

# **MAHAWELI REACH HOTELS PLC**

***INTERIM FINANCIAL STATEMENTS***

***FOR THE 09 MONTHS ENDED***

***31 DECEMBER 2013.***

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

Audited Year Ended 31.03.2013	NOTE	For the 03 Months Ended 31st December		For the 09 Months Ended 31st December	
		2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
560,464,571	Revenue	140,992,796	146,647,838	359,693,467	418,385,666
(210,992,291)	Cost of sales	(56,812,571)	(54,727,947)	(159,255,565)	(154,040,230)
<b>349,472,280</b>	<b>Gross profit</b>	<b>84,180,224</b>	<b>91,919,891</b>	<b>200,437,902</b>	<b>264,345,436</b>
34,446,046	Other income	6,593,289	5,884,480	20,644,964	20,118,898
(20,475,806)	Marketing & Promotional expenses	(5,389,089)	(5,977,019)	(15,653,681)	(14,882,948)
(247,436,648)	Administrative & Other expenses	(63,324,867)	(66,088,767)	(176,668,101)	(178,409,724)
<b>116,005,872</b>	<b>Operating profit</b>	<b>22,059,558</b>	<b>25,738,584</b>	<b>28,761,085</b>	<b>91,171,662</b>
(24,194,627)	Finance costs	(6,046,668)	(6,127,908)	(16,961,659)	(17,631,572)
-	Finance income	142,813	173,540	460,562	500,314
(24,194,627)	Finance costs - net	(5,903,856)	(5,954,369)	(16,501,097)	(17,131,258)
<b>91,811,245</b>	<b>Profit before income tax</b>	<b>16,155,702</b>	<b>19,784,216</b>	<b>12,259,988</b>	<b>74,040,404</b>
(22,756,228)	Income tax expense	(500,000)	(6,392,753)	(500,000)	(6,392,753)
<b>69,055,017</b>	<b>Profit for the period</b>	<b>15,655,702</b>	<b>13,391,462</b>	<b>11,759,988</b>	<b>67,647,651</b>
<b>Earning per Share Rs.</b>					
1.47	Basic	0.33	0.28	0.25	1.44

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

Audited as at 31.03.2013 Rs.		Unaudited as at 31.12.2013 Rs.	Unaudited as at 31.12.2012 Rs.
<b>Assets</b>			
<b>Non-current assets</b>			
968,010,119	Property Plant & Equipment	1,050,185,219	978,787,374
43,548,882	Deferred Tax Assets	43,548,882	48,990,743
39,491,818	Work in Progress	37,854,893	28,724,118
<b>Current assets</b>			
24,791,515	Inventories	25,032,245	25,877,531
92,819,493	Trade & Other Receivables	50,574,943	100,030,270
15,417,139	Other current assets	26,100,760	8,495,233
14,182,426	Cash and Cash Equivalents	9,453,125	6,560,990
<b>147,210,573</b>		<b>111,161,074</b>	<b>140,964,024</b>
<b>1,198,261,392</b>	<b>Total Assets</b>	<b>1,242,750,067</b>	<b>1,197,466,259</b>
<b>Equity and liabilities</b>			
585,562,470	Stated Capital	585,562,470	585,562,470
417,122,058	Revaluation Reserves	417,122,058	417,122,058
(87,074,564)	Retained Earnings	(75,314,576)	(88,481,929)
<b>915,609,964</b>	<b>Total equity</b>	<b>927,369,952</b>	<b>914,202,599</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
95,988,642	Interest Bearing Borrowings	100,648,951	102,108,191
46,332,944	Deferred Tax Liability	46,332,944	39,339,550
24,382,752	Retirement Benefit Obligations	23,742,539	22,097,661
<b>Current liabilities</b>			
44,254,122	Trade and Other Payables	31,822,511	25,709,688
32,575,649	Due to Related Companies	34,508,291	28,932,553
6,108,131	Other Current Liabilities	19,234,548	18,934,846
33,009,188	Current Portion of Interest Bearing Borrowings	37,441,585	34,268,281
-	Bank Overdrafts	21,648,747	11,872,890
<b>115,947,090</b>	<b>Total liabilities</b>	<b>315,380,115</b>	<b>283,263,660</b>
<b>1,198,261,392</b>	<b>Total equity and liabilities</b>	<b>1,242,750,067</b>	<b>1,197,466,259</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 Indubokka**  
 Director

  
**W P Hettiaratchi**  
 Director

27 January 2014

**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 2013</b>	585,562,470	417,122,058	(87,074,564)	915,609,964
<b>Comprehensive income</b>				
Profit or loss	-	-	11,759,988	11,759,988
<b>Balance as at 31 December 2013</b>	585,562,470	417,122,058	(75,314,576)	927,369,952
<b>Balance as at 1st April 2012</b>	585,562,470	417,122,058	(156,129,580)	846,554,948
<b>Comprehensive income</b>				
Profit or loss	-	-	67,647,651	67,647,651
<b>Balance as at 31 December 2012</b>	585,562,470	417,122,058	(88,481,929)	914,202,599

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

Audited Year Ended 31.03.2013 Rs.		Unaudited 09 months ended 31.12.2013 Rs.	Unaudited 09 months ended 31.12.2012 Rs.
<b>Cash flow from operating activities</b>			
91,811,245	Profit / (Loss) for the period	11,759,988	67,647,651
<b>Adjustments for :-</b>			
35,648,246	Depreciation of Property, plant and equipment	27,000,000	22,500,000
1,463,150	Impairment provision for bad debts	-	-
21,369,799	Interest Expenses	13,697,936	15,059,304
3,135,591	Provision for Gratuity	(640,212)	(1,352,200)
-	Provision for Income Tax	500,000	-
<b>Changes in Operating Assets and Liabilities :-</b>			
(2,183,515)	(Increase) / Decrease In Inventories	(240,730)	(3,269,531)
(27,064,060)	(Increase) / Decrease In Trade and other receivables	31,560,929	(23,870,090)
13,263,708	Increase / (Decrease) in due to related parties	1,932,642	9,620,612
(17,545,778)	Increase / (Decrease) In Trade & Other payables	694,805	(10,762,634)
119,898,386		86,265,357	75,573,112
(19,349,861)	Interest paid	(13,697,936)	(15,059,304)
(2,202,700)	Gratuity paid	-	-
(2,193,151)	Tax paid	(500,000)	(6,392,753)
96,152,674	<i>Net cash generated from operating activities</i>	72,067,421	54,121,055
<b>Cash flows from investing activities</b>			
(55,230,025)	Purchases of Property Plant & Equipments	(107,538,177)	(52,169,124)
(55,230,025)	<i>Net cash used in investing activities</i>	(107,538,177)	(52,169,124)
<b>Cash flows from financing activities</b>			
-	Proceeds from Loans	35,000,000	-
(32,496,254)	Repayment of Loans	(25,907,292)	(13,019,863)
(32,496,254)	<i>Net cash used in financing activities</i>	9,092,708	(13,019,863)
8,426,394	<i>Net increase in cash and cash equivalents</i>	(26,378,048)	(11,067,932)
5,756,032	Cash & Cash equivalents at beginning of the year	14,182,426	5,756,032
14,182,426	<b>Cash &amp; cash equivalents at end of period</b>	<b>(12,195,622)</b>	<b>(5,311,900)</b>

**CORPORATE INFORMATION**

**INTERIM CONDENSED FINANCIAL STATEMENTS**

**APPROVAL OF FINANCIAL STATEMENTS**

The interim condensed financial statements of the Company for the 09 months ended 31st December 2013 were authorised for issue by the Board of Directors on 27 January 2014.

**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 2014.

These financial statements quarter ended 31st December 2013 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 follow:

**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 31 December 2013 was 24.59%( 31 March 2013- 24.59%)

### Directors' share holdings

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

As at	31-Dec-13	31-Mar-13
Mr J A Panabokke	520,388	520,388
Mr M U Maniku	1,160,380	1,160,380
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>2,809,487</u>	<u>2,809,487</u>

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

As at	31-Dec-13	%
Universal Enterprises Pvt Ltd	32,683,550	69.44
Estate of Late Mrs L R Panabokke	4,445,062	9.44
Mr J R De Silva	1,306,267	2.78
Mr M U Maniku	1,160,380	2.47
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
Gold Investments Ltd	286,848	0.61
Mr A W Nanayakkara	177,500	0.38
Sinhaputhra Finance Ltd	167,200	0.36
Mr K M Panabokke	164,000	0.35
National Savings Bank	133,300	0.28
Dee Investments Pvt Ltd	110,000	0.23
Mr. M S M Ali	104,538	0.22
Mr. R A L White	100,854	0.21
Mr J A Panabokke	72,400	0.15
Freudenberg Shipping Agencies Limited	70,546	0.15
Alliance Finance Company PLC	70,428	0.15
Mr. P Sivagananathan	70,000	0.15
Others	3,994,270	8.49
	<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-Dec-13	31-Dec-12
Ordinary shares	47,066,447	47,066,447
Preference Shares	11,660	11,660
<b>Net assets per share As at</b>	<b>31-Dec-13</b>	<b>31-Dec-12</b>
	19.70	19.42

Net assets per share have been calculated, for all periods, based on the number of shares in issue as at 31 December 2013.

<b>Market price per share</b>	2013	2012
For the quarter ended 31 December	Rs.	Rs.
Highest	18.20	25.50
Lowest	14.10	19.00
Last traded	16.00	21.00

**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.

The following Capital expenditure has been approved by board of Directors but not paid so far,

Generator Rs. 14Mn

Spa Rs. 10Mn

**Event after the reporting period**

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