

Interim Financial Statements
Three months ended 30th June 2020

The Kandy Hotels Company (1938) PLC
A Member of the Galle Face 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
Charitha Ratwatte
Lakshman Samarasinghe
Priyantha Maddumage
Lakshman Sirimanne
Ranjith Gunatilleke
Nahil Wijesuriya
Chandra Mohotti
Nilanga Dela
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 COMPANY (1938) PLC
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Group		Company		
	Three months ended 30th June		Three months ended 30th June		Variance
	2020 Rs. '000'	2019 Rs. '000'	2020 Rs. '000'	2019 Rs. '000'	Group %
Revenue	7,809	74,759	7,809	74,759	(90)
Cost of sales	(12,929)	(32,228)	(12,929)	(32,228)	(60)
Gross profit	(5,119)	42,530	(5,119)	42,530	(112)
Other Operating Income	-	-	-	-	#DIV/0!
Administrative expenses	(28,216)	(58,084)	(28,072)	(57,946)	(51)
Selling & distribution expenses	(672)	(3,024)	(672)	(3,024)	(78)
Other operating expenses	(575)		(575)	-	100
Results from operating activities	(34,583)	(18,578)	(34,439)	(18,439)	86
Finance expenses	(21,464)	(22,607)	(21,464)	(22,607)	(5)
Finance income	18,284	20,678	18,284	20,678	(12)
Net finance cost	(3,179)	(1,928)	(3,179)	(1,928)	65
Share of profit / (loss) of Joint venture	(21,700)	(10,761)	-	-	102
Profit/(Loss) before taxation	(59,462)	(31,267)	(37,618)	(20,368)	90
Income tax	(2,216)	(7,130)	(2,216)	(7,130)	69
Profit/(Loss) for the period	(61,678)	(38,397)	(39,834)	(27,498)	61
Other comprehensive income	-	-	-	-	
Total comprehensive income for the period, net of tax	(61,678)	(38,397)	(39,834)	(27,498)	61
Earnings/(Losses) per share for the period (Rs.)	(0.11)	(0.07)	(0.07)	(0.05)	

Note : The above figures for the Three months ended 30th June 2020 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

As at	Group			Company		
	30.06.2020 Rs. '000'	30.06.2019 Rs. '000'	31.03.2020 Rs. '000'	30.06.2020 Rs. '000'	30.06.2019 Rs. '000'	31.03.2020 Rs. '000'
ASSETS						
Non Current Assets						
Property, plant & equipment	7,511,123	6,288,670	7,525,581	7,511,123	6,288,670	7,525,581
Intangible assets	20,219	25,112	21,410	20,219	25,112	21,410
Investment in subsidiary	-	-	-	352,843	352,843	352,843
Investment in joint venture	184,966	290,779	206,666	-	-	-
Investment in equity securities	525,000	600,000	525,000	525,000	600,000	525,000
	8,241,309	7,204,562	8,278,657	8,409,185	7,266,626	8,424,834
Current Assets						
Inventories	35,487	37,792	37,760	35,487	37,792	37,760
Trade and other receivables	35,709	76,042	83,239	35,709	76,042	83,239
Amounts due from related party	997,152	935,346	906,255	997,152	935,346	906,255
Cash and cash equivalents	62,691	13,716	136,267	62,586	13,675	136,162
	1,131,039	1,062,895	1,163,522	1,130,934	1,062,854	1,163,416
TOTAL ASSETS	9,372,347	8,267,457	9,442,179	9,540,119	8,329,480	9,588,250
EQUITY AND LIABILITIES						
Equity						
Stated capital	16,750	16,750	16,750	16,750	16,750	16,750
Reserves	7,029,873	5,875,041	7,037,612	6,921,801	5,766,969	6,929,540
Retained earnings	783,549	1,023,794	837,488	1,060,004	1,194,266	1,092,099
Total Equity	7,830,172	6,915,585	7,891,849	7,998,555	6,977,986	8,038,389
Non-Current Liabilities						
Interest bearing borrowings	542,872	504,254	562,167	542,872	504,254	562,167
Retirement benefit obligations	4,151	5,050	4,281	4,151	5,050	4,281
Deferred taxation	737,106	574,374	739,279	737,106	574,374	739,279
	1,284,129	1,083,678	1,305,726	1,284,129	1,083,678	1,305,726
Current Liabilities						
Interest bearing borrowings	117,330	24,900	81,575	117,330	24,900	81,575
Trade and other payables	111,988	89,028	110,141	111,636	88,750	109,933
Amounts due to related companies	19,713	11,134	18,932	19,453	11,034	18,672
Contract liabilities	6,496	15,560	9,521	6,496	15,560	9,521
Income tax payable	2,520	11,342	8,439	2,520	11,342	8,439
Bank overdrafts	-	116,231	15,995	-	116,231	15,995
	258,047	268,194	244,603	257,435	267,816	244,135
TOTAL EQUITY AND LIABILITIES	9,372,347	8,267,457	9,442,179	9,540,119	8,329,480	9,588,250
Net Assets per Share (Rs.)	13.6	12.0	13.7	13.9	12.1	13.9

Note : The above figures for the Three months ended 30th June 2020 are provisional and subject to Audit.
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.

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Janaka Ganegoda
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

13th August 2020

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

Period ended 30th June 2020

Group

	Stated Capital Rs. '000'	FVOCI Reserve Rs. '000'	Revaluation Reserves Rs. '000'	Retained Earnings Rs. '000'	Total Equity Rs. '000'
Balance as at 31 st March 2019	16,750	-	5,882,780	1,054,452	6,953,982
Net Profit / (Loss) for the year	-	-	-	(71,033)	(71,033)
Other comprehensive income					
Actuarial gains on defined benefit plans	-	-	-	(157)	(157)
Total other comprehensive income for the year net of tax	-	(75,000)	1,260,787	(176,532)	1,009,255
Share of other comprehensive income attributable to joint venture	-	-	-	(159)	(159)
Total Comprehensive Income	-	(75,000)	1,260,787	(247,882)	937,905
Transfers to retained earnings	-	-	(30,955)	30,955	-
Dividends-(15% Cumulative preference shares)	-	-	-	(38)	(38)
Balance as at 30th March 2020	16,750	(75,000)	7,112,612	837,488	7,891,849
Profit / (Loss) for the period	-	-	-	(61,678)	(61,678)
Share of other comprehensive income attributable to joint venture	-	-	-	-	-
Total comprehensive income	-	-	-	(61,678)	(61,678)
Transfer to retained earnings	-	-	(7,739)	7,739	-
Balance as at 30th June 2020	16,750	(75,000)	7,104,873	783,549	7,830,172

Company

	Stated Capital Rs. '000'	FVOCI Reserve Rs. '000'	Revaluation Reserves Rs. '000'	Retained Earnings Rs. '000'	Total Equity Rs. '000'
Balance as at 31 st March 2019	16,750	-	5,774,708	1,214,025	7,005,483
Net Profit / (Loss) for the year	-	-	-	23,846	23,846
Other comprehensive income					
Actuarial gains on defined benefit plans	-	-	-	(157)	(157)
Total other comprehensive income for the year net of tax	-	(75,000)	1,260,787	(176,532)	1,009,255
Total Comprehensive Income	-	(75,000)	1,260,787	(152,843)	1,032,944
Transfers to retained earnings	-	-	(30,955)	30,955	-
Dividends-(15% Cumulative preference shares)	-	-	-	(38)	(38)
Balance as at 31st March 2020	16,750	(75,000)	7,004,540	1,092,099	8,038,389
Profit / (Loss) for the period	-	-	-	(39,834)	(39,834)
Total comprehensive income	-	-	-	(39,834)	(39,834)
Transfer to retained earnings	-	-	(7,739)	7,739	-
Balance as at 30th June 2020	16,750	(75,000)	6,996,801	1,060,004	7,998,555

Note : The above figures for the Three months ended 30th June 2020 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

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	5,913,735	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	5,913,735	955,765	6,886,250
Net profit for the year	-	-	125,625	125,625
Other comprehensive income	-	-	-	-
Actuarial gains on defined benefit plans	-	-	43	43
Share of other comprehensive income attributable to joint venture	-	-	(143)	(143)
Deferred tax effect on actuarial gain	-	-	(6)	(6)
Total other comprehensive income for the year, net of tax	-	-	(106)	(106)
Total Comprehensive Income	16,750	5,913,735	125,519	125,519
Transfer of excess depreciation on revaluation	-	(30,955)	30,955	-
Dividends-(15% Cumulative preference shares)	-	-	(38)	(38)
Dividends to equity holders - First and final 2017/2018	-	-	(57,750)	(57,750)
Balance as at 31st March 2019	16,750	5,882,780	1,054,452	6,953,982
Profit / (Loss) for the period	-	-	(38,397)	(38,397)
Total comprehensive income	16,750	5,882,780	1,016,055	6,915,585
Transfer to retained earnings	-	(7,739)	7,739	-
Balance as at 30th June 2019	16,750	5,875,041	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	1,070,056	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	1,065,377	6,887,790
Other comprehensive income	-	-	-	-
Net profit for the year	-	-	175,443	175,443
Actuarial gains on defined benefit plans	-	-	43	43
Deferred tax effect on actuarial gain	-	-	(6)	(6)
Total Comprehensive Income	-	-	175,481	175,481
Dividends-(15% Cumulative preference shares)	-	-	(38)	(38)
Transfer of excess depreciation on revaluation	-	(30,955)	30,955	-
Dividends to equity holders - First and final 2017/2018	-	-	(57,750)	(57,750)
Balance as at 31st March 2020	16,750	5,774,708	1,214,025	7,005,483
Profit / (Loss) for the period	-	-	(27,498)	(27,498)
Total comprehensive income	16,750	5,774,708	1,186,527	6,977,986
Transfer to retained earnings	-	(7,739)	7,739	-
Balance as at 30th June 2019	16,750	5,766,969	1,194,266	6,977,986

Note : The above figures for the Three months ended 30th June 2020 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 CASH FLOWS

Period ended 30th June 2020

Cash Flows from Operating Activities

Profit before tax

Adjustments for:

Finance income

Finance expenses

Share of results of equity accounted investee

Depreciation of property, plant and equipment

Amortization of intangible assets

Provision for retirement benefit plans - gratuity

Net Impairment for ECL impact under SLFRS 09

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 payables

Increase/(decrease) in amount due to related parties

Cash generated from/ (used in) operations

Finance expenses paid

Income tax paid

Gratuity paid

Cash generated from/(used in) operating activities

Cash flows from investing activities

Interest received

Purchase and construction of property, plant and equipment

Cash generated from/(used in) investing activities

Cash flows from/ (used in) financing activities

Increase / (Repayment) 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

Net Cash & cash equivalents as at 30th June

Analysis of net Cash & cash equivalents as at 30th June

Cash & cash equivalents

Bank Overdrafts

Net Cash & cash equivalents as at 30th June

	Group		Company	
	2020 Rs.'000'	2019 Rs.'000'	2020 Rs.'000'	2019 Rs.'000'
Profit before tax	(59,462)	(31,267)	(37,618)	(20,368)
Adjustments for:				
Finance income	(18,284)	(20,678)	(18,284)	(20,678)
Finance expenses	21,464	22,607	21,464	22,607
Share of results of equity accounted investee	21,700	10,761	-	-
Depreciation of property, plant and equipment	14,511	15,381	14,511	15,381
Amortization of intangible assets	1,191	1,086	1,191	1,086
Provision for retirement benefit plans - gratuity	-	497	-	497
Net Impairment for ECL impact under SLFRS 09	-	(36)	-	(36)
Operating profit before working capital changes	(18,880)	(1,650)	(18,736)	(1,511)
(Increase)/decrease in inventories	2,273	1,746	2,273	1,746
(Increase)/decrease in trade and other receivables	47,530	27,585	47,530	27,585
(Increase)/decrease in amount due from related parties	(90,897)	-	(90,897)	-
Increase/(decrease) in trade and other payables	(11,485)	(19,352)	(11,629)	(19,531)
Increase/(decrease) in amount due to related parties	782	-	782	-
Cash generated from/ (used in) operations	(70,678)	8,329	(70,677)	8,288
Finance expenses paid	(21,464)	(22,607)	(21,464)	(22,607)
Income tax paid	-	(500)	-	(500)
Gratuity paid	(130)	(368)	(130)	(368)
Cash generated from/(used in) operating activities	(92,272)	(15,145)	(92,271)	(15,187)
Cash flows from investing activities				
Interest received	18,284	20,678	18,284	20,678
Purchase and construction of property, plant and equipment	(54)	(3,766)	(54)	(3,766)
Cash generated from/(used in) investing activities	18,231	16,912	18,231	16,912
Cash flows from/ (used in) financing activities				
Increase / (Repayment) in Interest bearing borrowings	16,460	3,854	16,460	3,854
Net cash flow from /(used in) financing activities	16,460	3,854	16,460	3,854
Net Increase/(Decrease) in Cash and cash equivalents	(57,581)	5,621	(57,580)	5,580
Cash and cash equivalents at the beginning of the period	120,272	(108,136)	120,167	(108,136)
Net Cash & cash equivalents as at 30th June	62,691	(102,515)	62,586	(102,556)
Analysis of net Cash & cash equivalents as at 30th June				
Cash & cash equivalents	62,691	13,716	62,586	13,675
Bank Overdrafts	-	(116,231)	-	(116,231)
Net Cash & cash equivalents as at 30th June	62,691	(102,515)	62,586	(102,556)

Note : The above figures for the Three months ended 30th June 2020 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

01) Basis of preparation

The interim condensed financial statements of the Company and those consolidated have been prepared in compliance with Sri Lanka Accounting Standard LKAS 34 - Interim Financial Reporting. These interim financial statements should be read in conjunction with the annual financial statements for the year ended 31st March 2020.

02) Interim Condensed Financial Statements

The financial statements for the period ended 30th June 2020, includes "the Company" referring to The Kandy Hotels Company (1938) PLC, as the holding company and "the Group" referring to the companies whose accounts have been consolidated therein.

03) Accounting Policies

The Accounting policies are in line with the policies published in the annual financial statements for the year ended 31st March 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 2020.

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) Status of Operation

The COVID-19 pandemic and the containment measures taken (Globally) to prevent its spread, have impacted the Travel and Tourism Industry the hardest, with Global and Local travel coming to a grinding halt. The resultant impact of the pandemic on the business of the Company and its leisure assets is unprecedented, as it has affected all streams of income generation.

Queens and Suisse Hotels of the Group were temporary closed during the months of April and May 2020 and Queen's Hotel was reopened for guests from mid- June adhering to guidelines issued by the Government of Sri Lanka to prevent the spread of the Virus.

THE KANDY HOTELS COMPANY (1938) PLC

NOTES TO INTERIM FINANCIAL STATEMENTS

07) Investment in equity securities

Investment in equity securities represent 16.11% stake 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 30th June 2020 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 2020 would not significantly deviated from its' indicative fair value as at 31st March 2020.

08) Interest bearing loans & borrowings

Company received a capital and interest moratorium (from April 2020 to Sept 2020) on the existing term loan and overdrafts in accordance with the financial relief package announced by the Government of Sri Lanka to the Tourism industry, amidst of the Covid-19 epidemic.

09) 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 Period ended 30th June In LKR '000	Note	Company 2020	2019
Transactions with Parent Company			
Ceylon Hotels Corporation PLC			
Expenses paid by CHC on behalf of company	A	104	272
Interest Charged by company	C	18,283	19,837
Settlement of Expenses paid by CHC on behalf of company		-	353
Temporary advance to CHC	B	64,000	11,719

Non recurrent Related Party Transactions

There are no non-recurrent related party transactions for the period ended 30th June 2020.

Note :

A) Transactions carried out in the ordinary course of business and charge at the face value of the expenses.

B) Temporary advances given in the ordinary course of business and no interest charge on the outstanding balances. Payable on demand and short.

C) Terms and conditions related to inter company borrowings/lendings :

Company	Party	Repayment	Interest Rate
The Kandy Hotels Company (1938) PLC	Lender	On Demand	AWDR p.a
Ceylon Hotels Corporation PLC	Borrower		

10) 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 2020.

11) 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 NOTES TO INTERIM FINANCIAL STATEMENTS

SHARE INFORMATION

1. The Public holdings as at 30th June 2020 - 159,524,441 (27.62%)
2. Number of Public shareholders as at 30th June 2020 - 1,980.
3. Directors shareholding as at 30th June 2020.

Directors Shareholdings		30-Jun-20	
		Preference	Ordinary
1	Mr. Sanjeev Gardiner	9,500	87,500
2	Mr. Charitha Ratwatte	Nil	175,000
3	Mr. Lakshman Samarasinghe	Nil	5,500
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 2020

	Name	No. of shares	%
1	Ceylon Hotels Corporation PLC	401,567,250	69.54
2	Progruss Investments Limited	69,445,619	12.03
3	Adiuvat Investment Fund	40,782,097	7.06
4	Hotel International (Pvt) Ltd	13,706,619	2.37
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	Mr. G.C.Goonetilleke	1,722,972	0.30
11	Mrs. A.U.R. Pethiyagoda	1,500,000	0.26
12	Ms. H. Sauties	1,496,250	0.26
13	Mr. J. P. Sauties	1,496,250	0.26
14	Mr. J. Laravoire	1,496,250	0.26
15	Mr. E. Laravoire	1,496,250	0.26
16	Mr. M. Chevallaz	1,496,250	0.26
17	Mr. P. Chevallaz	1,496,250	0.26
18	Mr. A. Chevallaz	1,496,250	0.26
19	Mr. J.F.C. Badcock	1,034,250	0.18
20	Mr. F.D.M. Badcock	1,034,250	0.18
	Sub total	552,953,057	95.75
	Balance held by others	24,546,943	4.25
	Total number of shares	577,500,000	100.00

5. Market price per share for the quarter ended 30th June 2020.

	2020 (Rs.)	2019 (Rs.)
Highest Market Price	4.70	5.10
Lowest Market Price	3.10	4.00
Last Traded Price	4.30	5.10

6. The float adjusted market capitalisation as at 30th June 2020 was Rs. 685,873,650/- 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.