

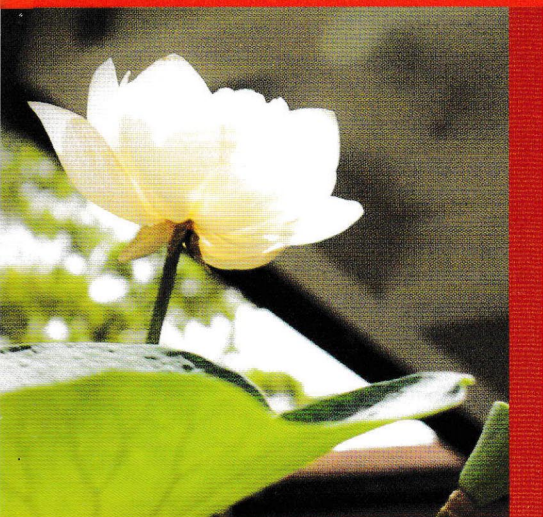


MAHAWELI REACH
SRI LANKA

ANNUAL REPORT 2012 - 2013

OUR WORLD REVOLVES AROUND YOURS





Over our 40 year journey,
we have witnessed tourism
emerging like the sun,
and we like flowers
reach up to it.



MAHAWELI REACH
SRI LANKA

CONTENTS

| | |
|---------------------------------------------|------------------|
| Vision and Mission | 2 |
| Four Decades On | 3-4 |
| Notice of Meeting | 5 |
| Hospitality Personified | 6 |
| Our People | 7-8 |
| Corporate Social Responsibility Initiatives | 9-12 |
| Corporate Governance | 13-17 |
| Statement of Directors' Responsibilities | 18 |
| Chairman's Review | 19-21 |
| Board of Directors | 22-24 |
| Report of the Directors | 25-27 |
| Twenty Largest Shareholders | 28 |
| Five Year Highlights | 29 |
| Remuneration Committee Report | 30 |
| Audit Committee Report | 31 |
| Independent Auditors' Report | 32 |
| Statement of Comprehensive Income | 33 |
| Statement of Financial Position | 34 |
| Statement of Changes in Equity | 35 |
| Statement of Cash Flows | 36 |
| Significant Accounting Policies | 37-49 |
| Notes to the Financial Statements | 50-66 |
| Proxy Form | 67-68 |
| Corporate Information | Inner Back Cover |





V I S I O N

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

M I S S I O N

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



As a lotus springs up through the muddy soil, seeking the sun and bringing beauty and joy to its surroundings, the Mahaweli Reach, so named due to the property being situated on a “reach” of the Mahaweli river being the straight stretch of water between two bends, commenced its journey four decades ago from its humble beginnings as the ancestral home of the Panabokke family which was then converted into a four roomed guest house and opened its doors to the then fledgling tourism industry.

A venture spawned from the entrepreneurial vision and indefatigable efforts of its founder late Mr. John Atul Panabokke, his wife, former chairperson late Mrs. Lalanawathie (Dolly) Ratwatte Panabokke and their sons, Jayantha, Mohan and Dihan, the forty years since its inception have witnessed the transformation of this property from its modest start to one of the premier tourist resorts of the hill capital, situated on the banks of the Mahaweli River amidst lush tropical gardens.

The journey has been arduous and risky, the milestones many. Under the stewardship of the late Mr. and Mrs. Panabokke and their sons Jayantha, the Managing Director, who is presently at the helm and Mohan, Director and former General Manager, the hotel product has been steadily developed.

In 1972, at the age of 44, late Mr. John Atul Panabokke bade good-bye to a 20 year career in tea planting, cherishing a dream of creating Kandy's finest hotel. His experience in estate management provided a useful background of business administration and an inbred elegance of manner and a gracious and genuine sense of natural hospitality helped guide him in developing this project. Few believed his venture would blossom into five-star magnificence. However, late Mr. Herbert Tennekoon, former Governor of the Central Bank, late Mr. William Tennekoon, former Governor of the Central Bank and former Chairman of the DFCC Bank, late Mr. N.S.O Mendis, former Chairman of Mackwoods Group of Companies, late Dr. Narayan Prasad, former Director of the IMF and late Mr. T. B. Panabokke, former Chairman of the Peoples' Bank were some of the eminent personalities of the time who supported and encouraged him in this endeavour. Many other personalities have over the years assisted the Company in its growth and are remembered with deep gratitude. The late Mrs. Panabokke, a Founding Director and the former Chairperson of the Company, remained a pillar of strength and fortitude as she oversaw the operations of the hotel in its early days of inception and later as the guiding hand behind the many reforms which took place in the Company. It is her generous spirit of warm hospitality and belief in extending a sincere welcome to all those who crossed her threshold that laid the foundations for the exemplary service standards which the hotel endeavours to emulate and which resonate in the hotel's mission to anticipate a guest's needs and deliver service from the heart.

Since commencing operations in 1973 as an “A” Grade Tourist Guest House with four rooms, the hotel was upgraded to a twenty-three roomed hotel in 1976. In 1982 the company, in a bold step for this era, was listed on the Colombo Stock Exchange and in 1983, with the addition of further rooms, became a fifty roomed two star hotel. During the darkest days encountered by the tourism industry in Sri Lanka, the hotel continued its operations despite the adverse conditions, providing employment to many youth of the region and in 1992, after the demise of late Mr. Atul Panabokke, the first steps towards realizing his vision of making Mahaweli Reach, the flagship resort were taken. In 1994, after extensive renovation, the hotel was re-opened in its present avatar of semi-colonial grandeur. With the dawn of the new millennium in the year 2000, it received the accolade of being the first five star resort in the hill capital. While the tourism industry in the country continued to experience obstacles, in 2003, as the Company was facing yet another challenge when the development bank which had financed the expansion demanded immediate repayment despite the industry being in dire straits, Mr. M. U. Maniku, a tourism pioneer and leading business personality in the Maldives and the current chairman of Mahaweli Reach Hotels PLC together with the other members of the Board of their family company, the Universal Group, one of the largest hotel operators in the Maldives, placed their confidence in the management and the organization and invested in the Company, entering into a strategic partnership with Mahaweli Reach, with the management of the hotel continuing to be carried out by the founding family members. They have continued to



support and encourage the initiatives to develop the organization along with the longstanding members of the Board of Directors of the Company who have provided invaluable guidance. After the advent of peace and the resurgence of tourism in the island, it is perhaps symbolic that the hotel has recorded its best ever results this year and is grateful to the stakeholders who have supported it throughout the years. The continuous upgrades to the property are ongoing and presently the hotel operates as a 112 roomed luxury resort with several more product enhancements in the pipeline. The hotel continues to blend the best of the past with the modern amenities of the present and with an eye on the future as evidenced in the ambience, architecture, technology, uniforms, and general demeanour of its people.

The ethos of the hotel continues to be delivery of personalized service of the highest standards with honesty and integrity. Adapting to new trends and challenges in its operating environment but staying true to its roots, Mahaweli Reach greatly values the spirit of family, tradition and values in all aspects of its operations and endeavours to inculcate these principles in all of its associates. It is perhaps a testament to this fact that the hotel has several employees who have been with the Company since its early days and who have grown with the Company, constantly updating their skills and who have contributed towards developing the features which make Mahaweli Reach unique and a place where everyone is encouraged to think as one family and introduce innovative practices and methods which transform Mahaweli Reach into the truly indigenous brand that it has become. As a leading member of its community, the Company remains conscious and committed towards its corporate responsibility to contribute to the community and the environment in which it operates. The hotel is constantly evolving both in terms of product and practices in its bid to remain the most sought after venue in the hill capital region.

Starting from its modest beginnings, in the face of an uncertain future, the Mahaweli Reach has triumphed over the many hardships encountered during its journey of four decades to become a trendsetter in the industry.

As the lotus survives through adversity to emerge in all its glory, it is anticipated that Mahaweli Reach will continue on its path of success.



NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Thirty Ninth 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 26th September 2013 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 2013 and the Report of the Auditors thereon.
2. To re-elect Mr. R. T. Molligoda 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. R. T. Molligoda who attained the age of seventy-six years and the Company has received special notice of intention in compliance with Law, relating to his re-election.
7. To re-elect Mr. R. T. Wijetilleke 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.
8. To re-elect Mr. R. Seevaratnam who attained the age of seventy years and the Company has received special notice of intention in compliance with Law, relating to his re-election.
9. To authorise the Board of Directors to determine contributions to charities and other donations.
10. To re-appoint Messrs. HLB Edirisinghe & Co. as Auditors and authorise the Directors to determine their remuneration.

By Order of the Board

BUSINESSMATE (Pvt.) Ltd.,
Secretaries

23rd August 2013
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.





Majestic architecture

Appealing character

Homely environment

Alluring surroundings

Welcoming nature

Elegant setting

Luxurious features

Indigenous brand

Radiant people

Epicurean Delights

Accessible location

Culture and traditions

Hearthwarming Hospitality

OUR PEOPLE

"The greatest achievement of the human spirit is to live up to one's opportunities and make the most of one's resources." - Marquis de Vauvenargues

An organization is only as good as its people and at Mahaweli Reach, we recognize that our human capital is one of our greatest assets. By developing and encouraging our team to reach greater heights both professionally and personally, we are investing in value addition not just to the organization but to the individuals concerned and thereby society at large.

At Mahaweli Reach, we are constantly striving to retain our position as a market leader and we believe that this status could only be maintained by ensuring exemplary service standards. Our team is required to adapt to an ever-changing environment, emerging opportunities, new trends and challenges. It is our view that we need to equip them with apt knowledge and skills and hone their talents to optimize their contribution and thereby ensure the best use of available resources to achieve optimal results.

We believe as stated by Ken Robinson that "Human resources are like natural resources; they're often buried deep. You have to go looking for them, they're not just lying around on the surface. You have to create the circumstances where they show themselves."

With this in mind, the hotel conducts continuous training & development programmes through internal & external trainers in our bid to improve service standards, product knowledge, proficiency in English and foreign languages and the overall development of individual personalities and encourages innovative initiatives by the teams.

The company has throughout the past year conducted continuous training programs to improve knowledge on food safety methods, health & safety initiatives such as First Aid Training & Training in Fire Fighting.



We also recognize that the motivation of employees and their retention is of great importance in our quest to maintain the highest service standards. Attrition of staff is a key challenge faced by our company and the industry as a whole. The exponential growth in the hotel industry has resulted in higher demand for skilled personnel making retention of trained staff more difficult.



OUR PEOPLE

We endeavour to create an environment which is more than a workplace for our team members and thereby encourage them to remain with the organization. The Company also recognizes and considers the welfare of our employees and has devised attractive benefits for the staff which are performance oriented to develop a mutually beneficial balance. Measures are also in place to provide assistance during times of personal strife. Exceptional performers are recognized and rewarded accordingly.

We promote our people to explore their different talents whether it be creatively or in the sphere of sports or otherwise.

It was indeed a proud moment for us and when our team emerged the winners of the Inter Hotel Netball Tournament organized by the Kandy Hoteliers Association.



The Company endorses healthy dialog among all tiers of staff and encourages our people to participate in the many operational & social activities hosted by the hotel. We advocate the sharing of opinions, ideas and suggestions which are an integral part of the Company's culture.

The Company places emphasis on the ability to identify the right talent, attract, recruit, develop and retain these talents and endeavours to formulate the best possible strategies in this respect, as we firmly believe that our human resources are intrinsic to the value of our organization.

Creating awareness about the industry among youth

A half day's programme was devised to provide 70 students of Henegama Central College studying Home Science, an overview of overall hotel operations. They were trained on the art of laying a table, making up a bedroom and shown the operations of the front office and kitchen. Upon the conclusion of the programme, a few students showed interest in selecting a career path in the hospitality industry.



Environmental consciousness

World Environmental Day

Our team members from all departments participated in a program organized by the company to commemorate World Environmental Day, creating an environmental consciousness and reaffirming our commitment to sustainable tourism.



National Tree Planting Day

In a bid to reduce the CO² emissions while also permeating the message of environmental preservation and consciousness, our team at Mahaweli Reach planted over fifty Kelanitissa saplings on the banks of the Mahaweli River to commemorate National Tree Planting Day. The heads of departments and Green Team members participated in the tree planting campaign and the Company continues to maintain this particular area in the heart of Katugastota town.



Social responsibility

World Elders' Day

Our staff actively participated when the Company hosted the residents of the Sarana Sevana Elders' Home, Kandy to tea and refreshments with the hope of brightening their world and showering them with care they so richly deserve in commemoration of World Elders' Day.



World Children's Day

World Children's Day was also celebrated on the same day together with our team members at Sigithi Uyana Childrens Home, Uplands, Kandy. Our Company has undertaken to maintain the garden of this home. Our green team members contributed by cleaning up the garden of this home and planting a number of colourful flower beds with the idea of making it a more pleasant and greener environment. Our people continuously visit the home and monitor the upkeep of the premises. This project helps to create an environmental consciousness amongst the young residents.



Christmas party for the children of the Sarana Sevana Children's Home

The Mahaweli Reach team hosted a Christmas party for the children of the Sarana Sevana Children's Home. It was a special and eventful day at the Hotel for these children entertained with DJ Music, Games & Fun, Surprises with the arrival of Santa Claus and a delicious buffet lunch. The Children were on the dance floor with Santa Claus all afternoon before they left after being provided afternoon tea, gifts & cupcakes to take away. This has been an annual gesture by the Hotel.



Community responsibility

Mahaweli Reach donated chairs for the waiting room for patients at the OPD section of the Katugastota Hospital in commemoration of the birthday of the late founder director Mrs. L. R. Panabokke. The management & staff are seen at the time of the presentation together with the Doctor-In-Charge & staff of the hospital.



Mahaweli Reach Hotels PLC (MRH) continues to be committed to conducting the Company's business ethically and in accordance with high standards of Corporate Governance.

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

We set out below the Corporate Governance practices adopted and practiced by MRH against the background of the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the Rules set out in Section 7 of the Listing Rules of the Colombo Stock Exchange.

BOARD OF DIRECTORS

Executive Directors:

Mr. J. A. Panabokke (Managing Director).

Non-Executive Directors:

Mr. M. U. Maniku, (Chairman), Mr. K. M. Panabokke, Mr. A. U. Maniku, Dr. I. U. Maniku, Mr. A. M. Didi, Mr. W. P. Hettiaratchi, Mr. A. Nooradeen and Mr. M. Mahir.

Non-Executive Independent Directors:

Mr. J. C. Ratwatte, Mr. R. T. Wijetilleke, Mr. R. T. Molligoda, Mr. A. N. Esufally and Mr. R. Seevaratnam.

The Board meets quarterly as a matter of routine. During the year under review, the Board met on three occasions. The attendance at these meetings were:

| | | |
|------------------------|--------------------------------------|-------|
| 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 | - 3/3 |
| 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. T. Wijetilleke | - Independent Non-Executive Director | - 3/3 |
| Mr. R. Seevaratnam | - Independent Non-Executive Director | - 1/3 |

Responsibilities:

The Directors of the Company are responsible for formulation of Company policy and overall business strategy. The implementation of policy and strategy is done in a framework that requires compliance with applicable laws and regulations as well as establishing best practices in dealing with employees, customers, suppliers and the community at large.

The annual capital expenditure budgets, non-budgeted capital expenditure, the annual budgeted operating statements require Board approval. The Board meets regularly to review performance and forecasts against



budget so as to take decisions in the best interests of the Company. Directors' Interests in contracts are regularly disclosed and such disclosure pertaining to year ended 31/03/2013 can be seen on page 27 in the Directors' Report.

The Board is responsible to ensure that adequate systems of internal controls to safeguard the assets of the Company are in place and proper records are maintained. However, any system can ensure only reasonable but not absolute assurance that errors and irregularities are prevented or detected within a reasonable time frame.

Managing Director

The Managing Director is responsible for the efficient conduct of Board meetings. The Managing Director maintains close contact with all Directors, and holds informal meetings with Non-Executive Directors as and when necessary.

Board Balance

The composition of the Executive and Non-Executive Directors (the latter are over one third of the total number of Directors) satisfies the requirements laid down in the Listing Rules of the Colombo Stock Exchange. The Board has determined that five Non-Executive Directors satisfy the criteria for "Independence" set out in the Listing Rules.

Of these 5 Directors, Mr. R.T. Molligoda and Mr. A.N. Esufally have been Directors of the Company for a period in excess of 10 years and have shareholdings of 1.33% and 0.7% respectively. However, it is the opinion of the Board that these factors do not impair their ability to act independently and that their experience and expertise is of great value to the Company.

Company Secretary

The services and advice of the Company Secretary are made available to Directors as necessary. The Company Secretary keeps the Board informed of new laws, regulations and requirements coming into effect which are relevant to them as individual Directors and collectively to the Board.

Financial Acumen

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

Supply of Information

Directors are provided with quarterly reports on performance, other reports and documents as and when necessary. The Managing Director ensures all Directors are adequately briefed on issues arising at meetings.

Appointment to the Board

The Board as a whole decides on the appointment of Directors.

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 Managing Director does not retire by rotation.

Remuneration Committee

The Company has its own Remuneration Committee. The Committee consists of three Independent Non-Executive Directors. During the year under review, the Remuneration Committee met once. The attendance at this meeting was:

| Members of the Remuneration Committee | | Attendance |
|----------------------------------------------|--------------------------------------|-------------------|
| Mr. J. C. Ratwatte (Chairman) | - Independent Non-Executive Director | - 1/1 |
| Mr. R. T. Wijetilleke | - Independent Non-Executive Director | - 1/1 |
| Mr. R. T. Molligoda | - Independent Non-Executive Director | - 1/1 |

The Remuneration Committee shall recommend the remuneration payable to the Executive Director and Chief Executive Officer to the Board. The Remuneration Committee report appears on page 30.



Constructive use of the Annual General Meeting

The active participation of shareholders at the Annual General Meeting (AGM) is encouraged. The Board believes the AGM is a means of continuing effective dialogue with shareholders.

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

Shareholders may bring up concerns they have, either with the Chairman, Managing Director or the Secretaries of the Company 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 18 of this report.

Going Concern

The Directors, after conducting 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.

Audit Committee

The Company constituted its own Audit Committee on the 26th of March 2009. The committee consists of three Independent Non-Executive Directors and one Non-Executive Director. The meetings were attended by the Managing Director and the Finance Officer by invitation when matters relating to the Company were taken up for discussion.

The committee has adopted a written charter for the Audit Committee and the Internal Audit Charter. The Terms of Reference of the Audit Committee are:

- (i) Ensuring the preparation, presentation and adequacy of disclosures in the financial statements, in accordance with Sri Lanka Accounting Standards.
- (ii) Ensuring the compliance with financial reporting requirements, information requirements of the Companies' Act and other relevant financial reporting related regulations and requirements.
- (iii) Overseeing the processes to ensure that the internal controls and risk management procedures are adequate, to meet the requirements of the Sri Lanka Auditing Standards.
- (iv) Assessment of the independence and performance of the external auditors.
- (v) To make recommendations to the Board pertaining to 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 achieve a balance between conformity and performance. During the year under review, the Audit Committee met on three occasions. The attendance at these meetings were:

| Members of the Audit Committee | | Attendance |
|-------------------------------------------------------------|--------------------------------------|------------|
| Mr. R. Seevaratnam (Chairman) | - Independent Non-Executive Director | 1/3 |
| Appointed Chairman w. e. f. 11 th February 2013. | | |
| Mr. R. T. Wijetilleke (Chairman) | - Independent Non-Executive Director | 3/3 |
| Chairman up to 11 th February 2013. | | |
| Mr. J. C. Ratwatte | - Independent Non-Executive Director | 3/3 |
| Mr. W. P. Hettiaratchi | - Non-Executive Director | 3/3 |

The Audit Committee recommends the appointment and fees of the External Auditors, having considered their independence and performance.

The Audit Committee Report appears on page 31.

Level of Compliance with the Listing Rules of the Colombo Stock Exchange

Level of Compliance with Section 7 of the Listing Rules of the Colombo Stock Exchange on Corporate Governance 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 30. |
| 7.10.3(b) | Disclosure relating to Directors | The basis for the Board to determine a Director as independent, if specified criteria for independence is not met | Given in this report under the heading of Board Balance on page 14. |
| 7.10.3(c) | Disclosure relating to Directors | A brief resumé of each Director should be included in the Annual Report including the areas of expertise | Please refer Page 22 to 24. |
| 7.10.3(d) | Disclosure relating to Directors | Forthwith provide a brief resumé of new Directors appointed to the Board with details specified in 7.10.3(d) to the Exchange | Brief resumés of all Directors provided to the Exchange. |
| 7.10.5 | Remuneration Committee | A listed Company shall have a Remuneration Committee | Company has formed a Remuneration Committee |
| 7.10.5(a) | Composition of Remuneration Committee | Shall comprise of Non-Executive Directors, a majority of whom will be independent | Remuneration Committee consists of three independent Non-Executive Directors. |

| Rule No. | Subject | Applicable Requirement | Level of Compliance |
|-----------|------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|
| 7.10.5(b) | Functions of Remuneration Committee | The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and Executive Directors | Please refer Remuneration Committee Report on page 30. |
| 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 14. |
| | | b) Statement of Remuneration policy | Please refer Remuneration Committee Report on page 30. |
| | | c) Aggregated Remuneration paid to Executive Directors & Non-Executive Directors | Please refer page 27. |
| 7.10.6 | Audit Committee | The Company shall have an Audit Committee | Company has formed an Audit Committee. |
| 7.10.6(a) | Composition of the Audit Committee | Shall comprise of Non-Executive Directors a majority of whom will be independent | Audit Committee consists of three independent Non-Executive Directors and one Non-Executive Director. |
| | | 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 | Two members of the Committee are members of a professional accounting body. |
| 7.10.6(b) | Audit Committee Functions | Should be as outlined in Section 7 of the listing rules | The terms of reference of the Audit Committee adopted by the Board are listed on page 15. |
| 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 16. |
| | | b) The Audit Committee shall make a determination of the independence of the Auditors and disclose such determination | Please refer Audit Committee Report on page 31. |
| | | c) The Annual Report shall contain a Report of the Audit Committee setting out the manner of compliance of the functions | Please refer Audit Committee Report on page 31. |



STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible under section 150(1), 151 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 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 with a view to preventing and detecting fraud and other irregularities.

The External Auditors, Ms. HLB Edirisinghe & Company re-appointed in terms of Section 158 of the Companies' Act No. 7 of 2007 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 32 sets out their responsibilities in relation to the Financial Statements.

Compliance Report

The Directors confirm to the best of their knowledge that 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

BUSINESSMATE (Pvt.) Ltd.,
Secretaries

45, Braybrooke Street, Colombo 2.
23rd August 2013





It is with great pleasure that I present to you the Annual Report and the financial statements for the financial year ended 31st March 2013.

The past year has seen many positive

features in the tourism industry in Sri Lanka while also posing challenges. The country was able to achieve the significant milestone of welcoming the millionth visitor to the island which is a step towards achieving the projected figures for the year 2016. However since the resurgence in tourism and the exponential growth experienced in 2011 and the previous years, the lowest growth rate in arrivals of 7.7% has been experienced in the first quarter of 2013. The star class hotels in the country, while experiencing some growth in the early part of the year, witnessed a tapering off in terms of occupancy levels towards the latter part of the period. This may be due to the more price-conscious travelers arriving in the island who do not patronize the star class establishments but prefer to utilize the informal accommodation options which are available and appear to be expanding. While it is necessary for the development of the industry to have a mix of travelers visiting the country and to be able to cater to different segments, we are yet to see the anticipated numbers of high yield travelers who will assist in increasing the revenue derived from tourism for the whole economy. It would also be important to implement more stringent regulation over the informal sector as it may cause reputational risk to the destination.

Further affecting the industry are the continuing economic woes in the European countries which are key generating markets for Sri Lanka. The prevailing conditions appear to have affected arrivals from this region as well as having a global impact. We have seen a decrease in the number of Indian travelers who were the largest single

nationality visiting the island. The Middle Eastern market which was showing signs of promise in the past years has also not experienced increased growth though the numbers being generated remain healthy. There has been marginal growth in the far-eastern markets and it remains a region which requires further focus and attention, especially in improving our abilities to cater to this clientele including in terms of matters of interest and equipping personnel with the language skills and awareness of cultural sensitivities. With the current economic constraints and price being one of the most important and most often the deciding factor in a traveler's choice of destination, it is imperative that Sri Lanka implements a cohesive destination marketing strategy highlighting the strengths of Sri Lanka which include the rich diversity in climate, culture and adventure which can be experienced during a short span of time and the value available for money spent. This will allow the island to compete with its regional competitors who continue to run effective global campaigns. This need becomes even more acute with new destinations such as Myanmar becoming more accessible in addition to the established regional competitors. As a destination, we have to ensure that we do not over price ourselves as currently, Sri Lanka appears to be more costly when compared with regional destinations.

In keeping with His Excellency the President's vision to make Sri Lanka an economic hub in the region, tourism has been projected as a thrust industry. The development in infrastructure which is presently taking place in the country has certainly had a positive effect on the industry. The Southern Expressway has demonstrated the manner in which such projects can boost development of not only the tourism industry but other industries as well and it is expected that the Katunayake Expressway will have similar results. Improved accessibility will provide impetus to developing Kandy as a destination especially in view of its central geographic location. His Excellency the President has expressed his interest in establishing Kandy as a hub and has proposed a domestic



airport for Kandy, which will no doubt make the area more attractive to high-yield travelers. The Colombo-Kandy highway on which work is due to commence soon and the added frequencies for the rail network will also be a boon to businesses in Kandy and the surrounding regions and encourage greater numbers of foreign and domestic travelers through its increased convenience. More focus on developing varied facilities and attractions in this region will also increase interest in the area.

In the past year, your hotel has recorded a profit after tax of Rs. 69 Million, compared to Rs. 7.9 Million last year. The financial statements have been prepared in conformity with the new Sri Lanka Accounting Standards.

Results in the forthcoming year are expected to be affected by the 40% wage increase mandated by the government and the increased energy costs. Escalating costs of consumer goods are also expected to affect the margins in the future as all cost escalations cannot be passed down to the customer. The hotel is taking all possible measures to mitigate the effects of these price increases including introducing more energy efficient mechanisms and cost effective procurement procedures.

The recent legislative changes in permitting hotels to maintain foreign currency accounts has been a positive move, thereby allowing hotels to utilize the foreign currency earned in the most beneficial manner. While the rupee appreciated in the latter part of the period under review, the higher room rates have offset the negative effects and it is hoped that these rates may be sustained in the coming years. However, the decrease in occupancy levels and the resulting actions by competitors in decreasing prices may pressurize all hotels to reduce rates. New properties being introduced to the market is also increasing competition and may compel a revision of rates. The hotel is also focusing on strengthening our online presence through an updated website and agreements with several recognized internet booking engines as research indicates that most travelers now rely on the

internet as a primary source for making travel plans. Your hotel is continuing the process of refurbishing and upgrading the property, especially in view of the impending introduction of new properties into the market. Some of the capital improvements have been necessitated by the age of the property and the need for more energy efficient equipment. Product enhancements and additions are also prerequisites for discerning tourists. These refurbishments and upgrades are being carried out mainly through generated funds in order to manage the finance costs as costs for new borrowings have been increasing. The climbing costs of construction and materials continue to have an impact on the results.

As a Company that promotes innovation, the hotel now operates several outlets in and around Kandy promoting the laundry services provided by the hotel and take-away food items which have developed a significant clientele. Café M, which was launched with the intention of introducing the coffee house concept to Kandy has been showing steady growth. There is potential for the development of this concept with further outlets in the future.

During the year, the hotel also achieved the ISO 22000:2005 Food Safety Assurance Certification which signifies that the procedures followed at the hotel in relation to food safety, conform to internationally-accepted standards.

The hotel has adopted an environmental policy and has implemented several environmentally-friendly measures in our efforts to curb the impact of our operations on the environment.

A hurdle faced by all hotels in the country remains the dearth of skilled personnel both in terms of professional skills and language skills and a lack of training institutions able to prepare people equipped for the needs of the industry. It is hoped that the renewed emphasis on training will result in more training institutes with curricula taking account of modern trends and techniques. The increased number of hotels coming into the

market is leading to higher attrition levels among trained staff which continues to be an issue as well. However, the hotel is continuously engaged in training our personnel and updating their knowledge and skill levels. We are also constantly evaluating staff levels with the goal of achieving optimum efficiency. We also endeavor to provide our associates opportunities to progress within the organization. The hotel carries out regular fire safety and first aid training and drills to ensure that our personnel are equipped to handle emergencies both at work and in their homes.

Your Company is firmly committed towards contributing to the community in which we operate and have throughout the year carried out several projects in which the organization and our personnel have donated their time, efforts and resources. Details of the projects under-taken by the Company are stated from page 9 to 12.

On behalf of the Company, I take this opportunity to express our gratitude to our loyal clients and travel partners for their continued patronage and trust that they will continue to use Mahaweli Reach as their preferred hotel, to our bankers and suppliers for their support and co-operation which has been invaluable.

Our sincere appreciation to the Managing Director and the entire team at Mahaweli Reach. It is this team's dedication and commitment to excellence which has allowed the property to retain and increase its market share even in difficult times.

I wish to welcome Mr. Ranjeevan Seevaratnam to the Board. I am grateful to all my colleagues on the Board for your guidance and leadership which has helped to steer the company.

To our valued shareholders, I wish to say a heartfelt thank you, for the confidence placed in the management and for your continued support.

Your hotel embarks on its 40th year of operations in the coming year and will no doubt face many new challenges. We hope that as in the past, with foresight and preparation, we will be able to overcome any obstacles which are encountered in the future.

Mr. M. U. Maniku

Chairman

23rd August 2013



Mr. M. U. Maniku (Chairman)

Non-Executive Director

Mr. Mohamed U. Maniku was appointed to the Board on 27th February 2003 and was appointed Chairman with effect from 31st May 2012. He is a holder of a Masters Degree in Agriculture from the University of Bangladesh. Mr. Maniku has over 40 years experience in the hospitality Industry. He is considered 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. J. A. Panabokke (Managing Director)

Executive Director

Mr. Jayantha A. Panabokke has over 36 years management experience in the hospitality industry and has been a member of the Board of Directors of Mahaweli Reach Hotels PLC since 1988 and has functioned as its Managing Director since 1992. He currently represents Sri Lanka on the Executive Board of the Pacific Asia Travel Association (PATA), and is a member of the Council of Governors of the Sri Lanka Business Development Centre. He is a Director of Mahaweli Hotel Management Services (Pvt) Limited and of Mowbray Hotels Ltd. He has also been a former Member of the Board of the Sri Lanka Tourist Board and Chairman of the PATA Sri Lanka Chapter. In addition, he has in the past been appointed Vice President of the Tourist Hotels Association of Sri Lanka, President of the Kandy Hoteliers Association, Director of the Chamber of Commerce & Industry of the Central Province and a Director of the Sri Lanka Institute of Tourism & Hotel Management.

Mr. K. Mohan Panabokke

Non-Executive Director

Mr. K. Mohan Panabokke has over 30 years experience in the hospitality industry and functioned as General Manager of Mahaweli Reach Hotel from 1992 to 2007. He was appointed an alternate Director of the company on 27th September 1996 and was appointed a Director with effect from 5th June 2012. He is a graduate of the Ceylon Hotel School and also the Chairman / Managing Director of Unique Road Hauliers (Pte) Ltd. He is also the present Basnayake Nilame of the Sri Maha Vishnu Devalaya in Kandy and of the Dedimunda Devalaya in Aluth Nuwara. He currently serves on the Board of the Sri Lanka International Buddhist Academy.

Mr. 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 30 years experience in Sri Lanka and overseas and has been in the forefront of the leisure industry in Sri Lanka. He is the Honorary Consul General for Bhutan in Sri Lanka and an All-Island Justice of the Peace. He is also a Director of several other companies including Hemas Holdings PLC, Dolphin Hotels PLC, Hotel Sigiriya PLC, Serendib Hotels PLC and Printcare PLC.

Mr. A. U. Maniku

Non-Executive Director

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

Dr. I. U. Maniku

Non-Executive Director

Dr. Ibrahim U. Maniku was appointed to the Board on 27th February 2003. He is a Director of Universal Enterprises Pvt. Ltd., of Maldives.

Mr. A. M. Didi

Non-Executive Director

Mr. Ahamed Mahir Didi was appointed to the Board on 27th February 2003. He is the Director - Sales and Marketing of Universal Enterprises Pvt. Ltd., Maldives. He has over 30 years experience in Resort Management specializing in Marketing and the promotion of Maldives and the Universal Resorts portfolio around the world. He is also responsible for Universal Travel Services. He is a Director of Silhouette Island Resort and Rocher Marketing and Hospitality Supplies of Seychelles. Mr. Ahamed Mahir Didi is the Honorary Consul for Russia in the Republic of Maldives.

Mr. W. P. Hettiaratchi

Non-Executive Director

Mr. W. Priyantha Hettiaratchi was appointed to the Board on 27th February 2003. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. He has been employed by Universal Resorts, Maldives since 1998 and at present heads the Group's operations in Sri Lanka. He is also the Managing Director of The British School in Colombo, CEO/Director of Lanka Valiant Developers Pvt. Ltd., and is the alternate Director to Mr. M. U. Maniku at Royal Palms PLC. He counts over 22 years experience & exposure in the areas of the soft drinks industry, hospitality, tourism & school operations.

Mr. A. Nooradeen

Non-Executive Director

Mr. Ali Nooradeen was appointed to the Board on 15th June 2004. He is a Director of Universal Enterprises Pvt Ltd.

Mr. M. Mahir

Non-Executive Director

Mr. M. Mahir was appointed to the Board on 15th June 2004. He has over 26 years experience in the tourism industry. He is the Director in Charge for Procurement of Supplies for the resorts owned by the Universal Group.

Mr. J. C. Ratwatte

Independent Non-Executive Director

Mr. J. Charitha Ratwatte is a holder of a Bachelor of Law Degree from the University of Ceylon, Colombo and is an Attorney of Law with over 40 years experience. He also holds a Postgraduate 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, private social enterprise. He



has been a member of the Committee of the Ceylon Chamber of Commerce, by invitation, since 1995. He serves on the Board of Directors of several companies, mainly in the leisure business. He has been a Lecturer and Examiner in Constitutional Law in Sri Lanka and a Resource Person on Disaster Management to the Asian Disaster Management Center of the Asian Institute of Technology, Bangkok.

Mr. Rienzie T. Wijetilleke

Independent Non-Executive Director

Mr. Wijetilleke has been a Director of the Company since early 2008. He retired in 2011 as the Chairman of Hatton National Bank. In November 2010, he celebrated his 50 years as a Practicing Banker.

He is a Fellow Member of the Chartered Institute of Bankers, United Kingdom, a Fellow Member of the Institute of Bankers, Sri Lanka and a Companion of the Chartered Management Institute, United Kingdom.

Mr. Wijetilleke is also a Director of several other companies. He is also the former Chairman and a Director of the Colombo Stock Exchange.

Mr. R. Seevaratnam

Independent Non-Executive Director

Mr. R. Seevaratnam was appointed a Director with effect from 5th June 2012. He is a graduate of the University of London and a Fellow Member of the Institute of Chartered Accountants of England and Wales and a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. He was a senior Partner of KPMG Ford Rhodes Thornton & Company. At present, he is a Non-Executive Independent Director of a number of Public Quoted Companies.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY - FOR YEAR 2012/13.

The Directors are pleased to present their report together with the audited Financial Statements for the year ended 31st March 2013. The details set out herein provide the pertinent information in compliance with the 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 2013, 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 33 to 66.

Auditor's Report

The Auditor's Report on the Financial Statements of the Company is given on page 32.

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 2.2 to the Financial Statements.

Stated Capital

The Stated Capital is the total of the amounts received by the Company in respect of the issue of Shares.

The Stated Capital of the Company as at 31st March 2013 consists of 47,066,447 ordinary shares and 11,660 Preference shares totaling to Rs. 585,562,470/-. There was no change in the Stated Capital during the year.

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 14 to the Financial Statements.



Directorate

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

| Directors as at 31st March 2013 | Remarks |
|------------------------------------|------------------------------------|
| MR. MOHAMED UMAR MANIKU | NON-EXECUTIVE DIRECTOR |
| MR. RAJA TISSA MOLLIGODA | INDEPENDENT NON-EXECUTIVE DIRECTOR |
| MR. ABBASALLY NURUDDIN ESUFALLY | INDEPENDENT NON-EXECUTIVE DIRECTOR |
| MR. JAYANTHA ATUL PANABOKKE | EXECUTIVE DIRECTOR |
| MR. KSHUDIRAM MOHAN PANABOKKE | NON-EXECUTIVE DIRECTOR |
| MR. AHAMED UMAR MANIKU | NON-EXECUTIVE DIRECTOR |
| DR. IBRAHIM UMAR MANIKU | NON-EXECUTIVE DIRECTOR |
| MR. AHAMED MAHIR DIDI | NON-EXECUTIVE DIRECTOR |
| MR. WAJJIYA PRIYANTHA HETTIARATCHI | NON-EXECUTIVE DIRECTOR |
| MR. ALI NOORADEEN | NON-EXECUTIVE DIRECTOR |
| MR. MOHAMED MAHIR | NON-EXECUTIVE DIRECTOR |
| MR. JAYAMPATHY CHARITHA RATWATTE | INDEPENDENT NON-EXECUTIVE DIRECTOR |
| MR. RIENZIE THEOBALD WIJETILLEKE | INDEPENDENT NON-EXECUTIVE DIRECTOR |
| MR. RANJEEVAN SEEVARATNAM | INDEPENDENT NON-EXECUTIVE DIRECTOR |

Directors

Messrs R. T. Molligoda, I. U. Maniku, A. M. Didi, and W. P. Hettiaratchi 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-six years on 2nd February 2013 retire 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 offer themselves for re-election and this is recommended by the Board.

Mr. R. T. Wijetilleke, who attained the age of seventy three years on 12th November 2012 retire 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. Wijetilleke, who being eligible offer themselves for re-election and this is recommended by the Board.

Mr. R. Seevaratnam, who attained the age of seventy years on 24th September 2013 retire 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 offer themselves for re-election and this is recommended by the Board.

Directors Shareholdings

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

| | As at 31st March 2012 | As at 31st March 2013 |
|----------------------|--------------------------|--------------------------|
| Mr. J. A. Panabokke | 520,388 | 520,388 |
| Mrs. L. R. Panabokke | 4,369,062 | - |
| Mr. A. N. Esufally | 332,000 | 332,000 |
| Mr. R. T. Molligoda | 626,200 | 626,200 |
| Mr. M. U. Maniku | 1,160,380 | 1,160,380 |
| Mr. K. M. Panabokke | - | 170,519 |



Directors' Remuneration and other benefits

The Directors' Remuneration and other benefits from the Company during the Financial year 2012/2013 is Rs. 9,967,356/-.

Interests Register

The particulars of entries in the Interests Register and the Directors' Interests in the Contracts of the Company are disclosed under Note 28 to the Financial Statements contained herein.

The Directors are not either directly or indirectly interested in any existing or proposed contracts with the Company other than what is disclosed in the Financial Statements.

Post Balance Sheet Events

No circumstances of significance have arisen since the Balance Sheet date, which would require adjustments to or disclosure in the Financial Statements.

Donations

The total amount of Donations made by the company during the Financial Year is Rs. 141,928/-.

Auditors

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

The amounts payable by the Company to the Auditors as audit fees is Rs. 260,700/-.

The fees payable by the Company for other services provided by the Auditors are:

| Nature of Service | Fees Payable |
|-----------------------------|--------------|
| Tax work and other services | Nil |

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

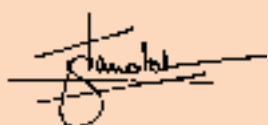
Employee Share Ownership

The Company does not operate any share option scheme.

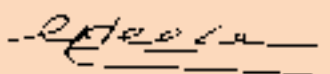
Going Concern

The Directors have made an assessment and have a reasonable expectation of the Company's ability to continue as a going concern and do not intend either to liquidate or to cease operations of the Company in the foreseeable future.

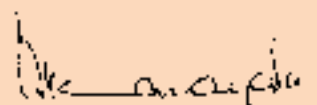
BY ORDER OF THE BOARD.



J. A. Panabokke
Director



W. P. Hettiaratchi
Director



BUSINESSMATE (Pvt.) Ltd.,
Secretaries.

23rd August 2013



TWENTY LARGEST SHAREHOLDERS

| Name of Shareholder | 31.03.13 | | 31.03.12 | |
|--------------------------------------------|---------------|-----------|---------------|-----------|
| | 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 | 4,369,062 | 9.29 |
| 03. Mr. M. U. Maniku | 1,160,380 | 2.46 | 1,160,380 | 2.46 |
| 04. Mr. J. R. De Silva | 1,069,150 | 2.27 | 381,767 | 0.82 |
| 05. Mr. R. T. Molligoda | 626,200 | 1.33 | 626,200 | 1.33 |
| 06. Mercantile Investments and Finance PLC | 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. Gold Investments Ltd. | 286,848 | 0.61 | 1,200,048 | 2.55 |
| 10. Rosewood (Pvt.) Ltd. | 200,000 | 0.42 | 64,200 | 0.14 |
| 11. Mr. A. W. Nanayakkara | 175,000 | 0.37 | 175,000 | 0.37 |
| 12. Sinhaputhra Finance Ltd. | 167,200 | 0.35 | 167,200 | 0.35 |
| 13. Mr. K. M. Panabokke | 164,000 | 0.35 | 131,000 | 0.28 |
| 14. National Savings Bank | 133,300 | 0.28 | 133,300 | 0.28 |
| 15. Dee Investments (Pvt.) Ltd. | 110,000 | 0.24 | 110,000 | 0.24 |
| 16. Mr. R. A. L. White | 103,000 | 0.22 | - | - |
| 17. Mr. P. Sivagananathan | 100,000 | 0.21 | - | - |
| 18. Alliance Finance Company PLC | 69,100 | 0.15 | 69,100 | 0.15 |
| 19. Mr. J. A. Panabokke | 64,900 | 0.14 | 64,900 | 0.14 |
| 20. Mr. V. K. Hirdaramani | 60,300 | 0.13 | - | - |

SHAREHOLDINGS

| | 31.03.13 | | 31.03.12 | |
|--------------|--------------------|---------------|--------------------|---------------|
| | No. of Shares held | Holding % | No. of Shares held | Holding % |
| Others | 35,493,037 | 75.41 | 39,825,247 | 84.61 |
| Public | 11,573,410 | 24.59 | 7,241,200 | 15.39 |
| Total | 47,066,447 | 100.00 | 47,066,447 | 100.00 |

Shareholders/Investors Information

Details of Shareholding

| No. of Shareholders | Holdings | Total Holdings | 31.03.13 | % | 31.03.12 | % |
|---------------------|-------------|----------------------|-------------------|----------------|-------------------|----------------|
| 31.03.13 | 31.03.12 | | | | | |
| 1,445 | 1419 | Less Than 500 | 335,864 | 0.71% | 483,350 | 1.03% |
| 889 | 701 | 500 to 5,000 | 1,229,389 | 2.61% | 1,496,354 | 3.18% |
| 77 | 83 | 5,001 to 10,000 | 604,960 | 1.28% | 634,902 | 1.35% |
| 34 | 44 | 10,001 to 20,000 | 458,335 | 0.97% | 783,926 | 1.66% |
| 21 | 13 | 20,001 to 30,000 | 479,193 | 1.02% | 351,422 | 0.75% |
| 10 | 6 | 30,001 to 40,000 | 342,899 | 0.73% | 169,321 | 0.36% |
| 0 | 0 | 40,001 to 50,000 | 0 | 0.00% | 0 | 0.00% |
| 14 | 9 | 50,001 to 100,000 | 814,115 | 1.73% | 532,461 | 1.13% |
| 11 | 10 | 100,001 to 1,000,000 | 3,388,652 | 7.20% | 3,201,671 | 6.80% |
| 4 | 4 | Over 1,000,000 | 39,413,040 | 83.74% | 39,413,040 | 83.74% |
| 2505 | 2289 | | 47,066,447 | 100.00% | 47,066,447 | 100.00% |



FIVE YEAR HIGHLIGHTS

| OPERATING RESULTS | | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 |
|--------------------------------------|----------|-----------|-----------|----------|-----------|-----------|
| Occupancy | % | 41 | 47 | 61 | 57 | 61 |
| Gross Revenue | (Rs.000) | 262,596 | 279,030 | 391,017 | 449,107 | 594,911 |
| Interest Charges | (Rs.000) | (24,828) | (20,169) | (11,670) | 14,850 | (19,350) |
| Depreciation | (Rs.000) | (22,920) | (21,220) | (20,322) | (32,416) | (35,648) |
| Profit & Loss before Interest | (Rs.000) | 13,229 | 21,449 | 54,584 | 28,336 | 111,161 |
| after Interest | (Rs.000) | (11,600) | 1,280 | 42,914 | 13,139 | 91,811 |
| ASSETS EMPLOYED | | | | | | |
| Non-Current Assets | (Rs.000) | 560,437 | 611,460 | 982,214 | 1,026,833 | 1,051,051 |
| Net Current Assets/ (Liabilities) | (Rs.000) | (50,259) | (41,362) | (17,243) | 1,404 | 31,263 |
| SHAREHOLDERS' FUNDS | | | | | | |
| Stated Capital | - | - | - | - | - | - |
| - Ordinary Shares | (Rs.000) | 585,445 | 585,445 | 585,445 | 585,445 | 585,445 |
| - Preference Shares | (Rs.000) | 117 | 117 | 117 | 117 | 117 |
| Ordinary Share Capital | (Rs.000) | - | - | - | - | - |
| Preference Shares | (Rs.000) | - | - | - | - | - |
| Net Reserves | (Rs.000) | (154,685) | (121,310) | 253,046 | 260,992 | 330,047 |
| Non-Current Liabilities | (Rs.000) | 79,300 | 105,846 | 126,362 | 181,681 | 166,704 |
| Market Value per share | Rs. Cts | 12.50 | 22.00 | 34.00 | 25.20 | 19.70 |
| Net Assets per share | Rs. Cts | 9.15 | 9.86 | 17.81 | 17.97 | 19.45 |
| Dividend per share | Rs. Cts | - | - | - | - | - |
| Earnings per share | Rs. Cts | (0.25) | 0.71 | 0.99 | 0.16 | 1.47 |
| Year-on-Year Growth | | | | | | |
| - in Earnings per share | % | 48 | 384 | 39.43 | (83) | 765 |
| - in Divident per share | % | - | - | - | - | - |
| Price Earning Ratio | - | - | 31 | 34.34 | 148.24 | 13.40 |
| Borrowing as a % of | | | | | | |
| Total Assets | % | 15 % | 13% | 7.89% | 13.10% | 10.77% |
| Interest Cover | Times | nil | 1.06 | 4.68 | 1.91 | 5.74 |

Highest and lowest value per share

The highest value per share traded during the year is Rs. 27.90 and the lowest value per share traded during the year is Rs. 16.40 and the market value per share as at 31st March 2013 is Rs. 19.70.

The Company has not raised funds on listed securities.



The Remuneration Committee appointed by and responsible to the Board of Directors comprise of three Non-Executive Independent Directors' one of whom functions as the Chairman of the Committee.

Members of the Remuneration Committee are;

| | |
|-------------------------------|--------------------------------------|
| Mr. J. C. Ratwatte (Chairman) | - Independent Non-Executive Director |
| Mr. R. T. Wijetilleke | - Independent Non-Executive Director |
| Mr. R. T. Molligoda | - Independent Non-Executive Director |

Brief profiles of the members are given on pages 22 to 24.

The three Non-Executive Independent Directors are independent of management and free from any business or other relationship which would otherwise interfere with the exercise of their independent judgement. The Managing Director and The Company Secretary attend the meetings by invitation.

The Remuneration Committee formally met once during the year under review. Attendance of the Committee members at this meeting is given on page 14.

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

The objective of the Remuneration Committee is to ensure that the Compensation Policy of the Company is consistent and aligned with market reality (the Policy is to attract and retain qualified and competent personnel), and also to recommend the remuneration payable to the Executive Director and Chief Executive Officer of the Company.

Mahaweli Reach Hotels PLC has complied with the policies and procedures set out by the Remuneration Committee.

J. C. Ratwatte
Chairman - Remuneration Committee
23rd August 2013



Composition of the Audit Committee

The Audit Committee appointed by and responsible to the Board of Directors comprises of three Independent Non-Executive Directors and one Non-Executive Director. Mr. R. T. Wijetilleke who was the Chairman of the Committee stepped down from that position w. e. f. 11th February 2013, making way for Mr. R. Seevaratnam, Chartered Accountant, to become the Chairman from that day. Mr. R. T. Wijetilleke continues to serve on the Committee as a member.

The following members serve on the Audit Committee:

- Mr. R. Seevaratnam - Independent Non-Executive Director
Appointed Chairman w. e. f. 11th February 2013.
- Mr. R. T. Wijetilleke - Independent Non-Executive Director
Chairman up to 11th February 2013.
- Mr. J. C. Ratwatte - Independent Non-Executive Director
- Mr. W. P. Hettiaratchi - Non-Executive Director

Brief profiles of the members are given on pages 22 to 24.

Meetings and Attendance

The Audit Committee met on three occasions during the year ended 31st March 2013. Attendance of the Committee members at each of these meetings are given on page 16. The Managing Director, The Financial Controller, The Company Secretary and The Internal Auditor attended the meetings by invitation.

Financial Reporting

The Audit 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 Audit Committee also monitors the timely payments of all statutory obligations.

Internal Controls

The Audit Committee discharged its duties by reviewing and discussing the Audit Reports submitted by the Internal Auditor. The Audit Committee having reviewed these reports using their extensive experience and expertise, recommended additional controls and risk mitigation strategies that could be implemented to strengthen the existing internal control system, thus minimizing the possibility of occurrence and impact of fraud, errors, operational and financial risks faced by the company.

The Committee is empowered to examine any matter relating to the financial reporting systems, and its internal and external audits. Its duties include detailed reviews of financial statements, internal control procedures, accounting policies and compliance with accounting standards. It also reviews the adequacy of systems for compliance with the relevant legal, regulatory and ethical requirements, and company policies.

The Audit Committee is satisfied that the control environment prevailing in the organization provides reasonable, but not absolute assurance that the financial position of the company is satisfactory and that the systems are in place to minimize the impact of identifiable risks.

External Audit

The Audit Committee reviewed the services provided by the External Auditors to the Company to ensure their independence as Auditors has not been compromised.

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 had determined that Auditors are independent.

The Audit Committee, having evaluated the independence and performance of the external auditors, decided to recommend to the Board of Mahaweli Reach Hotels PLC, the re-appointment of Messrs HLB Edirisinghe & Co., as auditors of the Company for the current financial year subject to the approval of the shareholders at the Annual General meeting.

R. Seevaratnam
Chairman - Audit Committee

23rd August 2013





INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF MAHAWELI REACH HOTELS PLC

We have audited the accompanying Financial Statements of Mahaweli Reach Hotels PLC, which comprise the Statement of Financial Position as at March 31st 2013, and Statements of Comprehensive Income, Changes in Equity and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

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 plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall Financial Statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended March 31st 2013 and the Financial Statements give a true and fair view of the Financial Position of the Company as at March 31st 2013 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

These Financial Statements also comply with the requirements of section 151(2) of the Companies Act No. 07 of 2007.

HLB Edirisinghe & Co.
Chartered Accountants
Colombo
21st August 2013



45, Braybrooke Street, Colombo 02, Sri Lanka. Telephone: +94 11 2433933 Facsimile: +94 11 2445683, E-mail: info@hlblk.com

A.D. Jayasena FCA, Partner; P.P. Edirisinghe FCA, ACIM, MBA, Partner;

Ms. N.G.D.C.K. de Silva Jayawardane FCA, Partner; Ms. K.K. Karunaratne ACA, ACMA, Partner; P.K.A.M. Alahakoon ACA, MAAT, Partner

A.T.P. Edirisinghe FCMA, FCA, Consultant/Advisor

/HLB Edirisinghe & Co is a member of International. A world-wide organisation of accounting firms and business advisers.



STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2013

| | Notes | 2012/2013 Rs. | 2011/2012 Rs. |
|------------------------------------------------|-------|--------------------|--------------------|
| Revenue | 8 | 560,464,571 | 424,910,717 |
| Cost of Sales | | (210,992,291) | (172,275,656) |
| Gross Profit | | <u>349,472,280</u> | <u>252,635,061</u> |
| Other Operating Income | 9 | 34,446,046 | 24,196,624 |
| Administrative Expenses | | (197,500,332) | (166,023,300) |
| Marketing & Promotion Costs | | (20,475,806) | (17,268,208) |
| Other Cost | | (49,936,316) | (59,219,490) |
| Operating Profit | | <u>116,005,872</u> | <u>34,320,687</u> |
| Finance Cost | 11 | (24,194,627) | (20,834,296) |
| Profit before Tax | 10 | 91,811,245 | 13,486,391 |
| Income Tax Expense | 12 | (22,756,228) | (5,540,888) |
| Profit for the Year | | <u>69,055,016</u> | <u>7,945,503</u> |
| Other Comprehensive Income | | - | - |
| Total Comprehensive Income For The Year | | <u>69,055,016</u> | <u>7,945,503</u> |
| Earnings Per Share (Basic) - Rs.Cts. | 13 | 1.47 | 0.17 |

The Significant Accounting Policies and Notes on pages 37 to 66 are an integral part of these Financial Statements.



STATEMENT OF FINANCIAL POSITION

For the year ended 31st March 2013

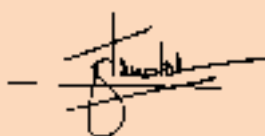
| | Notes | 31.03.2013 | 31.03.2012 | 01.04.2011 |
|-------------------------------------|-------|-----------------------------|-----------------------------|-----------------------------|
| | | Rs. | Rs. | Rs. |
| ASSETS | | | | |
| Non-Current Assets | | | | |
| Property, Plant & Equipment | 14 | 1,007,501,937 | 977,842,348 | 931,585,239 |
| Deferred Tax Assets | 15 | 43,548,882 | 48,990,743 | 50,629,743 |
| | | <u>1,051,050,819</u> | <u>1,026,833,091</u> | <u>982,214,982</u> |
| Current Assets | | | | |
| Inventories | 16 | 24,791,515 | 22,608,000 | 21,351,096 |
| Trade and Other Receivables | 17 | 108,236,632 | 82,635,722 | 70,540,348 |
| Income Tax Refund Due | 24 | - | 2,019,691 | 1,292,804 |
| Cash and Cash Equivalents | 18 | 14,182,426 | 6,043,540 | 2,141,361 |
| | | <u>147,210,573</u> | <u>113,306,953</u> | <u>95,325,610</u> |
| Total Assets | | <u><u>1,198,261,392</u></u> | <u><u>1,140,140,044</u></u> | <u><u>1,077,540,592</u></u> |
| EQUITY AND LIABILITIES | | | | |
| Capital and Reserves | | | | |
| Stated Capital | 19 | 585,562,470 | 585,562,470 | 585,562,470 |
| Capital Reserves | | 417,122,058 | 417,122,058 | 417,122,058 |
| Retained Earnings | | (87,074,564) | (156,129,580) | (164,075,083) |
| Total Equity | | <u>915,609,964</u> | <u>846,554,948</u> | <u>838,609,445</u> |
| Non-Current Liabilities | | | | |
| Deferred Tax Liabilities | 15 | 46,332,944 | 39,339,550 | 38,895,950 |
| Retirement Benefit Obligation | 20 | 24,382,752 | 23,449,861 | 21,769,838 |
| Interest Bearing Borrowings | 21 | 95,988,642 | 118,892,380 | 65,696,729 |
| | | <u>166,704,338</u> | <u>181,681,791</u> | <u>126,362,517</u> |
| Current Liabilities | | | | |
| Trade and Other Payables | 22 | 44,254,122 | 61,799,900 | 60,275,830 |
| Due to Related Parties | 23 | 32,575,649 | 19,311,941 | 13,309,620 |
| Income Tax Liabilities | 24 | 6,108,131 | - | - |
| Interest Bearing Borrowings | 21 | 33,009,188 | 30,791,464 | 38,983,181 |
| | | <u>115,947,090</u> | <u>111,903,305</u> | <u>112,568,631</u> |
| Total Liabilities | | <u>282,651,428</u> | <u>293,585,096</u> | <u>238,931,147</u> |
| Total Equity and Liabilities | | <u><u>1,198,261,392</u></u> | <u><u>1,140,140,044</u></u> | <u><u>1,077,540,592</u></u> |

I certify that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

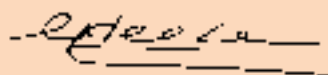


Sumith Yaddehige
Finance Officer

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 Significant Accounting Policies and Notes on pages 37 to 66 are an integral part of these Financial Statements.

21-Aug-13

Colombo



STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2013

| | Stated Capital Rs. | Preference Shares Rs. | Retained Earnings Rs. | Capital Reserve Rs. | Total Rs. |
|-------------------------------------------------|--------------------------|-----------------------------|-----------------------------|---------------------------|--------------------|
| Balance as at 1 st April 2011 | 585,445,870 | 116,600 | (164,075,083) | 417,122,058 | 838,609,445 |
| Profit for the year | - | - | 7,945,503 | - | 7,945,503 |
| Other Comprehensive Income | - | - | - | - | - |
| Total Comprehensive Income For The Year | 585,445,870 | 116,600 | (156,129,580) | 417,122,058 | 846,554,948 |
| Balance as at 31st March 2012 | 585,445,870 | 116,600 | (156,129,580) | 417,122,058 | 846,554,948 |
| Profit for the year | - | - | 69,055,016 | - | 69,055,016 |
| Other Comprehensive Income | - | - | - | - | - |
| Total Comprehensive Income For The Year | 585,445,870 | 116,600 | (87,074,564) | 417,122,058 | 915,609,964 |
| Balance as at 31st March 2013 | 585,445,870 | 116,600 | (87,074,564) | 417,122,058 | 915,609,964 |

The accounting policies and notes on pages 37 through 66 form an integral part of the Financial Statements.



STATEMENT OF CASH FLOWS

For the year ended 31st March 2013

| | 31.03.2013 | 31.03.2012 |
|-------------------------------------------------------------------|--------------------------|-------------------------|
| | Rs. | Rs. |
| Cash Flows Generated from Operating Activities | | |
| Profit/(Loss) Before Taxation | 91,811,245 | 13,486,391 |
| Adjustment for : | | |
| Depreciation | 35,648,246 | 32,416,384 |
| Lease Interest | 2,019,938 | 624,204 |
| Interest Expenses | 19,349,861 | 14,850,220 |
| Provision for Gratuity | 3,135,591 | 2,388,861 |
| Impairment provision for bad debts | 1,463,150 | 3,789,071 |
| Operating Profits Before Working Capital Changes | <u>153,428,031</u> | <u>67,555,132</u> |
| (Increase)/Decrease in Inventories | (2,183,515) | (1,256,904) |
| (Increase)/Decrease in Trade and Other Receivables | (27,064,060) | (15,884,445) |
| Increase/(Decrease) in Trade and Other Payables | (17,545,778) | 1,524,070 |
| Increase/(Decrease) in Related Party Balances | 13,263,708 | 6,002,321 |
| Cash Flows From Operations | <u>119,898,386</u> | <u>57,940,174</u> |
| Gratuity Paid | (2,202,700) | (708,838) |
| Interest Paid | (19,349,861) | (14,850,220) |
| Tax Paid | (2,193,151) | (4,185,176) |
| Net Cash Generated From Operating Activities | <u>96,152,674</u> | <u>38,195,940</u> |
| Cash Flows from/(Used in) Investing Activities | | |
| Acquisition of Property, Plant & Equipments | (55,230,025) | (73,548,493) |
| Cash Used in Investing Activities | <u>(55,230,025)</u> | <u>(73,548,493)</u> |
| Cash Flows from/(Used in) Financing Activities | | |
| (Repayments of)/proceeds from Loans | (27,477,288) | 61,376,789 |
| (Repayments of)/proceeds from Leases | (5,018,966) | (2,788,670) |
| Net Cash (Used In)/Generated From Financing Activities | <u>(32,496,254)</u> | <u>58,588,119</u> |
| Net Increase/(Decrease) in Cash and Cash Equivalents | 8,426,394 | 23,235,567 |
| Cash and Cash Equivalents at the beginning of the year | <u>5,756,032</u> | <u>(17,479,535)</u> |
| Cash and Cash Equivalents at the end of the year (Note 18) | <u><u>14,182,426</u></u> | <u><u>5,756,032</u></u> |

The accounting policies and notes on pages 37 through 66 form an integral part of the Financial Statements.



For the year ended 31st March 2013

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 258 and last year 296.

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 2013 were authorised for issue in accordance with a resolution of the Directors on 21st August 2013.

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 for the year ended 31st March 2013 are the first annual Financial Statements prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs/LKASs) and SLFRS 1, First Time Adoption of SLFRS has been applied. These SLFRSs have materially converged with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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.

The Company's first time adoption did not have an impact on measurement of Equity, Comprehensive Income and Cash Flows for the prior periods. Therefore, as required by SLFRS 1 First-Time Adaptation of Sri Lanka Accounting Standards (SLFRSs), reconciliation on transition from previous accounting standards to SLFRSs is not shown.

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.



For the year ended 31st March 2013

2 BASIS OF PREPARATION (Continued)

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 Financial Statements in conformity with SLFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenue and expenses during the reporting period. Although the judgments and estimates are based on management's best knowledge of the current events and actions, actual results may ultimately differ from those estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be 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. 05.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been consistently applied to all periods presented in these Financial Statements and in preparing the opening SLFRS Statement of Financial Position as at 1st April 2011 for the purposes of the transition to SLFRSs, 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 re-translated 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 Comprehensive Income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

3.2 Property, Plant and Equipment

Items of Property, Plant and Equipment are measured at cost or valuation less accumulated depreciation and accumulated impairment losses.

3.2.1 Cost/Valuation

Cost includes expenditure that is directly attributable to the acquisition of the asset and includes the cost of replacing part of the Property, Plant and Equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of Property, Plant and Equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

All items of Property, Plant and Equipment are initially recorded at cost. Where items of Property, Plant and Equipment are subsequently revalued, the entire class of such assets are revalued.



For the year ended 31st March 2013

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Comprehensive Income.

The revaluation surplus included in the equity in respect of lands and buildings are transferred directly to retained earnings when the asset is de-recognised. This may involve transferring the whole of the surplus when the asset is retired or disposed of.

3.2.2 Subsequent Costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Property, Plant and Equipment are de-recognised 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 Comprehensive Income in the year it is derecognised. All other repairs and maintenance costs are charged to the Comprehensive Income 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 Equipments | - | 10% |
| Furniture & Fittings | - | 20% |
| Motor Vehicles | - | 25% |

Items of Property, Plant and Equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The assets residual values, useful lives and methods of depreciation are reviewed and adjusted as appropriate at each financial year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Comprehensive Income.



For the year ended 31st March 2013

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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-evaluate 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 period. These are classified as non-current assets. The Company's loans and receivables comprise 'Trade and Other Receivables' and 'Cash and Cash Equivalents' in the Statement of Financial Position.

3.4.2 Recognition and Measurement

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

3.4.3 Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

3.4.4 Impairment of Financial Assets

The Company assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial re-organisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.



For the year ended 31st March 2013

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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 profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in 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 Comprehensive Income.

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 effective interest 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.



For the year ended 31st March 2013

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. 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 Comprehensive Income. 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 Comprehensive Income.

3.6 Inventories

Inventories are measured at the lower of cost and net realizable 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 realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of each category of inventory is determined on the following basis:

| | |
|---------------|----------------------------------------------------|
| Beverages | - Actual cost on a First in First Out-(FIFO) basis |
| Room Supplies | - Actual cost on a First in First Out-(FIFO) basis |
| Stationery | - Actual cost on a First in First Out-(FIFO) basis |
| Provisions | - At weighted average basis |
| Maintenance | - Actual cost on a First In First Out-(FIFO) basis |

3.7 Cash and Cash Equivalents

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

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

3.8 Stated Capital

Stated capital consists solely of ordinary share capital. Ordinary shares are classified as equity.

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

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 effective interest method.

For the year ended 31st March 2013

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Provisions

Provisions are recognized 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 each Statement of Financial Position 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 Comprehensive Income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the Statement of Financial Position 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 Comprehensive Income 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 Comprehensive Income 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 the Comprehensive Income, 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.



For the year ended 31st March 2013

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred income tax assets and liabilities relates to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.14 Employee Benefits

3.14.1 Defined Benefit Plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The Company measures the present value of the promised retirement benefit of the gratuity which is a defined benefit plan with the advice of an actuary using the project benefit valuation method.

Actuarial gains and losses for defined benefit plans are recognized in full in the period in which they occur in the Statement of Comprehensive Income.

Past-service costs are recognized immediately in the Comprehensive Income Statement.

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 Comprehensive Income Statement 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 recognized 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 recognized:

(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.



For the year ended 31st March 2013

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Rending of Services

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

(c) Interest Income

Interest income is recognised in profit or loss as it accrues and is calculated by using the effective interest rate method.

(d) Others

Other income is recognized 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, Company has considered banking facilities with several reputed banks which has enabled the Company to negotiate competitive rates.

(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 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 17.3 to the Financial Statements.



For the year ended 31st March 2013

4 FINANCIAL RISK MANAGEMENT (Continued)

(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 Statement of Financial Position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| As at 31 st March 2013 | Less than 1 Year | Between 1 and 5 Years |
|------------------------------------------------------------|---------------------|--------------------------|
| | Rs. | Rs. |
| Borrowings | 33,009,188 | 95,988,642 |
| Trade and other payables (excluding statutory liabilities) | 37,386,831 | - |
| Total | 70,396,019 | 95,988,642 |
| As at 31 st March 2012 | | |
| Borrowings | 30,791,464 | 118,892,380 |
| Trade and other payables (excluding statutory liabilities) | 54,089,997 | - |
| Total | 84,881,461 | 118,892,380 |

4.2 Capital Risk Management

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

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

During 2013, the Company's strategy, which was unchanged from 2012, was to maintain the gearing ratio within 10% to 15%. The gearing ratios at 31st March 2013 and 2012 were as follows:

| | 2012/2013 | 2011/2012 |
|---------------------------------------------|---------------|-------------|
| | Rs. | Rs. |
| Total Borrowings (Note No. 21) | 128,997,830 | 149,683,844 |
| Less Cash and Cash Equivalents (Note No.18) | (14,182,426) | (6,043,540) |
| Net Borrowings | 114,815,404 | 143,640,304 |
| Total Equity | 915,609,964 | 846,554,948 |
| Total Capital | 1,030,425,368 | 990,195,252 |
| Gearing Ratio | 11% | 14% |



For the year ended 31st March 2013

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 Statement of Comprehensive Income, the Company makes judgments as to whether there is any observable data indicating that there is measurable decrease in estimated cash flows from debtors. Management uses estimates based on historical loss experience of assets. The assumptions used for estimating the amount and timing of cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(b) Income Taxes

The Company is subject to income tax under the Income Tax Act in Sri Lanka. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) Residual Value and Useful Lives of Property, Plant and Equipment

The Company determines the estimated useful lives and related depreciation charges for its plant and equipment. This estimate is based on projections about the continued existence of a market for its products and the ability of the Company to penetrate a sufficient portion of that market in order to operate profitably. The Company increases the depreciation charge where the useful lives are less than previously estimated, or it will appropriately impair, technically obsolete or non-strategic assets that have been abandoned or identified for sale.

Residual values are based on current estimates of the value of these assets at the end of their useful lives.

(d) Retirement Benefits Obligation

The present value of the gratuity obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for gratuity include the discount rate. Any changes in these assumptions will impact the carrying amount of gratuity obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the gratuity obligations. In determining the appropriate discount rate, the Company considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid.

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



For the year ended 31st March 2013

6. FIRST TIME ADOPTION OF SLFRSs/LKASs

These Financial Statements, for the year ended 31st March 2013, are the first Financial Statements prepared in accordance with Sri Lanka Accounting Standards (SLFRS). Previously for period up to 31st March 2012, the Company prepared its Financial Statements in accordance with Sri Lanka Reporting Standards (SLASs) which were effective up to 31st March 2012.

The accounting policies set out in Note No.3 has been applied in preparing the Financial Statements for the year ended 31st March 2013 and comparative information for all the periods presented and in the preparation of the opening SLFRS Financial Position as at 1st April 2011.

In preparing these Financial Statements, the opening Statement of Financial Position was prepared as at 1st April 2011, the date of transition to SLFRS/LKASs. This note summarises and explains the principal adjustments made in restating its SLAS Statement of Financial Position as at 1st April 2011, 31st March 2012.

6.1 The Company has applied the following mandatory exceptions from retrospective application Significant Accounting Judgment, Estimates and Assumptions

Significant accounting judgment, estimates and assumptions at 1st April 2011 and at 31st March 2012 are consistent with those made for the same dates in accordance with SLAS. (after adjustment to reflect any difference in accounting policies).

The other compulsory exceptions of SLFRS 1 has not been applied as these are not relevant to the Company.

- Derecognition of Financial Assets and Financial Liabilities.
- Non-controlling Interest.
- Hedge accounting.

6.2 Initial elections upon adoption

6.2.1 SLFRS exemption options.

These exemptions do not apply to the Company.

- Fair Value as deemed Cost.
- Transaction differences (LKAS21), as SLAS's and the SLFRS's were already aligned as regard to these transactions.
- Employee benefits (SLFRS 19) as SLAS's and the SLFRS's were already aligned with regard to these transactions.
- Share-based payment transactions SLFRS 2 is not applicable for the Company.
- Leases (LKAS 17) as SLAS and SLFRS were already aligned with regard to these transactions.
- Insurance contracts (SLFRS 4), as this is not relevant to the Company's operations.
- Investment in subsidiaries, jointly-controlled entities and associates is not applicable for the Company.
- Assets and liabilities of subsidiaries, associates and joint ventures under SLFRS 1 is not applicable for the Company.
- Compound Financial Instruments (LKAS 32), because the Company does not have these types of Financial Instruments as at the date of transition to SLFRS.
- Transfers of assets from customers (IFRS 18) is not applicable for the Company.
- Decommissioning liabilities (IFRICI) included in the cost of an item of Property, Plant and Equipment, does not apply as the Company does not have liabilities of this type.
- Financial Assets of intangible assets accounted for under service concession Agreements (IFRIC 12), does not apply as the Company has not entered into Public-to-Private service concession agreements.



For the year ended 31st March 2013

7. New Accounting Standards Issued But Not Yet Effective

The Institute of Chartered Accountants of Sri Lanka has issued the following standards but not yet effective up to the date of issue of the Company's Financial Statements are listed below. This listing of standards issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company will be adopting these standards when they become effective.

SLFRS 9 - Financial Instruments

SLFRS 13 - Fair Value Measurements



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2013

| 8. REVENUE | 2012/2013 | 2011/2012 |
|----------------------------------------------------------------|--------------------|--------------------|
| | Rs. | Rs. |
| Front Office & Apartment | 345,448,540 | 240,679,654 |
| Restaurant | 188,166,146 | 160,736,247 |
| Beverage | 26,849,885 | 23,494,816 |
| | <u>560,464,571</u> | <u>424,910,717</u> |
| 9. OTHER OPERATING INCOME | | |
| Gain on Exchange | 646,425 | 866,185 |
| Minor Operating Profit | 30,758,537 | 22,649,989 |
| Staff Loan Interest | 660,497 | 680,450 |
| Other Income | 2,380,587 | - |
| | <u>34,446,046</u> | <u>24,196,624</u> |
| 10. PROFIT/(LOSS) BEFORE TAX | | |
| is stated after charging all expenses including the following; | | |
| Staff Cost (Note 10.1) | 86,019,632 | 76,583,259 |
| Directors' Remuneration | 9,967,356 | 14,381,685 |
| Auditors' Remuneration | 260,700 | 225,100 |
| Auditors' Non Assurance Fess & Expenses | 1,381,958 | 378,312 |
| Depreciation | 35,648,246 | 32,416,383 |
| Impairment of Debts | 1,463,150 | 3,789,071 |
| Advertising & Sales Promotion Cost | 12,580,003 | 9,938,779 |
| Legal Fees | 128,630 | 515,522 |
| 10.1 EMPLOYEE BENEFIT EXPENSES | | |
| Salaries & Other Allowances | 71,912,097 | 64,128,040 |
| Staff Welfare | 151,445 | 61,765 |
| Medical Expense | 1,262,319 | 788,473 |
| EPF & ETF | 9,315,713 | 9,023,246 |
| Post Employment Benefit - Gratuity | 3,135,591 | 2,388,860 |
| Incentives | 242,467 | 192,873 |
| Total Employee Benefit Expenses | <u>86,019,632</u> | <u>76,583,259</u> |
| 11. FINANCE EXPENSES | | |
| Interest Expenses | 19,349,861 | 14,850,220 |
| Finance Charges on Lease Liabilities | 2,019,938 | 624,203 |
| Other Financial Charges | 2,824,828 | 5,359,873 |
| | <u>24,194,627</u> | <u>20,834,296</u> |



For the year ended 31st March 2013

12. INCOME TAX

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

| | Notes | 2012/2013 Rs. | 2011/2012 Rs. |
|----------------------------------------------------------------------|-------|-------------------|------------------|
| Current Income Tax | | | |
| Current Income Tax Charge | 12.1 | 10,320,973 | 3,458,289 |
| Deferred Tax | | | |
| Deferred Taxation Charge | 12.2 | 12,435,255 | 2,082,599 |
| Income tax expense reported in the Statement of Comprehensive Income | | <u>22,756,228</u> | <u>5,540,888</u> |

12.1 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 | 91,811,245 | 13,486,391 |
| Non-deductible expenses | 85,810,966 | 72,242,219 |
| Deductible expenses | (45,302,042) | (41,391,572) |
| | <u>132,320,169</u> | <u>44,337,038</u> |
| Total Statutory Income | 132,320,169 | 44,337,038 |
| Set off against Tax Losses | (46,312,057) | (15,517,963) |
| Taxable income | <u>86,008,112</u> | <u>28,819,075</u> |
| Income tax at 12% (in 2012 - 12%) | <u>10,320,973</u> | <u>3,458,289</u> |
| Tax losses brought forward and utilized during the year | | |
| Tax Losses brought forward | 384,806,330 | 400,324,293 |
| Tax Losses (utilized)/increased during the year | (46,312,057) | (15,517,963) |
| Unutilized Tax losses carried forward | <u>338,494,273</u> | <u>384,806,330</u> |

12.2 Deferred Tax Expense/(Income)

The following table shows deferred tax expense recorded in the statement of Comprehensive Income due to changes in the deferred tax assets and liabilities.

| | | |
|----------------------------------------------------|-------------------|------------------|
| Deferred Tax Liabilities | | |
| Accelerated depreciation - assets | 6,993,394 | 443,600 |
| Reversal of carried forward unused tax losses | 5,553,808 | 1,840,602 |
| | <u>12,547,202</u> | <u>2,284,202</u> |
| Deferred Tax Assets | | |
| Defined benefit obligation | 111,947 | 201,603 |
| | <u>111,947</u> | <u>201,603</u> |
| Deferred Tax Charge/(Reversal) for the Year | <u>12,435,255</u> | <u>2,082,599</u> |



For the year ended 31st March 2013

13. EARNINGS PER SHARE

13.1 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.

13.2 The following reflects the income and share data used in basic earnings per share computation

| Amount Used as the Numerator | 2012/13 | 2011/12 |
|---------------------------------------|------------|------------|
| | Rs. | Rs. |
| Profit/(Loss) for the year | 69,055,016 | 7,945,503 |
| Amount Used as the Denominator | | |
| Number of Ordinary Shares | 47,066,447 | 47,066,447 |
| Earnings per Share - Rs.Cts. | 1.47 | 0.17 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2013

14. PROPERTY, PLANT & EQUIPMENT

| 14.1 At Cost or Valuation | Balance as at 01.04.2011 | Additions | Balance as at 01.04.2012 | Additions | Transfer | Balance as at 31.03.2013 |
|---------------------------------|-----------------------------------------|------------------------------------|-----------------------------------------|------------------------------------|--------------------|-----------------------------------------|
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Freehold Assets | | | | | | |
| Freehold Land | 238,800,000 | - | 238,800,000 | - | - | 238,800,000 |
| Buildings | 579,000,000 | 19,485,589 | 598,485,589 | 10,026,715 | - | 608,512,304 |
| Motor Vehicles | 11,336,697 | 422,436 | 11,759,133 | 39,550 | 3,521,580 | 15,320,263 |
| Office Equipments | 146,687,233 | 31,860,223 | 178,547,456 | 12,060,342 | - | 190,607,798 |
| Furniture and Fittings | 116,143,035 | 6,754,554 | 122,897,589 | 13,719,651 | - | 136,617,240 |
| | <u>1,091,966,965</u> | <u>58,522,802</u> | <u>1,150,489,766</u> | <u>35,846,258</u> | <u>3,521,580</u> | <u>1,189,857,604</u> |
| Leasehold Assets | | | | | | |
| Motor Vehicles | 9,635,865 | 5,125,000 | 14,760,865 | - | (3,521,580) | 11,239,285 |
| Generator | - | - | - | 10,077,810 | - | 10,077,810 |
| | <u>9,635,865</u> | <u>5,125,000</u> | <u>14,760,865</u> | <u>10,077,810</u> | <u>(3,521,580)</u> | <u>21,317,095</u> |
| Total Value of Assets | <u>1,101,602,830</u> | <u>63,647,802</u> | <u>1,165,250,631</u> | <u>45,924,068</u> | <u>-</u> | <u>1,211,174,699</u> |
| Accumulated Depreciation | | | | | | |
| At Cost or Valuation | Balance as at 01.04.2011 | Charge for the year | Balance as at 01.04.2012 | Charge for the year | Transfer | Balance as at 31.03.2013 |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Freehold Assets | | | | | | |
| Freehold Land | - | - | - | - | - | - |
| Buildings | - | 14,631,112 | 14,631,112 | 14,759,710 | - | 29,390,822 |
| Motor Vehicles | 9,471,527 | 2,361,582 | 11,833,109 | 1,797,715 | 626,766 | 14,257,590 |
| Office Equipments | 72,505,802 | 9,035,159 | 81,540,962 | 10,233,367 | - | 91,774,328 |
| Furniture and Fittings | 90,705,293 | 5,427,593 | 96,132,885 | 6,808,657 | - | 102,941,542 |
| | <u>172,682,622</u> | <u>31,455,446</u> | <u>204,138,068</u> | <u>33,599,449</u> | <u>626,766</u> | <u>238,364,282</u> |
| Leasehold Assets | | | | | | |
| Motor Vehicles | 2,407,330 | 960,938 | 3,368,268 | 1,041,016 | (626,766) | 3,782,518 |
| Generator | - | - | - | 1,007,781 | - | 1,007,781 |
| | <u>2,407,330</u> | <u>960,938</u> | <u>3,368,268</u> | <u>2,048,797</u> | <u>(626,766)</u> | <u>4,790,299</u> |
| Total Depreciation | <u>175,089,952</u> | <u>32,416,384</u> | <u>207,506,336</u> | <u>35,648,246</u> | <u>-</u> | <u>243,154,581</u> |
| | <u>01.04.2011</u> | | <u>31.03.2012</u> | | | <u>31.03.2013</u> |
| Net Book Value | Rs. | | Rs. | | | Rs. |
| Freehold Assets | 919,284,343 | | 946,351,699 | | | 951,493,322 |
| Leasehold Assets | 7,228,535 | | 11,392,597 | | | 16,526,796 |
| | <u>926,512,878</u> | | <u>957,744,296</u> | | | <u>968,020,118</u> |



For the year ended 31st March 2013

14. PROPERTY, PLANT & EQUIPMENT (Continued)

14.2 Work-In-Progress

| | Balance as at 01.04.2011 | Additions | Transfers to Fixed Assets | Balance as at 01.04.2012 | Additions | Balance as at 31.03.2013 |
|---------------------------|--------------------------------|------------|---------------------------------|--------------------------------|------------|--------------------------------|
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Construction of Chiller | 1,250,932 | 11,722,983 | - | 12,973,915 | 7,604,723 | 20,578,638 |
| Sewerage System | 3,821,429 | - | (3,821,429) | - | - | - |
| Construction of Buildings | - | 7,124,137 | - | 7,124,137 | 11,779,043 | 18,903,180 |
| | 5,072,361 | 18,847,120 | (3,821,429) | 20,098,052 | 19,383,766 | 39,481,818 |
| Total Assets | 931,585,239 | | | 977,842,348 | | 1,007,501,937 |

14.3 The last revaluation was carried out by Mr.T.B. Balasuriya, (Bsc.) EMV Spl (Hons), SJP, on 31st March 2011. The appreciation in value of Land & Building arising from the revaluation was credited to capital reserve amounting to Rs.360,792,224/-.

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.

| | 2013 | 2012 | 2011 |
|--------------------------|--------------|--------------|---------------|
| | Rs. | Rs. | Rs. |
| Lands | 60,312,427 | 60,312,427 | 60,312,427 |
| Buildings | 422,013,550 | 402,527,961 | 396,131,854 |
| Accumulated Depreciation | (96,463,534) | (96,304,187) | (112,059,569) |
| Net Book amount | 385,862,443 | 366,536,201 | 344,384,712 |

14.4 Location of lands

Lands comprise of Walawwewatta and Siyambalagahakotuwa (368.4 perches), Meegonkattuwekubura (150.56 perches), Weralugasdeniye Kumbura & Pillewa (152.5 perches) which are situated within municipal council limits of Kandy.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2013

| | 31.03.2013 | 31.03.2012 | 01.04.2011 |
|-------------------------------------------------------|-------------------|-------------------|-------------------|
| | Rs. | Rs. | Rs. |
| 15. DEFERRED INCOME TAX ASSETS AND LIABILITIES | | | |
| 15.1 Deferred Tax Liabilities | | | |
| Balance at the beginning of the year | 39,339,550 | 38,895,950 | 36,890,022 |
| Temporary differences arising from PPE | 6,993,394 | 443,600 | 2,005,928 |
| Balance at the end of the year | <u>46,332,944</u> | <u>39,339,550</u> | <u>38,895,950</u> |
| 15.2 Deferred Tax Assets | | | |
| Balance at the beginning of the year | 48,990,743 | 50,629,743 | 33,702,050 |
| Temporary differences arising from Retirement Benefit | 111,947 | 201,603 | 769,724 |
| Temporary differences arising from unused tax losses | (5,553,808) | (1,840,602) | 16,157,969 |
| | <u>43,548,882</u> | <u>48,990,743</u> | <u>50,629,743</u> |

15.3 Recognised Deferred Tax Assets and Liabilities

| | 31.03.2013 | | 31.03.2012 | | 01.04.2011 | |
|-----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Assets | Liabilities | Assets | Liabilities | Assets | Liabilities |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Property, Plant & Equipment | - | 13,289,502 | - | 6,296,108 | - | 5,852,508 |
| Revaluation of Buildings | - | 33,043,442 | - | 33,043,442 | - | 33,043,442 |
| Defined Benefit Obligation | 2,925,930 | - | 2,813,983 | - | 2,612,381 | - |
| Un-used Tax losses | 40,622,952 | - | 46,176,760 | - | 48,017,362 | - |
| Total | <u>43,548,882</u> | <u>46,332,944</u> | <u>48,990,743</u> | <u>39,339,550</u> | <u>50,629,743</u> | <u>38,895,950</u> |

| | 31.03.2013 | 31.03.2012 | 01.04.2011 |
|----------------------------------|-------------------|-------------------|-------------------|
| | Rs. | Rs. | Rs. |
| 16 INVENTORIES | | | |
| Food Stock | 4,135,133 | 3,311,696 | 3,258,198 |
| Beverage Stock | 3,229,621 | 2,855,874 | 3,236,884 |
| Housekeeping & Maintenance Stock | 6,857,331 | 7,663,134 | 7,714,770 |
| Printing & Stationery Stock | 2,608,732 | 2,448,342 | 2,890,009 |
| General Stock | 6,725,511 | 5,820,894 | 3,745,732 |
| Gas Stock | 135,656 | 29,121 | 84,446 |
| Fuel Stock | 1,099,531 | 478,939 | 421,057 |
| | <u>24,791,515</u> | <u>22,608,000</u> | <u>21,351,096</u> |



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2013

| 17. TRADE AND OTHER RECEIVABLES | 31.03.2013 | 31.03.2012 | 01.04.2011 |
|-----------------------------------------------------|--------------------|-------------------|-------------------|
| | Rs. | Rs. | Rs. |
| Current | | | |
| Trade Debtors | 100,849,551 | 70,543,217 | 61,715,491 |
| Less: Provision for impairment of trade receivables | (6,933,087) | (5,469,937) | (1,680,866) |
| Trade receivables - net | 93,916,464 | 65,073,280 | 60,034,625 |
| Refundable Deposits | 1,928,174 | 2,275,201 | 2,189,121 |
| Prepayments | 4,732,170 | 2,948,507 | 2,130,655 |
| Other Receivables | 7,659,824 | 12,338,734 | 6,185,947 |
| Total | 108,236,632 | 82,635,722 | 70,540,348 |

As of 31st March 2013, Trade Receivables of Rs.78,116,976/- (as of 31st March 2012 was Rs.60,303,491/-) were fully performing.

As of 31st March 2013, Trade Receivables of Rs.15,799,489/- (as of 31st March 2012 was Rs.4,769,790/-) 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:

| | 31.03.2013 | 31.03.2012 |
|-------------------------|------------|------------|
| | Rs. | Rs. |
| Up to 3 months | 4,811,949 | 340,524 |
| 3 to 4 months | 476,413 | - |
| Over 4 months and above | 10,511,127 | 4,429,266 |
| | 15,799,489 | 4,769,790 |

As of 31st March 2013, trade receivables of Rs. 6,933,087/- (2012: Rs. 5,469,937/-) 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 are as follows:

| | 31.03.2013 | 31.03.2012 |
|-------------------------------------|------------|------------|
| | Rs. | Rs. |
| 17.1 As At 1 st April | 5,469,937 | 1,680,866 |
| Provision for Receivable Impairment | 1,463,150 | 3,789,071 |
| As At 31 st March | 6,933,087 | 5,469,937 |

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

The other classes within trade and other receivables do not contain impaired assets.

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 17.3. The Company does not hold any collateral as security.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2013

| | 31.03.2013 | 31.03.2012 | 01.04.2011 |
|------------------------------------------------------------------------------------|--------------------|--------------------|--------------------|
| | Rs. | Rs. | Rs. |
| 17.2 Analysis of Financial Instruments | | | |
| Financial Instruments By Category | | | |
| Loans and Receivables | | | |
| Trade and other receivables excluding prepayments, statutory payments and advances | 95,902,284 | 75,444,701 | 63,858,355 |
| Cash and Cash Equivalents (Note 18) | 14,182,426 | 6,043,540 | 2,141,361 |
| | 110,084,710 | 81,488,241 | 65,999,716 |
| Financial Liabilities at Amortised cost | | | |
| Trade and Other Payables (Excluding Statutory Liabilities) (Note 22) | 37,386,831 | 53,050,676 | 53,170,708 |
| Borrowings (Excluding Finance Leases) (Note 21) | 113,609,930 | 141,374,726 | 99,331,325 |
| Amounts due to Related Companies (Note 23) | 32,575,649 | 19,311,941 | 13,309,620 |
| | 183,572,410 | 213,737,343 | 165,811,653 |

17.3 Exposure to Credit Risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as follows:

| | 31.03.2013 | 31.03.2012 | 01.04.2011 |
|-----------------------------|--------------------|-------------------|-------------------|
| | Rs. | Rs. | Rs. |
| Trade and Other Receivables | 95,902,284 | 75,444,701 | 63,858,355 |
| Banks with Credit Ratings | 14,182,426 | 6,043,540 | 2,141,361 |
| | 110,084,710 | 81,488,241 | 65,999,716 |

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 | 93,916,464 | 65,073,280 | 60,034,625 |
| Loans to Company Officers | 2,253,937 | 1,815,588 | 1,582,435 |
| Other Receivables | 13,914,309 | 14,599,373 | 4,382,656 |
| | 110,084,710 | 81,488,241 | 65,999,716 |

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.

18 CASH IN HAND AND AT BANK

| | 31.03.2013 | 31.03.2012 | 01.04.2011 |
|-------------------------------------------------------------------------------|-------------------|------------------|---------------------|
| | Rs. | Rs. | Rs. |
| Favorable Balances | | | |
| Cash in Hand and at Bank | 14,182,426 | 6,043,540 | 2,141,361 |
| Unfavorable Balances | | | |
| Bank Overdraft - (Note 21) | - | 287,508 | 19,620,896 |
| Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement | 14,182,426 | 5,756,032 | (17,479,535) |



For the year ended 31st March 2013

| | | 31.03.2013 | 31.03.2012 | 01.04.2011 |
|---------------------------------------|------------------|-------------------|-------------------|-------------------|
| | Number of Shares | Rs. | Rs. | Rs. |
| 19. STATED CAPITAL | | | | |
| Fully Paid Up Ordinary Shares | | | | |
| At the beginning of the year | 47,066,447 | 585,445,870 | 585,445,870 | 585,445,870 |
| At the end of the year | 47,066,447 | 585,445,870 | 585,445,870 | 585,445,870 |
| Preference Shares | | | | |
| At the beginning of the year | 11,660 | 116,600 | 116,600 | 116,600 |
| At the end of the year | 11,660 | 116,600 | 116,600 | 116,600 |
| 20. EMPLOYEE BENEFIT LIABILITY | | 31.03.2013 | 31.03.2012 | 01.04.2011 |
| | | Rs. | Rs. | Rs. |
| At the beginning of the year | | 23,449,861 | 21,769,838 | 13,051,346 |
| Interest Charged for the year | | 2,579,485 | 2,394,682 | 1,435,648 |
| Current Service Cost | | 1,726,313 | 1,675,501 | 1,560,191 |
| Payments made during the year | | (2,202,700) | (708,838) | (1,121,702) |
| Actuarial (Gain)/Loss | | (1,170,207) | (1,681,322) | 6,844,355 |
| At the end of the year | | 24,382,752 | 23,449,861 | 21,769,838 |

LKAS 19 "Employee Benefits" requires the use of actuarial techniques to make a reliable estimate of the amount of retirement benefit that employees have earned in return for their service in the current and prior periods and discount that benefit using the Projected Unit Credit Method in order to determine the present value of the retirement benefit obligation and the current service cost. This requires an entity to determine how much benefit is attributable to the current and prior periods and to make estimates about demographic variables and financial variables that will influence the cost of the benefit.

The following key assumptions were made in arriving at the above figures.

Demographic Assumptions

Mortality: In service - 67/70, Mortality table, issued by the Institute of Actuaries, London.

Withdrawal

The withdrawal rate at an age represents the probability of an employee leaving within one year of that age due to reasons other than death, ill health and normal retirement

Normal Retirement Age 55 years

Financial Assumptions

Salary Increases 10%

Rate of Discount 11%

The Present Value of the Defined Benefit Obligation (PV-DBO)

The present value of the Defined Benefit Obligation as at 31st March 2013, with respect to employees in service, based on the above assumptions is Rs. 24,382,752/- (2012: Rs. 23,449,861/-)



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2013

21. INTEREST BEARING BORROWINGS

| | 31.03.2013 Amount Repayable Within 1 Year Rs. | 31.03.2013 Amount Repayable After 1 Year Rs. | 31.03.2013 Total Rs. | 31.03.2012 Amount Repayable Within 1 Year Rs. | 31.03.2012 Amount Repayable After 1 Year Rs. | 31.03.2012 Total Rs. | 01.04.2011 Amount Repayable Within 1 Year Rs. | 01.04.2011 Amount Repayable After 1 Year Rs. | 01.04.2011 Total Rs. |
|-----------------|--------------------------------------------------------------|-------------------------------------------------------------|----------------------------|--------------------------------------------------------------|-------------------------------------------------------------|----------------------------|--------------------------------------------------------------|-------------------------------------------------------------|----------------------------|
| Finance Leases | 3,652,988 | 11,734,912 | 15,387,900 | 2,465,688 | 5,843,430 | 8,309,118 | 1,440,681 | 3,907,904 | 5,348,585 |
| Bank Loans | 29,356,200 | 84,253,730 | 113,609,930 | 28,038,268 | 113,048,950 | 141,087,218 | 17,921,604 | 61,788,825 | 79,710,429 |
| Bank Overdrafts | - | - | - | 287,508 | - | 287,508 | 19,620,896 | - | 19,620,896 |
| | 33,009,188 | 95,988,642 | 128,997,830 | 30,791,464 | 118,892,380 | 149,683,844 | 38,983,181 | 65,696,729 | 104,679,910 |

21.1 Finance Leases

| | Current As At 31.03.2013 Rs. | Non-Current As At 31.03.2013 Rs. | As At 31.03.2013 Rs. | (Repayment)/ Charges Rs. | Lease Obtained Rs. | As At (Repayment)/ Charges Rs. | Lease Obtained Rs. | As At 01.04.2011 Rs. |
|------------------------------------------------|---------------------------------------|-------------------------------------------|----------------------------|--------------------------------|--------------------------|--------------------------------------|--------------------------|----------------------------|
| Gross Liability | 5,065,524 | 13,649,876 | 18,715,400 | (5,018,966) | 13,250,280 | 10,484,086 | (2,788,670) | 6,113,220 |
| Finance Charges allocated to future periods | (1,412,536) | (1,914,964) | (3,327,500) | 2,019,938 | (3,172,470) | (2,174,968) | 624,203 | (988,220) |
| Net Liability | 3,652,988 | 11,734,912 | 15,387,900 | (2,999,028) | 10,077,810 | 8,309,118 | (2,164,467) | 5,125,000 |

21.2 Bank Loans

| | 31.03.2013 Amount Repayable Within 1 Year Rs. | 31.03.2013 Amount Repayable After 1 Year Rs. | 31.03.2013 Total Rs. | 31.03.2012 Amount Repayable Within 1 Year Rs. | 31.03.2012 Amount Repayable After 1 Year Rs. | 31.03.2012 Total Rs. | 01.04.2011 Amount Repayable Within 1 Year Rs. | 01.04.2011 Amount Repayable After 1 Year Rs. | 01.04.2011 Total Rs. |
|------|--------------------------------------------------------------|-------------------------------------------------------------|----------------------------|--------------------------------------------------------------|-------------------------------------------------------------|----------------------------|--------------------------------------------------------------|-------------------------------------------------------------|----------------------------|
| Bank | 29,356,200 | 84,253,730 | 113,609,930 | 28,038,268 | 113,048,950 | 141,087,218 | 17,921,604 | 61,788,825 | 79,710,429 |
| | 29,356,200 | 84,253,730 | 113,609,930 | 28,038,268 | 113,048,950 | 141,087,218 | 17,921,604 | 61,788,825 | 79,710,429 |

Movement of Bank Loans and Finance Leases

| | As At 31.03.2013 Rs. | Repayment Rs. | Loans Obtained Rs. | As At 31.03.2012 Rs. | Repayment Rs. | Loans Obtained Rs. | As At 01.04.2011 Rs. |
|--------|----------------------------|------------------|--------------------------|----------------------------|------------------|--------------------------|----------------------------|
| Banks | 113,609,930 | (27,477,288) | - | 141,087,218 | (20,323,211) | 81,700,000 | 79,710,429 |
| Leases | 15,387,900 | (2,999,028) | 10,077,810 | 8,309,118 | (2,164,467) | 5,125,000 | 5,348,585 |
| | 128,997,830 | (30,476,316) | 10,077,810 | 149,396,336 | (22,487,678) | 86,825,000 | 85,059,014 |

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



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2013

| 22. TRADE AND OTHER PAYABLES | 31.03.2013 | 31.03.2012 | 01.04.2011 |
|------------------------------------|-------------------|-------------------|-------------------|
| | Rs. | Rs. | Rs. |
| Trade Creditors | 24,904,779 | 21,060,408 | 18,041,781 |
| Other Payables | 2,203,066 | 23,471,657 | 5,676,670 |
| Social Responsibility Levy Payable | - | - | 114,511 |
| Expense Creditors | 17,146,277 | 17,267,836 | 36,442,868 |
| | <u>44,254,122</u> | <u>61,799,900</u> | <u>60,275,830</u> |

23. AMOUNTS DUE TO RELATED PARTIES

| | | | |
|------------------------------------------------|-------------------|-------------------|-------------------|
| Universal Enterprises (Pvt.) Ltd. | 4,634,625 | 4,634,625 | 4,634,625 |
| Mahaweli Hotel Management Services (Pvt.) Ltd. | 27,941,024 | 14,677,316 | 8,674,995 |
| | <u>32,575,649</u> | <u>19,311,941</u> | <u>13,309,620</u> |

24. INCOME TAX RECOVERABLE/CURRENT TAX LIABILITIES

| | | | |
|---------------------------------------------------------|--------------------|--------------------|--------------------|
| Balance receivables at the beginning of the year | (2,019,691) | (1,292,804) | (2,302,004) |
| Income Tax on current year profits | 10,320,973 | 3,458,289 | 7,664,294 |
| Under/(over) provision in respect of previous year | - | - | 16,081 |
| Payment made during the year | <u>(2,193,151)</u> | <u>(4,185,176)</u> | <u>(6,671,175)</u> |
| Balance payable/(Recoverable) at the end of the year | <u>6,108,131</u> | <u>(2,019,691)</u> | <u>(1,292,804)</u> |

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 2013. The Board of Directors believe that a favorable outcome will result by the institution of this application in the court of appeal.
- b) Contingent liability of Rs. 10 Million exist as at balance sheet date in respect of legal claim arising in the ordinary course of business. The Company maintains a public liability insurance policy and the matter has been referred to the insurer. Our lawyers have advised that an evaluation of an unfavorable outcome and the amount or range of potential loss can't be quantified or commented upon at this stage.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2013

26. INTEREST BEARING BORROWINGS

| Lending Institution | Nature of Facility | Interest Rate | Repayment Term | Outstanding Balance Rs. | | Security |
|--------------------------|---------------------------------|-----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | | | 2013 Rs. | 2012 Rs. | |
| Hatton National Bank PLC | Term Loan 55 million | AWPLR + 1 % p.a | 14 quarterly capital installments of Rs. 1,069,500/- each and a final installment of Rs.699,000/- together with interest to be serviced monthly. | 10,324,500 | 14,602,500 | 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 50 million | AWPLR + 1 % p.a | 8 quarterly capital installments of Rs. 1,250,000/- each & 4 Quarterly capital installments of Rs. 2,500,000/- each and 8 quarterly capital installments of Rs. 3,750,000/- each (with an initial grace period of 6 months). Interest to be serviced monthly. | 26,249,550 | 30,249,550 | Registered primary floating mortgage bond No. 388 for Rs. 62.5 million, Rs. 10.34 million available in the existing secondary floating mortgage bond No. 427 for Rs.15 million and Rs. 24.32 million available in the existing registered tertiary floating mortgage bond No. 2193 for Rs. 56.40 million over hotel premises bearing assessment No. 35. P.B.A. Weerakoon Mawatha, Kandy. |
| | Term Loan 15 million | AWPLR + 1 % p.a | 14 quarterly installments of Rs. 283,500/- each and a final installment of Rs.690,500/- interest to be serviced monthly. | 3,242,000 | 4,376,000 | Registered secondary floating mortgage bond No. 477 for Rs. 15 million over hotel premises bearing assessment No. 35. P.B.A. Weerakoon Mawatha, Kandy. |
| | Development Loan 10.225 million | 8.5 % p.a | To be repaid in 30 monthly installments of Rs. 243,452/- each and a final installment of Rs.243,468/- together with interest. | 3,895,248 | 6,816,672 | Registered primary floating mortgage bond No. 388 for Rs. 62.5 million over hotel premises bearing assessment No. 35. P.B.A. Weerakoon Mawatha, Kandy. |
| | Term Loan of Rs. 0.925 Million | AWPLR + 1 % p.a | To be repaid in 30 monthly installments of Rs. 25,694/- and a final installment of Rs.25,710/- together with interest. | 411,120 | 719,448 | 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. |
| | Development Loan 9.775 million | 8.5 % p.a | To be repaid in 29 monthly installments of Rs. 271,528/- each and a final installment of Rs.271,520/- together with interest. | 4,072,912 | 7,331,248 | Registered primary floating mortgage bond No. 388 for Rs. 62.5 million over hotel premises bearing assessment No. 35. P.B.A. Weerakoon Mawatha, Kandy. |



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2013

26. INTEREST BEARING BORROWINGS (Continued)

| Lending Institution | Nature of Facility | Interest Rate | Repayment Term | Outstanding Balance Rs. | | Security |
|--------------------------|----------------------|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | | | 2013 Rs. | 2012 Rs. | |
| | Term Loan 50 million | AWPLR + 1 % p.a | 12 quarterly capital installments of Rs. 1,000,000/- each and 6 Quarterly capital installments of Rs. 2,750,000/- each and a final installments of Rs. 2,749,550/- together with interest to be serviced monthly. | 46,250,000 | 50,000,000 | 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. |
| Hatton National Bank PLC | Overdraft 15 million | AWPLR + 1 % p.a | On demand / To be reviewed annually. | Nil | 287,508 | Registered primary floating mortgage bond No. 388 for Rs. 62.5 million over hotel premises bearing assessment No. 35. P.B.A. Weerakoon Mawatha, Kandy. |



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2013

26. INTEREST BEARING BORROWINGS (Continued)

| Lending Institution | Nature of Facility | Interest Rate | Repayment Term | Outstanding Balance Rs. | | Security |
|-------------------------------|-----------------------|-------------------|----------------------------------------------------------------------------------------------------------------------------------------|-------------------------|------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | | | 2013 Rs. | 2012 Rs. | |
| Commercial Bank of Ceylon PLC | Term Loan 20 million | AWPLR + 1 % p.a | 71 equal monthly installments of Rs. 278,000/- and a final installment of Rs. 262,000/- together with interest to be serviced monthly. | 19,164,600 | 26,991,800 | Concurrent primary mortgage bond No. 721/3274 dated 19th & 22nd December 2006 and 1st of January 2007 for Rs. 30 million executed over free hold property of Maheweli Reach Hotels PLC at No. 35, P.B.A. Weerakoon Mawatha, Kandy. |
| | Term Loan 3.5 million | AWPLR + 1 % p.a | 71 equal monthly installments of Rs. 48,600/- and a final installment of Rs. 49,400/- together with interest to be serviced monthly. | | | Concurrent primary mortgage bond No. 721/3274 dated 19th & 22nd December 2006 and 1st of January 2007 for Rs. 30 million executed over free hold property of Maheweli Reach Hotels PLC at No. 35, P.B.A. Weerakoon Mawatha, Kandy. |
| | Term Loan 3.5 Million | AWPLR + 1.5 % p.a | 73 equal monthly installments of Rs. 47,000/- and a final installment of Rs. 69,000/- together with interest to be serviced monthly. | | | Concurrent primary mortgage bond No. 721/3274 dated 19th & 22nd December 2006 and 1st of January 2007 for Rs. 30 million executed over free hold property of Maheweli Reach Hotels PLC at No. 35, P.B.A. Weerakoon Mawatha, Kandy. |
| | Term Loan 21 million | AWPLR + 1.5 % p.a | 60 equal monthly installments of Rs. 350,000/- and a grace period of 6 months. | | | Concurrent primary mortgage bond No. 721/3274 dated 19th & 22nd December 2006 and 1st of January 2007 for Rs. 30 million executed over free hold property of Maheweli Reach Hotels PLC at No. 35, P.B.A. Weerakoon Mawatha, Kandy. |
| | Term Loan 5 million | AWPLR + 2 % p.a | 35 equal monthly installments of Rs. 139,000/- and a final installment of Rs. 135,000/- together with interest to be serviced monthly. | | | Concurrent primary mortgage bond No. 721/3274 dated 19th & 22nd December 2006 and 1st of January 2007 for Rs. 30 million executed over free hold property of Maheweli Reach Hotels PLC at No. 35, P.B.A. Weerakoon Mawatha, Kandy. |



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2013

26. INTEREST BEARING BORROWINGS (Continued)

| Lending Institution | Nature of Facility | Interest Rate | Repayment Term | Outstanding Balance Rs. | | Security |
|--------------------------|--------------------|---------------|----------------------------------------------------------------------|-------------------------|-----------|---------------------------------------------------------------------------------------------|
| | | | | 2013 Rs. | 2012 Rs. | |
| Hatton National Bank PLC | Finance Lease | 12% p.a. | (60 months) no remaining monthly installments. Lease period over. | Nil | 618,738 | Absolute ownership of the vehicle. Joint & several personal guarantee of Mr. J.A Panabokke. |
| | Finance Lease | 12% p.a. | (60 months) Remaining 35 equal monthly installments of Rs. 99,402/- | 3,479,069 | 4,671,894 | Absolute ownership of the vehicle. |
| | Finance Lease | 12.5% p.a. | (60 months) Remaining 39 equal monthly installments of Rs. 101,887/- | 3,973,593 | 5,193,454 | Absolute ownership of the vehicle. |
| | Finance Lease | 12.5% p.a. | (60 months) Remaining 51 equal monthly installments of Rs. 220,838/- | 11,262,738 | - | Absolute ownership of the generator. |

27. EVENTS AFTER THE BALANCE SHEET DATE

No circumstances of significance have arisen since the Balance Sheet date, which would require adjustments to or disclosure in the Financial Statements.

28. RELATED PARTY DISCLOSURES

28.1 The Directors of the Company are also the Directors of the following companies:

| Name of Company | Names of Directors | Relationship |
|------------------------------------------------|---------------------|-----------------|
| Mahaweli Hotel Management Services (Pvt.) Ltd. | Mr. J. A. Panabokke | Managing Agents |
| | Mr. K. M. Panabokke | -do- |
| Universal Enterprise Pvt. Ltd. | Mr. M. U. Maniku | Parent Company |
| | Mr. A. U. Maniku | -do- |
| | Dr. I. U. Maniku | -do- |
| | Mr. A. M. Didi | -do- |
| | Mr. M. M. Didi | -do- |
| | Mr. Ali Nooradeen | -do- |



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2013

28. RELATED PARTY DISCLOSURES (Continued)

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 | <u>2012/2013</u> Rs. | <u>2011/2012</u> Rs. |
|------------------------------------------------|-----------------------|-------------------------|-------------------------|
| Mahaweli Hotel Management Services (Pvt.) Ltd. | Management Fees | 45,206,334 | 30,808,445 |

Basis of Management Fees calculation

(Net Turnover + Service Charges) * 6% + (7% on Net Profit after Depreciation & Finance Charges)

| | | | |
|------------------------------|------------------|-----------|-----------|
| Diethelm Travels (Pvt.) Ltd. | Service Rendered | 5,277,451 | 7,292,456 |
|------------------------------|------------------|-----------|-----------|

Mr. A. N. Esufally, 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.

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

| | <u>2012/2013</u> Rs. | <u>2011/2012</u> Rs. |
|----------------------------------|-------------------------|-------------------------|
| (a) Short term employee Benefits | 9,967,356 | 14,381,685 |
| (b) Post employment Benefits | 11,650,500 | 12,158,151 |
| (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 2013 Financial Statements to maintain comparability of Financial Statements in order to provide better presentation.

| | <u>Amount</u> Rs. | <u>2012/2013</u> Current Presentation | <u>2011/2012</u> As Approved Previously |
|------------------------------|----------------------|---------------------------------------------|-----------------------------------------------|
| Bank Charges | 196,564 | Administration cost | Finance Cost |
| Bank Overdraft | 287,508 | Interest Bearing Borrowings | Bank Overdraft |
| Advance Payment to Suppliers | 2,196,291 | Short term Other Receivables | Trade Creditors |



For the year ended 31st March 2013

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 | | |
|----------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 31.03.2013 | 31.03.2012 | 01.04.2011 | 31.03.2013 | 31.03.2012 | 01.04.2011 |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Financial Assets | | | | | | |
| Trade and Other Receivables | 95,902,284 | 75,444,701 | 63,858,355 | 95,902,284 | 75,444,701 | 63,858,355 |
| Cash and Bank Balances | 14,182,426 | 6,043,540 | 2,141,361 | 14,182,426 | 6,043,540 | 2,141,361 |
| Total | 110,084,710 | 81,488,241 | 65,999,716 | 110,084,710 | 81,488,241 | 65,999,716 |
| Financial Liabilities | | | | | | |
| Interest Bearing Borrowings | 113,609,930 | 141,087,218 | 79,710,429 | 113,609,930 | 141,087,218 | 79,710,429 |
| Bank Overdraft | - | 287,508 | 19,620,896 | - | 287,508 | 19,620,896 |
| Trade and Other Payables | 37,386,831 | 53,050,676 | 53,170,708 | 37,386,831 | 53,050,676 | 53,170,708 |
| Amounts Due to Related Companies | 32,575,649 | 19,311,941 | 13,309,620 | 32,575,649 | 19,311,941 | 13,309,620 |
| | 183,572,410 | 213,737,343 | 165,811,653 | 183,572,410 | 213,737,343 | 165,811,653 |

Cash and Bank Balances, Trade Receivables, Trade Payables and Related Party Payables approximate their carrying amounts largely due to the short term maturities of these instruments.

PROXY FORM

I/We..... of

 being a member/members of Mahaweli Reach Hotels PLC hereby appoint

of.....or failing him/her

| | |
|------------------------------------|--------------|
| MR. MOHAMED UMAR MANIKU | Whom failing |
| MR. JAYANTHA ATUL PANABOKKE | Whom failing |
| MR. AHAMED MAHIR DIDI | Whom failing |
| MR. ABBASALLY NURUDDIN ESUFALLY | Whom failing |
| MR. WAJJIYA PRIYANTHA HETTIARATCHI | Whom failing |
| MR. RAJA TISSA MOLLIGODA | Whom failing |
| MR. AHAMED UMAR MANIKU | Whom failing |
| DR. IBRAHIM UMAR MANIKU | Whom failing |
| MR. MOHAMED MAHIR | Whom failing |
| MR. ALI NOORADEEN | Whom failing |
| MR. KSHUDIRAM MOHAN PANABOKKE | Whom failing |
| MR. JAYAMPATHY CHARITHA RATWATTE | Whom failing |
| MR. RANJEEVAN SEEVARATNAM | Whom failing |
| MR. RIENZIE THEOBALD WIJETILLEKE | 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 26th September 2013 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 31 st March 2013 and the Report of the Auditors thereon. | ..... | ..... |
| 2. | To re-elect Mr. R. T. Molligoda 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. R. T. Molligoda who attained the age of seventy six years and the Company has received special notice of intention in compliance with Law, relating to his re-election. | ..... | ..... |
| 7. | To re-elect Mr. R. T. Wijetilleke 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. | ..... | ..... |
| 8. | To re-elect Mr. R. Seevaratnam who attained the age of seventy years and the Company has received special notice of intention in compliance with Law, relating to his re-election. | ..... | ..... |
| 9. | To authorise the Board of Directors to determine contributions to charities and other donations | ..... | ..... |
| 10. | To re-appoint Messrs. HLB Edirisinghe & Co. as Auditors and authorise the Directors to determine their remuneration. | ..... | ..... |

As witness my/our hand this.....day of2013

.....
 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 24th September 2013 being 48 hours before the time appointed for holding of the meeting.



Corporate Information

Name of the Company
Mahaweli Reach Hotels PLC

Legal Form
A Quoted Public Limited Liability Company
Incorporated on 21st September 1973
Company Registration No. PQ 127

Directors
Mr. M. U. Maniku – Chairman
Mr. J. A. Panabokke – Managing Director
Mr. K. M. Panabokke
Mr. R. T. Molligoda
Mr. A. N. Esufally
Mr. A. U. Maniku
Dr. I. U. Maniku
Mr. A. M. Didi
Mr. W. P. Hettiaratchi – (FCA, FFA, FSCMA, MCMI)
Mr. A. Nooradeen
Mr. M. Mahir
Mr. J. C. Ratwatte
Mr. R. T. Wijetilleke – FCIB (UK), FIB (Sri Lanka), CCMI(UK)
Mr. R. Seevaratnam

Audit Committee
Mr. R. Seevaratnam
Mr. R. T. Wijetilleke
Mr. J. C. Ratwatte
Mr. W. P. Hettiaratchi

Remuneration Committee
Mr. J. C. Ratwatte
Mr. R. T. Wijetilleke
Mr. R. T. Molligoda

Secretaries
Businessmate (Private) Limited
45, Braybrooke Street, Colombo 2.
Tel: +94 112 433933

Auditors
HLB Edirisinghe & Co.,
Chartered Accountants
45, Braybrooke Street, Colombo 2.

Bankers
Hatton National Bank – Kandy
Hongkong & Shanghai Banking Corporation – Kandy
Bank of Ceylon – Kandy
Commercial Bank of Ceylon – Kandy

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



MAHAWELI PEACH
SRI LANKA