an excess of accommodation in certain areas as hotels across the board are affected detrimentally by having a greater supply than demand.

A further cause for concern is the dearth of a skilled workforce. Due to the shortage of skilled employees, service levels in many establishments are affected as most recruits are new entrants to the industry and need to be trained over a period of time. The lower than expected service standards can sometimes have a negative impact on a traveller's experience and cause damage to the reputation of the destination. This is another reason to review the current surge in accommodation as it maybe more prudent in the long-term for growth in all these sectors to happen simultaneously to ensure the sustainability of the industry.

In the short term, it is still an urgent need to carry out strategic destination marketing to capitalise on the relative peace and calm prevailing in the nation when compared to many regions of the world and also to increase air connectivity and capacity.

The country's arrival figures have continued to increase with greater growth shown in the Chinese, Indian and Western European markets. The Chinese and Indian markets continue to be emerging markets for Sri Lanka while Europe remains the largest source market. However, as there appears to be some political and economic instability in the European region which may affect arrivals from this area, it seems that Sri Lanka should focus on promoting the destination among the Asian countries. As a hotel, we are considering measures which could better facilitate service for these growth markets while endeavouring to maintain our position in the main source markets as well.

## CHAIRMAN'S REVIEW

The United Nations World Tourism Organisation has forecast continued growth in the travel and tourism industry, albeit at a slightly slower rate than the previous years. It is thought that the depressed oil and commodity prices will affect disposable incomes in certain markets and cause a global economic downturn which will inevitably have an impact on tourism.

Despite the many challenges, the management team has ensured the property retains its market position. Several ongoing property maintenance measures have also been undertaken especially in terms of upgrading the infrastructure of the hotel which have mainly been funded through generated revenues and some borrowings. Food safety and hygiene standards are strictly monitored and maintained in view of the international certifications obtained by the hotel. There are also several upgrades to the property which are planned to ensure that the premises is revamped to keep ahead of the competition. The Company also monitors compliance with regulatory requirements to ensure that all obligations are met promptly.

We continue to focus on increasing and improving our web presence and have seen an increase in web sales. As this mode of promotion is continuously growing as the foremost method of reaching a client base, further investment and development is being carried out.

We consider our staff to be our most valuable asset and to that end several initiatives as detailed elsewhere in this report have been instituted to assist in their welfare. It was very heartening to note the manner in which everyone came together to build a house for one of our own. The spirit of giving was amply demonstrated as everyone contributed in some small way to this endeavour.

Training remains of paramount importance to the organisation and every possible opportunity is utilised to improve service standards. Continuous training is provided and employees are encouraged to improve both technical and language skills.

I take this opportunity to express our sincere appreciation to the Managing Director, Senior Management Team and all our associates for their unstinted dedication and efforts which makes everything possible.

At Mahaweli Reach, we are committed to playing our part in uplifting the community and contributing

positively to society and towards environmental conservation. Several programmes and initiatives have been carried out during the year under review and are detailed under the review of corporate social responsibility initiatives.

This year has seen several changes to the Board of Directors. It is with great sadness that we report the sudden demise of our colleague late Mr. K. M. Panabokke, who rendered great service to the Company during his tenure as the General Manager of the hotel and as a member of the Board. As notified in the last report, we also greatly miss the guidance of Mr. R. T. Wijetilleke who resigned from the Board with effect from 5th June, 2015. I take this opportunity to extend a warm welcome to the Board to Mr. J. R. P. M. Paiva, Ms. D.L. Panabokke and her alternate director Mr. J. A. Panabokke. I have no doubt that their experience and expertise in their respective fields will be of immense value to the Company.

I extend my sincere appreciation to my other colleagues on the Board for your invaluable guidance and support and hope together we can continue to steer the Company to greater heights.

On behalf of the Company, I extend our deep gratitude to all our loyal customers, steadfast travel partners, suppliers and bankers for your continued support and encouragement. We hope that we can continue to maintain these relationships in the future.

I conclude by expressing my sincere thanks to our shareholders for the continued confidence placed in us. We pledge to make our best efforts to ensure that your Company will continue to develop and prosper despite the challenging operating environment.

**Mr. M. U. Maniku**  
**Chairman**

11 August, 2016.



## BOARD OF DIRECTORS

### Mr. M. U. Maniku Chairman Non-Executive Director

Mr. M. 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 as the pioneer in development of tourism in the Maldives. He is the Chairman of Universal Enterprises Pvt. Ltd a company that owns and operates eight tourist resorts in the Maldives. He is a Director of Royal Palms Beach Hotels PLC. Mr. Maniku is the Chairman of the Maldives Association of Tourism Industry of the Republic of Maldives.

### Mr. 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.

### 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 for Bhutan in Sri Lanka and an all Island Justice of 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. J. A. Panabokke Managing Director Executive Director

Mr. J. 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 Board of the Pacific Asia Travel Association (PATA), and is on the Board 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 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. A. U. Maniku Non-Executive Director

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



## BOARD OF DIRECTORS

### **Dr. I. U. Maniku**

Non-Executive Director

Dr. I. 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. A. Nooradeen was appointed to the Board on 15th June, 2004. He is a Director of Universal Enterprises Pvt. Ltd.

### **Mr. A. M. Didi**

Non-Executive Director

Mr. A. M. 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. Didi is the Honorary Consul for Russia in the Republic of Maldives.

### **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. W. P. Hettiaratchi**

Non-Executive Director

Mr. W. P. 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.

### **Mr. J. C. Ratwatte**

Independent Non-Executive Director

Mr. J. C. Ratwatte is a holder of a Bachelor of Law Degree from the University of Ceylon, Colombo and is an Attorney at 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



## BOARD OF DIRECTORS

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 currently is also Senior Adviser to the Prime Minister's Office, Government of Sri Lanka.

### 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.

### Mr. M. Paiva

Independent Non-Executive Director

Mr. M. Paiva currently works as Vice President - Administration & Services of the National Development Bank PLC (NDB), overlooking Human Resources, Administration, Maintenance, Security & SMS Operations.

Mr. Paiva joined NDB from Hatton National Bank PLC (HNB), where he counts over 30 years' experience out of which over 11 years' of experience is at Corporate Management Level. Prior to joining NDB, he held the position of Deputy General Manager (DGM) - Strategy & Compliance and has also overlooked the Human Resources & Administration areas of HNB.

He also functions as a Director at Development Holdings Private Ltd, a subsidiary of National Development Bank PLC.

Mr. Paiva holds a BA (Hons) Degree from the University of Peradeniya.

### Ms. D. L. Panabokke

Non-Executive Director

An Attorney-at-Law by profession, Ms. Panabokke has been engaged in the practice of commercial & corporate law for over a decade at law firms in Sri Lanka and in the Kingdom of Bahrain. She was also previously employed with the Securities & Exchange Commission of Sri Lanka. She has had extensive experience inter alia in the fields of company law, securities law and banking law. She is also a director of Mahaweli Hotel Management Services Private Limited.

### Mr. J. A. Panabokke

(Alternate Director to Ms. D. L. Panabokke)

Mr. J. A. Panabokke is a holder of a Bachelor's Degree in Business with Major in Marketing and Major in Management from the Edith Cowan University, Perth, Australia. Upon graduation he joined Mahaweli Reach as their Systems Administrator and currently functions as the head of the IT Department. He is a member of the senior management team and is also involved in overall operations of the hotel including the marketing and maintenance functions.

# REPORT OF THE DIRECTORS

## ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY- FOR YEAR 2015-16.

The Directors are pleased to present their report together with the audited Financial Statements for the year ended 31st March, 2016. The details set out herein provide the pertinent information in compliance with the Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, the Sri Lanka Accounting and Auditing Standards Act No.15 of 1995 and the Listing Rules of the Colombo Stock Exchange .

## PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

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

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

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

## FINANCIAL STATEMENTS

The Financial Statements of the Company for the accounting period ended 31st March, 2016, 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 46 to 82.

## AUDITOR'S REPORT

The Auditor's Report on the Financial Statements of the Company is given on page 45.

## 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. In the year under review there have been no significant changes to accounting policies of the company.

## 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, 2016 consists of 47,066,447 Ordinary shares totaling to Rs. 585,445,870/-. Refer No.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, 2016	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	DECEASED ON 20.10.2015
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 W.E.F. 05.06.2015
MR. RANJEEVAN SEEVARATNAM	INDEPENDENT NON-EXECUTIVE DIRECTOR	
MR. JOSEPH ROSARIO PHILIP MANCIUS PAIVA	INDEPENDENT NON-EXECUTIVE DIRECTOR	APPOINTED W.E.F. 21.09.2015
MS. DAYANTHI LAKSHMI PANABOKKE	NON-EXECUTIVE DIRECTOR	APPOINTED W.E.F. 21.12.2015
MR. JANAKA ASITHA PANABOKKE (ALTERNATE DIRECTOR TO MS. DAYANTHI LAKSHMI PANABOKKE)	NON-EXECUTIVE DIRECTOR	APPOINTED W.E.F. 21.12.2015

### DIRECTORS

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

Mr. R. T. Molligoda, who attained the age of seventy nine years on 02nd February, 2016 retires pursuant to Section 210 of the Companies Act No. 07 of 2007. Special Notices of intention in compliance with the law have been received by the Company regarding the re-election of Mr. R. T. Molligoda who being eligible offers himself for re-election and this is recommended by the Board.

Mr. R. Seevaratnam who attained the age of seventy three years on 24th September, 2016 retires pursuant to Section 210 of the Companies Act No. 07 of 2007. Special Notices of intention in compliance with the law have been received by the Company regarding the re-election of Mr. R. Seevaratnam, who being eligible offers himself for re-election and this is recommended by the Board.

Messrs. J. R. P. M. Paiva and D. L. Panabokke (Alternate Director Mr. Janaka Asitha Panabokke) who were appointed to the Board since the last Annual General Meeting are due to retire at the forthcoming Annual General meeting in terms of Articles 97 of the Articles of Association of the Company, and being eligible, offer themselves for re-appointment 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, 2015	As at 31st March, 2016
Mr. J. A. Panabokke	540,388	542,388
Mr. A. N. Esufally	332,000	332,000
Mr. R. T. Molligoda	626,200	626,200
Mr. M. U. Maniku	1,217,306	1,217,306
Mr. K. M. Panabokke	170,519	Deceased
Ms. D. L. Panabokke	-	72,234
Mr. Janaka. A. Panabokke	-	72,400

### DIRECTORS REMUNERATION AND OTHER BENEFITS

The Directors remuneration and other benefits from the Company during the financial year 2015/2016 is Rs. 15,385,175/-.

### 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.

A review of these contracts are undertaken by the Related Party Transactions Review Committee of the Company. The Committee's report is found on page 44.

### 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. 225,202/-.

### AUDITORS

M/s Edirisinghe & Co., formerly known as M/s H L B

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

The amount payable by the Company to the Auditors as audit fees is Rs. 347,500/-.

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

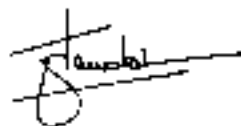
### EMPLOYEE SHARE OWNERSHIP

The Company does not operate any share option scheme.

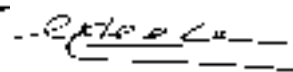
### GOING CONCERN

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. The company's financial statements are prepared on a going concern basis.

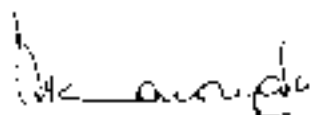
### BY ORDER OF THE BOARD.



J. A. Panabokke  
Director



W. P. Hettiaratchi  
Director



BUSINESSMATE (Pvt.) Ltd.,  
Secretaries

11 August, 2016.



## TWENTY LARGEST SHAREHOLDERS

Name of Shareholder	31.03.16		31.03.15	
	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	3,146,619	6.69	2,416,522	5.13
04. Mr. M. U. Maniku	1, 217,306	2.58	1, 217,306	2.58
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. Estate of Late Mr. K. M. Panabokke	164,000	0.35	164,000	0.35
10. Gold Investments Ltd.	150,000	0.32	150,000	0.32
11. National Savings Bank	133,300	0.28	133,300	0.28
12. Dee Investments (Pvt.) Ltd.	110,000	0.23	110,000	0.23
13. Mr. J. A. Panabokke	72,400	0.15	72,400	0.15
14. Ms. D. L. Panabokke	72,234	0.15	-	-
15. Alliance Finance Company PLC	71,928	0.15	71,928	0.15
16. Mrs. K. D. Panabokke	58,284	0.13	56,284	0.12
17. Mr. R. Ratnagopal	57,800	0.13	57,800	0.13
18. Mr. H. P. N. Fonseka	50,000	0.10	-	-
19. Mr. B. M. G. Rathnasiri	40,000	0.08	-	-
20. Mr. S. Abishek	39,000	0.08	-	-

SHAREHOLDINGS	No. of Shares held 31.03.16	Holding %	No. of Shares held 31.03.15	Holding %
Others	35,546,078	75.52	35,569,963	75.57
Public	11,520,369	24.48	11,496,484	24.43
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	%	31.03.16 Holdings	%
31.03.16	31.03.15							
1788	1,846	1	to	1,000	437,081	0.93	400,290	0.85
378	370	1,001	to	10,000	668,628	1.42	892,536	1.90
56	69	10,001	to	100,000	1,481,799	3.15	2,504,577	5.32
8	14	100,001	to	1,000,000	3,716,499	7.90	2,506,604	5.33
4	4	Over		1,000,000	40,762,440	86.60	40,762,440	86.60
2234	2303				47,066,447	100.00	47,066,447	100.00



## FIVE YEAR HIGHLIGHTS

OPERATING RESULTS		2011/12	2012/13	2013/14	2014/15	2015/16
Occupancy	%	57	61	60	66	66
Gross Revenue	(Rs.000)	449,107	594,911	564,167	614,483	665,792
Interest Charges	(Rs.000)	(14,850)	(19,350)	(17,385)	(12,104)	(11,263)
Depreciation	(Rs.000)	(32,416)	(35,648)	(38,854)	(46,920)	(53,257)
Profit & Loss - before Interest	(Rs.000)	28,336	111,161	65,196	64,977	102,178
- after Interest	(Rs.000)	13,139	91,811	42,661	52,873	90,916
ASSETS EMPLOYED						
Non-Current Assets	(Rs.000)	1,026,833	1,051,051	1,157,946	1,340,859	1,364,516
Net Current Assets/ (Liabilities)	(Rs.000)	1,404	31,263	(35,842)	(11,942)	33,043
Stated Capital						
Ordinary Shares	(Rs.000)	585,445	585,445	585,445	585,445	585,445
Net Reserves	(Rs.000)	260,992	330,047	367,658	507,356	566,080
Non-Current Liabilities	(Rs.000)	181,681	166,704	168,883	236,115	246,033
Market Value per share	Rs. Cts.	25.20	19.70	16.70	21.00	22.60
Net Assets per share	Rs. Cts.	17.97	19.45	20.25	23.22	24.47
Dividend per share	Rs. Cts.	-	-	-	-	-
Earnings per share	Rs. Cts.	0.16	1.47	0.81	0.52	1.24
Year on Year Growth						
- in Earnings per share	%	(83)	819	(46)	(36)	138.55
- In Dividend per share	%	-	-	-	-	-
Price Earning Ratio	-	157.50	13.40	20.90	40.38	18.23
Borrowing as a % of Total Assets	%	13.10	10.77	11.56	11.00	10.44
Interest Cover	Times	1.91	5.74	2.89	5.36	9.07

### HIGHEST AND LOWEST VALUE PER SHARE

The highest value per share traded during the year is Rs. 25.90 and the lowest value per share traded during the year is Rs.18.50 and the market value per share as at 31st March, 2016 is Rs. 22.60.

The Company has not raised funds on listed securities.



## REMUNERATION COMMITTEE REPORT

### COMPOSITION OF THE COMMITTEE

The Remuneration Committee, appointed by the Board of Directors, comprises of two Independent Non-Executive Directors. The following Directors serve on the committee:

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

Brief profiles of the Directors are given on pages 33 to 35 of the Annual Report.

The Managing Director who is responsible for the overall management of the Company and the Company Secretaries attend meetings and participate in the Committee meetings by invitation.

The two 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.

### POLICY

The Company's remuneration policy aims to attract, motivate and retain talent with the appropriate skills, experience, technical know how, managerial and operational expertise necessary to achieve the objectives of the Company in a competitive environment.

It is the focus of the Committee to ensure that the total remuneration package takes into consideration increases in cost of living and industry norms.

The remuneration of the Chief Executive Officer is designed to create and enhance value for all stakeholders of the Company and to ensure alignment between the short and long term interests of the Company and its management.

The Remuneration policy of the organisation has remained unchanged for the year and Mahaweli Reach Hotels PLC has complied with the policies and procedures set out by the Remuneration Committee.

### Scope

The Committee is vested with power to examine, evaluate and recommend to the Board of Directors on any matter that may affect the human resources management of the Company within its Terms of Reference (TOR) and any other matters as may be referred to it by the Board.

It reviews all significant Human Resource policies and initiatives, salary structures and terms and conditions relating to staff.

Reports of meetings of the Committee with its recommendations are referred to the Board for discussion, to be ratified or otherwise acted upon by the Board of Directors.

### Meetings

The Committee met once during the year under review.

Attendance at this meeting is given on page 23 of the Annual Report.

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

**J. C. Ratwatte**  
**Chairman - Remuneration Committee**

11 August, 2016.

# AUDIT COMMITTEE REPORT

## COMPOSITION OF THE COMMITTEE

The Audit Committee, appointed by the Board of Directors comprising of two Independent Non-Executive Directors and one Non-Executive Director having the responsibility of overseeing the internal risk controls and preparation of financial statements, in compliance with regulatory requirements and reporting to the Board on same.

The following Directors serve on the Audit Committee:

Mr. R. Seevaratnam (Chairman) -  
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, is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. Each of the members of the Committee has a depth of financial and senior management experience and collectively the Committee has considerable financial expertise.

Brief profiles of the Committee members are given on pages 33 to 35 of the Annual Report.

The Board Secretary functions as the Secretary to the Audit Committee and the Managing Director and Chief Accountant attend the meetings by invitation.

## RESPONSIBILITIES OF THE AUDIT COMMITTEE

The Committee is mainly responsible for,

- (i) Monitoring the integrity of the Company's financial reporting and satisfying itself that any significant financial judgments by the management are sound.
- (ii) Monitoring the Company's internal controls including controls relating to financial reporting.
- (iii) Monitoring and reviewing the activities and performance of the internal and external auditors, including monitoring their independence and objectivity.

- (iv) Overseeing compliance with regulatory requirements.

## MEETINGS

For the purpose of discharging the above duties the Audit Committee met on three occasions during the financial year ended 31st March, 2016.

Attendance of the Committee members at each of these meetings are given on page 23 of the Annual Report.

The proceedings of the Audit Committee meetings are regularly reported to the Board of Directors.

## FINANCIAL REPORTING

The Committee, as part of its responsibility to oversee the Company's financial reporting process on behalf of the Board of Directors, has reviewed and discussed with the management, the annual and the quarterly financial statements prior to their release.

The review included the extent of compliance with the Sri Lanka Accounting Standards and the Companies Act No.7 of 2007. The Committee also reviews the effectiveness of the Financial Reporting Systems in place to ensure reliability of the information provided and the accounting policies to determine the most appropriate accounting policies.

## RISKS AND INTERNAL CONTROLS

Additionally, the Committee also evaluated the effectiveness of the internal controls. 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.

## INTERNAL AUDIT

The Company has engaged the services of Messrs. Ernst & Young, a firm of Chartered Accountants as Internal Auditors. The Committee reviewed the Interim Management Letters and the Management responses and recommended remedial measures where necessary.





## AUDIT COMMITTEE REPORT

### EXTERNAL AUDIT

Messrs. Edirisinghe & Co. Chartered Accountants were re-appointed as the External Auditors in the past year.

The Audit Committee undertook the annual evaluation of the independence and objectivity of the external auditor and the effectiveness of the audit process.

The Audit Committee had discussions with the external auditors, to review the nature, approach and scope of the audit.

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 objectivity of the external auditors and proposed fees, decided to recommend to the Board of Mahaweli Reach Hotels PLC, the re-appointment of Messrs. Edirisinghe & Co., as External auditors of the Company for the current financial year subject to the approval of the shareholders at the forthcoming Annual General Meeting.

### REGULATORY COMPLIANCE

The Committee reviewed the procedures established by management for compliance with the requirements of regulatory authorities and have suggested changes where necessary.

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

11 August, 2016.

## RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Related Party Transactions Review Committee was appointed by the Board of Directors on the 21st December, 2015 following the amendment to the Listing Rules of the Colombo Stock Exchange.

### COMPOSITION OF THE COMMITTEE

The committee comprises of four Directors, of which three are Non-Executive Directors of whom two are Independent and one Executive Director.

The following Directors serve on the committee:

Mr. J. C. Ratwatte (Chairman) -  
Independent Non-Executive Director  
Mr. R. Seevaratnam -  
Independent Non-Executive Director  
Mr. W. P. Hettiaratchi -  
Non-Executive Director  
Mr. J. A. Panabokke -  
Executive Director

Brief profiles of the Directors are given on pages 33 to 35 of the Annual Report.

The Company Secretaries attend meetings and participate in the Committee meetings by invitation.

Reports of meetings of the Committee with its recommendations are referred to the Board for discussion and ratified or otherwise acted upon by the Board of Directors.

The Committee met on one occasion during the year under review.

Attendance at this meeting is given on page 24 of the Annual Report.

Details of Related Party Transactions entered into by the Company during the year 2015/2016 is disclosed in Note No. 28 to the financial statements.

The Committee is of the view that the related party transactions as disclosed have been carried

out on an arms length basis in the ordinary course of business and in the manner disclosed to shareholders and regulatory authorities. These recurrent transactions are not prejudicial to the interests of the Company or its shareholders.

The Related Party Transactions Review Committee members interacted among themselves as well as with the executive board members when the necessity arose. The Executive Director did not participate in deliberations connected with transactions with the Management company other than providing necessary information.

**J. C. Ratwatte**  
**Chairman - Related Party Transactions Review Committee**

11 August, 2016.



## INDEPENDENT AUDITORS' REPORT



**BAKER TILLY**  
**Edirisinghe & Co.**  
Chartered Accountants

### 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 31 March, 2016 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 31 March, 2016 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.*

**Edirisinghe & Co.,**  
**Chartered Accountants.**  
**Colombo 02.**  
**10 August, 2016.**



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. M. K. K. Karunaratne, ACA, ACMA, Partner,  
P. K. A. M. Alahakoon, ACA, MAT, Partner, A. T. P. Edirisinghe, FCA, FCMA (UK), Consultant/Advisor

An independent member of BAKER TILLY International



## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March, 2016	Notes	2015/2016 Rs.	2014/2015 Rs.
Revenue	7	628,694,758	576,957,255
Cost of Sales		(248,468,604)	(236,862,841)
<b>Gross Profit</b>		380,226,154	340,094,414
Other Operating Income	8	37,097,181	30,975,827
Administrative Expenses		(236,399,979)	(220,329,650)
Marketing & Promotion Costs		(26,934,430)	(25,789,401)
Other Cost		(51,810,906)	(59,973,746)
<b>Operating Profit</b>		102,178,020	64,977,444
Finance Income	9	110,084	66,774
Finance Cost		(18,258,506)	(20,637,442)
<b>Finance Cost-Net</b>		(18,148,422)	(20,570,668)
<b>Profit Before Tax</b>	10	84,029,598	44,406,776
Income Tax Expenses	11	(25,728,808)	(19,966,614)
<b>Profit for the Year</b>		58,300,790	24,440,162
<b>Other Comprehensive Income</b>			
<b>Items that will never be reclassified to Profit or Loss</b>			
Revaluation of Property, Plant & Equipment		-	135,416,047
Re-measurement of Defined Benefit Liability		480,851	(7,168,074)
Related Tax		(57,702)	(12,989,757)
<b>Other Comprehensive Income for the Year, Net of Tax</b>		423,149	115,258,216
<b>Total Comprehensive Income for the Year</b>		58,723,939	139,698,378
<b>Earnings Per Share (Basic) - Rs.Cts.</b>	12	1.24	0.52

The accounting policies and notes from pages 50 to 82 form an integral part of these Financial Statements.



## STATEMENT OF FINANCIAL POSITION

As at 31st March, 2016	Notes	31.03.2016 Rs.	31.03.2015 Rs.
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, Plant & Equipment	13	1,316,258,483	1,288,049,325
Deferred Tax Assets	14	48,257,911	52,809,848
		1,364,516,394	1,340,859,173
<b>Current Assets</b>			
Inventories	15	20,629,611	20,700,574
Trade and Other Receivables	16	76,825,956	82,686,282
Cash and Cash Equivalents	17	93,890,524	32,721,269
		191,346,091	136,108,125
<b>Total Assets</b>		1,555,862,485	1,476,967,298
<b>EQUITY AND LIABILITIES</b>			
Stated Capital	18	585,445,870	585,445,870
Revaluation Reserve	19	538,688,179	538,688,179
Retained Earnings		27,392,162	(31,331,777)
<b>Total Equity</b>		1,151,526,211	1,092,802,272
<b>Non-Current Liabilities</b>			
Deferred Tax Liabilities	14	94,627,197	83,079,870
Retirement Benefit Obligation	20	46,205,834	40,670,236
Interest Bearing Borrowings	21	105,200,351	112,365,113
		246,033,382	236,115,219
<b>Current Liabilities</b>			
Trade and Other Payables	22	70,007,147	61,433,416
Due to Related Parties	23	25,309,692	32,976,000
Income Tax Liabilities	24	5,683,365	3,492,787
Interest Bearing Borrowings	21	57,302,688	50,147,604
		158,302,892	148,049,807
<b>Total Liabilities</b>		404,336,274	384,165,026
<b>Total Equity and Liabilities</b>		1,555,862,485	1,476,967,298

I certify that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.

Sanjeeewa 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 50 to 82 form an integral part of these Financial Statements.  
10 August, 2016.  
Colombo.

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March, 2016	Stated Capital Rs.	Preference Shares Rs.	Retained Earnings Rs.	Revaluation Reserve Rs.	Total Rs.
<b>Balance as at 1st April, 2014</b>	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	-	(116,600)	-	-	(116,600)
<b>Other Comprehensive Income</b>					
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)
<b>Total Other Comprehensive Income for the Year</b>	-	-	(6,307,905)	121,566,121	115,258,216
<b>Total Comprehensive Income for the Year</b>	-	(116,600)	18,132,257	121,566,121	139,581,778
<b>Balance as at 31st March, 2015</b>	585,445,870	-	(31,331,777)	538,688,179	1,092,802,272
Profit for the Year	-	-	58,300,790	-	58,300,790
<b>Other Comprehensive Income</b>					
Other Comprehensive Income for the Year	-	-	480,851	-	480,851
Related Tax	-	-	(57,702)	-	(57,702)
<b>Total Other Comprehensive Income for the Year</b>	-	-	423,149	-	423,149
<b>Total Comprehensive Income for the Year</b>	-	-	58,723,939	-	58,723,939
<b>Balance as at 31st March, 2016</b>	585,445,870	-	27,392,162	538,688,179	1,151,526,211

The accounting policies and notes from pages 50 to 82 form an integral part of these Financial Statements.



## STATEMENT OF CASH FLOWS

For the year ended 31st March, 2016	31.03.2016 Rs.	31.03.2015 Rs.
<b>Cash Flows From Operating Activities</b>		
<b>Profit Before Taxation</b>	84,029,598	44,406,776
<b>Adjustment for:</b>		
Depreciation	53,257,056	46,919,569
Lease Interest	2,581,871	3,715,642
Interest Expenses	11,262,555	12,103,711
Provision for Gratuity	7,318,599	5,761,709
Impairment Loss on Trade & Other Receivables	4,148,998	5,027,244
Written-Off of Receivables	1,062,928	-
Written Back of Payables	(2,072,349)	(5,068,803)
Profit on Disposal of Fixed Assets	(1,154,971)	(530,000)
<b>Operating Profits Before Working Capital Changes</b>	160,434,285	112,335,848
(Increase) / Decrease in Inventories	70,963	933,351
(Increase) / Decrease in Trade and Other Receivables	648,400	(11,019,695)
Increase / (Decrease) in Trade and Other Payables	10,646,080	14,150,375
Increase / (Decrease) in Related Party Balances	(7,666,308)	3,549,032
<b>Cash Flows From Operations</b>	164,133,420	119,948,911
Gratuity Paid	(1,302,150)	(1,081,545)
Interest Paid	(11,262,555)	(12,103,711)
Tax Paid	(7,496,668)	(5,028,436)
<b>Net Cash Generated From Operating Activities</b>	144,072,047	101,735,219
<b>Cash Flows from Investing Activities</b>		
Acquisition of Property, Plant & Equipment	(68,561,243)	(84,828,643)
Proceeds from Sale of Property, Plant & Equipment	1,250,000	530,000
<b>Net Cash Used in Investing Activities</b>	(67,311,243)	(84,298,643)
<b>Cash Flows from Financing Activities</b>		
Proceeds from Loans	50,000,000	50,000,000
Repayment of Loans	(46,024,300)	(33,400,532)
Repayment of Finance Lease Liability	(12,315,388)	(9,661,740)
<b>Net Cash Generated From/(Used In) Financing Activities</b>	(8,339,688)	6,937,728
<b>Net Increase in Cash and Cash Equivalents</b>	68,421,116	24,374,304
<b>Cash and Cash Equivalents at the Beginning of the Year</b>	25,436,100	1,061,796
<b>Cash and Cash Equivalents at the End of the Year (Note17)</b>	93,857,216	25,436,100

The accounting policies and notes from pages 50 to 82 form an integral part of these Financial Statements.



# NOTES TO THE FINANCIAL STATEMENTS

**For the year ended 31st March, 2016**

## **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 348 and last year 336.

### **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 2016 were authorized for issue in accordance with a resolution of the Directors on 10 August, 2016.

### **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.



## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31st March, 2016

#### 2.4 Use of Estimates and Judgments (Continued)

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

The Company has consistently applied the accounting policies as set out in Note No 3. to all periods presented in these financial statements.

### 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

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 31st March, 2016

### 3.1 Foreign Currency (Continued)

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 earnings when the asset is derecognised. This may involve transferring the whole of the surplus when the asset is retired or disposed off.

#### 3.2.2 Subsequent Costs

Subsequent costs are included in the assets 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%



## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31st March, 2016

#### 3.2.3 Depreciation (Continued)

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.

#### 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.



## NOTES TO THE FINANCIAL STATEMENTS

**For the year ended 31st March, 2016**

### **3.4 Financial Assets (Continued)**

#### **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 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 Effective Interest Rate (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.



## NOTES TO THE FINANCIAL STATEMENTS

**For the year ended 31st March, 2016**

### 3.4 Financial Assets (Continued)

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.

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:

# NOTES TO THE FINANCIAL STATEMENTS

**For the year ended 31st March, 2016**

## **3.6 Inventories (Continued)**

### **Beverages**

Actual Cost on a First In First Out - (FIFO) basis

### **Room Supplies**

Actual Cost on a First In First Out - (FIFO) basis

### **Stationery**

Actual Cost on a First In First Out - (FIFO) basis

### **Provisions**

At weighted average basis

### **Maintenance**

Actual Cost on a First In First Out - (FIFO) basis

## **3.7 Cash and Cash Equivalents**

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

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

## **3.8 Stated Capital**

Stated Capital consists solely of Ordinary Share Capital. Ordinary shares are classified as Equity.

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

## **3.9 Trade Payables**

Trade Payables are obligations to pay for

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

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the 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



## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31st March, 2016

#### 3.11 Borrowings (Continued)

the liability for at least 12 months after the end of the reporting date.

#### 3.12 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as Operating Leases. Payments made under operating leases net of any incentives received from lessor are charged to the Statement of 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 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 substantively 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.



## NOTES TO THE FINANCIAL STATEMENTS

**For the year ended 31st March, 2016**

### **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 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.

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.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2016

### 3.15 Revenue Recognition (Continued)

#### (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	8,240,140
Bank Loans (Rs.)	(-) 50 Basis Points	(8,240,140)

##### (iii) Price Risk

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

#### (b) Credit risk

Financial assets of the Company, which are subject to credit risk, consist mainly of cash and cash equivalents, deposits with banks and credit customers, cash and cash equivalents are placed with banks / financial institutions of national repute and rating. The management assess the credit quality of the customer, taking in to account

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31st March, 2016

#### 4.1 Financial Risk Factors (Continued)

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, 2016	Less than 1 Year Rs.	Between 1 and 5 Years Rs.
Borrowings	57,302,688	105,200,351
Trade and other payables (excluding statutory liabilities)	63,938,768	-
<b>Total</b>	<b>121,241,456</b>	<b>105,200,351</b>
As at 31st March, 2015		
Borrowings	50,147,604	112,365,113
Trade and other payable (excluding statutory liabilities)	56,360,036	-
<b>Total</b>	<b>106,507,640</b>	<b>112,365,113</b>

#### 4.2 Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders 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.

The gearing ratios as at 31st March, 2016 and 2015 were as follows:



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2016

	2015/2016 Rs.	2014/2015 Rs.
Total Borrowings (Note No. 21)	162,503,039	162,512,717
Less Cash and Cash Equivalents (Note No.17)	(93,890,524)	(32,721,269)
Net Borrowings	68,612,515	129,791,448
Total Equity	1,151,526,211	1,092,802,272
Total Capital	1,220,138,726	1,222,593,720
Gearing Ratio	6%	11%

### 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2016

### 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

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.

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, 2016

There are a number of new Accounting Standards, amendments to standards, which have been issued but not yet effective as at the Reporting date 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.



## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31st March, 2016

#### 6. New Accounting Standards Issued but not effective as at 31st March, 2016 (Continued)

##### **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 is applicable for annual reporting periods beginning on or after 1st April 2016.

##### **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 is applicable for annual reporting periods beginning on or after 1st April, 2018 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.

Management believe that the SLFRS 14 would not be applicable for the Company, as it is an existing SLFRS prepare/does not involve in rate regulatory activities. Pending the completion of the detailed impact analysis, possible impact for SLFRS 9 and SLFRS 15 is not reasonably estimable as at the reporting date.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2016

	2015/2016 Rs.	2014/2015 Rs.
<b>7. REVENUE</b>		
Front Office & Apartment	354,623,242	338,273,890
Restaurant	231,454,270	193,842,893
Beverage	42,617,246	44,840,472
	628,694,758	576,957,255
<b>8. OTHER OPERATING INCOME</b>		
Gain on Exchange	489,816	748,221
Minor Operating Profit	32,595,010	23,900,502
Staff Loan Interest	785,035	728,301
Creditors Written Back	2,072,349	5,068,803
Profit on Disposal of Fixed Assets	1,154,971	530,000
	37,097,181	30,975,827
<b>9. FINANCE INCOME/(COST)</b>		
<b>NOTE 9.1 - FINANCE INCOME</b>		
Interest Income	110,084	66,774
	110,084	66,774
<b>NOTE 9.2 - FINANCE COST</b>		
Interest Expenses	11,262,555	12,103,711
Finance Charges on Lease Liabilities	2,581,871	3,715,642
Other Financial Charges	4,414,080	4,818,089
	18,258,506	20,637,442
<b>Finance Cost Net</b>	(18,148,422)	(20,570,668)
<b>10. PROFIT BEFORE TAX</b>		
<b>is stated after charging all expenses including the following:</b>		
Staff Cost (Note 10.1)	119,104,474	109,692,358
Directors Remuneration	15,385,175	13,374,825
Auditors Remuneration Fees	347,500	316,300
Non Assurance Fees & Expenses	679,086	1,222,122
Depreciation	53,257,056	46,919,569
Impairment Loss on Trade & Other Receivables	4,148,998	5,027,244
Advertising & Sales Promotion Cost	10,827,257	11,177,737
Legal Fees	87,128	89,822
<b>10.1 EMPLOYEE BENEFIT EXPENSES</b>		
Salaries & Other Allowances	94,447,140	88,037,342
Staff Welfare	1,005,595	812,408
Medical Expense	2,051,469	1,858,582
EPF & ETF	13,871,552	12,854,317
Post Employment Benefit - Gratuity	7,318,599	5,761,709
Incentive	410,119	368,000
<b>Total Employee Benefit Expenses</b>	119,104,474	109,692,358



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2016

### 11 INCOME TAX

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

	Notes	2015/2016 Rs.	2014/2015 Rs.
<b>Current Income Tax</b>			
Current Income Tax Charge	11.1	9,687,246	5,338,507
Under/(Over) Provision of Current Taxes with respect to prior periods		-	(122,293)
<b>Deferred Tax</b>			
Deferred Tax Charge	11.2	16,041,562	14,750,400
<b>Income tax expense reported in the Statement of Profit or Loss</b>		<b>25,728,808</b>	<b>19,966,614</b>

#### 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	84,029,598	44,406,776
Non-deductible Expenses	123,588,395	107,814,474
Deductible Expenses	(83,422,531)	(83,778,847)
	124,195,462	68,442,403
<b>Total Statutory Income</b>	124,195,462	68,442,403
Set off against Tax Losses	(43,468,412)	(23,954,842)
<b>Taxable Income</b>	80,727,050	44,487,561
<b>Income tax at 12% (in 2015 - 12%)</b>	<b>9,687,246</b>	<b>5,338,507</b>

#### 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:

<b>Deferred Tax Liabilities</b>		
Accelerated depreciation - Assets	11,547,327	20,857,645
	11,547,327	20,857,645
<b>Deferred Tax Assets</b>		
Defined Benefit Obligation	721,974	561,619
Carried forward unused tax losses claimed / (Reversal)	(5,216,209)	5,545,626
	(4,494,235)	6,107,245
<b>Deferred Tax Charge / (Credit) for the Year</b>	<b>16,041,562</b>	<b>14,750,400</b>



## NOTES TO THE FINANCIAL STATEMENTS

**For the year ended 31st March, 2016**

### **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:

<b>Amount Used as the Numerator</b>	<b>2015/2016 Rs.</b>	<b>2014/2015 Rs.</b>
Profit for the year	58,300,790	24,440,162
<b>Amount Used as the Denominator</b>		
Number of Ordinary Shares	47,066,447	47,066,447
<b>Earnings per Share - Rs. Cts.</b>	<b>1.24</b>	<b>0.52</b>



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2016

### 13. PROPERTY, PLANT & EQUIPMENT

13.1	At Cost or Valuation	Balance as at 01.04.2015	Additions	Re-Classification / Transfers	Disposals	Balance as at 31.03.2016
		Rs.	Rs.	Rs.	Rs.	Rs.
	<b>Freehold Assets</b>					
	Freehold Lands	296,604,501	-	-	-	296,604,501
	Buildings	785,109,773	22,201,339	-	-	807,311,112
	Motor Vehicles	14,057,938	1,780,000	6,114,285	(1,800,000)	20,152,223
	Office Equipment	261,544,781	30,429,956	2,009,656	-	293,984,393
	Furniture and Fittings	149,423,437	3,020,738	-	-	152,444,175
	Linen	7,569,764	-	-	-	7,569,764
		1,514,310,194	57,432,033	8,123,941	(1,800,000)	1,578,066,168
	<b>Leasehold Assets</b>					
	Motor Vehicles	18,450,928	9,250,000	(6,114,285)	-	21,586,643
	Generator	20,612,985	-	-	-	20,612,985
	Laundry Machine	-	3,750,000	-	-	3,750,000
		39,063,913	13,000,000	(6,114,285)	-	45,949,628
	<b>Total Value of Assets</b>	1,553,374,107	70,432,033	2,009,656	(1,800,000)	1,624,015,796

### 13.2 Accumulated Depreciation

	At Cost or Valuation	Balance as at 01.04.2015	Charge for the year	Re-Classification / Transfers	Disposals	Balance as at 31.03.2016
		Rs.	Rs.	Rs.	Rs.	Rs.
	<b>Freehold Assets</b>					
	Freehold Lands	-	-	-	-	-
	Buildings	-	20,769,369	-	-	20,769,369
	Motor Vehicles	13,386,032	371,471	4,160,217	(1,704,971)	16,212,749
	Office Equipment	118,757,503	15,293,906	-	-	134,051,409
	Furniture and Fittings	117,728,142	6,686,073	-	-	124,414,215
	Linen	2,523,002	2,523,002	-	-	5,046,004
		252,394,679	45,643,821	4,160,217	(1,704,971)	300,493,746
	<b>Leasehold Assets</b>					
	Motor Vehicles	8,902,335	4,121,523	(4,160,217)	-	8,863,641
	Generator	5,654,424	2,991,712	-	-	8,646,136
	Laundry Machine	-	500,000	-	-	500,000
		14,556,759	7,613,235	(4,160,217)	-	18,009,777
	<b>Total Depreciation</b>	266,951,438	53,257,056	-	(1,704,971)	318,503,523
	<b>Net Book Value</b>	<b>01.04.2015 Rs.</b>				<b>31.03.2016 Rs.</b>
	Freehold Assets	1,261,915,515				1,277,572,422
	Leasehold Assets	24,507,154				27,939,851
		1,286,422,669				1,305,512,273

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31st March, 2016

#### 13.3 Work-In-Progress

	Balance as at 01.04.2015	Additions	Transfer to Property, Plant & Equipment	Balance as at 31.03.2016
	Rs.	Rs.	Rs.	Rs.
Construction of New Panel Board	-	7,769,896	-	7,769,896
Installation of Salary System	-	350,000	-	350,000
Construction of 21 Block Water Proofing Project	-	830,537	-	830,537
Construction of Fire Alarm System	-	103,640	-	103,640
CCTV Project	-	68,150	-	68,150
Kurunegala Outlet	-	294,946	-	294,946
Construction of Steel Bridge	-	1,329,041	-	1,329,041
Construction of Fire System	1,626,656	383,000	(2,009,656)	-
	1,626,656	11,129,210	(2,009,656)	10,746,210
<b>Total Assets</b>	<b>1,288,049,325</b>			<b>1,316,258,483</b>

#### 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.
<b>Freehold</b>					
Motor Car	1,800,000	(1,704,971)	95,029	1,250,000	1,154,971
	1,800,000	(1,704,971)	95,029	1,250,000	1,154,971

#### 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:

	2016 Rs.	2015 Rs.
Lands	98,116,927	98,116,927
Buildings	542,252,503	542,252,503
Accumulated depreciation	(128,460,997)	(116,390,474)
Net book amount	511,908,433	523,978,956

#### 13.6 Property, Plant and Equipment at Fair Value (a) Reconciliation of carrying amount

	2016 Rs.	2015 Rs.
Balance as at 1st April	1,081,714,274	906,191,420
Addition	22,201,339	99,164,338
Adjustment on revaluation	-	(59,057,531)
Charge in fair Value	-	135,416,047
Balance as at 31st March	1,103,915,613	1,081,714,274



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2016

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

#### (b) Measurement of Fair Value

Fair Value Hierarchy

The freehold land and buildings (6 units) 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 2014/2015 financial statements. 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.

#### Location of Lands

Lands comprise of Walawwewatta and Siyambalagahakotuwa (368.4 perches), Meegonkattuwa Kumbura (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

	31.03.2016 Rs.	31.03.2015 Rs.
<b>14.1 Deferred Tax Liabilities</b>		
Balance at the Beginning of the Year	83,079,870	48,372,299
Temporary Differences arising from Property, Plant & Equipment	11,547,327	20,857,645
Reversal of Temporary Differences arising from Revaluation	-	13,849,926
Balance at the end of the year	94,627,197	83,079,870
<b>14.2 Deferred Tax Assets</b>		
Balance at the Beginning of the Year	52,809,848	45,842,434
Temporary Differences arising from Retirement Benefit	664,272	1,421,788
Temporary Differences arising from Unused Tax Losses	(5,216,209)	5,545,626
Balance at the end of the year	48,257,911	52,809,848

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2016

### 14. DEFERRED INCOME TAX ASSETS AND LIABILITIES (Continued)

#### 14.3 Recognised Deferred Tax Assets and Liabilities

	31.03.2016		31.03.2015	
	Assets Rs.	Liabilities Rs.	Assets Rs.	Liabilities Rs.
Property, Plant & Equipment	-	47,733,829	-	36,186,502
Revaluation of Buildings	-	46,893,368	-	46,893,368
Defined Benefit Obligation	5,544,700	-	4,880,428	-
Un-used Tax Losses	42,713,211	-	47,929,420	-
<b>Total</b>	<b>48,257,911</b>	<b>94,627,197</b>	<b>52,809,848</b>	<b>83,079,870</b>

### 15. INVENTORIES

	31.03.2016 Rs.	31.03.2015 Rs.
Food Stock	3,020,177	3,837,727
Beverage Stock	4,309,755	3,763,329
Housekeeping	3,344,421	1,277,337
Maintenance Stock	2,195,600	3,522,940
Printing & Stationery Stock	2,092,252	1,886,524
General Stock	4,712,356	5,501,200
Gas Stock	328,913	87,193
Fuel Stock	626,137	824,324
<b>Total</b>	<b>20,629,611</b>	<b>20,700,574</b>





## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2016

### 16. TRADE AND OTHER RECEIVABLES

	31.03.2016 Rs.	31.03.2015 Rs.
Trade Debtors	71,771,730	78,604,374
Less: Provision for Impairment of Trade Receivables <b>16.1</b>	(18,743,246)	(14,594,248)
Trade Receivables - Net	53,028,484	64,010,126
Refundable Deposits	2,018,824	2,018,824
Prepayments	8,324,806	6,932,680
Other Receivables	13,453,842	9,724,652
<b>Total</b>	<b>76,825,956</b>	<b>82,686,282</b>

As of 31st March, 2016, Trade Receivables of Rs. 40,305,247/- (as of 31st March, 2015 was Rs. 38,483,855/-) were fully performing.

As of 31st March, 2016, Trade Receivables of Rs. 12,723,237/- (as of 31st March, 2015 was Rs. 25,526,271/-) 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:

	31.03.2016 Rs.	31.03.2015 Rs.
Up to 3 months	2,268,345	5,702,022
3 to 4 months	991,671	3,074,251
Over 4 months and above	9,463,221	16,749,998
	<b>12,723,237</b>	<b>25,526,271</b>

As of 31st March, 2016, Trade Receivables of Rs. 18,743,246/- (2015: 14,594,248/-) 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 is as follows:

#### 16.1 IMPAIRMENT FOR TRADE RECEIVABLE

	31.03.2016 Rs.	31.03.2015 Rs.
As At 1st April	14,594,248	9,567,004
Impairment Provision for Trade & Other Receivables	4,148,998	5,027,244
As At 31st March	<b>18,743,246</b>	<b>14,594,248</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 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.

<b>16.2 Analysis of Financial Instruments</b>	<b>31.03.2016</b>	<b>31.03.2015</b>
<b>Financial Instruments By Category</b>	<b>Rs.</b>	<b>Rs.</b>
<b>Loans and Receivables</b>		
Trade and other Receivables excluding Prepayments, Statutory Payments and Advances	58,714,502	70,273,763
Cash and Cash Equivalents (Note 17)	93,890,524	32,721,269
	152,605,026	102,995,032
<b>Financial Liabilities at Amortised cost</b>		
Trade and Other Payables (Excluding Statutory Liabilities) (Note 22)	61,638,119	56,360,036
Borrowings (Excluding Finance Leases) (Note 21)	138,101,158	141,377,319
Amounts due to Related Companies (Note 23)	25,309,692	32,976,000
	225,048,969	230,713,355

### 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:

	<b>31.03.2016</b>	<b>31.03.2015</b>
	<b>Rs.</b>	<b>Rs.</b>
Trade and Other Receivables	58,714,502	70,273,763
Banks with Credit Ratings	93,890,524	32,721,269
	152,605,026	102,995,032

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	53,028,484	64,010,126
Loans to Company Officers	2,622,099	2,293,999
Other Receivables	3,063,919	3,969,638
	58,714,502	70,273,763

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, 2016

<b>17.</b>	<b>CASH IN HAND AND AT BANK</b>	<b>31.03.2016 Rs.</b>	<b>31.03.2015 Rs.</b>
	<b>Favourable Balances</b>		
	Cash in Hand and at Bank	93,890,524	32,721,269
	<b>Unfavourable Balances</b>		
	Bank Overdraft - (Note 21)	33,308	7,285,169
	Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	93,857,216	25,436,100

<b>18.</b>	<b>STATED CAPITAL</b>	<b>Number of Shares</b>	<b>31.03.2016 Rs.</b>	<b>31.03.2015 Rs.</b>
	<b>Fully Paid Up Ordinary Shares</b>			
	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
	<b>Preference Shares</b>			
	At the beginning of the year		-	116,600
	Redeemed Shares		-	(116,600)
	At the end of the year		-	-

<b>19.</b>	<b>REVALUATION RESERVE</b>	<b>31.03.2016 Rs.</b>	<b>31.03.2015 Rs.</b>
	<b>Revaluation Reserve Related to the Surplus on Revaluation of Land and Building</b>		
	The movement of revaluation reserve is as follows:		
	At the Beginning of the Year	538,688,179	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	538,688,179

<b>20.</b>	<b>EMPLOYEE BENEFIT LIABILITY</b>	<b>31.03.2016 Rs.</b>	<b>31.03.2015 Rs.</b>
	At the Beginning of the Year	40,670,236	28,821,998
	Interest charged for the year	4,473,726	3,170,421
	Current service cost	2,844,873	2,591,288
	Payments made during the year	(1,302,150)	(1,081,545)
	Actuarial (Gain)/ Loss	(480,851)	7,168,074
	At the End of the Year	46,205,834	40,670,236

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2016

### 20. EMPLOYEE BENEFIT LIABILITY (Continued)

The expenses are recognised in the following line items:

	31.03.2016 Rs.	31.03.2015 Rs.
Administrative Expenses	7,318,599	5,761,709
Other Comprehensive Income	(480,851)	7,168,074
	6,837,748	12,929,783

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

A 1967/70 Mortality Table

##### 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

As specified by the Company

#### Financial Assumptions

**Salary Increases** 10%

**Rate of Discount** 11%

#### Staff Turnover Rate

15% up to age 54 and thereafter zero

The present value of the Defined Benefit Obligation as at 31st March, 2016, with respect to employees in service, based on the above assumptions is Rs. 46,205,834/- (2015: Rs. 40,670,236/-).



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2016

### 21. INTEREST BEARING BORROWINGS

	31.03.2016 Amount Repayable Within 1 Year Rs.	31.03.2016 Amount Repayable After 1 Year Rs.	31.03.2016 Total Rs.	31.03.2015 Amount Repayable Within 1 Year Rs.	31.03.2015 Amount Repayable After 1 Year Rs.	31.03.2015 Total Rs.
Finance Leases	9,075,030	15,326,851	24,401,881	7,921,135	13,214,263	21,135,398
Bank Loans	48,194,350	89,873,500	138,067,850	34,941,300	99,150,850	134,092,150
Bank Overdrafts	33,308	-	33,308	7,285,169	-	7,285,169
	57,302,688	105,200,351	162,503,039	50,147,604	112,365,113	162,512,717

21.1	Finance Leases	Current As At 31.03.2016 Rs.	Non-Current As At 31.03.2016 Rs.	As At 31.03.2016 Rs.	Current As At 31.03.2015 Rs.	Non-Current As At 31.03.2015 Rs.	As At 31.03.2015 Rs.
	Gross Liability	10,960,622	16,987,536	27,948,158	9,661,758	14,680,008	24,341,766
	Charges	(1,885,592)	(1,660,685)	(3,546,277)	(1,740,623)	(1,465,745)	(3,206,368)
	Net Liability	9,075,030	15,326,851	24,401,881	7,921,135	13,214,263	21,135,398

21.2	Bank Loans	31.03.2016 Amount Repayable Within 1 Year Rs.	31.03.2016 Amount Repayable After 1 Year Rs.	31.03.2016 Total Rs.	31.03.2015 Amount Repayable Within 1 Year Rs.	31.03.2015 Amount Repayable After 1 Year Rs.	31.03.2015 Total Rs.
	Bank	48,194,350	89,873,500	138,067,850	34,941,300	99,150,850	134,092,150
		48,194,350	89,873,500	138,067,850	34,941,300	99,150,850	134,092,150

#### Movement of Bank Loans and Finance Leases

	As At 31.03.2016 Rs.	Repayment Rs.	Loans/Lease Obtained Rs.	As At 31.03.2015 Rs.
Banks	138,067,850	(46,024,300)	50,000,000	134,092,150
Leases	27,948,158	(12,315,388)	15,921,780	24,341,766
	166,016,008	(58,339,688)	65,921,780	158,433,916

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



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2016

22.	TRADE AND OTHER PAYABLES	31.03.2016 Rs.	31.03.2015 Rs.
	Trade Creditors	46,999,459	43,268,910
	Other Payables	2,195,839	2,815,100
	Expense Creditors	20,811,849	15,349,406
		70,007,147	61,433,416
23.	AMOUNTS DUE TO RELATED PARTIES		
	Universal Enterprises (Pvt.) Ltd.	4,634,625	4,634,625
	Mahaweli Hotel Management Services (Pvt.) Ltd.	20,675,067	28,341,375
		25,309,692	32,976,000
24.	INCOME TAX LIABILITIES		
	Balance receivables at the beginning of the year	3,492,787	3,305,008
	Tax paid for previous year	(3,492,787)	(3,228,436)
	(Over)/Under provision in respect of previous year	-	(122,293)
		-	(45,721)
	Income tax on current year	9,687,246	5,338,508
	Payment made during the year	(4,003,881)	(1,800,000)
	Balance Payable/(Recoverable) at the end of the year	5,683,365	3,492,787

## 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, 2016. The Board of Directors believe that a favourable outcome will result by the institution of this application in the court of appeal.
- (b) The Company has formal controls and policies for managing legal claims. No material losses are anticipated as a result of these transactions.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2016

### 26. INTEREST BEARING BORROWINGS

Lending Institution	Nature of Facility	Interest Rate	Repayment Term	Outstanding Balance		Security
				2016 Rs.	2015 Rs.	
Hatton National Bank PLC	Term Loan Rs. 55 Million	AWPLR + 1 % p.a	14 quarterly capital instalments of Rs. 1,069,500/- each and a final instalment of Rs.699,000/- together with interest to be serviced monthly	Nil	1,768,500	Registered primary floating mortgage Bond No. 388 for Rs. 62.5 million, over hotel premises bearing assessment No. 35. P.B.A. Weerakoon Mawatha, Kandy.
	Term Loan Rs. 50 Million	AWPLR + 1 % p.a	12 quarterly capital instalments of Rs. 1,000,000/- each and 06 Quarterly capital instalments of Rs. 2,750,000/- each and a final instalments of Rs. 2,749,550/- together with interest to be serviced monthly.	5,499,550	16,499,550	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 instalments of Rs. 283,500/- each and a final instalment of Rs.690,500/- interest to be serviced monthly.	Nil	974,000	Registered secondary floating mortgage Bond No. 477 for Rs. 15 million over hotel premises bearing assessment No. 35. P.B.A. Weerakoon Mawatha, Kandy.
	Term Loan Rs. 50 Million	AWPLR + 1 % p.a	08 quarterly capital instalments of Rs. 1,250,000/- each & 04 Quarterly capital instalments of Rs. 2,500,000/- each and 08 quarterly capital instalments of Rs. 3,750,000/each (with an initial grace period of 6 months). Interest to be serviced monthly.	18,750,000	32,500,000	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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2016

### 26. INTEREST BEARING BORROWINGS (Continued)

Lending Institution	Nature of Facility	Interest Rate	Repayment Term	Outstanding Balance		Security
				2016 Rs.	2015 Rs.	
Hatton National Bank PLC	Term Loan Rs. 26.5 Million	AWPLR + 1.75 % p.a	71 equal monthly instalments of Rs. 486,000/- and a final instalment of Rs. 494,000/- together with interest to be serviced monthly	10,462,000	16,294,000	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.
	Term Loan Rs. 50 Million	AWPLR + 1.25% p.a	59 equal monthly instalments of Rs. 833,000/- and a final instalment of Rs. 853,000/- together with interest to be serviced monthly.	49,167,000	Nil	Registered primary and additional floating mortgage bonds totaling to Rs.133.9 million over the 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.	Nil	7,285,169	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, 2016

### 26. INTEREST BEARING BORROWINGS (Continued)

Lending Institution	Nature of Facility	Interest Rate	Repayment Term	Outstanding Balance		Security
				2016 Rs.	2015 Rs.	
Commercial Bank of Ceylon PLC	Term Loan Rs. 8.5 Million	AWPLR + 1 % p.a	71 equal monthly instalments of Rs. 118,100/- and a final instalment of Rs. 114,900/- together with interest to be serviced monthly.	4,838,900	6,256,100	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 Mahaweli 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 instalments of Rs. 350,000/- and a grace period of 6 months.	5,600,000	9,800,000	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 Mahaweli 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 instalments of Rs. 520,800/- and a final instalment of Rs. 524,000/- together with interest to be serviced monthly.	43,750,400	50,000,000	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 Mahaweli Reach Hotels PLC at No. 35, P. B. A. Weerakoon Mawatha, Kandy.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2016

### 26. INTEREST BEARING BORROWINGS (Continued)

Lending Institution	Nature of Facility	Interest Rate	Repayment Term	Outstanding Balance		Security
				2016 Rs.	2015 Rs.	
Hatton National Bank PLC	Finance Lease	12% p.a	(60 months) Remaining 0 equal monthly instalments of Rs. 99,402/-	Nil	1,192,841	Absolute ownership of the vehicle
	Finance Lease	12.5% p.a	(60 months) Remaining 3 equal monthly instalments of Rs. 101,887/-	305,661	1,528,305	Absolute ownership of the vehicle
	Finance Lease	12.5% p.a	(60 months) Remaining 15 equal monthly instalments of Rs. 220,838/-	3,312,570	5,962,626	Absolute ownership of the generator
	Finance Lease	12.5% p.a	(60 months) Remaining 33 equal monthly instalments of Rs. 239,580/-	7,906,140	10,781,100	Absolute ownership of the generator
	Finance Lease	9.5% p.a	(48 months) Remaining 42 equal monthly instalments of Rs. 93,472/-	3,738,880	Nil	Absolute ownership of the Laundry Machine
Sampath Bank PLC	Finance Lease	12% p.a	(48 months) Remaining 22 equal monthly instalments of Rs. 143,438/-	3,155,637	4,876,894	Absolute ownership of the vehicle
	Finance Lease	9.0% p.a	(60 months) Remaining 50 equal monthly instalments of Rs. 190,585/-	9,529,270	Nil	Absolute ownership of the vehicle





## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2016

### 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 Ms. D. L. Panabokke	Managing Agents -do-
Universal Enterprise Pvt. Ltd.	Mr. M. U. Maniku Mr. A. U. Maniku Dr. I. U. Maniku Mr. A. M. Didi Mr. M. M. Didi Mr. Ali Nooradeen	Parent Company -do- -do- -do- -do- -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	2015/2016 Rs.	2014/2015 Rs.
Mahaweli Hotel Management Services (Pvt.) Ltd.	Management Fees	50,618,608	43,558,467
<b>Basis of Management Fees calculation ,</b> (Net Turnover + Service Charges) * 6% + (7% on Net Profit after Depreciation & Finance Charges)			
Diethelm Travels (Pvt.) Ltd.	Service Rendered	15,417,540	9,009,754

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

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, 2016

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

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

	2015/2016 Rs.	2014/2015 Rs.
(a) Short Term Employee Benefits	15,385,175	13,374,825
(b) Post Employment Benefits	21,421,709	21,129,727
(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 2016 Financial Statements to maintain comparability of Financial Statements in order to provide better presentation.

	Total Rs.	2015/2016 Current Presentation	2014/2015 As Approved Previously
Laundry Cost	5,129,242	Other Operating Profit, Administrative Expenses, Marketing Expenses & Promotion Costs and Other Cost	Cost of Sales

### 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	
	31.03.2016 Rs.	31.03.2015 Rs.	31.03.2016 Rs.	31.03.2015 Rs.
<b>Financial Assets</b>				
Trade and Other Receivables	58,714,502	70,273,763	58,714,502	70,273,763
Cash and Bank Balances	93,890,524	32,721,269	93,890,524	32,721,269
<b>Total</b>	152,605,026	102,995,032	152,605,026	102,995,032
<b>Financial Liabilities</b>				
Interest Bearing Borrowings	138,067,850	134,092,150	138,067,850	134,092,150
Bank Overdraft	33,308	7,285,169	33,308	7,285,169
Trade and Other Payables	61,638,119	56,360,036	61,638,119	56,360,036
Amounts Due to Related Companies	25,309,692	32,976,000	25,309,692	32,976,000
	225,048,969	230,713,355	225,048,969	230,713,355

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. JAYAMPATHY CHARITHA RATWATTE	Whom failing
MR. RANJEEVAN SEEVARATNAM	Whom failing
MR. JOSEPH ROSARIO PHILIP MANCIUS PAIVA	Whom failing
MS. DAYANTHI LAKSHMI PANABOKKE	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 28th September, 2016 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, 2016 and the Report of the Auditors thereon.	.....	.....
2. To re-elect Mr. M. Mahir who retires by rotation at the Annual General Meeting, a Director.	.....	.....
3. To re-elect Mr. I. U. Maniku who retires by rotation at the Annual General Meeting, a Director.	.....	.....
4. To re-elect Mr. A. M. Didi who retires by rotation at the Annual General Meeting, a Director.	.....	.....
5. To re-elect Mr. W. P. Hettiaratchi who retires by rotation at the Annual General Meeting, a Director.	.....	.....
6. To re-elect Mr. A. Nooradeen who retires by rotation at the Annual General Meeting, a Director.	.....	.....
7. To re-elect Mr. R. T. Molligoda who attained the age of seventy nine years and the Company has received special notice of intention in compliance with Law, relating to his re-election.	.....	.....
8. To re-elect Mr. R. Seevaratnam who attained the age of seventy three years and the Company has received special notice of intention in compliance with Law, relating to his re-election.	.....	.....
9. To re-appoint Mr. J. R. P. M. Paiva who was appointed to the Board since the last Annual General Meeting and retires in terms of the Articles of Association of the Company, a Director.	.....	.....
10. To re-appoint Ms. D. L. Panabokke who was appointed to the Board since the last Annual General Meeting and retires in terms of the Articles of Association of the Company, a Director.	.....	.....
11. To authorise the Board of Directors to determine contributions to charities and other donations.	.....	.....
12. To re-appoint Messrs. Edirisinghe & Co. as Auditors and authorise the Directors to determine their remuneration.	.....	.....

As witness my/our hand this.....day of .....2016.

.....  
 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 26th September, 2016 being 48 hours before the time appointed for the holding of the meeting.







**MAHAWELI REACH**  
SRI LANKA

---

OUR WORLD REVOLVES AROUND YOURS