

**Interim Condensed Financial Statements
Six Months ended 30th September 2022**

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
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. 839/2, Peradeniya Road, Kandy

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 (YTD)
	Three Months Ended 30 th September		Six Months Ended 30 th September		Three Months Ended 30 th September		Six Months Ended 30 th September		
	2022 Rs. '000'	2021 Rs. '000'	2022 Rs. '000'	2021 Rs. '000'	2022 Rs. '000'	2021 Rs. '000'	2022 Rs. '000'	2021 Rs. '000'	
Revenue	85,343	21,270	146,649	50,405	85,343	21,270	146,649	50,405	191
Cost of sales	(33,952)	(11,802)	(60,236)	(18,633)	(33,952)	(11,802)	(60,236)	(18,633)	223
Gross profit	51,390	9,468	86,413	31,773	51,390	9,468	86,413	31,773	172
Administrative expenses	(52,850)	(39,228)	(109,027)	(82,310)	(52,792)	(39,228)	(108,894)	(82,180)	32
Selling & distribution expenses	(2,859)	(544)	(5,698)	(1,059)	(2,859)	(544)	(5,698)	(1,059)	438
Results from operating activities	(4,319)	(30,304)	(28,313)	(51,597)	(4,261)	(30,304)	(28,179)	(51,467)	(45)
Finance expenses	(28,991)	(12,600)	(53,722)	(25,879)	(28,991)	(12,600)	(53,722)	(25,879)	108
Finance income	38,835	20,276	66,073	38,361	38,835	20,276	66,073	38,361	72
Net finance income/(cost)	9,844	7,676	12,351	12,482	9,844	7,676	12,351	12,482	(1)
Share of loss of Joint venture	(4,899)	(32,254)	(4,899)	(50,055)	-	-	-	-	(90)
Profit/(Loss) before taxation	627	(54,882)	(20,860)	(89,170)	5,583	(22,628)	(15,828)	(38,985)	(77)
Income tax	2,025	(12,426)	(4,512)	(9,207)	2,024	(12,426)	(4,512)	(9,207)	51
Profit/(Loss) for the period	2,651	(67,308)	(25,371)	(98,377)	7,607	(35,054)	(20,339)	(48,192)	(74)
Other comprehensive income	-	-	-	-	-	-	-	-	
Total comprehensive income for the period, net of tax	2,651	(67,308)	(25,371)	(98,377)	7,607	(35,054)	(20,339)	(48,192)	(74)
Earning per share for the period (Rs.)	0.00	(0.12)	(0.04)	(0.17)	0.01	(0.06)	(0.04)	(0.08)	

Entire profit and total comprehensive income is attributable to equity holders of the parent

Note : The above figures for the six months ended 30th September 2022 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	
	30.09.2022 Rs. '000'	31.03.2022 Rs. '000'	30.09.2022 Rs. '000'	31.03.2022 Rs. '000'
ASSETS				
Non Current Assets				
Property, plant & equipment	8,545,112	8,572,371	8,545,112	8,572,371
Intangible assets	10,750	12,086	10,750	12,086
Investment in subsidiary	-	-	176,421	176,421
Investment in equity securities	600,000	600,000	600,000	600,000
	9,155,862	9,184,456	9,332,283	9,360,877
Current Assets				
Inventories	34,331	33,685	34,331	33,685
Trade and other receivables	33,048	30,816	33,048	30,816
Amounts due from related party	1,249,279	1,167,916	1,254,850	1,167,916
Cash and cash equivalents	2,475	21,250	2,500	21,250
	1,319,133	1,253,667	1,324,730	1,253,667
TOTAL ASSETS	10,474,995	10,438,123	10,657,013	10,614,544
EQUITY AND LIABILITIES				
Equity				
Stated capital	16,750	16,750	16,750	16,750
Reserves	7,797,450	7,834,303	7,669,383	7,706,237
Retained earnings	829,504	818,040	1,139,680	1,123,185
Total Equity	8,643,703	8,669,094	8,825,814	8,846,172
Non-Current Liabilities				
Interest bearing borrowings	640,780	527,787	640,780	527,787
Retirement benefit obligations	5,415	3,802	5,415	3,802
Deferred taxation	849,051	860,394	849,051	860,394
	1,495,246	1,391,982	1,495,246	1,391,982
Current Liabilities				
Interest bearing borrowings	145,940	258,929	145,940	258,739
Trade and other payables	97,317	82,947	97,224	82,838
Amounts due to related companies	4,606	15,487	4,606	15,130
Contract liabilities	7,656	8,401	7,656	8,401
Income tax payable	5,687	7,993	5,687	7,993
Government grants	3,289	3,289	3,289	3,289
Bank overdrafts	71,549	-	71,549	-
	336,045	377,047	335,952	376,390
TOTAL EQUITY AND LIABILITIES	10,474,995	10,438,123	10,657,013	10,614,544
Net Assets per Share (Rs.)	15.0	15.0	15.28	15.3

Note : The above figures for the six months ended 30th September 2022 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.


Nilani De Silva
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,


Sanjeev Gardiner
Chairman


Lakshman Samarasinghe
Director

14th November 2022

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

Period ended 30th September 2022

Group

	Stated Capital Rs. '000'	FVOCI Reserve Rs. '000'	Revaluation Reserves Rs. '000'	Retained Earnings Rs. '000'	Total Equity Rs. '000'
Balance as at 01st April 2021	16,750	(75,000)	6,890,579	909,470	7,741,799
Profit / (Loss) for the period	-	-	-	(98,377)	(98,377)
Total comprehensive income				(98,377)	(98,377)
Transfer to retained earnings	-	-	(30,834)	30,834	-
Dividends-(15% Cumulative preference shares)	-	-	-	(38)	(38)
Balance as at 30th September 2021	16,750	(75,000)	6,859,745	841,889	7,643,384

Balance as at 01st April 2022

	16,750	-	7,834,303	818,040	8,669,094
Profit / (Loss) for the period	-	-	-	(25,371)	(25,371)
Total comprehensive income				(25,371)	(25,371)
Transfer to retained earnings	-	-	(36,854)	36,854	-
Dividends-(15% Cumulative preference shares)	-	-	-	(19)	(19)
Balance as at 30th September 2022	16,750	-	7,797,450	829,504	8,643,703

Company

	Stated Capital Rs. '000'	FVOCI Reserve Rs. '000'	Revaluation Reserves Rs. '000'	Retained Earnings Rs. '000'	Total Equity Rs. '000'
Balance as at 01st April 2021	16,750	(75,000)	6,762,512	1,282,855	7,987,117
Loss for the period	-	-	-	(48,192)	(48,192)
Total other comprehensive income for the year net of tax	-	-	-	-	-
Total comprehensive income				(48,192)	(48,192)
Transfer to retained earnings	-	-	(30,834)	30,834	-
Dividends-(15% Cumulative preference shares)	-	-	-	(38)	(38)
Balance as at 30th September 2021	16,750	(75,000)	6,731,678	1,265,459	7,938,887

Balance as at 01st April 2022

	16,750	-	7,706,237	1,123,185	8,846,172
Loss for the period	-	-	-	(20,339)	(20,339)
Total other comprehensive income for the year net of tax	-	-	-	-	-
Total comprehensive income				(20,339)	(20,339)
Transfer to retained earnings	-	-	(36,854)	36,854	-
Dividends-(15% Cumulative preference shares)	-	-	-	(19)	(19)
Balance as at 30th September 2022	16,750	-	7,669,383	1,139,680	8,825,813

Note : The above figures for the six months ended 30th September 2022 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 six months ended 30th September

	Group		Company	
	2022 Rs.'000'	2021 Rs.'000'	2022 Rs.'000'	2021 Rs.'000'
Cash Flows from Operating Activities				
Loss before tax	(20,860)	(89,170)	(15,828)	(38,985)
Adjustments for:				
Finance income	(66,073)	(38,361)	(66,073)	(38,361)
Finance expenses	53,722	25,879	53,722	25,879
Share of results of equity accounted investee	4,899	50,055	-	-
Depreciation of property, plant and equipment	29,744	30,834	29,744	30,834
Amortization of intangible assets	2,340	2,353	2,340	2,353
Provision for retirement benefit plans - gratuity	576	902	576	902
Operating profit before working capital changes	4,348	(17,507)	4,481	(17,377)
(Increase)/decrease in inventories	(646)	320	(646)	320
(Increase)/decrease in trade and other receivables	(2,232)	(7,470)	(2,232)	(7,471)
(Increase)/decrease in amount due from related parties	(1,361)	17,968	(6,932)	17,968
Increase/(decrease) in trade and other payables	13,625	(12,849)	13,641	(12,980)
Increase/(decrease) in amount due to related parties	(10,881)	4,918	(10,524)	4,919
Cash generated from/ (used in) operations	2,853	(14,620)	(2,211)	(14,621)
Finance expenses paid	(18,324)	-	(18,324)	-
Income tax paid	(18,159)	(20,910)	(18,159)	(20,910)
Gratuity paid	1,037	(894)	1,037	(894)
Cash generated from/(used in) operating activities	(32,594)	(36,424)	(37,658)	(36,425)
Cash flows from investing activities				
Purchase and construction of property, plant and equipment	(2,485)	(1,045)	(2,485)	(1,045)
Acquisition of intangible assets	(1,005)	-	(1,005)	-
(Increase)/decrease in interest bearing loans due from related parties	(13,930)	-	(13,930)	-
Investment in joint venture	(4,899)	-	-	-
Cash generated from/(used in) investing activities	(22,318)	(1,045)	(17,420)	(1,045)
Cash flows from/ (used in) financing activities				
Loan repayment during the year	(27,198)	14,513	(27,198)	14,513
Net cash flow from /(used in) financing activities	(27,198)	14,513	(27,198)	14,513
Net Increase/(Decrease) in Cash and cash equivalents	(82,110)	(22,955)	(82,276)	(22,956)
Cash and cash equivalents at the beginning of the period	13,055	52,081	13,246	52,052
Net Cash & cash equivalents as at 30th September	(69,055)	13,856	(69,030)	13,826
Analysis of net Cash & cash equivalents as at 30th September				
Cash & cash equivalents	2,475	13,856	2,500	13,826
Bank Overdrafts	(71,549)	-	(71,549)	-
Net Cash & cash equivalents as at 30th September	(69,074)	13,856	(69,049)	13,826

Note : The above figures for the six months ended 30th September 2022 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 for the six months ended 30th September 2022 have been prepared in accordance 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 2022.

02) Interim Condensed Financial Statements

The financial statements for the period ended 30th September 2022, 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 2022.

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 September 2022.

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

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

The management is of the view that fair value as of 30th September 2022 would not significantly deviated from its' fair value as at 31st March 2022.

07) Interest bearing loans & borrowings

Company received a capital and interest moratorium (from April 2021 to June 2022) 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 pandemic. In line with the specified moratorium ending dates, Management has initiated discussions with relevant commercial banks to restructure its existing debt portfolio.

**THE KANDY HOTELS COMPANY (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 Period ended 30 th September In LKR '000	Note	Company 2022	2021
Recurrent Related Party Transactions			
Transactions with Parent Company			
Ceylon Hotels Corporation PLC			
Expenses incurred by parent on behalf of the Company	A	143	288
Interest charged by the Company on related party loans	C	38,824	38,361
Settlement of expenses paid by CHC on behalf of the Company	C	98	-
Temporary advance	B	7,443	2,410
Equity investment company			
Temporary advance	B	14,315	-
Affiliate			
Expenses incurred by affiliates on behalf of KHC	A	4,745	5,008
Reimbursement of expenses incurred by affiliates on behalf of KHC	A	5,070	8,050
Service provided GFH Mgt Co	A	1,477	-
Settlement of fees for services provided by GFH Mgt Co.	A	2,372	-
Temporary advances received (GFH Mgt.)	B	-	1,011
Management fees charged by GFG	A	2,618	-

Non recurrent Related Party Transactions

Company invested an additional amount of Rs.4.9mn in equity of Suisse Hotel Kandy (pvt) duringt the quarter.

Note :

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

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

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

Company	Party	Repayment	Interest Rate
The Kandy Hotels Company (1938) PLC	Lender	On Demand	AWPLR + 2% for the balance up to Rs 100 Mn and AWDR + 1% for the remaining
Ceylon Hotels Corporation PLC	Borrower		

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 2022.

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.

11) Comparative information

The classification of the financial statements of the previous period have been amended, where relevant for better presentation and to be compatible with those of the current year.

THE KANDY HOTELS COMPANY (1938) PLC

NOTES TO INTERIM FINANCIAL STATEMENTS

SHARE INFORMATION

- The Public holdings as at 30th Sep 2022 - 120,290,003 (20.83%)
- Number of Public shareholders as at 30th Sep 2022 - 1,967.
- Directors shareholding as at 30th Sep 2022.

Directors Shareholdings		30-Sep-22	
		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. Ranjith Gunathilleke	Nil	43,611
6	Mr. Nahil Wijesuriya	Nil	Nil
7	Mr. Chandra Mohotti	Nil	Nil
8	Mr. Nilanga Dela	Nil	Nil
9	Mr. Shalike Karunasena (Alternative Director to	Nil	Nil

- Top 20 ordinary shareholders as at 30th Sep 2022

	Name	No. of shares	%
1	Ceylon Hotels Corporation PLC	401,567,250	69.54
2	Seylan Bank Plc/Hotel International (Pvt) Ltd	36,890,938	6.39
3	Adiuvat Investment Fund	36,582,097	6.33
4	Progruss Investments Limited	32,863,522	5.69
5	Hotel International (Private) Limited	17,906,619	3.10
6	Mr. N.V.S. Saackville	4,368,000	0.76
7	Mr. P.R.F. Collas	1,965,250	0.34
8	Mr. G.C. Goonetilleke	1,924,755	0.33
9	Mrs. L. Ratwatte	1,853,000	0.32
10	Mr. PV Gunasekera	1,750,000	0.30
11	Mrs. M.F. Gunasekera	1,750,000	0.30
12	Mrs. A.U.R. Pethiyagoda	1,500,000	0.26
13	Mr. J. Laravoire	1,496,250	0.26
14	Mr. E. Laravoire	1,496,250	0.26
15	Ms. M. Chevallaz	1,496,250	0.26
16	Mr. P. Chevallaz	1,496,250	0.26
17	Mr. A. Chevallaz	1,496,250	0.26
18	Ms. H. Sauties	1,496,250	0.26
19	Mr. J.P. Sauties	1,496,250	0.26
20	Mr. J.F.C. Badcock	1,034,250	0.18
	Sub total	552,429,431	95.66
	Balance held by others	25,070,569	4.34
	Total number of shares	577,500,000	100.00

- Market price per share for the quarter ended 30th Sep 2022.

	30.09.2022	30.09.2021
	(Rs.)	(Rs.)
Highest Market Price	9.80	10.20
Lowest Market Price	5.20	4.70
Last Traded Price	8.20	8.80

- The float adjusted market capitalisation as at 30th Sep 2022 was Rs. 986,404,650/- 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.