

Interim Financial Statements
Year ended 31st March 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				Variance Group %
	Three Months Ended 31 st March		Year Ended 31 st March		Three Months Ended 31 st March		Year Ended 31 st March		
	2020 Rs. '000'	2019 Rs. '000'	2020 Rs. '000'	2019 Rs. '000'	2020 Rs. '000'	2019 Rs. '000'	2020 Rs. '000'	2019 Rs. '000'	
Revenue (Note 06)	129,754	229,355	410,923	703,480	129,754	229,355	410,923	703,480	(42)
Cost of sales	(39,362)	(62,350)	(139,105)	(208,214)	(39,362)	(62,350)	(139,105)	(208,214)	(33)
Gross profit	90,392	167,006	271,818	495,266	90,392	167,006	271,818	495,266	(45)
Other Operating Income	-	-	-	53	-	-	-	53	(100)
Administrative expenses	(51,909)	(68,354)	(215,674)	(245,452)	(51,571)	(68,306)	(215,510)	(245,306)	(12)
Selling & distribution expenses	(5,675)	(6,494)	(19,430)	(25,411)	(5,675)	(6,494)	(19,430)	(25,411)	(24)
Other operating expenses	(3,953)	-	(3,953)	-	(3,953)	-	(3,953)	-	100
Results from operating activities	28,855	92,158	32,761	224,455	29,193	92,206	32,926	224,601	(85)
Finance expenses	(17,684)	(22,798)	(79,673)	(91,284)	(17,684)	(22,798)	(79,673)	(91,284)	(13)
Finance income	18,052	18,705	79,007	73,398	18,052	18,705	79,007	73,398	8
Net finance cost	368	(4,094)	(666)	(17,885)	368	(4,094)	(666)	(17,885)	(96)
Share of profit / (loss) of Joint venture	(60,246)	47,033	(99,917)	(49,672)	-	-	-	-	101
Profit/(Loss) before taxation	(31,023)	135,097	(67,822)	156,898	29,561	88,113	32,260	206,716	(143)
Income tax	(1,064)	(7,966)	(8,414)	(31,272)	(1,064)	(7,966)	(8,414)	(31,272)	73
Profit/(Loss) for the period / year	(32,087)	127,131	(76,236)	125,625	28,497	80,147	23,846	175,443	(161)
Other comprehensive income									
Items that will never be reclassified to profit or loss									
Revaluation of Property, Plant and Equipment	1,260,787	-	1,260,787	-	1,260,787	-	1,260,787	-	
Actuarial gains/(losses) on defined benefit plans	(157)	-	(157)	43	(157)	-	(157)	43	
Deferred tax effect on other comprehensive income	(176,532)	-	(176,532)	(6)	(176,532)	-	(176,532)	(6)	
Share of other comprehensive income of joint venture	(159)	-	(159)	(143)	-	-	-	-	
Items that are or may be reclassified to profit or loss									
Net change on equity instruments designated at fair value through other comprehensive income	(75,000)	-	(75,000)	-	(75,000)	-	(75,000)	-	
Total comprehensive income for the period / year, net of tax	976,852	127,131	932,703	125,519	1,037,595	80,147	1,032,944	175,481	643
Earnings/(Losses) per share for the period / year (Rs.)	(0.06)	0.22	(0.13)	0.22	0.05	0.14	0.04	0.30	

Note : The above figures for the Year ended 31st March 2020 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	
	31.03.2020 Rs. '000'	31.03.2019 Rs. '000'	31.03.2020 Rs. '000'	31.03.2019 Rs. '000'
As at				
ASSETS				
Non Current Assets				
Property, plant & equipment	7,525,581	6,300,285	7,525,581	6,300,285
Intangible assets	21,410	26,198	21,410	26,198
Investment in subsidiary	-	-	352,843	352,843
Investment in joint venture	201,464	301,540	-	-
Investment in equity securities	525,000	600,000	525,000	600,000
	8,273,455	7,228,023	8,424,834	7,279,326
Current Assets				
Inventories	37,760	39,538	37,760	39,538
Trade and other receivables	83,239	132,595	83,239	132,595
Amounts due from related party	906,255	901,662	906,255	901,662
Cash and cash equivalents	136,267	11,795	136,162	11,754
	1,163,522	1,085,590	1,163,416	1,085,549
TOTAL ASSETS	9,436,977	8,313,613	9,588,250	8,364,875
EQUITY AND LIABILITIES				
Equity				
Stated capital	16,750	16,750	16,750	16,750
Reserves	7,100,565	5,882,780	6,992,493	5,774,708
Retained earnings	769,332	1,054,452	1,029,146	1,214,025
Total Equity	7,886,647	6,953,982	8,038,389	7,005,483
Non-Current Liabilities				
Interest bearing borrowings	567,972	525,300	567,972	525,300
Retirement benefit obligations	4,281	4,920	4,281	4,920
Deferred taxation	739,279	565,751	739,279	565,751
	1,311,532	1,095,971	1,311,532	1,095,971
Current Liabilities				
Interest bearing borrowings	75,770	-	75,770	-
Trade and other payables	110,141	108,309	109,933	108,171
Amounts due to related companies	18,932	10,947	18,672	10,847
Contract liabilities	9,521	15,870	9,521	15,870
Income tax payable	8,439	8,644	8,439	8,643
Bank overdrafts	15,995	119,890	15,995	119,890
	238,798	263,660	238,330	263,421
TOTAL EQUITY AND LIABILITIES	9,436,977	8,313,613	9,588,250	8,364,875
Net Assets per Share (Rs.)	13.7	12.0	13.9	12.1

Note : The above figures for the Year ended 31st March 2020 and comparatives 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

Year ended 31st March 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 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 01st 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, net of tax	-	-	-	(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	-	-	-	125,519	125,519
Transfers to retained earnings	-	-	(30,955)	30,955	-
Dividends-(15% Cumulative preference shares)	-	-	-	(38)	(38)
Dividends paid	-	-	-	(57,750)	(57,750)
Balance as at 31st March 2019	16,750	-	5,882,780	1,054,452	6,953,982
Net Profit / (Loss) for the year	-	-	-	(76,236)	(76,236)
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	(253,084)	932,703
Transfers to retained earnings	-	-	31,998	(31,998)	-
Dividends-(15% Cumulative preference shares)	-	-	-	(38)	(38)
Balance as at 31st March 2020	16,750	(75,000)	7,175,565	769,332	7,886,647

Company

	Stated Capital Rs. '000'	FVOCI Reserve 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
Net 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	-	-	-	175,481	175,481
Dividends-(15% Cumulative preference shares)	-	-	-	(38)	(38)
Dividends to equity holders - First and final 2017/2018	-	-	-	(57,750)	(57,750)
Transfers to retained earnings	-	-	(30,955)	30,955	-
Balance as at 31st 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	-	-	31,998	(31,998)	-
Dividends-(15% Cumulative preference shares)	-	-	-	(38)	(38)
Balance as at 31st March 2020	16,750	(75,000)	7,067,493	1,029,146	8,038,389

Note : The above figures for the year ended 31st March 2020 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

Year ended 31st March 2019

Group

	Stated Capital Rs. '000'	Revaluation Reserves Rs. '000'	Retained Earnings Rs. '000'	Total Equity Rs. '000'
Balance as at 01st April 2017	16,750	6,298,512	764,981	7,080,243
Net profit for the year	-	-	224,220	224,220
Income tax effect on revaluation of land	-	(373,281)	-	(373,281)
Share of other comprehensive income attributable to joint venture, net of tax	-	17,699	-	17,699
Total other comprehensive income for the year, net of tax	-	-	(164)	(164)
Total Comprehensive Income	-	(355,582)	224,056	(131,526)
Transfers to retained earnings	-	(29,195)	29,195	-
Dividends (15% Cumulative preference shares)	-	-	(38)	(38)
Dividends paid	-	-	(57,750)	(57,750)
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

Company

	Stated Capital Rs. '000'	Revaluation Reserves Rs. '000'	Retained Earnings Rs. '000'	Total Equity Rs. '000'
Balance as at 01st April 2017	16,750	6,208,139	903,991	7,128,880
Net profit for the year	-	-	194,822	194,822
Income tax effect on revaluation of land	-	(373,281)	-	(373,281)
Total other comprehensive income for the year, net of tax	-	-	(164)	(164)
Total Comprehensive Income	-	(373,281)	194,658	(178,623)
Dividends (15% Cumulative preference shares)	-	-	(38)	(38)
Transfer to retained earnings	-	(29,195)	29,195	-
Dividends paid (2016/2017)	-	-	(57,750)	(57,750)
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 2019	16,750	5,774,708	1,214,025	7,005,483

Note : The above figures for the year ended 31st March 2020 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 CASH FLOWS

For the Year ended 31st March

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

Provision/(reversal) for bad and doubtful debts

Provision/(reversal) for related party balances

Amortization of intangible assets

Loss on disposal of property, plant and equipment

Provision for retirement benefit plans - gratuity

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

Acquisition of intangible assets

(Increase)/decrease in interest bearing loans due from related parties

Proceeds from disposal of property, plant and equipment

Cash generated from/(used in) investing activities

Cash flows from/ (used in) financing activities

Dividend paid

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 year

Net Cash & cash equivalents as at 31st March

Analysis of net Cash & cash equivalents as at 31st March

Cash & cash equivalents

Bank Overdrafts

Net Cash & cash equivalents as at 31st March

	Group		Company	
	2020 Rs.'000'	2019 Rs.'000'	2020 Rs.'000'	2019 Rs.'000'
Profit before tax	(67,822)	156,898	32,260	206,716
Adjustments for:				
Finance income	(79,007)	(73,398)	(79,007)	(73,398)
Finance expenses	79,673	91,284	79,673	91,284
Share of results of equity accounted investee	99,917	49,672	-	-
Depreciation of property, plant and equipment	62,489	61,977	62,489	61,977
Provision/(reversal) for bad and doubtful debts	-	100	-	100
Provision/(reversal) for related party balances	-	7,229	-	7,229
Amortization of intangible assets	4,788	4,501	4,788	4,501
Loss on disposal of property, plant and equipment	-	77	-	77
Provision for retirement benefit plans - gratuity	1,080	1,263	1,080	1,263
Operating profit before working capital changes	101,119	299,601	101,283	299,747
(Increase)/decrease in inventories	1,778	(4,057)	1,778	(4,057)
(Increase)/decrease in trade and other receivables	49,355	(19,318)	49,355	(19,318)
(Increase)/decrease in amount due from related parties	(4,593)	(3,708)	(4,593)	(3,708)
Increase/(decrease) in trade and other payables	(7,486)	7,591	(7,555)	7,540
Increase/(decrease) in amount due to related parties	7,984	(660)	7,824	(760)
Cash generated from/ (used in) operations	148,157	279,447	148,093	279,442
Finance expenses paid	(76,741)	(91,284)	(76,741)	(91,284)
Income tax paid	(11,622)	(39,884)	(11,622)	(39,884)
Gratuity paid	(1,877)	(1,457)	(1,877)	(1,457)
Cash generated from/(used in) operating activities	57,917	146,823	57,853	146,817
Cash flows from investing activities				
Interest received	79,007	73,398	79,007	73,398
Purchase and construction of property, plant and equipment	(26,999)	(13,564)	(26,999)	(13,564)
Acquisition of intangible assets	-	(1,355)	-	(1,355)
(Increase)/decrease in interest bearing loans due from related parties	-	(78,730)	-	(78,730)
Proceeds from disposal of property, plant and equipment	-	62	-	62
Cash generated from/(used in) investing activities	52,008	(20,188)	52,008	(20,188)
Cash flows from/ (used in) financing activities				
Dividend paid	-	(57,788)	-	(57,788)
Increase / (Repayment) in Interest bearing borrowings	118,441	(74,700)	118,441	(74,700)
Net cash flow from / (used in) financing activities	118,441	(132,488)	118,441	(132,488)
Net Increase/(Decrease) in Cash and cash equivalents	228,367	(5,853)	228,303	(5,858)
Cash and cash equivalents at the beginning of the year	(108,095)	(102,242)	(108,136)	(102,278)
Net Cash & cash equivalents as at 31st March	120,272	(108,095)	120,167	(108,136)
Analysis of net Cash & cash equivalents as at 31st March				
Cash & cash equivalents	136,267	11,795	136,162	11,754
Bank Overdrafts	(15,995)	(119,890)	(15,995)	(119,890)
Net Cash & cash equivalents as at 31st March	120,272	(108,095)	120,167	(108,136)

Note : The above figures for the year ended 31st March 2020 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 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 2019.

02) Interim Condensed Financial Statements

The financial statements for the period ended 31st March 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, 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 Lessee) as at 31st March 2020.

04) Impact due to the COVID – 19

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

Considering the global economic impact of the virus and its effect on the Group, adjustments have been made to certain reported balances as at 31st March 2020. The Group is closely monitoring the liquidity position of the company and its subsidiary and is availing itself of the concessions granted by lending institutions, while servicing other existing debt requirements and managing the working capital.

The Group has considered the "Guidance Notes on Accounting Considerations of the COVID 19 Outbreak (updated on 11th May 2020)" and "Frequently Asked Questions (FAQs) on Guidance Notes on Accounting Considerations of the COVID 19 Outbreak (updated on 11th May 2020)" issued by CA Sri Lanka, when preparing these financial statements.

05) Going concern

In preparing these financial statements, based on available information, the management has assessed the existing and anticipated effects of COVID-19 on the Group Companies and the appropriateness of the use of the going concern basis. In March 2020, The Company's businesses have been stress tested under multiple scenarios to determine their ability to sustain with available cash resources and banking facilities. In addition, multiple cost saving initiatives have been undertaken at each of the hotels and we have frozen all non-essential expenditure and have introduced stringent expense control measures.

Having presented the outlook to the Board of the Kandy Hotels Company (1938) PLC, the Directors are satisfied that the Company, its subsidiary, have adequate resources to continue in operational existence for the foreseeable future, to justify adopting the going concern basis in preparing these financial statements.

Revaluation of Non Financial Assets

Freehold land and Buildings of Group were revalued by Mr S Sivakantha (FIV), Chartered Valuer considering the existitn use as the highest and best use of properties. Effective date of the valuation of the company and subsidiary were 31 March 2020. Surplu arised from the revaluation has adjusted in the revaluation reserve.

The outbreak of Covid-19, declared by the World Health Organisation as a Global pandemic on 11 Marh 2020, has impacted both local and global markets. As of 31 March 2020, the pandemic condition continues to evolve and hence is considered too premature to reasonably assess and estimate its impact on the parket price.

Therefore, the valuer has determined that the value of land and building reflected as at 31 March 2020 represents teh best estimate of fair value.

As at 31 March 2020	Date of valuation	Level 01	Level 02	Level 03	Total
Assets measured at fair value :					
Non financial assets					
Property, plant and equipment					
- Freehold land	31 st March 2020	-	-	5,590,080,000	5,590,080,000
- Freehold building	31 st March 2020	-	-	1,716,452,319	1,716,452,319
				7,306,532,319	7,306,532,319

The outbreak of COVID 19, declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted both local and global markets.

Consequently, as at the reporting date, the value reflected represents the best estimate based on the market conditions that prevailed, which in their considered opinion, meets the requirements in SLFRS-13 Fair Value Measurement.

06) Revenue

The group has recorded a drop in revenue of 42% during the year ended 31st March 2020. The decline is due to the challenging industry conditions faced in the aftermath of the Easter Attacks in April 2019.

07) 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 March 2020.

08) 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.

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

09) 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 31st March 2019 for unquoted equity investment classified as Level 3 within the fair value hierarchy according to fair valuation methodology. Unquoted equity shares of the United Hotels Company (Pvt) Ltd has been valued based on the following data, method and assumptions.

Effective date of valuation :	31/03/2020
Method :	Combined approach of Discounted Cash flow basis, Adjusted net assets basis and Some of Level 03 (using significant unobservable inputs)
Level of Fair value measurement :	i. Discount rate of 13% using WACC
Significant unobservable inputs :	ii. Terminal growth rate of 3%
	iii. Average room rates forecasted to decline by 6% in the year 2021 and to increase by 26% to 6% thereafter.

Significant increases (decreases) in these assumptions in isolation would result in a significantly higher (lower) fair value on a linear basis.

10) 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 of Sri Lanka to the Tourism industry, in the aftermath of the Easter attack in April 2019.

Accordingly there were no capital repayment due within the 12 months period from April 2019 to March 2020 and interest expense of Rs. 61.6 Mn has been accrued during the period ending March 2020.

11) 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.

Year ended 31st March		Company	
In LKR '000	Note	2020	2019
Transactions with Parent Company			
Ceylon Hotels Corporation PLC			
Expenses paid by CHC on behalf of company	A	871	1,249
Interest Charged by company	C	79,021	72,831
Settlement of Expenses paid by CHC on behalf of company		86,317	1,125
Temporary advance to CHC	B	11,719	9,229
Transactions with companies under common control & Joint venture of parent			
United Hotels Company Ltd (UHCL)			
Expenses paid by UHCL on behalf of company	A	1,001	3,958
Reimbursement of expenses paid by UHCL		4,310	2,764

Non recurrent Related Party Transactions

There are no non-recurrent related party transactions for the year ended 31st March 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		

12) 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.

13) 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 31st March 2020 - 159,528,816 (27.62%)
2. Number of Public shareholders as at 31st March 2020 - 1,981.
3. Directors shareholding as at 31st March 2020

Directors Shareholdings		31-Mar-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 31st March 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	1,687,435	0.29
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	552,917,520	95.74
	Balance held by others	24,582,480	4.26
	Total number of shares	577,500,000	100.00

5. Market price per share for the quarter ended 31st March 2020.

	2020 (Rs.)	2019 (Rs.)
Highest Market Price	5.70	5.20
Lowest Market Price	4.10	4.40
Last Traded Price	4.30	4.50

6. The float adjusted market capitalisation as at 31st March 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.