

Interim Financial Statements
Three months ended 30th June 2019

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

The Kandy Hotels Co (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
Charitha Ratwatte
Lakshman Samarasinghe
Priyantha Maddumage
Lakshman Sirimanne
Ranjith Gunatilleke
Nahil Wijesuriya
Chandra Mohotti
Nilanga Dela Bandara
Shalike Karunasena (Alternate Director to Mr. Priyantha Maddumage)

Secretaries

Accounting Systems Secretarial Services (Pvt) Ltd
Level 03, No 11, Castle Lane, Colombo 04

Auditors

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

Registered Office

The Kandy Hotels Company (1938) PLC
No. 327, Union Place, Colombo 02
Company Registration No. PQ 201

Hotel Reservations

Ceylon Hotels Corporation PLC
Regency Wing - Galle Face Hotel
No. 02, Galle Road, Colombo 03
Tel: 011 5585858 Fax : 011 5345882
Email : sales@ceylonhotels.net
Website : www.queenshotel.lk/www.hotelsuisse.lk

THE KANDY HOTELS CO. (1938) PLC
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Group		Company		Variance
	Three months ended 30 th June		Three months ended 30 th June		Group
	2019 (Rs.'000')	2018 (Rs.'000')	2019 (Rs.'000')	2018 (Rs.'000')	%
Revenue (Note 03)	74,759	112,043	74,759	112,043	(33)
Cost of sales	(32,228)	(41,828)	(32,228)	(41,828)	(23)
Gross profit	42,530	70,215	42,530	70,215	(39)
Administration expenses	(58,084)	(55,908)	(57,946)	(55,818)	4
Selling & distribution expenses	(3,024)	(5,105)	(3,024)	(5,105)	(41)
Results from operating activities	(18,578)	9,201	(18,439)	9,291	(302)
Finance expenses	(22,607)	(22,783)	(22,607)	(22,783)	(1)
Finance income	20,678	18,500	20,678	18,500	12
Net finance cost	(1,928)	(4,283)	(1,928)	(4,283)	(55)
Share of loss of joint venture	(10,761)	(14,849)	-	-	(28)
Profit/ (loss) before taxation	(31,267)	(9,931)	(20,368)	5,008	215
Income tax	(7,130)	(5,915)	(7,130)	(5,915)	21
Profit/ (loss) after taxation	(38,397)	(15,846)	(27,498)	(907)	142
Other comprehensive income					
Other comprehensive income	-	-	-	-	
Other comprehensive income for the period	-	-	-	-	
Total Comprehensive Income for the period, net of tax	(38,397)	(15,846)	(27,498)	(907)	
Earnings/(loss) per share for the period	(0.07)	(0.03)	(0.05)	(0.00)	

Note : The above figures for the Three Months ended 30th June 2019 are provisional and subject to Audit

Figures in brackets indicate deductions.

All values are in Rupees Thousands unless otherwise stated.

THE KANDY HOTELS CO.(1938) PLC
STATEMENT OF FINANCIAL POSITION

	Group			Company		
As at	30.06.2019 (Rs. '000')	30.06.2018 (Rs. '000')	31.03.2019 (Rs. '000')	30.06.2019 (Rs. '000')	30.06.2018 (Rs. '000')	31.03.2019 (Rs. '000')
ASSETS						
Non- current assets						
Property, plant & equipment	6,288,670	6,334,722	6,300,285	6,288,670	6,334,722	6,300,285
Intangible assets	25,112	28,222	26,198	25,112	28,222	26,198
Investments in subsidiaries	-	-	-	352,843	352,843	352,843
Investments in joint venture	290,779	336,506	301,540	-	-	-
Investment in equity securities (Note 06)	600,000	600,000	600,000	600,000	600,000	600,000
	7,204,562	7,299,450	7,228,023	7,266,626	7,315,787	7,279,326
Current assets						
Inventories	37,792	36,660	39,538	37,792	36,660	39,538
Trade & other receivables	76,042	76,574	132,595	76,042	76,574	132,595
Related party receivables	935,346	844,932	901,662	935,346	844,932	901,662
Cash & cash equivalents	13,716	5,874	11,795	13,675	5,839	11,754
	1,062,895	964,040	1,085,590	1,062,854	964,004	1,085,549
TOTAL ASSETS	8,267,457	8,263,490	8,313,613	8,329,480	8,279,791	8,364,875
EQUITY AND LIABILITIES						
Equity						
Stated capital	16,750	16,750	16,750	16,750	16,750	16,750
Revaluation reserves	5,875,042	5,906,437	5,882,781	5,766,969	5,798,364	5,774,708
Retained earnings	1,023,794	947,217	1,054,451	1,194,266	1,071,768	1,214,025
Total equity	6,915,585	6,870,404	6,953,982	6,977,985	6,886,882	7,005,482
Non current liabilities						
Interest bearing borrowings (Note 07)	504,254	508,700	425,700	504,254	508,700	425,700
Deferred tax liabilities	574,374	571,009	565,751	574,374	571,009	565,751
Retirement benefit obligations	5,050	5,231	4,920	5,050	5,231	4,920
	1,083,678	1,084,940	996,371	1,083,678	1,084,940	996,371
Current liabilities						
Interest bearing loans & borrowings (Note 07)	24,900	89,130	99,600	24,900	89,130	99,600
Trade and other payables	89,028	89,882	108,309	88,751	89,705	108,171
Amounts due to related companies	11,134	11,843	10,947	11,034	11,843	10,847
Contract liabilities	15,560	23,869	15,870	15,560	23,869	15,870
Income tax payable	11,342	7,345	8,643	11,342	7,345	8,643
Bank overdrafts	116,231	86,077	119,890	116,231	86,077	119,890
	268,194	308,146	363,260	267,817	307,969	363,021
TOTAL EQUITY AND LIABILITIES	8,267,457	8,263,490	8,313,613	8,329,480	8,279,791	8,364,875
Net assets per share (Rs.)	12.0	11.9	12.0	12.1	11.9	12.13

Note : The above figures for the Three Months ended 30th June 2019 are provisional and subject to Audit

Figures in brackets indicate deductions.

All values are in Rupees Thousands unless otherwise stated.

Sgd.

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P Sivatheesh
Financial Controller

Sgd.

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Lakshman Samarasinghe
Director
09th August 2019

Sgd.

.....
Lakshman Sirimanne
Director

THE KANDY HOTELS CO.(1938) PLC
STATEMENT OF CHANGES IN EQUITY

Period ended 30th June 2019

Group

	Stated Capital Rs. '000'	Revaluation Reserves Rs. '000'	Retained Earnings Rs. '000'	Total Equity Rs. '000'
Balance as at 31st March 2018	16,750	5,913,736	960,444	6,890,929
Adjustment on initial application of SLFRS 09	-	-	(4,679)	(4,679)
Adjusted Balance as at 01 April 2018	16,750	5,913,736	955,764	6,886,250
Profit for the year	-	-	125,625	125,625
Other comprehensive income				
Actuarial gains on defined benefit plans	-	-	43	43
Deferred tax effect on actuarial gain	-	-	(6)	(6)
Share of other comprehensive income attributable to joint venture, net of tax	-	-	(143)	(143)
Total other comprehensive income for the year, net of tax	-	-	(106)	(106)
Total comprehensive income for the year, net of tax	-	-	125,519	125,519
Dividends - (15% Cumulative preference shares)	-	-	(38)	(38)
Transfer to retained earnings	-	(30,955)	30,955	-
Dividends paid	-	-	(57,750)	(57,750)
Balance as at 31st March 2019	16,750	5,882,781	1,054,451	6,953,982
Profit / (Loss) for the period	-	-	(38,397)	(38,397)
Total comprehensive income	16,750	5,882,781	1,016,055	6,915,585
Transfer to retained earnings	-	(7,739)	7,739	-
Balance as at 30th June 2019	16,750	5,875,042	1,023,794	6,915,585

Company

	Stated Capital Rs. '000'	Revaluation Reserves Rs. '000'	Retained Earnings Rs. '000'	Total Equity Rs. '000'
Balance as at 31st March 2018	16,750	5,805,663	1,070,055	6,892,469
Adjustment on initial application of SLFRS 09	-	-	(4,679)	(4,679)
Adjusted Balance as at 01 April 2018	16,750	5,805,663	1,065,376	6,887,789
Profit for the year	-	-	175,443	175,443
Other comprehensive income				
Actuarial gains on defined benefit plans	-	-	43	43
Deferred tax effect on actuarial gain	-	-	(6)	(6)
Total other comprehensive income for the year, net of tax	-	-	37	37
Total comprehensive income for the year, net of tax	-	-	175,481	175,481
Dividends - (15% Cumulative preference shares)	-	-	(38)	(38)
Dividends to equity holders - First and final 2017/2018	-	-	(57,750)	(57,750)
Transfer to retained earnings	-	(30,955)	30,955	-
Balance as at 31st March 2019	16,750	5,774,708	1,214,025	7,005,482
Profit / (Loss) for the period	-	-	(27,498)	(27,498)
Total comprehensive income	16,750	5,774,708	1,186,527	6,977,985
Transfer to retained earnings	-	(7,739)	7,739	-
Balance as at 30th June 2019	16,750	5,766,969	1,194,266	6,977,985

Note : The above figures for the Three Months ended 30th June 2019 are provisional and subject to Audit.

Figures in brackets indicate deductions.

All values are in Rupees Thousands unless otherwise stated.

THE KANDY HOTELS CO.(1938) PLC
STATEMENT OF CHANGES IN EQUITY

Period ended 30th June 2018

Group

	Stated Capital Rs. '000'	Revaluation Reserves Rs. '000'	Retained Earnings Rs. '000'	Total Equity Rs. '000'
Balance as at 31st March 2017	16,750	6,298,512	764,981	7,080,244
Profit for the year	-	-	224,220	224,220
Other comprehensive income				
Actuarial gains and losses on defined benefit plans	-	-	(191)	(191)
Income tax on other comprehensive income	-	-	27	27
Share of other comprehensive income attributable to joint venture	-	17,699	(0)	17,699
Income tax effect on revaluation of land	-	(373,281)	-	(373,281)
Total other comprehensive income for the year, net of tax	-	(355,582)	(164)	(355,746)
Total comprehensive income for the year, net of tax	-	(355,582)	224,055	(131,527)
Dividends - (15% Cumulative preference shares)	-	-	(38)	(38)
Transfer to retained earnings	-	(29,195)	29,195	-
Dividends paid	-	-	(57,750)	(57,750)
Balance as at 31st March 2018	16,750	5,913,736	960,444	6,890,929
Adjustment on initial application of SLFRS 09	-	-	(4,679)	(4,679)
Adjusted Balance as at 01 April 2018	16,750	5,913,736	955,764	6,886,250
Profit / (Loss) for the period	-	-	(15,846)	(15,846)
Total Comprehensive Income	-	-	(15,846)	(15,846)
Transfer to retained earnings	-	(7,299)	7,299	-
Balance as at 30th June 2018	16,750	5,906,437	947,217	6,870,404

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 31st March 2017	16,750	6,208,139	903,991	7,128,880
Profit for the year	-	-	194,822	194,822
Other comprehensive income				
Actuarial gains and losses on defined benefit plans	-	-	(191)	(191)
Income tax on other comprehensive income	-	-	27	27
Income tax effect on revaluation of land	-	(373,281)	-	(373,281)
Total other comprehensive income for the year, net of tax	-	(373,281)	(164)	(373,445)
Total comprehensive income for the year, net of tax	-	(373,281)	194,658	(178,623)
Dividends - (15% Cumulative preference shares)			(38)	(38)
Dividends to equity holders - First and final 2016/2017			(57,750)	(57,750)
Transfer to retained earnings		(29,195)	29,195	-
Balance as at 31st March 2018	16,750	5,805,663	1,070,055	6,892,469
Adjustment on initial application of SLFRS 09	-	-	(4,679)	(4,679)
Adjusted Balance as at 01 April 2018	16,750	5,805,663	1,065,376	6,887,789
Profit / (Loss) for the period	-	-	(907)	(907)
Total comprehensive income	-	-	(907)	(907)
Transfer to retained earnings	-	(7,299)	7,299	-
Balance as at 30th June 2018	16,750	5,798,364	1,071,768	6,886,882

Note : The above figures for the Three Months ended 30th June 2019 are provisional and subject to Audit.

Figures in brackets indicate deductions.

All values are in Rupees Thousands unless otherwise stated.

THE KANDY HOTELS CO.(1938) PLC
STATEMENT OF CASH FLOWS

For the Three Months ended 30th June 2019

	Group		Company	
	2019 (Rs. '000')	2018 (Rs. '000')	2019 (Rs. '000')	2018 (Rs. '000')
Net Profit /(loss) before taxation	(31,267)	(9,931)	(20,368)	5,008
Adjustments for:				
Depreciation	15,381	14,791	15,381	14,791
Provision for gratuity	497	900	497	900
Finance cost	22,607	22,783	22,607	22,783
Profit on transfer of Property, plant & equipment	-	129	-	129
Share of results of equity accounted investee	10,761	14,849	-	-
Interest income	(20,678)	(18,500)	(20,678)	(18,500)
Amotization of intangible assets	1,086	1,122	1,086	1,122
Net Impairment for ECL impact under SLFRS 09	(36)	-	(36)	-
Operating profit before working capital changes	(1,650)	26,143	(1,511)	26,233
(Increase) / decrease in inventories	1,746	(1,179)	1,746	(1,179)
(Increase) / decrease in trade debtors & other receivables	27,585	18,323	27,585	18,323
Increase / (decrease) in trade creditors & other payables	(19,352)	(2,572)	(19,531)	(2,696)
Cash generated from operations	8,329	40,715	8,288	40,681
Income tax paid	(500)	(10,560)	(500)	(10,560)
Finance expenses paid	(22,607)	(22,783)	(22,607)	(22,783)
Gratuity paid	(368)	(827)	(368)	(827)
Net cash inflow from operating activities	(15,145)	6,546	(15,186)	6,511
Cash flow from/(used in) investing activities				
Acquisition of property, plant & equipment	(3,766)	(801)	(3,766)	(801)
Interest received	20,678	18,500	20,678	18,500
Proceeds from fisposal of property plant & equipment	-	-	-	-
Net cash flow from investing activities	16,912	17,699	16,912	17,699
Cash flow from/(used in) financing activities				
Repayment /increase in interest bearing borrowings	3,854	(2,170)	3,854	(2,170)
Net cash flow from (used in) financing activities	3,854	(2,170)	3,854	(2,170)
Net increase/(decrease) in cash & cash equivalents	5,621	22,075	5,580	22,040
Net cash & cash equivalents at the beginning of the period	(108,136)	(102,278)	(108,136)	(102,278)
Net cash & cash equivalents as at 30th June 2019	(102,515)	(80,203)	(102,556)	(80,238)
Analysis of Net Cash & Cash Equivalents as at 30th June 2019				
Cash & cash equivalents	13,716	5,874	13,675	5,839
Bank Overdraft	(116,231)	(86,077)	(116,231)	(86,077)
Net cash & cash equivalents as at 30th June 2019	(102,515)	(80,203)	(102,556)	(80,238)

Note : The above figures for the Three Months ended 30th June 2019 are provisional and subject to Audit
Figures in brackets indicate deductions.
All values are in Rupees Thousands unless otherwise stated.

THE KANDY HOTELS CO.(1938) PLC

NOTES TO INTERIM FINANCIAL STATEMENTS

01) Basis of preparation

The interim condensed financial statements have been prepared in compliance with Sri Lanka Accounting Standard LKAS 34 - Interim Financial Reporting. These interim statements should be read in conjunction with the annual financial statements for the year ended 31st March 2019.

02) Accounting Policies

The Accounting policies are in line with the policies published in the annual financial statements for the year ended 31st March 2019, except for the adoption of new standards effective as of 01st April 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The Group applies SLFRS 16 Leases for the first time and no impact to the financial statements from SLFRS 16 due to the Group does not carries any Lease agreements as at 30th June 2019.

03) Revenue

The group has recorded a drop in revenue of 33% during the quarter ended 30th June 2019. The primary reason for the decline in revenue is due to the challenging industry conditions faced in the immediate aftermath of the Eater Attacks on the 21st April 2019. Both the Queens Hotel and Hotel Suisse witnessed low occupancy rates and low average daily room rates during the quarter due to the heightened security concerns, where overall tourist arrivals to the country declined by 7.5% in April 2019, 70.8% in May 2019, followed by a 57.0% drop in June 2019.

04) 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 30th June 2019.

05) 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.

06) Investment in equity securities

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

Fair value of unquoted equity Investment

Fair valuation carried out as of 31st March 2019 for unquoted equity investment classified as Level 3 within the fair value hierarchy according to fair valuation methodology. The management has decided that carrying value as of 30th June 2019 would not significantly deviated from its' indicative fair value as at 31st March 2019.

07) Interest bearing loans & borrowings

Company received a capital and interest moratorium (from April 2019 to March 2020) on the existing term loan and overdrafts in accordance with the financial relief package announced by the Government to the Tourism industry.

Accordingly there will be no capital repayment due within the 12 months period from April 2019 to March 2020.

THE KANDY HOTELS CO.(1938) PLC
NOTES TO INTERIM FINANCIAL STATEMENTS

08) Related Party Transactions

The company carries out transactions in the ordinary course of its business with parties who are defined as related parties in LKAS 24 the details of which are reported below.

For the quarter ended 30 th June In LKR '000	Company	
	2019	2018
Transactions with Parent Company		
Ceylon Hotels Corporation PLC		
Expenses paid by Parent on behalf of company	1,138	61
Interest Charged by company	18,779	18,469
Temporary advances received	1,919	-
Transactions with Joint Venture Company		
Suisse Hotel Kandy (Pvt) Ltd		
Temporary advances received	5,000	-
Transactions with companies under common control & Joint venture of parent		
United Hotels Company Ltd (UHCL)		
Expenses paid by UHCL on behalf of company	99.8	205
CHC Foods (Pvt) Ltd		
Reimbursement of expenses paid	88	-
CHC Resthouse (Pvt) Ltd (CHC RH)		
Expenses paid by CHC RH on behalf of company	-	30

09) 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 2019.

10) 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 CO.(1938) PLC
NOTES TO INTERIM FINANCIAL STATEMENTS

SHARE INFORMATION

1. The Public holdings as at 30th June 2019 - 159,952,739 (27.70%)
2. Number of Public shareholders as at 30th June 2019 - 1,944
3. Directors shareholding as at 30th June 2019

Directors Shareholdings		30-Jun-19	
		Preference	Ordinary
1	Mr. Sanjeev Gardiner	9,500	87,500
2	Mr. Lakshman Samarasinghe	Nil	5,500
3	Mr. Charitha Ratwatte	Nil	175000
4	Mr. Priyantha Maddumage	Nil	Nil
5	Mr. Lakshman Sirimanne	Nil	3,500
6	Mr. Ranjith Gunathilleke	Nil	43,611
7	Mr. Nahil Wijesuriya	Nil	Nil
8	Mr. Chandra Mohotti	Nil	Nil
9	Mr. Nilanga Dela	Nil	Nil
10	Mr. Shalike Karunasena (Alternative Director to Mr. Priyantha Maddumage)	Nil	Nil

4. Top 20 ordinary shareholders as at 30th June 2019

	Name	No. of shares	%
1	Ceylon Hotels Corporation PLC	401,567,250	69.54
2	Progruss Investments Limited	69,315,626	12.00
3	Adiuvat Investment Fund	40,782,097	7.06
4	Hotel International (Pvt) Ltd	13,282,696	2.30
5	Mr. N.V.S. Saackville	4,368,000	0.76
6	Mr. P.R.F Collas	1,965,250	0.34
7	Mrs. L. Ratwatte	1,853,000	0.32
8	Mr. P.V. Gunasekera	1,750,000	0.30
9	Mr. M.F. Gunasekera	1,750,000	0.30
10	Mrs. A.U.R. Pethiyagoda	1,500,000	0.26
11	Mr. M. Chevallaz	1,496,250	0.26
12	Mr. P. Chevallaz	1,496,250	0.26
13	Mr. A. Chevallaz	1,496,250	0.26
14	Mr. J. Laravoire	1,496,250	0.26
15	Mr. E. Laravoire	1,496,250	0.26
16	Ms. H. Sauties	1,496,250	0.26
17	Mr. J. P. Sauties	1,496,250	0.26
18	Mr. H.A. Van Starrex	1,075,451	0.19
19	Mr. J.F.C. Badcock	1,034,250	0.18
20	Mr. F.D.M. Badcock	1,034,250	0.18
	Sub total	551,751,620	95.54
	Balance held by others	25,748,380	4.46
	Total number of shares	577,500,000	100.00

5. Market price per share for the quarter ended 30th June 2019.

	2019 <u>(Rs.)</u>	2018 <u>(Rs.)</u>
Highest Market Price	5.10	5.70
Lowest Market Price	4.00	5.00
Last Traded Price	5.10	5.20

6. The float adjusted market capitalisation as at 30th June 2019 was Rs. 815,834,250/- with reference to the rule no. 7.6 (iv) of the listing rules of the Colombo Stock Exchange. As the float adjusted market capitalisation is less than Rs. 2.5 billion, The Kandy Hotels Company (1938) PLC complies under option 5 of the Listing Rules 7.13.1 (a) with the minimum public holding requirements.