

**MAHAWELI REACH HOTELS PLC**

***INTERIM FINANCIAL STATEMENTS***

***FOR THE 06 MONTHS ENDED***

***30 SEPTEMBER 2015.***


**MAHAWELI REACH HOTELS PLC**  
**STATEMENT OF COMPREHENSIVE INCOME**

Audited 31.03.2015	NOTE	For the 03 Months Ended 30th September (Unaudited)		For the 06 Months Ended 30th September (Unaudited)	
		2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
576,957,255	Revenue	166,772,229	151,703,733	269,471,556	252,157,496
(241,992,083)	Cost of sales	(70,180,473)	(65,280,341)	(130,570,590)	(118,896,247)
<b>334,965,172</b>	<b>Gross profit</b>	<b>96,591,756</b>	<b>86,423,392</b>	<b>138,900,966</b>	<b>133,261,249</b>
36,797,428	Other income	18,137,761	9,142,629	32,417,754	16,762,423
(25,802,880)	Marketing & Promotional expenses	(6,092,088)	(8,048,108)	(13,088,209)	(13,610,430)
(281,710,577)	Administrative & Other expenses	(72,255,854)	(67,121,907)	(132,663,799)	(124,872,601)
<b>64,249,143</b>	<b>Operating profit</b>	<b>36,381,574</b>	<b>20,396,006</b>	<b>25,566,712</b>	<b>11,540,641</b>
(20,637,442)	Finance costs	(5,100,997)	(5,032,715)	(9,593,529)	(9,449,577)
795,075	Finance income	203,133	184,275	418,987	621,273
(19,842,367)	Finance costs - net	(4,897,864)	(4,848,440)	(9,174,542)	(8,828,304)
<b>44,406,776</b>	<b>Profit before income tax</b>	<b>31,483,711</b>	<b>15,547,566</b>	<b>16,392,170</b>	<b>2,712,337</b>
(19,966,614)	Income tax expense	(1,500,000)	-	(1,500,000)	-
<b>24,440,162</b>	<b>Profit/(Loss) for the period</b>	<b>29,983,711</b>	<b>15,547,566</b>	<b>14,892,170</b>	<b>2,712,337</b>
<b>Earning/(Loss) per Share Rs.</b>					
0.52	Basic	0.64	0.33	0.32	0.06

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

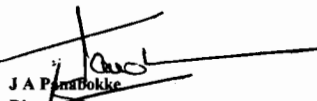
Audited 31.03.2015		Unaudited as at 30.09.2015 Rs.	Unaudited as at 30.09.2014 Rs.
<b>Assets</b>			
<b>Non-current assets</b>			
1,286,422,669	Property Plant & Equipment	1,297,633,738	1,058,972,903
52,809,848	Deferred Tax Assets	52,809,848	45,842,434
1,626,656	Work in Progress	20,690,312	73,876,170
<b>Current assets</b>			
20,700,574	Inventories	20,858,692	22,761,069
64,010,126	Trade & Other Receivables	57,552,630	55,168,706
18,676,156	Other current assets	11,740,784	18,917,452
32,721,269	Cash and Cash Equivalents	10,813,874	4,131,549
<b>136,108,125</b>		<b>100,965,980</b>	<b>100,978,776</b>
<b>1,476,967,298</b>	<b>Total Assets</b>	<b>1,472,099,878</b>	<b>1,279,670,284</b>
<b>Equity and liabilities</b>			
<b>Equity</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	(16,439,607)	(46,751,697)
<b>1,092,802,272</b>	<b>Total equity</b>	<b>1,107,694,442</b>	<b>955,816,231</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
112,365,113	Interest Bearing Borrowings	99,173,265	82,059,589
83,079,870	Deferred Tax Liability	83,079,870	48,372,299
40,670,236	Retirement Benefit Obligations	40,265,314	28,152,533
<b>Current liabilities</b>			
61,433,416	Trade and Other Payables	45,147,340	39,310,294
32,976,000	Due to Related Companies	18,461,010	33,507,982
3,492,787	Other Current Liabilities	11,986,213	14,546,573
42,862,435	Current Portion of Interest Bearing Borrowings	48,371,960	43,634,952
7,285,169	Bank Overdrafts	17,920,465	34,269,832
<b>384,165,026</b>	<b>Total liabilities</b>	<b>364,405,436</b>	<b>323,854,053</b>
<b>1,476,967,298</b>	<b>Total equity and liabilities</b>	<b>1,472,099,878</b>	<b>1,279,670,284</b>

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

  
**Sanjeewa Wickramasinghe**  
 Accountant

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

Signed for and on behalf of the Board

  
**J A Pambokke**  
 Director  
 '03 November 2015

  
**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	-	-	14,892,170	14,892,170
<b>Balance as at 30 September 2015</b>	585,445,870	538,688,179	(16,439,607)	1,107,694,442
<b>Balance as at 1st April 2014</b>	585,562,470	417,122,058	(49,464,034)	953,220,494
Profit or loss	-	-	2,712,337	2,712,337
Redemption of Preference Shares	(116,600)	-	-	(116,600)
<b>Balance as at 30 September 2014</b>	585,445,870	417,122,058	(46,751,697)	955,816,231

**MAHAWELI REACH HOTELS PLC**  
**STATEMENT OF CASH FLOWS**

Audited 31.03.2015	Unaudited as at 30.09.2015 Rs.	Unaudited as at 30.09.2014 Rs.	
<b>Cash flow from operating activities</b>			
44,406,776	Profit / (Loss) for the period	16,392,170	2,712,337
<b>Adjustments for :-</b>			
46,919,569	Depreciation of Property, plant and equipment	26,180,747	19,947,681
15,819,353	Interest Expenses	6,576,752	6,386,164
5,761,709	Movement in Provision for Gratuity & Accruals	(1,499,997)	-
(530,000)	Disposal (Profit) / Loss	-	-
5,027,244	Impairment provision for bad debts	-	-
(5,068,803)	Written Back of Sundry Creditors	-	-
67,929,072	<b>Changes in Operating Assets and Liabilities :-</b>	31,257,502	26,333,845
933,351	(Increase) / Decrease In Inventories	(158,118)	(1,127,144)
(11,019,695)	(Increase) / Decrease In Trade and other receivables	13,392,868	2,607,673
3,549,032	Increase / (Decrease) in due to related parties	(14,514,990)	4,081,014
14,150,375	Increase / (Decrease) In Trade & Other payables	(7,792,650)	1,545,049
119,948,911		38,576,783	36,152,774
(12,103,711)	Interest paid	(6,576,752)	(6,386,164)
(1,081,545)	Gratuity paid	(404,922)	(669,465)
(5,028,436)	Tax paid	-	(3,228,436)
101,735,219	<b>Net cash generated from operating activities</b>	31,595,108	25,868,709
<b>Cash flows from investing activities</b>			
(84,828,643)	Purchases of Property Plant & Equipments	(56,455,477)	(38,189,153)
530,000	Proceeds from Sale of Property Plant & Equipments	-	-
(84,298,643)	<b>Net cash used in investing activities</b>	(56,455,477)	(38,189,153)
<b>Cash flows from financing activities</b>			
50,000,000	Proceeds from Loans	-	-
(43,062,272)	Repayment of Loans & Leases	(7,682,322)	(18,879,635)
6,937,728	<b>Net cash used in financing activities</b>	(7,682,322)	(18,879,635)
24,374,304	<b>Net increase in cash and cash equivalents</b>	(32,542,691)	(31,200,079)
1,061,796	Cash & Cash equivalents at beginning of the year	25,436,100	1,061,796
25,436,100	<b>Cash &amp; cash equivalents at end of period</b>	(7,106,590)	(30,138,283)

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

**CORPORATE INFORMATION**

**INTERIM CONDENSED FINANCIAL STATEMENTS**

**APPROVAL OF FINANCIAL STATEMENTS**

The interim condensed financial statements of the Company for the 06 months ended 30 September 2015 were authorised for issue by the Board of Directors on 03 November 2015.

**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 30 September 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 or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement. Substantially modified, such an exchange,

**Financial risk management objectives and policies**

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

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

## Share Information

### Public share holdings

The percentage of shares held by the public as at 30 September 2015 was 24.43% (30 September 2014- 24.42%)

### Directors' share holdings

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

As at	30-Sep-15	30-Sep-14
Mr J A Panabokke	540,388	535,388
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	170,519
	<u>2,886,413</u>	<u>2,881,413</u>

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

As at	30-Sep-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	2,848,934	6.05
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
Mr K M Panabokke	164,000	0.35
Gold Investments Ltd	150,000	0.32
National Savings Bank	133,300	0.28
Mr. R A L White	127,207	0.27
Dee Investments Pvt Ltd	110,000	0.23
Mr J A Panabokke	72,400	0.15
Alliance Finance Company PLC	71,928	0.15
Mr. P Sivaganathan	70,000	0.15
Ms. D L Panabokke	61,919	0.13
Mr. R Ratnagopal	57,800	0.12
Mrs. K D Panabokke	56,284	0.12
Mr. H P N Fonseka	50,000	0.11
Others	2,797,453	5.94
	<u>47,066,447</u>	<u>100.00</u>

### Stated capital

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

As at 30 September 2015	No of Shares	Holding %	No of Shareholders
Others	35,569,963	75.57	08
Public	11,496,484	24.43	2245
Ordinary shares	47,066,447	100.00	2253

Net assets per share As at	30-Sep-15	30-Sep-14
	23.53	20.31

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

Market price per share	2015	2014
For the quarter ended 30 September		
	<b>Rs.</b>	<b>Rs.</b>
Highest	25.90	27.20
Lowest	21.00	19.00
Last traded	23.00	25.20

### 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.