

**Interim Financial Statements
Nine months ended 31st December 2017**

The Kandy Hotels Company (1938) PLC
A Member of the Galle Face Hotel Group

The Kandy Hotels Company (1938) PLC

CORPORATE INFORMATION

Stock Exchange Listing

The Ordinary Shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka

Directors

Sanjeev Gardiner - Chairman
Lakshman Samarasinghe
Priyantha Maddumage
Charitha Ratwatte
Lakshman Sirimanne
Nahil Wijesuriya
Chandra Mohotti
Pradeep Nilanga Dela
Ranjith Gunatilleke

Secretaries

Managers & Secretaries (Pvt) Limited
No 08, Tickell Road, Colombo 08.

Auditors

Ernst & Young
Chartered Accountants
No 201, De Saram Place, Colombo 10

Registered Office

The Kandy Hotels Company (1938) PLC
Hotel Suisse,
No 30, Sangaraja Mawatha, Kandy
Company Registration No. PQ 201

Hotel Reservations

Ceylon Hotels Corporation PLC
Regency Wing - Galle Face Hotel
No 02, Galle Road, Colombo 3
Tel: 011 5585858 Fax : 011 5345882
Email : sales@ceylonhotels.net

The Kandy Hotels Company (1938) PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Group				Company				Variance Group %
	Three months ended 31 st December		Nine months ended 31 st December		Three months ended 31 st December		Nine months ended 31 st December		
	2017 Rs. '000'	2016 Rs. '000'	2017 Rs. '000'	2016 Rs. '000'	2017 Rs. '000'	2016 Rs. '000'	2017 Rs. '000'	2016 Rs. '000'	
Revenue	151,412	155,837	479,843	479,164	151,412	155,837	479,843	479,164	0
Cost of sales	(46,666)	(44,991)	(142,036)	(143,522)	(46,666)	(44,991)	(142,036)	(143,522)	1
Gross profit	104,746	110,846	337,807	335,642	104,746	110,846	337,807	335,642	1
Other operating income	270.60	427.87	270.60	427.87	271	427.87	271	427.87	36.76
Administrative expenses	(60,068)	(61,616)	(166,572)	(163,643)	(60,068)	(61,610)	(166,479)	(163,544)	(2)
Selling & distribution expenses	(8,410)	(10,749)	(23,243)	(23,320)	(8,410)	(10,749)	(23,243)	(23,320)	0
Results from Operating Activities	36,539	38,908	148,262	149,108	36,540	38,914	148,355	149,207	(1)
Finance expenses	(23,835)	-	(52,707)	-	(23,835)	-	(52,707)	-	-
Finance income	16,429	20,238	51,607	29,560	16,429	20,238	51,607	29,560	75
Net finance costs	(7,406)	20,238	(1,100)	29,560	(7,406)	20,238	(1,100)	29,560	(104)
Share of profit of joint venture	21,473	3,154	32,624	(2,752)	-	-	-	-	1,286
Profit before tax	50,606	62,300	179,786	175,916	29,134	59,152	147,255	178,766	2
Income tax expenses	(5,575)	(9,753)	(24,962)	(27,398)	(5,575)	(9,753)	(24,962)	(27,398)	9
Profit for the year	45,031	52,547	154,824	148,518	23,558	49,398	122,293	151,369	4
Other Comprehensive Income	-	-	-	-	-	-	-	-	-
Total Comprehensive Income for the year, net of tax	45,031	52,547	154,824	148,518	23,558	49,398	122,293	151,369	4
Basic earnings per share (Rs)	0.08	0.09	0.27	0.26	0.04	0.09	0.21	0.26	4
Dividend per share (Rs)	-	-	-	-	0.10	0.25	0.10	0.25	(60)

Note : The above figures for the nine months ended 31st December 2017 and comparatives are provisional and subject to Audit.

Figures in brackets indicate deductions.

All values are in Rupees Thousands unless otherwise stated.

The Kandy Hotels Company (1938) PLC

STATEMENT OF FINANCIAL POSITION

	Group			Company		
	31.12.2017 Rs. '000'	31.12.2016 Rs. '000'	31.03.2017 Rs. '000'	31.12.2017 Rs. '000'	31.12.2016 Rs. '000'	31.03.2017 Rs. '000'
As at						
ASSETS						
Non Current Assets						
Property, plant & equipment	6,357,869	5,705,342	6,389,610	6,357,869	5,705,342	6,389,610
Intangible assets	426	234	46	426	234	46
Investment in subsidiary	-	0	-	352,843	345,218	352,843
Investment in joint venture	336,781	302,981	304,157	-	-	-
Non current financial assets	600,000	-	-	600,000	-	-
	7,295,077	6,008,558	6,693,813	7,311,139	6,050,794	6,742,499
Current Assets						
Inventories	35,199	35,725	34,114	35,199	35,725	34,114
Trade and other receivables	93,037	70,606	91,432	93,037	70,606	91,432
Amounts due from related party	805,249	398,847	549,892	805,249	406,473	549,892
Short term deposits	-	69,192	19,939	-	69,192	19,939
Cash and cash equivalents	6,337	20,006	14,889	6,294	19,873	14,755
	939,823	594,377	710,267	939,779	601,869	710,133
TOTAL ASSETS	8,234,900	6,602,934	7,404,079	8,250,918	6,652,663	7,452,631
EQUITY AND LIABILITIES						
Equity						
Stated capital	16,750	16,750	16,750	16,750	16,750	16,750
Reserves	6,274,647	5,575,287	6,298,512	6,184,274	5,484,914	6,208,138
Retained earnings	885,920	658,847	764,981	992,399	799,032	903,991
Total equity	7,177,317	6,250,884	7,080,243	7,193,422	6,300,696	7,128,879
Non-Current Liabilities						
Interest Bearing borrowings	600,000	-	-	600,000	-	-
Retirement benefit obligations	5,692	5,712	4,449	5,692	5,712	4,449
Deferred taxation	196,885	237,618	201,746	196,885	237,618	201,746
	802,576	243,330	206,194	802,576	243,330	206,194
Current Liabilities						
Trade and other payables	109,664	95,765	88,250	109,578	95,681	88,167
Amounts due to related companies	12,497	81	174	12,497	81	174
Income tax payable	11,705	12,062	20,093	11,705	12,062	20,093
Bank overdraft	121,140	814	9,124	121,140	814	9,124
	255,005	108,721	117,641	254,919	108,638	117,558
TOTAL EQUITY AND LIABILITIES	8,234,900	6,602,934	7,404,079	8,250,918	6,652,663	7,452,631
Net Assets per Share (Rs)	12.43	10.82	12.26	12.46	10.91	12.34

Note: The above figures for the nine months ended 31st December 2017 are provisional and subject to Audit.

Figures in brackets indicate deductions.

All values are in Rupees Thousands unless otherwise stated.

I certify that the Financial Statements comply with the requirements of the Companies Act No 07 of 2007.

Sgd
P Sivatheesh
Financial Controller

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Approved & signed for and on behalf of the Board,

Sgd
Lakshman Samarasinghe
Director

Sgd
Lakshman Sirimanne
Director

14th February 2018

The Kandy Hotels Company (1938) PLC

STATEMENT OF CHANGES IN EQUITY

Group	Stated Capital Rs. '000'	Revaluation Reserves Rs. '000'	Retained Earnings Rs. '000'	Total Equity Rs. '000'
Balance as at 01st April 2016	16,750	5,599,152	630,838	6,246,740
Profit for the period	-	-	246,177	246,177
Total other comprehensive income for the year net of tax	-	731,179	559	731,738
Total Comprehensive Income	-	731,179	246,736	977,915
Dividends paid (2015/2016)	-	-	(144,375)	(144,375)
Dividends (15% Cumulative preference shares)	-	-	(38)	(38)
Transfer to retained earnings	-	(31,820)	31,820	-
Balance as at 31st March 2017	16,750	6,298,512	764,981	7,080,243
Profit for the period	-	-	154,824	154,824
Total other comprehensive income for the year net of tax	-	-	-	-
Total comprehensive income	-	-	154,824	154,824
Dividends paid (2016/2017)	-	-	(57,750)	(57,750)
Transfer to retained earnings	-	(23,865)	23,865	-
Balance as at 31st December 2017	16,750	6,274,647	885,920	7,177,317

STATEMENT OF CHANGES IN EQUITY

Company	Stated Capital Rs. '000'	Revaluation Reserves Rs. '000'	Retained Earnings Rs. '000'	Total Equity Rs. '000'
Balance as at 01st April 2016	16,750	5,508,779	768,174	6,293,702
Profit for the period	-	-	247,837	247,837
Total other comprehensive income for the year net of tax	-	731,179	574	731,753
Total comprehensive Income	-	731,179	248,411	979,590
Dividends (15% cumulative preference shares)	-	-	(38)	(38)
Transfer to retained earnings	-	(31,820)	31,820	-
Dividends paid (2015/2016)	-	-	(144,375)	(144,375)
Balance as at 31st March 2017	16,750	6,208,138	903,991	7,128,879
Profit for the period	-	-	122,293	122,293
Total other comprehensive income for the year net of tax	-	-	-	-
Total Comprehensive Income	-	-	122,293	122,293
Dividends (15% cumulative preference shares)	-	-	-	-
Transfer to retained earnings	-	(23,865)	23,865	-
Dividends paid (2016/2017)	-	-	(57,750)	(57,750)
Balance as at 31st December 2017	16,750	6,184,274	992,399	7,193,422

Note : The above figures for the nine months ended 31st December 2017 and comparatives are provisional and subject to Audit.

Figures in brackets indicate deductions.

All values are in Rupees Thousands unless otherwise stated.

The Kandy Hotels Company (1938) PLC

STATEMENT OF CHANGES IN EQUITY

Group	Stated Capital Rs. '000'	Revaluation Reserves Rs. '000'	Retained Earnings Rs. '000'	Total Equity Rs. '000'
Balance as at 01st April 2015	16,750	5,540,598	590,763	6,148,111
Profit for the period			123,913	123,913
Total other comprehensive income for the year net of tax		90,373	(119)	90,254
Total Comprehensive Income	-	90,373	123,794	214,167
Transfers to Retained Earnings	-	(31,820)	31,820	-
Dividends-(15% cumulative preference shares)	-	-	(38)	(38)
Dividends paid (2014/2015)	-	-	(115,500)	(115,500)
Balance as at 31st March 2016	16,750	5,599,152	630,839	6,246,741
Profit for the period	-	-	148,518	148,518
Total other comprehensive income for the year net of tax	-	-	-	-
Total comprehensive income	-	-	148,518	148,518
Transfers to retained earnings	-	(23,865)	23,865	-
Dividends paid (2015/2016)	-	-	(144,375)	(144,375)
Balance as at 31st December 2016	16,750	5,575,287	658,847	6,250,884

STATEMENT OF CHANGES IN EQUITY

Company	Stated Capital Rs. '000'	Revaluation Reserves Rs. '000'	Retained Earnings Rs. '000'	Total Equity Rs. '000'
Balance as at 01st April 2015	16,750	5,540,598	634,921	6,192,269
Profit for the period			217,090	217,090
Total other comprehensive income for the year net of tax			(119)	(119)
Total comprehensive income	-	-	216,971	216,971
Dividends-(15% cumulative preference shares)	-	-	(38)	(38)
Dividends Paid (2014/2015)	-	-	(115,500)	(115,500)
Transfers to retained earnings	-	(31,820)	31,820	-
Balance as at 31st March 2016	16,750	5,508,779	768,174	6,293,702
Profit for the period			151,369	151,369
Total other comprehensive income for the year net of tax			-	-
Total comprehensive income	-	-	151,369	151,369
Dividends-(15% cumulative preference shares)	-	-	-	-
Dividends Paid (2015/2016)	-	-	(144,375)	(144,375)
Transfers to retained earnings	-	(23,865)	23,865	-
Balance as at 31st December 2016	16,750	5,484,914	799,032	6,300,696

The Kandy Hotels Company (1938) PLC

STATEMENT OF CASH FLOWS

For the nine months ended 31st December

Cash flows from/(used in) operating activities

Profit before tax

Adjustments for:

Finance Income

Finance expenses

Share of results of equity accounted investee

Depreciation of property, plant and equipment

Amortisation of intangible assets

Gratuity provision and related costs

Operating profit before working capital changes

(Increase)/decrease in inventories

(Increase)/decrease in trade and other receivables

(Increase)/decrease in amount due from related parties

Increase/(decrease) in trade and other creditors

Increase/(decrease) in amount due to related parties

Cash generated from/ (used in) operations

Finance expenses paid

Income tax paid

Gratuity paid

Net cash flow from/(used in) operating activities

Cash flows from/ (used in) investing activities

Interest received

Purchase and construction of property, plant and equipment

Acquisition of intangible assets

Investment

Proceeds from Disposal of Property, Plant and Equipment

Net cash flow from/(used in) investing activities

Cash flows from/ (used in) financing activities

Dividend paid

Repayment / Increase in interest bearing borrowings

Net cash flow from/(used in) financing activities

Net increase/(decrease) in cash and cash equivalents

Cash and cash equivalents at the beginning of the period

Cash and cash equivalents at the end of the period

	Group		Company	
	2017 Rs.'000'	2016 Rs.'000'	2017 Rs.'000'	2016 Rs.'000'
Cash flows from/(used in) operating activities				
Profit before tax	179,786	175,916	147,255	178,766
Adjustments for:				
Finance Income	(51,607)	(29,560)	(51,607)	(29,560)
Finance expenses	52,707	-	52,707	-
Share of results of equity accounted investee	(32,624)	2,752	-	-
Depreciation of property, plant and equipment	42,477	48,780	42,477	48,780
Amortisation of intangible assets	57	346	57	346
Gratuity provision and related costs	1,589	1,680	1,589	1,680
Operating profit before working capital changes	192,385	199,914	192,478	200,012
(Increase)/decrease in inventories	(1,085)	(6,537)	(1,085)	(6,537)
(Increase)/decrease in trade and other receivables	(1,605)	25,408	(1,605)	25,408
(Increase)/decrease in amount due from related parties	(255,357)	5,489	(255,357)	12,861
Increase/(decrease) in trade and other creditors	21,413	16,485	21,411	16,476
Increase/(decrease) in amount due to related parties	12,323	(287)	12,323	(7,659)
Cash generated from/ (used in) operations	(31,927)	240,470	(31,836)	240,560
Finance expenses paid	(52,707)	-	(52,707)	-
Income tax paid	(38,212)	(32,257)	(38,212)	(32,257)
Gratuity paid	(346)	(369)	(346)	(369)
Net cash flow from/(used in) operating activities	(123,191)	207,845	(123,100)	207,934
Cash flows from/ (used in) investing activities				
Interest received	51,607	29,560	51,607	29,560
Purchase and construction of property, plant and equipment	(10,792)	(10,550)	(10,792)	(10,550)
Acquisition of intangible assets	(438)	(55)	(438)	(55)
Investment	(600,000)	(0)	(600,000)	-
Proceeds from Disposal of Property, Plant and Equipment	55	-	55	-
Net cash flow from/(used in) investing activities	(559,568)	18,954	(559,568)	18,954
Cash flows from/ (used in) financing activities				
Dividend paid	(57,750)	(144,375)	(57,750)	(144,375)
Repayment / Increase in interest bearing borrowings	600,000	-	600,000	-
Net cash flow from/(used in) financing activities	542,250	(144,375)	542,250	(144,375)
Net increase/(decrease) in cash and cash equivalents	(140,509)	82,424	(140,418)	82,514
Cash and cash equivalents at the beginning of the period	25,705	5,962	25,571	5,738
Cash and cash equivalents at the end of the period	(114,803)	88,385	(114,847)	88,251

Note: The above figures for the nine months ended 31st December 2017 are provisional and subject to Audit.

Figures in brackets indicate deductions.

All values are in Rupees Thousands unless otherwise stated.

The Kandy Hotels Company (1938) PLC

NOTES TO INTERIM FINANCIAL STATEMENTS

1) Basis of preparation

The interim condensed financial statements have been prepared in compliance with Sri Lanka Accounting Standard (SLAS) LKAS 34-Interim Financial Reporting. These interim statements should be read in conjunction with the annual financial statements for the year ended 31st March 2017.

2) Stated Capital

The Number of shares representing the Stated Capital 577,500,000 Ordinary Shares and 50,000 fully paid Preference shares @ 15% as at 31st December 2017

3) Operating Segment

A segment is a distinguishable component of an enterprise that is engaged in either providing products or services (Business Segment) or in providing products or services within a particular economic environment (Geographical Segment), which is subject to risks & rewards that are different from those of the segment. However, there are no distinguishable components to be identified as segment for the company.

4) Non current financial assets

In May 2017, Company acquired 16.11% stake in United Hotels Co Ltd, (which is a subsidiary of Ceylon Hotels Corporation PLC) for LKR 600 Mn.

5) Contingent Liabilities

There has not been any significant changes in the nature of Contingent Liabilities which were disclosed in the Annual Report for the year ended 31st March 2017.

6) Subsequent Events

There were no material events taken place after the Balance Sheet date which would require adjustments or disclosure in the Interim Financial Statement.

The Kandy Hotels Company (1938) PLC

SHARE INFORMATION

1. The Public holdings as at 31st December 2017 - 28.03%
2. Number of Public shareholders as at 31st December 2017 - 1,861
3. Directors shareholding as at 31st December 2017

Directors Shareholdings	31 st December 2017	
	Preference	Ordinary
1 S Gardiner	9,500	87,500
2 J C Ratwatte	Nil	175,000
3 M W A D J N Wijesuriya	Nil	Nil
4 S C Mohotti	Nil	Nil
5 D P M L Samarasinghe	Nil	5,500
6 P P Maddumage	Nil	Nil
7 P N Dela	Nil	Nil
8 C L Sirimanne	Nil	3,500
9 M D R Gunatilleke	Nil	Nil

4. Top 20 ordinary shareholders as at 31st December 2017

	Name	No. of shares	%
1	Ceylon Hotels Corporation PLC	401,567,250	69.54
2	Progruss Investments Limited	69,300,000	12.00
3	Adiuvat Investment Fund	40,775,000	7.06
4	Hotel International Ltd	13,282,696	2.30
5	N.V.S. Saackville -Deceased	4,368,000	0.76
6	P.R.Frossard ,C/o.Executor Mr.C.Keith. Collas	1,965,250	0.34
7	Mrs. Lilamanie Rathwatthe	1,853,000	0.32
8	Mrs. M.F. Gunasekera	1,750,000	0.30
9	P.V. Gunasekera	1,750,000	0.30
10	Mrs. Areenie Upendra Ratwatte Pethiyagoda	1,500,000	0.26
11	Albert Chevallaz	1,496,250	0.26
12	Edonard -Dec D -Laravoire	1,496,250	0.26
13	Ms. Helene Sauties	1,496,250	0.26
14	Jeane Laravoire	1,496,250	0.26
15	John Paul Sauties	1,496,250	0.26
16	Ms. Martha Chevallaz	1,496,250	0.26
17	Paul Chevallaz	1,496,250	0.26
18	Hans Anton Van Starrex	1,075,451	0.19
19	Francis David Micheal Badcock	1,034,250	0.18
20	John Felix Charles Badcock	1,034,250	0.18
	Sub Total	551,728,897	95.54
	Balance held by others	25,771,103	4.46
	Total number of shares	577,500,000	100.00