

**Interim Financial Statement
Three Months Ended 30th June 2016**

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
08, Tickell Road, Colombo 08.

Auditors

Ernst & Young
Chartered Accountants
201, De Saram Place, Colombo 10

Registered Office

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

Hotel Reservations

Ceylon Hotels Corporation PLC
Regency Wing - Galle Face Hotel
02, Galle Road, Colombo 3
Tel: 011 5585858 Fax : 011 5345882
Email : sales@ceylonhotels.net
Website : www.ceylonhotels.lk

The Kandy Hotels Company (1938) PLC

INCOME STATEMENT

| | Group | | | | Company | | | | Variance Group % |
|--|------------------------------|-------------------|------------------------------|-------------------|------------------------------|-------------------|------------------------------|-------------------|------------------------|
| | Three Months Ended 30th June | | Three Months Ended 30th June | | Three Months Ended 30th June | | Three Months Ended 30th June | | |
| | 2016 Rs. '000' | 2015 Rs. '000' | 2016 Rs. '000' | 2015 Rs. '000' | 2016 Rs. '000' | 2015 Rs. '000' | 2016 Rs. '000' | 2015 Rs. '000' | |
| Revenue | 123,959 | 109,354 | 123,959 | 109,354 | 123,959 | 109,354 | 123,959 | 109,354 | 13 |
| Cost of Sales | (47,995) | (41,008) | (47,995) | (41,008) | (47,995) | (41,008) | (47,995) | (41,008) | (17) |
| Gross Profit | 75,964 | 68,346 | 75,964 | 68,346 | 75,964 | 68,346 | 75,964 | 68,346 | 11 |
| Other Operating Income | 90 | 111 | 90 | 111 | 90 | 111 | 90 | 111 | (19) |
| Administrative Expenses | (48,041) | (52,902) | (48,041) | (52,902) | (48,041) | (52,900) | (48,041) | (52,900) | 9 |
| Selling & Distribution Expenses | (5,412) | (5,112) | (5,412) | (5,112) | (5,412) | (5,112) | (5,412) | (5,112) | (6) |
| Results from Operating Activities | 22,601 | 10,444 | 22,601 | 10,444 | 22,601 | 10,446 | 22,601 | 10,446 | 116 |
| Finance Expenses | - | - | - | - | - | - | - | - | - |
| Finance Income | 8,586 | 5,215 | 8,586 | 5,215 | 8,586 | 5,215 | 8,586 | 5,215 | 65 |
| Net Finance Cost | 8,586 | 5,215 | 8,586 | 5,215 | 8,586 | 5,215 | 8,586 | 5,215 | 65 |
| Share of Profit of Joint Venture | (11,665) | (13,066) | (11,665) | (13,066) | - | - | - | - | 11 |
| Profit before Tax | 19,522 | 2,594 | 19,522 | 2,594 | 31,187 | 15,661 | 31,187 | 15,661 | 653 |
| Income Tax Expenses | (7,879) | (1,023) | (7,879) | (1,023) | (7,879) | (1,023) | (7,879) | (1,023) | (670) |
| Profit for the Year | 11,643 | 1,570 | 11,643 | 1,570 | 23,308 | 14,638 | 23,308 | 14,638 | 641 |
| Attributable to: | | | | | | | | | |
| Equity Holders of the Parent | - | - | - | - | - | - | - | - | - |
| Non Controlling Interest | 11,643 | 1,570 | 11,643 | 1,570 | 23,308 | 14,638 | 23,308 | 14,638 | 641 |
| Basic Earnings per Share (Rs) | 0.02 | 0.00 | 0.02 | 0.00 | 0.04 | 0.03 | 0.04 | 0.03 | 641 |
| Dividend per Share (Rs) | - | - | - | - | - | - | - | - | - |

Note : The above figures for the Three Months ended 30th June 2016 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 COMPREHENSIVE INCOME

| | Group | | | | Company | | | |
|--|---------------------------------|---------------------|---------------------------------|---------------------|---------------------------------|---------------------|---------------------------------|---------------------|
| | Three Months Ended 30th June | | Three Months Ended 30th June | | Three Months Ended 30th June | | Three Months Ended 30th June | |
| | 2016 (Rs. '000') | 2015 (Rs. '000') | 2016 (Rs. '000') | 2015 (Rs. '000') | 2016 (Rs. '000') | 2015 (Rs. '000') | 2016 (Rs. '000') | 2015 (Rs. '000') |
| Profit for the period | 11,643 | 1,570 | 11,643 | 1,570 | 23,308 | 14,638 | 23,308 | 14,638 |
| Other Comprehensive Income | | | | | | | | |
| Effect of Revaluation of property, plant and equipment | - | - | - | - | - | - | - | - |
| Actuarial gains and losses on defined benefit plans | - | - | - | - | - | - | - | - |
| Income tax on other comprehensive income | - | - | - | - | - | - | - | - |
| Deferred tax on revaluation surplus | - | - | - | - | - | - | - | - |
| Total Other Comprehensive Income for the year, net of tax | - | - | - | - | - | - | - | - |
| Total Comprehensive Income for the year, net of tax | 11,643 | 1,570 | 11,643 | 1,570 | 23,308 | 14,638 | 23,308 | 14,638 |
| Attributable to: | | | | | | | | |
| Equity Holders of the Parent | 11,643 | 1,570 | 11,643 | 1,570 | 23,308 | 14,638 | 23,308 | 14,638 |

The Kandy Hotels Company (1938) PLC

BALANCE SHEET

As at 30th June

| | Group | | | Company | | |
|-------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 30.06.2016 Rs. '000' | 30.06.2015 Rs. '000' | 31.03.2016 Rs. '000' | 30.06.2016 Rs. '000' | 30.06.2015 Rs. '000' | 31.03.2016 Rs. '000' |
| ASSETS | | | | | | |
| Non Current Assets | | | | | | |
| Property, Plant & Equipment | 5,730,125 | 5,784,449 | 5,743,337 | 5,730,125 | 5,784,449 | 5,743,337 |
| Intangible Assets | 624 | 1,330 | 760 | 624 | 1,330 | 760 |
| Investment in Subsidiary | (0) | (0) | - | 345,218 | 345,218 | 345,218 |
| Investment in Joint Venture | 294,067 | 295,329 | 305,733 | - | - | - |
| | 6,024,816 | 6,081,107 | 6,049,830 | 6,075,967 | 6,130,997 | 6,089,315 |
| Current Assets | | | | | | |
| Inventories | 30,242 | 27,838 | 29,188 | 30,242 | 27,838 | 29,188 |
| Trade and Other Receivables | 38,675 | 35,114 | 96,014 | 38,675 | 35,114 | 96,014 |
| Amounts Due from Related Party | 506,430 | 307,620 | 404,335 | 514,056 | 315,246 | 419,334 |
| Cash and Cash Equivalents | 12,816 | 42,038 | 10,396 | 12,593 | 41,673 | 10,172 |
| | 588,164 | 412,610 | 539,933 | 595,566 | 419,871 | 554,707 |
| TOTAL ASSETS | 6,612,980 | 6,493,717 | 6,589,763 | 6,671,533 | 6,550,868 | 6,644,022 |
| EQUITY AND LIABILITIES | | | | | | |
| Capital and Reserves | | | | | | |
| Stated Capital | 16,750 | 16,750 | 16,750 | 16,750 | 16,750 | 16,750 |
| Reserves | 5,591,197 | 5,532,644 | 5,599,152 | 5,500,824 | 5,532,644 | 5,508,779 |
| Retained Earnings | 650,436 | 600,288 | 630,838 | 799,437 | 657,514 | 768,174 |
| Total Equity | 6,258,383 | 6,149,682 | 6,246,740 | 6,317,011 | 6,206,907 | 6,293,702 |
| Non Current Liabilities | | | | | | |
| Retirement Benefit Obligations | 4,802 | 4,498 | 4,402 | 4,802 | 4,498 | 4,402 |
| Deferred Taxation | 241,465 | 247,049 | 239,656 | 241,465 | 247,049 | 239,656 |
| | 246,267 | 251,547 | 244,057 | 246,267 | 251,547 | 244,057 |
| Current Liabilities | | | | | | |
| Trade and Other Payables | 77,516 | 72,942 | 79,280 | 77,441 | 72,867 | 79,205 |
| Amounts Due to Related Companies | 7,774 | 7,830 | 368 | 7,774 | 7,831 | 7,740 |
| Income Tax Payable | 13,294 | 6,732 | 14,883 | 13,294 | 6,732 | 14,883 |
| Bank Overdraft | 9,746 | 4,984 | 4,433 | 9,746 | 4,984 | 4,433 |
| | 108,331 | 92,488 | 98,965 | 108,256 | 92,414 | 106,262 |
| TOTAL EQUITY AND LIABILITIES | 6,612,980 | 6,493,717 | 6,589,763 | 6,671,533 | 6,550,868 | 6,644,022 |
| Net Assets per Share (Rs) | 10.84 | 10.65 | 10.82 | 10.94 | 10.75 | 10.90 |

The above figures for the Three Months ended 30th June 2016 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.

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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,

Lakshman Samarasinghe
Director

Priyantha Maddumage
Director

Kandy 02nd August 2016

The Kandy Hotels Company (1938) PLC

STATEMENT OF CHANGES IN EQUITY

| Group | Stated Capital Rs. '000' | Revaluation Reserves Rs. '000' | Other 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 |
| Other Comprehensive Income | - | 90,373 | - | (119) | 90,254 |
| Total Comprehensive Income | - | 90,373 | - | 123,794 | 214,167 |
| Dividends paid (2014 & 2015) | - | - | - | (115,500) | (115,500) |
| Dividends (15% Cumulative preference shares) | - | - | - | (38) | (38) |
| Transfer to Retained Earnings | - | (31,820) | - | 31,820 | - |
| Balance as at 31st March 2016 | 16,750 | 5,599,152 | - | 630,838 | 6,246,740 |
| Profit for the period | - | - | - | 11,643 | 11,643 |
| Other Comprehensive Income | - | - | - | - | - |
| Total Comprehensive Income | - | - | - | 11,643 | 11,643 |
| Dividends paid (2015 & 2016) | - | - | - | - | - |
| Dividends (15% Cumulative preference shares) | - | - | - | - | - |
| Transfer to Retained Earnings | - | (7,955) | - | 7,955 | - |
| Balance as at 30th June 2016 | 16,750 | 5,591,197 | - | 650,436 | 6,258,383 |

STATEMENT OF CHANGES IN EQUITY

| Company | Stated Capital Rs. '000' | Revaluation Reserves Rs. '000' | Other Reserves Rs. '000' | Retained Earnings Rs. '000' | Total Equity Rs. '000' |
|--|--------------------------------|--------------------------------------|--------------------------------|-----------------------------------|------------------------------|
| Balance as at 01 April 2015 | 16,750 | 5,540,598 | - | 634,921 | 6,192,269 |
| Profit for the period | - | - | - | 217,090 | 217,090 |
| Other Comprehensive Income | - | - | - | (119) | (119) |
| Total Comprehensive Income | - | - | - | 216,971 | 216,971 |
| Dividends (15% Cumulative preference shares) | - | - | - | (38) | (38) |
| Transfer to Retained Earnings | - | (31,820) | - | 31,820 | - |
| Dividends paid (2014 & 2015) | - | - | - | (115,500) | (115,500) |
| Balance as at 31st March 2016 | 16,750 | 5,508,779 | - | 768,174 | 6,293,702 |
| Profit for the period | - | - | - | 23,308 | 23,308 |
| Other Comprehensive Income | - | - | - | - | - |
| Total Comprehensive Income | - | - | - | 23,308 | 23,308 |
| Dividends (15% Cumulative preference shares) | - | - | - | - | - |
| Transfer to Retained Earnings | - | (7,955) | - | 7,955 | - |
| Dividends paid (2015 & 2016) | - | - | - | - | - |
| Balance as at 30th June 2016 | 16,750 | 5,500,824 | - | 799,437 | 6,317,011 |

Note : The above figures for the Three Months ended 30th June 2016 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' | Other Reserves Rs. '000' | Retained Earnings Rs. '000' | Total Equity Rs. '000' |
|--|-----------------------------|-----------------------------------|-----------------------------|--------------------------------|---------------------------|
| Balance as at 01st March 2014 | 16,750 | 5,575,666 | 3,840 | 514,079 | 6,110,336 |
| Profit for the period | - | - | - | 153,449 | 153,449 |
| Other Comprehensive Income | - | - | - | (136) | (136) |
| Total Comprehensive Income | - | - | - | 153,313 | 153,313 |
| Transfers to Retained Earnings | - | (31,820) | (3,840) | 35,660 | - |
| Realization of revaluation reserve | - | (3,248) | - | 3,248 | - |
| Dividends-(15% Cumulative preference shares) | - | - | - | (38) | (38) |
| Dividends paid (2013 & 2014) | - | - | - | (115,500) | (115,500) |
| Balance as at 31st March 2015 | 16,750 | 5,540,598 | - | 590,763 | 6,148,111 |
| Profit for the period | - | - | - | 1,570 | 1,570 |
| Other Comprehensive Income | - | - | - | - | - |
| Total Comprehensive Income | - | - | - | 1,570 | 1,570 |
| Transfers to Retained Earnings | - | (7,955) | - | 7,955 | - |
| Dividends-(15% Cumulative preference shares) | - | - | - | - | - |
| Dividends paid (2014 & 2015) | - | - | - | - | - |
| Balance as at 30th June 2015 | 16,750 | 5,532,644 | - | 600,288 | 6,149,682 |

STATEMENT OF CHANGES IN EQUITY

| Company | Stated Capital Rs. '000' | Revaluation Reserves Rs. '000' | Other Reserves Rs. '000' | Retained Earnings Rs. '000' | Total Equity Rs. '000' |
|--|-----------------------------|-----------------------------------|-----------------------------|--------------------------------|---------------------------|
| Balance as at 01st April 2014 | 16,750 | 5,575,666 | 3,840 | 533,984 | 6,130,240 |
| Profit for the period | - | - | - | 177,703 | 177,703 |
| Other Comprehensive Income | - | - | - | (136) | (136) |
| Total Comprehensive Income | - | - | - | 177,567 | 177,567 |
| Dividends-(15% Cumulative preference shares) | - | - | - | (38) | (38) |
| Dividends Paid (2013 & 2014) | - | - | - | (115,500) | (115,500) |
| Realization of revaluation reserve | - | (3,248) | - | 3,248 | - |
| Transfers to Retained Earnings | - | (31,820) | (3,840) | 35,660 | - |
| Balance as at 31st March 2015 | 16,750 | 5,540,598 | - | 634,921 | 6,192,269 |
| Profit for the period | - | - | - | 14,638 | 14,638 |
| Other Comprehensive Income | - | - | - | - | - |
| Total Comprehensive Income | - | - | - | 14,638 | 14,638 |
| Dividends-(15% Cumulative preference shares) | - | - | - | - | - |
| Dividends Paid (2014 & 2015) | - | - | - | - | - |
| Transfers to Retained Earnings | - | (7,955) | - | 7,955 | - |
| Balance as at 30th June 2015 | 16,750 | 5,532,644 | - | 657,514 | 6,206,907 |

The Kandy Hotels Company (1938) PLC

CASH FLOW STATEMENT

For the Three Months ended 30th June

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 trade and other creditors

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

Net cash flow from/(used in) investing activities

Cash flows from/ (used in) financing activities

Dividend paid

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 | |
|---|------------------|------------------|------------------|------------------|
| | 2016 Rs.'000' | 2015 Rs.'000' | 2016 Rs.'000' | 2015 Rs.'000' |
| Profit before tax | 19,522 | 2,594 | 31,187 | 15,661 |
| Adjustments for: | | | | |
| Finance Income | (8,586) | (5,215) | (8,586) | (5,215) |
| Finance expenses | - | - | - | - |
| Share of results of equity accounted investee | 11,665 | 13,066 | - | - |
| Depreciation of property, plant and equipment | 16,065 | 18,705 | 16,065 | 18,705 |
| Amortisation of intangible assets | 191 | 190 | 191 | 190 |
| Gratuity provision and related costs | 560 | 561 | 560 | 561 |
| Operating profit before working capital changes | 39,416 | 29,900 | 39,416 | 29,901 |
| (Increase)/decrease in inventories | (1,054) | (2,143) | (1,054) | (2,143) |
| (Increase)/decrease in trade and other receivables | (44,756) | (21,085) | (37,384) | (21,084) |
| Increase/(decrease) in trade and other creditors | 5,642 | 4,186 | (1,731) | 4,233 |
| Cash generated from/ (used in) operations | (753) | 10,858 | (753) | 10,907 |
| Finance expenses paid | - | - | - | - |
| Income tax paid | (7,658) | (6,825) | (7,658) | (6,825) |
| Gratuity paid | (160) | (215) | (160) | (215) |
| Net cash flow from/(used in) operating activities | (8,570) | 3,818 | (8,570) | 3,867 |
| Cash flows from/ (used in) investing activities | | | | |
| Interest received | 8,586 | 5,215 | 8,586 | 5,215 |
| Purchase and construction of property, plant and equipment | (2,908) | (2,268) | (2,908) | (2,268) |
| Net cash flow from/(used in) investing activities | 5,678 | 2,947 | 5,678 | 2,948 |
| Cash flows from/ (used in) financing activities | | | | |
| Dividend paid | - | - | - | - |
| Net cash flow from /(used in) financing activities | - | - | - | - |
| Net Increase/(Decrease) in Cash and Cash Equivalents | (2,892) | 6,766 | (2,892) | 6,815 |
| Cash and Cash Equivalents at the Beginning of the Period | 5,962 | 30,287 | 5,738 | 29,874 |
| Cash and Cash Equivalents at the End of the Period | 3,070 | 37,053 | 2,846 | 36,689 |

Note : The above figures for the Three Months ended 30th June 2016 are provisional and subject to Audit.

Figures in brackets indicate deductions.

All values are in Rupees Thousands unless otherwise stated.

NOTES :

- 1) Market Price per Share for the quarter ended 30th June 2016

| | 2016 (Rs.) | 2015 (Rs.) |
|----------------------|-----------------------|-----------------------|
| Highest Market Price | 7.80 | 9.20 |
| Lowest Market Price | 6.00 | 7.60 |
| Last Traded Price | 7.00 | 8.20 |

- 2) The Number of Shares representing the Stated Capital 577,500,000 Ordinary Shares and 50,000 fully paid Preference Shares @ 15%
- 3) The Financial Statements of the Company and those consolidated with such for the interim period have been prepared using same accounting policies and methods of computations as in the most recent audited financial statements and are in compliance with LKAS 34- Interim Financial Reporting.
- 4) 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 2015.
- 5) There were no material events taken place after the Balance Sheet date which would require adjustments or disclosure in the Interim Financial Statement.
- 6) 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

SHARE INFORMATION

1. The Public Holdings as at 30th June 2016 - 9.05%
2. Number of Public Shareholders as at 30th June 2016 - 1,678
3. Directors Share Holding as at 30th June 2016

| Directors Share Holdings | 30th June 2016 | |
|--------------------------|----------------|----------|
| | 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 30th June 2016

| | Name | No. of shares | % |
|----|---|--------------------|---------------|
| 1 | Ceylon Hotels Corporation PLC | 441,992,250 | 76.54 |
| 2 | Ceylon Hotels Holdings (Pvt) Ltd | 56,485,454 | 9.78 |
| 3 | Hotel International Ltd | 17,866,628 | 3.09 |
| 4 | Cyril Gardiner Ltd | 8,120,000 | 1.41 |
| 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 | Hans Anton Van Starrex | 1,934,947 | 0.34 |
| 8 | Mrs. Lilamanie Rathwatthe | 1,853,000 | 0.32 |
| 9 | Mrs. M.F. Gunasekera | 1,750,000 | 0.30 |
| 10 | P.V. Gunasekera | 1,750,000 | 0.30 |
| 11 | Ms. Helene Sauties | 1,496,250 | 0.26 |
| 12 | Edonard -Dec D -Laravoire | 1,496,250 | 0.26 |
| 13 | John Paul Sauties | 1,496,250 | 0.26 |
| 14 | Ms. Martha Chevallaz | 1,496,250 | 0.26 |
| 15 | Jeane Laravoire | 1,496,250 | 0.26 |
| 16 | Paul Chevallaz | 1,496,250 | 0.26 |
| 17 | Albert Chevallaz | 1,496,250 | 0.26 |
| 18 | Mrs. Areenie Upendra Ratwatte Pethiyagoda | 1,491,750 | 0.26 |
| 19 | Francis David Micheal Badcock | 1,034,250 | 0.18 |
| 20 | John Felix Charles Badcock | 1,034,250 | 0.18 |
| | Sub Total | 552,119,529 | 95.61 |
| | Balance held by Others | 25,380,471 | 4.39 |
| | Total number of Shares | 577,500,000 | 100.00 |