

# **MAHAWELI REACH HOTELS PLC**

***INTERIM FINANCIAL STATEMENTS***

***FOR THE 09 MONTHS ENDED***

***31 DECEMBER 2015.***

MAHAWELI REACH HOTELS PLC  
STATEMENT OF COMPREHENSIVE INCOME

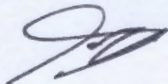
Audited 31.03.2015	NOTE	For the 03 Months Ended 31st December (Unaudited)		For the 09 Months Ended 31st December (Unaudited)	
		2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
576,957,255	Revenue	139,191,663	148,608,281	408,663,219	402,573,546
(241,992,083)	Cost of sales	(65,571,397)	(68,004,216)	(196,141,987)	(186,941,376)
<b>334,965,172</b>	<b>Gross profit</b>	<b>73,620,267</b>	<b>80,604,065</b>	<b>212,521,233</b>	<b>215,632,170</b>
36,797,428	Other income	14,113,642	9,926,869	46,531,395	27,221,551
(25,802,880)	Marketing & Promotional expenses	(6,675,340)	(7,764,059)	(19,763,549)	(21,372,227)
(281,710,577)	Administrative & Other expenses	(64,805,124)	(61,581,995)	(197,468,924)	(187,239,749)
<b>64,249,143</b>	<b>Operating profit</b>	<b>16,253,444</b>	<b>21,184,880</b>	<b>41,820,155</b>	<b>34,241,745</b>
(20,637,442)	Finance costs	(5,018,561)	(4,683,529)	(14,612,090)	(14,133,106)
795,075	Finance income	179,988	177,069	598,975	556,451
(19,842,367)	Finance costs - net	(4,838,573)	(4,506,460)	(14,013,115)	(13,576,655)
<b>44,406,776</b>	<b>Profit before income tax</b>	<b>11,414,871</b>	<b>16,678,420</b>	<b>27,807,040</b>	<b>20,665,090</b>
(19,966,614)	Income tax expense	(1,500,000)	-	(3,000,000)	-
<b>24,440,162</b>	<b>Profit/(Loss) for the period</b>	<b>9,914,871</b>	<b>16,678,420</b>	<b>24,807,040</b>	<b>20,665,090</b>
0.52	<b>Earning/(Loss) per Share Rs.</b> Basic	0.21	0.35	0.53	0.44



**MAHAWELI REACH HOTELS PLC**  
**STATEMENT OF FINANCIAL POSITION**

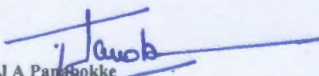
Audited 31.03.2015		Unaudited as at 31.12.2015 Rs.	Unaudited as at 31.12.2014 Rs.
<b>Assets</b>			
<b>Non-current assets</b>			
1,286,422,669	Property Plant & Equipment	1,303,273,293	1,069,402,732
<b>52,809,848</b>	Deferred Tax Assets	52,809,848	45,842,434
1,626,656	Work in Progress	12,465,468	72,258,913
<b>Current assets</b>			
20,700,574	Inventories	22,824,381	26,174,090
64,010,126	Trade & Other Receivables	57,217,479	57,859,494
18,676,156	Other current assets	17,761,530	22,274,884
32,721,269	Cash and Cash Equivalents	6,032,935	5,546,425
<b>136,108,125</b>		<b>103,836,326</b>	<b>111,854,893</b>
<b>1,476,967,298</b>	<b>Total Assets</b>	<b>1,472,384,935</b>	<b>1,299,358,973</b>
<b>Equity and liabilities</b>			
585,445,870	Stated Capital	585,445,870	585,445,870
538,688,179	Revaluation Reserves	538,688,179	417,122,058
(31,331,777)	Retained Earnings	(6,524,736)	(28,798,944)
<b>1,092,802,272</b>	<b>Total equity</b>	<b>1,117,609,313</b>	<b>973,768,984</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
112,365,113	Interest Bearing Borrowings	79,423,524	71,179,701
83,079,870	Deferred Tax Liability	83,079,870	48,372,299
40,670,236	Retirement Benefit Obligations	39,887,949	28,055,933
<b>Current liabilities</b>			
61,433,416	Trade and Other Payables	47,832,488	47,979,633
32,976,000	Due to Related Companies	19,112,810	34,688,983
3,492,787	Other Current Liabilities	11,179,053	18,265,035
42,862,435	Current Portion of Interest Bearing Borrowings	48,371,960	43,634,952
-7,285,169	Bank Overdrafts	25,887,968	33,413,453
<b>384,165,026</b>	<b>Total liabilities</b>	<b>354,775,622</b>	<b>325,589,989</b>
<b>1,476,967,298</b>	<b>Total equity and liabilities</b>	<b>1,472,384,935</b>	<b>1,299,358,973</b>

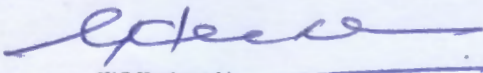
These Financial Statements are in compliance with the requirements of the Companies Act No.07 of 2007.

  
 Sanjeewa Wickramasinghe  
 Chief Accountant

The above figures are provisional & subject to audit  
 Figures in brackets indicate deductions.

Signed for and on behalf of the Board

  
 J A Panabokke  
 Director  
 '08 February 2016

  
 W P Hettiaratchi  
 Director

**MAHAWELI REACH HOTELS PLC**  
**STATEMENT OF CHANGES IN EQUITY**

	Stated Capital Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Rs.
<b>Balance as at 1st April 2015</b>	585,445,870	538,688,179	(31,331,777)	1,092,802,272
Profit or loss	-	-	24,807,040	24,807,040
<b>Balance as at 31 December 2015</b>	585,445,870	538,688,179	(6,524,736)	1,117,609,312
<b>Balance as at 1st April 2014</b>	585,562,470	417,122,058	(49,464,034)	953,220,494
Profit or loss	-	-	20,665,090	20,665,090
Redemption of Preference Shares	(116,600)	-	-	(116,600)
<b>Balance as at 31 December 2014</b>	585,445,870	417,122,058	(28,798,944)	973,768,984



MAHAWELI REACH HOTELS PLC  
STATEMENT OF CASH FLOWS

Audited 31.03.2015	Unaudited as at 31.12.2015	Unaudited as at 31.12.2014
	Rs.	Rs.
<b>Cash flow from operating activities</b>		
44,406,776 Profit / (Loss) for the period	27,807,040	20,665,090
<b>Adjustments for :-</b>		
46,919,569 Depreciation of Property, plant and equipment	39,968,554	30,885,937
15,819,353 Interest Expenses	10,097,542	8,873,323
5,761,709 Movement in Provision for Gratuity & Accruals	(1,499,997)	683,406
(530,000) Disposal (Profit) / Loss	-	-
5,027,244 Impairment provision for bad debts	-	-
(5,068,803) Written Back of Sundry Creditors	-	-
<b>67,929,072 Changes in Operating Assets and Liabilities :-</b>	<b>48,566,100</b>	<b>40,442,666</b>
933,351 (Increase) / Decrease In Inventories	(2,123,807)	(4,540,165)
(11,019,695) (Increase) / Decrease In Trade and other receivables	7,707,273	(3,440,547)
3,549,032 Increase / (Decrease) in due to related parties	(13,863,190)	5,262,014
14,150,375 Increase / (Decrease) in Trade & Other payables	(5,914,662)	10,704,413
119,948,911	62,178,753	69,093,471
(12,103,711) Interest paid	(10,097,542)	(8,873,323)
(1,081,545) Gratuity paid	(782,287)	(766,065)
(5,028,436) Tax paid	-	(800,000)
<b>101,735,219 Net cash generated from operating activities</b>	<b>51,298,924</b>	<b>58,654,083</b>
<b>Cash flows from investing activities</b>		
(84,828,643) Purchases of Property Plant & Equipments	(67,657,995)	(57,823,382)
530,000 Proceeds from Sale of Property Plant & Equipments	-	-
<b>(84,298,643) Net cash used in investing activities</b>	<b>(67,657,995)</b>	<b>(57,823,382)</b>
<b>Cash flows from financing activities</b>		
50,000,000 Proceeds from Loans	-	-
(43,062,272) Repayment of Loans & Leases	(27,432,062)	(29,759,526)
<b>6,937,728 Net cash used in financing activities</b>	<b>(27,432,062)</b>	<b>(29,759,526)</b>
24,374,304 <b>Net increase in cash and cash equivalents</b>	<b>(43,791,133)</b>	<b>(28,928,825)</b>
1,061,796 Cash & Cash equivalents at beginning of the year	25,436,100	1,061,796
<b>25,436,100 Cash &amp; cash equivalents at end of period</b>	<b>(18,355,032)</b>	<b>(27,867,029)</b>

**MAHAWELI REACH HOTELS PLC**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

**CORPORATE INFORMATION**

**INTERIM CONDENSED FINANCIAL STATEMENTS**

**APPROVAL OF FINANCIAL STATEMENTS**

The interim condensed financial statements of the Company for the 09 months ended 31 December 2015 were authorised for issue by the Board of Directors on 08 February 2016.

**BASIS OF PREPARATION**

The interim condensed financial statements have been prepared in compliance with Sri Lanka Accounting Standard (SLAS) LKAS 34 - Interim Financial Reporting. These interim condensed financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2016.

These financial statements quarter ended 31 December 2015 have been prepared on a historical cost basis, except for land and buildings.

**SIGNIFICANT ACCOUNTING POLICIES**

The changes to accounting policies set out below have been applied consistently to all periods presented in these interim condensed financial statements and in preparing the opening SLFRS/LKAS, unless other indicated.

The presentation and classification of the financial statements of the previous periods have been amended, where relevant, for better presentation and to be comparable with those of the current period.

**Finance costs**

Finance Income comprise interest income from Staff Loans.

Finance cost comprise interest expense on borrowings.

**Financial assets**

**Initial recognition and measurement**

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available for sale financial assets, as appropriate and determines the classification of its financial assets at initial recognition. At the reporting date there were no financial assets at fair value through profit or loss, available for sale and held to maturity investments.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction cost .

The financial assets include cash, trade and other receivables and loans and other receivables.

**Subsequent measurement**

The subsequent measurement of financial assets depends on their classification as follows:

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement.

**Derecognition**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

The right to receive cash flows from the asset have expired

The company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the receivable cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

(a) the company has transferred substantially all the risks and rewards of the asset, or

(b) the company has either transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the company's continuing involvement in it.

In the case, the company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained. Continuing involvement that takes the form of guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.



### **Impairment of financial assets**

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

### **Financial liabilities**

#### **Initial recognition and measurement**

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives as appropriate and determines the classification of its financial liabilities at initial recognition

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The financial liabilities include trade and other payables, bank overdrafts, loans and borrowings.

#### **Subsequent measurement**

The subsequent measurement of financial liabilities depends on their classification as follows:

#### **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Gains or losses on liabilities held for trading are recognised in the income statement.

The company has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

#### **Borrowings**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liability are derecognised as well as through the effective interest rate method (EIR) amortization process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in the finance costs in the income statement.

#### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### **Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are modified or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement. Substantially modified, such an exchange.

#### **Financial risk management objectives and policies**

The Company principal financial liabilities comprise of loans, borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the company's operations. The Company has trade and other receivables, and cash that arise directly from its operations. The Company is exposed to market risk, credit risk and liquidity risk.

The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. Risk management is carried out under policies approved by the Board of Directors.

## Share Information

### Public share holdings

The percentage of shares held by the public as at 31 December 2015 was 24.49% (31 December 2014- 24.42%)

### Directors' share holdings

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

As at	31-Dec-15	31-Dec-14
Mr J A Panabokke	540,388	540,388
Mr M U Maniku	1,217,306	1,217,306
Mr R T Molligoda	626,200	626,200
Mr A N Esufally	332,000	332,000
Mr K M Panabokke	-	170,519
Ms D L Panabokke	66,234	-
Mr J Asitha Panabokke (Alternate Director to Ms D L Panabokke)	72,400	-
	<u>2,854,528</u>	<u>2,886,413</u>

### Twenty largest shareholders of the company are as follows:

As at	31-Dec-15	%
Universal Enterprises Pvt Ltd	32,683,550	69.44
Estate of Late Mrs L R Panabokke	4,445,062	9.44
Freudenberg Shipping Agencies Limited	3,090,999	6.57
Mr M U Maniku	1,217,306	2.59
Mr R T Molligoda	626,200	1.33
Mercantile Investments and Finance PLC	507,000	1.08
Mr J A Panabokke	484,104	1.03
Mr A N Esufally	332,000	0.71
Estate of late Mr K M Panabokke	164,000	0.35
Gold Investments Ltd	150,000	0.32
National Savings Bank	133,300	0.28
Dee Investments Pvt Ltd	110,000	0.23
Mr J A Panabokke	72,400	0.15
Alliance Finance Company PLC	71,928	0.15
Ms. D L Panabokke	66,234	0.14
Mr. R Ratnagopal	57,800	0.12
Mrs. K D Panabokke	56,284	0.12
Mr. H P N Fonseka	50,000	0.11
Mr B M G Rathnasiri	40,000	0.08
Mr S Abishek	39,000	0.08
Others	2,669,280	5.67
	<u>47,066,447</u>	<u>100.00</u>

### Stated capital

Stated capital is represented by number of shares in issue as given below:

As at 31 December 2015	No of Shares	Holding %	No of Shareholders
Others	35,538,078	75.51	07
Public	11,528,369	24.49	2144
Ordinary shares	47,066,447	100.00	2151

### Net assets per share As at

31-Dec-15	31-Dec-14
23.75	20.69

Net assets per share have been calculated, for all periods, based on the number of shares in issue as at 31 December 2015.

Market price per share		
For the quarter ended 31 December	2015	2014
	Rs.	Rs.
Highest	25.50	26.30
Lowest	20.60	20
Last traded	23.00	23.30

### Contingencies, capital and other commitments

A Contingent Liability of Rs.10 million exists due to a legal claim by a customer in the ordinary course of business. Mahaweli Reach Hotels PLC maintains a public liability insurance policy and the matter has been referred to the insurers. An evaluation of the likelihood of an unfavourable outcome resulting in a potential loss cannot be quantified or commented upon at this stage.

### Event after the reporting period

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